

Rebuying and New Buying: Two Different Mindsets

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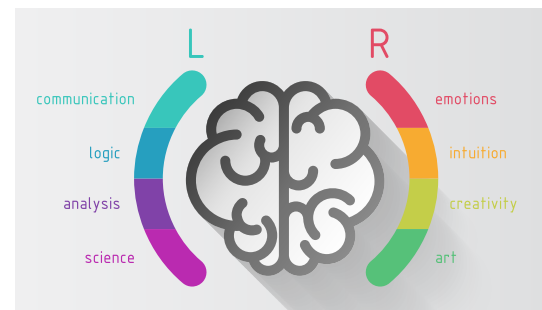
There are two types of stock purchasing activities that are necessary: re-buying and new buying. Executing these activities properly and coordinating them together will improve sales and profitability.

Improving buying practices is a big opportunity. Many operations are either not re-buying efficiently or buying new merchandise haphazardly. Some businesses simply don't re-buy the right product, at the right time, in the right quantity. Then they go to market without focusing on the proper categories and just roll the dice. Believe me, to varying degrees this malpractice is very common.

In this article, I will tell you why this happens and how to correct it. If this helps you improve your organization just a tiny bit, you will gain a better product mix for your customers and salespeople.

Understanding The Challenge

The reason why operations have difficulty with purchasing is because re-buying and new buying are conflicting mindsets. They use different sides of the brain. Re-buying is a "left brain" activity. The left-side is analytical. It is comfortable with numbers. It typically approaches problem solving with a black or white solution that is proven with hard facts. New buying is a "right brain" activity. The right-side is creative. It is comfortable with art. It typically approaches a problem with a colorful solution that is created based on intuition.



When a person who is dominant with either left or right brain is responsible for both types of buying, they can cause merchandise mix issues. To illustrate, here are two examples:

- First, Jane, an accomplished designer and visual merchandiser, performs the dual purchasing duties. She listens to what she hears from people in terms of what they like. She loves to set the showroom and is not involved in back-end operations. She relies on vendor reps to guide her through the re-buying process and simply does not have the time or desire to "play" with silly computer reports.

When she goes to market, she picks what she believes will make the floor look better and what customers will buy. Of course, she is not right all the time with new buys, but she is pretty good. Often times, though, old merchandise that did not sell sits around too long in both the showroom and the warehouse. She would rather move an older piece of merchandise to the warehouse and wait for a clearance sale than mark it down on the floor. Jane's organization is constantly battling over inventory and best-seller stock-outs.

- In a second example, Fred, a science-major at college and talented industry operations guy, performs dual purchasing duties. He routinely analyzes the company's data and loves his spreadsheets. He does not take advice from reps concerning re-buying. He runs a tight ship. The organization seldom runs out of its proven best sellers and generally inventory is kept at a consistent level.

He does not enjoy going to market to source new product. He makes buying decisions on open-to-buy spend without considering the visual fit in the line-up. Fred's organization is constantly battling lackluster vignettes and a "sea of brown" on the showroom.

Both of these situations hurt sales, profits, and cash flow. In Jane's situation, constantly growing inventory causes a shortage of cash that is necessary for re-buying of best sellers that produce the lion's share of profits. In Fred's situation, the showroom is rather boring and not visually together so customers are not impressed.

When an organization can take the best characteristics from both these mindsets and focus them to work together, a better merchandising system can be created.

The Key To Better Purchasing

- 1. Define the process for re-buying and new buying.** Rebuying, being analytical in nature, will involve reviewing vendors and categories on a routine basis. The goal here is to keep a very high level of best-seller in-stock days. For merchandise that you sell repeatedly, the buyer will need to reorder based on the prime factors of rate of sale, current stock levels, and lead time. This process will allow customers to get immediate gratification on the product that is proven.

New buying, even though it's a more creative process, should, as well, have defined steps to improve focus. First, a "red light, green light" process can be put in place for buying that is based on the current level of inventory. If the green light is on, then this buyer has the OK to spend money on new merchandise up to a point where the inventory will increase an allowable level. For example, if the desired level of inventory is \$1 million and the current level is \$975,000, the buyer has the green light to purchase \$25,000 in new merchandise provided the best seller re-buys have been done.



There are many ways to adjust the specific focus of a new buy. The one that makes the most sense to me is to focus on the categories and vendors that are currently producing, and look for opportunities at gaps in the showroom line-up. For instance, if leather sofas are doing well and there is a hole in the line-up at the \$2,000 retail level, the buyer should focus on finding a landed cost leather sofa for under \$1,000.

- 2. Separate the purchasing roles amongst the right people.** In most organizations, it makes sense to split these roles between two different people with the appropriate mind types. Depending on the size of the operation, these people can hold other responsibilities, but ideally their tasks should fit their personality. For example, the left-brain re-buyer could perform other functions such as initiating merchandise transfers, preparation of price tags, managing the nail-downs, markdowns, and best-seller education. The right-brain new buyer might perform other tasks such as setting the floor or customer design.

It should be possible in most operations to split these buying duties. For small volume stores where the buyer needs to be the same person, I recommend really coming to grips with what type of mind-set the buyer is: analytical or creative. Then work on or get assistance with the weak area. The key here is to put the right people in the right job.

- 3. Review to ensure that the separate buyers work seamlessly together.** Remember, the common organizational goal is a better product mix to maximize sales volume, profit, and cash flow. These two roles must communicate closely and often. Without this element the two-buyer system will not work well. There must be full transparency regarding what is currently on order and the direction of the business. For example, if the re-buyer sees that customers are buying Amish wood dining rooms and imported tables are dead, you don't want the new buyer to go out and buy a bunch of new imported tables.

There should be weekly buyers meetings, a pre-market strategy meeting, and a post-market recap. In the weekly meeting, the discussion should focus on current inventory levels, review the open to buy for new merchandise, and determine any action items to improve vendor and category performance.

The pre-market strategy meeting defines the focus of the market. It's when the analytical buyer delivers the overall results of merchandise performance. The visual buyer then presents areas in the line-up that are without representation. Together they can make a list of the exact areas that will be researched.

The post-market recap is used to discuss the findings. After all the information is gathered, this is the time when final purchasing decisions are made. Both buyers will know exactly what is coming in and when to expect it. Once products arrive, it is the re-buyer's responsibility to track the rate of sale and determine if they are winners to keep or dogs to discontinue.

I have witnessed improvements for retailers who switch to this system. Their floors look better, are more organized visually, and inventories are kept at more manageable levels. Sales and profits grow due to a greater percentage of best seller in-stock days, fewer items on markdown, and faster turns that allow for trials of new product more often.

This ongoing coordination between new and re-buying keeps the buying team going in the best direction for the overall betterment of the business. If your organization can match personality types and mind-sets with the nature of the roles, over time you will provide a better customer experience. An improved merchandise mix will yield faster turning and more exciting showroom.

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