STRETCHLEARN · WORKBOOK

Retail Buying & Inventory Management — Workbook

This workbook turns the course into the actual buying plan of your store. Work through one section per module using your own products, costs, and sales rather than the examples. By the end you will have a live open-to-buy budget, a negotiation checklist for your vendors, reorder points for your basics, and a staged markdown cadence for your slow sellers.

The Retail Math That Drives Every Buy

Calculate the four numbers that govern profitable retail, markup, sell-through, turnover, and GMROI, on your own products so every later decision rests on real figures.

Worksheet: Markup and Margin Worksheet

Pick one product class. Pull its cost and current retail price, then last season's actual sales and cost of goods to compare the markup you set with the markup you kept. The gap is your markdown burden.

Product class

Unit cost (dollars)

Retail price (dollars)

Initial markup % = (Retail minus Cost) divided by Retail

Actual sales last season (dollars)

Actual cost of goods sold (dollars)

Maintained markup % = (Sales minus COGS) divided by Sales

Markdown burden = Initial markup % minus Maintained markup %

Exercise: Sell-Through Decision Drill

Choose three current products. For each, calculate sell-through to date and compare it to the share of the selling period that has elapsed, then tag the product reorder, hold, or mark down.

• Sell-through = units sold divided by units received. What is each product's rate?

• What share of the planned selling period has elapsed for each (weeks gone divided by total weeks)?

• Is each product ahead of, on, or behind the pace it needs to clear on time?

• Tag each one reorder, hold, or mark down. Which single action will you take this week?

Worksheet: Turnover and GMROI Comparison

Choose two contrasting product classes, a high-margin slow mover and a lower-margin fast mover. Calculate turnover and GMROI for each and see which earns more per dollar of inventory.

Class A: gross margin %, annual COGS, average inventory at cost

Class A: turnover (COGS divided by average inventory) and GMROI (gross margin dollars divided by average inventory cost)

Class B: gross margin %, annual COGS, average inventory at cost

Class B: turnover and GMROI

Which class has the higher GMROI, and should your budget favor it?

Checklist: Retail Math Done-Right Checklist

[ ] Markup is calculated on retail price, not on cost
[ ] Maintained markup has been compared to initial markup and the markdown burden noted
[ ] Sell-through is judged against the share of the selling period elapsed, not in isolation
[ ] Turnover is compared to the norm for the product's category, not an absolute target
[ ] GMROI is used to compare products, so a fast low-margin item is not dismissed for a slow high-margin one

Open-to-Buy: Planning the Budget

Build a six-month merchandise plan and turn it into a live monthly open-to-buy budget that controls every purchase order you write.

Worksheet: Six-Month Merchandise Plan

Build a plan for one department using last year's monthly sales as the base. Fill in planned sales, a stock-to-sales ratio per month, and planned markdowns, then let planned receipts fall out of the formula for each month.

Month

Planned sales (dollars)

Stock-to-sales ratio

Planned BOM inventory = ratio times planned sales

Planned EOM inventory (equals next month's BOM)

Planned markdowns (dollars)

Planned receipts = Sales plus Markdowns plus EOM minus BOM

Exercise: Calculate This Month's Open-to-Buy

Using the six-step formula, calculate the open-to-buy for one department for the current month, then convert it to cost dollars using your initial markup so you have a hard ceiling for new orders.

• OTB at retail = planned EOM plus remaining planned sales plus remaining planned markdowns minus current on-hand minus open orders. What is it?

• Did you remember to subtract merchandise already on order and due this month?

• Convert to cost: OTB at cost = OTB at retail times (1 minus initial markup %). What can you actually spend?

• Is that cost figure your hard ceiling for new orders this month? Write it where you will see it at market.

Exercise: Reforecast a Live Open-to-Buy

Take your current OTB and reforecast it using actual sales to date. Replace elapsed planned sales with actuals, re-estimate the rest from the trend, and see whether the budget should go up or down.

• What are actual sales to date versus the plan for the same elapsed period (ahead or behind, and by how much)?

• What is your revised full-period sales estimate based on the trend you are seeing?

• After recomputing BOM and EOM from the revised sales, did the OTB go up or down?

• What one action does the new number tell you to take: a reorder, a cancellation, or a hold?

Checklist: Open-to-Buy Discipline Checklist

[ ] A six-month plan exists for the department with planned sales, stock-to-sales ratios, and markdowns
[ ] Open orders are subtracted from OTB so the budget is not overstated
[ ] Cost and retail dollars are never mixed in the same formula
[ ] OTB is reforecast monthly (or weekly in fast categories) against actual sales
[ ] Some OTB is held back for in-season reorders of proven winners rather than spent in week one

Vendor Negotiation and Smart Purchasing

Negotiate the full package of cost, terms, freight, and risk-sharing, and set order quantities and reorder points that avoid both stockouts and overstock.

Worksheet: Vendor Terms Negotiation Sheet

Take a recent purchase order and document every term, not just unit price. Identify which term other than price you will push on next, and calculate what improving it is worth in dollars.

Vendor and product

Unit cost (dollars)

Payment terms (e.g. 2/10 net 30) and the annualized value of the cash discount

Trade discount(s) and the true combined rate if chained

Freight terms (who pays, FOB origin or destination) and estimated freight cost

Dating / extended terms requested

Which non-price term you will push on next, and its dollar value

Exercise: Risk-Sharing Terms for a Buy

Identify one upcoming or risky buy. Decide the support terms you will request before placing it and quantify the worst-case protection each one provides.

• What is the order value at cost, and why is it risky (new vendor, untested line, seasonal)?

• What markdown allowance will you request, and how many markdown dollars would it provide?

• What return-to-vendor or swap rights will you request, and what cost could you send back?

• After these terms, what is your realistic worst-case loss versus the unprotected loss?

Worksheet: Reorder Point Calculator

Pick one staple product and calculate its reorder point so you never stock out. Use your rate of sale, the vendor's lead time, and a safety buffer in weeks.

Product (basic / replenishable)

Rate of sale (units per week)

Vendor lead time (weeks)

Safety stock (weeks of supply)

Reorder point = (rate of sale times lead time) plus (rate of sale times safety weeks)

Vendor minimum order quantity (MOQ)

Order quantity that respects MOQ without overbuying

Checklist: Smart Purchasing Checklist

[ ] The negotiation covered terms, freight, and dating, not just unit price
[ ] Any cash discount like 2/10 net 30 was evaluated on its annualized return before declining it
[ ] Chained trade discounts were multiplied, not added, when calculating the real rate
[ ] Markdown money or return rights were requested up front on any risky buy
[ ] Reorder points are set for basics; fashion items are bought shallow and chased on sell-through

Managing Inventory and Clearing It Profitably

Time markdowns to recover cash, measure and control shrinkage, and build the weekly and monthly buying rhythm that keeps everything under control.

Worksheet: Markdown Cadence Planner

Choose your slowest-moving product class and design a staged markdown cadence with trigger points tied to sell-through rather than just the calendar.

Product class and units remaining

Current sell-through % and weeks left in the season

First markdown: depth (~25%) and the sell-through trigger

Second markdown: depth (~40%) and the trigger if the first did not clear it

Clearance: depth (50-70%) and timing

Final disposition for residual units (jobber, outlet, donation)

Exercise: Shrinkage Rate and Cycle-Count Setup

Calculate your shrinkage rate from your most recent physical count, identify the likely sources, and set a simple cycle-count schedule weighted to your top and highest-value items.

- Shrinkage rate = (book inventory minus physical inventory) divided by sales. What is your percentage?
- Which source is most likely driving it: external theft, internal theft, receiving error, or vendor shortage?
- Which A-items (top sellers and high value) will you count monthly?
- What is your one immediate control: checking deliveries against POs, refund oversight, or access control?

Worksheet: Buying Rhythm Worksheet

Write your recurring buying routine so nothing slips. Assign each review to a cadence and a day, and put the recurring ones in your calendar.

Weekly review: what you check (sell-through, reorder and markdown candidates) and the day

Monthly review: OTB reforecast, cycle count, GMROI by category, and the date

Each market / buying trip: the OTB budget by category you will bring

End-of-season review: maintained markup, sell-through, turnover to feed next plan

Annual: full physical count, vendor scorecard, stock-to-sales reset

Checklist: Inventory Management Checklist

[ ] Markdowns are staged with triggers tied to sell-through, and the first one is taken early
[ ] Shrinkage rate is calculated after each physical count and its main source identified
[ ] A cycle-count schedule counts top-selling and high-value items at least monthly
[ ] Every delivery is checked against the purchase order before it is signed
[ ] A weekly and monthly buying rhythm is in the calendar, not just in your head

Your Action Plan

1. Calculate initial versus maintained markup for one product class and note the markdown burden between them.
2. Compute sell-through for three current products against elapsed selling time and tag each reorder, hold, or mark down.
3. Compare turnover and GMROI for a high-margin slow mover and a lower-margin fast mover, and let GMROI guide the budget.
4. Build a six-month merchandise plan for one department with planned sales, stock-to-sales ratios, and markdowns.
5. Calculate this month's open-to-buy, subtract open orders, and convert it to a cost ceiling for new purchase orders.
6. Reforecast the open-to-buy against actual sales to date and act on the reorder, cancel, or hold it points to.
7. Document a vendor's full terms and push one non-price lever, freight, dating, or a cash discount, on the next order.
8. Request markdown money or return rights up front on your next risky or new-vendor buy and quantify the protection.
9. Set reorder points for your staple items and buy fashion shallow, chasing only proven sell-through winners.
10. Design a staged markdown cadence for your slowest class, calculate your shrinkage rate, and put a weekly and monthly buying rhythm in the calendar.