Merchandising in Retail

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Factors in Planning Merchandise Innovativeness

FACTOR	RELEVANCE for PLANNING
Target market(s)	Evaluate whether the target market is conservative or innovative
Goods/service growth potential	Consider each new offering on the basis of rapidity of initial sales, maximum sales potential per time period, and length of sales life
Fashion trends	Understand vertical and horizontal fashion trends, if appropriate
Retailer image	Carry goods/services that reinforce the firm's image

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Factors in Planning Merchandise Innovativeness

FACTOR	RELEVANCE for PLANNING
Competition	Lead or follow competition in the selection of new goods/services
Customer segments	Segment customers by dividing merchandise into established-product displays and new-product displays
Responsiveness to consumers	Carry new offerings when requested by the target market
Amount of investment	Consider all possible investment for each new good/service: product costs, new fixtures, and additional personnel

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Factors in Planning Merchandise Innovativeness

FACTOR	RELEVANCE for PLANNING
Profitability	Assess each new offering for potential profits
Risk	Be aware of the possible tarnishing of the retailer's image, investment costs, and opportunity costs
Constrained decision making	Restrict franchisees and chain branches from buying certain items
Declining goods/ services	Delete older goods/services if sales and/or profits are too low

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Advantages of Private Labels versus National brands

- **Store loyalty**– A 1 percent increase in private label purchasing increases a retailer's market share of a household's purchases by 0.3 percent.
- **Differentiation strategy-** Opportunity to differentiate store on the basis of recipe, styling, value, features.
- **Increased channel power over suppliers**— Depends on strength of private label versus national brand
- **Higher profit margins on private labels-** 25 to 30 percent higher (but no return privileges, co-op promotions, slotting fees, and warehousing support).

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Successful Private Label Strategies

- **Be a purchasing agent for consumers, not a selling agent for suppliers**
- **Develop distinctive products** (Trader Joe's wild salmon in a can, chocolate-covered sunflower seeds, pretzels with sesame seeds (instead of salt)
- **Co-brand with famous designer** (Target with Michael graves, Mossimo and Liz Lange) or with national brand (Costco and Starbucks, Jelly-Belly, StonyField)
- **Taste and product perfromance testing** (Costco, Trader Joe's, Aldi)
- **Tell a story about the product** (ingredients, source, recipe, and health).

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Timing, Allocation decisions

Timing:

a. Peak seasons.
b. Order and delivery time.
c. Routine versus special orders.
d. Stock turnover.
e. Discounts.
f. The efficiency of inventory procedures.

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Allocation:

a. How much merchandise to place on the sales floor.
b. How much merchandise to place in the stockroom.
c. Whether to use a warehouse.

Thank You

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