

Instore Magazine – Inventory Management Strategies, Part Two: New Purchasing

We buyers have no problem buying beautiful jewelry. Between the creativity, the appreciation of great design, and the thrill of the hunt, it is an exciting task! But, before you start purchasing, the left brain needs to kick in and you need to dive into reports to build a foundation for your Buy Plan. Look at what percentage of your total inventory is over 12 months of age. That is your report card on buying in the past. It may be time to try a different approach.

The first step is to review your Strategic Plan and your Merchandising Plan to refresh your memory as to your objectives.

If you don't have one, brainstorm with your staff on unclosed sales and missed opportunities. Remember, new purchasing should be about closing more sales!

Ask your team the following:

- When were you unable to close a sale because you did not have the right product?
- What was not "right" about the product you carry – was it styling, quality or price point?
- Is there a brand that you have had repeated (this is important, you don't buy product based on one client) requests for?

Then, ask yourself the following questions:

- What is my open to buy dollars by classification of product?
- What am I trying to accomplish in that particular department – close sales, build profitability, increase my average sale?
- What should the product look like?
- What price point range do I need to fill?

Another good source of information is your vendors. Call your top vendors and ask about what other retailers are having success with. Or, have them send you pictures and prices of their top selling 25 styles.

If you are unsure how to come up with an Open to Buy, there are resources you can contact. A simple method is to project your sales for the period ahead (quarter, calendar year), calculate your projected cost of goods sold, less your current on hand at cost.

Once you have your OTB by classification make sure that you allocate a percentage to replenishment. It should be at least 25%, but could be as much as 50%. It is critical not to use all your dollars for new and then not be able to fund your fast sellers!

You will also need to put aside dollars for pending accounts payable, consignment sales, and other similar financial obligations.

Now that you have your net OTB by classification, start running reports to see what your top selling styles are, and just as importantly, your aged inventory. You don't want to repeat buying missteps! Get a visual picture of what is working and what is not.

You will want to get very specific. If you have determined a need for bridal semi mounts – drill down in your reports – what metal, shape melee, head shape/size, price point range? Then, within that classification what price points do you need to hit? So, an item on your Buy Plan might be: semi mounts in platinum, with round pave melee, ¾ ct. princess head, with a cost of \$1200 to \$1500.

Also, remember that *new* does not have to be *brand new*. New purchasing is high risk. Lower your risk by leveraging your top selling product – is it available in another diamond total weight, with a different size/shape center stone, in a different metal?

Once you have your detailed buy plan, check out all of our Vendor forms at (www.instoremag.com/americas-coolest-stores-2012/420-page-formats?start=25). Remember to *negotiate upfront* with your vendors, not when you have issues later.

Once you have met with vendors at your office or at a show, get pictures and pricing so you can analyze your buying choices thoroughly. Utilize the New Purchasing Analysis Form for each designer, collection or group of like product before placing an order. A smart, measured approach will result in smart buying decisions!