

11.19: Merchandise Assortment Options

Learning Objectives

- Compare and contrast various merchandise assortment options

As we began this chapter we discussed the merchandise management process. You might remember we discussed assortment planning as a key function of merchandise planning. As the seasonal plan evolves, inventory dollars are broken down into categories and further down to specific items. This part of the process is known as assortment planning.

Let's talk about the What, Why, and How of Assortment Planning.

- **What:** Assortment Planning is the process of determining product in each merchandise category.
- **Why:** Retailers increase sales, productivity (turnover), and margin while also improving customer satisfaction.
- **How:** By identifying store level opportunities as well as how much (breadth of assortment) and in what quantities (depth of assortment) should be carried in a merchandise category.

Assortment Planning Questions

Some key questions that drive assortment planning are:

- What SKUs will drive profitability?
- What key items are essential to your business?
- How does your assortment compare to competition?
- How original are the items within your assortment and how much is duplication?

Assortment Planning Considerations

Before beginning the assortment planning process there are several key considerations.

What is the merchandise capacity of the stores?

Will store capacity fit all of the assortment options I am planning? This can be a little tricky for those chains that have different prototypes across the store base. Another key responsibility of Merchandise Planning is to rank stores by sales performance and other factors to determine their assortment level. All stores might not receive every item in your assortment.

Is there a need for complementary merchandise to service the customer?

If you carry laptops should you carry laptop cases as well? Think about servicing your customer needs completely. If they don't get it from your store they can go to another store which means you lose sales in this case. At the same time if the customer knows you don't carry the complementary merchandise they are less likely to visit your store in the future

Is this merchandise profitable?

Before determining if you should carry the item, you need to understand your complete assortment, your margin goals, and the needs of your consumer. You will probably have both low and high margin-producing items in your assortment to service the customer. The mix of both low and high margin producing items might still put you in line with your overall profitability goals. In addition, if you aren't meeting margin goals on certain items this might be an indication that you need to work with the vendor to reduce the cost of the item.

What are the corporate objectives and does the merchandise align with the strategy and goals of the company and department?

You always want to ensure the goals of your department are in line with the total company strategy. Different retailers will stand for different things: exclusive products, lowest prices to beat competition, designer goods, highest quality products, etc.

What are the regional needs for the area in which I am planning the assortment?

If you work for a retailer with multiple locations across the United States and even the globe this becomes especially important. For example, Florida is a resort area where people often vacation. If you have stores in this area you might consider carrying an extensive assortment of resort-like product such as swimsuits, flip flops, and sunglasses. In addition, if you have stores near any theme parks such as Disney World or Six Flags you might want to carry themed product and other quick travel accessory items

such as tote bags. You might even be able to hold a competitive advantage here because those items could be more expensive at the park.

As we wrap of this section of the chapter let's take a look at a specific example of an assortment plan for missy collection tops. In this plan you can see the sales dollars, receipts, anticipated sell-through, ending inventory dollars and gross margin planned. You can also see the sales and receipt mix percentages.

Example: Excerpts from a Sample Assortment Plan

	Sales \$	Rcpt \$	Sell Thru %	EOP \$	GM %	Sales Merch Mix %	Rcpt \$ Merch Mix %	GM \$ Merch Mix %
Women's Tees	\$220,982	\$269,579	83.26%	\$47,089	64.16%	100.00%	100.00%	100.00%
* Black Triangle	\$25,166	\$30,275	83.26%	\$5,789	64.54%	7.99%	7.90%	8.03%
* Red Triangle	\$29,408	\$35,125	83.26%	\$5,314	64.51%	9.33%	9.23%	9.39%
* Blue Triangle	\$22,621	\$28,545	83.23%	\$4,568	64.55%	7.18%	7.10%	7.22%
* Yellow Square	\$26,580	\$32,584	83.26%	\$6,657	64.54%	8.43%	8.35%	8.48%
* Pink Square	\$34,742	\$49,568	83.26%	\$7,546	61.38%	11.98%	12.91%	11.46%
* Orange Square	\$25,735	\$31,357	83.26%	\$5,123	64.54%	8.17%	8.08%	8.21%
* Green Diamond	\$27,154	\$33,582	83.26%	\$7,524	64.54%	8.61%	8.52%	8.66%
* Purple Diamond	\$29,576	\$28,543	83.26%	\$4,568	64.54%	9.42%	9.32%	9.48%

		Geometric Collection by Grade					
			A	B	C	D	E
Women's Tees	Sls Tot \$/ Avg Str	\$11,548	\$12,584	\$12,684	\$11,158	\$9,863	\$13,138
	Sls Tot \$	\$311,395	\$37,456	\$114,134	\$56,134	\$76,203	\$27,468
	Sell Thru %	83.26%	82.28%	81.99%	82.24%	83.66%	91.65%
	Rcpt \$/ Avg Str	\$14,864	\$15,578	\$15,208	\$14,928	\$12,392	\$15,465
	Rcpt \$	\$413,846	\$47,896	\$141,653	\$71,209	\$97,152	\$30,643
	Sls Tot \$ Loc Mix	100.00%	12.03%	36.65%	18.03%	24.47%	8.82%

For example, the first item under Women's Tees (Black Triangle) is 65.54% GM%, 7.99% of the sales and 7.9% of the receipts. What changes would you make based on what you see below? Take a look at Pink Square. Notice anything about that item you would change? If you said you would plan less receipts you are correct! That item is 11.98% of the sales, 12.91% of the receipts, and 11.46% of the gross margin dollars. It has more receipts planned than sales and is producing less gross margin dollars. You might consider decreasing the amount of receipts of this item.

In the lower section of the assortment plan you can see the plan numbers broken out by average store for the assortment. In looking at this plan, you can see how the retailer has developed sales, inventory and purchase levels across the entire

organization—broken down by style—and if the assortment makes sense at store level. Notice the level of detail in how the assortment plan applies key metrics to each and every style in the assortment.

Practice Questions

<https://assessments.lumenlearning.co...sessments/9259>

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