

## 5. Buy merchandise

### SIRXINV004A

This unit describes the skills and knowledge required to buy merchandise in a retail environment. This involves analysing the market, planning the product range, establishing supplier relationships, negotiating supply of goods, introducing the product range, maximising profit and reviewing stock performance.

#### Application

Retail outlets carry many, many different products. Retailers can improve their sales and profits significantly through good buying and stock management.

#### Employability Skills

Good buying involves selection and order quantification skills – staff with such buying skills are highly regarded by retailers.

### Analyse the market

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To achieve their optimum potential, retailers should use their limited resources such as store size, cash, equipment, staff and advertising effectively. All retailers have limited resources – the previous unit, 1 Profile a retail market showed how to better target product and local markets to use resources more efficiently.

Some retailers such as gift shops do not have a range at all – their range is what you see in store. They are saying “we have plenty of items – there will be something for you”! Such stores will not usually achieve their potential as their best selling items will soon sell out and may not to be replaced as often their will be no record of their existence. Product displays and stock holdings will tend to be dominated by stocks owned rather than planned sales.

Retailers need defined ranges to provide service manage the many products that they sell. This is particularly for those with many products such as supermarkets or hardware stores – if they don’t carry the products that shoppers need then their credibility and ultimately you business will suffer. For example,

Shopper        ‘I am looking for toilet paper’.

Staff            ‘We don’t seem to have any – had some last week – must have sold out. I can try to order some!’

Shopper        ‘That’s no good, I need it now – call yourself a supermarket?’

Is this shopper ever likely to return?

This is very important in the case of outlets such as building or plumbing supplies where many of the customers are tradespeople – they will expect you to be in stock of commonly used products – if not, it may cost them money.

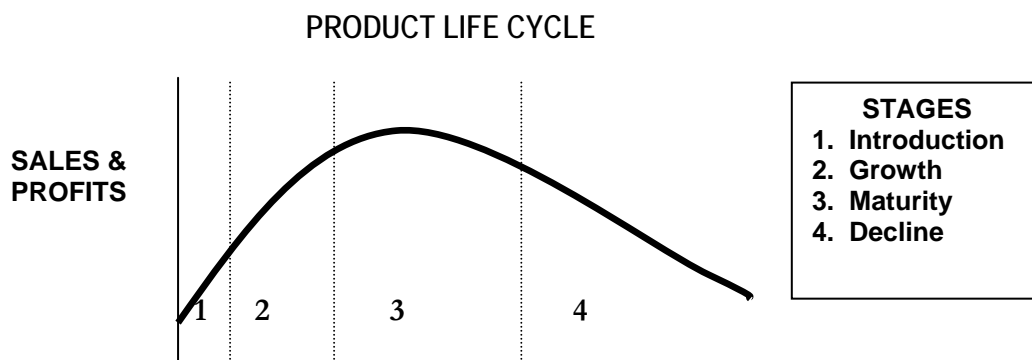
Some ranging fundamentals are:

1. Retailers buy products to resell – no sale – no profit! Products should only be ranged if they can be expected to sell. If they don’t sell, then they do not generate profits, tie up assets such as cash, and incur costs such as interest, and store space.
2. The retailer should aim to match product ranges with shopper demand – carry the items that shoppers wish to buy.

3. Retailers have limited resources – funds, store space, promotional funds etc. – these should not be tied up in products that do not sell.
4. To achieve your full potential, your store should have ranging and marketing policies based upon analysis of customer needs, sales and market trends.

You can learn more about your markets from market data, from analysis of your sales patterns, suppliers and observing of competitor activity. This means that your product ranges, displays and promotions will be better targeted.

It is important that product ranges be constantly updated to reflect market trends and include new or updated products. Within each category there will be items at various stages of the product life cycle.



Most products will follow this cycle eg. VCRs.

1. Upon introduction the product will achieve initial sales – if too low, the sales will decline and the product will be deleted. If it is popular, then:
2. It will enter a growth phase – rapid increases in sales.
3. Sales will eventually level out as the market becomes saturated or there is competition from new products.
4. Sales will decline – they may continue at a lower rate. The product may retain its place in the range, but if sales are too low, then it will be deleted.
5. With competition from cheaper easier to use DVDs, VCR sales have declined to the point that retailers no longer carry them and few will be made.

To be competitive, retailers need to continually update their ranges to reflect market trends. They should identify sales improvement opportunities and implement these in their sales strategies.

Many products are seasonal such as winter or summer apparel and heating and cooling. These will have separate seasonal ranges. In departments such as Garden, most products will sell year round, but sales will be highest in the spring and summer. Some items such as roses and bulbs will predominantly sell only at their planting time.

## Retail ranging principles

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Most retailers have a defined product offer called a range (sometimes called assortment). Shoppers will judge each outlet largely by its range such as ‘I buy my plants and garden needs from Jack’s Garden Centre – they have everything that you need.’

For the retailer the benefits of a good product range are:

- It improves sales by better targeting shopper needs.

- It improves efficiency. The retailer makes one decision to define the range rather than making buying decisions on an order by order basis.
- It improves store display by grouping products together – better space management
- Better stock control
- Greater product focus
- More effective promotions.
- Better buying terms from regular suppliers

A good range will:

- Be saleable
- Be profitable
- Cater for shopper needs
- Provide shoppers with solutions to their everyday problems
- Offers quality and price options - “Good – Better – Best”.
- Enhance the store reputation as “the place to buy .....” so that the outlet becomes a “destination store”.
- Be promotable – the strong range can be used to market the store.

Shopper range expectations will be based on store type and size. A specialist store such as a pharmacy or paint outlet will need to carry a comprehensive product range for credibility. Larger stores such as Bunnings or Officeworks will be also expected to carry large ranges because of their size. Shoppers will usually not expect small stores to carry large ranges due to limited space.

Retailers should avoid ranges which are too wide as, not only does this involve greater stock investment and more space, but shoppers may find a large range too confusing and actually buy nothing. It is usually better to have a narrower, better targeted range. Retailers provide a customer service by providing a ‘short list’ of products most suitable for shopper needs.

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**QUALITY OF OFFER**

A wide range is not necessarily a good range – it is the quality of the offer which counts. Make it easy for shoppers to make a buying decision by offering a range which satisfies their needs – a good range is better than a large range.

Ideally, the width of range should be proportionate to the size of the market or the product type. Supermarkets allocate space according to category size and profitability so that major categories may have more space and larger ranges. An exception can be categories where products are physically small such as Herbs & Spices – here a large range is required for store credibility.

**Over ranging**

Over ranging is a common retail problem. It occurs when there are too many product options relative to sales volumes. This is undesirable as it usually means that categories become over - spaced and overstocked. There can be a loss of sales due to out of stocks as best selling products may be underspaced and sell out.

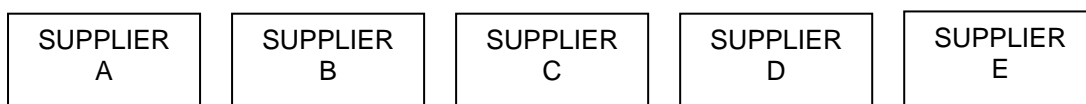
It is easy to become over ranged by:

### Ranging by brand

If you range by brand, then you will tend to carry the best sellers in each brand and thus offer too many similar product options. This means higher stock levels for limited sales gain as sales are split between brands.

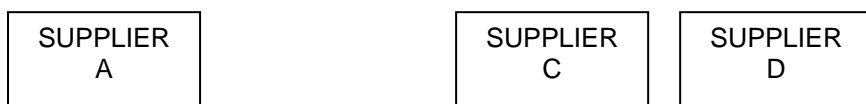
For example: Cosmetics

In a common situation, the retailer will carry several popular brands such as Revlon, L’Oreal, Almay and Clinique and Maybelline sold from their own display units.

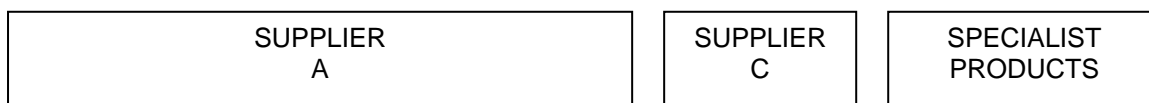


In most cases, each supplier would offer a similar range of skin, eye and nail cosmetic products.

In this case, a reduction to the three best performing suppliers would mean a significant reduction in stocks with minimal if any sales loss.



A better approach is to carry a comprehensive range from one supplier, a smaller range from a second and specialist items. This means a more saleable assortment with a lower stock holding.



This can add credibility to store ranges as it is possible to carry specialised lower volume products.

Private label brands can improve sales, margins and customer loyalty.

### Sizes, models, colours

You need to cover the popular sizes and colours in the best selling products, but you don’t need to cover every size or colour in every product. eg. shampoo is often available in 250ml, 500ml, 750ml, 1000ml sizes, but in most cases, you can carry the two best selling sizes only. In some low volume items, one size only may suffice.

A well structured range will have a product of suitable quality for each customer type.

In apparel, garments combine a number of sizes and colours. eg Summer dress.

|                    |   |    |    |    |    |
|--------------------|---|----|----|----|----|
| COLOR<br>/<br>SIZE | 8 | 10 | 12 | 14 | 16 |
|                    | X | X  | X  | X  | X  |
| White              | X | X  | X  | X  | X  |
| Lemon              | X | X  | X  | X  | X  |
| Blue               | X | X  | X  | X  | X  |
| Tangerine          | X | X  | X  | X  | X  |
| Green              | X | X  | X  | X  | X  |

If

the

store purchases this item, sizes and colours mean a significant stock investment – to purchase just one of each size and colour, then 25 garments would need to be purchased – perhaps 100 or more for adequate stock backing by size and colour.

The reality is that for most products the medium sizes are the most popular so that if you purchased 4 of each size and colour (opening order 100 garments) then perhaps in two or three weeks, stocks would look like:

|     |              |   |    |    |    |    |
|-----|--------------|---|----|----|----|----|
| The | COLOR \ SIZE | 8 | 10 | 12 | 14 | 16 |
|     | White        | 2 | -  | -  | 2  | 4  |
|     | Lemon        | 3 | -  | 1  | 3  | 4  |
|     | Blue         | 2 | -  | -  | 2  | 4  |
|     | Tangerine    | 4 | 2  | 1  | 4  | 4  |
|     | Green        | 4 | 1  | 2  | 3  | 4  |

stock is poorly balanced by size and colour – the store is out of stock/understocked in sizes 10 and 12. It should reorder these if stock is available. Sales of sizes 8, 14 and 16 have been poor and these could represent a stock clearance problem.

Rather than order the same quantity by size and colour, a better approach would be:

- Don't range size 16
- Reduce the number of colours from 5 to 4 (3 may be enough) – delete tangerine as we also have lemon
- Weight the order to increase stocks of sizes 10 and 12

The opening order could be:

|                                |              |   |    |    |    |                           |
|--------------------------------|--------------|---|----|----|----|---------------------------|
| Instead of order for garments, | COLOR \ SIZE | 8 | 10 | 12 | 14 | the first 100 this is for |
|                                | White        | 2 | 8  | 8  | 2  |                           |
|                                | Lemon        | 2 | 8  | 8  | 2  |                           |
|                                | Blue         | 2 | 8  | 8  | 2  |                           |
|                                | Green        | 2 | 4  | 4  | 2  |                           |

72, but the stock mix is more saleable as it is concentrated in the most popular sizes and colours and presents a reduced sales risk.

### Under ranging

This occurs when the range is too small and does not meet shopper needs – the retailer is not seen to “be in the business” in this category. The result can be loss of sales and credibility. The retailer needs to decide whether or not to be a serious stockist of the category. If not, they should stock basic items only in limited space so that shoppers understand that this is not a major retailer category.

### Price and quality

Many shoppers visit a store with the intention of buying a product but leave without purchasing any..

| Quality/Price      | Summary                                  | Example                               |
|--------------------|--|---------------------------------------|
| Good - Budget      | Low price – good quality                 | Disposable paint brush to paint chair |
| Better - Mid Price | Medium price – good to high quality      | Good quality brush for general use    |
| Best - Premium     | Best – high quality and/or premium brand | Top grade brush for tradesman         |

Apart from out of stocks, common reasons for this relate to price and quality.

The best way to avoid sales loss is to range according to the **“GOOD, BETTER, BEST”** principle which will cater for most shopper needs.

Price usually parallels quality – the better the quality, the higher the price, but this is not always so. Your range should cover the price points in your market. This will be:

You should not purchase inferior products to meet low price points as you risk customer dissatisfaction and high stock return rates.

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**DON'T LOSE A SALE!**  
Many sales are lost because price points are not covered. Some retailers are seen as expensive – this can be overcome this with lower priced, quality items such as house brands.

## Seasonal product ranges

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### Core & seasonal ranges

Most categories have core ranges which are carried year round such as Pasta, Builders’ Hardware or Motor Oil. Apart from updates due to sales performance or for new products, the same range can be carried. Some products may however have seasonal sales peaks such as Gardening in Spring and Summer and Sunglasses and Skin Care products in Summer.

Some categories have different Summer and Winter ranges for example:

Apparel – categories such as Men’s Tops will carry an extended range of sports shirts in Summer and revert to a basic range in Winter together with pullovers and jackets.

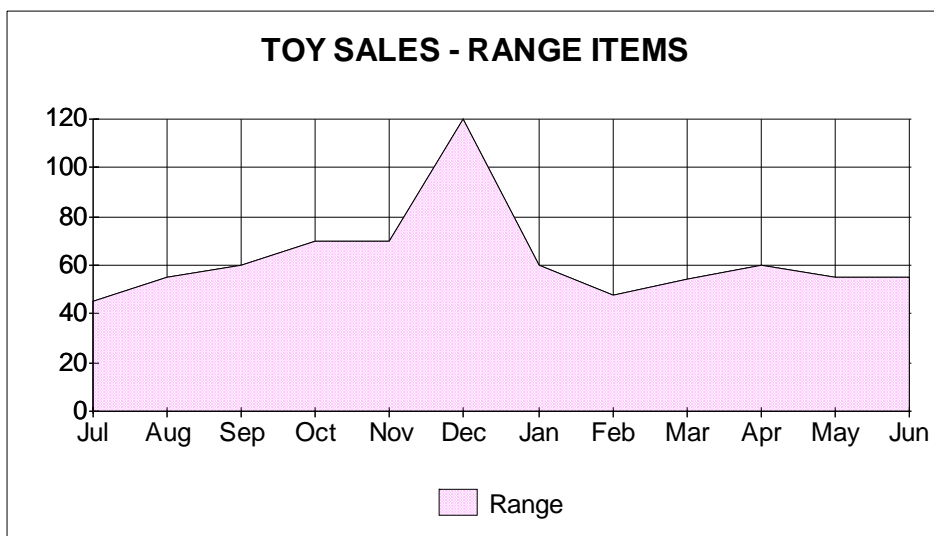
Heating and Cooling – different Winter and Summer ranges for portable appliances (usually installed units are carried year round). In the case of portable heaters a store could range perhaps ten models in Winter and reduce it to two models for the off season.

### Special event ranges

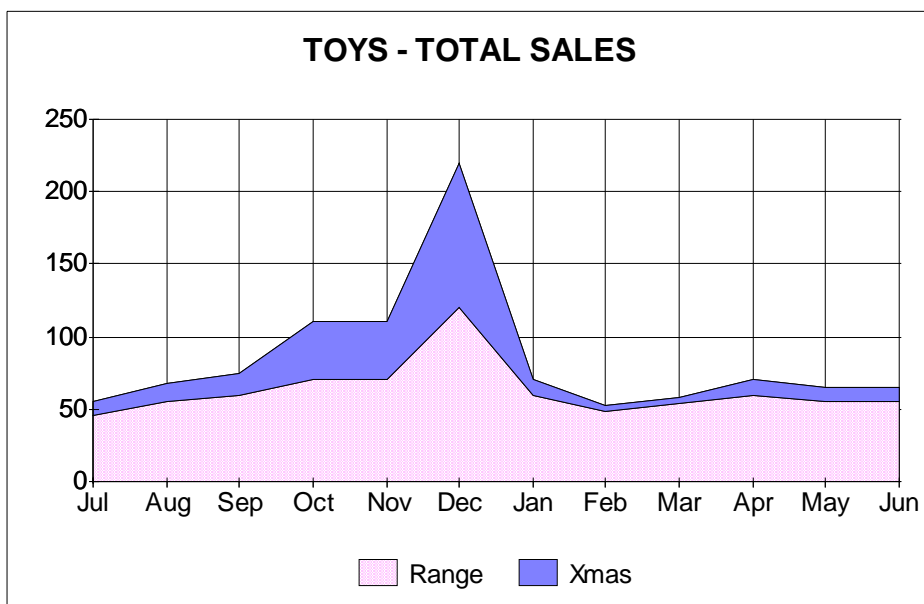
Retailers carry merchandise for specific events such as Christmas, Easter, Mothers’ Day, Fathers’ Day and other events such as sporting finals. As this merchandise is event specific and has a relatively short selling period, it is relatively high risk – stock must be sold by the event date.

Retailers need to manage their core range merchandise together with special event merchandise. For example, a toy shop should have a core year round range of popular toys which should include products

such as jigsaw puzzles, Barbie, Monopoly and Scrabble and Lego. Like all toys these will increase in sales before Christmas.



To achieve their sales potential, the retailer will need to purchase additional products for the Christmas/Summer period such as specific Christmas products, TV promoted products, more expensive items which only sell as Christmas gifts and Summer toys such as inflatables. These items would usually be introduced in July – August. The aim would be to sell out of the Christmas items by December 25<sup>th</sup> and the Summer items by the end of January.



The profit risk will be principally in the Christmas and Summer products. As a rule, the stronger the core year round range, the lower the profit risk. As seasonal and specific event products present the greatest risk, then they need to be given special management attention.

For seasonal and special event merchandise, the store should be set up before the event so that the store appears to be ready for business eg. in Southern states we know that there will be cool weather in April but we don't know when – better to be set up early so that shoppers know you have heaters.

Sales and stock should be monitored and managed to avoid post season/post event stock carry over and stock clearance.

As a rule, seasonal or special event stock should not be carried over as it must make way for new season stock. Shoppers judge your range by what they see. Old, left over stocks will detract from displays and should be regularly cleared. .

## Minimising buying errors

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To maximise sales and profit potential, it is important to minimise buying errors. The most common mistakes which retail buyers make are:

### 1. Product selection

The buyer chooses products that do not sell or does not buy products which are good sellers.

To avoid selection errors, buyers should know their categories and product sales so as to make informed decisions. Personal preferences should be avoided; for example don't select a product because you like it. – select it because you think it will sell.

Selection errors will tend to be for new products with no sales history. In many categories there is limited product innovation and limited risk. In technology driven categories or in toys which is driven by new products, care should be taken as sales risks are significant.

### 2. Quantification

The buyer over or underestimates the number of products sold. An over estimate may lead to an overstock; an underestimate may mean lost sales. Such errors can usually be corrected at only limited cost by reducing further orders and increasing promotions.

Seasonal or specific event merchandise present a greater sales risk and must be managed more closely.

## Ranging and profit contributions

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Retailers buy products to sell them for a profit. Each category range should be reviewed on an SKU (stock keeping unit) basis to determine the sales and profit contribution of each item. This should involve analysis of:

- Sales performance – units
- Sales performance - \$
- Profit margins - \$
- Profit margins - %
- Margin loss factors such as markdowns or theft
- Stock productivity – stock turn
- Space productivity – sales per square or lineal metre

Regular range reviews should be conducted to update ranges for new products, and to identify slow movers for possible deletion and to determine ongoing ranging strategies.

## Plan and introduce product ranges

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To develop product ranges, stores need category strategies and store policies and procedures for implementation.

Buying plans (or budgets) should be developed at store, department and preferably category levels to set sales and profit objectives against which, actual performance will be monitored to ensure that targets are achieved and prompt corrective action taken as required. Such plans should include:

- Sales
- Stock levels
- Margins (profit contribution) by product/category
- Spending
- Store layouts and displays
- Range listing
- Suppliers – who? Supplier performance standards?
- In the case of seasonal products, the season opening and closing dates

Selected ranges should be analysed by sales and profits by product on an ongoing basis. Check supplier performance and seek feedback from management, staff, suppliers and shoppers. Category promotional and marketing activities should be well coordinated by staff.

To introduce or update a product range, the steps are:

- Set the implementation date
- Update the store layout and display
- Order the stock of new items
- Advise staff about the new ranges and displays
- Ensure that staff know about the new products and their features and benefits.

## Developing supplier relations

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The aim should be to develop positive shopper/consumer focused partnership relationships with suppliers. A good supplier will:

- Supply quality products at competitive prices
- Supply profitable products
- Provide reliable service – prompt delivery, high order service level
- Provide retailer assistance – store level service and promotions
- Be innovative – to develop new products and categories
- Promote their products – media or with retailer
- Offer attractive trading terms
- Work with the retailer to develop joint improvement programs

- Provide market information to help improve business results
- Provide excellent backup service such as replacement of faulty goods
- Be pleasant to deal with – fully supportive of the retailer

To ensure customer satisfaction and excellent trading results, retailers usually expect the following from their suppliers:

### SUPPLIER ISSUES

| Issue                   | Comment   | What To Do  |
|-------------------------|---|---|
| 1. Legal issues         | All products to comply with the legal requirements for sale of such products in the state/country concerned. This is most important in the case of chemicals and hazardous goods.                               | Regulations may include health and safety, product registration, packaging and product labelling, registered brands and trademarks. Ensure that all products sold comply. |
| 2. Production           | Products are to be produced in clean, safe and healthy factories which conform with regulations covering occupational health and safety, wages and benefits, working hours, leave, and overtime as appropriate. | Ensure that all products sold comply – in particular imports – avoid cases such as Nike where products were made in factories which exploited local workers.              |
| 3. Environment          | Be a leader in environmental protection – be a “good guy”.  | Encourage suppliers where possible to reduce packaging and use recycled materials.  |
| 4. Merchandise quality  | Goods supplied to be in accordance with order specifications – safety is an issue. If the sale is from sample, the stock supplied should correspond with the sample.  | Goods supplied to carry public liability insurance. Need satisfactory quality assurance to protect consumer and retailer.   |
| 5. Supplier reliability | Delivery and store level service to be in accordance with agreed trading agreement conditions.  | Agree on service levels and monitor to ensure that standards are maintained.  |
| 6. Financial viability  | Suppliers are to be financially viable so as to carry out business and honour any possible claims.  | Some major companies require financial statements. If in doubt, arrange check.  |
| 7. Confidentiality      | Any information exchanged between retailer and supplier is to be treated in strict  | Respect retailer confidentiality, be guarded with company information.  |

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|                   |                                      |  |
|-------------------|--------------------------------------|--|
|                   | confidence by both parties.          |  |
| 8. Local products | Preference to locally made products. | A good policy provided local products are competitive in terms of price and quality. |

## Negotiating supply of merchandise

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Depending upon size and type, the retailer will buy directly from the manufacturer/supplier or from a distributor. Members of larger groups such as Amcal or Mitre 10 usually buy most stock through their distribution centres (DCs). The groups usually have a store chargeback facility for supply of non DC merchandise delivered from supplier to store.

Because of their volumes and distribution systems, distributors buy on very favourable terms – savings are often passed on to members in the form of lower prices or other member benefits.

Most larger retailers operate on a preferred supplier system – those suppliers which offer the best trading terms get preference over other suppliers. To improve buying power and efficiency, retailers try to deal with fewer suppliers to increase their relative importance.

Merchandise supply agreements have two components:

1. The Supplier Trading Agreement which covers the terms and conditions covering all transactions made between retailer and supplier.
2. The transaction itself – the contract to supply a quantity of goods at specific prices.

The retailer should aim to obtain the best trading terms and lowest buying prices.

### Supplier Trading Agreements

These set out in detail the trading arrangements negotiated between the retailer and the supplier.

These will usually include:

Freight terms – who pays

Settlement discounts for prompt payment such as 3% 30 days

Incentive rebates – turnover or target based incentives such as a rebate if agreed sales targets are achieved

Other trading conditions such as return of stock

Trading agreements can be used to resolve problems between retailer and supplier – if there is a problem, go back to the original agreement.

Buyers can use trading agreements when assessing supplier product submissions. The buyer may favour the supplier with the most advantageous trading terms. Many retailers have a 'preferred suppliers' list – these suppliers are preferred over others due to their better trading terms.

Retailers will prefer trading terms which give better payment times eg 30 day payment terms (from statement not invoice) are preferable for cash flow reasons to 7 day or C.O.D. (cash on delivery) terms.

If the market is competitive, the retailer play one supplier against another to secure better trading terms. This can however work the other way as major suppliers of market leader products can better dictate terms.

If the retailer buys through a distributor, they will purchase according to the distributor trading terms. Often terms for smaller suppliers e will not be in writing, although it is preferable if terms are evidenced in writing such as on a price list or letter.

Retailers can usually buy at better prices by:

- Increasing order size – buy 1,000 rather than 20

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- Reducing supplier delivery and handling costs such as ordering in pallet lots – some distribution centres use ‘break point’ pricing such as unit price \$5.50, pack of 10 price \$5.00
- Supplier deals such as ‘usually \$6.00, this month \$5.00’
- Promotion pricing – special deal for May Catalogue \$9.00 – regular price \$12.00. Retailers can improve margins by buying extra stock for normal sales to take advantage of special price.

If retailers order extra stock to obtain a lower price, they should check to ensure that this will not create an overstock.

### Stock orders

These should be specific showing:

- Order number
- Supplier name and address
- Product including model number if any
- Quantity ordered
- Price
- Order value including GST
- Delivery date
- Delivery address
- Any special instructions.

Orders should be approved and the spending commitment recorded prior to lodgment.

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#### **DON'T JUST LOOK AT THE PRICE!**

Some buyers look at the price only. Also check the trading terms and select the supplier who offers the best total deal.

Any supply arrangements should be negotiated and implemented according to store policies and procedures. Any trading arrangements outside these should be approved by management and communicated to relevant staff.

Records of supplier terms, ongoing negotiations and agreements and stock movements should be accurately maintained so that appropriate action can be taken as necessary. These should be communicated to relevant staff together with any supply issues such as stock shortages due to factory fire or late shipment which may impact on retail operations. This may mean that alternative supply arrangement may be made. .

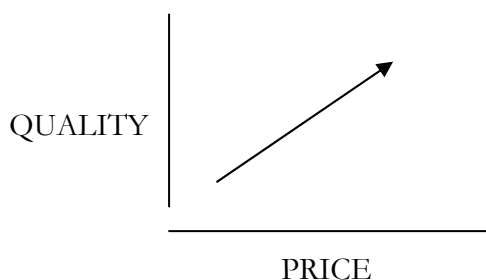
Supplier deliveries or order fill rates should be constantly monitored so as to avoid out of stocks. If suppliers are consistently substandard, then new suppliers should be sought so as to maintain and improve sales and service delivery.

Supplier trading terms should be reviewed at least annually with a view to improving terms and margins. As part of this process, business reviews should be conducted with suppliers to improve performance in all areas.

## Monitoring product quality

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Merchandise quality is a key component in the retailer store image.



As a rule, the higher the price, the better the quality; but this does not always apply as many lower and mid priced products are of excellent quality.

For the retailer, the best strategy is to avoid purchasing quality risk products in the first place.

*“It is unwise to pay too much, but it is even worse to pay too little. If you pay too much, you lose some money, that is all. If you pay too little, however, you will sometimes lose everything, as the thing you bought cannot do the intended job.”*

*The law of economy forbids one to obtain something of high value for little money. If you accept the lowest bid, you must add something for the risk taken by you. And if you do so, you have enough money to pay for something of higher value.”*

John Ruskin (1819-1900)

You should monitor the quality of your merchandise by checking incoming deliveries, in store presentation and problems such as leaking bottles and use by dates. Fix these promptly and discuss with suppliers.

Records should be maintained for all stock returned to store to identify specific problems. These should be resolved with the supplier. If there are ongoing problems which cannot be fixed, the product should be deleted.

Retailers are protected under the Australian Trade Practices Act 1974 which states that all goods sold should be of “merchantable quality” – you can thus claim replacement stock or a credit or refund for faulty stock supplied. (Accordingly customers can make similar claims on you).

## Maximising profit

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Retail profitability depends upon achieving a balance between sales volumes (units sold) and profit margin (Profit made on each transaction). It is easy to improve margins by putting prices up, but this will reduce sales volumes. You only make a profit when you make a sale.

Conversely, you can increase sales volume by cutting margins, but this may reduce profits.

| MARGIN | COST    | SELL    | MARGIN % | SALES UNITS | SALES \$ | MARGIN \$ |
|--------|---------|---------|----------|-------------|----------|-----------|
| High   | \$10.00 | \$30.00 | 66.66    | 10          | \$300    | \$200     |
| Medium | \$10.00 | \$20.00 | 50.00    | 50          | \$1,000  | \$500     |
| Low    | \$10.00 | \$15.00 | 33.33    | 100         | \$1,500  | \$500     |

This model shows that the ‘high’ margin is unacceptable in terms of sales and margins. Both ‘medium’ and ‘low’ deliver the same profit margin, but ‘low’ is preferred due to higher unit sales – it is a better traffic generator. These figures show that there may be an opportunity to sell a product in reasonable volume at a slightly higher margin than ‘low’ – say about 40%.

In practice, retailers will apply a different margin appropriate for each category. eg Power Tools and Electrical Appliances tend to have low margins, yet the accessories for each will have higher margins. The total store margin will depend upon the store sales mix:

Within each category, there will be margin variations –market leaders such as Coca Cola tend to sell at lower percentage margins than the category margin, but may generate a substantial profit due to sales volumes. In some categories there is a ‘go price’ for a product eg Potting Mix 30Lt \$2.99 – so all retailers sell budget potting mix at about this price. This can affect the profit margin for the category and sales values as sales are skewed towards lower price points.

Margins will also depend upon promotions – a market leading brand may show a lower margin than other brands just because it is promoted more often and a higher proportion of sales is at lower margins.

The retailer will know the margin applicable for each category and their own performance so that they can set budget/targets for each product and category. The store should have pricing policies for each category and actual performance should be regularly monitored against targets. Staff will be normally expected to achieve and improve margins.

In addition to sales, product and category margin contributions can be used in planning store space allocations and merchandising.

## Manage product ranges and stock

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A good product range is essential if a retailer is to achieve its full potential. Ranging is not a “set and forget” process – you need to regularly review and update your ranging because of:

- New products – these will affect both sales and sales and profit mix
- Market changes – over time there will be changes in customer demand which will affect both market size and sales by product. You need to respond to such changes and anticipate future trends
- Efficient use of assets – stock investment, space and promotions should be directed towards the products which shoppers wish to buy.

All categories should be reviewed at least annually – there should be a range review timetable to ensure that all categories are covered.

All major, seasonal and special event categories should be reviewed six monthly.

If there is a sales problem in a particular category a special review may be necessary.

Each category should be monitored monthly to identify problems early.

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**CLEAR UNWANTED STOCKS!**  
 If a range review identifies products to be cleared take prompt action – replace slow sellers with new items, refresh displays and convert slow movers into cash to improve your cash flow.

For an effective range review you need:

- Category sales, stock and margin performance information
- Details of new products available
- Any market information for this category – sales trends
- Details of competitor activity

Items which are not performing should be identified, deleted from your range and cleared so that range, space and stock investment can focus on items which will maximise sales potential.

| Do  | Don't   |
|---|---|
| <ul style="list-style-type: none"> <li>• Buy products to sell</li> <li>• Know your market and shopper needs</li> <li>• Evaluate your products</li> <li>• Follow good ranging principles</li> <li>• Ensure that your range is well structured</li> <li>• Ensure product quality</li> <li>• Purchase on favourable terms</li> <li>• Avoid buying mistakes</li> <li>• Clear unwanted stocks</li> </ul> | <ul style="list-style-type: none"> <li>• Buy products because you like them</li> <li>• Buy inferior products – too risky</li> <li>• Buy large quantities of new products – trial first</li> <li>• Just buy the cheapest – evaluate products and trading terms</li> <li>• Put off taking markdowns – take action to clear</li> </ul> |