

OPEN-TO-BUY CLIENT RESULTS

by Linda Carter

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This month we are featuring one of our clients who uses our Open-To-Buy service, and does so very successfully (which is what I would like for ALL my clients). For the first 4 months of this year (January – April) his sales were down but his Gross Margin dollars are UP. By using the Open-To-Buy as it is meant to be used, he has reduced inventory and lowered markdowns.

The actual figures, taken from his report are below:

Sales % Change: -5.3%

Gross Margin dollars % Change: +9.8%

Change in Gross Margin %: +6.2 percentage points (from 39.0% to 45.2%)

The owner of the store is Lee and his store is in the northeast U.S. He sells mainly casual apparel and shoes for men, women and children and also has some sporting and outdoor goods. Some of his vendors are: Carhart, Columbia, Rothco, North Face, Royal Robins (like Woolrich but more sophisticated). Lee's store is unique in it's merchandise mix, with 80% apparel and the other 20% hardgoods. In fact, every store I work with is unique. Even if they sell basically the same brands, each store is as unique as it's owner.

Before I start with the details, let me give you a little background about Lee. When I asked about his retail experience, he told me that his stepfather was in retail and he had always worked in the store(s). Lee has worked in men's apparel stores, Van Husen outlet stores and Office Max. Before buying his present store, he worked in it for 5 years with the previous owner while negotiating the lease. This gave him time to work with the owner, pick his brain and see what he did right (or wrong), and determine what he, Lee, was going to do when he owned the store. So, although it may have been frustrating, it was a good situation for Lee. He has owned the store now for 10 years.

He keeps up with his sales plans and stock turn rates and makes adjustments frequently so he experiences the greatest benefits of his Open-to-Buy. A comment Lee made to me was he feels much more knowledgeable about his store now than when he did when he was using XX and being spoon-fed plan revisions.

Besides using the Open-To-Buy, another reason this retailer has a much better Gross Margin is that he has taken our advice and is now starting out with a higher markup when he brings in new merchandise. No more standard 50% markup for his store. As Lee said, "You have to charge what the market will bear. I've turned into a margin maven. You have got to get it where you can get it and as long as it's a quality piece of goods and you can sell it at that price do it." You have to make as much as you can on what you can to make up for the purchases where you have made a mistake or consumer taste changes and you end up having to sell it at cost or lower. (By the way, selling goods at the cost amount the vendor charged you means you are actually selling it at less than cost after you factor in your time to go to market, place the order, receive it, mark it, etc.)

When Lee purchased the store, he was astute enough to know that he needed to use an Open-To-Buy to help him manage his inventory. Before starting with The Retail Management Advisors Open-To-Buy service, Lee used XX (another well-known national Open-To-Buy service) for his Open-To-Buy. He said he worked with XX (them) for a little while but did not like the rep so quit. He then tried some programs he found and purchased on the internet that did not work. In time, he went back to XX (the original Open-To-Buy service he

had used before). The representative he worked with this time had a great personality and was knowledgeable, but Lee knew he was paying too much. He felt he was paying to have someone come to his store and read his reports to him and tell him what to do. He also explained that he kept hearing the same suggestions month after month. That was when he found The Retail Management Advisors and decided to try our service.

When Lee first called me, he told me he was currently with XX (this other Open-To-Buy service). At that time he had 20 classes under Open-To-Buy control and was paying \$2,000 a month. He wanted to split out some of his classes so the Open-To-Buy would be better defined and more useful, but XX (that service) wanted \$3,000 a month for 45 classes. For comparison, with The Retail Management Advisors, he is paying less than \$400 a month for 44 classes.

Part of the reason our fees are lower is that there is no monthly store visit included, although store visits can be easily arranged if desired. Another reason is that we try very hard to keep our overhead low so we can help more retailers. We also do not plan our clients sales for them, believing that no one is in a better position to know what the store is capable of doing than the person who is there every day and has shopped the market for available merchandise for their store.

Given his background, Lee felt he needed the “numbers crunched” and “someone to look over his shoulder,” but not someone to charge him a lot of money to read his reports to him. He says he found what he was looking for with The Retail Management Advisors. He explained, “It works great to get your letter on top of everything and see all the numbers. I [can] zap an email and get a response because I did something stupid or I’m wondering if I’m doing it right and all that. That’s exactly the way it works great for me. It’s very helpful that you write that [monthly] letter because there’s stuff in there that I don’t think to look at. It’s important to have somebody to ask questions . . . about my retail math, [etc.]. It works well for me and the net result is I’m sticking with it, and the store is performing better. So, the proof’s in the pudding. How the Open-To-Buy is set up now for my store works.”

As to placing orders and revising them Lee said, “I drive the vendors nuts because I change stuff so much but it’s too bad. That’s just my business and they can do business with me or they can not. I’ll find somebody else. I drive them nuts and they all know that I’m really into the Open-to-Buy thing. They know when they take the pre-season orders there’s going to be revisions and frankly a lot of them call me and they say, ‘I wish all my customers would write business like you do because you’re on top of it. We trust that you’re on top of it.’ With North Face, for example, [they say,] ‘we know there’s going to be some changes but we know when business is good, you’re going to be on top of it and we’re going to get orders. And when business is bad, we know it and we should expect that things get trimmed.’”

If you are using an Open-To-Buy but not seeing these results, it may be that you are not really using the Open-To-Buy properly. You, the store manager / buyer must review the numbers every month and make sales plan revisions as needed to keep the plans on the Open-To-Buy in sync with reality. Then, you must stay within your Open-To-Buy budget. It can be done, as Lee has shown with his results.

Through hard work, diligence and confronting the ever-changing details, Lee’s store is continuing to do well in this time of economic slump. Is yours? Maybe we can help. Give me a call or send an email so we can discuss your situation.

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