

Retailing Terminology

Retailing is all the business activities involved in *planning* and *procuring* goods and services from vendors and *pricing, positioning, presenting, packaging, promoting* and ultimately *selling* those goods to the target consumer.

Merchandising is all the business activities involved in planning, creating, distributing and marketing merchandise assortments and classifications to the target consumer while reflecting the company image. There are different types of merchandising based on which link or level (i.e., fiber, textile, apparel/home furnishings companies, retail stores) in the supply chain the merchandising is housed.

Merchandising is usually viewed as the hub of retailing since it impacts all other functions of the retail store. There are five functional divisions of the retail store. These divisions include: 1) merchandising, 2) management/operations, 3) sales promotion, 4) financial control, and 5) human resources.

Product merchandising at the *retail store level* in an all-exclusive context is defined as the procuring or selecting and buying of merchandise at wholesale cost and reselling the merchandise at a retail price. More specifically, **retail product merchandising** is all of the business activities involved in: **a) planning, b) procuring, d) presenting** and **e) marketing and promoting** merchandise for purchase by the consumer, while maintaining a profit for the retailer. In 1927, Paul Mazur defined **retail product merchandising** as the five rights of merchandising: 1) the right merchandise, 2) in the right quantities, 3) at the right time, 4) at the right price, 5) in the right place. With today's technology a new right can be added to Mazur's list; that right is number six (6) or the right merchandise in the right color, size, and style.

Product merchandising in the *manufacturing company* or at the *wholesale level* is planning, designing, developing, sourcing, marketing and distributing a seasonal line of merchandise for a specific target consumer, while maintaining the design integrity of the product, reflecting the company image and maintaining a profit for the company. Or, it can be defined as developing a cohesive package of seasonal merchandise that **a)** reflects the needs and demands of the target consumer; **b)** reflects the image, merchandising philosophy, pricing structure, production and sourcing capabilities of the company; and **c)** reflecting trend direction of both the market and fashion cycle, while providing a profit for the company.

Merchandising divisions at both the retail and wholesale levels are the hub of the company and impact all activities as well as the entire process of conducting and maintaining a profitable business in the marketplace. Both retailers and manufacturing corporations must maintain appropriate inventory levels to meet sales goals and satisfy the wants and needs of their target consumers. To be successful a retail merchandiser must understand the merchandising processes and procedures at both the wholesale and retail levels. The store's retail/vendor

matrix (i.e., brands and lines of merchandise carried by retailer) and merchandise mix and assortments depend upon merchandise availability at the wholesale level.

And, at both the manufacturing and retail level, mathematical formulas must be combined with basic business and management theories, plus current business practices to make day-to-day merchandising decisions, solve business problems, and assure a profitable operation. Therefore, at the retail level, retail math is an integral part of retail merchandising and impacts all activities as well as the entire merchandising process in the retail store. In fact, financial decisions based on retail math drive sales volume for the organization and usually dictate the budget and activities of other divisions within the store. In summary, the application of retail mathematical formulas coupled with business and marketing theory is key to making wise day-to-day business decisions for a successful, profitable retail organization.