



## Improve Your Focus When Buying New Merchandise

*David McMahon, Senior Consultant*

It is extremely important to give your customers the latest and greatest selection of product. It keeps your showroom fresh and fashionable. The best sellers that are amongst this merchandise will produce the biggest share of your gross margin dollars. So when you go to market to purchase a new lineup, it is important to focus on areas that your customers desire. Doing this will save you time and deliver your customers more of what they want.

One week prior to going to market you should hold inventory management meetings to determine where you should focus your efforts. Analyze each category's sales, gross margin, GMROI, and current inventory level. Pay close attention to the GMROI of your best selling categories. From this, determine if you are at an appropriate inventory level to be buying new merchandise. If your GMROI for the category is above your target for that category only then you can invest in new merchandise.

After you determine which categories you wish to purchase for, rank your vendors within those categories. Again focus on GMROI. This is how many dollars in gross margin the vendor has produced for you per dollar of inventory invested in its category. You may notice that two vendors can produce comparable sales numbers however one vendor may produce a much greater return on investment. This is because you need to carry more inventory of one vendor to produce a similar ROI. Thus, the vendor with the lesser amount of inventory that produces the same gross margin frees up extra cash!

**The Rule:** Rank your vendors under the category and buy new only if the vendor is pulling the categories average up.

Email me at [davidm@profitsystems.net](mailto:davidm@profitsystems.net) to discuss improving your focus when buying new merchandise.