

11.2: Merchandise Allocations

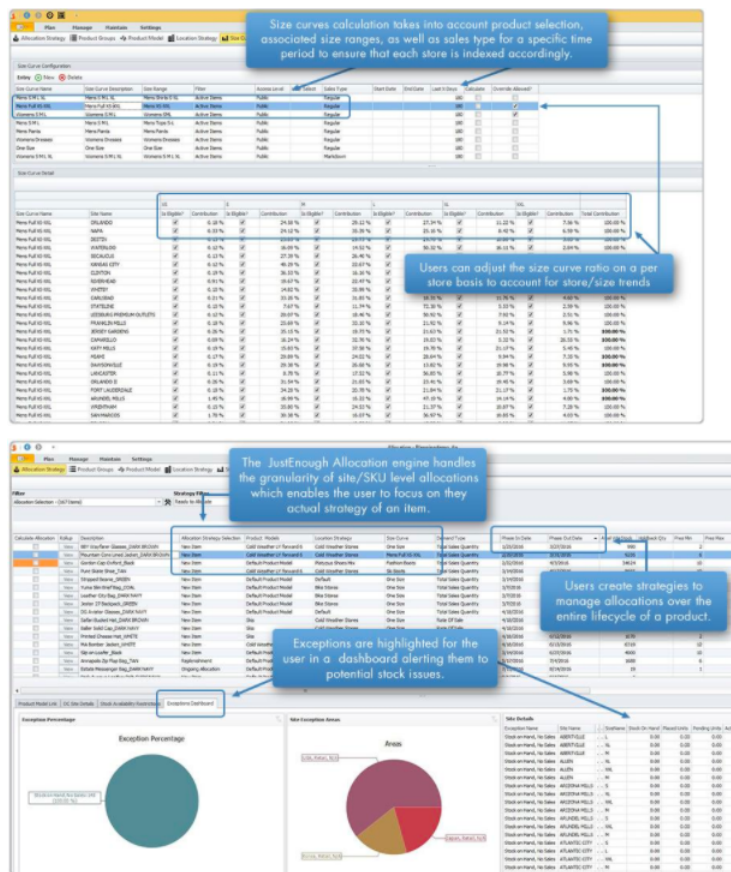
Learning OUTCOME

- Describe how retailers decide on merchandise allocations.

Merchandise allocation is the process of determining how to distribute merchandise to individual store units for maximum sales and minimal markdowns. Depending on the size and sophistication of the retail operation, this can be a simple process, or an extremely complex algorithmic exercise. Some retailers plan their season's purchases from the ground up based on ideal store allocation, or others use the allocation process to break down merchandise receipts to allocate to online warehouse distribution, regional distribution centers or direct to stores.

In addition to the math of the process, there are strategic and tactical considerations for merchandise allocation as well. Stores in their “grand opening” phase will receive maximum merchandise allocation to both make an impact to new customers and to help determine the sales potential of the new store unit for future allocation accuracy. Allocation can also be influenced by a competitive strategy where a retailer is attempting to make a “show of strength” with wide assortments and deep quantities for a more favorable impression when compared their competitors inventory position.

As you would imagine, commercial software applications have been developed to assist retailers in the computational-heavy process of merchandise allocation. Vendors such as JustEnough, RELEX, Logility, JDA Software, Oracle, and many others compete in this space. Here are some screen shots of a package from [JustEnough](#), to give you an idea of the capabilities of these applications.



In the first, screen shot you can see the individual store locations broken out and the allocation percentages listed based on performance metrics. The second screen shot is more focused on a category of merchandise grouped by style with exception reporting enabled.

Video -- 6 P's of Merchandise Planning (SMART IN PLANNING)



Video -- Role Spotlight: Merchandise Planning



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