BAI NGAI

<u>Part B.</u>
Using the figures provided you will calculate the following for the XYZ store.
1. Open to buy (R/C) for each month
2. Average monthly sales
3. Average monthly on order
4. Mark down % for each month

	Mar	April
Planned sales	*200,000*	*300,000*
+ Planned reductions	26,000	31,000
+Planned EOM Stock	80,000	110, 000
= Total monthly needs	306,000	441,000
-BOM Stock	200, 000	80,000
=Planned purchases	106,000	361,000
-Merchandise on order	15,000	145,000
A. =Open to buy (At Retail)	91,000	216,000
=Open to buy (at Cost)	45,500	108,000

	Planned Sales	On order	Employee Discount	MD$	Shortages		EOM	BOM
Feb.	$300,000	$125,000	2%	$8,000	2%		$200,000	$160,000
Mar.	$200,000	$15,000	3% (6)	$12,000	4% (8)		$80,000	$200,000
Apr.	$300,000	$145,000	4%	$4,000	5%		$110,000	$80,000
May	$200,000	$35,000	0%	$3,000	7%		$90,000	$110,000
June	$400,000	$170,000	5%	$18,000	2%		$210,000	$90,000
July	$200,000	$23,000	7%	$25,000	3%		$70,000	$210,000

<u>Part C.</u> Solve the following:

1. After careful analysis of the economic data from the U. S. Government the XYZ store set a sales plan increase for the next season (Feb-July) of 9.1%. Based on this years sales plan what is the companies new projected sales plan for the next season?

2. In the prior year same sales period the XYZ store had actual sales of $1,740,000.00. What was dollar increase/decrease for the sales period and suggest reasons (2) cited reasons for the change from one season to the next. What was the percentage increase/decrease?

(Parts B and C are worth 40%)

This assignment is **due no later than** _____. There will accepted late papers.

Please let me know if you have questions. Thank you and Good Luck!

*In Fashion retailing, the business cycles usually end on July 31 and January 31. Business cycles in retailing (especially for apparel) are generally known as seasons. The February through July business cycle is called the Spring/Summer season, and the August through January business cycle is called the Fall/Winter season.

February

Planned sales	300,000
+ Planned reductions	+6000, +8000, +2000
+Planned EOM Stock	+200,000
= Total monthly needs	=520,000
-BOM Stock	-160,000
=Planned purchases	=360,000
-Merchandise on order	-125,000
A. =Open to buy (At Retail)	235,000
=Open to buy (at Cost)	117,500

March

Planned sales	200,000
+ Planned reductions	+6000, +8000, +12000
+Planned EOM Stock	+80,000
= Total monthly needs	=306,000
-BOM Stock	-200,000
=Planned purchases	=106,000
-Merchandise on order	-15,000
A. =Open to buy (At Retail)	91,000
=Open to buy (at Cost)	45,500

April

Planned sales	300,000
+ Planned reductions	+12,000, +4000, +15,000
+Planned EOM Stock	+110,000
= Total monthly needs	=441,000
-BOM Stock	-80,000
=Planned purchases	=361,000
-Merchandise on order	-145,000
A. =Open to buy (At Retail)	216,000
=Open to buy (at Cost)	108,000

May

Planned sales	200,000
+ Planned reductions	+0, +4000, +10,000
+Planned EOM Stock	+90,000
= Total monthly needs	=304,000
-BOM Stock	-110,000
=Planned purchases	=194,000
-Merchandise on order	-35,000
A. =Open to buy (At Retail)	159,000
=Open to buy (at Cost)	79,500

June

Planned sales	400,000
+ Planned reductions	+20,000, +18,000, +8000
+Planned EOM Stock	+210,000
= Total monthly needs	=656,000
-BOM Stock	-90,000
=Planned purchases	=566,000
-Merchandise on order	-170,000
A. =Open to buy (At Retail)	396,000
=Open to buy (at Cost)	198,000

July

Planned sales	200,000
+ Planned reductions	+14,000, +25,000, +6,000
+Planned EOM Stock	+70,000
= Total monthly needs	=416,000
-BOM Stock	-210,000
=Planned purchases	=206,000
-Merchandise on order	-23,000
A. =Open to buy (At Retail)	183,000
=Open to buy (at Cost)	91,500

B2
300,000+200,000+300,000+200,000+400,000+200,000=1,600,000/6= 266,666.66

B3
125,000 + 15,000 + 145,000 + 35,000 + 170,000 + 23,000 = 513,000/6= 85,500

B4

MD$/Planned Sales $= MD%

February 8000/300,000=0.026= 2.6%

March 12,000/200,000= 0.06=6%

April 4000/300,000=0.013=1.3%

May 3000/200,000=0.015=1.5%

June 18,000/400,000=0.045=4.5%

July 25,000/200,000=0.125= 12.5%

C1

1,600,000 x 9.1% = $145,600

C2

1,740,000-1,600,000 would be $140,000. 140,000 divided by 1,740,000 would 0.080 turn into

8%. Since both decrease from one season to another, there can be many different reasons.

One reason companies may struggle to make a profit from one season to the next is due

to the declining attractiveness of the retail market compared to its previous state. The retail

industry is expansive and includes a multitude of participants, some of whom may lack stability.

Consumer behavior remains unpredictable, and this is further complicated by the ongoing digital

transition, which poses challenges and requires significant investments for implementation.

Understanding and navigating complex supply networks can also prove difficult. Additionally,

accurately forecasting demand continues to be a challenging task. As stated by Unglesbee from

Retail Dive, consumers often have difficulty understanding their own preferences, whether it

pertains to online shopping or in-store experiences. (Unglesbee,2022)

Another reason would be an economic recession for consumers and retail stores. During

an economic crisis, retail establishments frequently confront considerable hurdles in remaining

profitable. Consumer spending falls when overall economic activity falls, as people tighten their

belts and prioritize necessary expenditures. Without customer demand, it will have a direct

influence on retail shops, resulting in lower sales and income. One example could be how

COVID-19 affected the retail chain forever, because the pandemic happened everything in the

world shut down and when it was over, the damage was already permanent. As stated by

Nealon "Had the pandemic lasted just six weeks, we might have made temporary changes to our behavior and then returned to our old familiar ways. But it's been going on for almost a year and a half, and because our brains and our behaviors have become accustomed to the new world". (Nealon,2021)

Another reason could be the pricing challenges retail stores had to deal with after the pandemic. Many of our "norms" were affected during the pandemic which led to retail stores having to increase their prices for items to make up for any more potential losses. As stated by Abdelnour, "Many customers are asking for discounts and contract renegotiations, while some competitors are making aggressive pricing decisions". These aggressive pricing decisions cause a lot of failure in the future if not done correctly. (Abdelnour, 2020)

References

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Nealon, K. (2021, July 22). *Council Post: How Covid-19 Changed Retail — Probably Forever*. Forbes. https://www.forbes.com/sites/forbesbusinesscouncil/2021/07/22/how-covid-19-changed-retail---probably-forever/

Unglesbee, B. (2022, October 3). *18 retailers at risk of bankruptcy as consumers tighten wallets in 2022*. Retail Dive. https://www.retaildive.com/news/retailers-risk-bankruptcy-consumers-tighten-wallets-2022/632828/