

## 11.16: Merchandise Buying Systems

### Learning Objectives

- Differentiate between staple and fashion merchandise buying systems

As we end this module our last discussion will focus on the differences between staple and fashion merchandising systems. First let's look at table 1, which shows the primary differences between the two systems:

Table 1. Staple versus fashion merchandising systems

Staple Merchandise	Fashion Merchandise
predictable demand	unpredictable demand
accurate forecasts	inaccurate forecasts
continuous replenishment	open-to-buy

We can think of **staple merchandise** as those items that are basic and essential. Remember the example above regarding replenishment items? These are basic items that don't change in seasonality or fashion. If you look back at the defining feature of staple merchandise in Table 1, you can probably think of a few items you have in your own closet that fit this category, whether it is socks, underwear, and even basic ribbon bows. For a grocery store, staple items might be bread, butter, eggs, and milk. Retailers will often carry what is known as safety stock or back-up stock for staple inventory. Some retailers will provide long-term forecasts (up to a year) to vendors to help them understand future forecast needs and plan production accordingly. Typically staple merchandise is controlled by a continuous replenishment buying system.

**Fashion merchandise** is often difficult to forecast as it is seasonal in nature and has unpredictable demand. The demand for these items can differ based on factors that may or may not be controllable, such as weather or changes in consumer tastes. There might be limited selling history on these items and to understand how much inventory to invest, retailers will sometimes have to extrapolate a sales estimate from a like item from prior years. It is both a science and an art to buy fashion merchandise in just the right quantity to maximize sales and prevent excessive inventory which will lead to unprofitable markdowns. Most retailers rely on an Open-To-Buy system to control fashion and seasonal merchandise. We will discuss this in more detail in an upcoming section.

Both staple and fashion merchandise is planned in the overall merchandise budget plan and sometimes in separate buckets. A retailer must understand what percentage of the business is generated by both staple and fashion merchandise to fulfill the plan for the entire season.

### Practice Questions

<https://assessments.lumenlearning.co...sessments/9257>

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