



MK 322 Retail Management

Chapter 12: Managing the Merchandise Planning Process Part II

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Forecasting Category Sales



Forecasting Staple Merchandise

- Use of Historical Data- sales
- Adjustments for Controllable and Uncontrollable Factors



Forecasting Staple Merchandise

Controllable

- Opening and closing of stores
- Price set for merchandise in category
- Special promotions for category
- Pricing and promotions of complementary categories
- Placement of merchandise categories in store

Uncontrollable

- Weather
- General economic conditions
- Special Promotions
- New Product introductions by vendors,
- New product, pricing and promotion activities by competitors

Forecasting Fashion Merchandise Categories

- Challenging since need to place orders and commit to buying specific quantities between 3-6 months
- No opportunity to increase or decrease quantity ordered before selling season has ended
- Suppliers of popular merchandise usually have orders for more merchandise than they can produce and excess inventory of unpopular items
- Some or all items are new or different from the previous season

Forecasting Fashion Merchandise Categories

- Forecasting
 1. Previous Sales Data
 2. Market Research (In-depth interview or focus group)
 3. Fashion Trend Services
 4. Vendors - have proprietary information about their marketing plans, ie.new product launches, special promotions, etc.

Sales Forecasting for Service Retailers

- Perishable in nature is very challenging -events, concert
- Match supply and demand by taking reservations and bookings

le. Restaurants, reservations help in staffing



Developing an Assortment Plan



Category Variety and Assortment

- Variety or breadth- is the number of different merchandising subcategories
- Assortment or Depth – is the number of SKUs within a subcategory

24

Merchandise Offering

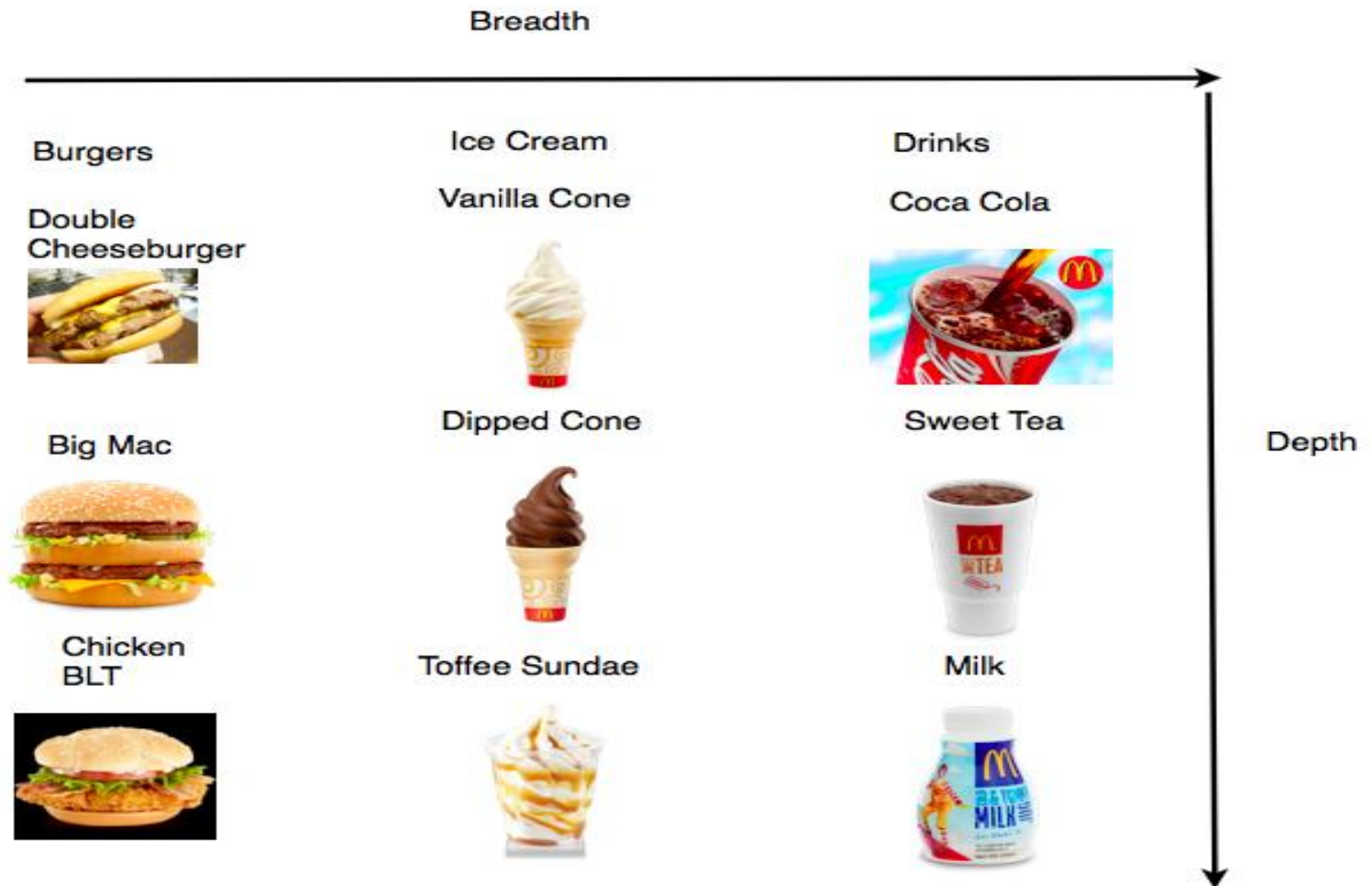
- Variety (breadth of merchandise)
The number of merchandise categories



- Assortment (depth of merchandise)
The number of items in a category (SKUs)



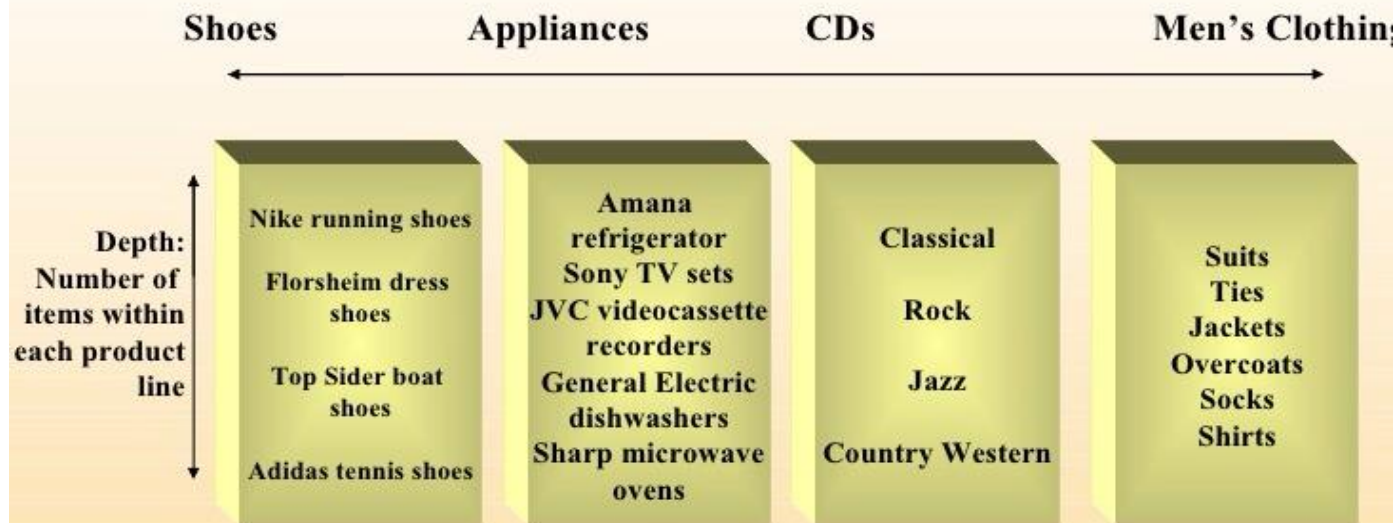
Category Variety and Assortment



Category Variety and Assortment

PP18-5 Breadth vs. Depth of Merchandise Lines

Breadth: Number of different product lines



Category Variety and Assortment

Breadth and Depth of product lines



Store Type	Length and Breadth of Product Assortment
Specialty Stores	Narrow Product Line, Deep Assortment
Department Stores	Wide Variety of Product Lines i.e. Clothing, Home Furnishings, & Household Items
Supermarkets	Wide Variety of Food, Laundry, & Household Products
Convenience Stores	Limited Line of High-Turnover Convenience Goods
Superstores	Large Assortment of Routinely Purchased Food & Nonfood Products, Plus Services
Category Killers	Giant Specialty Store that Carries a Very Deep Assortment of a Particular Line
Hypermarkets	Huge Superstores

Determining Variety and Assortment

- Editing the assortment is the process of determining the variety and assortment for a category



Determining Variety and Assortment

Assortment Plan for Girls' Jeans EXHIBIT 12-4

Styles	Skinny	Skinny	Skinny	Skinny	Skinny	Skinny
Price levels	\$20	\$20	\$35	\$35	\$45	\$45
Fabric composition	Distressed	Rinsed wash	Distressed	Rinsed wash	Distressed	Rinsed wash
Colors	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
	Indigo	Indigo	Indigo	Indigo	Indigo	Indigo
	Black	Black	Black	Black	Black	Black

Styles	Boot-Cut	Boot-Cut	Boot-Cut	Boot-Cut
Price levels	\$25	\$25	\$45	\$45
Fabric composition	Distressed	Rinsed wash	Distressed	Rinsed wash
Colors	Light blue	Light blue	Light blue	Light blue
	Indigo	Indigo	Indigo	Indigo
	Black	Black	Black	Black

Determining Variety and Assortment

- Retail strategy- number of SKU
- Assortments and GMROI
- Complementary Merchandise – Blu-Ray player low GMROI, but may buy complementary products such as accessories, cables, etc
- Effects of Assortment Size on buying behavior – increases chance of finding goods, valued by providing more informative and stimulated shopping experience, appealing for customers who seek variety

Determining Variety and Assortment

- Physical Characteristic of the store- need to consider how much space to devote to a category
- More space for large assortments, SKUs
- To display individual item ie.furniture
- Multichannel retailers have space limitations, so they offer great assortment via internet or catalog channels

Determining Variety and Assortment



Determining Variety and Assortment



Determining Variety and Assortment



Setting Inventory and Product Availability Levels



Model Stock Plan

- The model stock plan is the number of each SKU in the assortment plan the buyer wants to have available for purchase in each store
- Retailers have model stock plans for different store sizes in a chain, classify their store as A,B, and C stores on basis of sales volume. C is stocked with basic assortment

Model Stock Plan

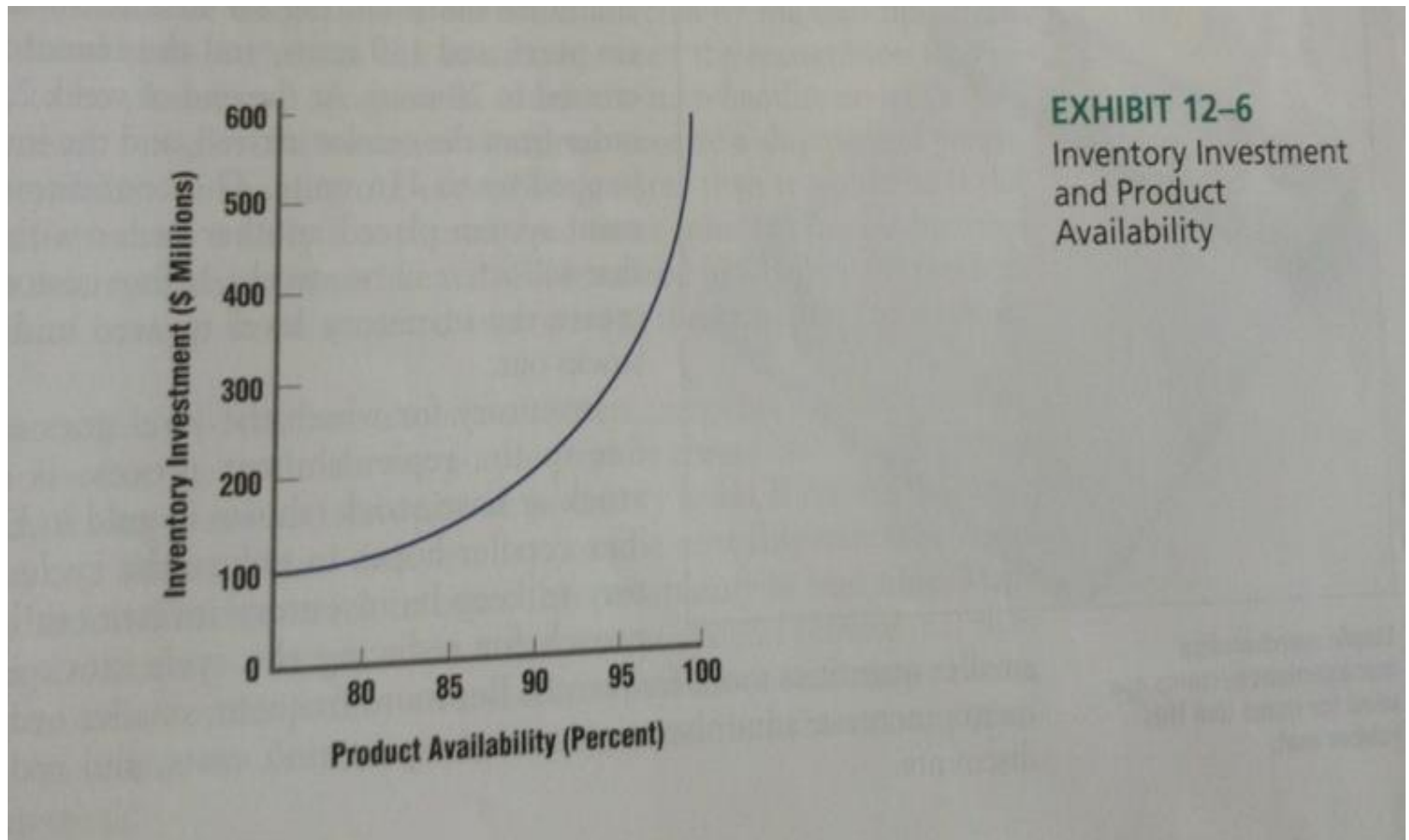
EXHIBIT 12-5
Model Stock Plan
for Girls' Jeans

LENGTH		SIZE								
		1	2	4	5	6	8	10	12	14
Short	%	2	4	7	6	8	5	7	4	2
	units	9	17	30	26	34	21	30	17	9
Medium	%	2	4	7	6	8	5	7	4	2
	units	9	17	30	26	34	21	30	17	9
Long	%	0	2	2	2	3	2	2	1	0
	units	0	9	9	9	12	9	9	4	0
Total 100%										
429 units										

Product Availability

- The number of units of backup stock, also called buffer or safety stock in the model stock determines product availability
- Product Availability is defined as the percentage of the demand for a particular SKU that is satisfied – also called level of support or service level

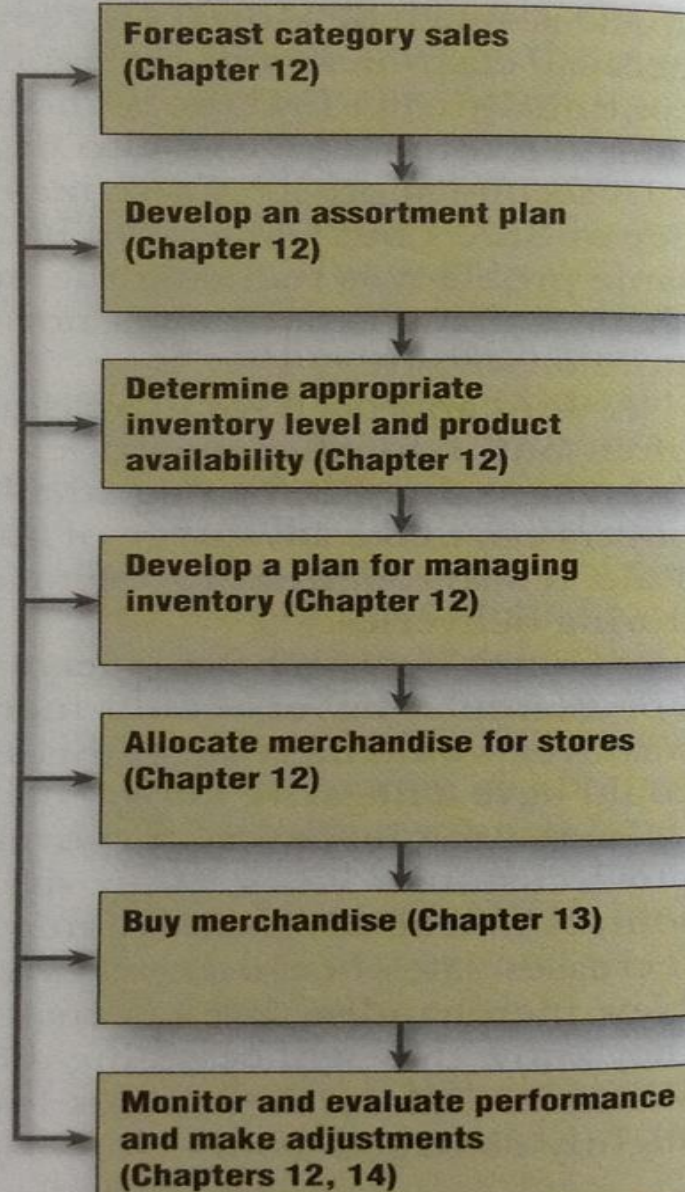
Product Availability



Merchandise Planning Process

EXHIBIT 12-3

Merchandise Planning Process





That's All Folks