

STRATEGIC DEVELOPMENT OF THE RETAIL ASSORTMENT: METHODOLOGY AND APPLICATION

Modern retailers use highly effective strategic tools, including pricing and commercial format solutions. The strategic choices of the trader influence with some force on the overall size of the assortment supply.

The main objective of this development is to jointly study the two types of strategic solutions that are specific to retailers - to choose pricing and commercial format, and on this basis determine the effects on the value of the assortment supply.

To achieve this, the following research objectives are set: defining and systematizing basic theoretical formulations for pricing strategies and choosing a commercial format; clarification of the importance of the two types of strategic decisions for the activity of retailers related to the assortment supply; development of a methodological basis that helps to study the effects of pricing strategies and commercial format on the overall value of assortment supply; formulating conclusions and making recommendations for improving the assortment supply. In this area, a study is conducted in the specialized literature related to the presented results on the preferences of the traders regarding the strategic choice of pricing applied and the accepted trading format. The use of an appropriate data set covering grocery retailers allows one to examine the determinants and impact of pricing, the trading format and the combination of merchant strategies. Despite the fact that there is a relative similarity in some of the combinations in comparison with others, the consideration of pricing strategies and the choice of commercial format allows to determine to a certain extent their effects on the range of retailers.

The current development of the lowest-focus researcher proposes a collaborative study of the two identified types of strategic decisions that may be registry specific. As for the news, it is within one general framework to determine and to make the level of joint action great with regard to the assortment offered by what needs to be done to be included in the lists included in the assortment, and the choice of commercial and ski format.

In a highly competitive environment, retailers use a diverse range of business survival tools. In this context, the selection and implementation of an appropriate strategy can predetermine the long-term prospect of success or failure, which is reduced to the realized value of sales of goods from the formed assortment.

One of the most essential and effective strategic tools in the commercial business is pricing. Researchers on these issues - L. Popkowski, T. Peter, S. Ashish and A. Sahgal, determine pricing as a set of retailer rankings - from offering strategies for the lowest price of the day, promotional prices or highest prices, to traders who often offer price discounts [3]. In addition, some traders combine certain pricing strategies, ie. apply hybrid pricing.

Another long-term strategic decision that traders have to make comes down to choosing a trading format. Commercial formats should respect consumer requirements and take into account the particularities of shopping situations. For example, as confirmed by O. Gonzalez-Benito, P. Munoz-Gallego and P. Kopalle in their productions, the diversity of commercial formats includes in the food sector [2]: see Figure 1.

- the most common commercial format for "supermarkets" offering a wide variety of food and home-made goods;
- larger shopping centers or so-called "Supercenters" who provide a huge range of products under one roof, including groceries;
- trade formats with limited assortment, which offer a small variety within a limited shelf space.

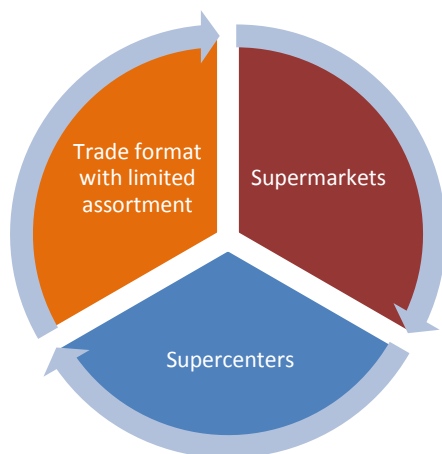


Fig. 1. Trade formats in the food sector

Strategic changes change in pricing or in commercially available format offers business-friendly business recommendations. For example, when a seller is reorienting to the lowest price strategy for the lowest price, or transferred to the category of commercial, promotional consumers, this cannot be generated by economic stability and sustainability.

Empirical studies by a number of researchers, including R. Bolton and V. Shankar, show that one of the largest retailers globally, the American Walmart Company, adheres to a supercenter ski format and offering a wide range of goods at the lowest possible prices (EDLP - Every Day the Lowest Price). The adopted pricing strategy provides the required growth in sales of goods included in the total size of the range [1].

According to the positions of the authors thus cited, within a certain period of its operation, the Walmart retail chain, began to reduce its range by about 15%, which frees up the shelving space for leading brands, and especially for trademarks [1]. However, consumers are reorienting towards competing retail outlets because they cannot find their preferred products. Market research by Walmart finds that the downfall from sales of one product at a price of \$ 1 leads to missed sales of \$ 80 worth of goods. The retail chain subsequently corrects the assortment policy adopted. During this period, the company redirected Walmart from the EDLP - Every Day the Lowest Price - Everyday Lowest Price Merchant to a merchant policy that offers more temporary promotions, confuses consumers, and some of them get over it -entire to the so-called. Dollar stores, which are in economic boom.

As possible business solutions, Walmart sees: offering more proprietary brands and merchandise that cannot be bought elsewhere; building a sense of unique experience when visiting the store; offering limited time special promotions only at physical retail outlets and improving customer service. The chain is promoting the development of its smaller formats - Walmart Express and Neighborhood Market. As a global trader, the company develops key international markets including the UK, Mexico, China, Canada and Brazil and other countries. Walmart International's primary goal is to implement the "EDLP - Every Day the Lowest Price" policy across all its markets. This probably creates some difficulties in markets where consumers are accustomed to promotional discounts. In addition, account should be taken of the level of importance of price bids in the process of securing a competitive position in the market.

In theory, a trader can choose from any combination of pricing strategies and trading formats, with most merchants using a variety of combinations to occupy multiple market niches and serve a greater number of consumer segments. Accounting for pricing and trading format makes it possible to differentiate between merchant strategies: for example, certain retailers provide daily low prices for a wide selection of art towers, and others for lower prices for smaller selection of frequently bought goods. Third-party retailers focus on increasing the number of in-store services, such as cooking classes, freshly prepared foods, allowing them to reach higher-income segments.

Thus, variables affecting pricing and form store preferences are determined to be merchant and consumer specific. It is important to assess whether marketers are focusing on one strategy or another or on thinking together about solutions.

The following important conclusions can be formulated from the study:

First, in the context of a dynamic market environment, the importance of using modern retailers of highly effective strategic tools to help pricing and targeting a particular trading format is increasing.

Second, from several strategically feasible solutions, the trader may choose a suitable combination that influences the overall value of the assortment supply with some force.

Third, the use of an appropriate data set covering food retailers allows one to examine the determinants and impact of pricing, trading format and combination of merchant strategies on the size of the product mix offered.

In their entirety, pricing and trading format strategies applied should be analyzed, compared and evaluated so as to highlight the relative similarities in one part of the combinations between them, in order to identify to a certain extent the manifesting power of influence and effects on the assortment of retailers.

References:

1. Bolton, R., V. Shankar. An Empirically Derived Taxonomy of Retailer Pricing and Promotion Strategies. *Journal of Retailing*. 79 (4). 2003. p. 213–224.
2. Gonzalez-Benito, O., P. Munoz-Gallego, P. Kopalle. Asymmetric Competition in Retail Store Formats: Evaluating Interand Intra-Format Spatial Effects. *Journal of Retailing*. 81 (1). 2005. pp. 75–79.
3. Popkowski L., T. Peter, A. Sinha, A. Sahgal. The Effect of Multi-Purpose Shopping on Pricing and Location Strategy for Grocery Stores. *Journal of Retailing*, 80 (2), 2004. pp. 85–99.