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KARYA AKHIR

Merchandise Range Planning in PT. PKB as The Franchise Holder of Mothercare

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RÉSUMÉ

La franchise internationale est le plus souvent le prolongement à l'étranger d'un réseau national de franchises. C'est une forme d'entrée sur le marché international.

La franchise se définit comme un accord selon lequel une entreprise (le franchiseur), propriétaire d'un nom, d'une enseigne, de marques ou de savoir-faire spécifiques, met à la disposition d'une autre entreprise (le franchisé), le droit d'utiliser ces divers éléments et savoir-faire, contre rémunération. (Marketing International, Jean-Marc De Leersnyder, Dalloz édition, 1986).

<u>Les avantages :</u>

Pour le Franchiseur

- la valorisation de la marque
- le contrôle de la distribution
- le levier de croissance rapide des entreprises
- le faible engagement financier

Pour le Franchisé

- une assistance
- une source d'idée
- un transfert de savoir-faire commercial, financier de gestion, technique
- une notoriété immédiate
- un professionalisme
- une réduction du risque

<u>Les désavantages</u>

- les deux parties doivent se partager ce qui est gagné dans le territoire du franchisé
- certains accords du franchiseur limitent les libertés du franchisé étouffant implicitement sa propre ingéniosité
- le degré de contrôle du franchiseur sur les activités du partenaire (le franchisé) où il peut révoquer cette franchise attribuée lorsque le franchisé ne peut pas faire face à des standards établis.

Au point de vue du marketing, tous les deux se rejoignent avec plusieurs étapes successives dans le processus de la production-distribution. Donc, on va se focaliser sur

le point de vue du franchisé de son système d'achat des produits du franchiseur Mothercare International.

Le système d'achat du franchisé, Mothercare Indonesia, a des méthodes et des outils particuliers mais ils sont également utilisés globalement par le détaillant. Au début du plan, on doit décider du budget de dépenses et dans ce cas là, on doit prendre certaines dispositions qui sont renforcés par la réalité. Ces dispositions se composent de deux grands sujets,

- le budget de vente et achat
- le plan de saison de gammes
  (prévision d'achat du produits selon les saison)

Pour obtenir des résultats optimaux, il faut s'appuyer sur le remplissage de trois fiches afin de savoir combien de gammes acheter. Ce sont le calcul d'achat, le calcul de marge et le calcul de l'espace (occupé dans le magasins). Tous les outils ont besoin de données historiques et l'accès aux informations.

On resume le contenu de ce rapport ainsi :

1. Qu'est-ce-qu'est le franchisage

- une licence

- par une entreprise à une autre

- une marque originale, de méthodes ou techniques particulières

- l'assistance technique, commerciale et de gestion

CONTENTS

CHAPTER 1 : PRELIMINARY

1.1. What is Franchising.

International business offers companies new markets as transaction business grow tremendously from time to time. It presents more opportunities for expansion, growth, and income than does domestic alone to companies and offers new choices to consumers.

One form of international market entry and expansion is franchising. *Franchising is the granting by a strategy that grants the right by a parent company (the franchisor) to another, independent entity (the franchisee) to do business in a prescribed manner.* [1] It has been the fastest growing and most interesting retailing development in recent years.

A franchising agreement allows the franchisee to operate a business under the name of the franchisor in return for a fee. The franchisor provides its franchisees with trademarks, operating systems, and well-known product reputations, as well as continuous support services such as advertising, training, reservation services (for hotel operations), and quality assurance programs.

1.2. Why franchising

For the franchisor, franchising allows it to expand internationally with relatively low risk and cost. A franchisor can also obtain critical information about local market customs and cultures from host country entrepreneurs.

Buying a franchise is a way for people with limited capital to have their own business. The franchisee can enter a business that has an established and proven product and operating system. It has the benefit of using a recognized trade name, product, or brand title. Since small-business are attributed to lack of business know-how, this advantage of a good franchise is obvious.

The disadvantages are that both parties must share profits earned at the franchised location, selecting and training of franchisees. Some franchise agreements allows the franchisee very little freedom to exercise their own ingenuity. Moreover, control is also an issue in international franchising such as when franchisee can not meet the standards, the franchisor can revoke the franchise it has awarded to the franchisee.

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[1] Czinkota, Ronkainen, Moffett, <International Business>, International edition , 1995.

1.3. The Case

From marketing point of view, both the franchisor and the franchisee might link several successive stages in the production – distribution process. Therefore, from the franchisee standing point, one of the main work in the business is the trading and merchandising activities conducted by the merchandiser of the franchisee.

The writer has studied and experienced the function of managing the work of a merchandiser in distribution process in PT.PKB as a franchisee of Mothercare International. These opportunities shall be reported as a final project whereas the main subject will focus mainly on the role of the franchisee' merchandiser.

The next chapter will describe in general about the franchisor, the format and the franchisee involved. The following chapter will be details on one of the main stages in arranging and placing orders in merchandising from franchisee' side and conclude the report with summary.

CHAPTER 2 : THE COMPANY

2.1 THE FRANCHISOR

Mothercare UK Limited is a private company whose share capital is owned 100% by Storehouse. It is a wholly owned subsidiary of Storehouse Plc a Public Limited Company registered in England and Wales. Storehouse Shares are traded on the London Stock Exchange.

The franchising activities of Mothercare are controlled through Storehouse International, a division of Storehouse. Storehouse International are responsible for negotiating terms of appointment of franchisees and providing support to Mothercare International, itself a division of Mothercare UK Limited. Mothercare International staff provide the day to day point of contact for franchisees.

Mothercare was founded in 1961 as the first ever UK mother-to-be and new mother specialist offering all the essential for their need, Mothercare is still the only retailer focusing on this specific market segment. Today Mothercare also caters for the childrenwear 2-8 year old market and sells through over 330 stores as well as its international franchise operation.

2.2 THE FRANCHISE FORMAT

Mothercare International franchise the Mothercare concepts, system and intellectual property comprised in the Mothercare business. It also makes available to franchisees a comprehensive range of product for pregnant mothers, babies and young children (Mothercare Merchandise).

The franchise agreement is predominantly based upon an area development agreement format whereby the franchisee will be expected to commit to a program of store openings funded and operated by themselves. Unit franchising whereby the rights to operate stores are sub licensed to others is not generally permitted.

The territory is defined in the agreement and the franchisee is granted exclusive rights within that territory to develop the business subject only to those reservations to Mothercare, as franchisor, which are set out in the agreement. The franchisee is restricted from supplying Mothercare merchandise or establishing Mothercare Store outside the territory. The agreement is typically for a period of 10 years.

Mothecare approves all proposed locations for Mothercare stores in the territory and those stores are expected to conform to Motherare standards of layout, display, equipment, stock levels and customer services.

All store operating costs, such as rent, local taxes, staff costs etc are paid for by the franchisee. The franchisee purchase their entire stock requirements from Mothercare and also buy from Mothercare the necessary fixtures and fittings at the cost price charged to Mothercare by its supplier. They are invited to the United Kingdom at regular intervals during the year to inspect and order ranges of merchandise. The range of merchandise is that offered to the UK stores, together with additional ranges developed by the Mothercare International buying staff.

Properly trained franchisee staff is pre-requisite to a successful franchise in the territory. Mothercare offer training via its stores in the UK for franchise key store management who will then be able to train their own staff.

The success in any market will be dependent upon a thorough knowledge of the local market. Appraisal by the prospective franchisee of the opportunity is the basis of whether a franchise will be granted.

Mothercare monitors the effectiveness of the franchise operations within the territory by visits, announced and unannounced to ensure a consistent presentation of the Mothercare system and store standards with those of Mothercare itself. Mothercare also provide general help and guidance to franchisees who requests it and in accordance with the terms of the agreement provide management assistance in the territory.

The agreement sets out limited rights to the franchisee on the franchisee ability to sell the business and restricts the franchisee in dealing with the development rights (as defined in the agreement). It also sets out the method by which Mothercare, as franchisor, approves proposed retail sites, the franchisee obligation in general, obligation in respect of the approval and supply of products to be sold in the franchised units, and promotion and advertising of the Mothercare brand.

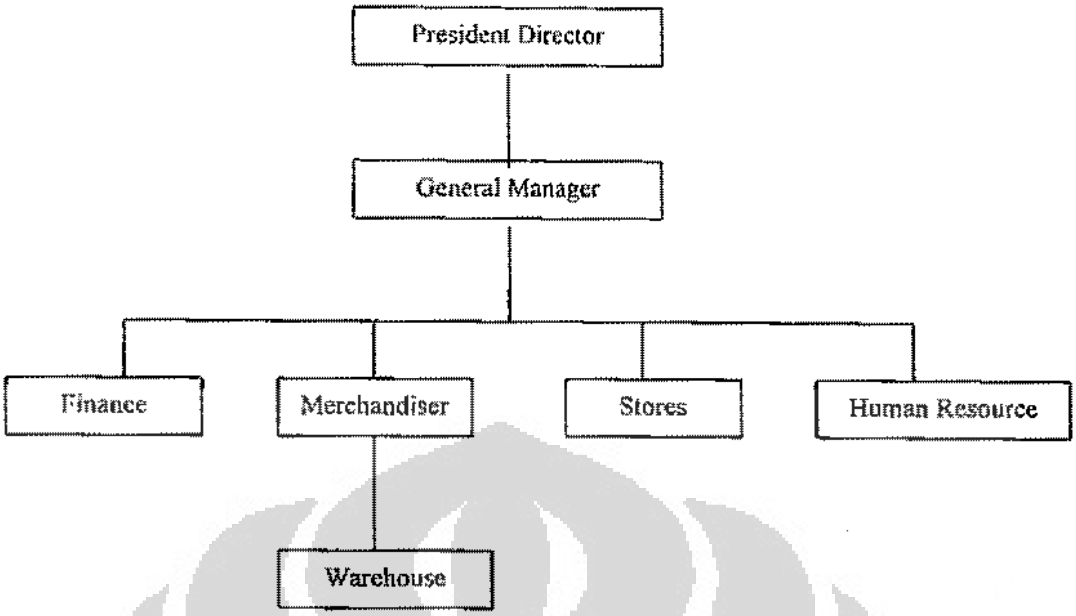
The franchisees attention is directed to the agreement which sets out the terms upon which a franchise will be offered; a franchise will be controlled; a franchise may be renewed; the terms upon which the franchisee may require the franchisor to grant a new operational agreement; the terms upon which the franchisor may purchase the business.

All rights in the Mothercare system belong to Mothercare UK Limited and the franchisee does not through the agreement obtain any rights to it. All goodwill from the use or attaching to the use of the Mothercare trademark belongs to Mothercare.

2.3 THE FRANCHISEE

The original franchise for Indonesia was granted to CV.M which subsequently requested the approval of Mothercare to transfer the franchise rights to PT.TT, a company formed by the owners of CV.M. In view of non-payment of debt owed to Mothercare, failure to achieve the minimum sales requirement; failure to meet and maintain the required store standards and other observed breaches of the agreement; Mothercare took steps to terminate the relationship with PT.TT. However an amicable solution was concluded by an Assignment Agreement, the rights to the Mothercare franchise for Indonesia were assigned to PT.PKB.

At present, as partner of Mothercare in Indonesia and under the terms of the Agreement, PT. PKB manage and control the two stores of Mothercare at Pondok Indah Mall and Kelapa Gading Mall, Jakarta. The management structure for the business is as follows :



2.4 THE MERCHANDISER

A merchandiser is needed both in the franchisor and the franchisee but to be carried out in different manners. In this report the writer focus only on the merchandiser of the franchisee. The basic idea is simply that the merchandiser of the franchisee (PT. PKB) places order to buy goods only to the franchisor (Mothercare) to sell them to end customer in Jakarta, Indonesia.

The role of franchisee' merchandiser characterize, with some variation, their buying system. They have great authority to select the merchandise to be featured, however base on certain issues. Meaning that they need to mastering the principles of demand forecasting, merchandise selection, stock control, space allocation, display etc. They are using computers to track inventory, compute economics order quantities, prepare orders and generate printouts of money spent on products.

Mothercare product has two season range every year, namely autumn winter and spring summer. These ranges are ordered base on Mothercare calendar called financial year that is divided into 13 periods of time. Each period covers four weeks or 4 x 7 days and each week begins every Saturday and ends every Friday. As a result, these product are needed to be planned accordingly to keep up with the latest theme of every style of the product.

As the name indicated, the merchandiser need to establish sales and buying budget to support its function which extends through budgets to range planning. The merchandiser of the franchise has two major decisions in conducting the process of merchandising that begins with deciding how much budget to spend to come up with how many ranges to buy.

The following chapter is details of how the merchandiser of the franchisee prepares and set the seasonal range planning as day-to-day basics role to support its function.

CHAPTER 3 : BUDGET AND RANGE PLANNING

This chapter covers a logical framework of merchandising from deciding the budgets to planning the ranges of the products. They are practices to manage the Mothercare' merchandising using techniques and methods described in two sequences as follows,

3.1. Sales and Buying Budget

3.2. Seasonal Range Planning

3.1. Sales and Buying Budget.

The creation of Sales and Buying Budget is a key element of merchandising planning. Every franchise partners use several different methods to arrive at their final agreed figures.

The process of agreeing budgets involves a number of stages, all which are explained below. They are eight key points in creating sales and buying budgets, and to be as effective as possible they must be completed in which they are listed as follows.

3.1.1. Objectives for the year or season being planned.

The very first stage in the process is to decide what are the objectives for the year. What this involves is agreeing the message as to communicate to the customers through the product offer and the elements of that offer upon which to place as additional emphasis.

For example, because very few competitors offer a credible range of cots, there is an opportunity to grow the market share in this area. As a result, one of the objectives will be to increase cot range from the previous season.

When objectives have been established, they must be reflected in all subsequent stages of the budgeting process i.e. the eventual sales budget by department such as maternity department, girlswear department, toiletries etc., should show a growth level which is consistent with the objectives. Other possible objectives are

- space strategy
- number and location of new stores

- price strategy
- promotional and advertising strategy

3.1.2. How to achieve the objectives.

Tactics and measures are terms used to explain in more detail how the achievement of the objectives will be supported and their effectiveness will be measured. Referring to the above example, the relevant tactics and measures of growing the share of the cot market might be :

Tactics	Measure
- Strengthen autumn winter cot range in £150-£175 price point market by introducing new line	Incremental sales & profit Mothercare market share in this segment to grow by 8%
- Introduce top end limited store exclusive cots lines i.e. over £225	Incremental sales & profit from these Mothercare market share in this segment to grow to 5%
- Reduce existing cot options by putting second colors onto cot ends	Critical path of cot end introduction Maintain sales of second colors
- Use promotions to drive volume and market share promotions	Incremental sales & profit from Total cot market share grow by 4%

3.1.3. Understand the factors affecting the country.

After the strategic direction has been agreed, the next thing is to start developing the numbers around which the eventual sales budgets will be formed. These will be those which can not be controlled and as a result of factors happening within the country which will impact on the final sales budget.

Such factors might be

- measurable changes in the birth rate
- government tax legislation
- currency fluctuations
- economics of the country, i.e. inflation etc.

These factors may not seem relevant to how the sales budget is normally planned, but they can have massive impact upon the sales turnover and cannot be ignored in the budgeting process.

3.1.4. Identify Sales History

The sales history is needed to involve in more detailed sales budgeting. This history will need to be available at the level of budgeting, i.e. by store or by country and department or sub department.

The principles to budget are the same either for a full financial year or by season. Where possible, it should have two full years or season history available. The reason is simply to look at the sales history over a greater length of time. Naturally, if there has not been trading for the two years or season, then it is possible to use whatever history is available. In case of less than a full year, then it will has to use for example autumn season history with spring planning.

3.1.5. Normalise Sales History

Normalisation is the process of finding explanation as to why sales occurred as they did. The benefits of doing this is that it can re-state the history to remove any events which affected the sales in the past but which are likely to re-occur and affect the sales in the future. The events of which to be appeared in a number of questions such as were sales affected by periods of being out-of-stock or very low on stock or by unusually high sales which are unlikely to occur again in the future.

The types of events which will have an effect on sales are events such as weather conditions, national events and holidays or period of markdown activity. The best source for the information is from the shop staff or from the knowledge of others in the business who regularly analyze sales. They should be able to provide some details as to why and how sales occurred as they did.

When identifying events which affected sales, it is necessary to quantify the impact of these events on the sales history. For example, there was a lost sales because of low stock levels and such stock levels is not intended to happen in the future, then it will need to add the lost sales on the sales history to show the sales it should have taken. The sales history then is normalised.

The methods used in developing information for normalizing sales involves keeping records each week of the events that could affected sales, both positively and negatively. Keeping these records on a weekly basis will build up a good basis for normalization in the future.

To see the pattern of sales, it is better by looking at the individual weeks rather than an average weekly sales figure to see if there were weeks with unusually high or low sales. Looking at this detail will normalise more accurately. The following figure illustrates this point.

Opening stock 30 units

Sales	week 1	8 units	Stock	week 1	22 units
	week 2	5 units		week 2	17 units
	week 3	4 units		week 3	13 units
	week 4	2 units		week 4	11 units
	week 5	2 units		week 5	9 units
	week 6	1 units		week 6	8 units
	week 7	1 units		week 7	7 units
	week 8	1 units		week 8	6 units
Total sales		24 units			

The average weekly sale is 24 divided by 8 weeks = 3 units

This figure hides the true potential of this product, as the sales reduced from week 4 due to the stock levels being low, as in week 5 there was only 9 units left. By looking at the weekly sales figure rather than the average, the conclusion would be that if there were more stock then sales could have taken more. The average weekly sales for the first 3 weeks, with good stock level, were about 6 units. The sales history then should use 6 units and not 3 units.

Deciding that 6 units is a more realistic number than 3 is what is known as using the 'rate of sale' rather than the 'average weekly sales'. The rate of sale is the average weekly sales during the time of acceptable stock levels. The figure above uses the average of the first 3 weeks and not the whole 8 weeks. So the rate of sale is 6 units per week during the time of good stock levels.

3.1.6. Create Departmental Budgets

There are three angles to approach the plan of each departments' performance, they are

3.1.6.1. Sales Mix

This means looking at how much of total sales will come from each department, and sub-department (to be more detail). The decisions regarding these mixes will come from experiencing of how the previous ranges performed and information from the UK merchandising team as to how the range is being bought by the UK buyers.

For example, assuming that boyswear will account for 12% of the sales this year compared to the 10% that it was last year. To support this view simply by showing how the departments within boyswear have moved year-on year. In fact the 2% increase at the department level may all come from a planned increase in sales of say jeans and jog pants and maybe a reduction in formal trousers compared to last year. When structuring the sales budget in such a way, it need to ensure that the objectives and tactics & measures are reflected in the sales mix and the variances which are explained next.

3.1.6.2. Sales Variances

This means looking at the increases or decreases envisaged in this year' sales versus last years' performance.

Keeping the previous example, say last year sales can be improved on by 8% and again most of this will come from jeans and jog pants. The technique to use to help with working out what sort of variance is by deciding the reasons why the sales will vary from last year and then trying to put a sales value against each reason.

For example, the reasons would be

- better availability of product through a higher fulfillment rate on orders
- the ranges are more fashionable and would sell better on country
- more stores than last year
- order more of the new products offered than last year

3.1.6.3. Making It Fit

Having completed the first two angles above, it needs to compromise aspirations in order to make them fit, i.e. to get the mix percentage and sales variance to generate the same sales value.

For example,

Last year :

Total sales were 800,000.
Boyswear sales was 80,000.
The boyswear mix was therefore 10%.

This year plan :

Total sales plan is 1,000,000.
Boyswear generate 12%, which will be 120,000.
Increase its' sales by 10% on last year i.e. 88,000.

There is a conflict between the mix aspirations and the variance aspirations, and this conflict may well exist for other departments as well. The only way to resolve this situation is to agree on a sales value somewhere between 88,000 and 120,000 and then determine what mix and variance this number generates.

3.1.7. Determine the Seasons' Sales Budget.

The sales budget is the measure of the expected sales. Assuming the top-line Sales Budget for the year is 1,000,000 ; this sales budget is phased across the 13 periods of the financial year as follows :

Period 1	70,000	
Period 2	75,000	
Period 3	75,000	
Period 4	72,000	
Period 5	73,000	
Period 6	75,000	
Period 7	80,000	Autumn Winter Season
Period 8	80,000	Sales = 495,000
Period 9	85,000	[period 6 to 11]
Period 10	95,000	
Period 11	80,000	
Period 12	70,000	
Period 13	70,000	
Total	1,000,000	

If autumn/winter season is planned to be from Period 6 Week 1 to Period 11 Week 4 as in the UK, then the sales budget for the season will be the total of these periods = 495,000.

If it is anticipated that say 45% of the sales will come from fashion product, then the total fashion sales during autumn winter will be 495,000 x 45% = 222,750.

3.1.8. Determine the Seasons' Buying Budget.

The buying budget is the amount of money needed to spend in order to ensure the planned sales are taken. The figures of sales budget and buying budget are not the same.

If the buying budget is calculated as being the same as the sales budget then there will be stock difficulties. In reality the sales will come from mixture of say autumn winter and other product, so that during the season, the following types of merchandise will contribute towards overall sales,

1. New autumn winter product bought speciafically for the season
2. Recoded product from previous seasons. This product may have been recoded from the spring summer season prior to the autumn season being planned, as well as the previous autumn season.
3. Marked-down product which will contribute towards sales during say the main Christmas sale or other sales during the season.

The following are stages to create a buying budget.

3.1.8.1. Breakdown Sales Budget

For example, the breakdown will be as follows,

Autumn winter product	80%	178,200
Recoded product	12%	26,730
Marked-down product	8%	17,820
Total sales for the season	100%	222,750

The process of breaking-down the sales above is a form of guess-work. It will need to forecast the volume of stock that it will have at the beginning of the autumn winter season for both recoded and marked-down product, as this will give a view as to how much of it will sold during the season itself.

3.1.8.2. Building Sales Breakdown

One of the rules of creating buying budgets is that the store will never sell everything that is bought. They will always have something left at the end of the season. This is a fact and cannot be ignored. The reason why many companies (including some franchisees) experience the situation of having more stock left than they would like is that they do not plan the amount they want left in the first place.

By planning to have stock left (called terminal stock), does not mean defeat that there is something wrong with the way the merchandiser buy. It is simply facing up to a fact but controlling that quantity by building terminal stock into buying plans.

The next stage is to quantify the extra amount that need to be bought. An example listed below are the quantities expressed as a % of sales for the season, thus making them ready to be used in the budgeting process.

Maternity Fashion	6.8%
Baby Fashion	5.2%
Layette	3.7%
Younger Boys	5.0%
Younger Girls	4.5%
Total Fashion	4.8%

Using these figures with the sales breakdown by applying the percentage to the sales figure, will work as follows,

for fashion : taking autumn winter product sales of 178,200 from above and adding on 8,550 (4,8% of 178,200) to arrive at a total buying figure of 186,750

This means that in order to sell 178,200 of fashion product the merchandiser need to buy 186,750 which will have 8,550 of product left at the end of the autumn winter season. This figure may include product which would be re-code into the following season, thus reducing the overall terminal stock.

Each seasons buying budget follows on from the previous season. When planning, say the spring summer buy, it will need to consider the sales of old stock during the following spring summer and autumn winter seasons during which it may be sold as marked-down product i.e. back at stage 1 above for the following season.

3.2. Seasonal Range Planning

The contents of Seasonal Range Planning are

1. Creating Buying Budgets from Sales History
2. Creating Margin Budgets from Sales Budgets
3. Planning the Space
4. Using Stockturn to Control the Range Plan

3.2.1. Creating Buying Budgets from Sales History

The further stage from the principles outlined within the sales & buying budgets above is creating a phased yearly plan for sales & buying budgets which in turn will be used as the basis for the final range plan. The working to achieve this phased plan are contained in the buying calculator.

To arrive at the buying budget, the entire spreadsheet shown in appendix 1 is explained below. The column headed code is used for the purpose of explaining the individual elements of the spreadsheet.

Code	Explanation
1	Actual sales for last year, valued at retail
2	Sales last year after they have been normalised.
3	Sales budget for the year at retail prices
4	The % variance of the sales budget for this year compared to normalized sales for last year. Normalized sales is used because they represent the best view of how they should have be performed last year and therefore should be used as the basis for planning this year.
5	The % variance of sales budget for this year compared to actual sales for last year.
6&11	Headings
7-9	Percentage breakdown to each of the product classifications and shows how to expect each category of product to contribute towards total sales each period.
12-14	Percentage figures from codes 7 to 10 to the sales budget in code 3. For example, using period 1 from the budget calculator, code 3 shows that the sales budget for the period is 46.200. Code 7 shows an estimate that 3% of that sales figure will

come from recoded product, which is 1.386 – the figure that appears in code 12. Code 8 & 9 follow this logic with their relevant values appearing in codes 13 and 14.

10 A calculation to ensure that the % entered in code 7, 8, 9 add to 100%

15 Calculation of code 12, 13, 14 to ensure that they add to the total budget as agreed in code 3

16 These figures are the link between the sales on new product and the amount on new product to be bought in order to achieve those sales. The chosen percentage relates to a season or year and should not vary across the periods.

17 These are calculated by applying the % figures in code 16 to the new product sales from code 14. For example in period 1 the value of 2.434 is 5.5% of the new product sales of 43.890.

18 This is the addition of the new product sales value (code 14) an the additional terminal stock buy value (code 17) and as a result is your definitive buying budget at retail.

19 This margin % is known as intake margin and relates only to the new products to be bought. It is different to sales (or gross margin) in that it is used here to convert buying budget, which is valued at retail (code 18) into a buying budget which will be valued at UK cost. Because this margin only relates to the stock coming into the business, i.e. buying proposal, it will not fluctuate as much across the year as sales margin, which is affected by markdown etc.

20 This figure shows the value of the margin on new product buy at the margin % specified as code 19. It is calculated by applying the margin % agreed in code 19, to buying budget value from code 18. In period 1, the required margin value of 20,846 come from multiplying the required margin of 45% to the buying budget value of 46,324.

21 The buying budget at landed cost therefore is the retail value of buying budget less required margin value. The reason why landed cost is used is because it is the ultimate cost of the product prior to distribution cost.

22-24 Once landed cost is known, deduct the costs of freight and franchise fee from this value. These two costs are normally expressed as a % of the UK Cost, so working back from landed cost will allow us to calculate the buying budget at UK Cost.

Conclusion :

Retail sales history of 680,000 drove a sales budget of 725,000. Of this sales budget, 94% across the year will come from new product (678,078). Need to buy 5.5% more in order to achieve this sales plan, i.e. 715,373. This value is still at retail, but by knowing to achieve an intake margin of 46%, this product will cost 386,301. This includes freight & franchise fee, which when taken away will leave 300,000 at UK cost to spend on new product across the year.

3.2.2. Creating Margin Budgets from Sales Budgets

The calculations required to create margin budgets from sales budgets are contained in the margin calculator. Several codes from the buying calculator are used in the margin calculator namely 3, 11, 12, 13, 14, 15, 19, all of which are concerned with sales budget and required buying margin %.

The reason for bringing the buying margin % into the process of creating sales margins is that it acts as a guide to show how to expect the selling of new product at higher margin % than the buying cost.

Code	Explanation
25&30	Heading for the 4 rows : planned sales margin % to each product classification
26-28	These rows relate to the sales margin % planned to achieve across both the periods of the year and across the product classifications. For example, the re-coded product and the new product will have similar sales margin percentages each period. The new product % will need to be planned taking the buying margin into account. The markdown product % varies across the year, but increases during markdown periods, in this example periods 5 and 10. The reason that this happens is that product which had previously been in the 'new' category is being marked down for the first time. This product will when marked down be at a higher margin than the existing market down product,

some of which may have been reduced several times previously. As a result, the overall margin of the marked down product will increase. This margin will subsequently reduce again during the sales, as it is likely that it will be reduced further during this time.

31-33 Related to the three code above and are calculated by applying the margin % to its relevant sales budget. For example, in period 1, new product will contribute a 45% margin off sales of 43.890 giving a margin value of 19.751.

34 Total value of code 31, 32, 33 = total margin value for each period.

29 Total sales margin % for the period, but is not keyed in as the product classification percentages are, but is instead calculated as the total margin value as a percentage of the total sales budget value. In period 1, a total margin value of 20,619 from a sales budget of 46,200 produces a sales margin of 45% (20,619/46,200 allowing for rounding to one decimal place)

3.2.3. Planning The Space

The space can be measured and reported as either square feet or linear feet. Square feet should never be used within the range planning process as it does not provide the volume of stock that can be displayed. In order to understand what this volume will be, it is important to understand the amount of space available for displaying stock that can only be understood by using linear feet.

The idea of using space in range planning is to monitor that the ranges to be bought will be appropriate for the space from which they sell and how to achieve the sales plan by department from the space assigned to each department.

The first stage in planning the space is to convert the buying budget value into units. This can be easily achieved by dividing the buying value by the average price of the units to be bought. The buying calculator will show then that there are two buying budgets, one calculated at retail and the other at UK cost (code 18 & 24). When using the retail value budget, the average retail selling prices can be used for next year by looking at how they were priced last year and agreeing upon what the strategy will be for this year. When using UK cost buying budget, the average UK cost prices is used for the next

12 months and there will be no access to these that far in advance, as they only get confirmed as each phase or merchandise is developed.

The retail prices planned for next year, will need to be an average by department and as a result are unlikely to change very much during each season, although they may vary from one season to another.

The space calculator shows the progress from the buying budgets in retail value to a buying budget in units. The explanation of the space calculator is as follows,

Code	Explanation
3,14,18	As previously explained from the buying and margin calculators.
3,14	[information only]
18	To be converted into units.
35	It will need to address the pricing strategy for the year being planned, using last year average retail selling prices to drive out a view of the prices for this year.
36	This is arrived by dividing code 18 by code 35.

3.2.4. Using Stock Turn to Control The Range Plan.

3.2.4.1. Stockturn

The concepts of stockturn relate to how quickly the stock is selling and for how long it will last. They are extremely useful measures of the stock position and have the advantage of being applicable at any level within the business.

Stockturn is defined as sales in a certain period of time divided by the average stock, and is thus a measure of how fast merchandise has sold. For example, if the sales in one store last year were 100,000 and the average stock in that store during the year was 25,000, the stock turn is 4 (i.e. 100,000/25,000). It means that the stock can be turned 4 times a year.

As stock level can vary quite significantly over the course of say a year, getting an average stock level can be achieved in any one of three ways. In the example below are opening stocks for each of the Mothercare 4-week periods.

Period 1	220,000	opening stock of the year
Period 2	230,000	
Period 3	230,000	
Period 4	240,000	
Period 5	245,000	
Period 6	250,000	
Period 7	260,000	
Period 8	235,000	
Period 9	225,000	
Period 10	230,000	
Period 11	215,000	
Period 12	235,000	
Period 13	240,000	closing stock of the year

The three methods of calculating the average stock are as follows,

1. The average of the opening stock of the year and the closing stock of the year. In the example above, this is the average of 220,000 and 240,000 which is 230,000
2. The average of the opening stock of the year, the closing stock of the year and a stock level from the middle of the year. This would be the stocks from periods 1, 7, and 13, i.e. the average of 220,000, 260,000 and 240,000 which is 240,000. This method is useful, where the stock reaches a very different level in the middle of the year and you want this level to influence the average.
3. The average of the opening stock for the each of the periods which is 235,000.

The above methods have been applied to a full year, but can also be used to calculate averages over any length of time such as weekly or daily etc. The last method provides the most reliable average and should be used if you have access to all the individual numbers.

Stock turn is designed to show many times it will sell (or turn) the stock during a season. As a result, the elements required to calculate the stock turn are the sales and the stock. Within the range planning process, it is used primarily to check that there is sufficient space to the ranges in order to achieve the sales. To check if the stock being bought through the space will occupy quickly enough during the season in order to avoid having excess stock at the end of the season. It should clarify the fact that stock turn is about the movement of stock and the speed that it moves through the space available. If it does not move quickly enough, then the season will have ended before the stock has cleared. If it moves quickly, then the stores would running out of stock and have missed sales opportunities. The number of the stock turn depends on the store location and its customer flow.

3.2.4.2. How to use Stockturn

Stockturn can be used during in-season trading and range planning activities.

<u>In-Season</u>

During the season, it can be calculated by valuing the average stock and dividing it into the value of sales taken over a period of time. To get a meaningful stock turn figure the period of time needs to be at least the length of a season, but ideally a whole year (see example above).

<u>Range Planning</u>

It will need an average stock number and a sales plan, in this case the sales is taken from code 14 "New Product Sales Budget". the value of stock that can be displayed in the space should be used in order to calculate the average stock.

This can be achieved by understanding how much stock the fixtures can hold. There are a number of stages to achieving this and from here to the end of the module, there is a considerable amount of space details to absorb.

1. *Calculate the linear footage for the department.*

This footage is unlikely to change during the season, but may change from one season to the other in case of changing the departmental layout of the store.

2. *Calculate the new product footage.*

This is to consider how much space will be given to markdown and recoded lines. It needs to be done because not all of the sales come from new product during the season, so therefore it must devote some space to achieving these sales. This will give the available space for new product. The above are covered by code 37, 38, 39 in the space calculator.

3. Calculate density per linear foot (code 40).

Density per foot is the term used to understand how much product can be displayed on each linear foot in the store. To initially calculate these figures does require time, but as the benefits of remaining constant for each season or year. The reason for this is that the density simply reflects how much to display on a fixture and has nothing to do with sales or margin figures in other words it is a salesfloor stockholding capacity. The next thing is to value that capacity using average selling prices.

Code 40 shows typical densities. As these figures relate to an average density per foot, the total stockholding capacity is calculated in units by multiplying this density number by the number of linear feet it has on the floor. This calculation is shown as code 41. Code 42 is simply the retail value of code 41 and is calculated by multiplying the latter by the average retail prices, which is code 35.

4. Stockturn (code 43)

Code 43 provide the number needed in order to make decision of how quickly can the store sell the products during the season through the given space. It is calculated by dividing salesfloor stockholding value (code 42) into new product sales (code 14).

However, stockturn is only a meaningful number when use the correct sales figure, meaning that sales for at least a season, but ideally a full year. Therefore in calculating the stockturn for each period on the space calculator , each periods sales has been multiplied by 13 before the stockholding value has been divided into it. This is known as annualizing the sales. In this case, the stockturn increases during period 10 which is the highest sales period of the year.

For the full year total stockturn figure, the average stock across the year has been divided into the total sales for the year. There are two option to determine whether the stockturn figure calculated as code 43 is realistic or not :

1. Using the sales and stock history from previous years (for long trading) as a measure of the past.
2. Refer to the UK averages when starting up a new store.

5. Facings per foot (code 44)

At this stage, there are calculations of how many units to buy (code 36), how many of them can fit on the salesfloor at any one time (code 41) and how quickly to turn them in order to achieve the sales plan (code 43). This information is vitally important to a well-constructed range plan. One further level of detail to go in completing the range plan that is how many options to buy.

This can be achieved by understanding how many facings per linear foot can be displayed. A facing can be defined as the number of products that can be seen per linear foot. For an arm, this will always be one. For shelved products, it will be the number of products that can fit across the shelf.

The fundamental principle here is that all the options bought must be able to fit on the sales floor. This number of options can be calculated by understanding how much space an average option needs. These averages are those used by the UK and should be used as code 44.

6. Multiple display (code 45)

In certain sized stores, probably those of 3000 gross square feet and greater, there may be a requirement on some essential and basic clothing lines to display an option on more than one arm. This practice is known as multiple displaying.

Multiple displaying is not a method of using up space to disguise a badly planned range. Instead it is a specific tactic to ensure sufficient volumes of products are displayed to sell in large quantities and to make it very aware to customers that the store have these garments. In some ways, it is similar to the previous example in this module about displaying just one product and expecting to turn it 1000 times. Instead it may adopt a multiple display and thus create a sensible stockturn.

Within the space calculator, code 45 is to input the departments and the extent of multiple displaying activities. Two important points to be noted,

1. when not using any multiple displaying, the figure entered should be 1 e.g. for pushchairs, cots etc.

2. when displaying every option twice, the figure entered should be 2. In this case, clearly there is enough space to buy more options to generate a wider range and more customer interest.

Choosing a number between 1 and 2 for each department is clearly not an exact science, but it is important to provide best view, otherwise the space calculator will suggest a number of option which may not be comfortable.

The maximum of 2 only applies to the department total on the space calculator. In reality, individual garments may be displayed on three or four arms within the departmental space on the sales floor.

7. Number of options to buy (code 46)

This is a calculation which involves codes 39, 44, 45 in the following formula : code 39 [linear feet for new product] divided by code 44 [number of options per linear foot] divided by code 45 [multiple display factor].

Using Period 1 from the space calculator

New linear feet	95
Average options per foot	1
Multiple display factors	1.5
Number of options (100/1/1.5)	63

The explanation of this is that it has 95 linear feet and can only fit one options on each foot. Therefore, the maximum number of options to buy 1 would be 95. However, there is going to be some multiple displaying. The factors of 1.5 indicates that on average half of the option range will be displayed across two arms, so the options to buy is 63 options.

8. Average unit buy per option (code 47)

The final row within the space calculator and acts as a guide to order quantities for each option. It is calculated by dividing the number of options to buy (code 46) into the new product buying units (code 36).

Summary

There is a lot of work involved in range planning. The above stages shows how it can be carried out in a series of logical steps which build upon each other. The merchandisers should be devoting the time to getting the range planning correct for each season, as this should always be the primary focus of their roles. Most of the work will be in accessing the information which will be needed for each of the calculators.

The two season refer to the variety of fashion in style which regards to the current season such as autumn winter and summer spring. As the name of the season suggests, the budget for autumn winter fashion should be adjusted due to the domestic season, such as Jakarta. Therefore in planning for sales and buying budget, historical data to be used should be emphasized on the data containing sales of summer spring fashion.

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- JEAN – MARC de Leersnyder, *Marketing International*, Dalloz édition, 1986.
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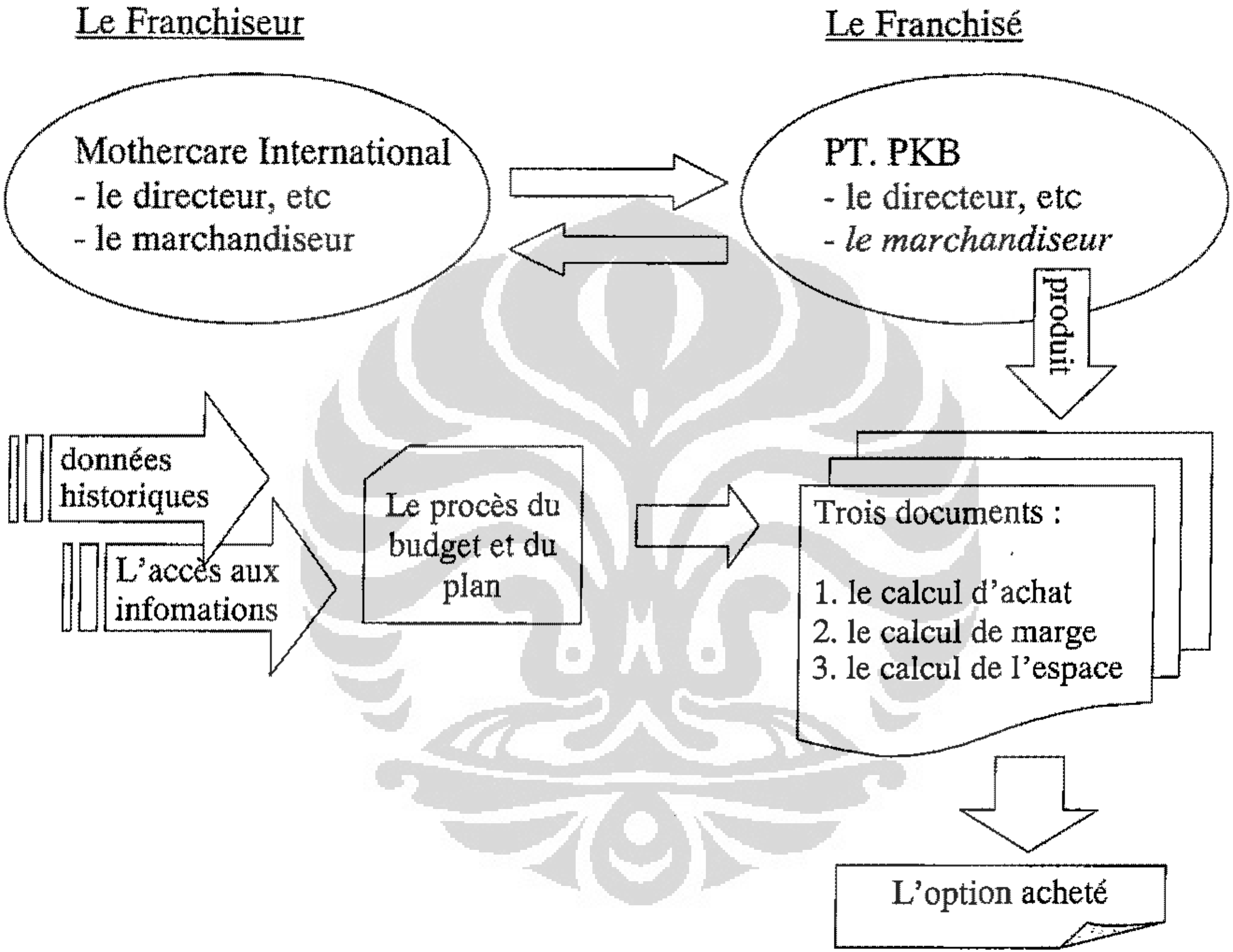
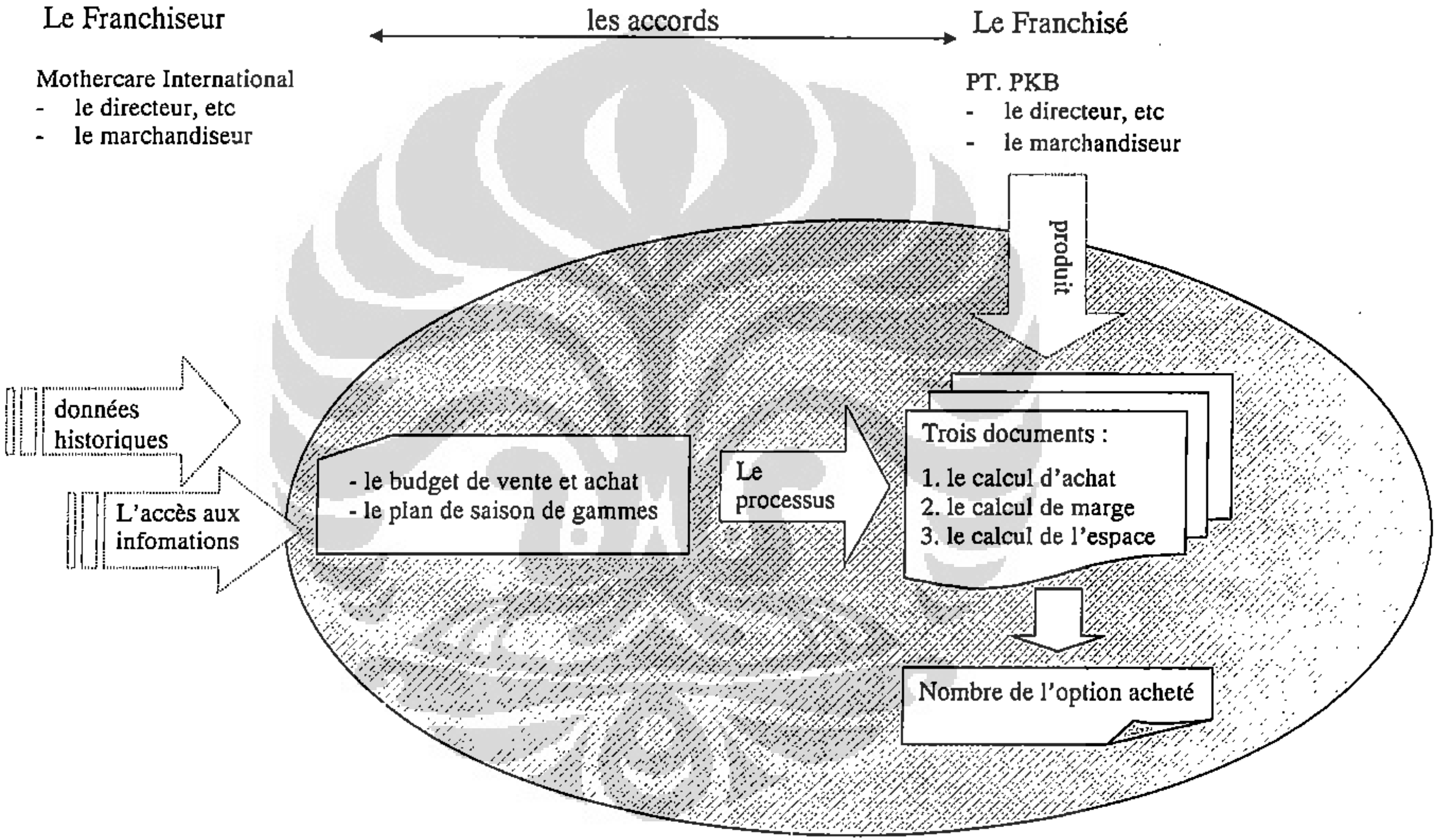
REFERENCES

1. Storehouse	means Storehouse Plc, United Kingdom
2. Mothercare International	means a division of the franchisor
3. PT. PKB	means a division of the franchise
4. Re-coded Product	They subsequently viewed as being genuine elements of the next season in exactly the same way as new products line. The process of recoding is the practice of taking products from the current season and nominating them as part of the next season range.
5. Marked-down product	Products which values are reduced under certain terms and considerations.
6. Terminal Stocks	Stocks that have reached the end of their selling life and are no longer considered to be part of the main product offer


Le Franchiseur
Le Franchisé
Mothercare International
- le directeur, etc
- le marchandiseur
PT. PKB
- le directeur, etc
- le marchandiseur
produit
données historiques
L'accès aux infomations
Le procès du budget et du plan
Trois documents :
1. le calcul d'achat
2. le calcul de marge
3. le calcul de l'espace
L'option acheté



: *le secteur indiqué est le sujet de memoire*

2. Pourquoi la franchise international

Les avantages

Pour le Franchiseur	Pour le Franchisé
- la valorisation de la marque	- une assistance
- le contrôle de la distribution	- une source d'idée
- le levier de croissance rapide des entreprises	- un transfert de savoir-faire commercial, financier de gestion, technique
	- une notoriété immédiate
	- un professionalisme
	- une réduction du risque

Les désavantages

- se partager de gagner
- étoufer ingéniosité
- le degré de contrôle

3. Les sociétés

- Le Franchiseur
- Le Format du Franchisage
- Le Franchisé
- Le Marchandiseur

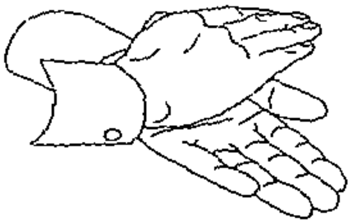
Plan du Budget Vente et Achat

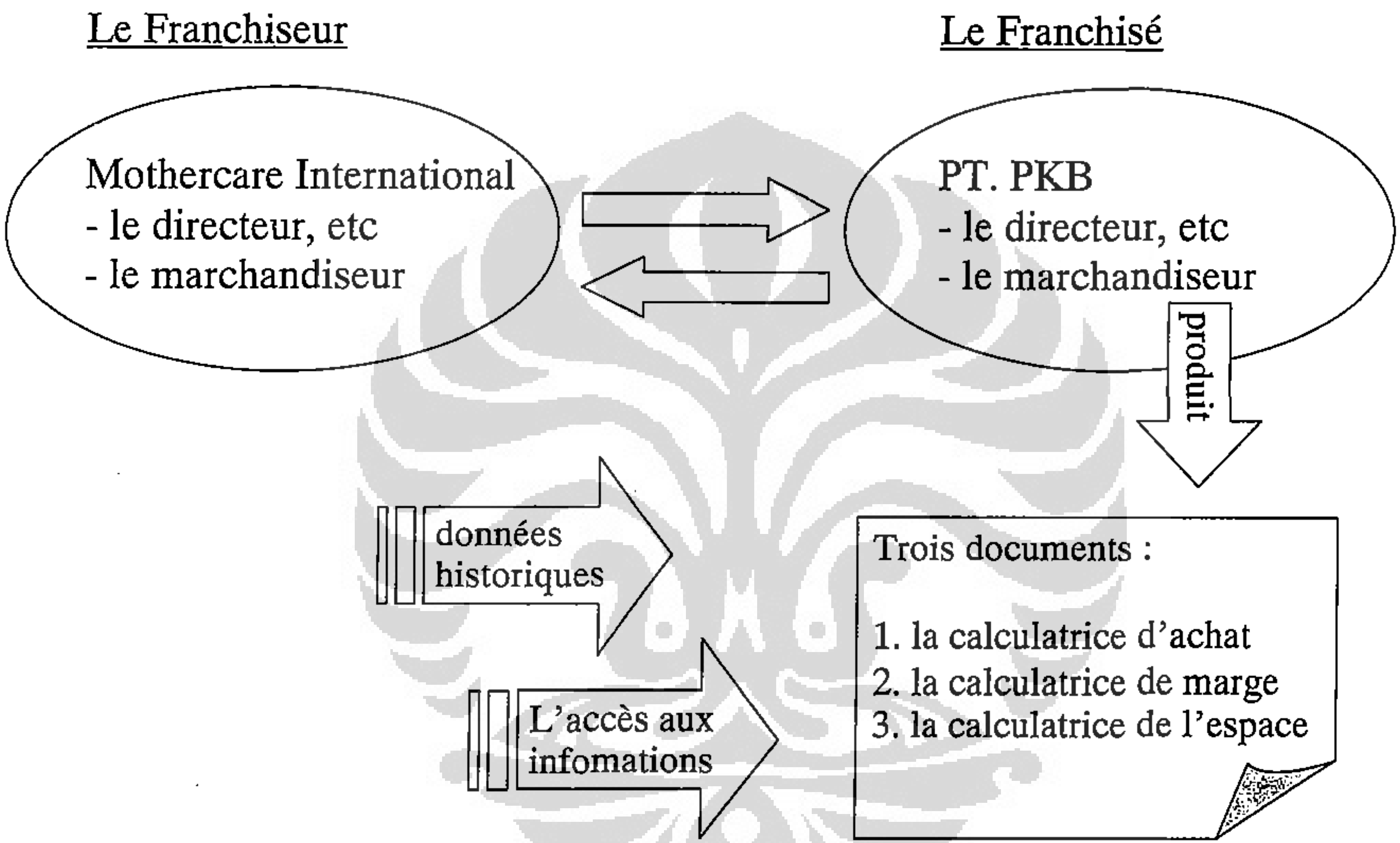
Plan du Budget Vente et Achat

1. L'objectif
2. Atteindre
3. Les facteurs affectés
4. Les données historiques de vente
5. Normaliser les données
6. Les budgets de département
7. Le budget de vente des saisons
8. Le budget d'achat des saisons

Plan de Gamme de Saison

1. Budget d'achat de données historiques
2. Budget de marge de budget de ventes
3. Plan de l'espace
4. Employer le Stockturn pour contrôler plan de gamme





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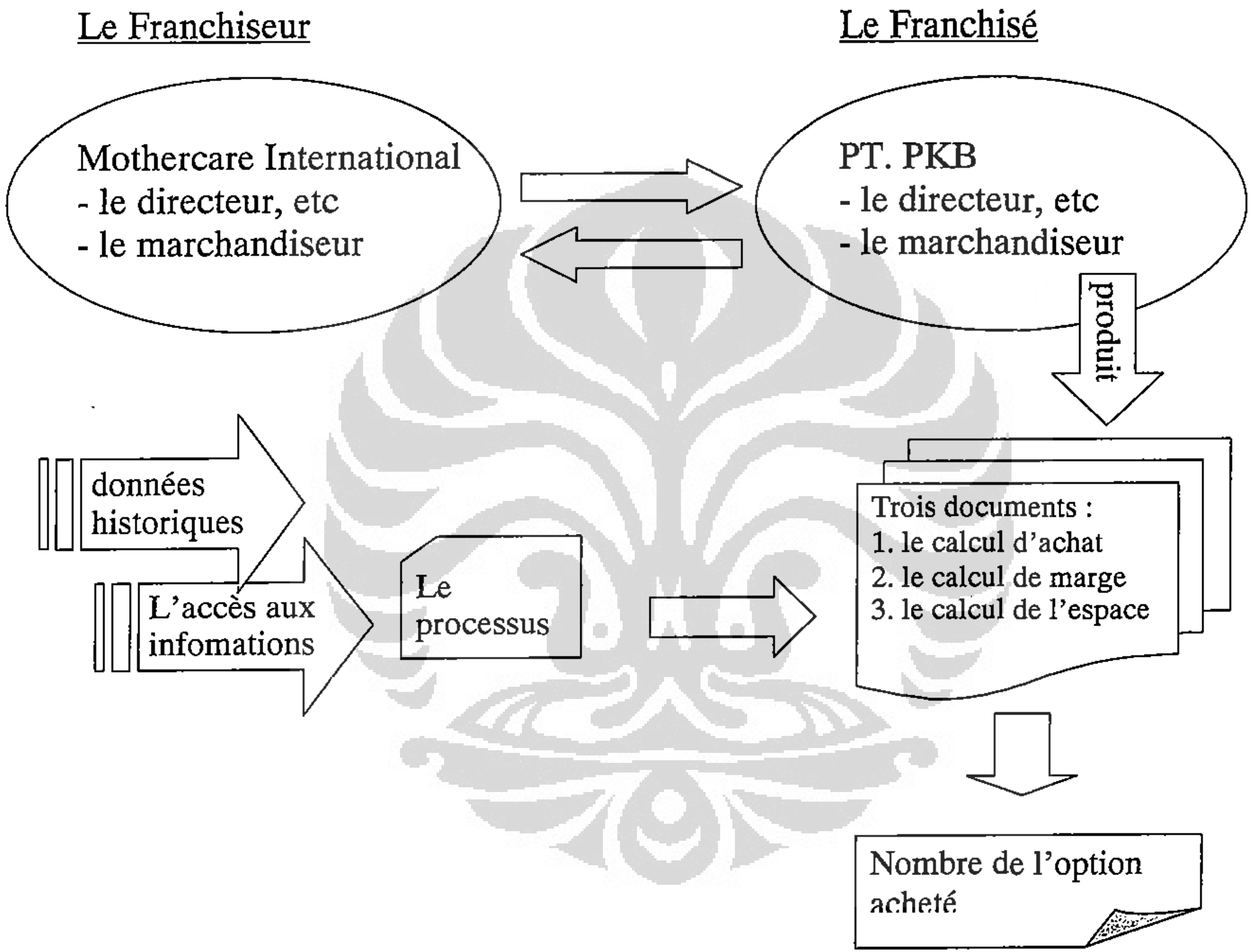
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L'accès aux infomations
Le processus
Trois documents :
1. le calcul d'achat
2. le calcul de marge
3. le calcul de l'espace
Nombre de l'option acheté

1. Qu'est-ce-qu'est le franchisage

Tout d'abord, les affaires d'internationales offrent aux entreprises un marché nouveau avec des transactions d'affaires régulières en croissance. Il présent pour les entreprises plus d'opportunités d'expansion, de croissance, et de revenus sur leur propre marché domestique et il offre aussi des choix nouveaux aux consommateurs.

L'un des moyens d'acceès aux macrhés étrangers et d'action du marketing d'entrer sur le marché international est la franchise internationale.

Le franchisage est une licence d'ordre commercial concédée par une entreprise à une autre pour l'exploitation d'une marque originale, de méthodes ou techniques particulières, en apportant l'assistance technique, commerciale et de gestion nécessaire.

2. Pourquoi la franchise international

Pour le franchiseur, il peut se développer mondialement à une reduction de risques et de coût. Il peut aussi obtenir des informations critiques sur la coutume et les cultures des marchés locaux de l'animateur de l'entrepeneur.

Acheter une franchise est un moyen pour les gens avec capital limité d'avoir leur propre affaire. Le franchisé peut entrer dans une affaire qui a produit un système opérationnel établi et approuvé. Il a l'avantage d'utiliser d'une marque reconnue, des produits, etc.

Pour tous les deux , il y a beaucoup plus d'avantages que d'inconvénients.

Les avantages :

Pour le Franchiseur
- la valorisation de la marque
- le contrôle de la distribution
- le levier de croissance rapide des entreprises
- le faible engagement financier

Pour le Franchisé
- une assistance
- une source d'idée
- un transfert de savoir-faire commercial, financier de gestion, technique
- une notoriété immédiate
- un professionalisme
- une réduction du risque

Les désavantages :

- se partager de gagner

  les deux parties doivent se partager ce qui est gagné dans le territoire du franchisé

- étoufer ingéniosité

  certains accords du franchiseur limitent les libertés du franchisé étouffant implicitement sa propre ingéniosité

- le degré de contrôle

  le degré de contrôle du franchiseur sur les activités du partenaire (le franchisé) où il peut révoquer cette franchise attribuée lorsque le franchisé ne peut pas faire face à des standards établis

3. Les sociétés

- Le Franchiseur
- Le Format du Franchisage
- Le Franchisé
- Le Marchandiseur

  Il joue le rôle d'acheteur. Son rôle consiste á établir des budget. Il va commencer par le budget de vente et achat. Il y a plusieurs étapes afin d'établir le budget. La première etape est (ci-dessous)

Plan du Budget Vente et Achat

1. L'objectif pour l'année en cours
2. Comment atteindre cet objectif
3. Comprendre les facteurs affectés

   (qui peuvent affeter ces objectifs)
4. Identifier les données historiques de vente
5. Normaliser les données historiques de vente

   (a partir de toutes ces données, on peut établir le budget concernant)
6. *Établir* les budgets de département

7. *Décider de faire* le budget de vente des saisons
8. *Décider de faire* le budget d'achat des saisons

Plan de Gamme de Saison

1. Établir un budget d'achat de données historiques
2. Établir un budget de marge de budget de ventes
3. Plan de l'espace
4. Employer le Stockturn pour contrôler plan de gamme

   Stockturn c'est a dire roulement de stock