

Open-to-Buy Project
CREATING A FASHION RETAIL STORE

Part B.

Using the figures provided, you will calculate the following for the XYZ store.

1. Open to buy (R/C) for each month

To find Open to Buy for Retail (R) and Cost (C) for each month, we would have to find the total of Open To Buy (R) and divide it by 2 (50%) to get Open to Buy (C).

*(In section **Graphs for the Months** this work is shown)*

<u>Months</u>	<u>Open To Buy (R)</u>	<u>Open to Buy (C)</u>
February	\$235,000	\$117,500
March	\$91,000	\$45,500
April	\$216,000	\$108,000
May	\$162,000	\$81,000
June	\$396,000	\$148,000
July	\$83,000	\$41,500

Graph for the Months

(The work for Employee Discount, Markup, & Shortages to Planned Sales will be shown below this graph)

	Feb.	Mar.	Apr.	May	June	July
Planned Sales	300,000	200,000	300,000	200,000	400,000	200,000
+Planned Reductions	20,000	26,000	31,000	17,000	46,000	45,000
+Planned EOM Stock	200,000	80,000	110,000	90,000	210,000	70,000
= Total Monthly	520,000	306,000	441,000	307,000	656,000	315,000

needs						
-BOM Stock	160,000	200,000	80,000	110,000	90,000	210,000
= Planned Purchases	360,000	106,000	361,000	197,000	566,000	105,000
-Merchandise on Order	125,000	15,000	145,000	35,000	170,000	23,000
= Open To Buy (R)	235,000 /2 (50%)	91,000 /2 (50%)	216,000/2 (50%)	162,000 /2 (50%)	396,000/2 (50%)	83,000 /2 (50%)
= Open to Buy (C)	117,500	45,500	108,000	81,000	148,000	41,500

The work for Employee Discount, Markup, & Shortages to Planned Sales

Planned Reductions

Month	Employee Discount	Markup (MDS)	Shortages	Total (PR)
Feb. (PS) \$300,000	2 % of 300k = 6,000	\$8,000	2 % of 300k = 6,000	20,000
Mar. (PS) \$200,000	3 % of 200k = 6,000	\$12,000	4 % of 200k = 8,000	26,000
Apr. (PS) \$300,000	4 % of 300k = 12,000	\$4,000	5 % of 300k = 15,000	31,000
May (PS) \$200,000	0 % of 200k = 0	\$3,000	7 % of 200k = 14,000	17,000
June (PS) \$400,000	5 % of 400k = 20,000	\$18,000	2% of 400k = 8,000	46,000
July (PS) \$200,000	7% of 200k = 14,000	\$25,000	3 % of 200k = 6,000	45,000

2. Average monthly sales

To find the average monthly sales, we would need to add all Planned Sales, then divide by the 6 months. Giving us our average.

<u>Months</u>	<u>Planned Sales</u>
February	\$300,000
March	\$200,000
April	\$300,000
May	\$200,000
June	\$400,000
July	<u>+\$200,000</u> 1,600,000/6months
Average Monthly Sales	\$266,666

3. Average monthly on order

To find the average monthly on order, we would need to add all On Orders, then divide by the 6 months. Giving us our average.

<u>Months</u>	<u>On Order</u>
Feruray	\$125,000
March	\$15,000
April	\$145,000
May	\$35,000
June	\$170,000
July	<u>+\$23,000</u> 513,000/6months
Average Monthly On Order	\$85,500

4. Mark down % for each month

In order to find the mark down % we would have to convert the MD \$ to MD %. To do this we would need to divide **MD\$ / Planned Sales\$ = MD%**.

<u>MDS</u>	<u>Planned Sales\$</u>	<u>Decimal</u>	<u>MD%</u>
<i>Feb.</i> \$8,000 /	<i>Feb.</i> \$300,000 =	0.026	2.6
<i>Mar.</i> \$12,000 /	<i>Mar.</i> \$200,000 =	0.06	6
<i>Apr.</i> \$4,000 /	<i>Apr.</i> \$300,000 =	0.013	1.3
<i>May</i> \$3,000 /	<i>May</i> \$200,000 =	0.015	1.5
<i>June</i> \$18,000 /	<i>June</i> \$400,000 =	0.045	4.5
<i>July</i> \$25,000 /	<i>July</i> \$200,000 =	0.125	12.5

Part C. 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?

<u>Months</u>	<u>Planned Sales\$</u>
Februray	300,000
March	200,000
April	300,000
May	200,000
June	400,000
July	<u>+200,000</u> 1,600,000
9.1% of 1,600,000 (<i>multiply</i>)	Answer: 145,600

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 (3) cited reasons for the change from one season to the next. What was the percentage increase/decrease?

To find the dollar increase/decrease for the sales period, we would need to subtract the Planned Sales total for the months of February to July and have it subtract by the sales of \$1,740,000.

Actual Sales: 1,740,000
Planned sales (Feb-July): **-1,600,000**
Answer: \$140,000 (\$ decrease)

Percentage: $140,000/1,740,000 = 0.080$
Answer: 8.0% (% decrease)

One reason for this decrease in sales could be Poor Sales management. Many companies hire and recruit people who are not capable in managing the sales and in depth management. This causes for a shift between sales and a decrease among selling. “The most difficult thing company need to solve that is sales force management because salespeople bridge the gap between customer needs and the product or service that fulfills that need” (Truong, V. L. 2018). The sales department helps in the success of any business and if there's no stability, it not only causes company sales to decrease, but also the profit to decrease as well. Improving these sales could allow for many companies to thrive and be able to gain compensation and join competition with other well known rivals.

Another reason for a decrease in sales would be, the demand in and increase in technology causing consumers and customers to seek an extended search in selling items. With the increase in technology, the competition is strong. To gain attention of a consumer, using the internet and enabling them to extend their search from a few easily found best-selling products (blockbusters) to a large number of less frequently selling items (niches), will allow for an increase in demand. (Hinz, O., & Eckert, J. 2010). Not having the accessibility or lack of resources in a society where technology is used everyday, helps to decrease sales and its one of the reasons for the change from one season to the next. “While additional consumption always leads to higher sales and potentially to higher profits--if providers know about margin differences between products, sales can systematically be shifted to more profitable products by appropriate search and recommendation tools” (Hinz, O., & Eckert, J. 2010).

A final reason for decreased sales could be the need for more marketing for the store/company. With the mix of marketing messages and marketing strategies, we were able to create more sales and have an increase. This lack of advertisement causes a decrease in sales. With so many Social Media platforms and technologies. It is hard to choose where you want your store to thrive in. “temporal (in)consistency captures the degree of variability of prices, displays, and features, as well as availability over time, for a stock keeping unit” (Swait, J., & Erdem, T. 2002).

References

Hinz, O., & Eckert, J. (2010, March 2). *The impact of search and recommendation systems on sales in Electronic Commerce - Business & Information Systems Engineering*. SpringerLink. <https://link.springer.com/article/10.1007/s12599-010-0092-x>

Swait, J., & Erdem, T. (2002). *The effects of temporal consistency of sales promotions and ...* American Marketing Association .
<https://journals.sagepub.com/doi/abs/10.1509/jmkr.39.3.304.19106>

Truong, V. L. (2018, January 1). *Poor Sales Management at R star company*. Digital Repository. <http://digital.lib.ueh.edu.vn/handle/UEH/58270>