

Introduction to Retail Buying

INTRODUCTION

Today's professional merchandise buyers play many roles. Those who enter the retail buying profession may find opportunities in traditional retailing, off-price outlets, discount operations, electronic retailing, catalog sales, and brand-operated stores. Many large operations include several modes of selling to reach a variety of customers, and all rely on the knowledge and skill of the professional buyer.

Buyers may use outside specialists to help them reach their selling goals, including resident buying offices, fashion forecasters, retail reporting services, and in-store sales records. Specialists are available to the professional buyer to assist in purchase planning.

This lesson contains six assignments. In Assignment 1, you'll learn about the buyer's role in a retail store environment. Different buying tasks are discussed. You'll also learn how buyers are evaluated by their employers. In Assignment 2, you'll explore how buyers work in traditional retail organizations, such as department stores and chain stores. The purpose of Assignment 3 is to introduce you to buying techniques for discount stores. In Assignment 4, you'll learn about buying for off-price retail stores. Assignment 5 explores the approaches buyers use to purchase merchandise for off-site retail operations, such as catalogs and Web sites. Finally, Assignment 6 will introduce you to market specialists and the services they provide to retailers.

OBJECTIVES

When you complete this lesson, you'll be able to

- Describe how traditional retail stores are classified
- Explain the buyer's role in a traditional retail operation



- Explain the divisions of authority in a large store's merchandising division and describe where the buyer fits in
- Describe the personal characteristics and qualifications needed by store buyers to perform their duties and responsibilities
- List the typical duties in a store buyer's daily routine
- Describe some of the career opportunities available to buyers in retailing and related fields
- Describe the basic differences between a *full-line store* and a *specialized store*
- List the responsibilities of the general merchandise manager, the divisional merchandise manager, and assistant buyers
- Describe how retail chain stores are organized
- Discuss the merchandising philosophy of the discount retailer
- List the specifics of the Robinson Patman Act, and explain why this law is important to retailers
- Explain the timing of purchases for traditional and discount retailers
- Explain the concept of *off-price retailing*
- Describe the differences between buying for brick-and-mortar stores and for catalogs
- Define the term *resident buying office* and explain the services it provides for clients

ASSIGNMENT 1

Read this introduction to Assignment 1. Then read Chapter 1, pages 3–32 in your textbook *Retail Buying*.

In retail stores, the primary role of the buyer is merchandise selection. In all but the smallest retail operations, the buyer spends most of his or her time planning and acquiring

merchandise for retail sales. The buyer must make decisions regarding the quality and price of goods, and match the selections to the tastes of the store's customers.

The buyer is also customarily responsible for the pricing of merchandise. When setting prices, the buyer must remain aware of the price point that has been established for the store. The *price point* for a retail operation is the general price level chosen to generate the most sales at a reasonable profit. Some store departments feature expensive merchandise, and others offer more reasonably priced lines. Each type of merchandise occupies a price point that's aligned with the expectations of the prospective customer. The choice of price point for a department is a decision that's usually made by general management. However, the buyer is an important contributor who helps management choose the proper price points for each department.

The buyer is responsible for achieving a targeted average markup for the merchandise in the department that he or she is responsible for. The *average markup* is the cumulative margin achieved after markdowns, loss, or spoilage. Markup is customarily calculated as the difference between the merchandise cost and the final sales price. Markup is expressed as a percentage of the retail sales price, and not as a percentage of the merchandise cost. This means that an item that costs \$40 and sells for \$100 would have a markup of 60 percent ($\$100 - \$40 = \$60$, and $\$60 \div \$100 = 0.60$ or 60 percent). In contrast, if the markup was expressed as a percentage of the cost, the markup would be 150 percent ($\$60 \div \$40 = 1.5$, or 150 percent). The latter calculation is rarely used.

The buyer may participate in product development through cooperation with designers and manufacturers. The buyer maintains an awareness of customer needs through sales figures and comments from the sales associates. To maintain a price level in the face of competition, the buyer may contribute to the development of private label merchandise to inhibit comparison shopping.

Note that in many retail establishments in the early 1900s, the organizational structure called the Mazur Plan was used. In the *Mazur Plan*, the buyer was responsible for both

purchasing and staff management. Today, many retail establishments are too large to use this model, and have transitioned away from the Mazur Plan. Current management practice is usually to place the sales staff under general management, and make the buyer a staff specialist.

After you've carefully read pages 3–32 in the textbook *Retail Buying*, complete *Self-Check 1*. Check your answers with those provided at the back of this study guide. When you're sure that you understand the material from Assignment 1, move on to Assignment 2.



Self-Check 1

At the end of each section of *Merchandising Planning and Buying*, you'll be asked to pause and check your understanding of what you've just read by completing a "Self-Check" exercise. Answering these questions will help you review what you've studied so far. Please complete *Self-Check 1* now.

Fill in the blanks in each of the following statements.

1. Two major examples of _____ outlets are QVC and HSN.
2. The peak purchasing period, during which fashion buyers make purchases for the next season, is known as _____.
3. Another name for a *limited line store* is a(n) _____ store.
4. In the early 1900s, an approach to managing a retail operation in which the buyer was responsible for purchasing as well as managing the selling floor and sales associates was known as the _____.
5. In the United States, the vast majority of franchise stores are _____ oriented.
6. Items that are exclusive to a particular store and that bear labels developed by that store are called _____ merchandise.

(Continued)



Self-Check 1

7. A selling arrangement that's similar to franchising, but that doesn't usually require a startup fee, is called _____.
8. In the majority of department stores, the buyer operates from the store's main retail location, which is known as the _____ store.

Check your answers with those on page 89.

ASSIGNMENT 2

Read this introduction to Assignment 2. Then read Chapter 2, pages 33–51 in your textbook *Retail Buying*.

Chapter 2 discusses how buyers work in traditional retail organizations, such as department stores, chain stores, or independent organizations. These stores may carry a full line of merchandise or a specialized lines with only one class of merchandise.

Department stores may be either full-line or specialized.

Full-line stores offer a wide assortment of both hard goods and soft goods. They often have special service departments such as restaurants, beauty salons, and travel centers. In contrast, *specialized department stores* offer a large assortment of merchandise in a limited number of classifications. They're usually upscale operations that specialize in apparel and accessories.

The management of a typical department store usually has several divisions. Under the chief executive officer, there might be separate divisions for merchandising, publicity, store management, human resources, and control. The most important of these is the merchandising division. In larger stores, the general merchandising manager directs divisional

merchandising managers, who supervise the buyers.

The general merchandising manager develops the overall merchandise budget and sponsors the store's merchandise posture in areas such as price points, merchandise lines, and quality. The professional buyer assists merchandising management in the positioning of the store in such areas.

Larger retail stores may have branches that are associated with a flagship store. The professional buyer must consider the special needs of the branches when buying for the entire organization. While the flagship store may have departments at various price points, the branch stores usually choose a price point that meets consumer tastes and preferences at their respective location. One important way to keep in touch with the needs of the branch stores is to visit them frequently.

Chain stores are comprised of two or more centrally owned units that offer similar merchandise and modes of operation. The central office usually buys for the entire chain. The organizational structure of larger chains usually includes departments for merchandising, real estate, construction, warehousing, supplies, publicity, financial control, and human resources. In single-unit independents, these positions are handled by comparatively few people.

After you've carefully read pages 33–51 in the textbook *Retail Buying*, complete *Self-Check 2*. Check your answers with those provided at the back of this study guide. When you're sure that you understand the material from Assignment 2, move on to Assignment 3.



Self-Check 2

Indicate whether each of the following statements is True or False.

- _____ 1. A retail organization's control division is usually divided into advertising, special events, visual merchandising, and publicity departments.
- _____ 2. Catalogs and Web sites are examples of off-site retailing outlets.
- _____ 3. Specialized department stores carry a wide assortment of hard goods and soft goods, including family apparel, electronics, cosmetics, furniture, and tableware.
- _____ 4. In a retail store organization, the publicity division usually makes the credit and accounting decisions.
- _____ 5. Department stores, chain organizations, and single-unit independents are usually categorized as traditional stores.
- _____ 6. Bloomingdale's, Dillard's, and Belk are all examples of full-line department stores.
- _____ 7. Chain stores generally have no need for construction and warehousing divisions in their organizations.
- _____ 8. Branch stores generally follow the same rules of operation as the flagship store.

Check your answers with those on page 89.
