

ARTICLE

METHODOLOGY OF FORMING THE ASSORTMENT POLICY OF THE ENTERPRISE

Olga V. Proshkina*, Oksana I. Efremova

Naberezhnye Chelny Institute, Kazan Federal University, 68/19 Mira Ave., Naberezhnye Chelny, RUSSIA

ABSTRACT

The article reflects the analysis of the most important determinants in the field of forming the product range, proposes the basic definitions from the marketing point of view. The analysis of existing approaches to the multi-nomenclature assortment formation is presented. The information base is presented by Russian and foreign methodological researches of the assortment planning, creation and management. Currently the assortment management methodology is represented by a wide range of scientific articles. However, there is no common view of the assortment policy essence. There is also a scatter of opinions regarding the assortment characteristics (depth, width, structure). It is established the controversial opinions about correlation between "assortment policy", "assortment strategy", "assortment management", "assortment formation". The article provides a detailed analysis of the assortment management conception, the state of the problem, the assortment formation approaches. It reflected the absence of a unified and clear understanding of the main terms. As a result of the general scientific review and analysis, the methodological conception of forming the assortment policy is formulated. Scientific novelty: the content of the term "assortment policy of the enterprise" is clarified. It is a set of marketing decisions which defines the range and volumes of products and is aimed to the profit and efficiency of the enterprise. The definition limits the scope of action and identifies the general objective clearly. The research results are of scientific and methodological importance in the assortment management theory and practice. Clear terminology and methodology facilitates the task of developing practical methods of the assortment formation. Further research prospects are related to the development of practical recommendations on the assortment policy. The article is intended for a wide range of theory and practice specialists of economics, management, and marketing.

INTRODUCTION

Assortment management is the basis of many management decisions. From the point of view of practice, the most important financial and economic indicators depend on the assortment policy. Adequate response of production to market requirements provides the firm with a profit and a positive reputation. However, from the scientific and theoretical point of view, the formation of assortment policy is impossible without a terminological and methodical apparatus. Establishing clear basic categories is necessary for the further development the assortment management science.

Various aspects of the assortment policy formation were considered in the works of domestic scientists, who made a big contribution to the study of problems of the product range management. In modern conditions, the concept of the assortment planning, creation and adjustment causes a lot of discussions in the scientific and popular economic literature [1-4]. The issues of forming the assortment cover strategic and production management, commercial business, and commodity science. But the main role belongs to marketing, since the range of products should be in demand by the market [5]. The financial results, reputation, competitiveness, economic security depend on the demand for goods [6]. In the same time, the demanded assortment must be made in conditions of resource and production limitations [7]. This condition should be reflected both in the terminology of the assortment policy, and in the methodology for its formation.

The subject of the research is the theoretical and methodological aspects of the assortment policy formation.

MATERIALS AND METHODS

Research methods are methodological analysis of the assortment formation, synthesis, comparison. The theoretical and methodological basis was the research works of leading domestic and foreign scientists in the field of marketing, and in particular, of assortment management.

In the process of work, materials from specialized publications, scientific and practical works, legislative and regulatory documents were used.

RESULTS AND DISCUSSION

The assortment policy formation: analysis of the state of the problem

The assortment policy has a direct impact on all the indicators of the enterprise. Thanks to a rational assortment, it is possible to compete, gain a market share, make a profit. Studies [8, 9] etc. are confirmed, that the assortment policy formation can be considered the dominant (priority) element of management. In the final analysis, the future functioning and development of the enterprise depends on the correctness of the decisions made [8].

KEY WORDS

assortment, assortment policy, assortment strategy, assortment management, assortment position, assortment group.

Received: 12 Aug 2019
Accepted: 19 Sept 2019
Published: 26 Sept 2019

*Corresponding Author

Email:
ovproshkina.kpfu@mail.ru
Tel.: 8 (8552) 39-66-18

In theory (and in practice) work on the assortment usually consists: 1) grouping of goods according to similar characteristics; 2) determination of the number of assortment groups; 3) the specification of the assortment [4, 10-12]. Calculation of production volumes is based on previous sales.

At the same time, other assortment issues (market research, pricing, competitiveness assessment, output volume optimization, product positioning, etc.) remain outside the assortment policy. In addition, increasing profits is not always the goal of assortment activities [8, 9, 12]. Often the decision to include or exclude goods from the range is made on intuition, or on imitation of competitors, or on other scientifically unreasonable reasons. As a result, many products do not meet the requirements of buyers.

The introduction of various assortment policy methods in practice has a number of difficulties:

- 1) underestimation of the importance of marketing research;
- 2) the complexity of adapting the methodology to a particular enterprise;
- 3) lack of specialists;
- 4) multi-nomenclature;
- 5) the lack of a single methodological apparatus.

Analysis of the conceptual apparatus of the assortment policy

Unfortunately, today there is a gap between the academic conceptual categories describing the range indicators, and their perception by practitioners. Until now, there is no universal textbook, universal work which devoted to this topic. Scatter and discrepancies in conceptual categories are observed even in economic dictionaries [13, 14]. There is no unity even in the definition of "assortment" among domestic economists and marketers. Even more disagreements are revealed in the description of the most important components of the assortment - width, depth, saturation, etc.

Let's consider the basic terms. "A product is anything that can be offered to a market for attention, acquisition, use or consumption" [10]. In other words, a product is the subject of trade, of exchange, of sale. This definition is a classic of marketing. It comparatively rarely differs.

The terms "assortment" and "nomenclature" are also often used in economic literature. Looking at the origin: the nomenclature is a list of names used in any branch [13], and assortment ("assortir" means "to select, supply various goods") – is the selection of different types and varieties of goods in a trading or manufacturing [13]. Consequently, if the assortment is a list of goods, then the nomenclature is a list simply. Therefore, speaking about the activities of the enterprise (and, first of all, activity in the field of marketing), the term "assortment" should be used, and not "nomenclature".

The assortment consists of assortment groups and separate assortment items. The main essence of these determinants (as most authors agree) is as follows:

Assortment group – a group of goods, united by the enterprise for the commonality of certain features (functioning, use, purpose, etc.).

Assortment position – a specific model, brand or size of products.

The assortment has a number of characteristics widely used not only in marketing, but also in business, management and other related fields.

Having collected the experience of many sources, a single essence was established:

- breadth of the assortment is the number of assortment groups;
- width of the assortment group is the number of items within the same assortment group;
- depth of the assortment is the number of variants (models, modifications) of the goods of one denomination;
- structure of the assortment is a characteristic of the quantitative ratio of the types of products and their share in the total output.

As for the definition "assortment policy", "assortment strategy", "assortment management", "assortment formation", there is also a wide range of opinions.

Management is the process of planning, organization, motivation and control to achieve the goals of the organization [14]. Consequently, this definition in combination with the concept of "assortment" characterizes the range of possible activities with respect to products - collection, transfer, adoption and implementation of decisions, their monitoring, etc.

The formation of the assortment, correlated with the management functions, exhausts itself at the planning stage and, in comparison with the management of assortment is a narrower concept. Formation of the assortment is the preparation of a specific list of goods that the enterprise outputs to the market. However, the concept of "forming an assortment policy" covers much more measures than the formation of the assortment.

In view of the foregoing, the following definition is proposed.

Assortment policy is a set of marketing solutions that determine the range and volumes of products and aimed at improving the profit and efficiency of the enterprise.

Along with the assortment policy in the literature another term is used – the assortment strategy. How do the concepts of "enterprise policy" and "enterprise strategy" correlate? Strategy is a set of objectives of the enterprise and the means to achieve them, determining the direction of action for a long-term perspective [8]. This definition (with minor variations) is shared by many authors.

The analysis of literary sources made it possible to find out the following approaches to the relationship between the concepts "strategy" and "policy": either the enterprise strategy acts as a base for general corporate management, and the policy is in subordinate position [10], or the strategy is considered mainly as part of the firm policy [8], or these concepts are identified [15].

All the above points of view have the right to exist, however, in relation to the assortment, it will not be an error to use the concepts "assortment policy" and "assortment strategy" as synonyms, especially since the semantic difference does not give any advantages in the process of enterprise management.

Forming the assortment policy of the enterprise: analysis of approaches

The analysis of approaches in the field of assortment management showed that at the moment there is no methodology that allows to systematically formulate assortment policy aimed at achieving the objectives of the enterprise.

Some sources (in particular, [8]), offer to formulate assortment policy according to the following scheme: first, a strategic assortment policy is developed, then operational-tactical one.

In the area of calculating the production program, optimization methods with different criteria and constraints are proposed, but this approach contradicts the optimal choice for the consumer. So, as a criterion of optimality, it was suggested to use the maximum of the total load or the minimum underload of equipment, the total output, the minimum total costs, labor productivity, return on capital, profit or profitability [6]. But, focusing only on one indicator of the company's activity, these models ignore a system. Therefore, the problem arises of forming a production program with a new criterion of optimality, reflecting not only production opportunities, but also market conditions.

At the same time one of the best methods of assortment analysis on the basis of the generalizing integral indicator - the product adequacy ratio to the market, presented in [12], allows to choose the assortment reasonably, but needs additional studies. The essence of it is that each product is analyzed in terms of its compliance with market demand, enterprise objectives and resource opportunities. After calculating this coefficient for each product a conclusion is made about the conformity of the nomenclature to the existing conditions. This analysis allows to reasonably making decisions about changing the assortment. The methodology does not require special material costs, complex marketing research, allows (in case of inaccessibility) to replace or exclude certain indicators.

However, this technique is not complete. So, it allows only reasonably remove from production "inadequate" goods, ignoring the fact that some products could have greater success in the market, if to promote them [15]. In addition, the coefficient itself needs some standardization. To calculate it you need a fairly solid list of indicators and a special procedure for quantitative evaluation of disparate data.

1. Analysis of the main terms of the assortment activity showed the following. Today there is no universal terminological approach to determining the essence of the assortment and its characteristics. The lack of unity in the definition of key concepts does not allow to speak about the existence of a scientific conceptual and methodical apparatus in this field. In general, most authors adopt this definition: assortment is the whole range of goods offered by the enterprise to the market. The assortment consists of assortment groups and separate assortment items. The assortment has a number of characteristics.
2. Assortment policy is a set of marketing solutions that determine the range and volume of products and aimed at improving the profit and effectiveness of the company. The proposed definition makes it possible to clearly limit the scope of its operation and to identify a general goal. A significant addition "marketing solutions" indicates the attracting of special attention of decision-makers to the requirements of the consumers.
3. Assortment policy should reflect the solution of two groups of problems: production (economic constraints) and market (conformity to consumer preferences).
4. It is established that the semantic difference of the similar phenomena (for example, "assortment policy" and "assortment strategy") does not play a special role in the management of the enterprise, although some authors see the nuances. In comparison with "assortment management", assortment policy is a narrower concept. Actually, the assortment policy ends with the adoption of appropriate

managerial decisions that determine the range and volumes of products. The implementation of the same decisions and related issues (the concretization of decisions, making adjustments, evaluating the results, creating support systems, transferring information, etc.), being the stages of the assortment management process, are not the assortment policy.

5. In the field of solutions for the formation of a set of goods, there are various methods, generally either un formalized, or offering only marketing procedures for the creation of new products. There is no methodology that allows adequately assessing the existing range of products and ensuring its change in according to market requirements. Existing scientific methods in this field differ either by mathematical complexity and statistical cumbersomeness, or by logical incompleteness and extra-systemic nature. Many authors limit the assortment work by its actual formation, without calculating the production program. However, there is some unity in the allocation of the stages of the assortment planning (market segmentation, definition of needs, choice of goods, estimation of production, etc.). The still common shortcoming of the proposed methodologies is the weak scientific basis and the lack of quantitative estimates.

CONCLUSIONS

The article systematizes the main methodological aspects of the assortment policy formation. The detailed analysis of the conceptual apparatus of assortment management, the analysis of the problem condition, the analysis of approaches to formation assortment policy is carried out. It is established that there is no unity of authors in determining the main categories, but as a result of the general review, the most capacious determinants were collected, formulated and substantiated.

Analysis of approaches to assortment management showed that at the moment there is no method that allows to systematically formulate assortment policy aimed at increasing profit and achieving other goals of the enterprise. The main provisions of the existing scientific methodology require further elaboration with the aim of creating concrete practical tools.

The direction of the further development of the methodological concept of creating and managing an assortment should be the practical implementation of a holistic method of forming the assortment policy of the enterprise.

CONFLICT OF INTEREST

There is no conflict of interest.

ACKNOWLEDGEMENTS

The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

FINANCIAL DISCLOSURE

None.

REFERENCES

- [1] Cadeaux J, Dubelaar C. [2012] Market environment, assortment policy, and performance of small retailers. *Australasian Marketing Journal*. 20(4):250-259. ISSN: 1441-3582.
- [2] Dörnyei KR, et al. [2017] The impact of product assortment size and attribute quantity on information searches. *Journal of Consumer Marketing*. 34(3):191-201. <https://doi.org/10.1108/JCM-10-2015-1594>.
- [3] Piris Y, Guibert N. [2015] Effects of intuitive judgments on consumer assortment evaluations. *Journal of Consumer Marketing*. 32(3):137-144.
- [4] Lombart C, et al. [2018] Regional product assortment and merchandising in grocery stores: Strategies and target customer segments. *Journal of Retailing and Consumer Services*. 42:117-132.
- [5] Kotler P, et al. [2017] *Principles of Marketing: A south Asian Perspective*, published by Pearson educations. 736.
- [6] Proshkina OV. [2004] Sovershenstvovanie marketingovogo instrumentariya formirovaniya assortimentnoj politiki predpriyatija (na primere predpriyatij pishchevoj promyshlennosti): Dis. kand. ehkon. nauk. – Naberezhnye CHelny, 179.
- [7] Proshkina OV. [2018] Upravlenie oborotnym kapitalom kak faktor ehkonomicheskoy bezopasnosti firmy // *Social'no-ehkonomicheskie i tekhnicheskie sistemy: issledovanie, proektirovanie, optimizaciya*. – Naberezhnye CHelny: NCHI KFU, № 2 (78). – s. 91-99. URL: <https://kpfu.ru/portal/docs/F1569424453/Proshkina.pdf> (access on April 28, 2018)
- [8] Ivahnik DE. [2001] Povyshenie konkurentosposobnosti promyshlennogo predpriyatija na osnove gibkoj assortimentnoj politiki: Dis kand ehkon nauk. Blagoveshchensk. 215.
- [9] Filimonenko IA. [1997] Razrabotka mekhanizma prinyatiya upravlencheskih reshenij pri formirovanii tovarno-assortimentnoj politiki predpriyatija: Dis kand ehkon nauk Krasnoyarsk. 190.
- [10] Kotler F. [2007] *Osnovy marketinga. Kratkij kurs. Per s angl. M.: Izdatel'skij dom "Vil'yame"*. 656.
- [11] Proshkina OV. [2008] Analiz predstavlenosti assortimenta tovarov mnogonomenklaturnogo predpriyatija v mestah prodazh. *Social'no-ehkonomicheskie i tekhnicheskie sistemy: issledovanie, proektirovanie, optimizaciya*. 2(45). URL: <http://elibrary.ru/item.asp?id=12888450> (access on Aug 30, 2018).
- [12] Varlamov AS. [2000] Sovershenstvovanie upravleniya assortimentom proizvodstvennyh predpriyatij: Dis kand ehkon nauk Chelyabinsk. 167.
- [13] Nadel'CHervinskaya MA, CHervinskij PP. [1995] *Bol'shoj tolkovyj slovar' inostrannyh slov. V trekh tomah*. – Rostov-na-Donu. 1:544.
- [14] *Bol'shoj ehkonomicheskij slovar': 26500 terminov* [2012] pod red AN Azriliyana 7-e izd, dop M.: In-t novoj ehkonomiki. 1472.
- [15] Nikolaeva AA, Proshkina OV. [2018] Modern tools of regulation and management of enterprise's assortment. *Amazonia Investiga*, [S.l.]. 7(12):255-260. ISSN 2322-6307. Available at: <http://www.udla.edu.co/revistas/index.php/amazonia-investiga/article/view/943>