A Customer Story about Managing Departments and Classes

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Managing your store without a POS system in place is a difficult thing to do. Part of any good POS system is its ability to structure your inventory into departments and classes. Breaking up of your store into smaller segments departments will allow you to respond faster to the market and as a result be able to buy smarter. Since most POS systems have some sort of department structure in place you have probably already created these. However, one question to ask yourself: As your store has grown, have you changed your departments to keep up with the changes and are you getting the best possible information from the current structure?

About ten years ago I opened up a skateboard shop. In that shop I had mens clothing, shoes and skateboards as departments. I kept it simple. Now at the time I did not think anything of the way I structured the department hierarchy. It was in line with the product I sold. All mens clothing went into the mens clothing department. Then one day I was looking at a sales report and I was trying to figure out what was selling and what was not. But because of how I had originally set up the departments I would have to look at every item and see what their performance was. This was going to be a nightmare to perform and pretty time consuming.

Using Classes to refine your Sales Analysis

Now, if I only knew then what I know now. Instead of creating basic single departments I would have created classes or department sub-categories. These classes would have been Men's s/s T shirts, Men's l/s T shirts, Men's s/s/ wovens, Men's l/s wovens, Men's s/s polos, Men's Hooded Sweat Shirts, Men's Pants, Hats and Beanies and so on. Now I could run a report on a department and get an idea of what was going on and then refine it to analyze each class to see the nuts and bolts of the situation. By adding a class level to all items you now have the ability to to see what classes are selling and which are not without having to analyze every item in the department. If you also set up each item to be broken up by brand you could set a filter on the report to see which classes from a

certain vendor were performing or in some case under performing.

Creating Effective Department and Classes

Maintaining effective department and class hierarchies can also help you make better buying decisions. Good open-to-buy (OTB) planning starts with having a good department classification. Conducting OTB planning by evaluating sales and inventory levels of a department is not very helpful if you have a mix of product in that department. An example of this would be a Men's apparel department. If you carry both board shorts and Hooded sweatshirts, these are two very different items and also have different sales seasons as well. This is much easier from the class level, with separate numbers for each class. It can be very difficult to determine your volume inventory levels, turnover and profit margins if all your products are grouped together in one department.

When evaluating your department structure, you should consider the amount of product each category has. You do not need classes for insignificant product groups, but you should break your main product groups into smaller classes. The idea here is to have enough classes to segment your business but sot so many that hey are unmanageable. If you sell five headbands a year, it would be a waste of time to have a "head band " class. Instead it would make more sense to group them into a "Misc Clothing" class. If you are selling a lot of a certain department then you should break that department out into classes. Of course if your stores focus would traditional be its own department then you should break out the typos of item you cary into their own departments. For example if you are a jewelry store you could have necklaces,bracelets,earrings etc as your departments and then the types of each necklace could be your class. Most retail experts suggest that you follow the rule of tens Have no more than ten departments and within each department you should have no more than ten classes.

If you make the decision that your store would benefit from a restructuring of the departments, don't feel that you need to do the whole store overnight. Instead set up the new departments and add the new product as you go forward. If you are staying on top of your inventory and keeping it fresh you should have the majority of the product in the new system with in a season or two.

Brand Separation

Another thing to keep in mind when you are setting up your store is to keep the brands separated. This is especially true if you are trying to determine sales volume, turnover rate and your margin. Just because one vendor or distributor supplies multiple brands does not that mean that each one will preform the same. If you sold cars and you put GM as your vendor it would not be readily apparent what company with the GM line was selling best. Instead you should put in GM Trucks, Buick, Chevrolet, etc as your vendor tag. Each brand needs the ability to be analyzed independently from another. This will help you better manage your inventory levels. You can not effectively manage a brand if you can not measure their performance.

Fortunately RetailEdge has multiple fields to work with when entering your product into inventory. There is the preferred vendor as well as manufacturer and vendor # fields.By using these extra fields you can then filter out what you want and do not want in you reports regarding a product line. Unfortunately it is very common for retailers to enter the distributors name in a preferred or vendor field and then put the brand name in with the description of the item in the description field. However if you get a lot of product through distributors, this makes it really hard to determine what product is important to your customers.

It is also important to keep track of sizes and colors in different fields as well. You do not want to put them into the description field as there will not be a very effective way to see easily what you have or what is selling . You should be able to evaluate the performance of an item independently and know what size and color is performing or not performing. Having this matrix capability is key.

Using a POS software like RetailEdge allows you to make quicker and better decisions and this should increase your overall productivity. But you have to use it properly to get the benefits. If you are only using the required inventory fields you will never know what you are missing or have too much of.