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**PHASE FOUR SPREADSHEET MODEL:**

**BASIC CONCEPTS**

The problems you will work in phase four relate to chapters 8 and 9 in Part Four--"Managing Retail Operations" of *Retailing* (2011) by Dunne, Lusch and Carver.

Chapters 8 and 9 deal with financial planning but focus primarily on developing a six-month merchandise budget. For the problems in this section you need to understand the following concepts which will allow you to develop a six-month merchandise budget.

1. **planned sales for the month** = (planned sales percentage for the month)\*(planned total sales)
2. **planned Beginning of Month (BOM) stock for the month.**  There are three methods we will deal with:
3. **the stock-to-sales method.** The planned BOM stock for the month = (planned sales for the month)\*(planned BOM Stock-to-Sales Ratio for the month)

The worksheet needed for the stock-to-sales method can be found by clicking on the men’s ties

[CLDTI003](budget%20stock%20to%20sales.xlsx)

1. **the basic stock method.** The planned BOM stock for the month = basic stock + planned monthly sales. Where the **basic stock** = average stock for the season - average monthly sales for the season

The worksheet needed for the basic stock method can be found by clicking on the winter parka

[CLECO008](budget%20basic%20stock.xlsx)

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1. **the percentage variation method.** The planned BOM stock for the month = (average stock for season)\*(1/2)[1+(planned sales for the month/average monthly sales)]

The worksheet needed for the percentage variation method can be found by clicking on the ladies’ lingerie

[CLEPP006](budget%20percent%20variation.xlsx)

1. **planned retail reductions for the month** = (planned sales for the month)\*(planned retail reduction percentage for the month)
2. **planned End of Month (EOM) stock for the month** = (planned BOM stock for the following month)
3. **planned purchases at retail for the month** = (planned sales for the month) + (planned retail reductions for the month) + (planned EOM stock for the month) - (planned BOM stock for the month)
4. **planned purchases at cost for the month** = (planned purchases at retail for the month) \* (100% - planned initial mark up percentage)
5. **planned initial markup for the month** = (planned purchases at retail for the month) - (planned purchases at cost for the month)
6. **planned gross margin for the month** = (planned initial markup for the month) - (planned retail reductions for the month)

Click to return to exercises:

[8-A](Exercise%208A.docx) [8-B](Exercise%208B.docx)

[9-A](Exercise%209A.docx) [9-B](Exercise%209B.docx)