





## Step 2 Project the store's annual RETAIL sales

- A. For NEW stores there are two things to understand in making this projection: look to industry averages.
  1. The industry average annual sales based on type of store, location of store and size (square feet)
  2. From an accounting perspective what annual retail sales are required to meet the business plan (cover all expenses, meet payroll, make a reasonable profit)
- B. For EXISTING/ONGOING stores consider annual retail sales based on previous year's sales PLUS 10% (This is a conservative number that takes into account a very modest growth rate and inevitable 2-4% cost of living increase)

## Step 3. Determine what percent (%) of annual retail sales is going to be done each month of the year

- A. For a TRADITIONAL GIFT store these percentages will run fairly even through the first 9 months of the year with a logical up-tick in the last quarter due to Holiday sales.
- B. For a SUMMER SEASONAL GIFT store, the monthly percent of sales is skewed to the traditional vacation months and much lower in the off-season.
- C. (Templates for both models are on the following worksheets).

## Step 4. Build your Open to Buy Plan using one of the following templates.

- A. Adjust assumptions and percent of sales per month to be most tailored to your situation.
- B. If you are a NEW store, it is recommended you follow industry average assumptions for TURN and % SALES PER MONTH. You should only adjust your AVERAGE INVENTORY REQUIREMENT to meet the specific size of your store.

## Step 5. Execute your Open to Buy Plan

- A. Bring this with you to trade shows and appointments with your key sales representatives.
- B. Divide your monthly or quarterly Open to Buy into categories of merchandise either based on a more refined plan or on professional advice from your local sales representative.
- C. Goods should be purchased at least 45 days PRIOR to the intended retail selling month. Many retailers choose to handle their full Open to Buy 3-4





- months in advance of the selling period. (For example: Last quarter holiday products are all purchased by September 15).
- D. Most seasoned buyers find it challenging to follow the plan and buy by the month, so they cluster monthly Open to Buy numbers into Quarters or Seasons (this is done on the templates).
  - E. When buying by the quarter or the season, spread out ship dates of goods to support your cash flow (so all the invoices are not due at the same time).
  - F. **BIGGEST CHALLENGE** most retailers face is **UNDER-BUYING**. They build a good plan, but do not execute either due to poor cash flow or forget to follow recommendations from local sales professionals.

#### Step 6. Refine your Open to Buy Plan in Year Two

- A. Keep track of your **ACTUAL** sales for the full year; month by month; (by category to be more refined).
- B. Use your **ACTUAL** monthly sales divided by your **ACTUAL** yearly total to create your own specific percent (%) of sales per month. This will be more accurate than the template numbers you started with.

