

Retail Product Merchandising: Retail Buying-Selling Cycle

SECTION 2: Establishing the Retail Merchandise Mix

Part 1: The Basics of the Retail Merchandise Mix

Part 1: 1-8 Types of Brands

A major decision which the retailer must make is that of selecting the brands of merchandise to include in the store's merchandise mix. This decision is one of the most important factors in building a merchandise mix that attracts the store's target consumer. Often the decision depends upon the channel of distribution in which the retailer operates or the industry zone in which the retailer procures merchandise. Therefore, the retailer has a monumental task of selecting and combining brands that reflect the desires of the target consumer and that establish store and fashion image.



A *brand* is a name, symbol, character, logo, slogan, graphic, trademark, color(s), or a combination of all these components that identifies or denotes a business, product, service, retail store, apparel company, organization, place, event, or person. For the retailer, the brand is a shortcut which assists the consumer in making the buying decision. Brands identify quality, price, fit, status, and image of the product for the store's target consumer. In fact, the retailer uses brands to position its store in the marketplace and to differentiate the store from its competitors. Brands are utilized to provide exclusivity for the store's merchandise mix and to signify the type of store and its fashion image.

The importance of brands began in the 1960s with the evolution of television advertising constantly airing in the homes of consumers. The marketing and popularity of brands continually grew throughout the following decades with other forms of media getting in on the act. Consumers immediately accepted this new phenomenon and began using the brand as a tool for selecting and purchasing product. There are many types of apparel brands from which retailers may select product in order to build their merchandise mix. Those types include designer, licensed, national, private label, private brand, store brand, generic brand, and lifestyle brand. Many retailers carry only one type of brand, while others, such

as department stores, carry several types of brands. For example, in some of its department stores, Belk® carries designer, licensed, national, private label and generic brands.

Designer Brands

Designer brands are created by well-known, name designers whose names are easily recognized by the store's target consumer. These brands are marketed globally and can be found in stores carrying only that brand name as well as specialty and specialty department stores. Examples of these brands include Ralph Lauren, Armani, Chanel and YSL. These products are made of the finest fabrications with expert workmanship and exquisite details. They are usually the most expensive product in the retailer's merchandise mix.

As previously discussed, designers are now creating *exclusive designer seasonal product lines* for select retailers. These lines are frequently sold by mass merchants such as Target® and fast fashion establishments such as H & M. Additionally, some designers have created exclusive product for mid-tier to specialty department stores. Designers also *license* their names to brand companies and/or retailers. These companies then produce product labeled with the designer's name. The designer, who is known as the "licensor", allows the company or the "licensee" to produce, distribute, and market product with the designer's name and logo.

National Brands

National brands are names, symbols, logos, etc. owned by a brand company or manufacturer. National brands have high *brand recognition*. In other words, when viewing several items in a particular product category, the consumer recognizes and desires a product developed by the company that made one of the specific items. These brands are marketed in consumer media (e.g., movies, videos, magazines, and flyers) and are immediately recognized by the target consumer.



National brands are recognized by the majority of consumers and dominate the entire apparel, accessories, and shoe markets. These brands are shortcuts that communicate directly to the consumer. However, in this competitive retail environment, many national brands have been sold to several retailers in the same channel of distribution or the same geographical region, thus fostering the discounting of the retail price of the product. Also, some of the closeouts, overruns, or leftover seasonal merchandise has found its way into discount stores, outlets, and other off-price establishments. In fact, some of the brand companies feature the merchandise in their own factory outlet stores along with special cut merchandise only sold in those stores.

Private Labels

A *private label* is an exclusive label product produced by a parent company or individual company and is marketed and sold only by that one particular company. Presently, more retailers are creating, developing, and sourcing their own private label goods. Due to designer and national brands being sold in various channels of distribution and/or to more than one retailer in a geographical area, private labels have become more important to the retailer.

These labels not only create differentiation and exclusivity in the merchandise mix for the retailer, but also provide unique products that help to create a return or repeat customer and loyal consumer base. Additionally, retailers have more control over the brand since it is found only in their stores. The retailer sets the retail price or markup amount on goods, timing of markdowns, and types of marketing and merchandising techniques in order to promote the goods to the target consumer. An example of private label lines include Macy's I-N-C International Concepts® and CharterClub®.



Private label has become so prevalent that several retailers currently carry as much as 45 % - 50 % of their merchandise mix in the form of private label brands. In fact, some brand companies are producing *proprietary private label* merchandise. These labels are owned by the brand company; however, the

product produced under the label is sold to only one store group. The Life® brand sold by Walmart® is an example of proprietary private label.

A private label becomes a *private brand* when the private label product develops its own personality, product integrity, and identity. It is recognized by a substantial number of target consumers as a major brand and has strong brand recognition. An example of a private brand is JC Penney's Arizona®.

Store Brand

A *store brand* is a brand developed, sourced, marketed and sold by one specific retailer. The brand name is actually the name of the store, such as Banana Republic®, Gap®, and Old Navy®. Although all of the previous stores are owned under the umbrella of Gap Inc., all of them target a different consumer, offer a different product assortment at a different level of fashion in different price ranges, and maintain different images for each store group.



Generic Brand

A generic brand is a product that is not branded or does not have a recognized name, label, symbol, or logo. Generic brand products are usually commodity products, are sold as basic goods, and are frequently found in mass merchant or discount retail outlets. There is a wide range or level of quality, price, and fit found in identical or similar generic product classifications produced by various brand companies or manufacturers.

Lifestyle Brand

More recently, brand companies have been producing *lifestyle brands* or brands that create a relationship between the consumer and the brand. This type of brand connects with the consumer both emotionally (i.e., irrationally) and mentally or logically (i.e., rationally). In other words, both the mind and heart react to the product! It also relates a variety of product classifications to the everyday living

patterns of the consumer. VF Corporation was one of the first branded companies that built a brand portfolio of lifestyle brands (i.e., a number of brands sold in a variety of retail channels and store types that target several different consumer segments). The company is noted for jeans, outdoor products, sportswear, contemporary apparel, uniforms, etc.

A designer company known for its lifestyle brands is Ralph Lauren. The company designs, develops, sources, and markets apparel, home, accessories, and fragrances. Some of the company's better known brand names include Polo by Ralph Lauren, Ralph Lauren Purple Label, Ralph Lauren Collection, Black Label, Blue Label, RRL, RLX, Ralph Lauren Children, Denim & Supply Ralph Lauren, Chaps and Club Monaco.

Both the VF Corporation and the Ralph Lauren Corporation operate in the wholesale and retail segments of the FTAR Complex. Each of these corporations have several major brands that sell in a variety of distribution channels. Both the branded apparel company and designer company target a variety of consumer segments with an array of product categories. Based on the design aesthetics, quality, and fashion levels of product, these two firms develop loyal target consumers who purchase a variety of product categories in a variety of store types and channels of distribution. It is not uncommon for a loyal RL consumer to purchase Polo jeans, Ralph Lauren Home, and Ralph Lauren Children's apparel.

In summary, the selection of brands for building the retailer's merchandise mix is one of the most important factors in creating a successful retail operation. In the current, highly-competitive retail environment, it behooves the retailer to carry more than one type of brand. Consumers are continuously changing; new innovative products are constantly entering the marketplace; and a variety of store types and retail outlets are vying for the same consumer dollars for the same product categories.



A brand is a shortcut which assists the consumer in making the buying decision. Brands identify quality, price, fit, status, and image of the product for the store's target consumer. The brand assists the retailer in positioning its store and differentiating the store from its competitors. Brands are utilized to provide exclusivity for the store's merchandise mix and to signify the type of store and its fashion image.

Summary of "The Basics of the Retail Merchandise Mix"

Since there is an abundance of product available to the retailer, the task of establishing the retail merchandise mix is not only a difficult one but also a challenging one. There are numerous factors that the retailer must consider when establishing a merchandise mix that differentiates itself from the competition and attracts the desired target consumer.



Some of the major factors to consider are the industry zone in which the product is produced, the organizational structure and composition of available product found in the industry segment where the merchandise is procured, and the lifecycle stage and fashion level of the product. Also, the industry, market, and societal trends that impact the merchandise mix and pricing strategies utilized by the retailer help to determine the composition of merchandise assortments. Additionally, one of the most important factors in building a merchandise mix that attracts a store's target consumer is the selection of brand types and the combination of brands that reflect the desires of the store's target consumers and that establish the retailer's store and fashion image.