

**RETAIL MANAGEMENT – LECTURE 13**  
**CHAPTER 13 – BUYING MERCHANDISE**

**Overview**

The introduction to this topic includes a discussion of the many merchandise branding options available. The challenges associated in purchasing national brands and private-label items, as well as the process of negotiating with vendors, are discussed next. On the following page, we'll talk about the creation of strategic partnering ties between merchants and their suppliers. The chapter finishes with a study of the legal, ethical, and social responsibility issues that arise from the purchase of consumer goods.

Also included were a description of the product management process, which included a breakdown of the processes that buyers must go through in order to determine what and how much merchandise to purchase. Following the development of an assortment plan for the category, the forecasting of sales, and the development of a plan outlining the flow of merchandise (i.e., how much merchandise needs to be ordered and when it needs to be delivered), the next step in the merchandise management process is the acquisition of the merchandise in question. A distinction is made between the acquisition of well-known national brands and the acquisition of private-label brands that are only available from a certain retail establishment. In order to make the initial strategic decision, it is necessary to determine the types of brands to purchase for the category in question first.

**Desired Learning Outcomes**

1. What choices are accessible to shops when it comes to showcasing their products?
2. How are national brands purchased by retailers?
3. What concerns do merchants have when purchasing and sourcing private-label items from other countries?
4. When it comes to dealing with their suppliers, how do retailers get themselves ready?
5. Why are retailers forming long-term business partnerships with their suppliers?
6. What are the legal and ethical ramifications of making a purchase?

## **MANAGING THE MERCHANDISE PLANNING PROCESS**

### **Learning Objective 1 – Brand Alternatives**

Manufacturer's brands or national brands are products that are manufactured, promoted, and sold by a single vendor to a large number of merchants. Suppliers are tasked with developing the product, manufacturing it consistently, and marketing it to generate a positive image for the company. An umbrella or family brand associated with the firm and a sub-brand related with the product may be used in some situations by vendors.

Store brands, house brands, and own brands are all terms used to describe products sold under the private-label of a retailer. Private-label products are often developed by retailers, who then contract with manufacturers to create them. Some national-brand vendors collaborate with retailers to create a unique version of their typical product line for the retailer to sell. As a result, the national-brand vendor or manufacturer is ultimately in charge of both the product's design and production.

Private-Label Brands of High Quality Premium private-label brands provide consumers a private label that is equivalent to the quality of a manufacturer's brand at a lower price.

Duplicate Products Because they look and feel like their manufacturer's brand, copycat brands have a reputation for being of poorer quality and selling for a cheaper price. Everywhere you go, you'll find a wide variety of knockoff brands. Many merchants keep an eye on the development of new national brands, and then tailor them to their target clients' specific demands.

Brands That Are Exclusive To You When a national-brand vendor collaborates with a store to create an exclusive brand, the brand is typically sold only by the retailer. National-brand manufacturers can use multiple model numbers and exterior features for the same product, but they still promote it as their own. This is the most basic type of an exclusive brand.

Brand Names To appeal to price-conscious consumers, generic brands offer basic products at a reduced cost. Commodities like milk and eggs at grocery stores, and underwear in cheap stores, typically use these products.

### **Learning Objective 2 – Buying National-Brand Merchandise**

Our focus in this section is on the process through which national brand retailers interact with vendors at wholesale markets to examine the products they sell and place orders.

**Vendors from Well-Known Companies** There is a concentration of sellers in a certain geographic location, sometimes even under one roof or over the Internet, that serves as a wholesale market for retail buyers. Permanent wholesale market centers and annual trade displays and fairs are two examples of wholesale markets. Corporate offices are another point of contact for retailers and their supply chain partners.

**Wholesalers' Marketplaces** Vendors in established market places frequently meet with consumers for a wide range of products, including fashion garments and accessories. Retailers can visit wholesale market centers' vendor showrooms all year round. These wholesalers organize market weeks at specified times of the year, when buyers schedule appointments to visit the many vendor showrooms on-site.

**Exhibitions and Conferences** Customers have another opportunity to see new products and styles and meet exhibitors during trade events. Sales professionals, company officials, and sometimes even celebrities are on hand to greet purchasers as they make their way around the show area's designated regions.

**Buying for National Brands** At market weeks and trade exhibitions, buyers and their supervisors often schedule meetings with significant vendors in advance. It's at these get-togethers that purchasers examine the previous season's performance of the vendor's products, look over what the vendor has to offer for the upcoming season, and perhaps place orders for that season. Vendor showroom conference rooms at wholesale market centers host these gatherings of vendors and their customers. Meetings like these tend to be less formal during trade events.

### **Learning Objective 3 – Developing and Sourcing Private-Label Merchandise**

Retailers use a variety of different processes to develop and buy private-label merchandise.

**Retail Management**  
**Chapter 13**  
**BUYING MERCHANDISE**  
**Lecturer: Michaella DeLeon Castillo, DBA**

Employees in these divisions specialize in identifying trends, designing and specifying products, selecting manufacturers to make the products, maintaining a worldwide staff to monitor the conditions under which the products are made, and managing facilities to test the quality of the manufactured products. The private-label division operates somewhat independently, like a national-brand vendor, and the buyers are free to buy the private-label merchandise offered by the division or buy national brands. In retailing firms that only sell private-label merchandise, the buyers and designers typically work together closely to develop the merchandise.

**Sourcing Merchandise** Once the decision has been made about which and how much private-label merchandise will be acquired, the designers develop a complete specification and work with the sourcing department to find a manufacturer for the merchandise.

**Reverse Auctions** Rather than negotiating with a specific manufacturer to produce the merchandise, some retailers use reverse auctions to get quality private-label merchandise at low prices. Auctions conducted by retailer buyers of private-label merchandise are called reverse auctions because there is one buyer, the retailer, and many potential sellers, the manufacturing firms. In a reverse auction, the retail buyer provides a specification for what it wants to a group of potential vendors.

**Learning Objective 4 – Negotiating with Vendors**

Customers and staff in charge of sourcing participate into talks with suppliers when purchasing national brands or private-label items.

Disputes in the Negotiation Process is prepared to address six concerns during the future meeting: (1) prices and gross margin, (2) extra markup options, (3) terms of purchase, (4) exclusivity, (5) advertising allowances, and (6) transportation. "

**Techniques for Winning at Bargaining**

If the seller is outnumbered, retailers have a psychological advantage around the negotiation table.

**Retail Management**  
**Chapter 13**  
**BUYING MERCHANDISE**  
**Lecturer: Michaela DeLeon Castillo, DBA**

Take Your Negotiations to a New Level. People tend to feel more at ease and confident when they are in familiar settings.

Don't forget about the real deadlines you face. In the future negotiation, recognizing these dates will expedite the retailer's progress.

Make a distinction between people and the problem They've placed the other side on the back foot. Negotiations can fall down because of threats, and no one wins in that situation.

Insist on Having Access to Objective Data Use objective data as a tool to separate the individuals from the business challenges.

Identify Opportunities for Mutual Benefit. Creating a wide range of possibilities is an important aspect of the preparation process, but negotiating effectively also necessitates the ability to think quickly and quickly.

Let Them Speak for Themselves If the other person in the conversation doesn't answer, it's natural for one person to keep talking. These phenomena can be exploited to a negotiator's advantage if it is handled correctly.

Be Aware of Your Limits. Negotiating too hard might lead to a stalemate, but the alternative is to walk away from the table empty-handed.

Don't Destroy the Future. The retail industry appears little when seen from an individual's point of view. Both can't afford to be known in the industry as unprofessional, disrespectful, or anything of the sort.

Strategic Relationships are defined in this way:

In order to have a long-term, mutually beneficial partnership, both sides must be willing to put in the time and effort to preserve the relationship over the long run. In order to gain a competitive edge over the competition, the partners in this partnership must be willing to take calculated risks

## **Retail Management**

### **Chapter 13**

#### **BUYING MERCHANDISE**

**Lecturer: Michaela DeLeon Castillo, DBA**

in order to grow the profit pie. They also have a long-term view. To ensure their long-term success, they are willing to make short-term sacrifices.

#### **Learning Objective 5 – Legal, Ethical, and Social Responsibility Issues for Buying Merchandise**

There are going to be ethical and legal difficulties due to the numerous agreements and contacts between retail buyers and merchants. In this part, we'll take a look at certain buyer-vendor bargaining tactics that could have legal or ethical ramifications, as well as some ways that retailers are becoming more socially responsible buyers.

Bribery in the commercial arena Corruption in the business world is defined as the use of "anything of value" to influence a buyer's buying choice.

Chargebacks Shops subtract money from vendor invoices in the form of a chargeback in order to avoid paying them. When a vendor fails to meet agreed-upon terms, such as when a vendor incorrectly labels shipping containers or merchandise or sends shipments that are late or have missing items, retailers often utilize a chargeback.

Buybacks Like slotting allowances, repurchase actions (also known as stocklifts or lift-outs) are used by both vendors and retailers to get products into retail locations. When it comes to buybacks, either a retailer enables a vendor to "buy back" a competitor's inventory and remove it from its system, or the retailer forces a vendor to buy back slow-moving products.

Products that are not authorized by the trademark or copyright owner are considered counterfeit goods. Because they are ethereal rather than physical, trademark and copyrights fall under the category of intellectual property. Basically, trademarks are any kind of logos, symbols, words, pictures, devices, or other non-functional designs that are connected with a specific product or service. Those who create works of art and intellectual merit are protected by copyright. No one can republish these sentences without permission from the copyright holders.

## **Retail Management**

### **Chapter 13**

#### **BUYING MERCHANDISE**

**Lecturer: Michaela DeLeon Castillo, DBA**

Merchandise that is gray market, diverted, or black market. Gray market goods, also known as parallel imports, are products that are sold through distribution methods that are not authorized or intended by the manufacturer or producer and are instead sold through gray market channels.

Gray-market items, on the other hand, doesn't have to be shipped over international borders to be considered diverted. Consumer goods that are in short supply, severely taxed, or illegal are all examples of items that are found in the black market, as opposed to the traditional retail market.

**Agreements for Exclusive Trade** When a vendor restricts a retailer to selling only its products, an exclusive dealing agreement is formed.

**Tying Up a Deal** A tying contract occurs when a vendor demands that a store accept a product it doesn't want in order to buy a product it does want (the tying product). If tying contracts significantly reduces competition or creates a monopoly, they are prohibited.

**Disregard for Others' Opinions** Vendors and merchants have different viewpoints on the practice of refusing to deal (purchase or sell). In general, suppliers and retailers are free to conduct business with whoever they want.

To put it another way, CSR stands for "Corp The term "corporate social responsibility" refers to a company's voluntary efforts to address the ethical, social, and environmental implications of its business activities. In addition to offering money and time to charitable causes, retailers are often involved in philanthropic initiatives in their local communities. There has been a recent increase in retailers' efforts to purchase products in a socially responsible manner.

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**Retail Management**  
**Chapter 13**  
**BUYING MERCHANDISE**  
**Lecturer: Michaella DeLeon Castillo, DBA**

Quiz 13 – Buying Merchandise

Essay

1. What choices are accessible to shops when it comes to showcasing their products?

Both national and private-label brands can be purchased by retailers. There are advantages and disadvantages to each variety. Choosing the right brands and a branding strategy is an essential part of a company's goods and assortment planning.

2. How are national brands purchased by retailers?

In order to place orders, buyers of manufacturer's brands attend trade fairs and wholesale market centers. At least one trade exhibition is held each year for nearly every product area.

3. What concerns do merchants have when purchasing and sourcing private-label items from other countries???

When purchasing private-label products, the retailer assumes some of the obligations of a national-brand producer, such as creating and specifying products and selecting manufacturers to create the products. Private-label products are made in other countries to a greater or lesser extent. Global sourcing decisions must take into account cost, management, and ethics. Resident buying offices can make it easier to buy goods. Foreign merchandising purchases are facilitated by market agents of the resident buying offices.

4. When it comes to dealing with their suppliers, how do retailers get themselves ready?

## **Retail Management**

### **Chapter 13**

#### **BUYING MERCHANDISE**

**Lecturer: Michaela DeLeon Castillo, DBA**

Markdown money, slotting fees, advertising allowances, purchasing conditions, exclusivity and transportation charges are among the concerns that buyers of both national brands and private labels negotiate with their vendors. Negotiations are critical to a successful vendor relationship.

#### 5. Why are retailers forming long-term business partnerships with their suppliers?

Retailers who are able to successfully collaborate with their suppliers can gain a competitive edge over the long term. More than just a pledge to buy and sell on a regular basis is needed to make this business work. Trust, similar goals, open lines of communication, and financial commitment are all necessary components of a successful strategic partnership.

#### 6. What are the legal and ethical ramifications of making a purchase?

Ethical and legal considerations can assist buyers in their negotiations and purchase decisions. Aside from the concerns raised by gray market and counterfeit goods, suppliers must also contend with issues like exclusive areas and contractual ties when selling to retailers. Vendors should use caution when restricting which merchants, what merchandise, how much, and at what price they will sell. Some retailers are taking huge strides toward social responsibility.