Open to Buy Final Examination

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Part B

Month	Planned Sales	On Order	Employee Discount	Markdowns	Shortages	End of Merchandise	Beginning of Merchandise
February	$300,000	$125,000	2%	$8,000	2%	$200,000	$160,000
March	$200,000	$15,000	3%	$12,000	4%	$80,000	$200,000
April	$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

Open to Buy Formula:

Planned Sales + Planned Reductions + EOM = Total Monthly Needs

Total Monthly Needs – BOM = Planned Purchase

Planned Purchase – Merchandise on Order = Open to buy cost (At Retail) 50%

1) Open to Buy for each month (Feb – July)

For February:

300,000 = Planned Sales

6,000 = Employee Discount (2% of 300,000 = 6,000)

8,000 = Markdown

6,000 = Shortages (2% of 300,000 = 6,000)

200,000 = EOM

300,000 + 6,000 + 8,000 + 6,000 + 200,000 = 520,000

520,000 = Total Monthly Needs

160,000 = BOM

520,000 – 160,000 = 360,000

360,000 Planned Purchases

125,000 = On order

360,000 – 125,000 = 235,000

50% of 235,000 = 117,500

Open to buy for Feb. = $117,500

For March:

200,000 = Planned Sales

6,000 = Employee Discount (3% of 200,000 = 6,000)

12,000 = Markdown

8,000 = Shortages (4% of 200,000 = 8,000)

80,000 = EOM

200,000 + 6,000 + 12,000 + 8,000 + 80,000 = 306,000

306,000 = Total Monthly Needs

200,000 = BOM

306,000 - 200,000 = 106,000

106,000 = Planned Purchase

15,000 = On Order

106,000 – 15,000 = 91,000

50% of 91,000 = 45,500

Open to buy for Mar. = $45,500

For April:

300,000 = Planned Sales

12,000 = Employee Discount (4% of 300,000 = 12,000)

4,000 = Markdown

15,000 = Shortages (5% of 300,000 = 15,000)

110,000 = EOM

300,000 + 12,000 + 4,000 + 15,000 + 110,000 = 441,000

441,000 = Total Monthly Needs

80,000 = BOM

441,000 – 80,000 = 361,000

361,000 Planning Purchase

145,000 = On Order

361,000 – 145,000 = 216,000

50% of 216,000 = 108,000

Open to buy for Apr. = $108,000

For May:

200,000 = Planned Sales

0 = Employee Discount (0% of 200,000 = 0)

3,000 = Markdown

14,000 = Shortages (7% of 200,000 = 14,000)

90,000 = EOM

200,000 + 0 + 3,000 + 14,000 + 90,000 = 307,000

307,000 = Total Monthly Needs

110,000 = BOM

307,000 – 110,000 = 197,000

197,000 = Planned Purchase

35,000 = On Order

197,000 – 35,000 = 162,000

50% of 162,000 = 81,000

Open to buy for May = $81,000

For June:

400,000 = Planned Sales

20,000 = Employee Discount (5% of 400,000 = 20,000)

18,000 = Markdown

8,000 = Shortages (2% of 400,000 = 8,000)

210,000 = EOM

400,000 + 20,000 + 18,000 + 8,000 + 210,000 = 656,000

656,000 = Total Monthly Needs

90,000 = BOM

656,000 – 90,000 = 566,000

566,000 = Planned Purchase

170,000 = On Order

566,000 – 170,000 = 396,000

50% of 396,000 = 198,000

Open to buy for June = $198,000

For July:

200,000 = Planned Sales

14,000 = Employee Discount (7% of 200,000 = 14,000)

25,000 = Markdown

6,000 = Shortages (3% of 200,000 = 6,000)

70,000 = EOM

200,000 + 14,000 + 25,000 + 6,000 + 70,000 = 315,000

315,000 = Total Monthly Needs

210,000 = BOM

315,000 – 210,000 = 105,000

105,000 = Planned Purchase

23,000 = On Order

105,000 – 23,000 = 82,000

50% of 82,000 = 41,000

Open to buy for July = $41,000

2) Average Monthly Sales

- Total Monthly Needs Average / 6 months

520,000 + 306,000 + 441,000 + 307,000 + 656,000 + 315,000 = 2,545,000

2,545,000 / 6 = 424,166.67

Average Monthly Sales = $424,166.67

3) **Average Monthly on Order**
   - Monthly on Order Average / 6 months

125,000 + 15,000 + 145,000 + 35,000 + 170,000 + 23,000 = 513,000

513,000 / 6 = 85,500

Average Monthly on Order = $85,500

4) **Markdown % for Each Month**
   - Markdown % = Markdown $ / Monthly S

Feb. Markdown % = 1.5%
$8,000 / $520,000 = 0.015 – 1.5

Mar. Markdown % = 3.9%
$12,000 / $306,000 = 0.039 – 3.9

Apr. Markdown % = 0.90%
$4,000 / $441,000 = 0.0090

May Markdown % = 0.97%
$3,000 / $307,000 = 0.0097

June Markdown % = 2.7%
$18,000 / $656,000 = 0.027

July Markdown % = 7.9%
$25,000 / $315,000 = 0.079

Part C

1) 520,000 + 306,000 + 441,000 + 656,000 + 315,000 + 307,000 = 2,545,000

2,545,000 * 9.1% = 231,595

231,595 + 9.1% = 252,670.145

= $252,670.15

Open to Buy Average

117,500 + 45,500 + 108,000 + 81,000 + 198,000 + 41,000 = 591, 000

591,000 * 9.1% = 53,781

591,000 + 9.1% = 58,675.071 = 58,675.17

- The amount regardless is going to be low. Indicating that there is a decrease in sales.

2) JCPenney's prior year had actual sales of $1,740,000.00. For the sales period it resulted in a decrease of sales of $252,670.15. The retail declined sales due the current pandemic, and heavy competitors. JCPenney is one of the highest profile retailers and during the past it's dealt with complications in succeeding their selling goals. No retail will ever be highly perfect but JCPenney has come down weaker than usual that there won't be much for the company to expect in the future. The store brand is already filed for bankruptcy and in plan to close around their remaining of 541 stores in the United States. From the slight included push from COVID-19. The Coronavirus pandemic has impacted many retail businesses where the stores temporarily are at a close to avoid physical contact. For instance, JCPenney is one of those stores under the restriction and recently over a month ago it had reopened a few locations for out of business sales. According to Bomey and Kelly (2020), mentioned in the article that it was stated by the President of Retail Advisory Services, Naveen Jaggi, "The idea of being in a tight location with lots of people and touching items in a store will likely deter some shoppers, which will affect the speed in which liquidation will occur" (JCPenney, Tuesday Morning, Pier 1 Going-Out Of-business Liquidation

Sales Different Because Of COVID-19, para.1). Although the stores are open for its' liquidation sales and the company in an advantaged perspective see it as a boost for an increase in sales aren't at benefit from the pandemic's social distancing procedures. Safety currently has been the biggest main priority for people including shoppers that there isn't risks in wanting to take but avoid mostly. The less people shopping at JCPenney will not help the retail rapidly increase in their sales. It makes the retail stand at a very low pace of making sales and remain at a decline. Another striking cause is from JCPenney's heavy competitors and from that they are losing customers. Physical shopping was already stepping into a slight fall for becoming the least preferred shopping method. People believe there won't be any more in store shopping sometime in the future because the rise and power of technology and medias. Online shopping happens to be more convenient and "faster" which led to department stores to face through that rapid change from customers. JCPenney lost out through that kind of threat as Biron (2020) claimed "JCPenney had been hit particularly hard by nearly a decade of declining foot traffic and a failure to compete with e-commerce juggernauts like Amazon and Walmart" (The 118-Year Rise and Fall of JCPenney, One of America's Largest Department Stores, para.3). The retail failed to develop a solution to handle their competitors and manage to attract customers in shopping at their stores. Online shopping through Amazon and better selling deals/promotions from Target and Walmart currently are strongly positioned that JCPenney has no chance in competing with strong shopping leads. Customers are already attracted and rather shop from these companies. The brand loyalty these companies gained over quickly.

The more loss in customers the less shopping level equaling to less on purchases in general. Lastly, JCPenney's company's history has records of sale failure which impacted the company for the longest through current times. No matter what marketing strategy they've tried or the attempts on producing appealing sales with their variety of merchandise didn't seem enough to continue to grow.

Bomey, Nathan, and Kelly Tyko. "J.C. Penney Store Closings Coming: Retailer Trying to Avoid Liquidation in Chapter 11 Bankruptcy." USA Today, Gannett Satellite Information Network, 17 May 2020, www.usatoday.com/story/money/2020/05/16/jcpenney-store-closings-chapter-11-bankruptcy-liquidation-risk/5205532002/.

Biron, Bethany. "The 118-Year Rise and Fall of JCPenney, One of America's Largest Department Stores." Business Insider, Business Insider, 15 May 2020, www.businessinsider.com/jcpenney-dramatic-decline-history-photos-2019-5.