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## OPEN TO BUY

An Open to Buy merchandising plan, with a properly organized classification structure, is the only way to effectively manage inventory. Without proper inventory balances, cash flow is tied up in under-producing areas, funds are unavailable to take advantage of growing opportunities, markdowns are excessive, and profits ultimately suffer.



With a well-planned inventory balance the retailer is in a position to take advantage of off-priced, in-season opportunities to **build excitement and sales in the store.** This will also help **increase the initial mark-on and avoid excessive margin-eroding markdowns**. Most importantly, sales can be increased by moving inventory dollars from under-performing classes and invested to take advantage of increased sales opportunities.

A better balanced inventory results in **increased sales** – not just from reducing lost sales and eliminating excess markdowns, but by being in position to react to changing trends as well as maintaining fresh and exciting merchandise selections. The importance of product freshness is another example of the 80/20 rule: The newest inventory contributes the most to sales and the oldest inventory consumes most markdowns. Approximately 80% of your sales will come from goods less than 90 days old.

It is cliché but true that retailing is about having the right goods at the right place at the right time, but we should also add "in the right proportion." The Merchandising Plan is the starting point and outline to effective dollar control. The Merchant Plus! Merchandising Tools provide the details and road map to maximize the effectiveness of the Open to Buy plan with the many assortment planning and merchandise performance reports and inquiries. "The Open to Buy identifies how much to buy; the Merchandising Tools tells what to buy."

Unlike the Financial Budgets, effective Open to Buy planning cannot be something done once a year or even once a season. It certainly should not be done from the top down, but rather from the bottom up, with "just a touch of the art of Retailing." **Effective Open to Buy planning is the surest way to success in retailing**, but it is a discipline. Plans need to be monitored at least monthly to react to emerging consumer trends. A retailer also must be committed to following the plan! Purchases must be limited to Open to Buy dollars provided and when really maximizing turn rates and profitability, deliveries must be planned and staged based on that plan. It isn't always an easy discipline, but the payoff is worth making this the Number One priority for every retailer. A good and accurate Merchandise Plan and Open-to-Buy is your best tool to create cash!