

New Buyer's Kit

The market basics, tips & tools you need to get started
with your new retail business.



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What to bring to market

 Buyers should have the following:

Vital information sheets, including store statistics

Financial statements

Introduction from their banks

List of factors currently working with

Dun & Bradstreet report

Cash (for misc. needs such as parking, food, etc...)

Business Plans

Shoulder bag or backpack to hold pamphlets/catalogs

Product performance reports

Business Cards

Copy of Resale License/Permit

Calculator

Appointment schedule

To make filling out forms fast & easy, a rubber stamp or labels with the following information:

Business name


Business address

Business phone

Business fax

E-mail address

Credit Information

 Dun & Bradstreet

As a new business, the first thing a buyer needs to do is acquire a Duns number from Dun & Bradstreet. To do so, contact the regional Dun & Bradstreet office or call 1-800-333-0505 and ask for Information Resources. Dun & Bradstreet can assign a Duns number over the phone if a buyer provides them with the following:

Contact Name

Store Name

Store Address

Store Phone Number

Chief Executive Officer's Name

Line of Business

Factor

A factor is a business organization that provides financial support, customer credit protection and other services. The leading factors include:

Capitol Factors, 212-767-4550

CIT Group, 214-455-1600

Republic Factors, 212-525-5200

SunTrust Bank, 212-371-9390

Century Business Credit, 212-703-3500

Factors purchase the accounts receivable of manufacturers, importers and wholesalers. The factor assumes the receivables, as well as the accounting and collection responsibility that is involved.

It is important to establish a rapport with the factor. This can be essential when problems develop either financially or with the product. Also, it is very important that the factor be informed about late deliveries, quality and returns.

Initial Orders

When placing initial orders with vendors, buyers should have the following information readily available:

The business "Bill To" name, address, phone number

Trade styles or DBA's; DBA (Doing Business As) refers to the name of the store as opposed to the corporation (i.e. Dayton Hudson DBA Target).

Dun & Bradstreet number

The number of years in business

Names of store officers or directors, owners or partners

Bank references including:

Bank name

Bank address

Bank phone number

Bank account number

Contact/loan officer name

Trade references (other suppliers) including the address, phone number and contact number

A statement of financial condition for the fiscal year end and the most recent interim financial statement, as well as the name and address of the accountant/accounting firm, if not included on the statements.

In addition, any business in operation less than five (5) years might want to provide a resume on the officers or directors, owners or partners. New businesses are to provide details on the structure of the starting capital and if operating less than one year, a Performa financial statement.

Time management while at market

Helpful Hints

- Arrive prepared with open-to-buy figures
- Schedule appointments prior to market
- Comfortable shoes and clothes are imperative
- Get a schedule of market events and plan accordingly
- Attend fashion shows, trend overviews, seminars, workshops, etc.
- Window shopping is always good
- Read or take material with you to study later
- Allow adequate time to work with tried-and-true vendors and to find new vendors and items
- Write orders as soon as possible to ensure on-time deliveries
- Bring extra business cards to distribute to sales reps and retailers you've networked with
- Breakfast and lunch offer great networking opportunities with other retailers
- Don't forget accessory and point-of-sale items

Market coverage techniques

The sequence of showroom visits to vendors is a matter of individual buyer preference, dependent upon the season and the importance of lines being reviewed. Whatever the method, consider the following:

- Resources that best represent current trends in demand
- Showrooms that carry the lines and price points you need
- Specific styles that are representative of your store's needs
- Assurance of delivery to accommodate planned needs
- Always ask about shipping & delivery

Shopping plan:

- The lines you must-have should be reviewed first
- The new lines that reflect the trends of the season should be shopped second

Results attained:

- See the trends
- Compare styles and values of the buyer market
- Place an order with reasonable assurance that purchases are in style and competitively priced

Remember:

Listen to showroom sales staff's comments and suggestions

Have a buying plan; a general description of the types and quantities of merchandise a buyer expects to purchase


Open-to-buy

Open-To-Buy (OTB) refers to the available amount of money that a buyer can spend for merchandise within a specific period of time, as determined by the Dollar Merchandise Plan. By calculating an OTB, a buyer can keep merchandise investments in line with a sales plan.

OTB is like a checking account. Checks (purchases) are deducted from the account balance. The ability to write checks (purchases) stops when no money is left in the account. Added deposits (sales), however, restore money to the account for more OTB. Lower sales reduce the OTB.

For each month, in the merchandising plan, a buyer has allotted a certain amount of money for retail purchases. Each time a buyer places an order, it decreases the total amount of money that is available for purchases. Because most merchandise orders are not received the same month they are placed, a buyer has to keep close track of the money spent and the money that is still available to spend. The information a buyer obtains from inventory control can help you to calculate OTB.

Basically, an OTB is the amount of planned purchases that have been budgeted for a given period of time, minus the actual orders (on order) that have already been placed for delivery during that same period but have not arrived. OTB may be expressed in dollars or units, or both.

 The following is an example of how OTB can be calculated:

Planned sales for balance of month	\$1,000*
Planned End-Of-Month (EOM) stock	+ 2,000
Total stock requirements for balance of month	= \$3,000
Stock now on hand or Beginning-Of-Month (BOM)	- 1,500
Purchases required for balance of month	= \$1,500
Orders previously placed for delivery this month	- 1,000
OTB for balance of month	\$ 500

*From Dollar Merchandise Plan

Kinds of orders

In-Stock Orders: these are orders for product that is available to be shipped at once

Re-Orders: these are orders for additional quantities of goods previously ordered


Special Orders: these are placed by the buyer, usually for single units, to satisfy the special demands of customers

Advance Orders: these are regular orders placed for delivery some time in the future, rather than for immediate delivery

Open Orders: these are orders or part of orders, not yet shipped

Blanket Order: these are orders that cover the delivery of merchandise for all or part of the season; the buyer will place a requisition against these orders as the merchandise is needed

Writing orders

 When writing orders, the buyer should include:

- Delivery, Beginning and Completion Dates
- Style Numbers
- Quantities and Colors
- Means of Transportation/Shipping
- Cost Per Style
- Financial Terms and any Shipping Allowances
- Brief Description of each item

Order forms are given to the vendor; duplicates are needed for receiving & accounting depts; the buyer may use a third copy to determine:

- Outstanding Orders
- Receipt of Goods against the P.O.
- Follow-up
- Unit Control Records
- Product is received "As Ordered"

When is the order final?

Once an order is placed, it is considered a contract between the store and the vendor, and the buyer has committed its store to the merchandise. Yet, as the vendor reserves the right to request changes, so does the retailer.

Though not required, showrooms recommend that a buyer writes the order and leaves the paper before leaving town. Should a buyer take the paper with her, it is recommended that the order is mailed or faxed within the week of returning home, while the merchandise is still fresh in the buyer's mind.

Merchandising notes

Helpful Hints

At the time buyers write their orders, they also should write brief notes about the merchandise ordered, the reasons for choosing it and the overall impression gained from the market trip.

From the notes, buyers later prepare training talks for their salespeople about in coming merchandise and fashion trends.

These notes also may serve as memos about their selling points of the goods for salespeople, as well as for the advertising and display departments.

Buyers should note expensive items bought for special customers and items that will be used in special events.

Shipping & delivery

A ship date refers to the date the merchandise leaves the manufacturer's warehouse; it does not include the time it takes to arrive at the store.

Buyers should always determine from the vendor the exact ship date for each style of merchandise that is being ordered. This is of utmost importance for two reasons- the buyer's OTB is reduced by the retail value of all merchandise ordered for delivery each month, and the buyer needs the information in planning advertising and other promotional activities.

An "In Store" date refers to the date the merchandise will arrive at the store. If a buyer is targeting a specific grand opening date, product will be needed at least three to five days before the opening date. A buyer should request in store dates for shipping and write it clearly on the order.

In addition to determining the form of FOB, a buyer must determine the best method of shipping. Time and cost are two important elements a buyer must consider when figuring the methods of transportation and storage.

Some methods of shipping are:

UPS

Railroad Freight

Motor Freight


Parcel Post

Air Express/Air Freight

Truck-Rail

Before shipping C.O.D., most showrooms will need a certain percentage of the order as a deposit. Buyers should specify method of transportation when placing orders.

Choosing resources

 When choosing a vendor, a buyer should ask the following:

What are your minimums?

Who else do you sell to in my town?

What are your price points?

Do you ship on or before the completion dates?

What are your payment terms?

What are your shipping/transportation policies?

Who is your factor?

 A vendor may be judged and evaluated in the following key areas:

Merchandise Suitability

Meeting Store Merchandising Policies

Production Capacity

Distribution Policies

Production to Specification

Glossary of industry terms

Advanced Dating: An arrangement whereby an invoice is dated from a specified future date rather than from the date the invoice is prepared.

Advertising Allowance: Discount given by a manufacturer to offset expense of retail advertising a product line of an item; amount varies between 2% to 10% off invoice.

Anticipation: Additional discount from vendors on anticipation that a store will pay before due date.

A/O: Ship or to receive At Once.

A.R.: As Ready.

Average Gross Sale: Net sales of a department divided by the number of sales transactions during the same period (i.e. $\$1,500 - \text{expenses} = \890 , $20 = \$44.50$ average sale).

Back Order or **Open Order:** Balance of a partially shipped order to be received at a later time.

B.C. (or **Best Way**): Best Cheapest - indicates to use the quickest, cheapest way and rates to ship.

Blanket Order: An order that covers the delivery of merchandise for all or part of a season; the buyer pre-requisitions against the order as merchandise is needed.

B.O.M.: Beginning Of Month.

Buying Plan: A general description of the types and quantities of merchandise a buyer expects to purchase for delivery within a specific period of time; sets a limit on the amount of money to be spent.

Cash On Delivery (C.O.D.): Agreement between buyer and seller that the buyer will pay the delivery company at the time of receipt of goods; the freight carrier then pays the vendor for the merchandise.

Central Buying: An organization in which all merchandise buying activity is performed from a central headquarters with authority and responsibility for the selection and purchase of merchandise by the hands of a central buying staff.

Central Merchandise Plan: A form of central buying in which distribution of centrally ordered merchandise to individual stores is made by the distribution department following a plan that allocates specific quantities to each store unit.

Completion Date: The last date a manufacturer can ship as per the purchase order.

Cutting Ticket: Quantity to be cut of a style; manufacturers require a minimum cutting ticket based on their breakeven point, plus a reasonable profit.

Dating: The length of extra time a vendor gives a buyer to pay for goods purchased.

Dun & Bradstreet (D & B): Industry credit rating service for customers.

Duty: A tariff added by national government to the declared monetary value of imported merchandise.

E.O.M.: End Of Month.

Exclusivity: Allowing a store sole use within a given trading area of a style or styles; an important competitive retail weapon.

Factor: A business organization that provides financial support, customer credit protection and other services.

F.O.B.: Free On Board.

F.O.B. Destination: For example, F.O.B. Los Angeles- the vendor will pay all shipping charges & costs and will be responsible for merchandise until it arrives at the destination location.

F.O.B. Shipping Point: For example, F.O.B. New York- the vendor will pay any packaging necessary and is responsible for the merchandise until it is turned over to the freight company at which time it becomes the responsibility of the recipient.

Freight Allowance: Discount offered by a manufacturer on freight, usually when a store buys at a certain time and a certain amount.

H.F.C.: Hold For Confirmation - asking a rep/manufacturer to hold an order for a few days before placing.

“Hot” Items: Items, new or otherwise, that have demonstrated great customer acceptance.

In-Store: Date you expect merchandise to arrive at your store; this could be a date later than a completion date.

Job Lot Buying: Buying an assortment of merchandise that a vendor has been unable to sell at regular price and is then offered at a reduced, usually flat price.

Key Resource: A producer from whom a department has consistently bought a substantial portion of its merchandise in past seasons.

Keystone: Doubling the wholesale cost in order to determine the retail price of the merchandise.

Letter Of Credit: A document issued by a bank at the request of a retailer that a vendor draws on for payment.

Line: An assortment of designs offered by manufacturers to their customers, usually on a seasonal basis.

Margin/Mark-Up: How much you determine to charge for an item; for example, keystone equals 50% mark-up.

Mark-Down: Reduce the price on out-of-season or slow-moving merchandise.

Minimum: Minimum dollar quantity per line, minimum pieces per line, or minimum units per item the resource will allow you to buy; varies by line and showroom.

NET/30: The time (i.e. 30 days) a buyer has to pay for merchandise purchased.

New Store Opening: If a buyer is opening a new store, make sure to write "New Store Opening" on all purchase orders; make sure to highlight and request merchandise early; also make sure to follow-up to ensure timely deliveries.

O.H.: See Stock On Hand.

O.O.: See Stock On Order.

Open Order or Back Order: Balance of a partially shipped order to be received at a later time.

Open-To-Buy, Dollar: The dollar value of planned purchases for a given period minus the dollar value of all orders scheduled for delivery during the same period but not yet received.

Open-To-Buy, Units: The units of planned purchases for a given period minus the units on order for delivery during the same period but not yet received.

Planned Purchases: The term used to indicate the amount of merchandise that can be brought into stock during a given period without exceeding the planned inventory for the end of that period.

Policy: a settled, clearly defined course of action or method of doing business deemed necessary, expedient or advantageous.

Price Agreement Plan: A buying arrangement in which merchandise is ordered by a central buying office, who then prepares a catalog from which managers of store units can order directly from the manufacturer.

Price Lining: The practice of determining the various, but limited, number of retail prices at which a department's or store's assortment will be offered.

Private Label Buying: Developing merchandise to specification or altering standards and specifications of other brands to create and sell merchandise that is unique to the store (i.e. JC Penney's Arizona Jeans brand), or at a lower price.

Purchase Journal: A monthly or semi-monthly report listing all invoices for merchandise received, transfers or merchandise in-and-out and returns to or claims against vendors that have been entered into department's book inventory during a given period.

P.O.: Purchase Order.

R.O.G.: Receipt Of Goods - special payment terms; the date when the invoice begins as compared to the date the goods were shipped.

Re-Order: An order for an additional quantity of previously ordered goods.

Resident Buying Office: A service organization located in a major market area that provides market information and representation to its member client stores.

Resource: Vendor, source of supply from which a buyer purchases merchandise.

Ship Date: Date a buyer requests merchandise to be shipped.

Showroom: A location where a Sales Representative of a Manufacturer has product on display.

Signature Brand: Private label merchandise endorsed by a well-known personality (i.e. Jaclyn Smith at K-Mart).

Special Order Buying: Placement of an order by a buyer for a particular style in a specific color and size; many manufacturers will not service special orders.

Stock On Hand (O.H.): Units, dollar value or both of each price line of each classification on hand during the time in which new purchases are planned.

Stock On Order (O.O.): Units, dollar value or both of each price line of each classification on order during the time in which new purchases are planned.

