I. CATALOG DESCRIPTION

Prerequisite: MGT 103, Business Math & MGT 150 Marketing
3 semester hours credit

Retailing deals with organization, management, and operation of retail institutions. Emphasis is placed on merchandising for improved inventory and financial control covering both dollar control and unit control methods of retail planning.

II. GENERAL COURSE OBJECTIVES

This course involves an examination of the Merchandising aspects of a Retail organization. It encompasses many of the tools and techniques used by Retailers and Merchandise Managers to make sound financial decisions. The major objectives of the course are:

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<tr>
<th>Course Objectives/Assessment Measures</th>
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<tr>
<td><strong>Course Objectives</strong></td>
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<tr>
<td>To develop an understanding of the business terminology related to a retail organization.</td>
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<td>To become familiar with retail business operational techniques and procedures including: merchandise buying, planning and control</td>
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<td>To become familiar with retail business operational techniques and procedures including: pricing and markdown procedures</td>
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<tr>
<td>To become familiar with retail business operational techniques and procedures including: financial statements</td>
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<tr>
<td>To become familiar with retail business operational techniques and procedures including: retail and cost method of inventory evaluation</td>
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<tr>
<td>To become familiar with retail business operational techniques and procedures including: evaluation of operating data and price lines</td>
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III. COURSE OUTLINE WITH UNIT OBJECTIVES

PART 1: INTRODUCTION: RETAIL MERCHANDISING

A. Introduction To Retail Merchandising

1. Define retail merchandising. Examine the five rights of merchandising. Describe the different types of organizational structures. Describe the duties of the merchandise manager and a buyer. Examine the career opportunities within the field of merchandising. Describe the importance of mathematics to Retail Buying and Merchandising

B. Basic Merchandising Mathematics

1. To understand the basic mathematical calculations frequently used in making decisions related to merchandising and store management activities. To sharpen skills and improve speed while working with mathematics. To review the use of fractions, decimals, and percents, along with the percentage formula, in the area of merchandising mathematics. To develop a degree of competency in applying basic mathematical formulas to solving merchandising problems.

C. Review General Merchandising Fundamentals and Basic Merchandising Mathematics

D. Profitability

1. Define the elements in a skeletal profit and loss statement. Gain the ability to complete a skeletal profit and loss statement. Examine and understand the importance of controlling expenses in order to maximize profits. To express gross margin, expenses, and profit as a percent of net sales. Describe Sales Returns and Allowances and how it impacts Net Sales. Gain an understanding of Direct and Indirect expenses and the Contribution Margin. To examine the different performance measures. Calculate selling cost, sales per transaction, sales per full-time employee equivalent, sales per square foot, and sales per linear foot of shelf space.

E. Review Profit Variables

F. Cost of Merchandise Sold

1. Define the different types of discounts offered to the retailer by the vendor. Calculate quantity, trade, and cash discounts. Determine the last date of the discount period and credit period. Calculate the time period in which a discount may be taken with various forms of dating. Define and calculate anticipation rates, loading, and transportation costs.
UNIT OBJECTIVES

PART 1: INTRODUCTION: THE NATURE OF RETAIL MERCHANDISING

1. Define retail merchandising.
2. Explain the relationship between retail merchandising objectives and corporate profitability.
3. Identify the functions of retail merchandising in a free-market economic system.
4. Discuss the nature of profit.
5. Identify the components of profit.
6. Explain the operating statement.
7. Identify and explain the component parts of the operating statement in detail.
8. Construct an operating statement through operating profit.
9. Calculate productivity and efficiency measures.
10. To understand the importance of negotiating with vendors for lower prices.
11. To define and calculate different types of discounts.
12. To calculate the period during which discounts may be taken with the different types of discounts offered.
13. To define and calculate anticipation rates and loading.
14. To understand how allowances and rebates reduce the price of merchandise.
15. To understand the issues surrounding transportation and its effect on the cost of merchandise.
16. To understand that negotiating vendor services can assist in improving profit margin.

PART 2: INITIAL MARKUP, MAINTAINED MARKUP, MARKDOWN, AND PROFIT

A. Markup as a Merchandising Tool; The Average Markup and Determination of the Initial Markup

1. Define markup and the elements involved with determining markup. Explain the difference between retail based and cost based pricing. Determine how to convert between cost based and retail base and the effect it has upon the markup percent. Define cumulative markup and the elements involved. Calculate markup, markup percent, retail dollars, and cost dollars when at least two variables are given. Define average markup and explain the reason for averaging. Calculate the average markup on total purchases. Calculate the average markup with one cost and more than one retail price. Calculate the average markup with two or more costs and one retail price.
2. Define initial markup, maintained markup, and gross margin. Calculate initial markup, maintained markup, and gross margin as a dollar amount and as a percentage of sales. Determine the impact of cash discounts and alteration expenses on maintained markup.

B. Retail Pricing for Profit

1. Explore the concept of markdown. Calculate markdown, total markdown, markdown cancellation, and net markdown. Calculate employee discounts and special customer discounts.

2. Explore pricing merchandise at the right retail price to be successful. Maximization of profits by looking at and taking into consideration the relationship among customer demand, retail price, and expenses. Examine the pricing policies used by companies.

C. Inventory Valuation

1. Define markdown and the four classes of price change. Examine causes for prompt markdowns and causes for delaying markdowns. Calculate markdown as a dollar amount and as a percentage of sales. Define Off-Retail pricing and percentages.

2. Determine the major reasons for keeping accurate inventory. Examine the different methods of inventory valuation including; original cost method, cost-or-market-whichever is lower method, retail method, FIFO method, LIFO method, and book versus physical inventory method. Determine the steps and the items involved with the retail inventory method. Determine how to calculate the following; total merchandise handled, cumulative markup and the cost multiplier, stock deductions, closing inventory at retail, cost of merchandise sold, gross margin, and net operating profit or loss. Examine the major advantages of the retail method which includes; easier determination of shortages, development of frequent accounting statements, easier physical inventory taking, and automatic conservative valuation of the closing inventory. Calculation of Gross Margin Return on Inventory (GMROI) and discuss its relationship to inventory valuation.

D. Review Retail Method of Inventory Valuation

UNIT OBJECTIVES

PART 2: MARKUP, INITIAL MARKUP, MAINTAINED MARKUP, MARKDOWN AND PROFIT

1. Discuss the concept of retail pricing.
2. Explain the expression of the markup in terms of retail and cost.
3. Calculate the markup as a percentage of retail and cost, explain the difference.
4. Derive cost price from retail price.
5. Derive retail price from cost price.
6. Derive the cost and retail prices from a known markup in dollars and percent.
7. Explain the concept of the cumulative markup.
8. Explain the formula for the cumulative markup percentage.
9. Derive the cumulative markup from previously unknown inventory totals.
10. Explain the concept of the average markup.
11. Determine the average unit cost so as to achieve the planned markup percentage.
12. Calculate the average unit retail price so as to achieve the planned markup percentage.
13. Determine the markup required on the remaining purchases at retail in order to achieve a predetermined average markup.
14. Calculate the markup required on a purchase when the cost value of the purchase and average markup for the period have been planned.
15. Discuss the conceptual differences between the initial markup and the maintained markup.
16. Provide two formulas for the initial markup in terms of dollars and percentages.
17. Calculate the maintained markup.
18. Discuss the concept of markdown.
19. Identify and discuss the various causes of markdowns.
20. Discuss the timing of markdowns.
21. Calculate markdown as a percentage of sales.
22. Calculate the required increase in sales volume necessary to offset a reduction in the retail price.
23. Discuss the concept of the maintained markup and provide two formulas.
24. Explain the relationship between the initial markup, the markdown, and maintained markup.
25. Calculate maintained markup given, the gross margin, cash discounts and alteration expenses.
26. Explain the concept of the retail method of inventory valuation.
27. Discuss the objectives of the retail method.
28. Describe the sequential mechanics of the retail method.
29. Discuss the advantages and limitations of the retail method of inventory valuation.
30. Determine the value of the ending inventory at both retail and cost.

PART 3: INVENTORY PLANNING AND VALUATION

A. Turnover: The Relationship Between Inventory and Net Sales / Measuring Profit According the Cost Method of Inventory

2. Define inventory control and ending inventory valuation according to the cost method. Describe the different elements involved with inventory valuation using the cost method.

B. The Dollar Merchandise Plan

1. Examine the importance of planning inventory and the tools that are available to assist in the planning process. Describe the Retail Method of Inventory and calculate ending inventory values by using this method. Describe the different techniques that can be used to plan sales and generate a sales forecast. Determine the elements involved with making a six month merchandise plan.

2. Define stock turnover, capital turnover and the elements needed to calculate each. Examine the advantages and disadvantages of rapid stock turn. Calculate a stock-to-sales ratio and determine a gross margin return on inventory.

C. Dollar and Unit Open-To-Buy

1. Define Open-to-buy and why it's important to a buyer. Explain how the dollar amount of open-to-buy can be derived from monthly planned purchases. Examine the following formula used to determine planned purchases: \[ \text{PLANNED PURCHASES} = \text{PLANNED E.O.M. STOCK} + \text{PLANNED SALES} + \text{PLANNED REDUCTIONS} - \text{PLANNED B.O.M. STOCK} \]. Describe the method used to plan both dollar and unit open-to-buy. Examine methods used to increase open-to-buy.

D. Planning Merchandise Assortments and Quantitative Vendor Relations: The Structure of the Quoted Wholesale Price

1. Examine the merchandise assortment concept and the importance of it to a retailer. Describe a model stock plan for fashion merchandise and staple merchandise.

2. Examine the underlying structure of wholesale pricing taking into consideration both time and convenience. Describe the different terms of sale that are offered to retailers including; ordinary dating, merchandise discounts, and transportation / freight agreements.

3. Review Inventory Planning and Valuation
UNIT OBJECTIVES

PART 3: INVENTORY VALUATION AND PLANNING

1. Define and determine retail deductions.
2. Explain the differences among book inventory, physical inventory, and estimated physical inventory.
3. Define and calculate shortage based on book and physical inventories.
4. Understand why department and specialty stores use the retail method of inventory (RIM).
5. Calculate maintained markup and gross margin by means of the retail method of inventory.
6. Calculate Gross margin return on inventory.
7. Complete the steps involved in planning sales, stock, reductions, and purchases leading to finalized merchandise plan.
8. Determine the average inventory and stock turnover rate.
9. Calculate beginning of the month stock according to the basic stock method, the weeks’ supply method, and the stock-sales ratio method.
10. Calculate dollar and unit-open-to-buy.
11. Understand the difference between a basic stock list and a model stock plan.
12. Understand the use of the sales curve as a planning tool.

IV. METHOD(S) OF INSTRUCTION

A. Lecture
B. Handouts

V. REQUIRED TEXTBOOK(S)

Merchandising Mathematics for Retailing, 4th Ed.
Cynthia R. Easterling, Ellen L. Flottman, Marian H. Jernigan, Beth E. S. Wuest

VI. REQUIRED MATERIAL

Notebook, paper, pencil, pen calculator, folder

VII. SUPPLEMENTAL REFERENCES

Newspapers, Periodicals

VIII. METHOD OF EVALUATION

Five textbook exams 100 points each
Quizzes & assignments 10 - 50 points each
Attendance 20% of grade
IX. ADA Statement

Any student requiring special accommodations should inform the instructor and the Coordinator of Disability Support Services (Library; phone 636-797-3000, ext. 169).

X. Academic Honesty Statement

All students are responsible for complying with campus policies as stated in the Student Handbook (see College Website,

http://www.jeffco.edu/jeffco/index.php?option=com_weblinks&catid=26&Itemid=84