
Professional Certificate in Fashion Buying and Merchandising

Fashion Buying Fundamentals

Assortment Planning – The process of selecting product ranges, sizes, colors, and quantities to meet market demand while optimizing inventory turnover.

Related terms: product mix, SKU rationalisation.

Example: A retailer decides to carry three denim washes, five sizes, and four fits for a seasonal line.

Practical application: Use sales data and trend forecasts to allocate budget across categories.

Challenges: Balancing depth versus breadth, minimizing deadstock, and reacting to rapid trend shifts.

Average Selling Price (ASP) – The mean price at which a product is sold, calculated by dividing total revenue by units sold.

Related terms: gross margin, price elasticity.

Example: If 200 shirts generate \$10,000, the ASP is \$50.

Practical application: Guides pricing strategy and inventory valuation.

Challenges: Fluctuations due to promotions, discounts, and regional price variations.

Backorder – An unfilled customer order that is delayed until inventory becomes available.

Related terms: stockout, lead time.

Example: A shopper orders a limited-edition sneaker that is out of stock; the retailer ships it when the next shipment arrives.

Practical application: Communicate expected delivery dates to maintain goodwill.

Challenges: Managing customer expectations and potential loss of sales to competitors.

Basis Point (bp) – One hundredth of a percentage point; used to describe changes in margins or rates.

Related terms: margin improvement, cost reduction.

Example: Improving gross margin from 45% to 46% represents a 100 bp increase.

Practical application: Quantifies incremental performance gains.

Challenges: Small bp changes can be difficult to achieve in high-volume, low-margin categories.

Benchmarking – The practice of comparing a company's performance metrics against industry standards or best-practice competitors.

Related terms: KPIs, competitive analysis.

Example: Measuring inventory turnover against the average of top-10 fashion retailers.

Practical application: Identifies gaps and informs strategic adjustments.

Challenges: Access to reliable data and ensuring comparable metrics.

Brand Equity – The value derived from consumer perception, loyalty, and recognition of a brand.

Related terms: brand positioning, consumer sentiment.

Example: A heritage label commands premium pricing due to strong brand equity.

Practical application: Leverage equity to negotiate better terms with manufacturers.

Challenges: Maintaining equity during rapid market changes or brand extensions.

Buy-in – The amount of inventory a buyer commits to purchase from a supplier, often expressed as a percentage of the supplier’s production capacity.

Related terms: order quantity, commitment level.

Example: A buyer places a 30% buy-in for a new fabric collection.

Practical application: Secures allocation and potentially better pricing.

Challenges: Forecast risk; over-commitment can lead to excess inventory.

Buy-out – The process of acquiring excess inventory from a supplier or another retailer, usually at a discount.

Related terms: clearance, liquidation.

Example: Purchasing unsold stock from a closing boutique to replenish a discount channel.

Practical application: Increases product depth without full production costs.

Challenges: Quality control and aligning with brand image.

CAPEX (Capital Expenditure) – Funds used by a company to acquire, upgrade, or maintain physical assets such as stores, warehouses, or technology.

Related terms: OPEX, asset depreciation.

Example: Investing \$2 million to open a new flagship store.

Practical application: Supports long-term growth and operational efficiency.

Challenges: Balancing short-term cash flow with long-term strategic needs.

Cart Abandonment Rate – The percentage of online shoppers who add items to a cart but leave without completing purchase.

Related terms: conversion rate, checkout optimisation.

Example: A 70% abandonment rate indicates friction in the purchase funnel.

Practical application: Implement retargeting emails or simplified checkout to recover sales.

Challenges: Identifying root causes across devices and payment methods.

Category Management – A strategic approach that treats each product category as a business unit, focusing on assortment, pricing, promotion, and placement.

Related terms: planogram, sales floor strategy.

Example: Managing the “outerwear” category with distinct seasonal allocations.

Practical application: Aligns buying decisions with consumer buying behaviour.

Challenges: Coordinating cross-functional teams and data integration.

Clearance Sale – A discounted sales event intended to move excess or out-of-season inventory.

Related terms: markdown, liquidation.

Example: Offering 50% off summer dresses at the end of the season.

Practical application: Frees up warehouse space for new merchandise.

Challenges: Protecting brand perception and avoiding cannibalisation of full-price sales.

CM (Cost of Merchandise) – The total purchase cost of goods, including freight, duties, and handling, before any markup.

Related terms: landed cost, gross margin.

Example: Buying a shirt for \$20, paying \$5 freight, results in a CM of \$25.

Practical application: Determines pricing floor and profitability.

Challenges: Accurate cost allocation across multiple SKUs and fluctuating freight rates.

COGS (Cost of Goods Sold) – The direct costs attributable to the production of goods sold during a period, encompassing material, labour, and overhead.

Related terms: gross profit, inventory turnover.

Example: If a retailer sells 1,000 units at \$80 each with COGS of \$40, gross profit is \$40,000.

Practical application: Used in financial reporting and margin analysis.

Challenges: Matching COGS to the correct sales period, especially with returns.

Colour Forecast – A prediction of dominant colour palettes for upcoming seasons, often issued by agencies such as Pantone or WGSN.

Related terms: trend report, seasonal palette.

Example: "Digital Lavender" identified as a 2025 spring colour.

Practical application: Guides buying decisions for fabrics, trims, and visual merchandising.

Challenges: Translating abstract colour trends into sellable products.

Consolidated Order – An aggregated purchase that combines multiple SKUs or styles into a single shipment to reduce freight costs.

Related terms: freight optimisation, order batching.

Example: Grouping 10 different T-shirt styles into one container.

Practical application: Lowers per-unit shipping expense.

Challenges: Managing lead times and ensuring timely delivery of each style.

Cost-plus Pricing – A pricing method where a fixed markup is added to the total cost of the product.

Related terms: markup, target margin.

Example: If CM is \$30 and the desired markup is 50%, the selling price becomes \$45.

Practical application: Simple to calculate and transparent for supplier negotiations.

Challenges: May ignore market demand and competitor pricing, leading to over- or under-priced goods.

Cross-Docking – A logistics practice where inbound shipments are directly transferred to outbound trucks with minimal storage time.

Related terms: distribution centre, just-in-time (JIT).

Example: Receiving a container of accessories and immediately loading them onto retail store trucks.

Practical application: Reduces inventory holding costs and speeds up product flow.

Challenges: Requires precise coordination and real-time data sharing.

Customer Lifetime Value (CLV) – The projected net profit attributed to the entire future relationship with a customer.

Related terms: retention rate, average order value.

Example: A high-spending loyal shopper may generate \$5,000 CLV over five years.

Practical application: Justifies investment in premium inventory for high-CLV segments.

Challenges: Accurate forecasting and accounting for churn.

Deadstock – Inventory that has not sold within its intended season and is unlikely to generate future sales at full price.

Related terms: excess inventory, markdown.

Example: Unsold winter coats left in warehouse after the season ends.

Practical application: Identify early to plan clearance or alternative channels.

Challenges: Ties up capital and storage space, erodes profitability.

Demand Forecasting – The process of estimating future product demand using historical data, market trends, and statistical models.

Related terms: sales projection, seasonal index.

Example: Predicting a 12% increase in denim sales for the upcoming fall.

Practical application: Drives purchase orders and production planning.

Challenges: Volatility in consumer tastes and external shocks (e.g., supply chain disruptions).

Diffusion Rate – The speed at which a new fashion trend spreads through the market, often measured in weeks or months.

Related terms: adoption curve, trend velocity.

Example: Fast-fashion brands accelerate diffusion, while luxury houses have slower diffusion.

Practical application: Aligns buying windows with optimal market entry timing.

Challenges: Misreading diffusion can lead to over-stocking or missed opportunities.

Discount Rate – The percentage reduction applied to the original selling price, commonly used in promotional pricing.

Related terms: markdown, sale price.

Example: Offering a 30% discount on a \$100 dress reduces the price to \$70.

Practical application: Drives traffic and clears inventory.

Challenges: Maintaining perceived value and avoiding margin erosion.

Distribution Centre (DC) – A centralized facility that stores, processes, and ships products to retail locations or directly to consumers.

Related terms: logistics hub, fulfilment centre.

Example: A DC located near major highways to minimise last-mile delivery time.

Practical application: Enables efficient inventory pooling and rapid replenishment.

Challenges: Balancing location cost versus service speed, and handling returns.

Drop Shipping – A fulfillment method where the retailer forwards customer orders directly to the supplier, who ships the product to the buyer.

Related terms: third-party logistics, inventory-free model.

Example: An online boutique lists a designer bag, and the manufacturer ships it directly after purchase.

Practical application: Reduces inventory holding and upfront capital.

Challenges: Limited control over shipping speed, packaging, and quality assurance.

EAN (European Article Number) – A 13-digit barcode standard used internationally to uniquely identify products.

Related terms: UPC, GTIN.

Example: A shirt with EAN 4006381333931 can be scanned at any point of sale.

Practical application: Facilitates inventory tracking and sales reporting.

Challenges: Managing multiple EANs for colour-size variations.

Economic Order Quantity (EOQ) – A formula that determines the optimal order size to minimise total holding and ordering costs.

Related terms: reorder point, inventory cost.

Example: Calculating EOQ for a basic tee results in 5,000 units per order.

Practical application: Improves cash flow and reduces excess stock.

Challenges: Assumes constant demand and lead time, which may not hold in fashion cycles.

Effective Gross Margin (EGM) – The gross margin after accounting for discounts, promotions, and markdowns.

Related terms: net margin, markup.

Example: A product with a list price gross margin of 60% may have an EGM of 45% after a 20% discount.

Practical application: Provides realistic profitability insight.

Challenges: Complex to calculate across multiple channels and promotional calendars.

Fast Fashion – A business model that rapidly translates runway trends into inexpensive, mass-produced garments.

Related terms: quick turn, trend cycle.

Example: A retailer introduces a new style within four weeks of runway debut.

Practical application: Captures fleeting consumer interest.

Challenges: Supply chain agility, ethical concerns, and inventory volatility.

Fashion Calendar – The schedule of major fashion weeks, trade shows, and industry events that dictate design and buying timelines.

Related terms: seasonal launch, presentation schedule.

Example: New York Fashion Week in February signals the start of the fall-wear buying cycle.

Practical application: Aligns purchasing decisions with design releases.

Challenges: Global coordination and time-zone differences.

Fashion Trend Forecast – A predictive analysis of upcoming consumer preferences in style, silhouette, material, and colour.

Related terms: trend report, consumer insight.

Example: Forecast indicating a rise in sustainable fabrics for the 2026 spring season.

Practical application: Guides product development and buying allocations.

Challenges: Translating macro-trends into commercially viable items.

Fill Rate – The percentage of customer orders that can be completely satisfied from existing inventory.

Related terms: service level, stock availability.

Example: A 95% fill rate indicates most orders are shipped without backorder.

Practical application: Measures inventory effectiveness and influences replenishment policies.

Challenges: Maintaining high fill rates while avoiding overstock.

First-In-First-Out (FIFO) – An inventory valuation method where the oldest stock is sold first, reducing the risk of obsolescence.

Related terms: inventory rotation, cost flow assumption.

Example: Shipping the earliest-produced winter coat before newer batches.

Practical application: Aligns with seasonal fashion cycles.

Challenges: Requires accurate tracking of batch dates and locations.

Forecast Accuracy – The degree to which predicted sales figures match actual outcomes, often expressed as a percentage error.

Related terms: bias, mean absolute deviation.

Example: A 90% forecast accuracy indicates a 10% deviation from actual sales.

Practical application: Improves confidence in buying plans and reduces waste.

Challenges: External shocks and rapid trend changes can skew accuracy.

Freight Forwarder – An intermediary that arranges the transportation of goods from origin to destination, handling customs and documentation.

Related terms: logistics provider, shipping broker.

Example: Engaging a freight forwarder to move a container of accessories from Shanghai to Los Angeles.

Practical application: Simplifies complex international shipping processes.

Challenges: Managing cost, transit time, and regulatory compliance.

Gross Margin – The percentage difference between net sales revenue and cost of merchandise, before operating expenses.

Related terms: gross profit, markup.

Example: Selling a dress for \$120 with a CM of \$48 yields a gross margin of 60%.

Practical application: Core profitability metric for buying decisions.

Challenges: Maintaining margin in the face of markdowns and promotional discounts.

GS1 Barcode – The global standard for product identification, enabling efficient data capture across supply chains.

Related terms: EAN, UPC.

Example: Assigning a unique GS1 number to each colour-size variation of a jacket.

Practical application: Streamlines scanning at POS and warehouse operations.

Challenges: Data maintenance and ensuring consistency across suppliers.

Harmonised System (HS) Code – An internationally standardized numerical method of classifying traded products for customs purposes.

Related terms: tariff classification, duty rate.

Example: HS code 6204.42 covers women's cotton trousers.

Practical application: Determines applicable duties and compliance requirements.

Challenges: Accurate classification to avoid penalties and delays.

Inventory Turnover – The ratio of cost of goods sold to average inventory, indicating how many times inventory is sold in a period.

Related terms: stock rotation, selling speed.

Example: A turnover of 4 means inventory is sold and replenished four times annually.

Practical application: Assesses efficiency and helps set reorder points.

Challenges: Balancing turnover with sufficient stock to meet demand peaks.

Just-In-Time (JIT) – A production strategy that aims to receive goods only as they are needed in the production process, reducing inventory costs.

Related terms: lean manufacturing, stock minimisation.

Example: Scheduling fabric deliveries to arrive the day before cutting begins.

Practical application: Decreases warehousing expenses and waste.

Challenges: Vulnerable to supply chain disruptions and inaccurate demand forecasts.

Key Performance Indicator (KPI) – A measurable value that demonstrates how effectively a company is achieving key business objectives.

Related terms: benchmark, performance metric.

Example: Monitoring “gross margin per SKU” as a KPI for buying performance.

Practical application: Provides focus and accountability for buying teams.

Challenges: Selecting relevant KPIs that reflect true business health.

Lead Time – The elapsed time between placing an order with a supplier and receiving the goods in the distribution centre.

Related terms: reorder point, production cycle.

Example: A 45-day lead time for a custom-printed textile.

Practical application: Determines safety stock levels and buying windows.

Challenges: Variability due to customs, carrier delays, or factory capacity constraints.

Line Extension – Adding new products to an existing brand or category, often varying by colour, size, or material.

Related terms: brand stretch, product diversification.

Example: Introducing a new “eco-friendly” line of the classic denim jacket.

Practical application: Leverages brand equity while expanding market reach.

Challenges: Avoiding dilution of core brand identity and managing added complexity.

Live Inventory – Real-time data showing the exact quantity of each SKU available across all sales channels.

Related terms: stock visibility, omnichannel.

Example: A dashboard that updates inventory levels as sales occur online and in-store.

Practical application: Enables accurate promise-to-ship dates and prevents overselling.

Challenges: Integrating disparate POS, ERP, and e-commerce systems.

Markdown – A permanent reduction in the selling price of a product, typically to stimulate sales of slow-moving inventory.

Related terms: price cut, clearance.

Example: Reducing a \$80 dress to \$60 after three weeks of low sales.

Practical application: Accelerates turnover and frees up cash flow.

Challenges: Managing timing to avoid premature discounting and margin loss.

Merchandise Planning – The strategic process of aligning sales forecasts, inventory levels, and financial targets across product categories.

Related terms: assortment planning, budget allocation.

Example: Setting a \$5 million budget for the Spring/Summer collection based on projected sales.

Practical application: Provides a roadmap for buying, allocation, and promotion.

Challenges: Coordinating multiple stakeholders and adjusting for market volatility.

Minimum Order Quantity (MOQ) – The smallest number of units a supplier is willing to produce or sell in a single order.

Related terms: batch size, economies of scale.

Example: A fabric mill requires a MOQ of 10,000 meters for a custom print.

Practical application: Influences cost per unit and inventory commitments.

Challenges: Balancing MOQ with demand uncertainty and cash flow constraints.

Mixed-Lot Order – An order that includes multiple SKUs or styles in a single purchase to optimise freight and handling.

Related terms: consolidated order, order mix.

Example: Ordering five colourways of a T-shirt in one container.

Practical application: Reduces per-unit shipping cost and improves container utilisation.

Challenges: Complexity in inventory tracking and demand forecasting for each variant.

Net Margin – The percentage of revenue remaining after all expenses, including operating costs, taxes, and interest, have been deducted.

Related terms: operating profit, EBITDA.

Example: A net margin of 12% on \$10 million sales indicates \$1.2 million profit after all costs.

Practical application: Evaluates overall business profitability and informs strategic decisions.

Challenges: Influenced by many variables beyond buying, such as marketing spend and overhead.

OEM (Original Equipment Manufacturer) – A company that produces goods that are marketed and sold under another brand's name.

Related terms: private label, contract manufacturing.

Example: An OEM in Vietnam manufactures jackets for a European fashion label.

Practical application: Enables brands to focus on design and marketing while outsourcing production.

Challenges: Quality control, lead-time reliability, and intellectual property protection.

Open-to-Buy (OTB) – A budgeting tool that allocates a set amount of capital for purchasing merchandise within a specific period.

Related terms: budget control, cash flow planning.

Example: An OTB of \$2 million for the fall season guides buying decisions.

Practical application: Prevents overspending and ensures cash availability for new orders.

Challenges: Requires accurate sales forecasts and disciplined monitoring.

Order Cycle Time – The total time from order placement to receipt of goods, including processing, production, and shipping phases.

Related terms: lead time, turnaround.

Example: An order cycle time of 60 days for a custom-printed dress.

Practical application: Influences buying windows and promotional planning.

Challenges: Delays can cascade, affecting launch dates and inventory allocations.

Overstock – Inventory levels that exceed projected demand, often resulting in the need for markdowns or clearance.

Related terms: excess inventory, deadstock.

Example: Holding 30% more winter coats than forecasted sales.

Practical application: Identify early to adjust buying cadence.

Challenges: Ties up capital and can damage brand perception if heavily discounted.

Packaged Goods – Finished products that are ready for retail sale, typically sealed and labelled.

Related terms: finished inventory, ready-to-sell.

Example: A box of 12 pairs of socks ready for display.

Practical application: Simplifies handling and improves shelf presentation.

Challenges: Packaging costs and environmental considerations.

Performance Benchmark – A standard or reference point used to compare a company's operational results against industry averages or best practices.

Related terms: KPI, competitor analysis.

Example: Measuring "average sell-through" against the top 5 market leaders.

Practical application: Highlights areas for improvement and strategic focus.

Challenges: Data reliability and ensuring comparable metrics.

Pricing Strategy – The systematic approach to setting product prices to achieve financial objectives while meeting market expectations.

Related terms: value-based pricing, cost-plus.

Example: Using a premium pricing strategy for a luxury handbag line.

Practical application: Aligns price points with brand positioning and cost structure.

Challenges: Balancing competitiveness with profitability, especially in volatile markets.

Private Label – Products manufactured by a third party but sold under the retailer's own brand name.

Related terms: OEM, store brand.

Example: A supermarket's "home-grown" clothing line.

Practical application: Increases margin control and brand differentiation.

Challenges: Maintaining consistent quality and avoiding brand dilution.

Profit & Loss (P&L) Statement – A financial report summarising revenues, costs, and expenses over a specific period, revealing net profit or loss.

Related terms: income statement, financial performance.

Example: The P&L shows a \$500k profit for the Q3 fashion season.

Practical application: Guides strategic decisions and resource allocation.

Challenges: Isolating the impact of buying decisions from other operational factors.

Promotional Calendar – A schedule outlining planned sales events, discounts, and marketing activities throughout the year.

Related terms: seasonal campaign, marketing plan.

Example: Planning a “Back-to-School” promotion in August.

Practical application: Aligns inventory levels with expected demand spikes.

Challenges: Coordinating with suppliers and ensuring sufficient stock for promotions.

Purchase Order (PO) – A formal document issued by a buyer to a supplier, specifying product details, quantities, prices, and delivery terms.

Related terms: contract, order confirmation.

Example: A PO for 5,000 units of a new sneaker model.

Practical application: Provides legal protection and a clear transaction record.

Challenges: Managing revisions, cancellations, and compliance with supplier terms.

Quality Assurance (QA) – Systematic processes that ensure products meet predefined standards of quality, safety, and performance.

Related terms: quality control, inspection.

Example: Conducting fabric abrasion tests before bulk production.

Practical application: Reduces returns and protects brand reputation.

Challenges: Balancing thorough testing with time-to-market pressures.

Quick Turn – The ability to move a product from design concept to retail shelf within a short timeframe, often under 30 days.

Related terms: fast fashion, agile supply chain.

Example: Launching a limited-edition graphic tee within three weeks of concept approval.

Practical application: Captures fleeting trends and creates hype.

Challenges: Requires tight coordination across design, sourcing, and logistics.

Reorder Point (ROP) – The inventory level at which a new purchase order should be placed to replenish stock before it runs out.

Related terms: safety stock, lead time.

Example: If average weekly sales are 200 units and lead time is two weeks, the ROP would be 400 units plus safety stock.

Practical application: Prevents stockouts and backorders.

Challenges: Accurate demand forecasting and accounting for variability in lead times.

Retail Price Index (RPI) – A measure of the average change over time in the prices paid by consumers for a basket of retail goods and services.

Related terms: inflation, price adjustment.

Example: An RPI increase of 3% may justify a modest price rise on apparel.

Practical application: Aligns pricing with macro-economic trends.

Challenges: Regional differences and consumer sensitivity to price changes.

Return on Investment (ROI) – A performance metric that evaluates the efficiency of an investment by comparing net profit to the cost of the investment.

Related terms: profitability, capital efficiency.

Example: Spending \$100k on a new visual merchandising concept that generates \$150k in incremental profit yields an ROI of 50%.

Practical application: Prioritises projects with the highest financial impact.

Challenges: Isolating the contribution of a single initiative amid multiple variables.

Risk Management – The identification, assessment, and mitigation of potential events that could negatively affect business objectives.

Related terms: contingency planning, supply chain risk.

Example: Developing alternate sourcing options for a key fabric in case of geopolitical disruption.

Practical application: Reduces exposure to unexpected cost spikes or delays.

Challenges: Balancing risk mitigation costs with operational efficiency.

Seasonal Collection – A curated group of garments and accessories designed for a specific season, reflecting current trends and consumer needs.

Related terms: fashion calendar, product line.

Example: The Spring/Summer 2026 collection featuring lightweight knits and pastel hues.

Practical application: Drives targeted marketing and buying cycles.

Challenges: Forecasting demand for each season's unique styles and managing inventory turnover.

Sell-Through Rate – The proportion of inventory sold within a given period, expressed as a percentage of the total stock received.

Related terms: turnover, stock performance.

Example: Selling 70 out of 100 units of a new jacket results in a 70% sell-through.

Practical application: Indicates product popularity and informs re-order decisions.

Challenges: High sell-through may lead to stockouts; low sell-through signals over-stocking.

SKU (Stock Keeping Unit) – A unique identifier for each distinct product variant, encompassing style, colour, size, and other attributes.

Related terms: item code, product identifier.

Example: SKU 12345-BLU-M denotes a medium blue denim jacket.

Practical application: Enables precise inventory tracking and demand analysis.

Challenges: Managing large SKU counts and avoiding duplication.

Sustainable Sourcing – Procurement practices that consider environmental impact, ethical labour standards, and long-term resource availability.

Related terms: ethical fashion, circular economy.

Example: Selecting organic cotton certified by GOTS for a new line.

Practical application: Enhances brand reputation and meets rising consumer expectations.

Challenges: Higher costs, limited supplier options, and verification of compliance.

Supply Chain Visibility – The ability to track and monitor product movement and status across the entire supply network in real time.

Related terms: live inventory, digital twin.

Example: Using a cloud-based platform to view shipment locations from factory to store.

Practical application: Improves decision-making and reduces lead-time uncertainty.

Challenges: Data integration across multiple systems and partners.

Turn-In Ratio – The proportion of damaged or defective items returned by retailers to suppliers relative to total units received.

Related terms: defect rate, quality return.

Example: A turn-in ratio of 2% indicates that 2 out of every 100 items were returned for quality issues.

Practical application: Monitors supplier performance and informs future sourcing decisions.

Challenges: Accurate tracking and resolving disputes over responsibility.

UPC (Universal Product Code) – A 12-digit barcode used primarily in North America to uniquely identify retail products.

Related terms: EAN, GS1.

Example: Scanning a UPC at checkout provides instant price and inventory data.

Practical application: Facilitates point-of-sale processing and inventory management.

Challenges: Managing multiple UPCs for each colour-size variant.

Urbane Trend – A style direction that reflects contemporary city living, often featuring functional, minimalist, and tech-savvy elements.

Related terms: streetwear, modern aesthetic.

Example: Incorporating modular jackets with hidden pockets for urban commuters.

Practical application: Guides buying for city-centric retail locations.

Challenges: Rapidly evolving consumer preferences within metropolitan markets.

Vendor-Managed Inventory (VMI) – A collaborative arrangement where the supplier monitors and replenishes inventory levels at the retailer's location.

Related terms: collaborative planning, stock replenishment.

Example: A denim supplier automatically ships additional pairs when retail stock falls below a set threshold.

Practical application: Reduces out-of-stock incidents and streamlines ordering.

Challenges: Requires trust, data sharing, and clear service level agreements.

Visual Merchandising – The practice of designing store layouts, displays, and product presentations to enhance the shopping experience and drive sales.

Related terms: store design, brand storytelling.

Example: Creating a seasonal vignette featuring layered outfits for autumn.

Practical application: Influences purchase decisions and brand perception.

Challenges: Aligning visual concepts with inventory availability and turnover rates.

Wholesale Price – The price at which a product is sold by the manufacturer or distributor to a retailer, typically lower than the suggested retail price.

Related terms: cost of merchandise, margin.

Example: Purchasing a dress for \$30 wholesale, which retails at \$80.

Practical application: Determines the markup needed to achieve target gross margin.

Challenges: Negotiating favourable terms while maintaining supplier profitability.

Yield Management – A pricing strategy that adjusts prices based on demand, inventory levels, and time to maximise revenue.

Related terms: dynamic pricing, revenue optimisation.

Example: Raising the price of a limited-edition bag as inventory diminishes.

Practical application: Captures consumer willingness to pay for scarce items.

Challenges: Complexity of real-time data analysis and potential consumer backlash.

Zero-Cost Stock – Inventory obtained through promotional partnerships, sponsorships, or as complimentary samples, incurring no direct purchase cost.

Related terms: gift with purchase, marketing sample.

Example: Receiving a batch of branded tote bags for use in a loyalty program.

Practical application: Enhances value-added offerings without impacting cash flow.

Challenges: Managing storage, distribution, and ensuring brand alignment.