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INTRODUCTION OF CATEGORY MANAGEMENT AS A BASIS FOR ENHANCING EFFICIENCY OF RETAIL TRADE NETWORK

Aim. Aim of the article is to determine the features of category management and its impact on the efficiency of retail outlets.

Technique. The study used: the methods of theoretical generalizations and comparisons, analysis and synthesis.

Results. Based on this study analyzed the dynamics of the volume of retail trade in the country's regions, clarified the concept of category management, the roles of category management to improve the efficiency of retail trade networks.

Scientific innovation. Clarifies the concept of category management, improved structural and functional diagram of a product category.

The practical significance. The results are aimed at improving the efficiency of the retail distribution network through the introduction of category management in product strategy.

Key words: retail trade, category management, efficiency, assortment policy.

This article presents the state-of-the art of the assortment policy of Ukrainian retail trade networks, the direction of retail trade networks' development in market economy, the influence of development of category management on the assortment policy of trade networks. Special features of introduction of category management and its influence on enhancement of the Ukrainian trade networks' efficiency.

Problem statement. Retail trade networks present a complex system in which turnover of large quantity of products having different utility characteristics is taking place. Complex trade and technological sales schemes are used, business relations with suppliers of products and services related to the sales of the goods are established. In order to enhance efficiency of retail trade networks and to obtain better results of the activities, it is necessary to conduct studies aimed at improving the assortment and ensuring higher management efficiency in future.

Introduction of category management into the assortment policy of retail networks and, consequently, enhancement of their competitiveness form the basis for development of trade in Ukraine.

Review of the state-of-the-art and publications. The issues of the assortment policy development are dealt with in the studies of such Ukrainian scientists as O.M.Azaryan, A.Mazaracci, I.Blank, A.Voichak, Yu.B.Ivanov, L.Ligonenko, M.Mnikh, L.O.Omelyanovich, A.A.Sadekov, O.O.Shubin and others, which are dedicated to various aspects of the assortment policy of trade networks. However, the publications often concern only theoretical issues of the assortment policy of trade enterprises. In practice, the retail networks require more innovative approach to

management of the assortment policy of networks and new methods to enhance efficiency.

The purpose of this study is to provide description of the assortment of retail trade networks, to discuss the features of category management and its fundamental principles, trends in development of Ukrainian consumer market.

Presentation of the body of material. Almost all basic products which satisfy the consumers' demand find their buyers through retail trade networks which operate on the territory of Ukraine. It is worth noting that every year new operators join the Ukrainian trade network, and after they enter the market they introduce new techniques to attract consumers.

As a result of development of trade enterprises in 2012 the volumes of retail trade turnover in Ukraine, as compared to the results of 2011, increased by 13.9% in absolute figures for the analogous period of time. The highest growth as compared to 2011 for the analogous period of time is reported for the Autonomous Republic of Crimea (Table 1).

Table 1 Volumes of retail trade turnover in January – October, 2012 [2]

| Parameters | Retail trade turnover in January-October, 2012, mln UAH | Retail trade turnover growth rate (in comparative prices), % | |
|-------------------------------|---|--|---|
| | | January-October, 2012 compared to January-October, 2011 | January-October, 2011 compared to January-October, 2010 |
| Ukraine | 329 273,6 | 113,9 | 114,1 |
| Autonomous Republic of Crimea | 14 173 | 124,2 | 116,1 |
| Vinnitsa Region | 6 806 | 113,1 | 119,5 |
| Volyn Region | 5 789 | 115,7 | 116,6 |
| Dnepropetrovsk Region | 28 675 | 115,1 | 110,2 |
| Donetsk Region | 30 221 | 117,6 | 115,7 |
| Zhitomir Region | 6 006 | 110,2 | 118,2 |
| Zakarpatskye Region | 6 639 | 106,9 | 111,8 |
| Zaporozhye Region | 12 874 | 117,6 | 111,3 |
| Ivano-Frankovsk Region | 5 773 | 107,9 | 115,3 |
| Kiev Region | 15 874 | 112,9 | 122,6 |
| Kirovograd Region | 5 139 | 114,2 | 109,4 |

| | | | |
|--------------------|--------|-------|-------|
| Lugansk Region | 11 627 | 120,9 | 112,3 |
| Lvov Region | 16 187 | 103,6 | 109,9 |
| Nikolayev Region | 6 794 | 113,7 | 113,3 |
| Odessa Region | 21 454 | 113,8 | 113,3 |
| Poltava Region | 8 564 | 114,7 | 114 |
| Rovno Region | 5 088 | 111,1 | 110,2 |
| Sumy Region | 4 752 | 114,8 | 114,3 |
| Ternopol Region | 4 191 | 107,6 | 107,6 |
| Kharkov Region | 20 942 | 111,1 | 111,6 |
| Kherson Region | 6 046 | 113,8 | 108,4 |
| Khmelnitsky Region | 5 959 | 110,5 | 114,5 |
| Cherkassy Region | 6 540 | 109,7 | 118,2 |
| Chernovtsy Region | 4 274 | 101,6 | 109,8 |
| Chernigov Region | 5 122 | 112,1 | 111,9 |
| Kiev | 59 445 | 114,1 | 116,3 |
| Sevastopol | 4 319 | 124,7 | 118,1 |

Taking into account brisk growth of retail trade, more attention is dedicated to the assortment policy of retail trade networks. One of the modern innovative assortment management methods is category management [3].

Category management allows combination of purchasing department and sales department in one economic-logistical chain where responsibilities for the results of commercial process during all of its stages are very clearly distributed. In other words, the aim is not only to purchase and sell but also to break down the basic mass of products into categories and to address each category as a separate business (strategic business unit), to optimize turnover at all stages of trade activities in order to make products extremely attractive and sought-after in the eyes of the end user. The essence of category management lies in formation of categories from the related products which have similar properties and which can be sold together.

Category management is a version of de-centralization in which standard blocks of organizational structure are represented by principles most strategically important for the management system: categories of products, type of market, patterns of the buyers' behavior, etc.

The purpose of category management consists in the fullest satisfaction of the needs of all target groups with simultaneous enhancement of efficiency of interaction between the manufacturer and the retail network. Internal management of a category is management of independent business units within an enterprise aimed at improvement of trade process. The internal management of a category involves re-engineering of internal business processes of a retail company, when group managers are fully responsible for the turnover and profitability of their groups. With this, they have more authority on such issues as stock formation, assessment of effective use sales area and simultaneous planning of products' presentations at the display area, planning of purchasing within a retail network, planning and placing of orders with suppliers.

External management of a category means enhancement of cooperation between the manufacturer and the seller within which the manufacturer manages the whole turnover chain himself.

The external management of a category stresses enhancement of cooperation between the retail network and the manufacturer, maximization of the manufacturer's authority on the issue of management of a particular category. Order placement, inventory, turnover management, strategic merchandising and other issues remain within the authority of the retail network [4].

In order to be able to promptly respond to the changes which take place in the external environment, it is necessary to concentrate all functions related to the assortment management – from purchase to sale – in a single center of responsibility which will be responsible for the whole cycle of product movement.

With traditional organization of management, functions of the assortment management are assigned to different departments of enterprises which are responsible only for their own sector of operation.

Traditional scheme of the assortment management is given in Fig.1.

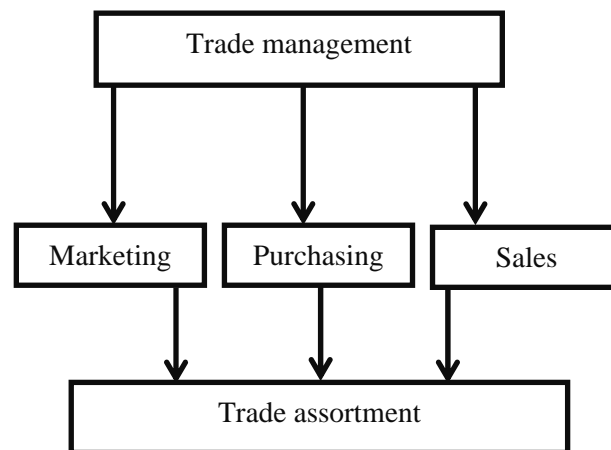


Fig. 1

Category management scheme (Fig.2)

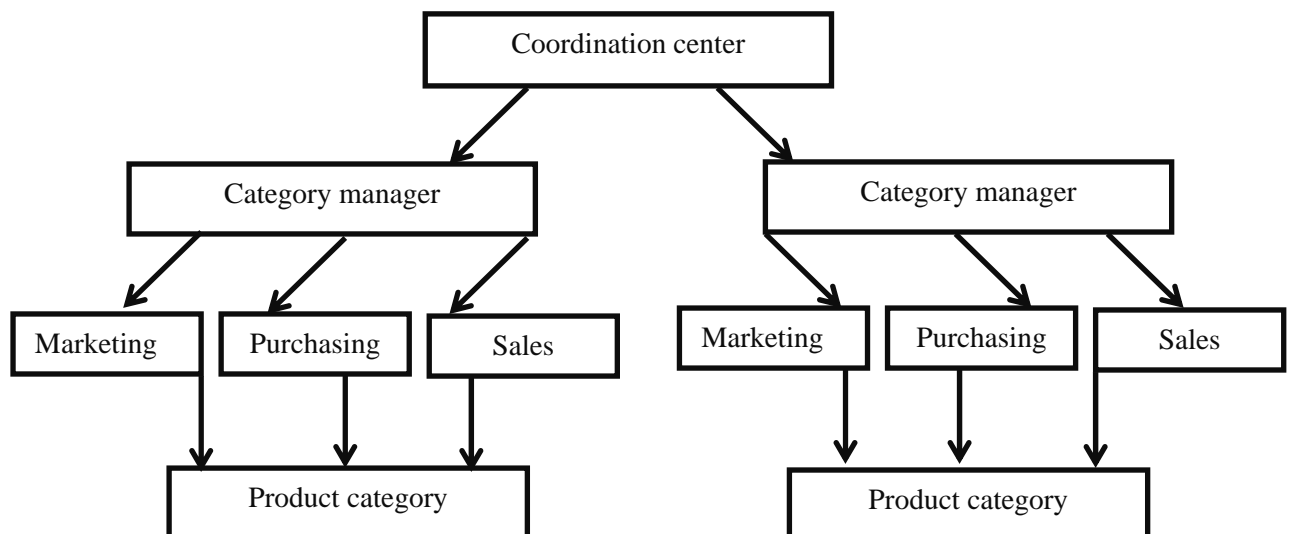


Fig. 2

In order to successfully manage the assortment, it is necessary to set quantitative targets (business parameters), to define general strategy for achieving the targets, to adjust the concept and positioning of the store, to work out the policy in regard to the assortment.

The assortment policy is a part of the general strategy of the company. To successfully manage the assortment policy of the trade network it is necessary:

- to have knowledge about strategic plans of the network concerning, first and foremost, the assortment;

- to be capable of using methods of implementation of the assortment policy in relation to the product categories for which the manager is responsible;

- to know the buyer and specificity of the stores well;

- to have a complex approach to a product and conditions of its sales;

- to be able to establish long-term relations with suppliers [1].

The fundamental principles of category management are as follows:

- focusing all activities of the enterprise on satisfying the needs of the target consumer;

- formation of product categories within the assortment structure on the basis of analysis of the needs of the target consumer;

- approaching every product category as a separate self-sufficient business;

- self-sufficiency in relation to taking decisions by the manager who is responsible for the end result of the product category management;;

- constant optimization of the product category in accordance with changes in the needs of the target consumer;

- the final aim of category management is to create a unique consumer utility for each product category as a unique mix of product groups and brands which fully satisfy wants and needs of the target consumer group [4].

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