



# RETAIL BUYING

FIFTH EDITION

JAY DIAMOND  
GERALD PINTEL

*Fifth Edition*

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# *Retail Buying*

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Prentice Hall, Upper Saddle River, New Jersey 07458

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*Composition:* DigiType  
*Cover Photo:* © 1993 Katrina De Leon/Still Life Stock



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A Simon & Schuster Company  
Upper Saddle River, New Jersey 07458

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*Library of Congress Cataloging-in-Publication Data*  
Diamond, Jay.  
Retail buying / Jay Diamond, Gerald Pintel. — 5th ed.  
p. cm.  
Includes index.  
**ISBN 0-13-496464-0**  
1. Purchasing. I. Pintel, Gerald. II. Title.  
HF5437.D46 1997  
658.7'2 — dc20

96-24452  
CIP

Prentice-Hall International (UK) Limited, London  
Prentice-Hall of Australia Pty. Limited, Sydney  
Prentice-Hall Canada, Inc., Toronto  
Prentice-Hall Hispanoamericana, S.A., Mexico  
Prentice-Hall of India Private Limited, New Delhi  
Prentice-Hall of Japan, Inc., Tokyo  
Simon & Schuster Asia Pte. Ltd., Singapore  
Editora Prentice-Hall do Brasil, Ltda., Rio de Janeiro

Printed in the United States of America

10 9 8 7 6 5 4 3

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# Preface

Moving into the twenty-first century is certain to make the buyers' and merchandisers' tasks even more complicated than ever before. Not only are those responsible for merchandise purchasing faced with bringing the right assortments into the stores and onto the pages of the various catalogs in the marketplace, they now have to consider the expansion of the home-buying networks and the latest consumer-buying format, on-line services. It is likely that these newer nontraditional formats will continue to expand, requiring the buyer to now address the needs of those using these interactive services.

While buying is certainly a difficult task for the professionals in the field, their sourcing complications have become even more complex with the new NAFTA and GATT pacts. Buyers will have to understand the intricacies of these acts and learn how foreign purchasing will change.

This edition of *Retail Buying* has been updated and expanded to bring these and other concepts to the reader. A new chapter, "The Global Marketplace," has been added to show the buyer's expanded marketplaces for new merchandise, and a section on Internet services has been included to show how the computer is playing a new role for consumer purchasing. High-tech innovations such as EDI and VMI are also explored. Another new feature, "Language of the Trade," has been inserted at the conclusion of each chapter to highlight the key terms used in the industry. Many new examples and illustrations have also been included to emphasize the nature of retail buying.

This new edition has been expanded from a three-section text to one that now features four sections. The newest section, "The Global Nature of Buying," is devoted to overseas markets, the latest in legislation affecting buying from these places, and how the buyer uses them for merchandise sourcing. Like the editions that have preceded this one, there is a wealth of end-of-chapter materials such as "Review Questions" and "Case Problems."

Accompanying the text is an instructor's manual with solutions to the review questions and case problems, and sample exams.

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# Introduction

## So You Want To Be A Buyer . . . . .

The dream of many aspiring buyers is to lead a professional life that revolves around trips to Paris to see the couturier collections, power lunches at The Four Seasons, dinners at the haute cuisine palaces such as Le Cirque, and the power to direct the consumer's appetite for clothing and household products. Yes, it is only a dream and not reality. Most entering the field will never realize these goals and will quickly learn that this is fantasy and not the way a buyer's life is conducted.

Reality might include taking quick lunches (between appointments) at nondescript venues, haggling with vendors for better prices, pacing the floor waiting for a shipment bringing the merchandise in an ad that just broke in the newspapers, agonizing over a strike in a foreign country that will affect the delivery of specific styles that were purchased months ago, and confronting a manufacturer who promised you exclusivity with his line when you find it in your competitor's windows. While these might not be everyday occurrences, they nonetheless are part of the realities of the buyer's world.

No matter what classification of merchandise you are given the responsibility to purchase, the rules of the game are the same. Whether it be fashion apparel, accessories, home furnishings, electronics, food, or anything else, the bottom line is to achieve a profit. To make money for the company and reap the personal monetary rewards, the challenges that need addressing are numerous. Some, such as travel to trade shows in faraway places, might add some excitement to everyday living, while others, such as making the forecasted sales figures for swimsuits when it continuously rains everyday, often bring frustration.

The buyer who has the motivation to start each day with a bang and the constitution to handle things that don't run smoothly will be able to make the career a rewarding one. Those who stick with it and play the game right will be able to afford the luxuries that started out as a dream. With the excellent salaries for those who achieve the top buyer's positions, dining at Le Cirque and traveling to exotic destinations are there for the taking.

When you finish this book, you will have experienced every aspect of buying and the roles played by the practitioners. Now read on and begin to dream of the rewards such a career offers.

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# **SECTION ONE**

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## Introduction to Retail Buying



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# CHAPTER I

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## *The Buyer's Role in Contemporary Buying*

**Upon completion of this chapter, the student should be able to:**

- Explain the buyer's role in the following organizations: centrally managed chain, department store with branches, independent store, and franchised outlet.
- List, define, and discuss six of a buyer's duties.
- Discuss the importance to a buyer of maintaining a good working relationship with five of a store's other divisions.
- List five necessary personal qualifications for a buying career and discuss the importance of each.

**S**elf-satisfaction can be realized under many circumstances. An actor greeted by tumultuous applause after a successful opening night performance feels a moment of self-satisfaction. Athletes who shatter previous world records and businesspeople who mastermind profitable industrial deals must feel this sense of accomplishment. Perhaps those with limited knowledge and understanding of retailing will argue when we compare this kind of elation to that which retail buyers feel when an item they have selected whisks out of the store and the customers clamor for more. Only if you have actually been a retail store buyer can you equate the feeling to other satisfactions.

Most retailers agree that the fate of their companies lies in the hands of their buyers. It is true that few retail operations could successfully function without the proper management of all activities, but without the appropriate merchandise there would be very little for executives to manage. In this chapter attention will focus on the role of the store buyer in contemporary retailing and the personal qualifications one must possess to attain such a position.

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### THE BUYER'S ROLE

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The notion of many that a buyer is an individual whose responsibility is limited to the selection of "exquisite and tasteful" merchandise is completely erroneous. How glamorous such a career would be! On the contrary, today's experienced buyer is

## 4 SECTION I Introduction to Retail Buying

a multitasking individual whose responsibilities run from managing a department to instructing a salesperson and all the decision-making processes that fall between the two.

Before exploring the various activities that usually fall within the buyer's domain, a simple definition of buying is offered, along with the factors that delineate the buyer's actual responsibilities.

Retail buying involves the purchase of consumer goods from manufacturers and wholesalers for the express purpose of reselling them to the consumer.

Aside from merchandise selection, the buyer in today's retail organization is very much concerned with the actual cost involved in the distribution of the goods. Retailers develop statistical information that enables the buyer to ascertain the real costs of merchandise so that a realistic retail price can be determined. Cost consciousness demands consideration of such factors as shrinkage (due to both internal and external theft), advertising and promotion costs, delivery expenses, warehousing requirements, and departmental payrolls.

The concept that the buyer is an independent entity is erroneous. No matter how important a role the buyer plays, he or she is an integral part of a merchandising team and an even larger group of managerial personnel who perform a multitude of functions. The functions the buyer performs vary from company to company; not every store has the same requirements. The buyer's activities are determined by a number of important factors.

### **Factors That Determine the Scope of the Buyer's Activities**

#### **Company Organizational Structure**

In actual practice it is virtually impossible to accurately classify retail operations according to horizontal structure because wide variety makes definition impossible. There are basically five major categories under which retailers operate their businesses: the chain organizations that generally function under a system of central management, the large full-line and specialized department stores with branches, the single independent unit typical of the small retailer, licenses and franchises that have a different set of implications for buying, and catalogs and home shopping networks. Because these various arrangements dictate somewhat different assignments for their buyers, separate chapters will be devoted to exploring and explaining the largest of these structures. For the purpose of introduction and clarification, all five of the aforementioned structures and their effects on buyers are presented briefly here.

**Chain Organizations.** When a retail organization has several units (sometimes the numbers run into the thousands) and elects to manage these units from a central point, it is technically operating under the central management structure. This practice is becoming increasingly more popular. Under such a system, buyers as well as other managerial executives function from central headquarters or offices. The buyer, who is our major concern in this book, has little if any store contact, but rather confines his or her activities to purchasing, with store communication achieved by computer utilization and faxing. Management of salespeople, scheduling, inventory control, and so forth are the responsibilities of the store managers. Companies such

as Sears, JCPenney, and Contempo Casuals, each with an enormous number of units, operate in this fashion. Figure 1-1 features a division of The Limited.

**Specialized Department Stores with Branches.** The traditional practice for department stores is to operate in a manner such that buyers are responsible not only for the purchase of merchandise for the parent and branch stores, but also for the management of their department's selling floors. These buyers have the main store as their base operation and regularly visit the branches. Under this form of organization, the buyer's responsibilities include activities that central purchasers do not perform. These buyers are responsible for the sales their departments produce and the personnel expenses of the department, as well as actual purchasing.

In most of these organizations the buyer no longer has authority over sales personnel. With this system, buyers relinquish the responsibility for selling. The selling function is placed under the authority of the store management division, with the department manager in charge of specific sales staffs. A disadvantage of this arrangement is the possible interruption of customer feedback via sales personnel. Because



**FIGURE 1-1.**

The Limited, with all of its divisions, is the largest apparel chain.

*Courtesy: Ellen Diamond, Photographer.*