

THE MANAGEMENT OF RETAIL BUYING

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**THE MANAGEMENT
OF
RETAIL BUYING**

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PREFACE

This book has been designed for both the students and the practitioners of retail buying. With the continued growth of large scale merchandising operations, of mergers and associative groupings of independents, buying is becoming increasingly concentrated in the hands of the "pros" rather than being but one of a merchant's many duties. The professionals are developing new techniques and employing the older ones with sharpened skills.

In order to keep up with the pace, many practitioners in the field are becoming mindful of the need for organized "refresher courses" in the basics of buying and merchandising as well as for knowledge about the newer principles and practices in the profession. Manufacturers and wholesalers, who increasingly subscribe to the "service concept" in selling, are anxious to learn more about the objectives and practices of the institutions they serve.

For the newer principles and practices it has been necessary to comb the periodical literature of retailing, marketing, management and allied trades, professions and scholastic disciplines. In addition, the authors have relied heavily on their privileged position to make close observation of proven, successful practice—Dr. Wingate through continuous contact with operating executives in large and progressive retailing firms; Mr. Friedlander through direct association as a consultant for retailers, wholesalers and manufacturers.

Unless specifically qualified, the theories expressed in this book are not quotations, hypotheses or speculation. They are formalized statements of observed successful practice.

Probably the first thorough attempt to organize and present the facts about buying for resale was made in 1925 by Dean Norris A. Brisco and John W. Wingate when they completed "Retail Buying." Since then the book has undergone several revisions to keep up with new developments in the field. These have accelerated so swiftly in recent years that the present complete revision was felt to be necessary.

Management techniques, in general, and their specific application to the functions of buying and merchandising have been explored. The newer, analytical approaches to assortment planning and quantitative merchandising have been presented, along with an introduction to new uses of the old mathematics of probability. An attempt has been made to take the reader on step-by-step tours through the minds of practicing buyers as they work out their analytical approaches. A chapter on pricing and selling has been added because it seemed so necessary to round out the total function of buying. At the end of each chapter, reference is made to *A Workbook for Retail Buying and Marketing* (Wingate, Schaller, and Goldenthal), which contains assignments appropriate to the subject matter.

As in previous editions, the book has not attempted to explore in depth some of the subjects so closely integrated with the buying function. Subjects like merchandise control, pricing, and merchandising arithmetic are covered in companion books: *Techniques of Retail Merchandising* (Wingate and Schaller) and *Problems in Retail Merchandising* (Wingate, Schaller, and Goldenthal).

The authors wish to acknowledge their indebtedness to Professor George J. Hammer, Assistant Professor of Marketing at Fairleigh Dickinson University, for a most careful reading of the entire manuscript and for making many pertinent suggestions that were incorporated.

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TABLE OF CONTENTS

PART ONE ORGANIZING FOR BUYING

Chapter I: The Buying Function

Buying for Retail, 1; The Buyer's Job, 2; The Management of the Buying Function, 6; Personal Qualifications for Buyers, 13; Evaluating the Buyer, 19; *Technical Appendix: An Outline of the Detailed Activities Involved in the Buying-Selling Cycle*, 22; Review Questions, 27; Discussion Questions, 29.

Chapter II: Organization for Buying: Single and Multi-Unit Stores

30

Departmentizing the Single Store, 30; Centralized Buying and Merchandising in the Multi-Unit Operation, 39; *Technical Appendix: The Question of a Distribution Point*, 58; Review Questions, 61; Discussion Questions, 62.

Chapter III: Resident Buying and Other Associated Buying Activities

63

The Resident Buying Function, 63; Types of Resident Buying Offices, 65; Services of Resident Buying Offices, 68; Organization of Buying Offices, 78; Centralized Buying by Cooperative and Associated Independents, 81; Review Questions, 88; Discussion Questions, 89.

PART TWO WHAT TO BUY

90

Chapter IV: Determining Customer Demand

90

The Dominant Role of the Consumer, 90; Selection Factors in Customer Demand, 92; General Information About Consumers, 95; Di-

Chapter IV: Determining Customer Demand (Cont.):

rect Surveys for Determining Customer Preferences, 100; Trade Sources of Information, 106; Review Questions, 113; Discussion Questions, 114.

Chapter V: Analyzing Sales and "Wants"**115**

Study of Past Sales, 115; Study of Other Store Records Reflecting Demand, 128; Review Questions, 134; Discussion Questions, 135.

Chapter VI: The Merchandise Assortment: Qualitative Considerations**136**

Choosing Merchandise Policies, 136; Breadth vs. Depth, 145; Factors That Determine Breadth, 148; Demand Rigidity; A Factor in Depth, 155; Review Questions, 160; Discussion Questions, 161.

Chapter VII: The Merchandise Assortment: Quantitative Considerations, Staple Goods**163**

Top-Down vs. Bottom-Up Plans, 163; The Generic Merchandise Plan, 165; Specific Plan—Model Stock, 168; Periodic Fill-In of Staple Stocks, 170; *Technical Appendix*: Mathematical Computation of Model Quantities, 181; Review Questions, 185; Discussion Questions, 186; Problems, 187.

Chapter VIII: The Merchandise Assortment: Quantitative Considerations (Continued)**189**

Buying Plans for Fashion and Seasonal Goods, 189; Building the Model and Opening Purchase Plan, 189; The Buying Plan for Slow-turning Fashion and Staple Stocks, 200; Hand-to-Mouth Buying, 205; *Technical Appendix*: Actual Planning Data for Model Stock and Buying Plans, 209; Review Questions, 212; Discussion Questions, 213.

PART THREE WHERE AND HOW TO BUY**215****Chapter IX: Merchandise Resources****215**

Factors in Choosing a Resource, 215; Policy Limitations on Resource Choice, 224; Sources of Information on Where to Buy, 232; Foreign Resources, 234; *Technical Appendix*: Computation of Landed Cost, 239; Review Questions, 241; Discussion Questions, 242.

Chapter X: Techniques of Merchandise Selection**244**

The Problem, 244; Making Buying Contacts, 245; Selecting New Items, 255; Buying Job Lots and Irregulars, 270; Specifications, Private Labeling, and Standards, 273; Review Questions, 276; Discussion Questions, 277.

Chapter XI: Negotiating the Wholesale Price**279**

Elements in the Price, 279; Check List for Price Negotiations, 280; Bargaining, 297; *Technical Appendix*: Glossary of Shipping Terms, 301; Review Questions, 303; Discussion Questions, 304; Discount Mathematics, 305.

Chapter XII: Vendor Services Available to the Buyer 307

Vendor Services Often Available to the Buyer, 308; Promotional Aids, 309; Financing and Risk Taking, 315; Promotional Allowances, 322; Vendor Control of the Stock in the Store, 328; *Technical Appendix*: Glossary of Credit Terms, 329; Review Questions, 331; Discussion Questions, 333.

Chapter XIII: The Buyer's Order and Vendor Relations ✓ 334

The Order Procedure, 334; Vendor Relations, 345; *Technical Appendix*: Contracts, Agency and Federal Regulations, 361; Legal Aspects of the Order, 361; Agency, 362; Federal Regulation of Business, 364; Review Questions, 366; Discussion Questions, 367.

PART FOUR SELLING 368**Chapter XIV: Pricing and Selling Merchandise Purchased 368**

Pricing Objectives, 368; Profit Margin Controls, 371; Pricing Individual Items, 374; Price Lines, 380; Repricing, 384; Buyer's Responsibility for Selling, 387; *Technical Appendix*: Profit Maximizing Concepts of Pricing, 395; "Merchandising Management Accounting" Approaches, 395; Maximizing Sales, 396; Maximizing Profits, 398; Review Questions, 405; Discussion Questions, 407.

ORGANIZING FOR BUYING

CHAPTER I

The Buying Function

Buying for Retail

Buying for retail¹ involves the purchase of consumer goods in relatively large (wholesale) quantities for subsequent resale in smaller (retail) lots to the ultimate consumer.

This bare-bones definition is not even a skeletal description of the whole buying function—a configuration which will emerge only from the implications that flow from the definition and form the material of this book. The central implication becomes immediately apparent when it is considered that purchasing is done for the consumer.

All main-line thinking must be directed toward satisfying the consumer; and all conflicting interests must somehow be reconciled with the interests of the consumer.

¹ This term is to be preferred, for purposes of this book, to “buying for resale” because it excludes wholesale buying. It also seems preferable to “retail buying” since the latter term is often associated with buying by consumers.

From these requirements flows the inference that consumers must be studied, as individuals and as mobile members of shifting groups. Moreover, since no retailer can serve all consumers, each retailer must determine which groups shall become the focus of his activities; the groups whose patronage he will seek; the consumers he will try to convert to *customers*.

The phrase "subsequent resale" implies anticipation of consumers' convenience and requirements. The inference here is that some kind of reservoir or stock must be prepared *in advance* of demand. This preparation involves (1) making decisions about what, when, and how much to stock; and (2) the supervision of purchases between the time of procurement and the time of resale.

Where, when, and how to effect the purchase of consumer goods—that is, the purchase of items which translate the plans into reality—is itself a challenging task in the huge complex of today's procurement markets. Nor is the task finished with the placement of an order. Vendors must be prodded to expedite shipments. Goods must be received, checked, priced, stored, and moved to the final selling location. And goods in stock must be constantly checked as a basis for new planning.

The Buyer's Job

It would seem logical to define the retail store buyer as the specialist who performs the function of buying for retail. When we examine the duties actually performed by store buyers, we find that they share the total buying responsibility with others—merchandise managers and committees—and that they are seldom limited to the performance of the buying function as defined. They usually have responsibilities for the pricing and the selling of what they have bought. Accordingly, while this book will cover the buying function, analyzing what, how much, when, where, and how to buy, it will devote its final chapter to the responsibilities for pricing and sales promotion that are often assigned to buyers.

Emergence of Scientific Procedures in Buying In an earlier, simpler stage of our industrial development the above definition of "buying for retail" would not have required very much elaboration to make it a useful guide for performing the function. Even today there are quiet backwaters of activity where consumers are concerned chiefly with the conveniences of time and location in the purchase of staple goods, such as commercial grades of bread and milk or cigarettes. Buying for this kind of retail can be a simple adjunct to the performance of a host of other tasks involved in "the running of a store." Adding to the simplicity

of the buying task is the fact that deliveries are extremely regular and replenishment of the inventory follows swiftly on its depletion.

Even in this simple situation, the possibility of error is inherent. Stocks can run short, and products can decay or become stale. However, a very low level of competence in inventory management is required to reduce these risks to insignificance. Introduce an element of irregularity into the delivery pattern and complications ensue. Add a touch of competition and the penalty for being out of stock is increased. The customer can now go elsewhere to satisfy a thwarted want; and there is the constant danger that going elsewhere may become a habit.

When department stores, the first of our large-scale retailing institutions, were being formed in the last half of the nineteenth century, buying for them was by no means simple. These stores assumed the complicated task of providing broad assortments of new and exclusive merchandise at low prices in addition to stocking the readily replaceable staples. Nevertheless, great progress was achieved under the aegis of specialized buyers who performed their function with acumen and imagination but with an intuitive skill that could be learned only through apprenticeship.

As competition grew, as new retailing forms such as mail-order houses and chains entered the large-scale field, as burgeoning productive facilities put greater demands on marketing agencies, as customer tastes became more differentiated and demands more exacting, the complexities of buying for retail increased. Shortened fashion cycles further complicated the task of meeting customer demand. And a proliferation of new materials increased the need for technical understanding. Analytical approaches and formalized controls began to appear. Analysis of situation and function began to result in an organized body of literature. Learning no longer had to be by hit-or-miss apprenticeship alone.

But a sort of idolatry was still reserved for those merchants who built or helped to build great institutions by "shirt-sleeve" methods, who seemed able to "fly by the seat of their pants"—and fly so skillfully! Even today we see great retail enterprises fashioned by intuitive merchants. Notably, however, their success occurs in the "new forms" of retailing, like the "discount" chains of the 1950's, where conditions simulate the era of earlier department store and specialty chain growth. As the number of big retailing institutions increased, the demand for these "talented primitives" rapidly outran the supply. Those with lesser gifts who nevertheless could have performed adequately with more "scientific" approaches, often paid disastrous prices for refusing to learn or use these approaches; for trying to emulate those whose special talents they did not have in the required degree. This form of idolatry still persists, albeit with a shrinking congregation.

It is much more generally recognized now that the day of the "professional" buyer has arrived. While buying for retail is still compounded of both art and science, its more complex phases can no longer be adequately performed by artistry alone. Special gifts are valuable assets. But the knowledge and skills required demand systematic study. Available for the purpose are the previously mentioned body of literature, and trained faculties and programs in several colleges and in some of the larger retail institutions.

Since buying is an aspect of social science, its laws cannot always be expressed in absolute and exact terms. But there are generalized theories and principles for decision and action which may serve as valuable guide lines and lodestars. The galaxy of individual situations forms patterns which can be analyzed, mapped, and studied. Thinking approaches and techniques are transferable from one situation to another, once one has learned to recognize their kindred nature.

Techniques Intellectualized approaches and sophisticated techniques become increasingly important to the buyer who must function under the complexities imposed by a great industrial economy. In such an economy, production is almost compulsive. The resulting product cannot flow gently through the sort of static distributive mechanism envisaged by older economic theory. Production must be vigorously pumped through to potential consumers while, at the same time, a hungry maw must be developed at the consumption level. New desires must be created and encouraged. Production cannot wait for goods to wear out. Long before that time, inspired obsolescence must create the desire for replacement. In short, marketing agencies and functionaries have the triple task of indicating what should be produced, of pumping the production through to the ultimate consumer, and, indeed, of helping to get the production consumed.

For the retailer, the requirements of highly differentiated products coupled with swift obsolescence are at once boon and bane. They provide the opportunity for increased sales while providing serious problems of inventory management. It becomes increasingly hard to predict demand: to provide the proper balance of product variants in an inventory which is always subject to practical limitations of time, space, and money. At the same time the penalty for errors of prediction becomes more serious; for whatever becomes obsolete to the customer, *ipso facto* becomes obsolete in the merchant's stock.

The Buying-Selling Cycle Since, as we have seen, buying is dependent upon customer demand, and since customer demand is best determined from actual customer response to goods made available by the buyer, it is clear that buying cannot function independently of selling and that the buyer cannot escape involvement in the selling process. In fact,

buying-selling is really a single cycle of activity, having three distinct phases:

1. Estimating customers' requirements.
2. Procuring the required goods and making them available when and where wanted.
3. Motivating customers to buy the goods made available to them.

Although the three phases would seem to have a beginning and an end, they actually form a circular, continuing pattern. Measurements of customer acceptance or rejection, in the third phase, yield important clues for anticipating later customer demand, and the cycle begins again.

The first two phases of the cycle comprise the job of anticipating customer demand. It is more than a guessing game, and even more than a careful analysis and projection of future requirements. Demand has not been "anticipated" until requirements are translated into specific assortments of merchandise—an inventory from which customers may select. The inventory must be managed. Its composition must be planned, organized, and coordinated, and its content bought and priced. To be effective in serving demand and generating a profit, the work must be carefully controlled as it progresses.

The cycle is finally completed when someone selects the specific items with features of greatest appeal to the customers, so that they may be duly "notified"—and, incidentally, be persuaded to buy. Buying for retail includes this responsibility for recommending or deciding what shall be promoted, where, when, and to what extent, and for disseminating information about the selling virtues of the goods to all who are concerned with promoting their sale. Sometimes buyers and their superiors become even more deeply involved in the selling function. This is a controversial matter to be investigated in a later chapter.

Merchandising Merchandising has been defined in various ways. Broadly, it includes the entire buying-selling cycle explained above. More narrowly, it may be limited to the management of the cycle, and still more narrowly to the management of the first two phases: estimating customer requirements, and procurement, which comprises the function of anticipating demand. In fact, merchandising has been defined as "the planning and supervision involved in marketing the particular merchandise or service at the places, times, and prices, and in the quantities which will best serve the marketing objectives of the business."² This definition was intended to include coordination and control and to exclude advertising and selling, but may not have succeeded.

² Committee on Definitions, *Marketing Definitions, A Glossary of Marketing Terms*, American Marketing Association, Chicago, 1960.

As used generally in retailing, the function of merchandising is equated with the work of the functionaries, the buyers and merchandise managers in the merchandise division of a store. Since the degree to which they are responsible for the selling phase varies greatly, this use does not wholly define just what the activity entails.

Regardless of the exact definition, it must be noted that both the buyer and the merchandise manager *merchandise*. The merchandise manager manages the function of anticipating customer demand in many lines, each with its buyer. The buyer manages these functions in a narrow line and also, in varying degrees, actually performs the work involved.

In some firms, however, the responsibility for final selection rests with a committee. As a matter of fact, later discussion will show that there is considerable variation among retailers in the degree of the buyer's authority over final selection of specific merchandise. On the other hand, the reader will also become aware that the duties of a buyer often extend far into the management of the selling function. In that case the title of the functionary is *sometimes* changed to that of "Department Manager," although we prefer to use department management as a term which describes activities other than buying.

The Management of the Buying Function

Management itself must be distinguished from work managed. Estimating customer demand, selecting goods in the market, and arranging purchase and delivery are specific elements in the buyer's work. But he and his superiors have other duties that have to be brought into play if the work is to be performed purposefully and economically. These managerial functions that provide direction are classified in various ways, but for our purposes may be stated as *planning, organizing, coordinating, achieving, and controlling*.³ We shall discuss *achieving* first, since it has to do with getting the work done as distinguished from doing it.

Getting the Work Done Wherever a work force is involved, the task of supervising and motivating the force to get the work done is what we mean by *achieving*. As we move up the rungs of an organization ladder, we find executives engaged less in doing work and more and more in getting others to do the work. But the retail buyer, while recognized as a major executive, is somewhat of an exception to this generalization.

³ For a fuller description of the management function see Louis A. Allen, *Management and Organization*. (New York: McGraw-Hill Book Co., 1958). And for a study of management applied to marketing, see Hector Laszlo and Arnold Corbin, *Marketing Management*. (New York: McGraw-Hill Book Co., 1960).

He has to perform the specialized work of selection and negotiation which cannot be readily delegated to subordinates. Also he frequently finds it desirable to participate in doing some of the less specialized work for purposes of instruction or to lend a hand when the work load is heavy. Nevertheless, if able, he does try to relieve himself of much of the work load by letting assistants or even qualified salespeople select specific items for staple stocks, reserving for himself the task of winnowing the market offerings of more intricate, new, or short-lived merchandise. And in the performance of this more responsible work he should always be training a subordinate to develop the skills required.

The buyer must also motivate all those performing work under his supervision by coaching, counseling, directing, appraising, giving praise whenever due and censure only when necessary, and providing or insisting upon adequate compensation. He also has a hand in hiring and firing, approving applicants recommended by the personnel division, and recommending transfer or discharge.

The buyer's superior, the merchandise manager, is much less involved in doing buying work than is the buyer, and can devote most of his attention to the functions of management. As a supervisor he must direct and help buyers under him to carry out their tasks. Selection, evaluation, rewarding, and dismissal of buyers are parts of his work, along with training, counseling, coaching, and prodding.

New buyers have to be trained in established techniques and procedures; experienced buyers, in new techniques and procedures. Following are some examples of applied supervision.

In connection with buying, the merchandise manager will help in merchandise selection; he will keep buyers in touch with style trends; he will make occasional trips to the wholesale market to attend season openings, investigate new resources, and contact major sources of supply; he will counsel on orders to be placed, after checking them against open-to-buy plans; and he will *help* develop private brands, exclusive agency agreements, and group buying activities.

He *counsels* closely with buyers in making important pricing and repricing decisions.

In connection with stockkeeping, he *prods* his buyers in preparing staple stock lists, clearing out slow-selling merchandise, and following up best-sellers. He also sees to it that buyers make use of unit-control reports and *trains*⁴ them in analysis and interpretation.

⁴ The verbs used in describing the management function are a clue to its basic nature. Notice how often verbs like *help*, *guide*, *counsel*, *train*, *direct*, *review*, and *authorize* appear in the discussion. They emphasize that *management is a set of techniques for getting work done most effectively* as opposed to actual doing of specific work.