



The Art and Science of Buying

Forecasting sales & putting more £s in your pocket

As you are preparing yourself for SS 2011, you must be having the following 2 questions in mind:
How can I make this buying process easier?
How can I maximise my profits on the stock I am buying – which is my number 1 asset?

Let's focus on 2 key elements which will help you put more pounds in your pocket. Guaranteed!

You have the art of buying and you know what to buy, you now need to have the science part of buying which is "how much to buy" and "when to bring it in". Answering those questions as accurately as possible will put you ahead of your competitors and increase revenue while reducing stock.

So, what do you need to do to achieve better results when managing your stock?

1. Break down your stock by product types

Many retailers analyse their stock solely by brand or supplier. The first analysis must be done by product type and then only by brand. By working by product type, I see 3 immediate benefits: it is easier to spot trends, easier to identify a balance in the stock & easier to take meaningful stock data

1. With the recession, many retailers now understand that you cannot forecast sales or demand on last year's numbers. You must work on what is happening now therefore working on the last 2 to 3 months. This is the way to grow the business. Each class will be considered as a profit center that you will help them to improve and grow.
2. The right balance in the stock means that if dresses represent 20% of sales they must also represent 20% of stock. If dresses represent 25% of stock, you will be missing valuable pounds to invest in other classes which require money for fresh goods and growth.
3. If you can't measure it, you can't fix it! By taking data about sales, discounts, initial mark up, maintained mark up, gross margin return on investment, stock per class and per month ... You will start understanding what is driving your business forward. You will understand on which class to put more efforts. You will be able to do selective discounting. You will start challenging yourself and making positive changes. Measurements will give you the 100% certainty of what's hot or what not working in the shop. Making an assessment on what is hot, despite being on the shop floor 8 hours a day or more, is often distorted by what has happened today or this week and therefore it is hard to see the big picture. Without looking at your watch, could you tell me exactly how it looks and could you give me all the small prints written on it? Many cannot and yet we see it more than 8 hours a day!

2. Analyse your discounts

Discounts are the biggest thieves in your shop. They can represent 15 to 25% of sales and yet many retailers, even those having an epos system, do not always track them. Guess what pays the invoices, your salary and all the hard work you do in the boutique : your sales after deducting discounts. You want to know where the profitable sales are in your shop. During the sale period, I have heard many retailers telling me that there cashier was full of cash but they could not pay their invoices. Make sure you keep space

for full price merchandise during sale time (to generate profits and not just cash). Every month, check if you are overstocked and act on it immediately. If you wait till the end of the season, you will discount the goods up to 70% (may be more) and the profits will be lost.

Working the stock analysis by suppliers prevents you from taking long term data. Some suppliers will not stay with you forever and furthermore not every brand is strong in every product class.

The difference between growing the business and struggling to survive is based on your ability to read the demand that exists and translate it into cash available to buy stock.

There are always some classifications that are driving your business, some that are in cruise control and some that are falling away. Your priority is to have the information to identify the opportunities and exploit them to the full.

Happy retailing and have a great SS 2011 buying season.

Tips to analyse your stock by product class:

Break down your stock by product type or class (tops, tee shirts, dresses, skirts, jeans, accessories ..). If you are just selling women's apparel & accessories, do not try to analyse more than 8 to 15 classes in your shop. Otherwise you may not have the time to do a good job. As business evolves, see whether you need to track new classes (opening shorts and pull it out from the trousers class or opening a below £100 dress class and separating it out from the dress class £100 and over).



Thierry BAYLE is the MD at Management One – UK. For over 20 years, they have been assisting independent retailers to better manage their 2 greatest assets: stock and people. If you have any questions you can contact Thierry on +44 20 8576 6233 / +44 7939 250 381 or retail@managementoneuk.com - www.managementoneuk.com

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Testimonial from client

"We implemented Thierry's simple framework of buying by class (instead of by supplier) immediately. After a couple of months of monitoring stock levels and sales by classes, such as "jeans", "knits", "flat shoes," it was easy to see where we were holding too much product and also where we were exceeding sales and had insufficient stock. We have applied this now to our buying for the last 3 seasons and have improved our sell through percentage considerably.

Within a year we have reduced our stock holding by over 40%; we have reduced our forward spends by 30% and we have maintained and exceeded our previous year's sales despite closing one of our 3 shops in February 2009.

Thierry is a true management consultant and I would recommend everyone to make use of his skills and resources, which we feel are not only extremely good value for money, but have considerably improved our profitability."

Laura Woodham – Therapy - Owner

