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APPROACHES FOR RETAIL ASSORTMENT CREATION AND SUSTAINABLE DEVELOPMENT

Petrova S.A.

Commercial and Tourism Business D.A. Tsenov Academy of Economics (Svishtov, Bulgaria)

In the process of studying the nature and role of the decisions for commercial enterprise sustainable development, there are a number of issues posing both theoretical and practical problems. Sustainability is becoming a direct measure of the dynamic changes that occur in the application of advanced concepts creating competitive advantages. The source of some of these advantages is the used new approaches for the creation and ensuring of retail assortment sustainability. The purpose of this paper is to examine and interpret basic theoretical and methodological formulations for retail assortment creation and sustainable development. To achieve the goal the author sets the following important research tasks: studying the theoretical foundations of retail assortment creation; analyzing the possibilities to create and develop sustainably a commercial enterprise's retail assortment; justifying the recommendations for increasing the efficiency of the created retail assortment and ensuring its sustainability in the commercial enterprise. In specialized literature, the problems of retail assortment creation and sustainable development of a commercial enterprise have been studied and analyzed at different times in different aspects. In this relation, it is particularly important to abide by the achievements in this area in terms of methodology, methods and approaches, as well as to take into consideration the changing conditions for commercial business nationally and internationally.

Keywords: retail assortment creation process; retail assortment sustainability; commercial enterprise.

Formulation of the problem. In a modern global economy commercial enterprises tend to constantly search for new approaches to create and develop sustainably the retail assortment. These approaches are associated with the opportunities to better meet the re-

quirements of target users by adopting various strategies for diversifying commercial business based on distinctive features, specific properties of the products offered, presentation, attractive design and image, ensuring high customer satisfaction.

The **object of study** in this paper is the commercial enterprises whose development is influenced by the dynamic changes occurring in the created assortment. The **subject of study** is the theoretical approaches for the creation and sustainable development of retail assortment.

The comprehensiveness of the process of creating and ensuring sustainability of the assortment of commercial enterprises determines the structure of the paper, as follows:

- clarifying the theoretical foundations of creating the assortment of the commercial enterprise;
- analyzing the creation of retail assortment and the securing of its sustainability;
- drawing up conclusions and justifying recommendations for enhancing efficiency and ensuring the sustainability of retail assortment.

Analysis of the latest research and publications. 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 a company to form a particular assortment concept to which it can direct its activities. Scholars like M. Brown, J. Lee, R. Curhan, F. Kotler, E. Anderson, N. Amato, N. Borin, P. Farris,

J. Fieland, etc. have contributed significantly to the solution of these problems.

The purpose of this paper is to study and interpret the approaches for enhancing the efficiency of management and ensuring sustainability of the assortment of commercial enterprises.

Presentation of the basic material. Providing the necessary growth of the key financial and economic indicators for the activity of the commercial enterprise, as well as meeting the rising consumer demands, largely depend on the proper formation of the assortment of goods. *Essentially, the creation of the assortment is a kind of process of selecting various commodity groups, their types and varieties differentiated by distinctive signs with the aim to offer and sell them in the premises.* This process should take into account the chosen form of commodity specialization, the size of the commercial area and the specifics of organization and technology of the retailing process.

The formation of sustainable assortment helps to create an optimal amount of sales figures for a long period of time and is becoming one of the fundamental prerequisites for creating competitiveness and welfare of the retailer. In this regard, *F. Kotler* offers a successful approach of creating sustainable

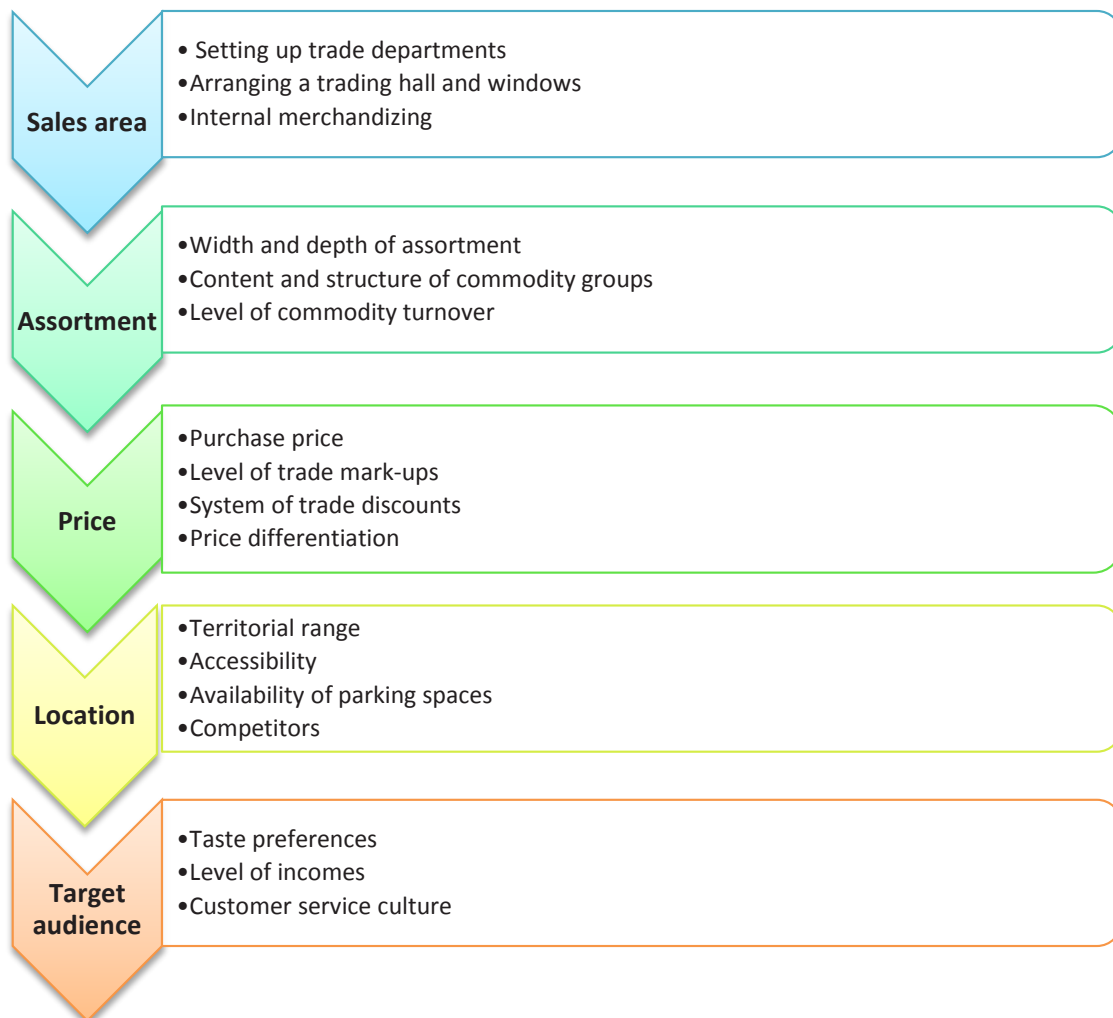


Fig. 1. Principles, determining the retail format

Source: Котельникова, З. Особенности развития розничных сетей и торговых форматов в продовольственном секторе российской торговли в 2000-х годах (региональный аспект). Мир России, 2009, № 3, с. 154-155.

retail assortment, differentiating the following two stages: *first*, analyzing the commodity lines, including permanently gathering and processing of data on the volumes and values of sales and profits by individual stock units; *second*, the adoption of decisions on the length of commodity lines, the need for upgrading or shortening [6, p. 263].

When working out the essence of the process, the theoreticians *Dikhtl E.* and *H. Hershgen* proposed that the formation of sustainable assortment should take into account the economic objectives of the commercial enterprise based on the criteria for increasing sales volume and profit maximization [2, p. 59]. Compliance with this principal definition allows outlining the trends of the research process, expressed in:

- evaluation of goods on the basis of analytical data reporting on the structure of sales, showing the relative shares of different commodities and commodity groups in the total amount of sales value;
- evaluation of the micro-environment of the commercial enterprise, incl. that of consumers;

According to the theoretical formulations of *Zavyalov P.* the creation of sustainable assortment of a commercial enterprise is a system that includes: determining user demand and user requirements, highlighting the characteristics of consumer, evaluating the assortment of goods, investigating competitors, etc. [4, p. 117-118].

The analysis of the various methods of creating retail assortment and ensuring its sustainability allows us to highlight certain similarities. In its entirety, the methods studied emphasize the importance of market acceptance of goods and evaluation of the results obtained in terms of the economic efficiency of a retailer's activities. In this regard, the analysis needs data on market segments, goods offered, consumer preferences and price dynamics. The idea that each item in the assortment affects to a certain extent the financial state of commercial enterprises underlies the process of retail assortment creation. The application of an algorithm for the formation of retail assortment based on the ABC analysis ranks the resources in order of importance. This is based on the Pareto principle, according to which 20% of all goods create 80% of the turnover. The length of time the goods stay on the market should be taken into consideration, as consumer demand is different for new goods and for established goods.

Studying the assortment in terms of the goods of different price ranges that it involves is extremely important in the context of heightened competition. In accordance with the interests and requirements of consumers the assortment should include goods of different price ranges, low-end, mid-end and high-end, i.e. luxury goods. Pricing decisions directly affect the level of sales and become an essential prerequisite for achieving the competitiveness of goods and commercial enterprises.

The nature of complexity of the process of retail assortment creation is analyzed and evaluated by the scholar *L. Bragin* [1, p. 37-38]. According to him, the most significant principles that should premise the choice of groups of goods can be brought to:

- observing the correlation between the assortment of goods and the nature of consumer demand;
- providing sufficient width and length of the assortment;
- ensuring assortment sustainability which determines spending cuts along the supply chain and enables the standardization of all important commercial and technological processes and operations, as well as the improvement of the organization of their performance with minimum labour costs, material and financial resources;
- increasing the profitability of the retail assortment through taking into account the possible sizes of commercial mark-ups and discounts, the level of stock turnover and other economic factors.

Commercial practice studies show that retailers, such as 'Billa', 'Kaufland' and 'Lidl' chain stores, cut costs along the supply chain by building regional logistics centres. Suppliers transport goods to the relevant logistics platforms where they are regrouped, consolidated and sent to stores. This approach reduces transport costs as distributors deliver the necessary stocks directly into the central warehouse of the retail chain. Manufacturers also conduct similar supplies by their own transport. For example, the German retail chain 'Lidl' made an investment of over € 80 million in the construction of a second logistics centre in Bulgaria. The modern logistics centre has a total area of over 197,000 square meters [8, p. 37].

Ensuring the sustainability of retail assortment is as important as its proper creation. This is one of the main indicators regarding the assortment status and development. In her theoretical and methodological works *Eremina Y.* emphasizes that sustainability indicator characterizes the variations in the assortment width and depth, occurring over a certain period of time [3, p. 145].

The sustainability or stability of the assortment characterizes the constant availability of goods of a certain type or modification intended for sale. On the one hand, sustainable assortment in the store is associated with the possibility to purchase sustainable goods and to shorten the time for making a decision and to make the purchase. On the other hand, retailers find the creation of sustainable assortment favourable as it increases the efficiency of the buying and selling process. The pursuit of chain stores to attract the largest possible number of consumers and to increase the volume of sales and profits determines a significant increase in the assortment of goods offered. In this regard, observing the market analysis conducted by *Breisch R.* and *Cintagunta A.* shows that over the past decade modern American grocery stores have offered more than 47,000 items, exceeding more than twice the assortment offered by such stores ten years ago [10, p. 49].

According to the researchers quoted, in this period the assortment growth rate considerably exceeds the rate at which the retail space and shelf space in stores increase. On the other hand, the expansion of the assortment is not always appreciated by users, which makes retailers enter into additional costs to update the stocks. During a certain period of their

operation – in 2009, big retail chains like Walmart and Kroger Co, undertook activities to reduce the assortment by about 15%. The sustainability of retail assortment development and management requires flexible solutions that create balance between the benefits for consumers and the costs of commercial enterprises when changing the assortment.

As pointed by *Hoch St.* and *Bradlow E.*, assortment diversity ranks third according to consumers after the location of the store and the price level of the goods [11, p. 527-546]. However, in specialized literature there are many studies proving that consumers react more to changes in the retail assortment than to changes in price levels [12, p. 5]. The availability of popular brands and their quantity in the proposed assortment within the assortment lines is more likely to influence a user when choosing a particular store.

The above data helps to find out that there is no universal approach to sustainable development of the retail assortment in theory and practice. As in each case the result of assortment change is influenced by the characteristics of the goods and consumer preferences, commercial enterprises make the appropriate management decisions.

The process of sustainable development of the retail assortment is based on pre-made sales forecasts for separate stock categories. In this aspect, the amount of retail space that needs to be allocated for each stock category, as well as the number of assortment positions or Stock Keeping Units (SKU) that must be purchased for each category have to be determined. In turn, the amount of retail space depends on the selected trade format. *Kotelnikova Z.* defines the ‘trade format’ as a product of optimization of such parameters as price and assortment of goods, retail space, provision of trade services while taking into account the characteristics of location and the behaviour of consumers and competitors [5, p. 154-155]: See Fig. 1.

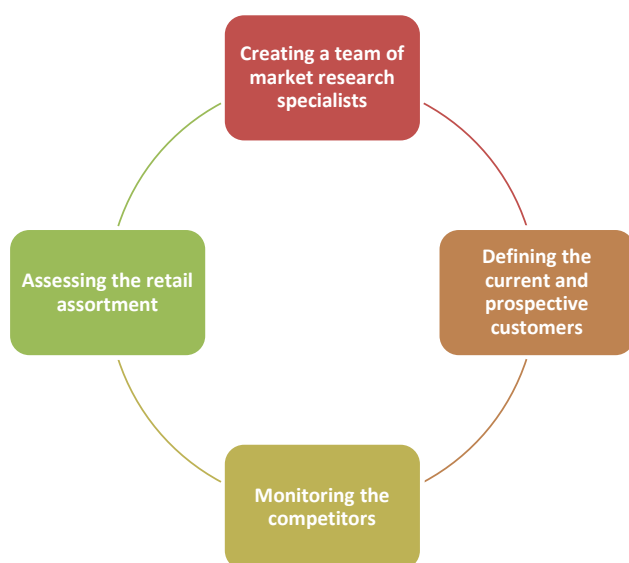


Fig. 2. Elements of the system of creating retail assortment

Source: Adapted by: Завьялов, П. *Маркетинг в схемах, рисунках, таблицах. Учебное пособие, Инфра-М, Москва, 2008, с. 117-121*

The retail format is formed under the influence of a number of factors, which determines the wide range of possible options, such as: hypermarkets, supermarkets, cash & carry, discounters, convenience stores, etc. Each of these types of retail formats is characterized by certain features, size of sales area, number of the assortment positions offered, location, target audience.

An analysis carried out in terms of methodology makes it possible to highlight the **fundamental elements of the system of sustainable retail assortment creation**: See Fig. 2.

As can be seen in Fig. 2 **creating a team of market research specialists** introduced in the activities of the store is a basic element of the system studied. Professionally trained specialists can refine the retail priorities of the store, analyze the data obtained on the needs of consumers and make appropriate decisions for the inclusion of new assortment positions or exclusion of some assortment positions.

Another element of the system studied is **defining the current and prospective customers**. Defining the needs has a significant importance for the realization of sales. The supply of sought products with specific consumer features and competitive advantages is one of the main objectives of the retailer. This business activity helps the formation over the years of a stable assortment corresponding to the consumer needs.

Monitoring the competitors by separate trends is defined as a third element of the system of creating sustainable retail assortment. This step involves the activities related to monitoring the competitors allowing for the following important indicators: market share, percentage of new products and sales, new markets, customer loyalty, etc.

The fourth element integrated in the system of sustainable retail assortment creation is related to **assessing the retail assortment**. This assessment involves excluding or including in the assortment of new stock units, taking into account both the importance for customer satisfaction and the importance for the commercial enterprise.

Conclusions. The attempt made to study and interpret the nature of complexity of the theoretical-applied approaches for retail assortment creation and sustainable development gives us the reason to formulate the following important conclusions:

First. Based on the above theoretical arguments to consider the sales area, assortment, price, location and target audience, the characteristics and specifics of retail assortment creation are outlined as a kind of process of selecting various groups of goods, their types and varieties, differentiated by specific features, with the aim of supplying and selling in the store.

Second. The use of methodological tools enables highlighting the main elements of the system of creating sustainable retail assortment, making it an immediate measure of the dynamic processes of the business conducted.

In terms of the problems discussed it can be concluded that the advantages of using effective approaches in the retail assortment creation and sustainable development find expression in the creation of the sought competitive advantages of commercial enterprises.

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Петрова С.А.

Хозяйственная академия имени Д.А. Ценова (Свиштов, Болгария)

ПОДХОДЫ К ФОРМИРОВАНИЮ И УСТОЙЧИВОМУ РАЗВИТИЮ ТОРГОВОГО АССОРТИМЕНТА

Аннотация

В процессе исследования сущности и роли решений для устойчивого развития торговых предприятий выделяется ряд вопросов, являющихся не только теоретической, но и практической проблемой. Устойчивость превращается в непосредственный измеритель динамических перемен, наступающих в результате применения современных концепций, создающих конкурентные преимущества. Источником части этих преимуществ являются используемые новые подходы к формированию и обеспечению устойчивости торгового ассортимента. Цель настоящей разработки – рассмотреть и интерпретировать базовые теоретико-методологические постановки формирования и устойчивого развития торгового ассортимента. Для достижения намеченной цели ставятся следующие более важные исследовательские задачи: изучение теоретических основ формирования торгового ассортимента; анализ возможностей формирования и устойчивого развития ассортимента торгового предприятия; обоснование рекомендаций по повышению эффективности формируемого торгового ассортимента и обеспечению его устойчивости на торговом предприятии. В специализированной литературе проблемы формирования и устойчивого развития ассортимента торгового предприятия исследованы и проанализированы на протяжении различных периодов времени и в различных разрезах. В связи с этим особую значимость имеет наблюдение достижений в этой области с точки зрения методологии, методики и подходов, а также принятие во внимание меняющихся условий для торгового бизнеса на национальном и международном уровне.

Ключевые слова: процесс формирования торгового ассортимента; устойчивость торгового ассортимента; торговое предприятие.