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EFFECTIVE ASSORTMENT MANAGEMENT DEPENDS ON THE ROLE OF THE STRATEGIC DECISIONS

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Abstract: *The choice of assortment in retailing refers to the key strategic decisions. In principle, importance of all the goods offered to consumers. The task of managing the development of the retail assortment is better satisfy consumer demand. The main objective of this paper is to examine and interpret basic theoretical and methodological stands for assortment management in retail and on this basis to distinguish effective approaches in all its impact on development.*

Key words: *retail assortment, category management, retailer.*

1. Introduction

Assortment policy is one of the main elements of the competitive strategy of the firm. The question of expansion or contraction of the range of products manufactured or sold may have different solutions depending on a single set of specific conditions: an industry trade group, the scale of the enterprise and other circumstantial details. Nevertheless, the general rules and relationships can and should be identified and formulated on the basis of analysis of the status and development of existing market segments (external factors) and financial changes within the firm (internal factors).

The main purpose of this report is to examine and interpret basic theoretical and methodological stands for assortment management in retail and on this basis to distinguish effective approaches in all its impact on development.

According to the rule in the range of merchandising for each type of enterprise retail sales figures for the provider establishes a minimum set of product. The formation and implementation of assortment policy are needed to determine the break-even condition of the company, control the amount of income tax in order to optimize and predict their own investments in business development.

The choice of variety in retailing refers to the key strategic decisions. In principle, importance of all the goods offered to consumers. The task of managing the development of the retail assortment is better satisfy consumer demand.

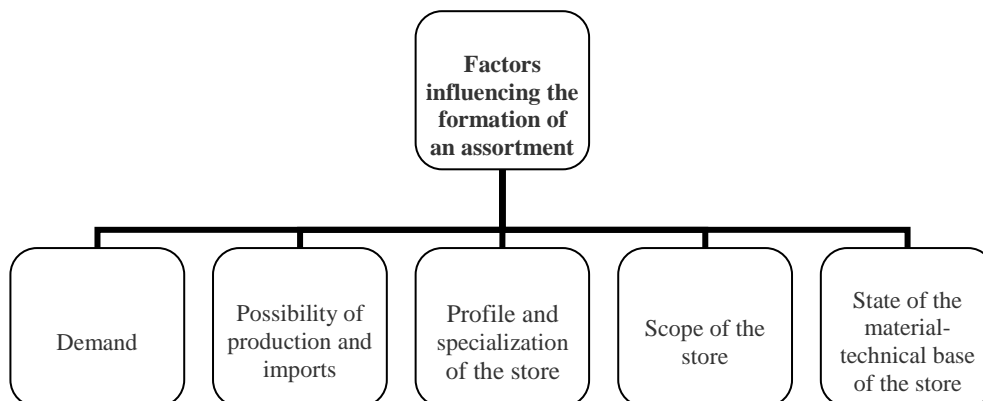
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2. Theoretical Framework for the Management of Assortment

The formation of assortment policy and its implementation are of particular importance if the scope of freedom of choice and the line of the enterprise. Assortment policy involves gathering information about the characteristics of market segments, products, consumer preferences, prices, macroeconomic trends, conditions of foreign economic relations with countries abroad.

There are the following fundamental factors affecting the formation of an optimal set of product assortment in the store: Fig. 1.

Fig. 1. Fundamental factors affecting the formation of an optimal set of product assortment



Source: Chiang J, Wilcox T. (1997) A cross-category analysis of shelf-space allocation, product variety and retail margins. *Marketing Letters*, № 8, p. 183–191.

Demand is one of the major factors in determining the optimal range of point of sale. It is classified as follows:

- special - the demand for a particular product, a product, can not be replaced by another, even a homogeneous product;
- an alternative - the demand is finally emerging in the choice of products, meet with their proposal;
- impulsive - demand, emerging under the influence of the supply of goods in retail establishments.

The objectives of assortment policy merchandising producer:

- the representation in the market of as many kinds of product assortment;
- an active innovation policy;
- provision of sufficient inventory at retail, to which is constant monitoring both quantitatively and by product versions;
- to ensure quality of our products;
- the presence of "shock" in the range of goods that are already in the retail network will need to focus with advertising and calculations.

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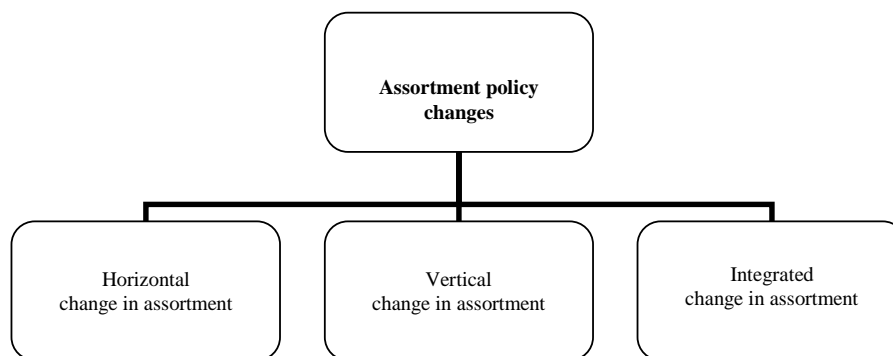
The basis of selection of a product line strategy must be the assessment of changes in cash flows, changes in the range of activated and the forecast of the cash flows in the future. Any expansion of the range necessarily entail increased costs. In this case the positive financial results from changes in the range can only be in the future.

It happens that the purpose of expanding the range (for example, the production of related products under existing brand) may be advertising. Under these conditions, diversification should be considered as any transaction costs, in terms of their impact on cash flows and financial benefits.

Despite this, the main parameter in evaluating decisions about the production of new goods (whether it is a new and independent type of products or fashion goods) or the reduction of existing product lines to be cash flow analysis and financial results in connection with such changes.

Assortment policy changes may be based on the range of three theories: Fig. 2.

Fig. 2. Assortment policy changes



Source: Chiang J, Wilcox T. (1997) A cross-category analysis of shelf-space allocation, product variety and retail margins. *Marketing Letters*, № 8, p. 183–191.

- Horizontal change - one of the elements of horizontal diversification policy, which is a change within the range of existing activities, or in similar areas, access to new markets without passing on the adjacent levels in the range of cooperation.
- Vertical change - a component of vertical diversification of the company, focused on the expansion or contraction in output associated with the independent production of those components, which are primarily purchased from outside suppliers, as well as the formation of its sales network to promote their products.
- Integrated change - is a vertical and horizontal diversification.

The struggle ranges often occurs within the boundaries of education and confrontation of major economic clusters - complex business organizations, members of the profitable and emerging sectors of the economy. In Russia, this process is also associated with opposition to oligarchic structures, industrial and financial organizations (groups) that can be used as methods of lobbying the legislative process and the decisions of local

authorities, as well as the unfair restriction of competition through the establishment of artificial barriers to entry.

In addition to unfair methods of struggle in the market place and have the economy-wide (opportunistic) conditions, Michael Porter refers to barriers to entry. They are:

- the economies of the increase in production;
- differentiation of the goods;
- the need for capital;
- higher costs;
- access to channels of consumption;
- the policy of the government.

This type of management implies that the range of commodity categories, taking into account user requirements, responsibilities of the cycle of movement of categories and a review of each commodity category, such as mini-business within the commercial organization with a budget, pricing, purchasing policy etc. [Broun, Tucher 1961, p. 9-13].

In chronological aspect of range management has evolved, observing a particular sequence. A review of the literature in this field allows you to identify different evolutionary stages.

In the traditional approach, which survived until the 80s of the twentieth century, manufacturers updated range of reasons such as:

- putting into circulation a new item of goods, enabling lower cost, which generally does not modify user attributes. Thus ensuring participation in price competition with other producers of similar goods.
- developing an improved and updated stock position in order to preserve the share of sales.

With the transition to a postindustrial society has lost the usual mechanisms for efficiency. Stocks are increasing - both brands and in properties. Direct competitors grow and found that the new conditions the old approaches do not provide the necessary positive balance. Before manufacturers have a need to examine the range, assuming the position of buyers.

The situation forced the retailers to restructure their approach to the management of the range is similar to that in which they are producers. So in the middle of the 80 years of the twentieth century show the prerequisites for the emergence of the concept of the categorical management. This concept is based on the relationship between the increase in sales volume on the approach to the assortment, not as collected in one individual commodities, but as a set of specific categories or product groups.

Thus categorical management, as a kind of management, becomes independent research field, suggesting the presence of certain approaches and methods of study. The decisions of the retailer into one of the categorical areas of management, may limit the effect of management decisions in other areas integrated. As emphasized J. Chiang and T. Wilcox, "... the larger range puts more demands on the shelves space in case of permanent shelf space necessitates rearrangement of items" [Borin, Fanis 1994, p. 359-384]. Since this reduces the amount of stock to be stored for each item - as in warehouse stores and on

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shelves, then a large number of sets can not only lead to reduced visibility on the shelf, but may pose an increased risk of deficiency, namely, does not have a range of goods.

In this sense, the entire shelf space allocation by category, may place restrictions on the number of stored stock units which can effectively provide a shelf in an assortment size/composition, and affect the process of reducing commodity deficits. Retailers should have answered the question of how consumers respond to specific management decisions categorical and thus what effect it has on the amount of sales and revenue for individual commodity categories. This must be considered how these specific categorical management decisions related to its component areas of management. As a rule, consumer response to the missing items depends on the available amount of items from their stock and the opportunity for mutual substitutability. What matters is whether the deficit is seen commodity, and the way be interpreted - as a permanent or temporary.

Consumer reactions to changes in the set are controlled by changes in shelf space and its arrangement in accordance with existing sets. In this way users are expected to be more responsive to increasing assortments arranged on shelves, provided that the diversity is large enough and does not hinder visibility. In this connection, to obtain a clear idea of all processes in the system range, it is appropriate to present a retail assortment in the types of several subsystems, formed by a certain dominant sign, ie system to classify the range. The classification of commercial orientation in the range allows different categories and groups of goods that are inherent in the common signs that, first, greatly simplifies the tasks of management and, secondly, create optimal conditions for research and demand forecasting [Broun, Lee 1996 p. 113-121].

Simple signs of classification, determining the compliance of goods to the classification group is the unity of origin or manufacturing consumer use. These signs are used in traditional classification of goods. Depending on the purpose of managing the range of possible build any other structure in which the defining characteristics can be user preferences, trade mark, the level of profitability and more. In its entirety the structure of the retail assortment is a set of interdependent and independent classification groups at different levels in the hierarchy. The classification of commercial range allows to group multiple objects realization consolidated commodity categories. By this logic, the range of commercial enterprise can be represented as a list of commodity groups. In essence, every product group in the range consists of several sub-commodity. Thus, the classification of the range allows the formation of a structure within which to maintain control.

One of the basic objectives of the category management consists in dividing the commodity categories in the structure of the set and then manage each of them. The range of goods are not divisible commodity groups and categories formed on the ground of consumer habits and preferences.

In broad terms, the stock category is a combination of elements, changing their position when changing the status of individual elements of this set. The management of commodity category is part of overall management, which is the most complete, logical or productive in terms of achieving management objectives.

A new approach to the management of range - category management - is limited by the investigator C. Kandalintsev to control range to Category principle; own professionally active in the management of the range, aimed at developing a range according to size and structure of demand in most more complete and effective use of

financial, material, information and labor resources. The basis of the adapted approach puts the separation of interconnected groups of goods from a consumer perspective. Any such goods category shall be managed and treated as a separate business unit.

Management to differentiate and specify in the form of activities whose performance helps optimize the structure of the range and ensure rational organization of the entire commercial process:

- managing the development of commercial range;
- establishment of commodity categories in the structure of the range;
- optimizing the structure of commodity categories;
- establishment of business management models appropriate to the category management strategy;
- maintenance of an automated system for managing the commercial range.

The retail assortment in the system of category management is a peculiar combination of species or varieties of goods grouped under certain categories of signs in stock while preserving the essential features of the range (width, depth, balance, rationality, stability, novelty). In itself the distinction of each commodity category allow the maximum number of factors affecting the sale of goods and allows to reach better results.

Besides, unlike the traditional management of the business in which the functions of buying, selling and moving goods is divided between different departments, the management category in all the work associated with a commodity category, starting from the purchase and ending with the sale is performed by so called. browse categories manager. For commercial enterprise benefits from the implementation of category management is summed up in the stock portfolio optimization, increasing the effectiveness of the measures to stimulate sales, competitive pricing, proper consideration of the goods. Business processes of retailers and suppliers improve, which implies reducing operating costs and increase revenue. Achieving this is impossible without close cooperation between operators, suppliers and manufacturers, but also without the exchange of data necessary to manage the range.

In terms of general problems in the organization of management of the business category management is a suitable option for decentralization. The large number of stores in a chain composition of the huge range of models need to separate the network business of efficient units. Commodity categories - is one of the best among them as they are formed in order to increase sales and therefore the final performance. In this respect, the fundamental idea of category management is to distinguish goods categories in the structure of the set and then manage each of them. The range of goods in this case is not divisible commodity groups and categories formed by signs consumer habits or preferences.

In broad terms, the category is a set of elements, changing their position when changing the status of individual elements of this set. In the retail sub category means all elements whose constitution allows groups in offering a positive effect in the conversion process, increases efficiency and productivity of the managed system. Stock category is represented as a set of goods, the unification of groups which co-management with the objectives and tasks of category management. In a commodity category may be combined goods belonging to different commodity groups, subgroups or species. For example, a single commodity category may include cheese (the group of dairy), wine (from the group of alcoholic drinks) and chocolate (the group of confectionery).

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By extending the range manager responsible for this commodity category may attract additional customers. In this case its delivery costs, storage and deployment of additional positions are compensated less by increasing the volume of wine sold, but at the expense of increased sales of ancillary products which customers use with wine. Thus, in bringing the goods into categories managers provide the maximum possible beneficial effects for their own management systems. According to a large group of researchers. It itself the process of implementation of category management and system development management product range consists of the following five stages: forming (separation) of commodity categories in the set, determine the structure of commodity categories (components of these categories), defining the role of commodity categories, the assessment component and specify the potential of commodity categories, the contribution of components of product categories to achieve the objectives of the store.

Indeed, the identified stages allow tracking of market goods in separate categories, and analysis of sales by commodity categories within the commercial enterprise. This in turn requires a thorough analysis of the structure of product categories in terms of their need to expand or narrow, new sub-amendments to the magnitude of trade margins applicable to certain commodity groups, etc.

In its entirety distinctive stages facing the process of category management at commercial enterprise. The composition and the timely updating of assortment of goods in the shops rely heavily on the degree of satisfaction of demand, costs, consumption, associated with the purchase of goods, quantitative and qualitative indicators of economic activity in the retail stores. Individual products, their narrow, unstable or inappropriate customer demands creates pent-up demand, which increases the amount of time people searching for the right products, adversely affect the economic efficiency of enterprises. Therefore, the formation range of goods at retail key requirement is the maximum satisfaction of customer demand at the lowest cost of time on making a purchase, and to ensure efficient operation of commercial enterprises.

The services sector of retail trade has a significant place in the economy. Direction of this field is the maximum satisfaction of human needs, not only in high-quality products and services. Retailers is that they are produced and consumed mainly at the same time and shall not be stored. Because of this, these services are usually based on direct contacts between producers and costumers. In trade is the separation of certain services from the goods embodied the realization of which is usually associated with commercial brokerage and storage capacities.

Retail trade - is the production of use values that are in the process of retailers do not get materialized form and satisfy the material needs of everyday society. In the main competition for retailers is to get the best profit by providing the required quality of service trade and reduce the costs of providing. Part of retailers in an effort to increase profits by reducing costs, degrade the quality of trade services.

Relations arising at this stage of commercial activity between the seller and the buyer, are based on the contract of retail purchase and trade. Accordance with the contract of retail purchase and sale of a seller engaged in business of selling goods at retail, shall transfer the goods to be used for purposes not associated with a business that is for personal, family, home and other such uses.

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A contract of retail purchase and sale of a public contract because it establishes the obligation of the retail trade enterprises selling goods and services trade to everyone who has applied to it. In this case the seller has no right to prefer one customer over another, and the price of goods and services, as well as other conditions of the contract, shall be the same for all consumers, except in cases where the law or other legal acts permitted to provide benefits for specified categories.

The conclusion of the contract is preceded by a public offer, which recognizes the supply of goods in the form of advertising, catalogs, specifications, containing all the essential terms of the contract. If the place of sale of goods (on the shelves, windows, etc.) exposed to the goods themselves, their designs, or provides information about the goods (in the form of catalogs, descriptions, photos, etc.), it is considered a public offer, regardless of whether , are the price and other material terms of the contract of retail purchase and trade. The case where the seller is clearly established that the goods are not intended for sale. A contract of retail sale is concluded with the issuance of the seller to the buyer or cash sales receipt or other document confirming the payment of goods.

At the heart of the commercial retail is the study of various types of consumer demand for subsequent analysis and use of the results. For example, one form of demand is a measure of retail trade. Analysis its structure helps to reveal the preferences of consumers in respect of certain goods.

However, it should be remembered that trade as an expression of demand can be judged only on the needs of buyers. No realized and unrealized, there are still needs, and so - and pent-up demand. The causes of such demand may be on sale as a lack of necessary consumer goods, as well as too high, do not meet income population, the prices for them. Changes in demand may be associated with a reduction in both the needs of customers in one and an increase in demand for new substitutes, goods, and with the expansion of demand for goods, demand for which has already been formed. In these cases we speak of the emerging demand. Thus, the formation range of goods - is a complex and continuous process, the main purpose of which is the most complete satisfaction of human needs for goods, while ensuring the profitability of commercial enterprises.

Significant impact on demand fashion and have scientific and technological progress, so they too can not be ignored, forming a range of products. In stores the formation range of products starts with the determination of the latitude range of goods sold in it, that is, the number of commodity group. Determined by the depth of assortment, that is, the number of species and varieties of products within each group.

As a rule, the department stores over a wide range of products compared with a range of specialized shops. Specialized stores presented a larger number of varieties of goods, so they are characterized by large depth range. In accordance with the rules of the sale of certain goods assortment of goods offered for sale is determined independently by retailers in accordance with the profile and specialization of their activities.

Retailers should have answered the question of how consumers respond to specific management decisions categorical and thus what effect is has on the amount of sales and revenue for individual commodity categories. This must be considered how these specific categorical management decisions related to its component areas of management. As a rule, consumer response to the missing items depends on the available amount of items from

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3. Conclusion

Attempt to examine and interpret the nature of the complexity of the process management product range in retail trade and certain approaches related to its development, a basis for formulating the following major conclusions:

- Own professionally active in the management of the range, aimed at developing a range according to size and structure of demand in most more complete and effective use of financial, material, information and labor resources. The basis of the adapted approach puts the separation of interconnected groups of goods from a consumer perspective. Analysis theoretical and methodological formulations help to explain the process of development management product range in retail and on this basis to derive its practical importance for both sides - business and consumers.
- Fundamental idea of category management is to distinguish goods categories in the structure of the set and then manage each of them. The range of goods in this case is not divisible commodity groups and categories formed by signs consumer habits or preferences.
- The implementation of category management as a new approach to managing the development of the assortment is methodologically based on the formation of commodity categories according to size and structure of consumer demand and targets the most complete and efficient use of material, financial, labor and information resources. Categorical managers should develop and implement complex solutions associated with the formation and development of the range, the promotion of sales of goods of a given category, and the securing of beneficial effects for their own management system.

Using category management, retailers aim to achieve successful sales by commodity categories, increased profitability at the expense of lower quantities of illiquid and low commodity items be turned, optimization of stock, increase customer satisfaction, as far as structure and performance in commodity categories performed taking into account consumer needs.

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EFIKASNO UPRAVLJANJE ASORTIMANOM ZAVISI OD ULOGE STRATEGIJSKOG ODLUČIVANJA

Rezime: Izbor asortimana u maloprodaji spada u ključne strategijske odluke. Zadatak upravljanja razvojem asortimana u maloprodaji je da se potpunije zadovolje potrošačka tražnja. Osnovni cilj ovog rada je da se ispituju i naučno interpretiraju osnovni teorijski stavovi i metodološki pristupi u vezi sa upravljanjem asortimanom u maloprodaji, kao i da se na toj osnovi uoče razlike u efektivnosti različitih pristupa, i njihovom uticaju na razvoj.

Ključne reči: asortiman u maloprodaji, upravljanje kategorijama, trgovac na malo.