

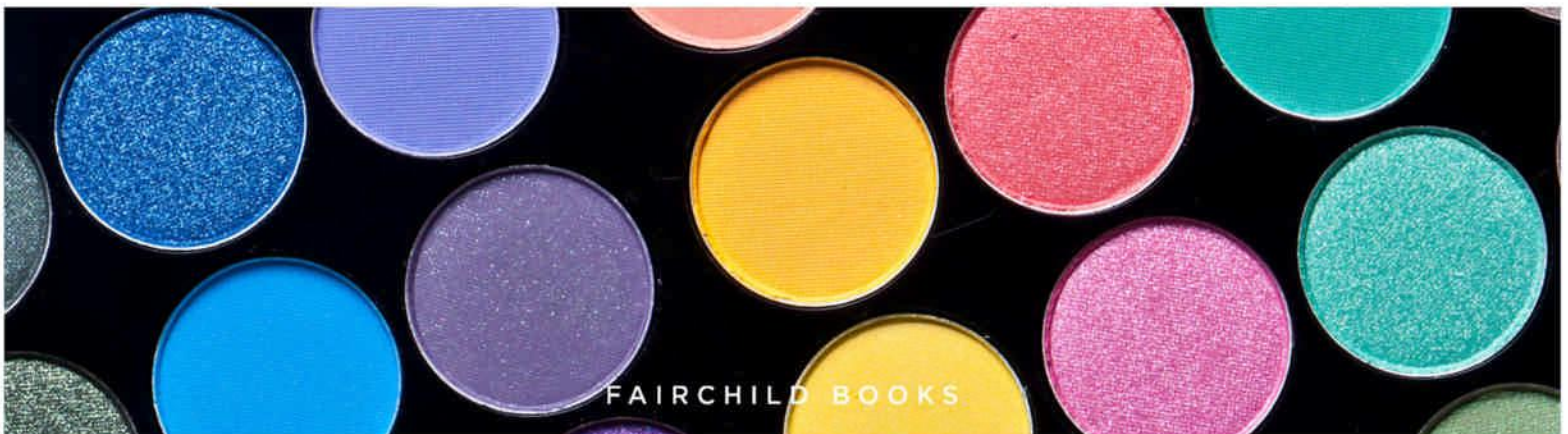


RETAIL BUYING

From Basics to Fashion

6TH EDITION

RICHARD CLODFELTER



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PREFACE

The purpose of *Retail Buying* is to prepare students for merchandising careers in retailing. Throughout the text, students are introduced to basic concepts, principles, and techniques used by retail buyers as they complete their day-to-day duties and responsibilities. For example, step-by-step approaches are presented for buying tasks such as these: identifying and understanding potential customers, developing sales forecasts, preparing a six-month merchandise plan, planning merchandise assortments, preparing an assortment plan, identifying criteria for selecting vendors, preparing for a market visit, negotiating with vendors, making purchases in a foreign market, placing an order, and coordinating promotional activities. References to a wide range of merchandising careers are also found in the text.

Up-to-date information about current buying practices and techniques can be found throughout the text. Specifically, the impact of technology and social media on retail buying is emphasized. For example, understanding customers through techniques such as retail analytics, data warehousing, data mining, database marketing, RFID (radio frequency identification) technologies, and mobile marketing are highlighted. In addition, globalization concepts and the impact of foreign purchasing are also emphasized. Basic mathematical calculations performed by retail buyers are also included to review and reinforce students' retail math skills.

Features of the Text to Enhance Learning

Many special features are used in *Retail Buying* to explain buying concepts in a challenging and practical manner.

- Each chapter begins with a list of *Performance Objectives* and ends with a *Summary* of key points presented in the chapter.
- Throughout the text, tables present current data that affect many aspects of the retail buyer's job, illustrations show examples of current retail practices in actual stores or showrooms, and sample forms used by buyers are presented to illustrate the kinds of reports that buyers may encounter.

- *Vocabulary terms* related to retail buying are also highlighted in the text and listed at the end of each chapter.
- A variety of questions are included for each chapter. *Understanding What You Read* questions can be used to generate class discussion and review information presented in the chapter. *Analyzing and Applying What You Read* questions provide students with the opportunity to explore buying principles presented in the chapter in practical situations. For chapters with a heavy math focus, math exercises are provided in *Retail Buying Math Practice* sections.
- An *Internet Connection* section is included in each chapter. Suggested activities that utilize research on the internet are presented to reinforce material found in the chapter. Additionally, online videos are cited to enhance concepts in the chapter.
- To further develop concepts found in each chapter, *Snapshots* are included to present up-to-date highlights of current merchandising concepts, strategies, and techniques being used by actual businesses. The goals of the *Snapshots* are to spark student interest and make the material found in each chapter more relevant.
- *Trendwatch* sections are also included to enhance the material in each chapter and make it more relevant. Examples of current trends are presented related to content presented in the chapter. Remember, however, that trends by their very nature were developing as this text was being written and published. Students will want to continually monitor the marketplace to discover new trends as they begin to appear.

Retail Buying STUDIO™

An online multimedia resource—*Retail Buying STUDIO*—is also included. The online *STUDIO* is specially developed to complement this book with rich media ancillaries that students can adapt to their visual learning styles to better master concepts and improve grades. For those chapters that include

retail math concepts, students have the opportunity to apply those concepts by developing and using spreadsheets.

- Study smarter with self-quizzes featuring scored results and personalized study tips.
- Review concepts with flashcards of essential vocabulary and basic retail math formulas.
- Practice your skills with downloadable Excel spreadsheets to complete the end-of-chapter *Spreadsheet Skills* exercises.
- Enhance your knowledge with printable worksheets featuring step-by-step solutions to common retail buying math problems.
- Watch videos related to chapter concepts.

STUDIO access cards are offered free with new book purchases and are also sold separately through www.FairchildBooks.com.

Instructor Resources

- An instructor's guide is available with the text and presents suggested teaching ideas and a key to chapter review activities.
- A test bank of questions with an answer key is provided for each chapter.

Instructor resources may be accessed through www.FairchildBooks.com.

Chapter Highlights

In Part I, "Understanding the Retail Environment Where Buying Occurs," students will learn that to be a successful buyer, they must understand the retail environment in which buying occurs. The first three chapters introduce buying practices and procedures of various types of retail businesses. In Chapter 1, students are introduced to buying and are presented an orientation to factors that will influence many of the decisions that buyers make, such as online retailing, mobile and social media platforms, and omnichannel approaches. A discussion of trends and challenges facing retailers is also included. In Chapter 2, students examine merchandising careers in retailing. Detailed job descriptions for a buyer, assistant buyer, and merchandise manager are presented. Information is also presented on how to plan for an internship or career in retail buying. In addition, the chapter emphasizes the use of calculating quantitative measurements to evaluate a buyer's performance. In Chapter 3, students learn how the buyer's job differs in various types of retail formats. A discussion is included on how the distinction between many of these formats is blurring. Retail organizational structures are presented, and the relationship of merchandising to other departments is highlighted. The chapter also emphasizes how to mathematically measure the success of strategic decisions that buyers make.

Part II, "Getting Ready to Make Buying Decisions," discusses how, once buyers understand the marketplace, they

need to develop an understanding of customers and trends affecting future sales. In Chapter 4, students examine sources of information that would be available to them when making buying decisions. Internal and external sources are described. In Chapter 5, information is presented to help buyers better understand their customers. Recent changes in the consumer markets are described, and reasons why customers buy are discussed. Targeting customers by using technology, such as database marketing, data mining, and data warehousing, is examined. In Chapter 6, students gain an understanding of what types of products customers purchase. New product trends, especially products with fashion appeal, are studied. Product life cycles and fashion adoption theories are explained.

Part III, "Planning and Controlling Merchandise Purchases," deals with making purchasing plans once retail buyers understand their customers and the retail environment in which they will be operating. In Chapter 7, the scope of forecasting is described, and students examine the steps for developing effective sales forecasts. In addition, material is presented about forecasting decisions to predict inventory needs. Emphasis is also placed on how retail analytics will impact the future of retail buying. In Chapter 8, students learn how to develop merchandise plans for fashion and basic merchandise. In Chapter 9, students plan merchandise assortments and develop an assortment plan. In Chapter 10, different inventory control plans are presented, and the mathematical calculations needed by buyers are explained. RFID is described in relation to purchase planning and merchandise control.

Part IV, "Purchasing and Pricing Merchandise," concerns how buyers who have prepared their merchandise plans are now ready to select vendors from whom to make purchases. In Chapter 11, students examine various types of vendors and learn how to identify criteria for selecting them. The development of partnerships between retailers and vendors is emphasized. In Chapter 12, steps for planning a market trip are explained in detail. Negotiation practices frequently used by buyers are presented. The focus is on developing a negotiation strategy that results in a win-win outcome. In Chapter 13, students examine a step-by-step process for using foreign sourcing to make planned purchases. Benefits and drawbacks of foreign purchasing are also discussed. In Chapter 14, terms of the sale and special buying situations are described. Procedures for placing the final order are presented. In Chapter 15, students examine the mathematical calculations needed to price incoming merchandise and make price adjustments on in-stock merchandise.

Appendix A, "Basic Retail Math Formulas," is presented as a handy reference to review the basic math used in merchandising. Appendix B, "Decision Making," outlines a step-by-step process of approaching individual and group decision making in classroom activities, as well as in retail buying careers. A glossary of over 250 terms related to retail buying is included for students to use as a quick reference of key terms found in the text.

ACKNOWLEDGMENTS

The sixth edition of *Retail Buying*, like the five previous editions, has been based on extensive research involving both secondary and primary sources. Many retail professionals have provided me with information on current buying practices that are included in this text. Representatives of Parisian, Bloomingdale's, Racke's, Rich's, Lowe's, Hartmarx Corporation, Walmart, Carolinas-Virginia Fashion Exhibitors, Belk, and Belk Store Services provided the answers to many questions as previous editions were written. In addition, many educators provided me with a wealth of comments and suggestions that have been incorporated in this text. Special thanks to J.C. Penney, where I completed a two-week professor internship with the retailer at their store in Columbia, South Carolina, and at corporate headquarters in Dallas, Texas. Special thanks also go to the Direct Marketing Association and the Direct Marketing Educational Foundation for allowing me to participate in two institutes for direct and interactive marketing.

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UNDERSTANDING THE RETAIL ENVIRONMENT WHERE BUYING OCCURS

PART I

TODAY'S BUYING ENVIRONMENT

CHAPTER 1

Performance Objectives

- Recognize the importance of understanding the retail environment when making buying decisions.
- Describe how online retailing has changed the retail environment and its impact on decisions made by retail buyers.
- Identify mobile and social media strategies that can benefit retail buyers.
- Differentiate between multichannel and omnichannel retailing.
- Identify examples of how omnichannel strategies have been implemented by retailers.
- Identify current trends affecting retailing and buying.

Welcome to the exciting world of buying, one of many functions occurring every day in all retail businesses. By its very nature, retailing is dynamic and continuously changing. Within a single season, the merchandise assortment and market position of a retailer can be altered, and virtually overnight, pricing, promotions, and inventory levels can be changed. Within this fast-changing environment, buyers are making merchandising decisions daily.

INTRODUCTION

Retailing consists of all the business activities involved in the selling of goods and services to the ultimate consumers. Retailing, however, does not always require a store. Catalog sales, vending machines, e-commerce, and mall kiosks all fit within the scope of retailing. No matter where retailing occurs, however, someone must perform the buying function. **Buying** is the business activity that involves selecting and purchasing products to satisfy the wants and needs of consumers. Buying involves complex decision making in areas such as

- forecasting the wants and needs of consumers;
- planning merchandise assortments to satisfy consumer wants and needs;
- selecting vendors from whom to purchase merchandise;
- negotiating contracts with vendors;
- pricing merchandise;
- keeping sales and inventory records; and
- reordering merchandise.

Over the next several weeks, you will learn more about buying as well as develop skills necessary to perform these primary buying tasks. But first, some of the major forces affecting the retailing environment, such as online retailing, mobile technologies, social media, and omnichannel retailing, will be described, and their impact on retail buying will be presented. Trends that will be affecting the future of both retailing and buying will also be examined. Retailing may look quite different tomorrow from the way it looks today. Because retailing is changing, the buying function is also changing. If you are to be a successful buyer, you need to understand where customers currently make purchases and where and how they are likely to make them in the future.

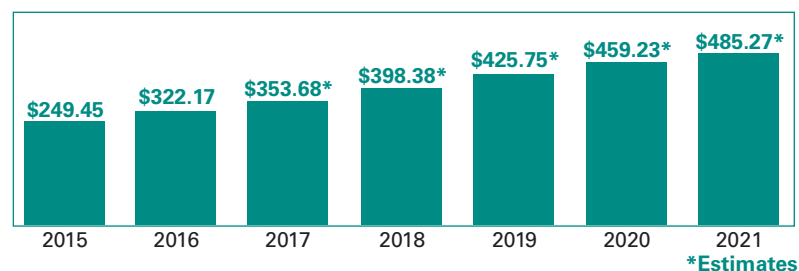
E-COMMERCE AND ONLINE RETAILING

One of the key forces that is dramatically impacting traditional shopping is online retailing. Today, e-commerce and **online retailing** continue to grow and thrive worldwide, creating a customer shift from in-store to online shopping. In fact, as shown in Figure 1.1, online sales revenues are forecast to grow about 65 percent from 2015 to 2021, and with the proliferation of smartphones and tablets, that growth is expected to continue at a rapid rate. In fact, one recent consumer survey found that almost half of Americans prefer to shop online, but that percentage is much higher for younger age groups, which are most attractive to many retailers. Moreover, 56 percent of Gen Xers and 67 percent of millennials indicated they preferred to shop online rather than in the store.

What has emerged is that many of the traditional **bricks-and-mortar** retailers—those firms who, in the past, had storefronts on Main Street or in the mall—developed a **clicks-and-mortar** approach. In other words, these retailers developed an online presence in addition to their traditional storefronts. For these companies, online retailing created another **touchpoint** in the marketplace where customers could interact with retailers and make purchases. For example, even when making an online purchase, physical stores remain vital for many customers—25 percent of consumers have made an online purchase while they were in the retailer’s store.

Figure 1.1

Retail E-Commerce Sales in United States from 2015–2021 (Ranked by billions of dollars). Online sales revenues are forecast to grow about 65 percent from 2015 to 2021.



Statista.com, April 2017

Benefits of Online Retailing

The internet is truly a global medium that allows shoppers to click from a retailer in their local community to another retailer halfway around the world—in seconds. This ease and convenience of making purchases is cited by most customers as to why they prefer making purchases online (Figure 1.2). For most shoppers, online purchasing means no waiting in long lines, especially if they have children in tow. Other online shoppers, especially young working millennials, are less and less interested in making store visits that require a major allocation of time. In contrast, the internet provides 24/7 access and allows for a leisurely shopping experience at a convenient time for them. Moreover, many consumers shop online because it allows them to find the best price for products more efficiently across many different websites, instead of having to physically visit many different stores. In addition, customers may also find a greater selection of merchandise online, particularly in sizes and colors offered.

For retailers, e-commerce sites can have benefits over a bricks-and-mortar store. Online sites usually do not require expensive storefronts; instead, more cost-effective warehouses can be used to store, hold, and distribute merchandise for online sales. This is especially true for **pure play** retailers who only operate online. Another advantage that online retailing offers is the savings generated from not having the heavy advertising and promotion budgets that bricks-and-mortar retailers typically have. Communicating with consumers online costs a lot less than communicating with them using traditional media such as print and broadcast. A digital catalog can be produced for much less than the cost of reproducing and mailing printed ones. Online promotion also offers greater flexibility, allowing retailers to make real-time adjustments to their promotional offers. In fact, an online catalog can be adjusted daily or even hourly, adapting product assortments, prices, and promotions to match changing market conditions. To acquire new customers, however, most online retailers, such as the one shown in Figure 1.3, must also use some traditional advertising.

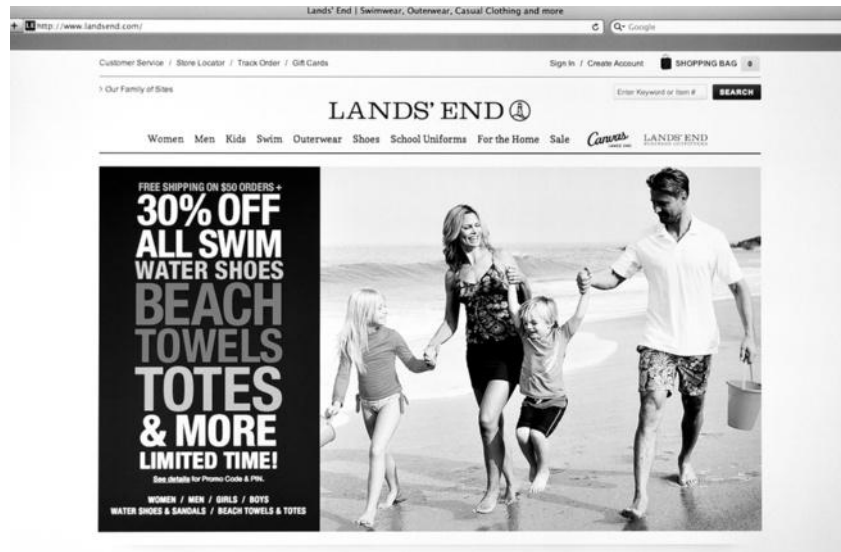


Figure 1.2

Convenience is cited most often by customers who prefer to make purchases online.

Figure 1.3

Many online retailers must still rely on traditional advertising to attract customers.



Challenges of Online Retailing

Online retailing, however, faces some challenges. The internet offers millions of websites and a staggering volume of information. Thus, navigating the internet can be frustrating, confusing, and time-consuming for some consumers. Also, many online shoppers still worry that unscrupulous snoopers will intercept their credit card numbers and make unauthorized purchases.

Among other reasons cited for consumer resistance to making online purchases and preference for in-store shopping are the ability to see the products in person, the simplicity of making in-store returns, and the ability to ask a sales associate in the store lots of questions. Loss of privacy, however, remains a primary concern for many online customers. Additionally, one of the most important challenges facing online retailers is quick delivery. Most shoppers want their purchases immediately, yet “same day or next day delivery” is an added expense for retailers that must be passed on to the customers in some way.

Another challenge facing online retailers is that the average purchase for in-store shoppers is higher than online; in-store customers tend to make more impulse purchases. In-store merchandise displays can still influence shoppers to make an impulse purchase, and they are much harder to ignore than online ads. In fact, 40 percent of shoppers spend more than they had planned while shopping in stores, but only 25 percent of shoppers do so when shopping online. Online ads and promotions will need to be more enticing to cause shoppers to browse more of the site after they find the product they came online to purchase.

For several reasons, online has *not* turned into big business for some retailers who operate their online channel as a separate entity in the company. The reality is that far too many retailers have been lagging in their online product offerings. They have offered a wide variety of products in their stores, but their online channel featured a limited inventory that was stocked separately in dedicated online fulfillment centers.

Today, online shoppers readily purchase books, food, and clothing online, yet many of them hesitate before making purchases of high-end items such as appliances and furniture, and for more expensive purchases, online shoppers want more than the

retailer just to accept a credit card. They are looking for other types of longer-term financing, which most online sites do not currently offer. Also, many customers shop as a social activity or a day to browse with friends—an experience that simply cannot be duplicated online.

Online Shopper Expectations

In an effort to keep up with ever-connected consumers' changing expectations, retailers often trade basic merchandising strategies in favor of eye-catching online experiences. Some companies have focused on driving sales growth through experiential services such as live chat, social media integration, and even virtual reality videos. But, many retailers fail to optimize baseline customer experience—a practice that provides the basic details shoppers need to make a purchasing decision. One research report indicated that 78 percent of respondents said the quality of online product content was very important when making purchase decisions, and one fourth of them had abandoned an online purchase because of poor product information.

Online shoppers also expect quick service with lightning-fast load times. A third of online shoppers will click away if they have to wait more than five seconds for a page to load. The portion of users who click away while waiting for a page to load is referred to as the **bounce rate**. However, they are willing to wait longer if they can expect a solid deal when they connect. Lost online shoppers means lost revenue for retailers, and it can be a significant loss. For example, two-thirds of retailers consider each online visitor worth a minimum of twenty dollars, and some merchants estimate their value at much more than that. So the loss of thousands of potential sales due to slow-loading pages can be a real problem.

Small conveniences can make a big difference with online sales. Pages must be optimized for smartphones and tablets, and checkout should be as simple as possible. Customers are just as frustrated online having to wait as they are waiting in a store. Customers should be offered opt-in capabilities where they can make purchases with just one click. Making it easier for shoppers to pay for purchases with fewer clicks (using Apple Pay, PayPal, credit card information on file, etc.) can pay off with greater sales. Above all, online retailers must stand out from the competition.

Future of Online Retailing

As Americans continue to do more of their shopping online, local bricks-and-mortar retailers are suffering. Yet, despite the ease of online shopping, many consumers still prefer shopping in a physical store. Even though physical stores are still formidable at selling merchandise, their share of total sales has been declining for over a decade, but more importantly, the line between in-store and online retailing has blurred.

In the future, more consumers are going to shop online, but many of them will still enter stores to interact with sales associates, learn more about the product, try it on, and experience its quality. Customers may not purchase the product in the store, but without that store interaction, it is likely that many sales would not occur. An increasing number of shoppers are **showrooming**, by visiting local bricks-and-mortar retail stores before they go online to compare prices and make a purchase. Meanwhile, a large number of customers participate in **reverse showrooming**, where they research products online before making an in-store purchase to avoid the wait to receive the merchandise and to

avoid shipping charges. Companies must realize that both shopping processes are now part of the retailing landscape, and they must better integrate both in-store and online experiences for their customers.

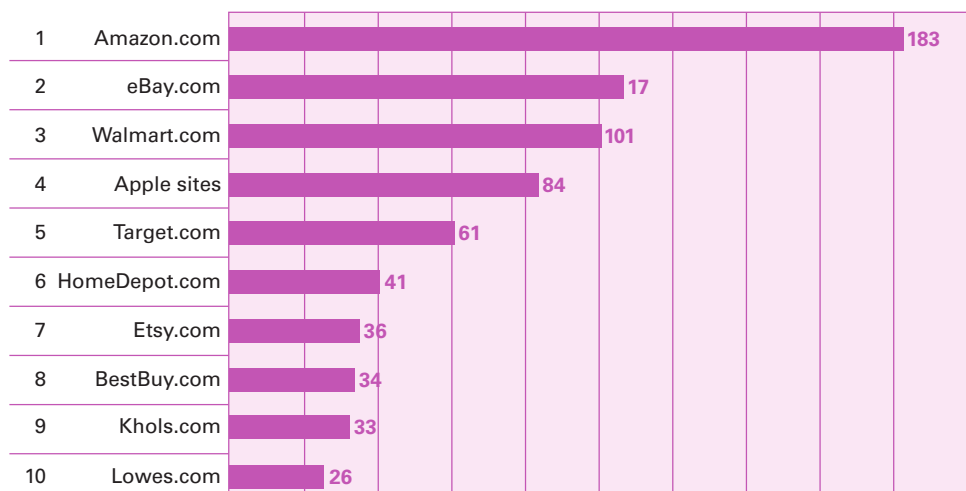
Even the largest retailers are betting on the continued growth of online retailing. Walmart's acquisition of Jet.com, an online marketplace, is noteworthy since it shows that chain's belief that its future growth will be online. Sam's Club is also betting on the growth of online retailing; their web site now gets 16 million visits a month and offers 51,000 different items for sale. Furthermore, Sam's has also launched daily deals to spur online growth even more.

Neither is the largest online retailer resting on past success. In fact, Amazon is doing so many different things on so many different fronts that it is not surprising that other retailers are having a difficult time keeping up. The company seems to be relentlessly innovating. One of the innovations that has had immediate impact is Amazon Prime memberships, which offer free deliveries to shoppers who are members. In fact, during one five-year period, households that subscribed to Amazon Prime grew from 10 percent to 30 percent. More importantly, over two-thirds of Prime users say they tend to check Amazon before buying anything online. Additionally, Amazon already offers one-hour delivery service to Prime members in thirty metropolitan areas worldwide, and during a recent Christmas season, Amazon was responsible for 46 percent of online sales in the United States. The next closest competitors were Best Buy, Walmart, and Target, at less than 5 percent each. For a list of the ten most popular online sites, based on unique online visitors, examine Figure 1.4. Amazon.com was a clear number one. Both Amazon's breadth of assortments and efficiencies built into the ordering process resonated with shoppers.

Many traditional retailers are struggling as online shopping continues to accelerate. But, they are also faced with other problems such as declining mall traffic, time-strapped consumers, and more price-conscious shoppers. Online has changed the retailing environment very quickly, and to remain competitive, retailers will need to try lots of new and innovative ideas.

Figure 1.4

Most Popular Retail Websites in the United States (Ranked by millions of visitors). Amazon is clearly the most popular online site based on unique visitors.



Statistica.com, July 2016

MOBILE TECHNOLOGIES AND SOCIAL MEDIA

For years, retail had been neatly divided into two categories—online and bricks-and-mortar. But, the arrival of technologies such as smartphones and tablets created a new retail environment melding the digital and physical worlds. In fact, engaging consumers on their smartphones is one of the biggest opportunities for retailers in that they provide them with unprecedented opportunities for interaction with consumers (Figure 1.5). For many of these consumers, smartphones have become an extension of themselves—they cannot leave home without relying on them every day, from getting directions to obtaining product reviews to making purchases. Furthermore, facilitated by the convenience of constant access through smartphones, many consumers go online over 100 times a day. In addition, millions of consumers regularly frequent online **social media** platforms, which provide another means by which retailers can reach and influence consumers.

Social media as a communication tool has the ability to build relationships and communities between individuals who share common interests, and for many of them, shopping is a common interest. The sheer number of individuals already accessing sites such as Facebook, Pinterest, Twitter, YouTube, Google+, or LinkedIn cannot be ignored by retailers. In fact, recent estimates indicate that social media users *influenced* more than \$1 trillion in total purchases in the United States.

Impact of Social Media

Over the last several years, consumers have shifted from being passive recipients of pushed information, such as direct mail and advertising, to being active, informed shoppers. For most retailers, this means that traditional marketing efforts alone will no longer be as effective as they once were. Social media has allowed consumers to wield more power and influence than ever, and retailers that listen and engage with consumers on those platforms can find opportunities for business growth. In fact, over

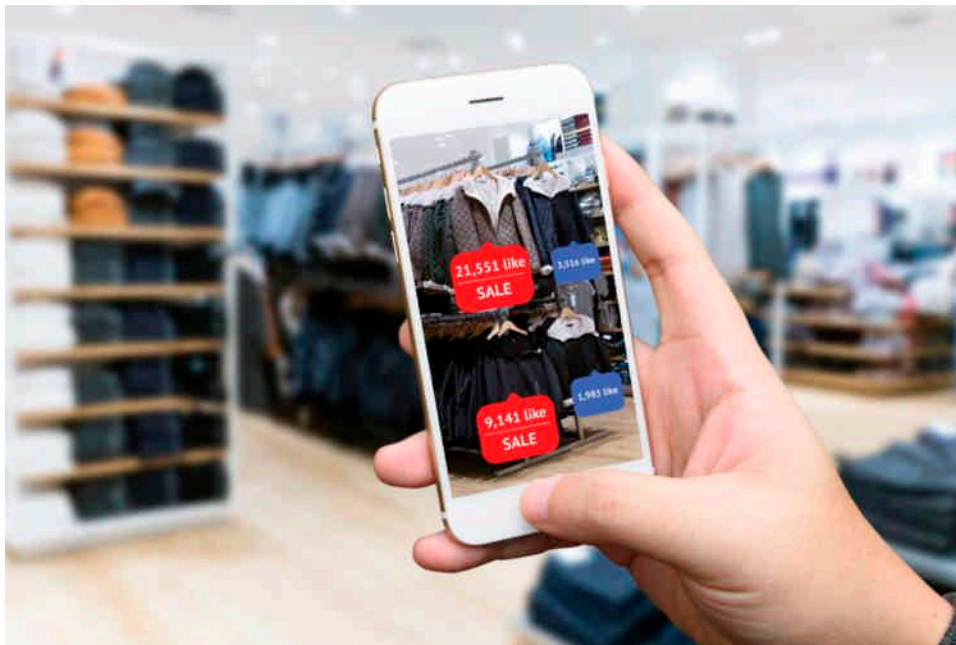


Figure 1.5

Engaging consumers on their smartphones is one of the biggest opportunities for retailers.

90 percent of retailers have begun investing in social media marketing to some degree. These retailers are increasing their online merchandising budgets, a portion of which is clearly earmarked for social media activities that engage consumers to promote two-way interaction.

Yet, promotion through social media should not be approached haphazardly; it must be a planned strategy. When implementing social media as an element of the promotional mix, retailers should choose a few critical social media platforms that are most relevant to the company's target market. Then, the social media platforms selected should be used to conduct meaningful dialogues with users that are both relevant and engaging.

Social media is not going to replace a retailer's overall marketing strategy, but it should become another element in the promotional mix that allows stores to communicate with and influence consumer purchasing decisions. Social media should be used to broaden the reach of existing marketing initiatives. For example, if a retailer has an ad campaign running on TV, they should also post it on Facebook, Twitter, and other social media platforms and include a link to a YouTube clip of the commercial. The difficult task will be in finding the right balance between using social media and the other elements of the promotional mix.

Social Media Strategies

Many retailers are already using social media channels like Facebook, Pinterest, and Twitter to advertise, respond to customer service questions, and drive sales with "buy now" buttons. Some retail buyers are also using data gathered on social media platforms combined with other data to better gauge consumer perceptions and potential buying behavior. In fact, mobile and social media are keys to the promotional efforts of many retailers.

For example, the beauty retailer Sephora has implemented mobile marketing efforts as a means to enhance retail sales in their stores. In fact, management views mobile technology as the ultimate bridge between the in-store and digital shopping experiences of their customers. The company targets its customers with a mobile app that allows customers to shop, as well as providing them with video and scanning capabilities. Shoppers using the app can scan bar codes for product information as well as how-to videos, and they are able to access the breadth of products available on Sephora's website while they are in the store. The mobile app also allows customers to immediately see what is new and what the retailer is "buzzing" about. In addition, shoppers can also scan a product in the store and find out what other customers think about that product. Moreover, when using the mobile app, customers are also provided deals and special sale prices that may be available only to them, and the app even uses GPS to help them find the nearest Sephora store. Customers can also read product ratings and reviews, retrieve information on their previous purchases, access their account, and even create shopping lists.

Nordstrom is another retailer that has implemented an effective social media strategy. Nordstrom, which achieves 21 percent of its sales online (a very high percentage for a traditional retailer), has spent hundreds of millions of dollars on things like distribution centers and inventory management software to integrate stores with its digital operations. The company sends news to shoppers on Twitter and showcases its fashions on Instagram. Discussions between the retailer and consumers are hosted

on Facebook. Pinterest opens the door for some shopping, while Snapchat allows Nordstrom's shoppers to interact with each other and have a role in producing the content. Moreover, in all these social media strategies, Nordstrom has moved carefully so the efforts do not come across as a blatant commercial for the company.

Target, Nordstrom, H&M, and Sephora have all conducted successful marketing efforts with Snapchat, the social media platform that lets people share images or video clips with friends for a brief period of time. By some estimates, Snapchat has over 100 million daily users, with over half of them ages thirteen to thirty-four. The goal of companies implementing such a strategy must be about interacting with consumers in a fun way while creating a unique experience that is associated with the retailer.

Kate Spade, Jack Threads, and Warby Parker are just some of the brands experimenting with Instagram's shoppable-photo strategy. These brands have added a "tap to view" icon to company images that conveys additional information for the consumer, such as price and available colors, making it easier for customers to make a purchase decision on the spot. To learn more about how Levi Strauss has used social media to promote its stores, read the Snapshot titled "Levi Strauss: Cashing in on Social Media and Mobile Technology."

Have you interacted with any retailers using a social media platform? More and more companies will be doing so because the future of retailing looks a lot more social. Social media is a powerful connector capable of creating lasting and meaningful partnerships between retailers and consumers, and the most astute retailers are implementing unique social media strategies to influence the shoppers they covet the most (Figure 1.6).

Research showing that many consumers heavily rely on social media when making a purchasing decision has rendered social media indispensable, but as retailers build these social connections, they must realize that there is no one-size-fits-all strategy.

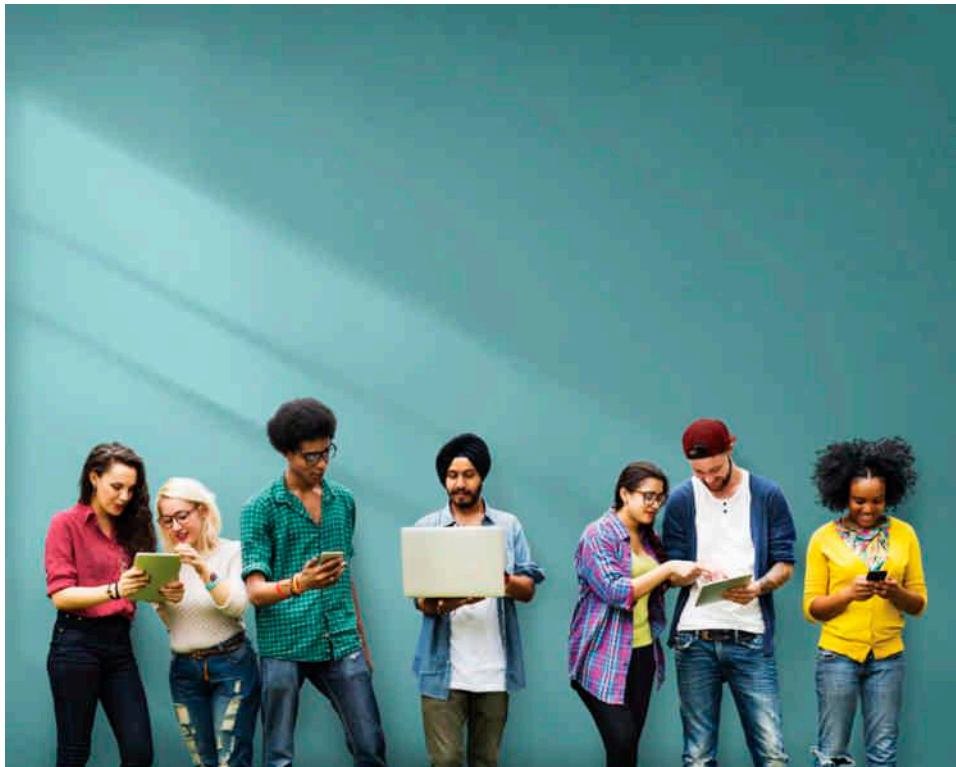


Figure 1.6

Social media has the potential of creating partnerships between retailers and consumers.

Whether they connect using Snapchat, Instagram, Pinterest, or Facebook depends on the shoppers that retailers are targeting. Review Table 1.1 to learn about the percentage of consumers using various social media platforms.

TABLE 1.1		
WHICH SOCIAL MEDIA PLATFORMS ARE YOUR CUSTOMERS USING?		
	Percentage of U. S. Internet users who access this site weekly	Percentage of users on the service ages 18-34
Facebook	70%	36%
Instagram	32%	46%
Twitter	30%	40%
Snapchat	25%	53%
Pinterest	25%	38%
Tumblr	18%	50%
Linkedin	17%	36%

Source: Time, March 13, 2017

Importance of Mobile and Social Media Strategies

Even though shoppers may ultimately make a purchase on their computer or in a traditional store, retailers must have a mobile-first mind-set because a vast majority of consumers’ first impressions occur using mobile technology. In fact, research has shown that nearly half of store purchases are influenced by digital interactions.

An effective mobile and social media strategy can provide retailers, and especially retail buyers, a wealth of information about their customers and potential buying preferences. But, in order to tap into the true power of such strategies, retailers must listen to their customers, analyze their findings, and take appropriate actions to meet their needs. Through **social listening**, or tracking conversations about the brand on social media, retailers can gain a better understanding of which issues are gaining importance among consumers. Social media data can then provide retail buyers with details that aid in making purchasing decisions. Mobile and social media are shaping retail industry trends and will probably continue to do so in the coming years, especially as more and more companies move to omnichannel retailing approaches.

OMNICHANNEL RETAILING

Today’s shopper is a consumer whose purchasing experiences are characterized by connectivity using multiple touchpoints with retailers, that is, bricks-and-mortar stores, cell phones, laptop computers, and social media platforms. As customers interact across various retail channels, retailers must implement a strategy that creates a unified message for their customers across every channel. Let’s more closely examine strategies retailers are implementing to seamlessly connect these various touchpoints.

Omnichannel Strategies

Just twenty-five years ago, retailing was synonymous with bricks-and-mortar stores, but with the development of online retailing in the '90s, a second channel was created where consumers could interact with retailers. On the internet, they could purchase products and experience the brand to some degree; however, most retailers made the decision to implement different approaches with these two channels. In fact, most retailers only offered limited inventories to support their e-commerce sites.

As more retailers moved to a multichannel approach, many of them began some integration between the bricks-and-mortar part of their business and their e-commerce side. Then, mobile technologies added a new touchpoint allowing retailers and consumers to interact in much different ways. A new approach was needed to fully integrate these different channels—an **omnichannel** approach. The omnichannel concept (Figure 1.7) is focused on consumers being able to interact with the retailer from whatever touchpoints (i.e., laptop, smartphone, social media platform, or a bricks-and-mortar store) are appropriate to them wherever they are in the purchasing process—from learning about a product to making the final purchase to providing feedback on how the product performed. Read the Trendwatch titled “Omnichannel Retailing Done Right” to learn more about how some retailers have implemented omnichannel strategies.



Figure 1.7

The omnichannel concept is focused on consumers being able to interact with the retailer from whatever touchpoints are appropriate to them.

Need for an Omnichannel Strategy

Most products that consumers purchase are not made on impulse; they typically develop their shopping preferences through a series of activities. Engaging with sales associates, browsing e-commerce sites, reading advertisements, seeking advice from friends who have used a product, having conversations on social media platforms, and purchasing the same or similar products in the past are just some of the touchpoints that lead to a consumer's interest in a product and their making the final purchase.

In the omnichannel world, ease of access across all channels is paramount for consumers, and that requires integration of all a customer's records regardless of where they are accessed. An omnichannel approach provides retailers an opportunity to insert themselves along all these touchpoints, creating information and content that educates and excites consumers wherever they may be, and retailers must build systems, solutions, and operations to deliver content and experiences seamlessly across any of these touchpoints. This will mean that consumers choose how they want to relate to the retailer, rather than the other way around. Whether customers shop online, in the store, or on a mobile device, they have the same expectations of the purchasing process. If these expectations are ignored at any of these touchpoints, the retailer will probably lose both customer loyalty and revenue growth.

How important is an omnichannel approach to retailers? Walmart reports that an average store-only customer spends approximately \$1,400 a year at its stores, compared to \$200 among customers who shop only online. However, customers who shop using multiple channels spend \$2,500 a year—clear evidence of how important an omnichannel approach can be in driving retailers' revenues.

Above all, retailers want to establish a conversation with consumers. Technology gives retailers the opportunity to extend their reach far beyond the typical bricks-and-mortar stores and even their computers. Mobile technologies have created an entirely new arena for retailers to reach consumers, most of whom do not leave their home without their smartphones—tools that can be used by retailers and consumers to interact with each other. Smartphones also give retailers the ability to target messages and promotions to consumers wherever they are.

Challenges of Omnichannel Strategies

Omnichannel retailing has also created new challenges for retailers. With the evolution of new integration strategies, such as “buy online and pick up in store” and “same-day delivery,” retailers now need to have greatly improved visibility of inventory in all channels and better tools for predicting future demand for products. Moreover, retailers must be concerned with the costs associated with offering these services to customers. They must also ensure that safety stock levels in the store are not jeopardized by online orders to “pick up in the store.”

In the expanding omnichannel world of retailing, the challenge of keeping customers loyal is accelerating. Retailers can no longer manage each of their channels as a collection of unconnected processes. Customers want retailers to remember what they have purchased in the past, and they want some sense of personalization. Customers feel better about the experience when they are remembered, regardless of the touchpoint

they are using to interact with the retailer. If retailers tell customers an item is in stock, it needs to be in stock; excuses about separate computer systems that do not communicate with each other will not be accepted.

Remember that the cost of keeping a current customer happy is exponentially lower than that of attracting a new one; therefore, it pays to invest in a retail technology platform that can handle customer needs at any touchpoint they have with the retailer. In fact, Walmart is now focusing on enhanced omnichannel customer experiences through seamless shopping that includes initiatives such as online ordering and curbside pickup, a faster fulfillment network, and building new data capabilities to enhance shoppers' experiences at all customer touchpoints with the company.

As e-commerce becomes a greater percentage of total sales for most retailers, they will be forced to view inventory management quite differently at their warehouses. In fact, many retailers now make an effort to process e-commerce orders not from the warehouse, but from the store that is closest to the customer. Done properly, this process may be the most cost-effective way to support "next-day or same-day pickup" that many retailers have begun offering their customers.

Most retailers also opt for an easy and generous returns policy to stay competitive. Omnichannel makes it easier for customers to make a return, but it also makes the returns process more complicated for retailers. For example, a product bought online in North Carolina and shipped from an Atlanta distribution center could be returned to a store in South Carolina and then sent to a returns center in Ohio. As retailers move toward a seamless shopping experience for their customers, failures or shortcomings in the returns process can have a dramatic impact on the company. For example, some research suggests that only about half of returned products are resold at full price; however, 70 percent of customers who make an in-store return make another purchase—which does not occur with online returns. As they implement omnichannel strategies, many retailers are also rethinking merchandise assortments, which consumers to target, how best to reach their target customer, and the ideal number of stores they need.

Future of Omnichannel Retailing

Some industry experts are now determined to eliminate the word "omnichannel" from retailers' vocabularies and to break them of the habit of referring to e-commerce as a separate business channel. For them, the real challenge is to concentrate on shoppers' definition of retailing, which has nothing to do with channels and everything to do with delivering great products, on time, and at a fair price. Customers do not think about a shopping experience from an omnichannel point of view; instead, customers interact with retailers using a variety of methods. Regardless of whether a customer enters a store, shops through a website, uses a mobile app, or browses social media platforms, they want the shopping experience to be smooth and consistent, regardless of the channel. In fact, one retail analyst suggests that soon such customer experiences will overtake price and product as the key differentiator between retailers. As part of this process, customers expect a certain experience from the brand, and they expect that experience to be the same, regardless of which mode of interaction they choose. Shoppers expect a seamless shopping experience that easily shifts from digital to physical stores.

If they have not already done so, retailers must make an omnichannel approach a core element of their future strategies. An effective omnichannel strategy will help them create improved company awareness, generate greater customer retention and loyalty, and lead to higher sales revenues. But, failing to make the shopping experience seamless will hurt both customer satisfaction and revenues.

THE FUTURE OF RETAILING—TRENDS

As you have read, retailing has changed dramatically in the past twenty-five years. In today's fast-changing market, retailers need to identify and quickly respond to trends and challenges. A **trend** involves change or movement in a general direction. The ability to predict trends and deal with them before they fully influence the market is critical in retailing. The only way retailers can plan for the future is to anticipate the forces that will have an impact in the decades ahead. Then they must develop effective strategies in response to those changes if they are to survive.

Retailing is being revolutionized, and success in retailing will require strong decision makers who have a clear vision of what they want to do. All retailers must position themselves as shopping destinations rather than places into which consumers wander. Buyers, through their merchandise selections and other merchandising decisions, will play a key role in making their stores a shopping destination for consumers.

The history of retailing has always been one of change, and dramatic, if not revolutionary, changes must occur if many of today's retailers are to survive. Read the Trendwatch titled "Pop-Ups: Stores That Will Not Be Here Tomorrow" to learn more about the strategy being used by some retailers to open temporary storefronts. Customers' expectations are rising—they want what they want, when they want it, how they want it, and they want it fast. Moreover, resistance to change will probably be the major reason some retailers will not survive. Let's examine some of the future trends that retailers will be facing and strategies that they may be using to drive customer traffic, revenue, and profits while enhancing customer satisfaction.

Customers Becoming More Empowered

Today, the customer is in control. The twenty-first-century customer is "informationally empowered," is actively engaged in the marketing process, demands instant gratification, and seeks quality. One problem for retailers will be to determine which services their customers want. At Nordstrom, customer service may mean trained sales associates who coddle shoppers. At Walmart, it may mean having enough low-priced merchandise in stock and keeping checkout lines short so customers do not leave frustrated. No matter what service means at each retailer, keeping shoppers happy will be ever more important.

High-performing retailers will compete on the basis of value rather than price. Low price may be an important element of their retail strategy, but never the only element. The top performers give customers what they want—in other words, they give them their money's worth. For example, Home Depot's success is not just a function of good prices and selection; it is also a function of staffing the stores with personnel who can teach consumers how to be "do-it-yourselfers." IKEA's success is not just a function of low-priced furniture; it is a function of low-priced furniture that is well constructed and sleekly styled (Figure 1.8).

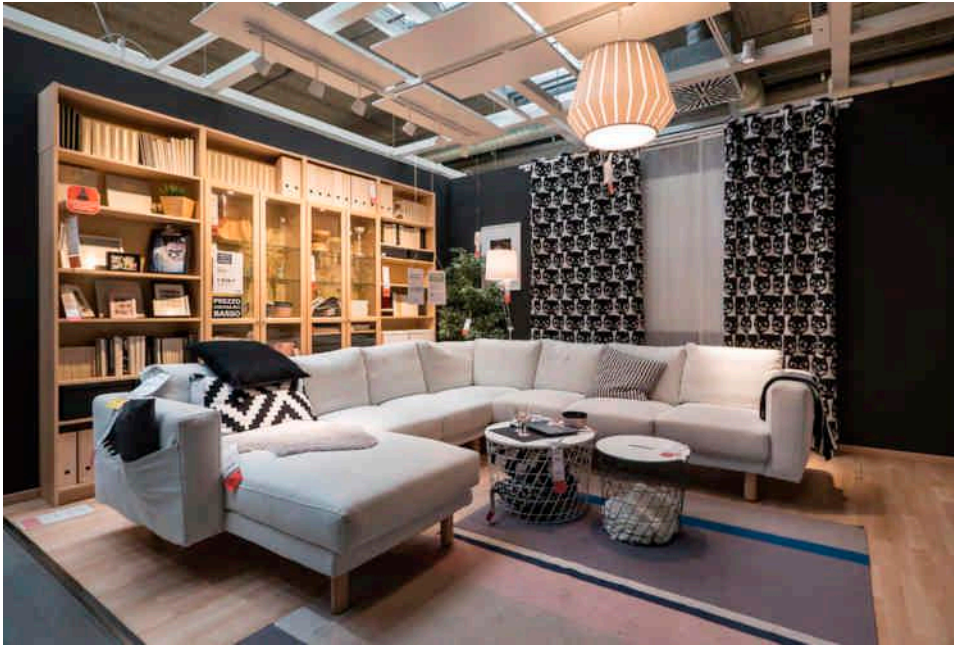


Figure 1.8

IKEA's success is not just a function of low-priced furniture; it is a function of low-priced furniture that is well constructed and sleekly styled.

New Experiences for Shoppers

New shopping experiences will be used to draw customers to stores. As sales at bricks-and-mortar stores decline in proportion to online sales, retailers will initiate new experiences that will build a better in-store engagement with customers. For example, one such idea, Reserve & Try, is already being implemented at some Nordstrom stores. Using their mobile phones, customers can select merchandise they would like to try on and schedule a time for their next store visit. The merchandise they have selected for fittings is placed in a dressing room right before the customer has scheduled to arrive at the store. In addition, these customers will find even more personalization when they find their name posted on the dressing room door to which they have been assigned. Developing in-store experiences like these that expedite and personalize the shopping experience will be critical for success in the future. Above all, these new shopping experiences will be less about entertainment and more about creating engagement and relevancy for customers.

To broaden their merchandise assortments and enhance customer experiences, many retailers will have more **concessions** in their stores—vendor partners who take over selling space. Macy's, Bloomingdale's, and Nordstrom are just some of the department stores that are already using these partnerships to reduce their investment in inventory. In European stores, concessions can be 60 to 70 percent of a store's selling space, while in the United States it averages only about 10 percent. Macy's is one retailer that has already implemented this trend by converting athletic shoes (Finish Line), caps (Lids), and sunglasses (Sunglass Hut) to concessions, and Bloomingdale's also has a group of leading designers, including Armani, running concessions in its stores. While concessions give a different character to stores, they can ensure a smooth, fast flow of merchandise direct from the manufacturer. In addition, concessions assure fresh merchandise, reduce markdowns, and guarantee the retailer a steady income stream.

Retailers Becoming Destinations for Consumers

Forward-looking retailers are becoming differentiated retailers—deciding what they want to stand for in the marketplace and staking out that role. Consider the following retailers—Target, Neiman Marcus, Forever 21, Walmart, and IKEA. Each of them can be characterized as filling a very specific role or marketplace niche—each has an identity, a personality. In other words, their stores are differentiated from similar retailers.

The key for retailers, then, is to view, define, and position themselves as **destination stores**—shopping destinations for customers. That is, retailers must strive to become focused, presenting a clear picture of merchandise and service to a distinct audience, so that they become stores for customers to consciously seek, rather than places for customers to wander into. Retailers can also use store layout and displays to position themselves as shopping destinations (Figure 1.9).

Everyone in the retail firm, particularly buyers, must also have a clear vision of the store—what it is and what it is not; what makes it special to customers. Outstanding retailers have a clarity of purpose that is demonstrated throughout the organization. Retailers cannot be all things to all people, but they need to be the right things to their customers.

Stores Becoming Mini-Fulfillment Centers

Lots of retailers will be transforming their bricks-and-mortar stores into mini-fulfillment centers. In 2016, for the first time ever, online shopping outpaced in-store shopping during the Black Friday weekend—a strong signal that a real shift in customers' shopping habits has occurred. As online sales growth continues, bricks-and-mortar stores will need to capitalize on one of the biggest advantages they have—the physical stores themselves. Stores can become mini-fulfillment centers that blend the digital and physical shopping experiences for customers. Shoppers can order online and pick up and return merchandise to a store near them. Even Amazon has recognized

Figure 1.9

Apple is one retailer that has positioned itself as a destination store.



the advantage of having some physical presence and has begun to build some bricks-and-mortar stores.

To make way for these mini-fulfillment centers, selling space will shrink as stores concentrate on profitable core product categories. For some retailers, the number of stores will also shrink. For example, as online sales of apparel and accessories saw robust growth online, several retailers, including Ann Taylor stores (women's apparel and accessories retailer), realized that the future of apparel retailing was e-commerce and there was little reason to open new stores. Thus, Ann Taylor has been closing some stores to reposition itself for omnichannel retailing. The remaining bricks-and-mortar stores would serve normal customer traffic as well as being an online fulfillment center. Ann Taylor is just one of many retailers that have come to terms with the fact that the shift in customers' shopping preferences is permanent, resulting in the closing of many retail stores.

There will continue to be a shaking-out period as retailers, many times painfully, adjust the size and number of their stores to accommodate the new normal. The winners will be those retailers who can quickly and efficiently right-size that footprint and make customer interactions seamless, store visits special, and order fulfillment optimized.

Faster and More Efficient Shopping Experiences

Shoppers are expecting faster and more efficient experiences. Walmart, for example, offers curbside pickup for customers who order online. Customers never have to enter the store; they simply park in a preassigned numbered space and their purchases are brought out. Amazon is experimenting with a no-check-out grocery store where customers are automatically charged for their purchases through a combination of artificial intelligence, computer vision, and data pulled from multiple sensors. If making the purchasing process faster and more efficient improves customer satisfaction and builds loyalty, other retailers must act and innovate quickly.

Greater Use of Data Analytics

The use of **data analytics** will increase dramatically in retailing. Unlimited computing capacity in the cloud and advanced analytics have enabled retailers to overcome the challenge they have faced in the past—collecting and analyzing huge volumes of different types of data, such as customer databases and social media trend reports. Until recently, when making decisions, retailers have had to rely on insights gained from their own experiences, forecasts based on past sales, and customer feedback, which were basically high-quality educated guesses.

The frustration that retailers face about not being able to distill value from data quickly enough to drive business performance will be reduced by the speed and accuracy that retail analytics can provide. Modern retail analytical software can package customer data, trend analyses, and supply chain data into a single view of what is occurring at a retail store. Putting all relevant data into a form that is easy to understand and use will help retailers, and particularly retail buyers, design strategies that will improve a store's performance, allowing them to have the right products available for customers at the right place and time. Data analytics can also be used to identify potential customers, decide which customers should receive a particular offer, and reactivate a customer's spending at a store.

Although data analytics were once the preserve of big retail chains with deep financial pockets, today the falling cost of computing power allows almost any retailer to move into this area. However, just having lots of information about customers stored away somewhere is not enough; strategies based on that information must be developed. Accepting the influence of analytics is critical for many retailers to remain vibrant.

More Effective Measurement of Marketing and Social Media Efforts

Marketing efforts to reach shoppers will also continue to change and evolve. Social media platforms, such as Facebook, YouTube, LinkedIn, Google+, Pinterest, and Twitter, will not be going away in the near future, but the massive amounts of media attention and hype will probably cool. Retailers will need to monitor the impact of social media on their sales. However, measuring the effectiveness of social media efforts presents new challenges. What should the retailer be measuring? For example, website “hits,” mentions on other sites, number of “likes,” traffic on a site, and the number of new customers making a purchase are just some of the variables that can be measured. Other factors, such as internet “buzz,” may be impossible to measure quantitatively. On the other hand, podcasts and online video sites, such as YouTube, offer retailers the potential to deliver polished, high-quality content to better educate their customers and build sales.

Forecasts and Predictions Will Still Involve Risk

Predicting all future trends and challenges is impossible, but retailers must work to anticipate trends and then prepare and execute strategies that will allow them to adapt to the fast-changing marketplace. In 2009, one national retailing publication made the following predictions—“the recession would end by the second quarter of 2009,” “sales of private-label merchandise would decline,” and “the electronic wallet would become a reality.” In 2009, they were wrong on all counts! Retailers will continue to make incorrect forecasts and predictions about the future, but they must lessen the degree of their errors. That will take a mix of improved retail knowledge, listening to retailing experts, analyzing retail analytics, endless hours of research, and even some reliance on “gut feelings.”

As they reassess the future, retailers must find innovative ways that will allow their stores to grow while still operating profitably as they offer merchandise that attracts customers who want to buy what is being offered. The challenge will be to adapt as quickly as possible and capitalize on new opportunities. Finally, keep in mind that better merchandising begins with buyers who understand the products they stock and the customers to whom they sell. Better merchandising will require buyers who understand the value of new technologies, and who recognize them only as tools to facilitate customer satisfaction. It will require buyers who understand that taking risks is part of successful retailing. Are you ready to become that retail buyer?

Summary Points

- Retailing operates in an ever-changing environment; therefore, buying, a key function of retailing, must deal with the continuous changes in the marketplace.
- Online retailing continues to grow and thrive, with more than half of Americans preferring online to in-store shopping.
- Increasingly, the lines between online and in-store shopping are blurring.
- Online and mobile shopping have changed the retail environment quickly, and social media platforms have empowered consumers.
- Social media is not going to replace a retailers' overall marketing strategy; yet, retailers are quickly implementing strategies to attract customers and sell products using social media platforms.
- Retailers are replacing multichannel approaches with omnichannel approaches.
- Buyers must recognize and anticipate trends that are currently developing in retailing. They must develop the vision that will allow their stores to become destination stores for customers.
- Better merchandising will require buyers who not only understand the value of new technologies, but who also recognize them only as tools to facilitate customer satisfaction and increase revenue growth.

Review Activities

Developing Your Retail Buying Vocabulary

Consult the glossary if you did not add the following terms to your vocabulary.

bounce rate	data analytics	retailing	touchpoint
bricks-and-mortar	destination store	reverse showrooming	trend
buying	omnichannel retailing	showrooming	
clicks-and-mortar	online retailing	social listening	
concessions	pure play retailers	social media	

Understanding What You Read

1. Cite examples of retailing that do not require stores.
2. Explain reasons for growth in online retailing.
3. Identify benefits of online shopping for customers.
4. Identify benefits of online shopping for retailers.
5. Cite reasons given by consumers for not shopping online.
6. Explain why shoppers are reluctant to purchase high-end items online.
7. List four expectations online shoppers have of websites they visit.
8. Present examples of how online and in-store retailing have blurred.
9. Identify the largest online retailer in the United States, and describe strategies the company has used to achieve that ranking.
10. Explain why smartphones provide such an important opportunity for retailers.
11. Explain how social media platforms have empowered shoppers.
12. Describe how retail buyers can make decisions using data collected from social media platforms.
13. Describe the retail buyer's role in the development of destination stores.
14. Differentiate between multichannel and omnichannel retailing.

15. Describe the challenge for retailers when accepting returns in an omnichannel environment.
16. Explain why some analysts want to eliminate the word “omnichannel” from retailers’ vocabularies.
17. Explain what is meant by “informationally empowered” customers.
18. Describe why retail buyers have been reluctant to use analytic tools in the past.
19. Explain how retail success on social media platforms can be measured.

Analyzing and Applying What You Read

1. The number of department stores is declining. Develop retail strategies that you would implement to turn around this decline.
2. One of the biggest trends facing retailers in this decade will be greater customer use of social media. Develop specific strategies on how a retail buyer could implement this trend in their retail strategy.

STUDIO

Spreadsheet Skills

Throughout this text, you will have the opportunity to develop your spreadsheet skills using numerous assignments presented at the end of selected chapters. The STUDIO accompanying this text contains assignments that can be printed using Microsoft Word. You will also find Excel files that will allow you to design and construct your own spreadsheets.

Being able to use and interpret spreadsheets is a critical skill that all buyers must possess. The goal of these assignments is to enhance your abilities in this area. Visit this book’s STUDIO product at www.BloomsburyFashionCentral.com and print Assignment A. This assignment is designed as a tutorial to provide you with a quick review of spreadsheet operations. Answers to these practice activities are provided at the end of the assignment.

Internet Connection

1. Locate an online site for a retailer with whom you are familiar—one that also has a bricks-and-mortar presence. Develop a chart that compares the similarities and differences between the two, comparing such dimensions as product assortments offered, prices, image, and so on.
2. Visit the book’s STUDIO to watch videos about omnichannel retailing, future retail trends, and advanced retail technology.

SNAPSHOT: Levi Strauss: Cashing In on Social Media and Mobile Technology

In a recent two-year period, Facebook users who visited Levi Strauss's fan page each month increased from 180,000 to over a million fans visiting the site. What changed so dramatically? The company changed its online strategy to be more than just an e-commerce site; Levi Strauss redefined how the company related to its customers through social media and mobile technology.

Retailers have always known that customers' word-of-mouth drives their businesses, but it has always been the part of the marketing mix that has been hardest to manage. And, today a company's marketing mix is increasingly more complex than ever. While traditional media, such as broadcast and print, are still an integral part of most companies' marketing mix, they have an increasing number of digital and mobile channels from which to choose.

Today, consumers use Facebook and other social media outlets to connect with their friends and family on a daily basis, and these social media outlets are finding ways to manage word-of-mouth of their users. They are providing a platform for their users to become advocates for a business or product. For example, Facebook has found that promoting a product with a friend's endorsement—a like or positive post—creates a more powerful marketing tool.

Levi Strauss is one company that has taken full advantage of the new technologies as it has sought to revamp its image in recent years. Working with developers at Facebook, features of the social media site were integrated into the Levi.com e-commerce site. Now, when shoppers log onto the Levi's site with their Facebook credentials, they are able to view what their friends have liked and purchased. Through this Levi Friends Store, Facebook users have the opportunity to influence their friends' purchases. A "see it" or "buy it" button also appears next to each product listed. A random list of likes from strangers appears if none of the customer's Facebook friends have liked any jeans recently. The user is also invited to be the first among their friends who like the product. As a way to spark additional sales, an ad on the page shows which friends are having a birthday soon.

Facebook was also used to alert fans about each stop for Levi's "Wear the Pants Tour." A vintage Airstream trailer was used to visit cities with lots of free items, coupons, and

entertainment sponsored by Levi's. Twitter followers who tweeted with the hashtag #wearthepants also received coupons for Levi's gear. For those fans who could not meet the tour in person, there was an app for a game, which encouraged a hands-on experience with the company's products.

Mobile social interactions have certainly become a powerful marketing tool for retailers such as Levi Strauss, and will probably continue to gain importance as that commercialization grows. Levi Strauss's use of social media has been to link its Facebook fan page to its e-commerce site; however, some other retailers sell on Facebook directly. For example, 1-800-FLOWERS opened one of the first storefronts on Facebook.

Social media and mobile technology have allowed Levi Strauss to maintain a sustained conversation with its customers. The company is doing well with engaging their customers when measured by their comments, likes, and shares on social media sites. What is less clear is the impact on sales. At present, Levi Strauss declines to reveal sales generated by its Facebook connection.

Now that they have their customers engaged, their next step will be to increase that engagement and carefully track its impact on company goals such as sales and customer traffic. While implementing social media as part of its promotional mix, Levi Strauss must also be concerned with the privacy of its customers' information. As technology firms like Facebook increasingly deploy users' data to create more personal advertisements, they must realize that such practices can alienate users and open companies to invasion-of-privacy suits.

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Marikar, Sheila. (2014, March 17). Papa's got a brand-new tag. *Fortune*, 64.

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Raymond, Noah. (2013, October 28). Advertisements starring. . . you. *Time*, 16.

Vanian, Jonathan. (2016, May 20). Levi Strauss and Google's new jacket will rule your smart phone. *Fortune.com*.

POP-UPS: STORES THAT WILL NOT BE HERE TOMORROW

Staying open for business for only a few weeks would be considered a major flop for most retail stores. But some retailers are opening their stores in just such a manner. In fact, these temporary retail operations—pop-up stores—are springing up all over the country.

Pop-up stores are retail spaces—usually in the form of a kiosk or temporary store in an empty building or empty mall storefront—designed to operate for only a few days or a few months. Moreover, these stores are part of a deliberate and innovative retail strategy that has spelled profits for many merchants.

The growing popularity of pop-up stores is partly due to store closings by retailers causing many retail storefronts in the United States, particularly at malls, to remain vacant. These increased vacancy rates have caused many property owners to be more receptive, compared to past years, to leasing commercial space on a short-term basis.

The concept of using temporary space to clear excess or seasonal merchandise is not new. In the past, the pop-up store concept of “now you see it, now you don’t” has more often been associated with holidays such as Halloween and Christmas, but in recent years, these stores have flourished regardless of the time of year. Retailers, such as Toys “R” Us, have also used pop-up stores to sell both discounted merchandise from their traditional retail stores and value-priced items specifically made for these outlets. Other retailers return to pop-up locations in malls year after year. For example, Calendar Club and Hickory Farms have become fixtures every year for a few months during the Christmas season—the time of year when almost all of their sales occur.

More often, retailers are using pop-up stores to generate buzz and excitement around a new product launch. Gap opened a pop-up store in one trendy shopping area in Los Angeles to promote its new premium denim line, and celebrities including Halle Berry and Ashlee Simpson turned out for the store’s launch party. When Kanye West brought his tour to New York, he needed somewhere to sell merchandise, and instead of a concert booth, he opened a pop-up store for four days. When the tour left town, the store was quickly emptied, but not before generating lots of media coverage.

Pop-up stores have also become a popular way for emerging designers to generate buzz around their brand and test if the brand can stand on its own. Comme des Garçons designer Rei Kawakubo started the trend in

2004 with shops popping up everywhere from Berlin to Barcelona. Other fashion retailers and designers have also demonstrated the success that pop-up stores provide in generating buzz about new brands and designs.

Toys “R” Us also offers another sign that the pop-up store is part of mainstream retailing. The retailer opened hundreds of Toys “R” Us Express stores across the country for several weeks during the Christmas season. The temporary stores gave Toys “R” Us a much broader reach, doubling the number of locations nationally. Moreover, about half of Spencer Gifts’ annual sales now come from its pop-up stores, Spirit Halloween, which are only open two months a year.

Pop-up locations can be a successful part of a retail strategy. They can alert traditional retailers on how to continuously change their merchandising mix and product selections to best fit the needs of their customers. Sales and store traffic at pop-ups can also provide the retailer with enough information to not only decide to deploy a permanent storefront nearby, but also have enough information on what to stock there and what customer experience they should provide.

A potential downside to pop-up stores is that a retailer may find an ideal location, but it cannot return there in the future. New tenants may move in who are willing to sign a long-term lease for higher rent. It may also be more difficult to merchandise a temporary location; the retail buyer has to carefully decide just what limited products will be sold and in what quantities they will be purchased based on no past sales records. The goal would be to completely sell all products by the time the pop-up closes.

Pop-up stores are here to stay. They have become a vital part of the retail strategy for many merchants. And for many consumers, there is something exciting about shopping at a store that will only be around for a few weeks.

BASED ON:

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Kim, Eugene. (2016, September 9). Amazon is doubling down on retail stores with plans to have up to 100 pop-up stores in US shopping malls. *BusinessInsider.com*.

O’Connor, Clare. (2013, October 11). No trick, just treat: Halloween pop-ups now account for half Spencer Gifts’ annual sales. *Forbes.com*.

Stein, Joshua David. (2013, December 20). No space too small, no lease too short. *NewYorkTimes.com*.

OMNICHANNEL RETAILING DONE RIGHT

One of the big “buzz” words in retailing right now is “omnichannel.” Retailers know what the term means, but it is not always clear how to implement the concept. Here are several companies that are doing omnichannel retailing right.

Crate & Barrel realizes that many of its shoppers switch from the company’s website to a smartphone to a tablet when learning about products and making purchases. So when customers are signed in, the Crate & Barrel app saves their e-commerce shopping cart so they can access their information across multiple devices and browsers. It does not matter which device they may switch to; customers can pick up where they left off if they were interrupted or had to delay purchasing. Crate & Barrel provides the same seamless experience for shoppers using the company’s wedding and gift registry. Customers can even create and monitor their registries online or in-store by scanning bar codes to add items. In addition, customers can use the app on their mobile device to edit their registry and even see purchases made in real time.

Oasis, a fashion retailer in the United Kingdom, has fused their e-commerce site, a mobile app, and several bricks-and-mortar stores to provide customers with a great omnichannel shopping experience. Sales associates at Oasis are provided with iPads, allowing them to give shoppers on-the-spot information on product availability as well as handling a customer’s purchase from anywhere in the store. And, if the item requested is not available in the store, the sales associate can use the iPad to place the order on the company’s e-commerce site. The reverse can occur for online shopping. If online shoppers find that an item is sold out online, they can use the “Seek & Send” app that searches the brick-and-mortar stores for the item’s availability there. The customer receives an email notifying them of the status of the search, and if it is available, the item ships it to the customer. Then, customers can track their delivery using a code provided on an email sent to them.

Starbucks is another retailer providing a seamless experience for their customers across all channels. For example, customers can add to their Starbucks card balance by using their smartphone, visiting the company’s website, or going to any store. Any changes in the customer’s balance or their profile when using one channel are also updated in real time across all the other channels. Additionally, any

rewards that the customer earns are automatically reflected in the account without any action on the customer’s part.

Sephora, the beauty retailer, has successfully used an omnichannel approach to implement the “My Beauty Bag” rewards program. Members can use their smartphones or computers to view and track both their purchases and rewards. They can add items to their shopping list, save items for a future purchase, and easily reorder items. Customers can also access Sephora’s app when they are in the store if they do not have their smartphone with them.

Chipotle Mexican Grill is another retailer utilizing the omnichannel approach to enable customers to place orders from wherever they are. In addition, if customers create an account, they will be able to track past orders and save their favorites for faster reordering in the future.

At Bed Bath & Beyond, management has seen consumer preferences shifting from in-store purchasing to browsing in the store and purchasing online. To leverage this trend, the company has strengthened its e-commerce channel with investments in technology. It invested heavily by upgrading its online site, creating new mobile apps, and installing a new data center. To integrate the in-store and online experience, Bed Bath & Beyond is also offering options to customers that include the ability to buy online and pick up and return in-store. New stores are experimenting with an area called the “Beyond Room,” for customers to work with in-house experts that provide decorating services. They also encourage customers to schedule appointments online, which should attract more customers to the physical stores.

These are just a few of the retailers who have successfully implemented an omnichannel approach to conducting business. They have allowed customers to do whatever it is they need to do throughout their shopping experience, no matter what device or platform they are on.

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CHAPTER 2

THE BUYING FUNCTION IN RETAILING

Performance Objectives

- Recognize factors that will affect the scope of the buyer's job.
- Describe the duties and responsibilities of the buyer, assistant buyer, and merchandise manager.
- Identify the qualifications needed to become a buyer.
- Outline career paths related to buying careers.
- Identify trends that will affect buying careers in the future.
- Explain how a buyer's performance is evaluated.
- Calculate individual and cumulative markup percentages—quantitative performance objectives used to evaluate a buyer's performance.

As you read in the last chapter, retailing is an ever-changing environment. Because of those constant changes, working in the field is both exciting and challenging. One of the most challenging functions of retailing is buying. As the name implies, purchasing merchandise is a key task performed by buyers, but they also must spend time analyzing market data and reading the latest publications and trade journals to keep abreast of what is happening in the market. Purchasing merchandise occurs only after buyers thoroughly understand their customers, the market, their products, and their competition—and that takes careful study and analysis.

As you read this chapter, you will have the opportunity to closely examine what buyers do and the qualifications you will need to be successful in the field. Possible career paths and current employment forecasts are presented to assist you with career planning. If you choose a buying career, you will find it demanding, but you probably will not mind so long as you are doing something you really enjoy.

THE BUYER'S JOB

Often, buying appeals to college students because they see the glamour associated with frequent travel to exciting places, such as New York City, Los Angeles, Paris, Hong Kong, or Milan, for buying trips where they get to spend hundreds of thousands of dollars, and in some cases even millions of dollars, on the newest styles and fashions. Travel may be exciting, but often all that a buyer may see of a city is the view from a taxi on the way to a hotel or a merchandise mart. Nor does the hectic pace of a market week allow much time for sightseeing. Deciding what merchandise to buy with those thousands of dollars can be stressful. Because of this financial responsibility, the buyer's job is pressure packed. Many people, however, thrive on the pressure that comes from having the responsibility to make decisions. If you like such challenges, consider buying as a career option. However, if you like quiet contemplation, little stress, and routine activities, buying is probably not for you.

It is difficult to generalize about what a buying career will involve because of the diversity of the types of retailers that exist. The trends and changes that you read about in the previous chapter also have an impact on the activities buyers perform.

Factors Affecting the Scope of the Buyer's Job

Individuals in the retail organization whose primary job is to purchase merchandise are **buyers**. As you will learn in this chapter, their job is much more complex than purchasing merchandise. Three factors affect the scope of the buyer's job: (1) merchandise carried, (2) organizational structure, and (3) size of the retail organization.

Merchandise Carried

The merchandise carried by the retailer determines the responsibilities of a buyer. Buying **basic merchandise** will be much different from buying **fashion merchandise**. Basics are those products that a business always wants to have in stock. Basics tend to have stable consumer demand, so sales vary little from year to year. An analysis of last year's sales records and the current year's sales trends and marketing plans will determine the amount of basic merchandise that a buyer needs to purchase. That is not true for fashion merchandise. A fashion that sold extremely well last year may not sell at all this year. Buying fashion requires much greater reliance on forecasting consumer demand and market trends.

Today, there are fewer and fewer basic items in most retail stores; fashion is affecting almost all merchandise assortments. For example, kitchen appliances come in a multitude of colors and styles, there are various designer sheets and sunglasses, and automobile styles change yearly.

As shown in Figure 2.1, fashion buyers spend plenty of time in the market scouting for just the right merchandise that will provide their stores with unique items or fashion looks that the competition does not carry. They also seek items that their stores can receive before the competition. Fashion buyers may even have to seek out resources that will produce private brands just for their stores.

Buyers for discount stores may only be concerned with finding merchandise at the best possible price. Uniqueness is not a key factor; they are more interested in buying merchandise with proven sales records.

Figure 2.1

Buyers must spend time in the market to locate unique products for their customers.



Organizational Structure

The type of organizational structure that a retailer uses also determines the duties and responsibilities of buyers. Many retailers today have centralized the firm's buyers at corporate headquarters. In these situations, buyers have little or no direct daily contact with the stores. Activities such as management of sales associates and inventory control are performed by managers at the store level. Large chain stores, such as J.C. Penney, Macy's, Forever 21, and Gap, conduct buying in this manner.

In small independent stores, the owner usually performs all the buying duties, in addition to all the other responsibilities required in operating a retail business. They may be responsible for varied activities such as scheduling and evaluating sales associates, developing promotional activities, and maintaining inventory records. In addition, they must buy for all product categories carried by the store.

Size of the Retail Organization

The size of the retail organization is another factor affecting the scope of a buyer's job. In small retail stores, the buyer may be responsible for buying all the merchandise for several departments. For example, a buyer may purchase all men's and boys' apparel. In large retail stores, however, buyers become more specialized; they are responsible for buying product categories—such as boys' jeans—rather than every product for a department.

The Buyer's Job: Duties and Responsibilities

Even though a buyer's duties and responsibilities vary at different retail firms, there are basic duties and responsibilities that most buyers will perform. Most retail organizations will develop a job description for buyers that would probably include most of the following tasks:

- Develop merchandising strategies for a product line, department, store, or the entire retail organization.
- Keep abreast of current market trends and economic conditions.
- Develop an awareness of fashion trends.
- Understand and identify needs and wants of consumers.
- Analyze and interpret reports.
- Follow social media streams to detect applicable trends.
- Make regular market trips.
- Plan and select merchandise assortments.
- Represent the store or retail organization to vendors.
- Negotiate with vendors for favorable terms and services.
- Plan and develop private brands (sold only by that retailer) and/or import programs for the store or chain.
- Price merchandise to generate desired profits.
- Experiment with new merchandising trends and vendors.
- Identify fast-selling and slow-selling products.
- Maintain well-balanced stocks and assortments.
- Control planned purchases, stock levels, and deliveries to stay within merchandise plans.
- Review and periodically revise basic stock programs.
- Contact or visit stores; consult with sales associates and store managers.
- Select merchandise for promotion activities; develop a point of view for presentation of merchandise.
- Shop and analyze competing stores in the trading area to evaluate their merchandise assortments, prices, and merchandise presentation.
- Achieve quantitative performance goals such as sales, markups, markdowns, gross margin, and turnover.

Role of Assistant Buyers

In large retail organizations, buyers may have one or more assistants to help perform these duties. **Assistant buyers** may be considered buyers in training. College graduates pursuing a buying career will usually hold this job after completing a management training program.

Assistants can be assigned much of the clerical and routine parts of the job. By turning over such time-consuming activities to assistants, buyers are better able to complete tasks that take them out into the market.

Duties that are typically assigned to assistant buyers include the following:

- Prepare daily reports to identify best sellers and slow sellers.
- Replenish basic stock.
- Complete markdown records and reports.
- Review inventory records.
- Follow up with vendors on merchandise orders to ensure prompt delivery.
- Supervise returns to vendors.
- Analyze daily sales reports.
- Write purchase orders with information provided by the buyer.

In some retail organizations, a **planner** monitors stock levels by store and tracks key items by sales. The primary role of the planner is to maximize the entire chain's stock efficiency through appropriate location planning (Figure 2.2) and distribution of merchandise; however, the planner does not select product or develop promotional strategies.

Part of your job as a buyer will be to develop capable assistants. Make assistant buyers and planners a part of your team; do not treat them as competitors for your job. You can develop an atmosphere of teamwork by allowing them to review merchandise lines with you in the store or on trips to market showrooms. When you return from market trips, review with them current trends you found. Let them provide input for the merchandise selection process, and keep your assistant buyers informed on how the department or product category is performing.

You and your assistant buyers have a common goal—the success of your department or product category. As a team, you will be able to accomplish more, and at the same time, you will be contributing to the development of a future retail buyer or manager.

Role of the Merchandise Manager

The manager of the buying function in most retail organizations is the **merchandise manager**—the buyer's direct superior. This position may also be referred to as a divisional merchandise manager. Merchandise managers set the direction of styles, product lines, and image for their area and oversee its budget, but their major duty is to supervise buyers and allocate resources among them. Usually, the duties of merchandise managers can be divided into four areas: (1) planning, (2) directing, (3) coordinating, and (4) controlling.

Figure 2.2

Planners will be responsible for deciding upon shelf space allocation for products.



Planning

Even though merchandise managers are not directly involved in the actual purchase of merchandise, they formulate policies and set standards related to the merchandise areas for which they are responsible. The merchandise that buyers purchase must meet requirements established by merchandise managers, as well as fit the store's image that management has developed.

Another key planning task for merchandise managers is budget development. Buyers must make purchases within financial guidelines developed by merchandise managers, and they must also have merchandising plans approved by them. Merchandise managers are also involved with developing standards (such as sales goals, stock levels, or markups) against which a buyer's performance is measured. When developing these standards, merchandise managers should make every effort to seek involvement from buyers in the planning process. Resentment is likely to develop when performance standards are simply imposed from above; most employees want to have input into such decisions. In addition, input from buyers is vital in the budget preparation process.

Directing

Supervision of buyers also involves training new buyers. Many times new buyers require counsel from someone with a broad perspective. New buyers are often timid about taking markdowns; others, if left unrestrained, may want to overbuy. Merchandise managers may need to prod buyers into taking markdowns to move merchandise out of the store and help them maintain a sense of balance as they make purchases. Merchandise managers, however, must remember that their function is to advise. In most situations, the buyer is probably more of an expert on buying specific categories of merchandise than is the manager.

Merchandise managers will also want to keep buyers up to date on business and economic trends. Many buyers are knowledgeable about product and fashion trends but are less aware of overall economic and market conditions.

Coordinating

Because merchandise managers usually supervise a number of buyers, much of their time is spent coordinating all the buyers. They must unify their efforts to achieve the image and sales that management desires. Purchases for which different buyers are responsible must also be coordinated. For example, the color and design of a new purchase of scarves must complement apparel purchases made by another buyer. Many times, merchandise managers are involved with coordinating promotional campaigns that involve merchandise from several departments, and there are times when they must coordinate merchandising plans with other divisions such as finance and operations.

Controlling

Merchandise managers are directly involved in reviewing the performance of merchandise areas under their control. They must also evaluate each buyer's performance. If a buyer is not meeting performance standards, merchandise managers must take corrective action that could mean working with a buyer on a problem area, such as too many markdowns, or removing a buyer from a job he or she is incapable of performing.

CHANGING ROLE OF THE RETAIL BUYER

The world of today's buyer is more of a numbers game than ever before. Technology is providing buyers with access to increasing quantities of data, making buyers' jobs more scientific than they were years ago. Today, buyers must do much more than scour the market for the most appropriate merchandise and negotiate the best deals. Buyers must analyze numbers (Figure 2.3), in real time and historical formats, and then make purchasing decisions based on trends and past product performance.

New Challenges and Expectations

Buyers can no longer rely solely on the right “hunch” about which products might sell the best. Successful buyers must become competent researchers and forecasters. Because the job has changed, some retail analysts believe that the term “buyer” may be obsolete. In some retail organizations, buyers are now referred to as “category managers,” while other firms view the buyer as the “purchasing agent” for a store's customers. Read the Trendwatch titled “Employment Forecasts: What Are the Projections for Jobs in Retail Buying?” to learn about future job forecasts in buying and purchasing.

There are positives and negatives as to how the buyer's job has changed. Although an abundance of data can assist buyers in making more appropriate decisions about quantities to order and inventory levels, buyers can also become inundated with too much data. In fact, many buyers feel overwhelmed with the enormous amount of information that can be easily generated; they receive more data than they can ever actually use or implement.

Much of the data generation is being fueled by consolidation in the retail environment. Fewer, but larger, retail firms mean each corporation is under constant pressure to increase profits. Today, a large part of a buyer's evaluation is not based solely on number of sales, but on the profitability of those sales.

Figure 2.3

Before making purchase decisions, buyers must spend time analyzing numerical data.



Buyers must also know how to bring new products into their stores with minimal risk. This has made product testing and evaluation a growing part of the buyer's role. They must possess a keen eye for fashion—even if they are not buying fashion per se. Products like cell phones and computers also have a fashion element because they come in many colors and models.

Buyers today must be knowledgeable about logistics. They need to understand the cost of moving merchandise, including delivery costs and delivery times, across town or across the globe. There is an increasing emphasis on developing partnerships between vendors and retail buyers and making these relationships far more collaborative than in the past—which takes effort and time.

Buyers must have the skills to utilize an ever-growing list of available technologies. That list includes everything from complex, mathematical computer programs to weather forecasts, email, social media (such as Twitter, Pinterest, YouTube, LinkedIn, Google+, and Facebook), and the internet. These technologies allow buyers 24/7 communications with resources and customers around the world. However, they have some drawbacks. Because many of them are so easy and inexpensive to use, retail buyers can quickly become overwhelmed with the mass of communications and data received each day. Yet, they must spend a great deal of time filtering through these communications to gain a clear picture of who their customers are and what products they want. Does all of this data analysis make buyers today more mechanical and less creative? Some in the industry feel that is indeed the case. Buyers, however, may also be required to look beyond the information provided to them by information technology and data analytics. Their best “educated guess” still may be needed after they have assimilated and analyzed all the data at hand. The buyer who succeeds gets the product first, turns it around fastest, and replenishes it quickest, all the while keeping costs down and providing customers with retail prices they are willing to pay.

Impact of Technology on the Buyer's Job

Technological advances are rapidly changing the buyer's role in many retail stores. Computerized Quick Response systems have been adopted by many retailers. The use of computers has allowed many stores to implement **automatic reordering systems**. Currently being used for basic merchandise, automatic reordering generates weekly orders based on sales in relation to model stock plans. These plans, in turn, have been developed based on past sales and current trends.

Implementation of computer technology and the use of automatic reordering have caused several trends in buying patterns to develop:

- Stronger partnerships are developing between retailers and vendors.
- More frequent orders in smaller quantities are being placed.
- Orders are being made closer to the selling season.
- Replenishment of basic merchandise is based on actual sales, forecasts, and trends.

Automatic reordering systems give the buyer more time to concentrate on other buying activities such as the selection of merchandise and the development of merchandising programs. Some retail organizations are even removing control for the replenishment of basic merchandise from buyers' responsibilities. Automatic reordering allows retailers to turn basics into a replenishment operation as opposed to a buying operation. Buyers can focus more attention on understanding customers and planning purchases more

carefully. For example, at Dillard's department stores, buyers do not have to deal with writing orders for basic merchandise because automatic reordering systems have been implemented. At these stores, inventory management is being shifted to the store level.

Information technology is also having a major effect on many other aspects of buyers' jobs. Computers are handling most of the routine tasks—enabling buyers to concentrate mainly on the analytical aspects of the job. For example, computer programs are used to obtain instant and accurate product and price listings, track inventory levels, process routine orders, help determine when to make purchases, record the history of vendor performance, and issue purchase orders. Computerized systems have dramatically simplified many of the routine acquisition functions and improved the efficiency of determining which products are selling. For example, cash registers are point-of-sale computer terminals, allowing retail organizations to maintain centralized, up-to-date sales and inventory records. This information can then be used to produce weekly sales reports that reflect the types of products in demand.

Buyers also use computers to gain instant access to the specifications for thousands of commodities, inventory records, and their customers' purchase records. Some firms are linked with manufacturers or wholesalers by electronic purchasing systems. These systems improve the speed of selection and ordering and provide information on availability and shipment, allowing buyers to better concentrate on the selection of goods and suppliers.

PLANNING FOR A BUYING CAREER

Now that you know what buyers do, you may have more firmly decided on buying as your career choice. As with any job that you are considering, you need to compare your qualifications with those of people who already have the job. Successful buyers share very definite traits and skills. Decide which qualifications you possess, and then make an effort to sharpen the ones you already possess and develop those you lack.

Qualifications Needed

Qualifications needed to become a buyer include (1) appropriate personality traits, (2) human relations skills, and (3) merchandising knowledge and skills. Each area is vital to your future success as a buyer.

Personality Traits

Most retail managers will select new buyers based on whether or not they possess the following personality traits.

Enthusiasm.

You must be enthusiastic about the merchandise you are purchasing, your job, and the company. When you make market visits, you must be able to feel the thrill of discovery when you find just the right merchandise for your customers. Enthusiasm is infectious; it will rub off on everyone with whom you come in contact. That enthusiasm will eventually find its way to your store's customers.

Drive.

Ambition and hard work are usually prerequisites for success in any retailing career. Buying requires perseverance—the ability to stay with a job until it is completed. Often, long hours may be required.

Vision.

As a buyer, you will always be looking ahead—to next season or to next year. Doing just what you did last year may guarantee failure. Consumer demand, fashions, and market trends are constantly changing. As a buyer, you must be alert to these changes and anticipate them before they occur. In business, the most profit is usually made by the firm that has the merchandise first.

Goal-Setting Ability.

Management will be looking for individuals who have set a path to a goal and reach it. Completing college is such a goal. A large part of a buyer's job involves planning, so management will want individuals who can prioritize their time to attain high but realistic expectations.

Ability to Work Under Pressure.

Management will be looking for individuals who work well under pressure. In buying, as soon as you have completed one task, others will be waiting. In fact you will probably be juggling multiple tasks at the same time.

Creativity.

Even though much of the job is numerical and analytical, buyers must also be creative; they must be innovative. In other words, they must give direction to merchandising decisions that are made to distinguish their merchandise areas from those of competitors who may be selling similar products. Merchandise selection also allows buyers a certain degree of self-expression as they choose products to meet consumers' wants and needs. Buyers must also use creativity in solving many of the day-to-day problems they face.

Curiosity and imagination are the source of all innovation. Buyers must exploit those traits in themselves and employees with whom they work. They should be willing to consider new ideas from wherever they come. Even customers often have great ideas for changing and showcasing products. The secret to real innovation lies not in doing things just to be different but in doing things to be better.

Human Relations Skills

Another fundamental qualification for a buyer is having the capacity for teamwork. Working with a variety of people is an essential part of the buyer's job. Buyers must be able to work well with superiors (merchandise managers), subordinates (assistant buyers), vendors, department managers and sales associates, and other managers in the organization with whom they coordinate buying activities. Buyers have to value people and demonstrate that they care. Often just by listening, buyers can show that they recognize colleagues' importance to the company. Working with each of these audiences requires a unique set of skills (Figure 2.4).

Figure 2.4

Working with a variety of people is an essential part of the buyer's job.



Communications.

Communication is essential for buyers because they have constant contact with people. Communication is vital as they channel product information, trends, and enthusiasm from the market to the selling floor and the customer. Communications may also involve oral presentations on product information or written product reports and bulletins sent to store personnel. Advertising may be created based on your reports and bulletins, so it is important that you be clear and concise. You will also need to develop a technical vocabulary that can be used clearly in your communications.

Because stores and vendors are scattered worldwide today, clear and concise written communications are crucial. You must learn to effectively present information in faxes, memos, and emails.

Leadership.

As a buyer, you head a team. You must be able to provide leadership for your merchandising area. Management wants individuals who can innovate and motivate. Another crucial task is to ensure that other staff members follow through on directives. Many times you will have to use your leadership skills to enlist the help and support of others to plan and implement merchandising decisions.

Leadership demands flexibility—the ability to handle the many changes that are certain to occur every day. For effective buyers, it means keeping their fingers on the pulse of the competitive landscape, monitoring changing consumer trends, being aware of what is happening in the economy, and most importantly, anticipating how all these changes will affect them and their stores. Buyers must have the leadership skills to be able to move quickly to modify their strategy and correct their course when conditions warrant. Buyers cannot rest on past accomplishments, because what worked yesterday may not work today, and it almost certainly will not work tomorrow.

Merchandising Knowledge and Skills

In addition to personality traits and human relation skills, buyers will usually be selected based on the merchandising knowledge and skills they already possess. Buyers have to develop an understanding of customers' wants and needs and be prepared to satisfy them. Even though training and internship programs are conducted by most retailers to train buyers, management usually looks for the following qualifications.

Education.

A college education is more the rule than the exception for hiring buyers today. Many retailers prefer a four-year degree, but outstanding two-year graduates may be given consideration. Generally, retailers seek buyers who have majors in retail management, fashion merchandising, marketing, or closely related business programs. Courses in marketing, economics, sales, computer applications, personnel management, retailing, and merchandising are essential.

Some liberal arts majors are considered because of their strong background in psychology or sociology. Both of these areas give graduates extensive insight into what motivates customers. Even though they may not have the merchandising skills, their education has developed their self-discipline and sharpened their intellectual abilities.

In addition, rapid technological developments require that buyers be able to adapt to change. Training and retraining are likely to be an ongoing part of the job.

Analytical Ability.

Buyers must be decision makers. Pricing, merchandise selection, and vendor selection are just three of the decisions they make daily. A strong math background is a prerequisite, with a solid understanding of retail math calculations. Your performance as a buyer will be measured in numerical terms, so you need skill with numbers. Strong analytical skills give buyers the confidence to act decisively. In these days of instantaneous communication overload, buyers have to be able to cut through the clutter using all the tools at their disposal, combined with their own judgment and intelligence, to make informed decisions. Above all, they have to balance decisiveness and analytical skills to avoid "paralysis by analysis." Long response times are a luxury retail buyers seldom have. To meet customers' needs and exceed their expectations, buyers must make decisions frequently and quickly.

You will frequently need to work with budgets and make merchandise plans. Both tasks require that you be able to analyze and present information in numerical terms. You will also have to translate numerical reports into merchandising strategies.

Computer Literacy.

Information technology has made the buyer's job even more numerical and statistical than it used to be. Familiarity with computer programs is essential for most buyers today. More importantly, buyers must be able to read and interpret computer output.

Experience.

When selecting new buyers, management will desire some actual retail experience. Sales experience is preferred because it provides you with firsthand knowledge of consumers' wants and needs; however, if you do not have extensive retail experience, emphasize any experience you have had. For example, instead of simply describing your duties

If you take a job as a buyer, you will need to be observant, beginning with the first day on the job. Nothing is wrong with showing eagerness as you assume new responsibilities;

Do you possess the skills needed to apply for this buying job?

Area of Interest: **Corporate**
Location: **NY - New York**

- Analytical skills.
- Retail math.

be a good observer, and ask the right questions. Pay attention to the dress codes and the style in which others interact to get work done. All these factors will also play a part in how successful you will be as a buyer.

Career Paths

Rarely do college graduates enter retailing as buyers. Most buyers begin their careers in a **management training program** or as assistant buyers. In either situation, the emphasis of your training will probably be on selling. Buyers must know the products they are purchasing as well as understand customers' wants and needs. Time spent in such training programs will vary from one company to another. Read the Snapshot titled "Nordstrom's Internship Program" to learn more about internships offered by Nordstrom. Similar programs are offered by many retailers. Internships are a great way to enter management training programs.

Most retailers believe strongly that working in the aisles and waiting on customers extends the knowledge base of management or buyer trainees. You really need the store experience to fully know and appreciate the scope of the retail store. Customers can be great educators, and employees are probably the best source of ideas to improve the way things are done.

The main reason that college graduates need to start their careers in retail stores is that working directly for the customer is essential to a retailing orientation. The experience develops empathy toward the customer and sensitivity to store personnel. When buyers move to the corporate office, they are better prepared to deal with the needs and requirements of store employees and customers—they are more emotionally attuned to both of these groups.

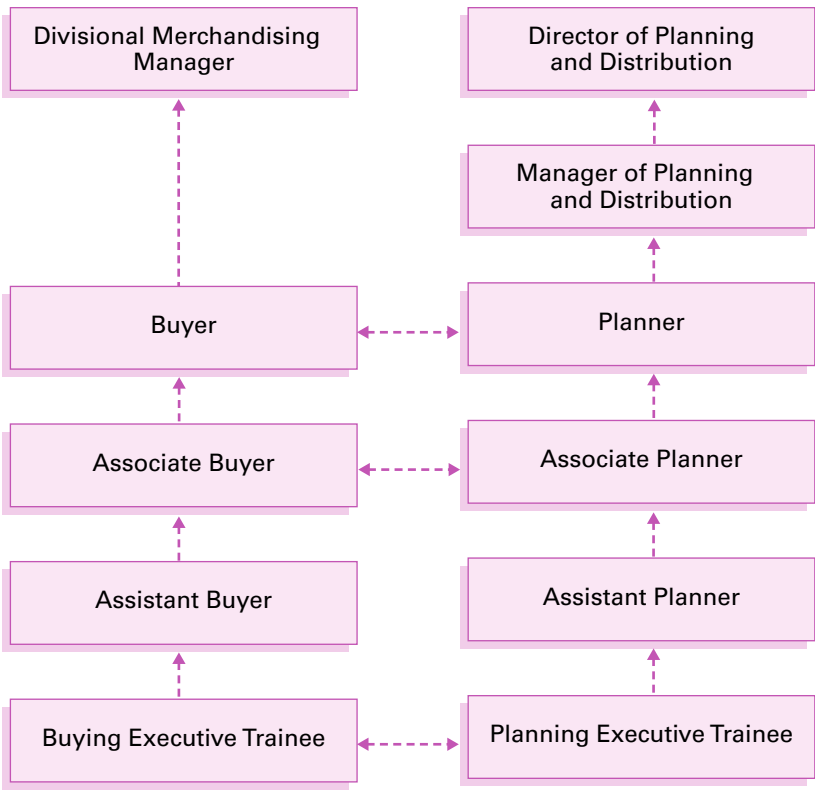
Job promotions can mean that you, as a buyer, will be given additional product classifications or departments for which to buy, or you may take on major departments with corresponding increases in pay and pressure. Other promotions could lead to your becoming a merchandise manager or head of the merchandising division for an entire retail organization.

In some retail organizations, jobs in buying may lead you to a management career. Many retail buyers make career changes by moving into the store as department managers. From there, future promotions may take them to management positions in personnel, merchandising, or operations. Some successful buyers could eventually become store managers. Typical career paths found in many retail stores are illustrated in Figures 2.6 and 2.7. These job progressions are called **career ladders** or **paths**. Realize that there is nothing carved in stone about suggested career paths; they merely represent how individuals might advance in a career area.

Buying provides excellent training and background for other fields, too. You could enter a job as a fashion coordinator, comparison shopper, product tester, or product designer. You may even have a strong entrepreneurial inclination and decide to open a retail business of your own. Jobs at businesses associated with buying, such as buying offices and apparel manufacturing plants, may also present opportunities for career advancement. Many of the skills that retail buyers possess could also be used to seek employment as purchasing agents for industrial products. Many of these types of jobs are listed and briefly described in Table 2.1.

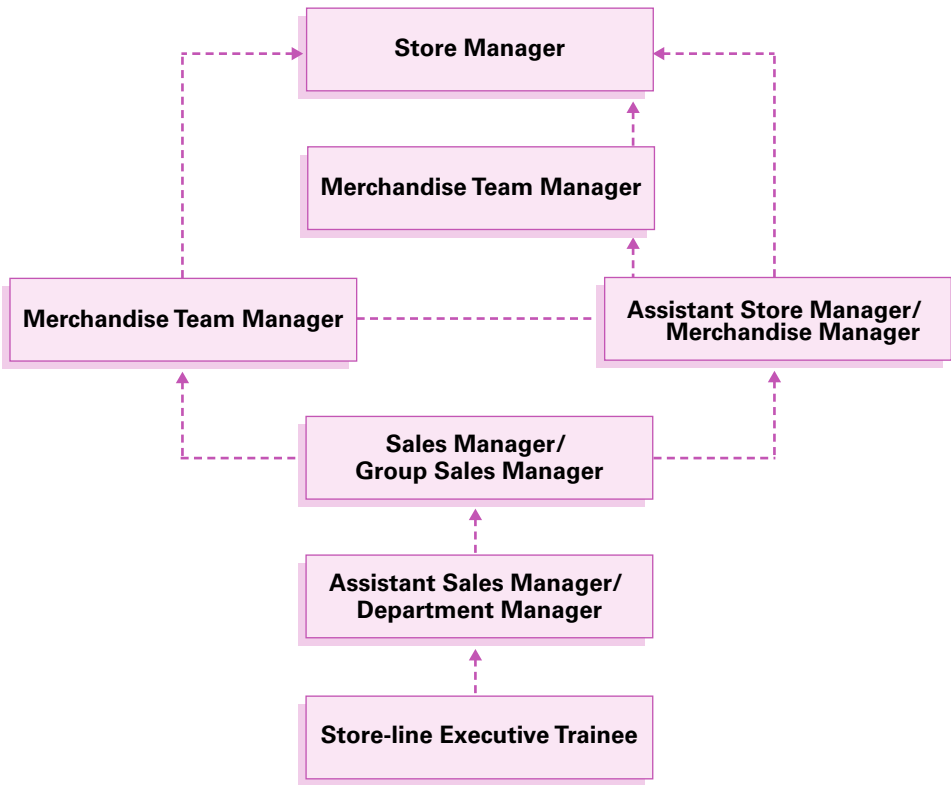
Many career paths and options are open to you. Select one that interests you, and sharpen and develop the skills you will need to succeed in that area.

Figure 2.6
Sample career path in merchandising.



MERCHANDISING/BUYING

Figure 2.7
Merchandising career paths can also lead to store management positions.



STORE MANAGEMENT

TABLE 2.1

OTHER JOBS IN RETAILING

<i>Job Title</i>	<i>Description</i>
Assistant Buyer	Works under the direction of a buyer, usually in a specific product category. Assists in sales analysis, handling reorders, and purchasing some merchandise.
Assistant Department Manager	Works under the supervision of a department manager. Assists in managing personnel, controlling inventory, and other store operations.
Assistant Store Manager	Helps in implementing merchandising strategy and policies. Works with personnel and overall store operations.
Catalogue Manager	Selects merchandise for inclusion in catalogues. Works with vendors, places orders, and monitors order fulfillment.
Department Manager	Responsible for a department's merchandise displays, analyzing merchandise flow, and the training and direction of sales associates.
District Manager	Responsible for management personnel, sales generation, merchandise presentation, expense control, and customer service at all stores in the district.
Fashion Coordinator	Directs buyers in evaluating fashion trends.
Fashion Director	Responsible for developing and maintaining a retailer's overall fashion perspective.
Management Trainee	First position for most college graduates entering retailing. Involves company orientation, classroom and on-the-job training, and contact with all facets of the store.
Marketing Research Director	Acquires and analyzes relevant and timely information that assists executives in making important decisions. Heavily involved in research methodology and data collection.
Merchandise Analyst	Plans and evaluates merchandise allocation to stores to ensure merchandise is delivered at the right time and in proper assortments. Develops assortment plans based on trends and past performance histories.
Merchandise Manager	Plans, manages, and integrates buying for an entire merchandise division composed of several departments or product categories.
Sales Promotion Manager	Plans and enacts special sales, themes, and sales promotion tools, such as contests.
Store Manager	Oversees all store personnel and operations in a particular store. Coordinates activities with other units of a chain. Responsible for customer service, merchandising, and human resource policies.
Vice President for Merchandising	Responsible for developing and evaluating the performance of all product categories. Has responsibility for growth and profit.

Getting a Job as a Buyer

Because buying jobs vary, you may need to investigate specific retail firms to determine how buying is conducted there. In addition, there may be differences from one geographic region to another. A key step in career planning involves research. Discover as much as you can about jobs in which you are interested. The best way to do that is not by reading, but by talking with individuals who work as buyers. When you talk with them, ask questions that will reveal what it takes to be a buyer in that retail organization. The following are possible questions:

- “How do you spend your time during a typical work week?”
- “What skills or talents are most essential to being effective in your job?”
- “What are the toughest problems you face?”
- “What is most rewarding about the work itself, apart from salary or fringe benefits?”
- “If you decided to leave your job, what would drive you away?”

Questions such as these give you insight into both the positive and negative aspects of the job. Realize, however, that changes in retailing will change the buyer’s job in the future. Information is presented in Table 2.2 about some of the key reasons why applicants lose out on a job in retail buying. Identify your weaknesses and develop plans to begin eliminating them today.

Staying in touch—with colleagues, friends, neighbors, customers, suppliers, and just about anybody else—will be one of the keys to your getting a job as a buyer. In other words, networking will be critical to identifying job leads. **Networking** involves identifying and communicating with individuals who can be helpful in your job search.

Once you have identified a job opening that looks promising, realize that your résumé and job interviews cannot be approached haphazardly. For example, instead of just describing your past or current job duties, describe what you have accomplished on the job, especially performance that is measurable in numbers and percentages.

TABLE 2.2

WHY APPLICANTS LOSE OUT ON JOBS IN RETAIL BUYING

- Poor scholastic record—low grades and/or low level of accomplishments.
- Personality problems—poor attitude, lack of poise and self-confidence, timid, too introverted.
- Lack of goals or objectives—poorly motivated, indecisive, no specific career plans.
- Lack of enthusiasm—lacking drive, little evidence of initiative.
- Inability to express ideas verbally.
- Failure to get information about the company—lack of preparation for the interview.
- Unrealistic salary demands—more interest in salary than opportunity, unrealistic expectations.
- Poor personal appearance.
- Lack of maturity—no evidence of leadership potential.
- Inadequate preparation for a buying career—inappropriate background.

If you instituted a safety program, stress the reduction in on-the-job injuries. As you apply for jobs at many retail organizations today, you may also be required to take a pre-employment test, which typically measures your retail math competencies. Read the Trendwatch titled “Pre-Employment Tests: Will You Be Ready?” to learn more about these tests.

There are many online services today where college graduates can post their résumés. Job seekers at these online services, such as AllRetailJobs.com, can conduct a free search for career opportunities by job category, location, salary range, and keywords. Moreover, when potential job candidates apply for these jobs online, their résumés are automatically emailed to the appropriate companies. Candidates can also receive weekly emails that alert them to all new jobs that meet their specifications. In addition, recruiters can maintain an electronic log of all candidates who apply for jobs.

Management or buying careers will place enormous responsibilities in your hands that are tied directly to the financial success of the retailer. In fact, you may be responsible for purchasing millions of dollars’ worth of merchandise that has to generate the desired profit. There is stress, but there are also rewards. Can you handle the pressure?

EVALUATING BUYERS’ PERFORMANCE

Buying is a retailing job for which **quantitative performance measurements** can easily be developed. Standards can be established in numerical terms, such as having a certain sales level while maintaining a specific markup percentage. How effectively buyers meet these standards will determine how fast they advance in the firm, or, possibly, whether they will keep their jobs. A buyer’s goal, for example, may be “To secure a maintained markup of 45.2 percent with sales of \$56,000 and markdowns of \$2,000” for a department or product category. Precise goals also make it easier to evaluate buyers’ performances and reward buyers who achieve their goals.

There are a number of quantitative performance measurements against which retail buyers can be evaluated. Each of these measurements will be discussed in various chapters of this text as related topics are introduced. These measurements may vary with different retailers but are likely to measure such standards as the following:

- net sales,
- individual markup percentages,
- cumulative markup percentages,
- markdown percentages,
- gross margin percentages,
- open-to-buy,
- stock-sales ratios,
- stock turnover, and
- profit percentage.

In addition to quantitative performance measurements like the ones found on this list, buyers’ performances will also be measured by how well they handle relationships with assistants, other management personnel, vendors, and store managers. A key part of the buyer’s job is to create a team atmosphere.

In this chapter, two of the performance measurements listed above will be examined closely; others will be examined in later chapters of this textbook. You will have the

opportunity to develop your skills in calculating individual markup percentages and cumulative markup percentages, and examine more closely how they will be used to evaluate your success as a retail buyer.

Performance Measurement: Individual Markup Percentages

One of the key performance measurements on which retail buyers are evaluated is **markup**, which is the difference between merchandise cost and its selling price. The markup that is established must cover all operating expenses for a business or department in addition to providing a reasonable profit. Of course, the actual sale price may be below the targeted retail price, so the actual markup is determined when an item is sold. Although it is important to know the dollar amount of markup, it is usually more important to know the markup percentage. Usually retailers state performance goals for a store or department in percentage terms rather than in dollars. Also, in making comparisons, dollar figures are usually not very meaningful.

The **individual markup percentage** is calculated by first determining the dollar markup on an item, which is found by subtracting the cost of the item from its retail price. The dollar markup is then divided by the retail price. All these components are expressed in the following formula:

$$\text{Markup \%} = (\text{Retail} - \text{Cost}) / \text{Retail}$$

Illustrative Problem

An item cost a retailer \$56.32. If it sold for \$112.00, what was the markup percentage?

SOLUTION

$$\begin{aligned} \text{Markup \%} &= (\text{Retail} - \text{Cost}) / \text{Retail} \\ \text{Markup \%} &= (\$112 - \$56.32) / \$112 \\ \text{Markup \%} &= \$55.68 / \$112 \\ \text{Markup \%} &= 0.4971428 \\ \text{Markup \%} &= 49.7\% \end{aligned}$$

Performance Measurement: Cumulative Markup Percentages

Even though markup percentage can be calculated for individual items, retailers more commonly report markup percentages for a product category, a department, or an entire store for an extended period of time. In these situations, markup is referred to as cumulative markup. **Cumulative markup** is the markup achieved on all merchandise available for sale in a given period. Using cumulative markup is also more useful when comparing merchandising performance with established goals, with past sales records, or with the performance of other stores.

A cumulative markup goal is often planned for a group of merchandise, but some individual items are usually given higher markups than this goal, while a lower markup is applied to other items. The cumulative markup is found by dividing the total markup in dollars (on all merchandise) by the total retail in dollars for all merchandise.

Buyers must plan cumulative markup goals for their store or departments. Typically, the cumulative markup percentage on all merchandise in a department is one of the most critical goals for the buyer to plan and establish. To effectively reach this goal, merchandise must be purchased and priced in such a way that at the end of the season, the cumulative markup goal will be achieved.

By defining their goals, buyers give themselves a way to measure their performance. In addition, buyers must change their strategies when goals are not being met. By periodically measuring their progress toward reaching their cumulative markup goal, buyers can make changes in their merchandising strategy before the end of the selling season, when it would be too late to achieve their goal.

Illustrative Problem

At the start of a season, a buyer's inventory of scarves had the following values:

Total Cost \$3,000

Total Retail \$5,800

During the month, the following purchases were added to inventory:

50 scarves, costing \$20 each, to retail at \$40 each.

100 scarves, costing \$10 each, to retail at \$19 each.

What is the cumulative markup percentage to date?

SOLUTION		
	<i>Cost</i>	<i>Retail</i>
Beginning Inventory	\$3,000	\$5,800
Purchases	\$1,000 (50 × \$20)	\$2,000 (50 × \$40)
Purchases	\$1,000 (100 × \$10)	\$1,900 (100 × \$19)
Totals	\$5,000	\$9,700

Next, calculate total markup in dollars by subtracting total cost from total retail:

$$\text{\$9,700} - \text{\$5,000} = \text{\$4,700}$$

Finally, calculate cumulative markup percentage by dividing total markup in dollars by total retail:

$$\text{\$4,700} / \text{\$9,700} = 48.5\%$$

The cumulative markup percentage is 48.5 percent.

Pricing merchandise would be simple if the same markup were applied to all items that are purchased during a season; however, this seldom occurs. Some items will carry higher or lower markups for a variety of reasons. Some items carry a higher markup because there is a greater risk of theft. Fashion merchandise is usually given a higher markup than basic items. Demand for some fashion items changes quickly, and a product that sells quickly today may be tomorrow's big markdown. Also, when an item is first introduced, a lower markup may be used to build store traffic. Later, retail prices on the item would probably reflect a higher markup. Other factors may also affect the markup that is used during the season. Wholesale prices may have been increased by a

manufacturer in the middle of the season, or some retail prices may have been reduced during the season to meet competitors' prices.

As a season progresses, buyers must track cumulative markup on their purchases. Any of the occurrences described earlier could result in different markups for merchandise in a department; therefore, in order to achieve the planned cumulative markup percentage, different markups will have to be used on the balance of purchases made during the season. For example, if the cumulative markup to date is slipping below the departmental goal, higher markups will be required on future purchases. Buyers must be able to estimate what this new markup should be to realize the planned cumulative markup for the season. Buyers can easily make that estimate using some of the basic concepts you have already learned.

Buyers will use calculations such as individual markup and cumulative markup to continually monitor the store or department's performance for a specified period of time. They will compare these figures against (1) established goals, (2) past records for the department or store, or (3) industry averages.

At most retail stores, performance appraisals are formal processes based on documentation. Because buyers plan and establish quantitative goals for their merchandise areas, their performance can easily be measured. Therefore, it is imperative for buyers to constantly monitor performance measurements such as individual and cumulative markups, and other performance factors that will be examined in other parts of this text.

Summary Points

- The key function of the buyer is purchasing merchandise, but that requires analysis and interpretation of data and trends. Buyers must thoroughly understand their customers, the market, their products, and the competition before decisions can be made.
- Buying offers an attractive and challenging career for individuals who like being responsible for making decisions. Buyers must also like working with products, as well as people.
- The buyer's job will vary in different types of retail stores. The merchandise carried, the organizational structure of the store, and its size will all have an impact on the buyer's job.
- Buyers perform many activities in and out of their offices. Many buyers have assistant buyers on their staff to perform many of their routine activities.
- The buyer's job is changing at many retail stores. Computerization has allowed buyers to implement automatic reordering systems for many basic merchandise items.
- Merchandise managers are the immediate superiors of buyers in most retail stores. Their duties can be grouped into planning, coordinating, and controlling.
- There are specific personality traits, human relations skills, and merchandising knowledge that potential buyers should possess. A college education is usually a prerequisite.
- Buyers can advance along career paths in both merchandising and management tracks in many stores. Buyers can also advance into occupations related to their field such as fashion coordination and product testing.
- Forecasts for buying occupations indicate slowed employment growth.
- Buyers are evaluated against quantitative performance standards. Two of the most critical performance measurements for a retail buyer are markup and cumulative markup.

Review Activities

Developing Your Retail Buying Vocabulary

Consult the glossary if you did not add the following terms to your vocabulary.

assistant buyer	career ladder/path	management training program	planner
automatic reordering system	cumulative markup	markup	quantitative performance
basic merchandise	fashion merchandise	merchandise manager	measurements
buyer	individual markup percentage	networking	

Understanding What You Read

1. List and categorize positive and negative characteristics of the buyer's job.
2. Identify reasons why college students may initially be attracted to a job as a buyer.
3. List the factors that affect the scope of a buyer's job in retail organizations.
4. Distinguish how buying basic merchandise differs from buying fashion merchandise.
5. Summarize how buying may be different in large and small retail stores.
6. Identify activities that a buyer can do to ensure that an assistant buyer feels part of the merchandising team.
7. How have automatic reordering systems changed the buyer's job?
8. List the benefits that automatic reordering systems provide the retailer and the buyer.
9. Summarize the planning duties of a merchandise manager.
10. What is the key reason that many buyers lose their jobs?
11. List quantitative performance standards that can be used to evaluate a buyer's performance.
12. Describe how "vision" is an important trait needed by all buyers.
13. List the different groups with whom the buyer must communicate.
14. Explain how buyers use written communications on the job.
15. Describe why a college degree is required of prospective buyers by many retailers.
16. Identify how college graduates would probably spend their first weeks of employment in a management training program to become a buyer.
17. Outline one career path that a buyer could pursue.

Analyzing and Applying What You Read

1. Should extensive travel opportunities be viewed as a positive or negative feature of the buyer's job? Explain.
2. Predict how the buyer's job will change with increased monitoring of social media by retail firms.
3. Will there be a need for buyers in retailing thirty years from now? Explain.
4. Develop a job description for a merchandise manager detailing specific tasks they perform.