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### Module 6 Assignment

#### **Short Answer (4 to 5 sentences)**

1. Describe both merchandising and merchandising philosophy.

Merchandising consists of the activities involved in acquiring particular goods and/or services and making them available at the places, times, and prices and in the quantity that enable a retailer to reach its goals. Merchandising decisions can dramatically affect performance.

A merchandising philosophy sets the guiding principles for all the merchandise decisions that a retailer makes. This encompasses every product decision, from what product lines to carry, to the shelf space allotted, to different products, to inventory turnover, to pricing. A retail merchandising philosophy can be product-based (using SKU proliferation data to find the most profitable products) and/or consumer-focused (tailoring assortments and merchandising plans to cater to the most profitable customers).

2. Figure 14-5 lists many considerations in devising merchandise plans. What role do forecasts play?

Forecasts are projections of expected retail sales for given periods. They are the foundation of merchandise plans and include overall company projections, product category projections, item-by-item projections, and store-by-store projections (if a chain) - from seasonality to promotions, inventory levels to market trends. The goal is to utilize a variety of data inputs to drive better forecast accuracy and satisfy customers with less inventory.

3. Figure 14-5 lists many considerations in devising merchandise plans. What role do brands play?

As part of its assortment planning, a retailer chooses the proper mix of manufacturer, private, and generic brands—a challenge made more complex with the proliferation of brands. Manufacturer (national) brands are produced and controlled by manufacturers. They are usually well known, are supported by manufacturer ads, are somewhat pre-sold to consumers, require limited retailer investment in marketing, and often represent maximum quality to consumers.

Private (dealer or store) brands contain names designated by wholesalers or retailers. They are more profitable to retailers, are better controlled by retailers, are not sold by competing retailers, are less expensive for consumers, and lead to customer loyalty to retailers.

4. Figure 14-5 lists many considerations in devising merchandise plans. What role does timing play?

For new products, the retailer must decide when they are first purchased, displayed, and sold. For established products, the firm must plan the merchandise flow during the year. The retailer should take into account its forecasts and other factors: peak seasons, order and delivery time, routine versus special orders, stock turnover, discounts, and the efficiency of inventory procedures. Some goods (e.g., winter coats) and services (snow plowing) have peak seasons. These items require large inventories in peak times and less stock during off seasons. Because some people like to shop during off seasons, the retailer should not eliminate the items.

5. List the steps / process for implementing merchandise plans. See Figure 15-1.

First of all, it starts with the gathering of information. After the information are collected, you have to select and interact with the merchandise sources and evaluate the results. The fourth step is the negotiation and continues with concluding purchases. After you have to receive and stock the merchandise and record the results. At last, there is the re-evaluation and the circle start all over again.

6. Define financial merchandise management. What is one benefit of a well-structured financial management plan?

Through financial merchandise management, a retailer specifies which products (goods and services) are purchased, when products are purchased, and how many products are purchased. A well-structured financial management plan establishes important short- and long-term financial goals. It clarifies the actions required of you to achieve your various financial goals. A financial plan can focus your attention on important immediate steps, such as reducing debt and building your savings for emergencies.

7. Figure 17-3 lists several factors affecting a retail price strategy. Briefly describe two of these.

Retailers should understand the price elasticity of demand—the sensitivity of customers to price changes in terms of the quantities they will buy—because there is often a relationship between price and consumer purchases and perceptions. If small percentage changes in price lead to substantial percentage changes in the number of units bought, demand is price elastic. If large percentage changes in price lead to small percentage changes in the number of units bought, demand is price inelastic.

There may be conflicts between manufacturers (and other suppliers) and retailers in setting final prices; each would like some control. Manufacturers usually want a certain image and to enable all retailers, even inefficient ones, to earn profits. Most retailers want to set prices based on their image, goals, and so forth. A supplier can best control prices through exclusive distribution, not selling to price-cutting retailers, or being its own retailer.