



MK 322 Retail Management

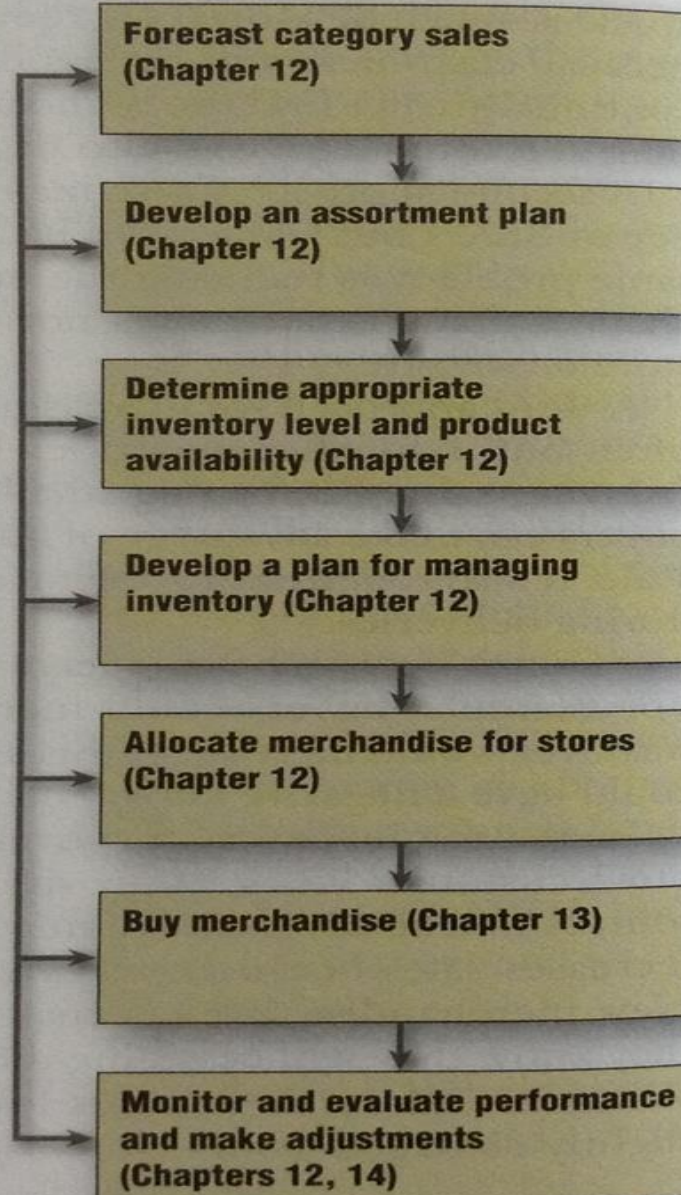
Chapter 13: Buying Merchandise

By Ajarn Suwalya K.

Merchandise Planning Process

EXHIBIT 12-3

Merchandise Planning Process



Brand Alternatives

- Retailers and their buyers face a strategic decision about the mix of national-label brands offered in a category
- The three types of brands discussed in this section are national, store and generic brands



National Brands

- National brands or manufacturer's brands are products designed, produced, and marketed by a vendor and sold to many different retailers
- The vendor is responsible for developing the merchandise, producing it with consistent quality, and undertaking marketing programs to establish an appealing brand image
- Examples are Sunsilk Shampoo, Breeze Detergent, Ralph Lauren Polo shirts, and Hewlett-Packard Printers



National Brands

- In some cases, vendors use an umbrella or family brand associated with their company and a subbrand associated with the product
- Examples include Kellogg's (family brand) Frosted Flakes (subbrand) or Ford (family brand) F-series trucks (subbrand)



Store Brands

- Store brands or called private-label brands, house brands, or own brands are developed by retailers
- Retailers develop the design and specification for their store-brand products, then contract with manufacturers to produce those products.
- In the past store brands were limited
- Now retailers offer a broad spectrum of store brands ranging from lower price/lower quality products, to those with superior quality and performance to national brands

Premium Store Brands

- Premium Store Brands offer the consumers a product that is comparable to a manufacturer's brand quality, sometimes with modest price savings.
- Examples include Tesco Finest (UK), The Men's Collection at Saks Fifth Avenue
- In Thailand?



Premium Store Brands



Premium Store Brands



Safeway's customers increasingly are drawn to strong store brands.

Exclusive Brands

- An exclusive brand is developed by a national-brand vendor, often in conjunction with a retailer, and sold exclusively by a retailer
- For example, a Canon digital camera sold at Best Buys might have different model number than a Canon digital camera with similar features at Walmart.



Exclusive Brands

- A more sophisticated version occurs when a manufacturer develops an exclusive product or product category for a retailer and markets it under a brand name that is exclusive to the retailer
- For example, cosmetic powerhouse Estee Lauder sells two brands of cosmetics and skin care products-American Beauty and Flirt – exclusively at Kohl's

Exclusive Brands



Exclusive Brands

EXHIBIT 13-1

Exclusive Store Brands

Retailer	Manufacturer/Designer	Product Category	Product Name
Kohl's	Estée Lauder	Cosmetics	American Beauty, Flirt, and Good Skin
Walmart	Mary Kate and Ashley Olsen	Apparel and accessories	Mary Kate and Ashley
HSN	Chris Lu, R. J. Graziano Tory Spelling, Paula Abdul, Iman, Serena Williams (jewelry); Chi by Falchi (handbags); Jennifer Stallone (skin care)	Jewelry, handbags, skin care	
Macy's	Martha Stewart	Soft home (sheets, towels)	Martha Stewart Collection
Macy's	Jones Apparel Group (Rachel Roy)	Apparel and accessories	Rachel by Rachel Roy
Macy's	Karl Lagerfield	Apparel and accessories	Karl Lagerfield Capsule Collection
McDonald's	Newman's Own Organic	Coffee	Newman's Own Organic
JCPenney	Ralph Lauren	Home goods, apparel, and accessories	American Living
Target	Gwen Stefani	Children's apparel	Harajuku Mini

Exclusive Brands

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Copycat Brands

- Copycat Brands imitate the manufacturer's brand in appearance and packaging, generally are perceived as lower-quality, and are offered at lower prices
- Mainly in drugstores and grocery stores



Generic Brands

- Generic Brands are labeled with the name of commodity and thus actually have no brand name distinguishing them
- Target price-sensitive segment by offering no-frills product at a discount price
- For prescription drugs and commodities like milk or eggs

Generic Brands



Choosing National Brands or Store Brands?

- Store Brands Enhance and Expand Assortments- Offering what national brands do not have
- Profitability- loyal to national brands as consumers trust. Every bottle of Chanel No.5 will have the same fragrance or every pair of Levi's 501 jeans will have the same fit
- Flexibility- National brands can limit a retailer's flexibility. Vendors of strong brands can dictate how their products are displayed, advertised and price. For ie. Ralph Lauren

Buying National-Brand Vendors



Meeting National-Brand Vendors

- A wholesale market for retailers- buyers is a concentration of vendors within a specific geographic location, perhaps even under one roof over the Internet
- They may be permanent wholesale market centers, annual trade shows or trade fairs



Wholesale Market Centers

- For many types of merchandise, particularly fashion apparel and accessories, buyers regularly visit with vendors in established market centers
- These centers have permanent vendor showrooms that retailers can visit throughout the year
- Market weeks – temporary showrooms
- For example, world's most well known wholesale market center in New York City, is the Fashion Center, known as the Garment District, is located from Fifth to Ninth Avenue and from 34th to 41st Streets

Trade Shows

- Trade shows provide another opportunity for buyers to see the latest products and styles and interact with vendors
- Vendors display their merchandise in designated areas and have sales representatives, companies executives and some celebrities to talk with buyers and walk through exhibit area

Trade Shows

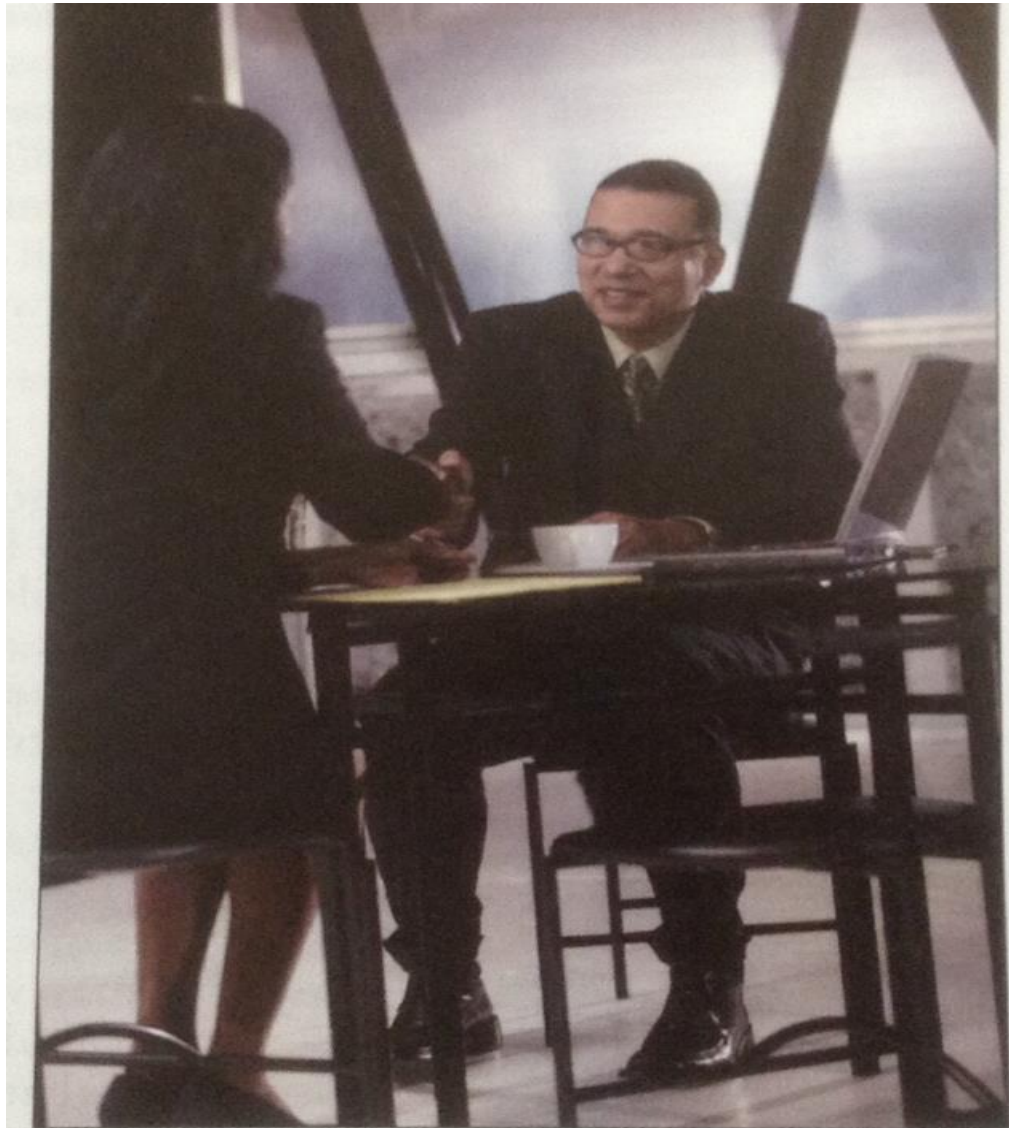


The International Consumer Electronics Show (CES) in Las Vegas is the world's largest trade show for consumer technology.

National-Brand Buying Process

- Attend market week or trade shows
- Series of meetings
- Review vendor past performance and future opportunities, some place orders
- Gather information from various vendors
- Once retailer receives sample from vendor, review which item is most attractive
- Contact vendor and negotiate before placing orders

National- Brand Buying Process



When negotiating with a vendor, the more knowledge that is available about the vendor, the market, and the products, the more successful the negotiation will be.

National-Brand Buying Process



In a negotiation, have at least as many negotiators as the vendor.



That's All Folks