Subject : Apparel Merchandising

Unit 1 Introduction to apparel merchandising

Quadrant 1 – e-Text

Learning Objectives

The learning objectives of this unit are to:

- Describe the challenges in apparel business.
- Describe the role of planning and fashion forecast in meeting challenges of apparel business.
- Define the concept of Apparel Merchandising.
- Explain merchandising as a apparel business process.
- Outline the classification of merchandising.

1.1 Challenges in Apparel Merchandising

Apparel business is part of fashion business and as such is a much different from other businesses, such as fast moving consumer goods (FMCG) or electronic white goods. When a customer goes to an Apparel specialty store and looks at merchandise to select a suitable dress, what is that the customer looks for, while taking a decision to select or not to select?

Is it the quality? Is it the fabric? Is it the price? Is it the comfort? Yes all the above are important parameters in apparel consumer buying behaviour. However, none of them is a primary factor of consideration!!

Yes, the primary factor of consideration is whether the fashion that dress represents! Is it in vogue or not? It is the primary factor influencing the decision to buy. Consumers would like to buy something in vogue and flaunt it for others to appreciate. The psychological satisfaction of wearing a fashion in vogue is more important than utility factors.

Of course, consumers do consider other factors such as quality and price, but only after they are sure about the vagueness of the fashion. Fashion may design many collections of clothing and introduce in the market. But, the acceptability of these collections by customers is big question. Yes customers may as well not accept some of them or good number of them or many of them. If customers do not accept and sale do not pick up then the retailers are left with huge amounts of unsold goods. These unsold goods shall become obsolete with time as fashion change. Once obsolete it is much more difficult to sell them.
This is known as *Risk of Product Obsolescence*. This is a major risk in apparel business. How to reduce this risk? How to increase the acceptability of collections designed, developed and introduced in the market by the retailers? Can the retailers wait to see what are the fashions currently in vogue and develop their collections accordingly. It is simply not possible because fashions keep changing with time and seasons. The only thing constant about fashion is change.

What is accepted becomes fashion and what is rejected becomes obsolete. So, fashion is all about acceptance by majority.

**Elements of Fashion**

As a result of change of fashions with time and seasons, the product turnover is very high in apparel business. This means that the life cycle of products is very short. *Shorter product life cycle is another challenge in apparel business*. This means that you need to keep changing your merchandise as per changes in the fashions.

Can retailers bring the product designed, developed and produced to the retail outlet faster? Unfortunately, they cannot.

Another challenging factor in apparel business is that the lead times significantly longer. Long lead times apart from the other challenges listed previously make fashion business an immensely challenging industry.

**Choosing a Supplier**

Let us look at the supply chain of apparel business. The supply chain involves various process like spinning, weaving, knitting, Dyeing, Printing, Garment manufacturing and then to Retail stores.

Each of the process has its own lead time ranging from a minimum to a maximum. There are challenges again with respect apparel buying behavior of consumers. How much, at what price and when do they buy? These are challenges to be addressed.

As it stands we have product obsolescence risk, whether customers accept the merchandise designed, developed and produced and brought to the stores by retailers. How can the risk be reduced especially in view of long lead times of apparel business. The only way to reduce the
risk is if we can predict what fashions are going to in vogue for the coming seasons and design, develop and produce the merchandise accordingly.

*This is where fashion forecasting comes into picture.* Fashion forecast make a scientific prediction of fashions expected to be in vogue for given season and year.

**Fashion Forecast**

The fashion forecast is made in terms of fashion design elements. What are fashion design elements? They are as follows: Styles and silhouettes, colours, fabrics and textures, accessories that go with the given category. The fashion forecast is made for each of the product category such as menswear and women’s wear.

The fashion forecast is made two years in advance of the season. Two years is the maximum time required by the entire apparel supply chain to tune itself to the predicted fashions. Fashion forecasting makes an important contribution to the apparel industry in reducing the risk of product obsolescence and to face the challenge of short life cycles of products.

Retailers adopt predicted fashion design elements, from appropriate fashion forecast, in their design and development, planning of merchandise assortment for the coming seasons. This helps them to increase the acceptance of their merchandise and thereby reducing the risk of product obsolescence. The challenge of much a store’s customers are willing to buy? Or how much a store can sell to its customers in given season in terms of value of the merchandise?

Unless the potential sales, required optimum stock, purchases and markdowns are properly managed a store cannot be successful. This requires proper merchandise planning in terms estimated sales, optimum stock levels, purchases and markdowns. This planning is done in terms of value of merchandise. Hence, it is often called dollar merchandise plan.

1.2 Basic Concepts of Apparel Merchandising

Merchandising is defined as “the bundle of all the activities involved in design, development, production, logistics management, inventory management and making the merchandise available in the stores in the right time and with right price”.

The merchandiser needs to co-ordinate and liaison with marketing, customer feedback, designers, production team / vendors / manufacturer and operations team in the stores. It basically involves planning, buying and selling functions. Big retail chains have separated planning and buying functions with separate teams handling these functions in co-ordination.

Merchandising is a sub set of activities dealing with merchandise management within the overall marketing management function.

*To put simply marketing is about creating a demand and merchandising is all about meeting that demand.*
Rules of Merchandising

There are two thumb rules in merchandising.

**Goods well bought are half sold:** this illustrates the importance of buying function. If buying function purchases good merchandise with customer orientation, i.e keeping customers tastes and preferences in mind, then selling that merchandise becomes so easy that it is as good as half sold.

**What is purchased must be sold:** This highlights importance of selling complete merchandise by the end of season. Ideally by the end of a season the stock meant for the season should sold out completely. In case the stock cannot be kept in inventory for the same season next year. It is dangerous as same season next year generally has a completely new set of fashions in vogue. So merchandisers are to follow the thumb rule that what is purchased must be sold.

Merchandising as an Apparel Business Process

Look at the supply chain of apparel business. From fibre to fashion, especially from garment manufacturing, logistics and retailing, managing the merchandise is very crucial. At every stage in this chain right merchandise should be in right place and in right time with right price.

These four Rs of merchandise are key to the success of merchandise management and apparel business as whole.

Whether it is fabric weaver or knitter or processor, garment manufacturer or logistics manager or retailer merchandise management is very crucial in view of the given challenges. Basically, it is the merchandisers who are driving force of apparel business across the apparel business supply chain. So merchandising is the core of apparel business management.

1.3 Classification of Apparel Merchandising

As discussed in the previous sub section, merchandising is the core of apparel business and is the driving force. Depending on where merchandising is taking place merchandising is classified as: Retail Merchandising, Wholesale Merchandising, Export Merchandising, Buying House Merchandising and Publications Merchandising.

**Retail Merchandising**

This involves planning, buying and selling functions with a retailer. These functions are explained in detail elsewhere in this subject.

**Wholesale Merchandising**

This is similar in function to retail merchandising but happening at wholesaler or manufacturer level.

**Export Merchandising**

This takes place at manufacturer and exporter of garments. It basically involves co-ordination, follow up facilitation functions. Export merchandiser co-ordinates between various internal
departments and buyer or buying house merchants on the other hand. This is explained in detail in the 10th part of this subject.

**Buying House Merchandising**
The merchants in buying houses play a crucial co-ordination and liaison between the buyer on one hand and the export merchandiser on the other hand. They play an important role monitoring the order progress and quality control.

**Publications Merchandising**
This explains the role of publications, magazines and trade journals, in planning, buying and selling functions of merchandising.

**1.4 Conclusion**
To summarize in this unit you have reviewed the challenges in the apparel business.