

BASIC METHODS OF ASSORTMENT PORTFOLIO ANALYSIS OF THE GROUP

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Article considers basic methodological approaches to the study of assortment portfolio of the company; outlines their advantages, disadvantages and features of the application; proposes the possibility and necessity of integrated usage of proposed methods.

Keywords: assortment portfolio, methods of analysis, BCG matrix, ABC analysis, the method of Dibb-Simkin, rating analysis

I. Introduction.

In today's functioning and development of the Ukrainian economy, many companies aim to maximize their profits. But, unfortunately, not many companies can achieve this in practice. The main problem is the lack of marketing research in business. Only a few managers impart their importance, although it's wrong.

Market research allows manager to make optimal decisions for achieving goals. The study is widely profile [1]: market research ; sales research; product research; advertising research; business economics; motivation research; export marketing research.

One of the priority areas of marketing research is the product research because it is the study of their own product, its advantages over the competitors provide an opportunity to improve production, reduce costs and achieve the ultimate goal of every company – to maximize profits. It's very important to be able to explore an assortment portfolio of the company –

highlight the best product and improve the worst. Therefore, it is necessary to satisfy needs of consumers, increase the demand for a product through its development, improvement and promotion. In this regard, particular importance gains the study of the structure of assortment portfolio by using different methods.

II. Statement of the problem. Currently assortment portfolio analysis of the company may be done by multiple methods, depending on the size of distribution, assortment range, specific of finished products, goals and challenges that the manufacturer faces.

Significant contribution to the development of theoretical approaches to the formation of the optimal product nomenclature have made such scientists as Hershgen H., Kotler P., Assel G., Dzhober D., Berman B., Evans Jr. R., Zavialov P. C., Popov E. V., Romanov A. N., Rebytskyy V. M., Kardash V.Y., Kubyshyna N. S., Zozulov A. However, the results of these researches combine the lack of a clear distinction in some methodological aspects that prevent from deep evaluation and characterizing the specific product lines as a source of competitiveness.

III. Results. Currently, there are many ways to analyze product lines (more than 20). Therefore it was singled out the most common and well-known methods.

One of such methods is ABC and XYZ method analysis, Dibb-Simkin method, BCG matrix [2] (classic, modified, adapted). Also can be used ranking analysis method which was proposed by the lecturer of marketing cathedra of National University of Food Technologies. Each of the above methods has its advantages and disadvantages, therefore for getting the most reliable results it is better to use not one, but several methods.

ABC method of analysis involves determining for each product group its role and place in the commercial and technological process, based on consideration of the specific characteristics of commodity groups, as well as

the degree of importance to consumers. The basis of this method was the Pareto principle (20/80). This method consists in the fact that the products are divided into three groups by consumer's attitude, market characteristics and role in shaping the profit position in commercial and technological process and a number of other features. The result of ABC analysis is the grouping of objects in the degree of impact on the overall result.

The basic idea of XYZ- analysis is that objects of analysis are grouped by degree of homogeneity of the analyzed parameters (the coefficient of variation). This method of analysis is used in the product range with more than three periods analyzed. The more periods, the better results will be.

Boston Consulting Group (BCG) Matrix is a well-known tool of analysis, which has been effectively used for long time. The purpose of using this method is to determine the basic approach to managing commodity groups. There are two baseline parameters in the preparation of BCG matrix- market share relative to competitors and the growth of the market.

One of the main advantages of BCG matrix is its simplicity. It is effective in selecting the strategic positions and the allocation of resources in the near future. However, this method has also significant disadvantages. It does not account the possibility of the product groups to exist in different phases of the life cycle; used indicators should be sufficient to determine the strength of the competitive position of the company. In addition, this method is based on assumptions that are not always real.

If in practice due to lack of necessary data it's impossible to build a classic BCG matrix then on the basis of inside information of the company is based adapted matrix [2] or some other kind of modified matrix [3].

Modified and adapted matrixes - varieties of BCG matrix - are effective and versatile tool for the analysis of product assortment. The modified matrix is constructed by taking into account the rate of growth in sales and profitability of production. Graded matrix is constructed by the ratio of sales

growth over the previous period and the share of sales of agricultural enterprise in the total sales of the company.

According to the results of constructing the matrix is divided into four groups (depending whether the particular product hits the appropriate square), for each of which there are strategies for further action, making it possible to determine the direction of future activity:

- "Cash cow" ("Money Bags") – have a high market share but low growth rate in sales. It's necessary to protect and take maximum control of "cash cows". They are attractive because they do not require additional investment and they would provide a good income. Proceeds from the sale can be used for the development of "difficult children" and to support "stars".

- "Star" – has the highest sales growth and high market share. Market share should be preserved and increased. "Stars» bring a very large profit. But despite the appeal of the product, its net cash flow is quite low because it requires significant investment to ensure a high growth rate.

- "Dog" ("lame duck", "dead weight") – low growth, low market share, the product is generally low level of profitability and requires a lot of attention from the manager. From "dogs" should get rid of.

- "Difficult Child" ("wild cat", "dark horse", "question mark") – low market share but high growth rates. "Difficult children" must be learned. In the future they may become both "star" and "dog". If it is possible to transfer to the star then you need to invest, in other situation – get rid of.

The advantage of these matrices is the instant access to information that can be obtained directly at the company.

It can be concluded that BCG Matrix leads to a strong simplification of complex decision-making process, and in practice there is a large number of situations where the use of this method is almost impossible [3].

Another very common method of analysis range is a method of Dibb-Simkin. It is used to divide the products into four groups to identify areas of

commodity groups and find ways to optimize the assortment. The criteria for allocation are sales in terms of value and financial contribution to cover the costs. Despite the simplicity and efficiency of this method it also has inherent disadvantages, including some of them, which are similar to ABC analysis.

Rating analysis method is very young, but worth noting. The basis of this method is comparison of ratings of profitability and the share issue specific weight. As a result of this analysis, product portfolio is divided into 4 groups:

- "General" – a product that has the highest return and brings the company at least 50% profit. Increase (even significant) of both share of these products in total output and profitability, significantly affect the growth of company profits.

- "Maintenance" – a product which for assortment position of average level of return has the highest proportion of production. Consequently, the company aims to generate at least 25% profit. Even not significant increase in profitability for products in this group will provide a noticeable increase in company profits.

- "Intermediate" – a product which for assortment position of average level of return has the lowest proportion of production. It can bring the company in average less than 20% of the profits.

- "Problem" – product with the lowest level of profitability, which brings the company profit within 1%. It's important to carefully evaluate the necessity of production of such group.

The method of rating analysis of product nomenclature enables to form optimal and competitive product assortment; to define both the most promising nomenclature position to focus core resources and activities on, and the weakest positions that should be improved or completely removed from production. The results are similar to the method of Dibb-Simkin , but

they are important in the formation of marketing strategies for specific product groups and positions.

Thus, all of the most common methods of analyzing product lines have not only advantages, but also disadvantages. Therefore, to maximize the efficiency of analysis should be chosen the one that takes into account the specifics of a particular situation.

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