SLEZSKÁ UNIVERZITA
OBCHODNĚ PODNIKATELSKÁ FAKULTA V KARVINÉ

Retail management

Merchandising and category management

Merchandise mix

- Retailer‘s total product offering is called a merchandise mix, product range or product portfolio.
- Two levels – strategic and operational:
  - Strategic: merchandise management includes the process of selecting the right items for the store.
  - Operational: ensuring the items are available when consumer want to purchase them.

Category

- Items in the assortment are organised into groups: categories
- Merchandise planning encompasses selecting the right categories and the items within it.
- This selection refers to a breadth and depth of the assortment, quality level and brand portfolio.

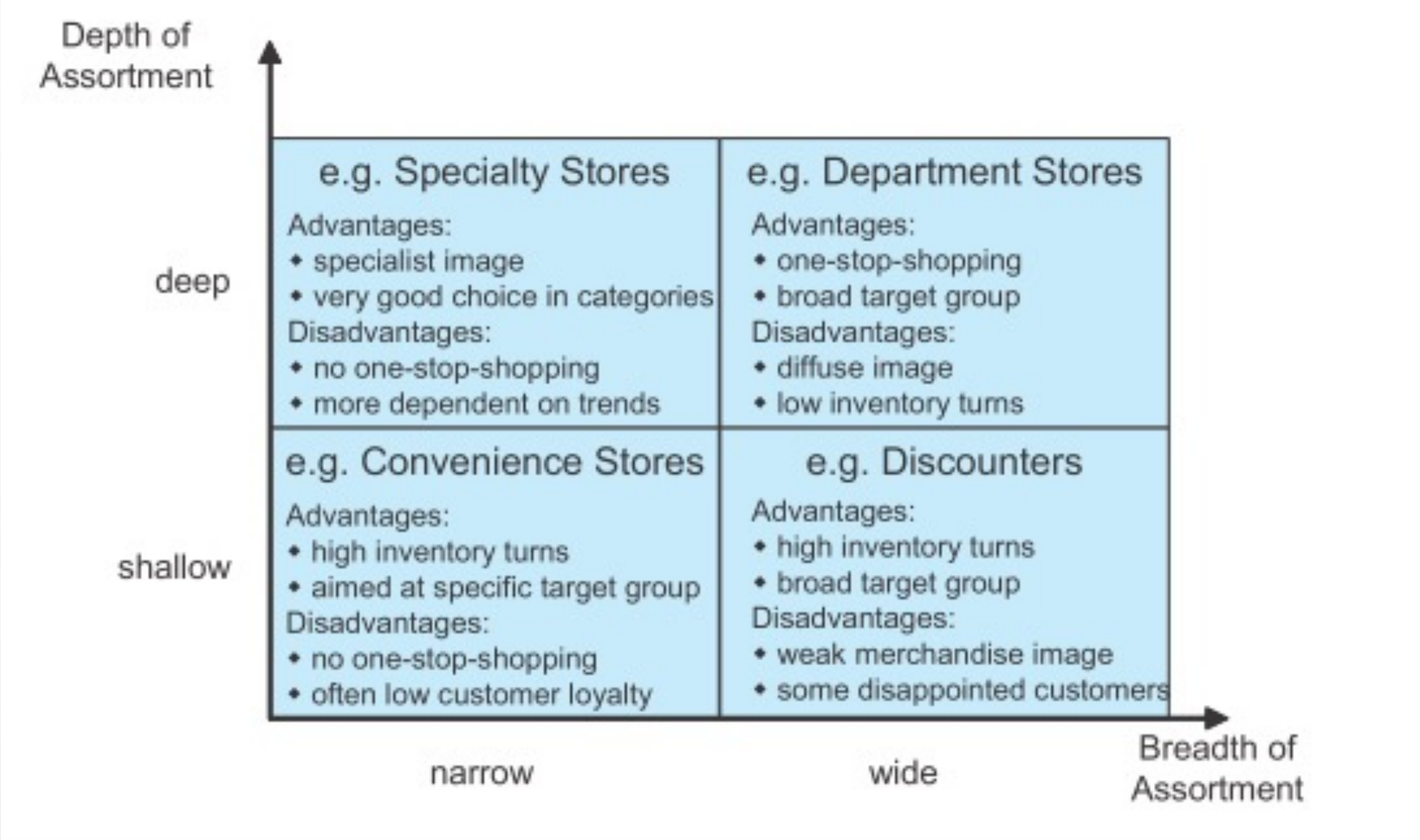
Stock keeping unit - SKU

- Lowest level of detail identifying product in the retailer‘s assortment is **stock keeping unit.**
- For example pair of pants of particular brand, in particular style, colour, and size, is one SKU.
- Number of SKU varies:
  - Discount store could have only 1 000 SKUs
  - Hypermarket could have up to 100 000 SKUs

Product portfolio / assortment

- In the food store, the breakdown of meat and sausages, milk and dairy products, pastries, fruits and vegetables etc. is the **width of the assortment**.
- The division of milk and dairy products into milk, cheese, yoghurt, etc. is still the **width of the assortment**.
- The division of yoghurts according to flavours, brands, etc. is the **depth of the assortment.**

Product portfolio / assortment



Shelf space

- Shelf space in retail management refers to the physical area allocated to products on store shelves.
- It is a critical resource as it directly influences product visibility, sales potential, and customer purchasing decisions.
- Retailers strategically manage shelf space to maximize profitability by considering factors like product demand, profitability, supplier agreements, and category management principles.
- Effective shelf space management often uses planograms and data analytics to ensure optimal product placement and inventory turnover.


SEZÓNNÍ NABÍDKA
1.
22,0 cm
2.
33,0 cm
4.
10,0 cm
5.
28,0 cm
100,0 cm
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
29
LOCTITE


SEZÓNNÍ NABÍDKA
LOCTITE
WASH MITT

Excercise

Download the xls from IS SU

Items in assortment

- Stample merchandise
- Fashion merchandise
- Seasonal merchandise
- Fad merchandise

Stample merchandise

- Products that are carried permanently by the retailer and that have relatively stable sales over time.
- A hammer or a paint-brush at a DIY retailer or a jeans and white T-shirt at a department store would be example of staple goods.

Fashion merchandise

- Products that have cyclical sales due to changing tastes and lifestyles.
- Colors and cuts of clothing change and merchandise offered this year is usually out of date next year.

Seasonal merchandise

- Products that do not sell equally well over consecutive time period.
- Barbecue grills, skiing equipment, short pants and similar products have very high sales during one season of the year, but are not sold at all in other seasons.

Fad merchandise

- Products that generates very high sales for a short time period. Often, toys and games, certain clothing accessories are fads.
- Tamagochis and Pokemon were classic fads. Movie merchandise also constitute classic fads.
- Price sensitivity is often very low and ensuring supply, while demand is high is crucial for success.

Product portfolio dependencies

- Demand for items is interrelated.
- It is more convenient to do all the food shopping for the week in one store.
- Products are consumed together, and it is convenient to purchase them together because they can be matched.
- Shirt and tie.
- Paint and paint-brush.

Category migration

- An increasing number of retailers use a combination of **specialist** and **generalist approaches** within their product offer.
- They are specialist in one or a few categories but add other categories in which they only offer a shallow assortment.
- Retailers also diversify by adding new products to their assortment, which do not belong to their traditional merchandise.
- Supermarkets sell non-food
- DIY stores offer furniture
- Sport stores offer food

Reduction of Variety

- Variety of assortment is an important determinant of attitude towards the store and store choice, ranking only behind location and price.
- Shoppers are often looking for very specific items.
- A great variety and larger assortment increases the probability of finding what they really want.
- On the other hand, one of the most valuable assets of the retailer is selling space.
- Retailer has to make choices.

Reduction of Variety

- An increasing number of SKUs usually increases retailing costs.
- Assortment complexity raises various cost including those of sales, shelf space, planning, advertising, inventory and logistics.
- Many alternatives within a category can lead to confusion and make the shopping process more complicated. Consumer often prefer mental convenience.

Reduction of Variety

- Studies shown that even radical reductions of assortment do not necessarily reduce customer visits to the store and sales may remain stable.
- It is not the actual number of difference products in a category that matters, but the consumers' perception of variety that is relevant for store choice behavior.
- The elimination of different, but similar versions of the same product in the assortment is often not perceived negatively.

Manufacturer Brands and Store Brands

- Manufacturer brands are owned, produced, managed and marketed by manufacturer.
- Store brands (also called private labels) encompass all product brands owned managed and marketed by retailers.
- Property rights for the brand in this case, are held by the retailer.

Manufacturer Brands and Store Brands

Manufacturer Brands and Store Brands

Manufacturer Brands and Store Brands

Manufacturer Brands and Store Brands

Manufacturer Brands and Store Brands

- Manufacturer brands usually comprise the main part of the merchandise.
- Danone, Black&Decker, Adidas, Mars, Samsung
- Two main advantages
  - Pull effect – strong brands have more customers which are slightly more loyal
  - Image transfer – retailer store image can be improved when it is associated with manufacturer brands.

Store brands and its functions

- Store brands popularity among retailers in many product categories is one of the major developments in retail merchandising strategy.
- From skepticism of customers regarding quality to widely accepted substitutes for manufacturer brands.
- Store brands around the world:
  - Around 50% of retail assortment in Switzerland
  - Around 40% of retail in United Kingdom and in Germany
  - Around 30% in Spain and France

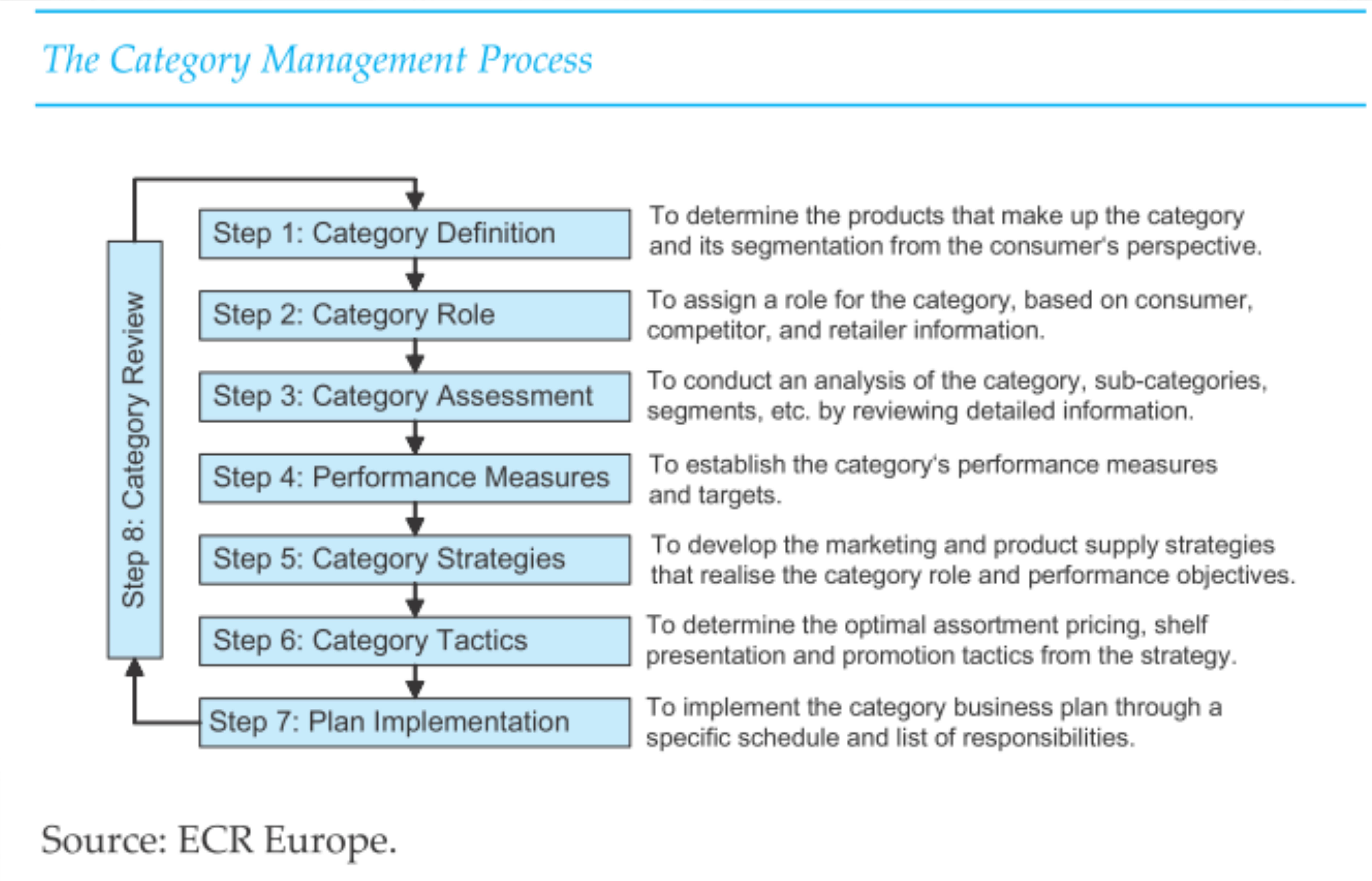
Store brands and its profit share

Sainsbury's	51%
TESCO	48%
ASDA	46%
Waitrose	53%

Category management

- Retailer-supplier process of managing categories as strategic business units, producing enhanced business results by focusing on delivering customer value.
- Each category follows a specific strategy, which is embedded in the retailers overall strategy.
- Manufacturer uses his knowledge about product possibilities and retailer uses his knowledge about customers and market.

Category management



Category strategies

- **Traffic building**
- **Transaction building**
- **Profit generating**
- **Image creating**

Category strategies – Traffic building

- **Attracting many customers to the store, for example, by offering price promotions for frequently purchased products.**

Category strategies – Transaction building

- **Enhancing the average size of the shopping basket, for example, by exploiting demand interrelationship in the space allocation in stores or encouraging impulse purchases.**

Category strategies – Profit generating

- **Enhancing profitability of customers' shopping baskets, by offering products with high margins.**

Category strategies – Image creating

- **Improving the retailer's image, by offering products that are sold uniquely at the retailer or offering an outstanding choice in the category.**


Nestlé
PEPSICO
GENERAL MILLS
Kellogg's
Associated British Foods plc
Mondelēz International
(formerly Kraft Foods)
Coca-Cola
Unilever
DANONE
MARS
WRIGLEY

BCG Matrix

- Most famous portfolio analysis is Boston Consulting Group Matrix .
- Logic: profitability of different strategic business units is aligned with **share** and **growth**.
- Result: Model BCG which sort SBU

BCG Model

Market growth rate				
	20%	*High*	**STARS** Growing profit	**QESTION MARKS** Low profit
	10%			
	0%	*Low*	**CASH COWS** Highest profit	**DOGS** Lowest profit
			High	*Low*
			10x 1x	0,1x
			Relative market share	

BCG Model

- **Stars**
  - Requieres lots of investments and managing effort
  - Strong competition in the segments
- **Cash Cows**
  - Established well functioning units.
  - Generates valuable profits for other unists.

BCG Model

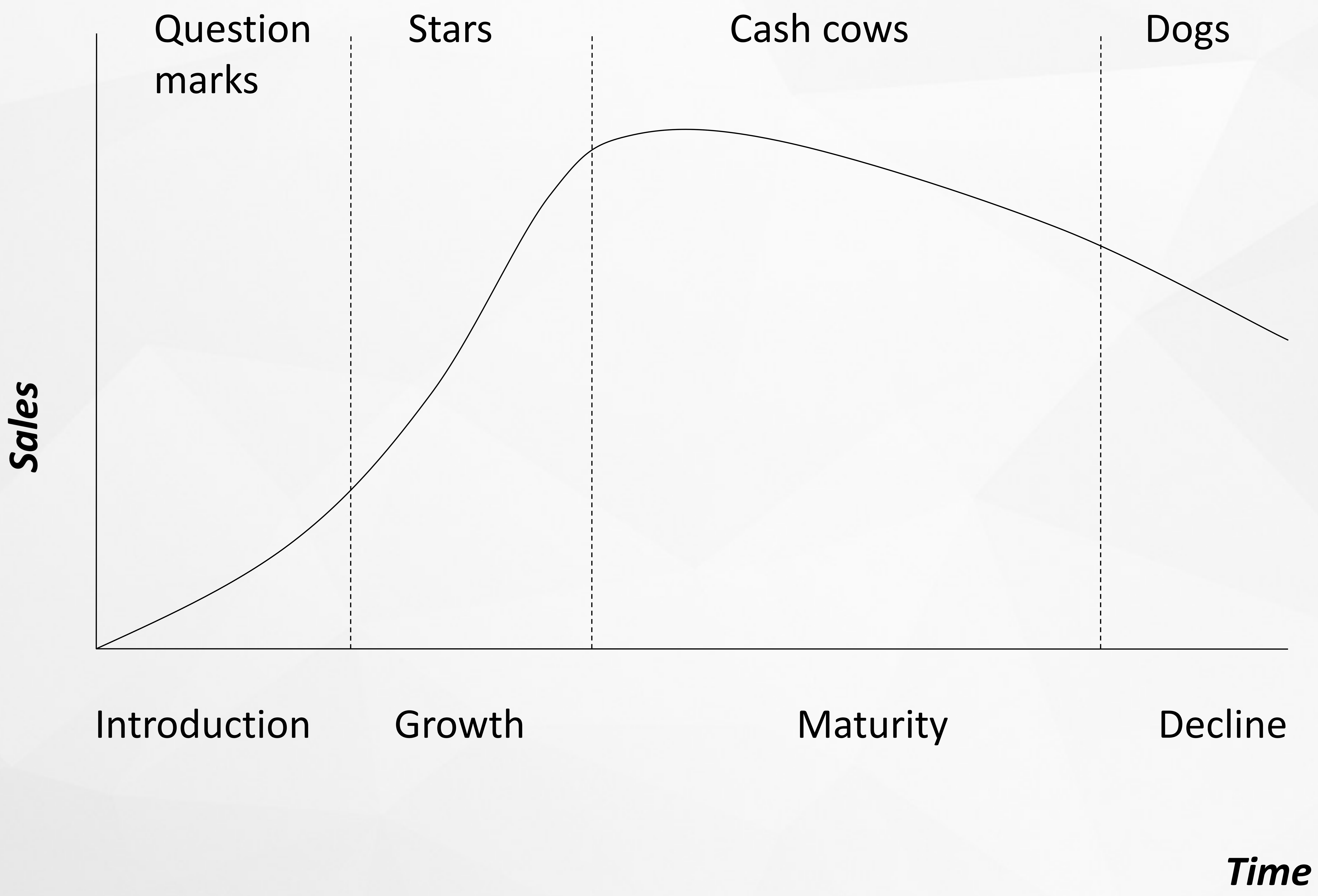
- **Question marks**
  - Requires extensive investments to maintain market share.
  - Management have to decide which of these will progress to Stars.
- **Dogs**
  - Can generate sufficient amount of profits to survive.
  - Has no bright future ahead of them.

BCG Matrix Excercise

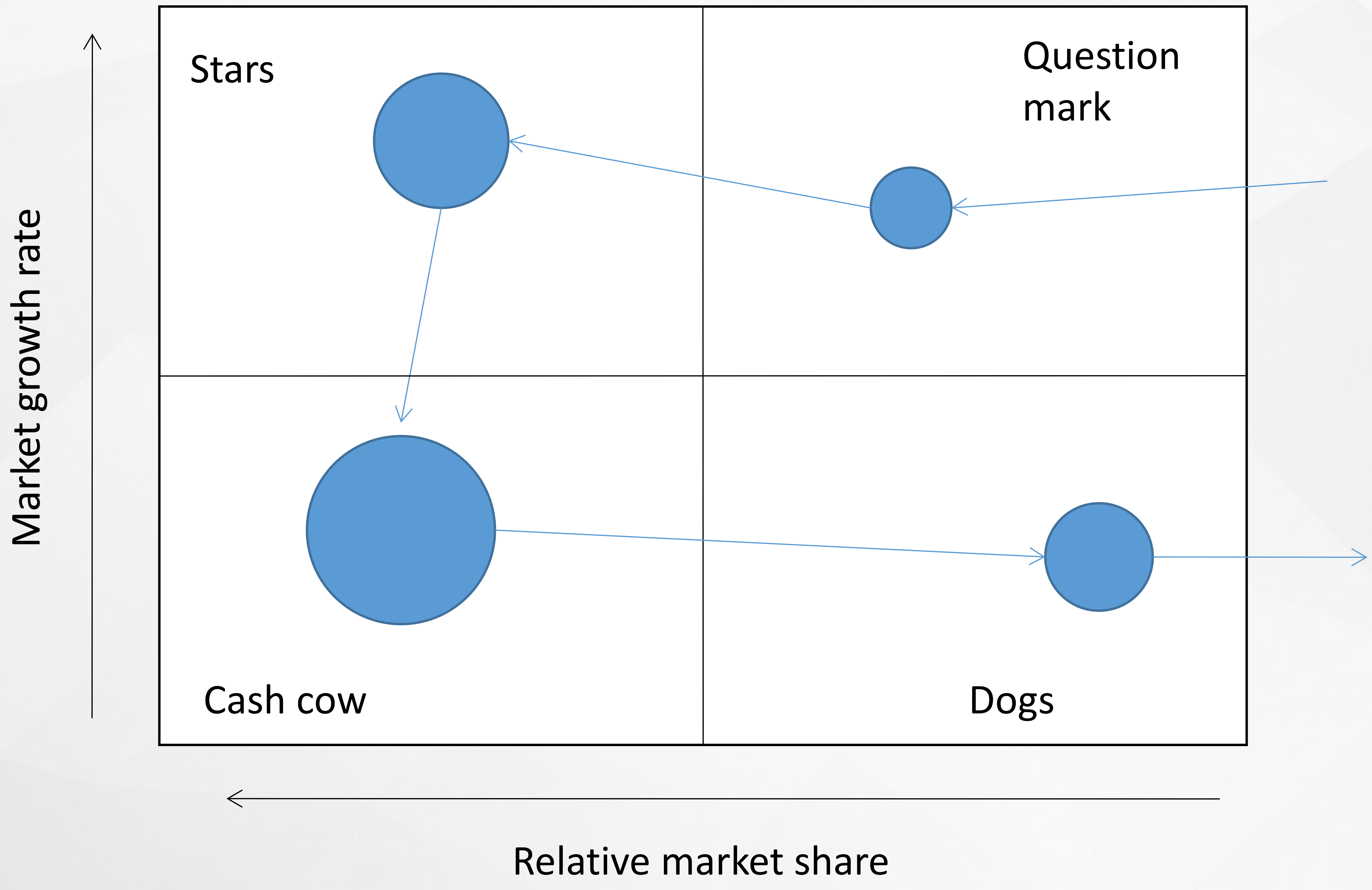
- P&G porduct portfolio:

	Relative market share	Market growth rate	Profit
Gilette	3,2	6%	1 560
Old Spice	1,5	10%	752
Vicks	0,7	15%	25
Braun	0,2	2%	44
Garnier	1,2	11%	82
Lacoste	0,4	2%	405

BCG model and lifecycle



BCG model and lifecycle



Thank you for your attention

SLEZSKÁ
UNIVERZITA
OBCHODNĚ PODNIKATELSKÁ
FAKULTA V KARVINÉ