

Retailers Must Tighten Their Range

Retailers can strengthen their unique position in the market by tightening their range of retail products. No matter how much money is spent on marketing to create a brand position, the most powerful message comes from the instore experience. By focusing on a “core range” featuring only the best products in carefully chosen categories specialty retailers reinforce their unique “reason for being” and differentiate themselves from the supermarkets and mass merchandisers.

Clever retailers are increasing their focus on around 20 categories that satisfy customers’ needs. Once these categories are defined, sub-categories can be identified by asking “What outcomes are customers seeking?” in each area.

The selection of the “best” products for each outcome is a mixture of science and art. Good sales data identifies the clear market leaders, but retailers must weigh up the importance of this against other factors such as product effectiveness, safety, value for money, profit margin, exclusive distribution, preferred suppliers and promotional activity.

The real secret to effective category management is to get the right balance between presenting a deep enough range to be credible, and minimising the number of SKUs (Stock Keeping Units) in each sub-category.

The typical retailer carries over 5,000 SKUs in the shop of which fewer than 50% are active (have at least one sale) in any one month. This large volume of inactive stock gets in the way of the good sellers that customers want to buy.

The result is missed sales, wasted staff time being “finders”, poor merchandising, complicated store layouts, low stockturns, dead and dying stock, and more time spent doing ordering, product file maintenance, stocktaking and pricing inward goods.

Two key steps to improving retail performance are:

1. Get rid of the non-core categories.
2. Cut out the slow-moving SKUs in each sub-category so the top 1-3 products are given increased facings and are easier to find.

The time and effort freed up can be invested in establishing hot new product categories. The days of carrying one of everything, just in case someone might want it, are over. Successful retailers like Michael Hill, The Athlete’s Foot, The Body Shop and Pumpkin Patch have strengthened their position as experts in their field by simplifying their product range, and increasing the specialist advice provided by their sales consultants.

Take a good look at the ranging in convenience stores like BP and Shell. They only carry the brands that perform, and they merchandise them so that shopping is easy. By comparison most Retailers look like Arkwright’s store. It may be quaint – but it is not good business.