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E-Content BCH-604 : Retailing Management

Lecture 19

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Process of merchandise planning

Step 1. Planning sales forecast

- Identifying past sales
- Reviewing the changes in the Economic conditions
- Analyzing the retail strategies of competitors

Step 2. Identifying the requirements

- The creation of the merchandise budget
- ✓ The sales plan, stock support plan, planned reductions, planned purchase levels

Step 3. Merchandise control (Open to buy)

- Limits overbuying and under buying
- Prevents loss of sale (unavailability)
- Maintains budget

Step 4. Assortment planning (Range plan, merchandise category)

- Amount available to make the purchases
- Determination of the quantity

Category management

- A category is essentially any group of similar items which the company wishes to buy under a single deal.
- The management part is about applying procurement methodologies to ensure the firm maximizes savings.
- It is also a way for companies to buy more effectively and to save significant sums of money in procurement.
- **Category captain** is the vendor who helps to develop a better understanding of shopping behavior, create assortments that satisfy consumer needs of that area, improve profitability etc

Process of merchandise procurement/ sourcing

- Identifying the sources of supply
 - Country of origin
 - Foreign currency fluctuations
 - Tariffs/ duties
 - Foreign trade zones
 - Transportation cost
- Evaluating the sources of supply
- Negotiating with the sources of supply
- Establishing vendor relations
- Analyzing vendor performance

Buying function- OTB

- OTB refers to merchandise budgeted to be purchased during a particular season for which stocks have not as yet been ordered. OTB is a planning tool for any retailer.
- In chain store the buying function may be centralized or decentralized geographically depending on the retail organization. (central buying/ merchandising plan)



Buying cycle

