Instore Magazine – Merchandising From a Clean Slate, Part One

The mentality of Merchandising From a Clean Slate is highly relevant as we go into 2011. The last two years most retailers have been in a crisis mode. But, now it is time to look to the future and begin focusing on growing revenue and pursuing opportunities. To do so, you will want to step back from your normal inventory activities (like re-ordering top seller, and doing markdowns) to really think how you would expand your client base through merchandising. If you were to magically sell every SKU in your store tomorrow what would you replace them with?

The first step is to create a Merchandising Strategy, which then leads to a Merchandise Plan. This article will first discuss the Strategy – after all, as Lewis Carroll said "If you don't know where you are going, any road will get you there." This might seem overwhelming, or even unnecessary, but I can assure you that by dedicating time and resources you will positively affect your revenue and profits.

Many people would say that they have a Merchandising Strategy. However, filling in top sellers or having an Open to Buy is not a Merchandising Strategy. A Merchandising Strategy defines a company's future plan in terms of what you want your assortments to be, regardless of what you currently have in stock. The Merchandise Plan articulates your desired outcome by product groups - revenue, gross profit percentage and dollars, and inventory turn. Tactical actions are necessary for the day-to-day running of a store or to stay afloat, but Strategic actions are the ones that ensure a thriving future.

Now that you are in a Strategic frame of mind, start asking yourself questions about the vision for your store, and the merchandise required to get you there.

Examples of Questions:

- Do you want to expand your bridal clientele?
- Do you want to attract the female self-purchaser?
- Do you want to resonate with the Gen X and Y consumer?
- Do you want to carry sterling silver, vermeil, or even accessories?

- Do you want to reduce your margin percent, but increase your margin dollars?
- Do you want to adjust the percentage of designer inventory versus in-house branded or generic?

After you have articulated your high level Strategic goals, make sure they are SMART, an acronym for Specific, Measurable, Achievable, Realistic and Time Dated.

For example, a non SMART goal is:

- "Expand my Bridal business".

A SMART goal is:

- "Expand my Bridal business by 30% over last fiscal year by creating 3 in-store branded collections by March 2011, targeted to entry level price points of $1000."

Another SMART goal might be:

- "Reduce the margin percent of loose diamonds to capture lost sales to 43%, with an increase in revenue of 27% over last fiscal year, thereby increasing gross margin dollars by $20,000. By December 31st, 2011."

Once you have all your Strategic goals established, it is important to again step back and compare them to your overall metric goals – revenue growth, margin percent and dollars, inventory turn – and ask yourself "Will these goals get me there?" Once you are comfortable that they will, then you will be ready to flow them into your Merchandise Plan which we will discuss next month

A carefully crafted Strategy will deliver revenue growth, profits and secure your competitive advantage. It is the difference between having a vague idea where something is versus using GPS to get there.