

International retail buying and merchandising



**ASSIGN
BUSTER**

International Fashion Branding International Retail Buying & Merchandising ' Evaluate the various buying structures that exist in order to support a retail buying function and the impact of these buying structures on the roles and responsibilities of the retail buyer. Use illustrative examples to support your answer. ' Within the retail environment customer satisfaction and company profitability are a crucial consideration in the merchandise choice of the buyer (Diamond & Pintel, 2008).

The range of the buyer's duties will depend on the size of the business and can be seen as three main buying approaches; centralised, decentralised and a combination of the two. Throughout this essay the buying structures will be explored in depth and the advantages and disadvantages of each will be underlined. The difference between these three approaches will highlight further the roles and responsibilities of the retail buyer and how they change depending on the type of organisation. The buyer's role within the retail sector is an extremely crucial one.

A fashion buyer selects a range of products targeted at a specific clientele within a certain price range to hopefully gain profit for a retail company (Kang, 1999). Therefore getting the merchandise collection correct has been described as ' the engine of success' within retailing (Aufreiter et al. , 1993). A successful buyer requires a variety of skills including communication, calculation, analysing market positions, the power of negotiation and should also be creative (Varley, 2005).

There are three roles of a buyer as stated by Hirshman and Stampfl (1980), firstly as a change agent where the buyer inspires the consumer to consider

purchasing new and exciting goods, secondly as a gatekeeper where the buyer will coordinate the movement of the product from supplier directly to the customer. Finally the opinion leader role will encourage the customer's outlook however this does not necessarily result in a direct purchase from the company.

The key activities which a retail buyer must carry out are as follows; analysis of market opportunity which helps understand consumer buying behaviour, the creation of a merchandise plan which will incorporate a range of goods and merchandise within that category. The buyer needs to then select and build a solid relationship with a supplier to give the business a competitive advantage. The development of the product will ensure an exclusive feel of the brand, precisely tailored to meet the desires of the retailer and their customer. These goods will then be packaged, presented and promoted accordingly (Fernie et al. 2003). The buying role can differ between companies due to the size of the organisation, the budget allocated, classification of merchandise, the number of employees and where the stores are located (Diamond & Pintel, 2008). These attributes clearly define the organisational structure that a business will use to approach the buying role. The first of the three approaches, which large chain stores favour, is a centralised structure. This is where a whole buying team are involved and all purchase decisions are made at Head Office.

Usually buyers will have separate departments and select a specific product range, for example lingerie or footwear (Goworek, 2001). As the size of a company grows, the buyer's role becomes more intense as they deal with larger sums of money, a greater number of products and competition

<https://assignbuster.com/international-retail-buying-merchandising/>

increases. More staff is brought in to help spread the workload and this in turn separate the buying role from the marketing one. This can be perceived as a negative as buyers are required to be kept up to date with promotions and merchandising decisions (Rosenbloom, 1981).

On the other hand, there are many advantages of buying taking place in Head Office over store level. Stores with full point-of-sale data capture systems can accumulate up to date information on sale trends and buying patterns for each item and store them to allow forecasts to be more precise. This helps provide buying power with the negotiation of supply prices and allows a single point of communication for supply base. Subsequently allocating more time to the buyer to analysis market trends and discovers new products for their customer.

In short the cost of buying function is lower as economies of scale are achieved. Tighter quality control techniques can be applied to improve production and delivery performance whilst buying and stock control choices are levelled across all stores. This gives store managers the opportunity to focus on motivating their staff and the running of their store (McGolderick, 2002). However while centralised purchasing does have its advantages, it can occasionally not recognise the needs and variation in demand of an individual store as well as that of the store manager.

With buyers working from Head Office quarters there is very little informal communication with the various units making 'the organisation less adaptive to marketplace and environmental changes' (Stampfl, 1978). Every store will have a different set of customers and product assortment. However

as the retailer is not in control of buying the merchandise they must work with the allocated product from the central buying team (Wang, L, 2010). This in turn can demotivate managers at local levels as they feel their input or contribution to the buying activities is invalid.

All buying teams within centralised structure main goals are to become the front runner in the marketplace. Marks and Spencer are one of the many chain stores which are constantly reviewing their buying strategy to ' deliver lower stock levels, shorter lead times and greater flexibility' (marksandspencer. com, 2013). Decentralised merchandising can be found within independent retailers selling products with stable demand. In such cases the store managers often take on the function of buying locally as well as many other numerous management roles.

It is favoured when a number of decisions need to be made at store level based on customer's needs. A well-known brand which takes this type of approach is Johnson & Johnson who offer a range of health care products. This is due to the various businesses they are involved in which have different customer desires. By having a diverse range of businesses, with more than 250 autonomous units, the company has managed to modernise and grow regardless of its size (Singer & Abelson, 2010). Giving store level management more opportunity to have an element of control over the buying for their stores.

A method of enhancing customer service and the stores efficiency against the large companies who use the centralised method is to allow the small retailers to cater fully to their local product choice (Varley, 2005). A major

plus of using a decentralised structure is the ability for a store to adapt to change within the local market without having to wait for the centralised buying team to give the go ahead. This can boost self-esteem of store managers as they feel they have a large contribution with the buying decisions.

The CEO of Johnson & Johnson, William Weldon stated a negative with having a decentralised approach, the head of the company will have to gain a good deal of trust with their store managers to make the correct decisions. Having decisions spread out amongst the company can also lead to inconsistency across the organisation. Weldon also pointed out that by having a decentralised approach it allows his business to advance internationally. They count on local employees in overseas markets to make critical business decisions (Kokemuller, n.). A combinative structure is the third approach that a retailer may adopt where the ability to purchase takes place at both central and local level. This may involve the central buyers buying the core lines for all the stores and products to suit local needs are bought in turn by local managers. This method has been utilised by international food retailers whose head office buy main brands sold in all stores. The local management are in control for obtaining goods from local suppliers in order to fulfil customer tastes.

In 2001 Waitrose itself has encouraged the use of local produce by stocking over two thousand lines alongside other large chains such as Asda and Co-operative Group (Morrell, 2010). Another method used within this structure involves a centralised buying team who select a range of goods from which store level managers choose according to the desires of their consumers.

<https://assignbuster.com/international-retail-buying-merchandising/>

Whilst this does not entirely give the opportunity for the store manager to select exact products for their outlet, it does allow them to have some say within the buying decisions.

An example of this would be the franchise restaurant Subway, where their Head Office takes control of the marketing, menus and food quality but the store managers themselves take control over matters such as hiring and training of staff (DuBrin, 2009). A further illustration would be the famous clothes apparel Benetton, who create a variety of styles. Although the individual licensee cannot buy from outside suppliers, the single units have the opportunity of selecting the clothes from the company that they believe will suit best with their customer (Diamond & Pintel, 2008).

A combinative method fulfils the demands and expectations of customers through the organisations ability to buy centrally, prices are more competitive and the local taste is also met (Bruce, 2004). The roles and responsibilities of a retail buyer can vary in terms of what purchasing structure is used within a business. For a small organisation the buyer can be involved with the sales and promotional sides of the business whereas in large chain stores they have various positions at different levels such as buying directors, managers, buyers, buying assistants and trainees (Goworek, 2001).

Single units opt for a decentralised buying approach where the store level management are responsible for all buying tasks. Shop owners operate their own store as they believe they could provide a tailored product and service specific to their customer. Independent stores generally sell one

arrangement of products or restricted amounts of merchandise; this is purchased by the store level manager. Within single units the owner takes on many roles but with chains, that have hundreds of stores, the role of the buyer becomes more constrained and focused on purchasing (Diamond & Pintel, 2008).

A crucial skill of the buying team within a centralised structure is to be efficient communicators as they are constantly speaking with suppliers and other departments. As the distance between stores increase, it becomes more challenging for a buyer to make frequent visits to each store. These units are controlled at Head Office with very limited contact occurring between buyer and store manager. The main focus being purchasing and communication is achieved through telephone and e-mail, information is also accumulated via electronic reports (Diamond & Pintel 2008).

Within a smaller business the range of merchandise is usually wider, for example men's business-wear which would include suits, shirts and ties. With large chain store such as Bhs and Oasis, buyers are given a more concentrated product range for instance men's shirts. This in turn leads to further pressure to generate more sales for their specific department. In comparison to individual stores which acquire a more flexible buyer with a broader skill set to assist with quality control.

The roles and responsibilities of a buyer within a combinative structure is a mixture between the buying department at Head Office purchasing the core lines of a range and the store manager's contribution to providing the store with local good they believed to cater to needs of their customer. This could

be difficult to manage as purchasing will take place at both levels, for this to be successful, the general manager and the buying team would need to communicate regular so that merchandise within the store was consistent.

Overall a buying structure is needed in order to help support a retailing company deliver its market with a carefully selected product range, providing them with a competitive advantage and in turn hopefully generating profit. Three main approaches were evaluated and linked with different types of businesses which best suited them. Centralization is more broadly used by larger retailers such as chain stores; decentralization provides a structure for independent retailers and thirdly a combination of the two which takes elements of both of these to create a core line as well as using local produce.

When companies are considering both the handling of data and of merchandise then the decision must be made as to which is the preferred method. A centralised approach allows organisations to have a larger buying department with greater efficiency which becomes more focused on areas of purchasing. Some retailers see this as restricting as store managers have limited say within this process, therefore they opt for a more flexible method offered within the decentralised approach.

After clear assessment of all three structures it was concluded that a combination of centralised and decentralised approaches would be an overall satisfactory method to put in place for most organisations as the main ranges within a retailer would be controlled by Head Office with an experienced buying department but also store level managers would

contribute to the buying decisions as they had expertise with what the customer would desire. References Aufreiter, N. , N. Karch and C. Smith Shi (1993) ‘ The engine of success in retailing’.

McKinsey Quarterly, 3, 101-116. Bruce, M. (2004). The anatomy of retail buying. In: Butterworth-Heinemann, E International retail marketing : a case study approach . Oxford: Elsevier Ltd. 64-68. Diamond & Pintel. (2008). The Buyer’s Role. In: Vernon R. A Retail Buying. 8th ed. New Jersey: Pearson Education Inc.. 3-32. DuBrin, A. (2009). Organizing. In: Calhoun, J and Acuna, M Essentials Of Management. 8th ed. Mason: South-Western Cengage Learning. 219-295. Fernie, J et al. (2003). Principles of Retailing. Oxford: Butterworth-Heinemann. p145-150 Goworek, H. (2001).

The Role of the Fashion Buyer. In: Blackwell Science Ltd Fashion Buying. Great Britain: DP Photsetting. 4-14. Hirschman, E. C. ; Stampfl, R. W. (1980). Roles of retailing in the diffusion of popular culture: Microperspectives. Journal of Retailing 56 Kang, KY. (1999). Conceptual Framework: Retail Buying Process. In: Kang, KY Development of an Assortment Planning Model for Fashion Sensitive Products. 1-14. Kokemuller, N. (n. d). Decentralized Company Business Structure. Available: <http://smallbusiness.chron.com/decentralized-company-business-structure-20629.tml>. Marks and Spencer. (2013). Careers. Available: http://corporate.marksandspencer.com/mscareers/opportunities/head_office_roles/headoffice_buying. McGolderick, P. (2002). Product Selection and Buying. In: Alcock, T and Howell, C Retail Marketing. 2nd ed. Berkshire: McGraw-Hill Education. 279-301. Morrell, L. (2010). The benefits of local sourcing. Available: <http://www.retail-week>.

<https://assignbuster.com/international-retail-buying-merchandising/>

com/in-business/supply-chain/the-benefits-of-local-sourcing/5010688. article.
Rosenbloom, B (1981). Retail Marketing. New York: Random House. Singer, N
and Abelson, R. (2010).

After Recalls of Drugs, a Congressional Spotlight on J. ; J. 's Chief. Available:
[http://www.nytimes.com/2010/09/29/business/29tylenol.html?](http://www.nytimes.com/2010/09/29/business/29tylenol.html?pagewanted=all;_r=0)

[pagewanted=all;_r=0](http://www.nytimes.com/2010/09/29/business/29tylenol.html?pagewanted=all;_r=0). Stampfl, R. W (1978). Structural constraints,
consumerism and the market concept, MSU Business Topics, 2 (4), 37-66.

Varley, R. (2005). The Role of Product Retail Managers. In: Taylor and Francis
Retail product management : buying and merchandising . 2nd ed. Oxon:
Routledge Ltd. 21-41. Wang, L. (2010). Buying committees in Chinese retail
industry. Asia Pacific Journal of Marketing and Logistics. 22 (4), 492-511.