

chapter 1

- Retail - all the functions involved in obtaining goods from manufacturers and wholesalers and selling these goods to the final consumer.
- Merchandising- All activities necessary to buy and sell merchandise at profit
 - Estimating customer needs and wants
 - Planning purchases
 - Buying goods and making goods available
 - Motivating customers to buy goods
- The 5 rights of Merchandising
 - Right Merchandising
 - Right Place
 - Right Time
 - Right Quantities
 - Right Price
- Manufactures, wholesalers, and retailers
 - Are concerned with sales and inventory
 - Apply mathematical concepts to merchandising
- Mazur Plan- Four function plan for store organization
 - Merchandising
 - Financial Control
 - Store Operations/management
 - Sales Promotion
- Flagship Store
 - Original Store location, largest store, or prototype
- In centralized merchandising
 - Buying functions are performed at the central office or corporate headquarters
 - Four activities: buying,planning,distribution,product development
- In decentralized merchandising
 - Buying functions are performed at stores
 - Buyers often have close relationships with customers

4 buying functions

1. Buying - Develop purchasing plans. Select order and price goods

2. Planning- analyze sales history and market trends
3. distribution - allocate merchandise to stores
4. Product development- identify product ideas for internal development

- General Merchandise manager
 - Creates establishes and interprets merchandising policies
 - Main functions are planning and control
 - Interpreting and executing store policies.
- Divisional merchandise manager
 - Monitors sales, inventories and promotional activities of departments
 - Maintain Goals
- Buyer
 - Responsible for planning purchases
- Assistants
 - Serve as understudies for the next higher position
- Merchandising staff bureaus
 - Provide specialized information of importance to the buying and merchandising goods
- Buyer works out of the stores

Sole-proprietorship

- Buyer is often the owner and may be responsible for total operation of store
- Addition responsibilities may include
 - Supervision of sales people
 - Arrangement of merchandise

Other divisions

- Financial control division
- Operations division
- Human resources division
- Sales promotions division

Financial control

- Dealing with numbers

Operations

- Maintain stores provide housekeeping
- Handles shipping and delivery
- Processes received merch
- Manage warehouse and workrooms
- Provides asset protection loss prevention
- Oversees customer service

Human resources

- Hires and trains employees
- Manages employee benefits
- Administers performance evaluations
- Handles labor relations

Sales promotion

retail image, and merchandise to motivate customers

- Advertise
- Store layout and atmosphere
- Public relations

DSR (daily sales report) - Highlights the performance of the store & also helps in maintaining sales & achieving targets. Important to update daily sales report everyday, 2 track performance for improvements.

Formulas

Mark up = cost - retail

Retail price = cost + markup

Cost = Retail price - markup

Gross margin = net sales - cost of merchandise sold

Expense % = \$ expenses / \$ net sales

Gross margin % = \$ gross margin / \$ net sales

Profit % = \$ profit / \$ net sales

Markup percent= markup dollars/ retail dollars ex:

120-66/retail dollars

Retail price = cost/cost percent

Ex: calculate the retail price on a sofa table that cost the store \$420 and has a 52% markup
\$420

(100%-\$52)

Determine the cost of a dress that retails for \$180.00 and has a 55% markup

Solution

Cost = retail dollars X cost percent = \$180 X (100%-55%) = \$81

Chapter 3 Profitability

Skeletal profit and loss statement - shows how much money you pulled in and how much you lost

Operating profit:

Sales volume(how much you sold)

Cost of merchandise sold

Expenses

Skeletal statement 5 factors

1. Three basic merchandising factors of net sales
2. cost of merchandise sold
3. expenses
4. plus gross margin
5. profit.

Gross margin is same as gross profit

Profit occurs when gross margin exceeds expenses

Loss occurs when gross margin is less than expenses

Direct expenses - Expenses that specifically relate to the operation of a selling dep. & that would be eliminated if that department were eliminated

Indirect expenses - Expenses that do not relate to specific selling dep. Wouldn't be eliminated

Chapter 4

Negotiating the purchase of merchandise is an important part of the buying process.

Negotiations include

- Quoted wholesale cost
- Terms of sale
- Transportation arrangements
- Services
- Contract stipulations

Private label goods

- Merchandise that carry the retailers label
- Merchandise sold exclusively by retailer
- Allow merchant to choose more cost- efficient styles
- Help retailer reduce cost

Quoted wholesale price

- Cost as told by wholesaler
- Rarely net cost or exact amount paid

Invoice

- Bill associated with a shipment of merchandise
- Documentation of the final cost

Discounts are a reduction in price allowed by the vendor

Discounts are negotiable

Forms of discounts

- Quantity
- Trade
- Seasonal
- Cash

Robinson -Patman Act - Safety reasons

- Allowance- reimbursement or compensation granted to the retailer by the seller
- Back office is a firm that assists vendors with operations logistics and warehousing
- Billed cost/gross cost is the price shown on the vendors invoice after deductions for trade
- Buying allowance is a price reduction for buying merch during specific period
- Damage allowance an allowance given to a retailer to compensate for the cost of merch. That has been returned but cannot be resold
- dating - the time limits that apply to paying for merchandise. Dating involves two different periods 1 the last day on which the cash discounts is allowed 2 the last day for payment before the bill is considered.
- Cash on delivery means that payments is due when buyer receives goods
- Eom dating- the discount day is calculated from the end of the month. Invoices dated on or after the 26th are considered to be dated the first of the following month.

- Extra dating- the cash discount period is extended for an addition number of days
- regular/ordinary/normal dating- the periods are calculated from the date of the invoice
- Rog dating- the periods are calculated from the date the goods are received
- Discount a reduction in price allowed by the seller
- Cash discount-percent reduction in price allowed if the retailer pays for merch before some specified date a price reduction allowed for prompt payment
- quantity/patronage discount-a reduction in cost that is based on the size of the order
- Seasonal discount is a discount given for purchasing goods out of season
- trade/functional discount is a percent reduction from list price that may v=be one or a series of discounts
- factor - go around and get info from retailers as well as collect vendors and analyze them
- Free on board is a shipping term paced before a specific location such as factory origin or store
- Invoice is a bill enclosed with a shipment of merch or that is mailed by the seller to the buyers
 - Negotiations include
 - Quoted wholesale cost
 - Terms of sale
 - Transportation arrangements
 - Services
 - Contract stipulations
 - Merch that carry the retailers label
 - Merch sold exclusively by retailer
 - Allow merchant to choose more cost efficient styles
 - Help retailer reduce costs and create high-gross margin merchandise
 - Forms of discount
 - Quantity
 - Trade
 - Seasonal
 - cash

Retail of an item is always 100%

Cost of an item is always 100%