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**OPPORTUNITIES FOR RETAIL ASSORTMENT STRUCTURING****Petrova S.**, Assoc. Prof., Ph.D. Tsenov Academy of Economics, Svishtov, Bulgaria**Petrova S. Opportunities for retail assortment structuring.**

Modern retailers have a variety of tools enabling them to carry out analyses in the specific trends of the retail assortment. It is extremely important to duly assess the situation in the retail premises. Managers are faced with making complicated decisions related to strategy development, selection and formation of retail assortment, pricing, movement and presentation of the goods in the store. Retail assortment structuring is especially important among this set of decisions. This paper aims to differentiate and specify the types of decisions the implementation of which as specific activities aids the studying and structuring of retail assortment, as well as its rational organization and development.

**Петрова С. О. Возможности структурирования торгового ассортимента.**

Сучасні торговці розташовують численними інструментами, що дозволяють проведення аналізу за окремими напрямками торгового асортименту. Особливу важливість відіграє своєчасна оцінка ситуації в торговому об'єкті. Менеджери поставлені перед викликом прийняття складних рішень, пов'язаних з розробкою стратегій, вибором і формуванням торгового асортименту, ціноутворенням, пересуванням і поданням товарів у магазині. Серед цієї сукупності рішень особливе місце займає і структуривання торгового асортименту. Пропонована розробка переслідує основну мету – диференціювати та конкретизувати види рішень, реалізація яких у вигляді певних видів діяльності сприяє дослідженню і структуриванню торгового асортименту, і разом з тим його раціональної організації та розвитку.

**Петрова С. А. Возможности структурирования торгового ассортимента.**

Современные торговцы располагают многочисленными инструментами, позволяющими проведение анализа по отдельным направлениям торгового ассортимента. Особую важность играет своевременная оценка ситуации в торговом объекте. Менеджеры поставлены перед вызовом принятия сложных решений, связанных с разработкой стратегий, выбором и формированием торгового ассортимента, ценообразованием, передвижением и представлением товаров в магазине. Среди этой совокупности решений особое место занимает и структурирование торгового ассортимента. Предлагаемая разработка преследует основную цель – дифференцировать и конкретизировать виды решений, реализация которых в виде определенных видов деятельности способствует исследованию и структурированию торгового ассортимента, и вместе с тем его рациональной организации и развитию.

**1. Introduction.** Effective retail assortment management is one of the prerequisites for successful business under the current market conditions. This type of management should be carried out using modern economic tools as sources of competitive advantages.

One of the key tasks of a retailer is to respond effectively to the requirements of the consumers. Here, the activities of research, formation, structuring, optimization, organization and development of the assortment are particularly important. These activities are subject to the strategy of the company and are based on the demand and needs. On its part, responding effectively to consumers implies the use of new approaches toward the overall assortment management. Such an approach, for example, is assortment structuring by commodity categories, as well as the related decisions to create, manage and evaluate the effectiveness of their assortment matrix, also called commodity portfolio.

*The main goal of this paper is to examine and interpret some basic theoretical and methodological formulations about retail assortment structuring and the need to implement it in order to fully satisfy consumer demand and to reach the desired retail assortment development.*

The goal of the study outlined in this way sets forth the following body of the paper.

The buying process is not limited to composing the assortment and controlling the stocks. All business processes in stock management are carried out: from developing the store concept to planning sales promotion events in the store.

Moreover, every step – from assortment selection to the sale of goods – is controlled within the particular commodity category. Thus, assortment management by commodity categories is carried out, based on a wide range of strategic and tactical tasks.

**2. Theoretical framework of a company's assortment management and structuring.** In broad terms, retail assortment management aims to best satisfy the consumers' demands, respectively, to increase the share of sales made by the company. The part of the assortment that satisfies the formation of the demand by certain factors, such as volume, structure and price, for example, passes into the sphere of consumption and is characterized, on the one hand, by the absolute amount of expenditure of the population to purchase goods, and on the other hand – by the cash receipts from the sales of goods, i.e. the sales volume.

The sales volume appears to be one of the most significant indicators of the company's performance, as the revenues from sales and the profit depend on it ultimately. At the same time, the sales volume characterizes the realized demand and is, therefore, a result and a main criterion of the assortment management effectiveness.

According to the goal set in this paper, the clarification of the nature and importance of assortment management by commodity categories require that adequate theoretical arguments and, if possible, empirical results should be presented, which are essential for the issues discussed.

Essentially, assortment management implies a complex study of: the market, organizing sales, servicing, advertising, and coordinating the design, scientific and technical activities. Such a study helps the formation by the company of a particular assortment concept to which it can direct its activities.

In the specialized literature the existing methodological views and models of assortment management by commodity categories developed and evolved after 1960. During this period, the theoretical and practical foundations were placed in the studies related to the optimization of shelf space allocation in the stores. In 1961 a group of researchers led by W. Tucker, developed and proposed a model for the allocation of goods based on the dependence on the elasticity of supply and demand, on the one hand and, on the other hand – on the quantity of goods placed on shelves in the store [5].

The renowned authors M. Brown and J. Lee argue that the effective use of available shelf space and the efficient selection of retail assortments lead to an increase in retail productivity [5]. This is a successful determinateness of conditions, factors and relations between them within the retail system. Substantiating the need for such an approach can leads to the following: on the one hand, the level of labour productivity of retail workers is determined by factors, including the sales volume and structure, as well as the breadth of the assortment and on the other hand, the increase in productivity and, hence retail effectiveness, must be one of the leading goals of management.

In 1973 R. Curhan determined the allocation of shelf space and offered valuable maxims of a conceptual model and experimental studies of the relationship between space, allocation for a certain product and unit sales [7]. A similar approach was adopted by the theoreticians E. Anderson and N. Amato and was implemented through their mathematical model for simultaneously determining the optimal brand collection and display area allocation [3].

The arguments of N. Borin, P. Farris and J. Fieeland stand out among the many scientific formulations. These authors carried out fundamentally important studies. They developed one of the first assortment management models by commodity categories, which integrates the shelf space allocation and the solutions for the stocks [4]. This model determines on the one hand, the retail assortment as a set of commodity categories, and on the other – the shelf space allocation. The cited

theoreticians seek and justify the economic effects of consolidating and coordinating the managerial decisions on assortment, shelf space and the level of stocks.

In 2001, G. Cachon offered a model for the shelf space allocation that maximizes the profit of the retail premises at the expense only of duration, i.e. the shelf life of the stocks [6].

In the following years the research in assortment management by commodity categories was enriched and developed. In their theoretical and methodological formulations a group of researchers led by V. Kondalintsev defined it as a process of assortment management in which every commodity category is regarded as a separate business unit [1]. The theoreticians stick to the understanding that this type of management is the centre of responsibilities for the effectiveness of the retailing process and requires competencies in marketing, logistics and finance.

The complex and important nature of assortment management by commodity categories was analyzed and evaluated by the Russian scholar V. Snegireva. In her work in this trend the author claims that "... assortment management by commodity categories – this is an independent type of professionally carried out activities aimed at developing the assortment in accordance with the demand volume and structure at the fullest and most effective use of the financial, material, information and labour resources" [2].

This type of management implies assortment sub-division by commodity categories taking into account consumers' requirements, the responsibilities for the cycle of category movement, as well as treating each commodity category as a mini-enterprise within the framework of the company with its own budget, pricing, purchasing policy, etc.

A significant part of the retail assortment management is its structuring. The main task of structuring is to establish a certain order in the retail assortment, allowing an adequate subsequent control. Retail assortment structuring should be based, and stem from the general concept of a company development and its position in the market. Therefore, a need arises to create both a commodity classifier and an assortment matrix.

**3. Methodological aspects of retail assortment structuring.** Assortment structuring by commodity categories as a kind of management is becoming an independent field implying the presence of certain research approaches and methods. Such an approach is the use of the categories as basic units for managing goods. Basically, a category is defined as a set of goods that a consumer perceives as similar to each other, or goods for joint use. A category can combine goods belonging to different commodity groups, subgroups or types. For example, a separate commodity group may include cheese (from the group of dairy products), wine (from the group of alcoholic products) and chocolates (from the group of sweets).

Practically, assortment management by commodity categories is limited to:

- dividing the assortment by commodity categories not according to the traditionally defined commodity groups and types of goods, but respecting consumers' perceptions and requirements;
- controlling the entire cycle of category movement – from purchase to sale;
- considering each commodity category as a mini-enterprise within the company with its own budget, pricing, procurement policy, etc.
- implementing a unified approach to the assortment of the store as to a total set of all categories – the way the store is perceived by consumers.

In bringing the goods into categories the goal is to ensure the maximum possible beneficial effect for the management system. In contrast, traditional bringing of goods into groups on the grounds of their origin of production or consumer use does not always help increase the effectiveness of management.

Identification, grouping and classification *are the fundamental methods in forming the commodity categories*. *Identification* is a method of identifying and establishing matches of one object with another. Identification in assortment management by commodity categories is aimed at establishing relations and interdependencies between the various elements of the retail assortment.

*Grouping* is a method of uniting the objects by common characteristics. This method is used in dividing the different commodity groups. The grouping precedes the division of the whole into separate parts which have common characteristics, as well as their consequent grouping.

*Classification* is defined as dividing the set of objects into subsets according to similarities or differences in compliance with the conventional methods. Classification is widely used in the practical activities of companies as the large number of objects – the goods, their properties and characteristics – require dividing the set into subsets by certain characteristics. Here, the so-called **commodity classifier** is used for the proper assortment creation and structuring. Basically, this classifier is a resource allowing the necessary analysis of the assortment and taking decisions for its update and development.

The commodity classifier implies division of all goods at the following levels: **classes, commodity groups and commodity categories**. Besides, the goods at each level are united either in a class, or a category or a position according to common characteristics or properties. Therefore, the three main levels of division according to the commodity classifier are:

- *First level* – commodity class: the larger the store format, the higher division levels are used. In a number of cases, the first (higher) level of the classifier could be the *commodity class*, such as “food” and “non-food”, or “clothing” and “footwear”, which in the minds of consumers are united according to a common functional purpose. On the other hand, in small format stores or stores selling similar goods (e.g. clothing store, at that for certain users, e.g. for teens), the division of classes is not necessary.

- *Second level* – commodity group: this is a set of goods grouped according to specific characteristics – types of goods, methods of production, etc. For example, “dairies”, “bakeries”, “women’s wear”, “men’s shoes”, “furniture”, “lighting equipment”, “home accessories”. As a rule in the store at that level there is often a higher level below which is the commodity category.

- *Third level* - commodity category: it is a set of goods which customers perceive as similar to each other, or goods grouped for joint use.

For the creation of the commodity classifier it is important that all levels are subject to further division: the commodity class is divided into commodity groups, and the commodity groups – into commodity categories. It is unacceptable to leave any level, without detailization. For example, it is incorrect if the group “women's wear” is detailed to a level “commodity category” and the group “kids’ wear” is divided only into commodity positions, bypassing the level of “commodity categories”. Ultimately each commodity category is established as a kind of business centre with its own goals and objectives that correlate with the goals and objectives of the company as a whole, identifying the customers with their required assortment.

The key idea of assortment management by commodity categories is explained in this way – dividing each commodity category into a particular assortment group (e.g. “elite wines” in the commodity group “alcoholic beverages”), which allows the taking into account of a maximum number of factors affecting the selling of goods and enables better performance. Besides, the commodity categories should have adequate resources and an organizational structure – differentiation of managers called **category managers** responsible for the operation of a particular category, as a mini-enterprise, as well as for specialists in different subcategories depending on the complexity of the structure of the category. Examining the functions and tasks assigned to the category managers leads to the conclusion that a category manager is responsible for all activities related to the management of a particular commodity category. A category manager combines the functions of a buyer and a retailer, as well as of a logistics specialist. Such a specialist is responsible for the entire set of activities in the transformation and movement of goods from certain clearly formed assortment groups. Category managers establish business relationships with suppliers, look for ways to optimize the costs of procurement and logistics, organize and adjust the auxiliary activities in this area. This implies evaluating them according to the same characteristics applicable to the commodity category itself: sales volume, profits, market share, etc.

In terms of methodology, the next step for the successful management of commodity categories is the decision to create, manage and evaluate the effectiveness of the **assortment matrix**, which is also called commodity portfolio.

The creation of such a matrix is essential to the process of determining the principles of commodity segmentation and identifying the maximum quantity of items in a retail store. It should

be clarified that the creation of the assortment matrix must be preceded by serious preparatory work within the company and then there should be a sequence of stages, such as: setting a strategy for developing and positioning of the retail premises; choosing the store format among several possible formats; creating a detailed description of the development plan for the premises taking into account the shelf space of the store and the possibilities for changing it; establishing the terms and conditions for evaluating and changing the assortment matrix.

When creating the matrix the consumer demand should be taken into account, the main consumer should be identified according to age, income levels, education, preferences, purchases made in the store, expected services, etc. Commodity categories, groups and classes of goods are differentiated on the basis of consumer demand. A commodity classifier is developed, which differentiates these three levels. The assortment balancing according to the amount of commodity categories, as well as the correlation between the commodity positions are analyzed as the next step.

After the final decision regarding the commodity categories and positions which can be included in the assortment in the store there follows the shaping of the matrix. Consequently, an own assortment matrix is obtained containing information about the goods and suppliers.

**4. Conclusions and recommendations.** The attempt made to examine and interpret the nature of assortment management and structuring by commodity categories gives grounds to draw the following major conclusions:

- The adduced theoretical arguments lead to the need for applying an integrated approach to the component areas of the assortment management and structuring by commodity categories.
- In modern interpretations assortment management by commodity categories is built on the optimization of all operations relating to commodity categories considered as a component level of the commodity classifier.
- In methodological terms, it is essential to decide to create an own assortment matrix and to manage and evaluate it in order to successfully structure and consequently develop the commodity categories.

In the context of the problems discussed we can summarize that this scientific trend looking for new approaches, methods, dependences and tools for consolidation and expansion appears necessary in the course of enriching the knowledge in the field of assortment management and structuring by commodity categories.

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**Ключові слова:** торговий асортимент; управління торговим асортиментом, структурування торгового асортименту, товарні категорії.

**Ключевые слова:** торговый ассортимент; управление торговым ассортиментом, структурирование торгового ассортимента, товарные категории.