

Assortment rationalization

Assortment is the key competitive variable

The assortment has a strong influence not only in the value proposal but also in the cost structure and the financial model of food retailers

Cost

- **A reduced assortment improves in-store productivity:** less replenishment tasks, possibility of a wider use of Means of Massive Manipulation, fewer changes in price tags, reduction of assisted sections...
- **Increase in logistic productivity:** fewer personnel needed for manipulation, savings in transportation costs through the use of full pallets, fewer warehouse space needed...
- **Reduction of rental and maintenance costs** through smaller stores.

Capital invested

- A reduced assortment will bring **improvements in the working capital: better conditions with suppliers** due to higher volumes per SKU **and lower stock levels (faster moving products)**.
- The number of SKUs in the assortment **determines the minimum store size, which affects Capex needs.**
- **Assisted sections** (charcuterie, butcheries, bread) are **high CAPEX intensive areas.**

Sales

- The reduction of the assortment based on **decreasing the depth while maintaining or increasing the Units of need covered** will have a neutral impact on sales.
- **The price advantages induced by the cost savings and the increase of PL penetration will have a positive impact on the competitiveness.**
- Lower number of SKUs will **enhance the display and visibility** of products and will **improve the overall price image** of the store.

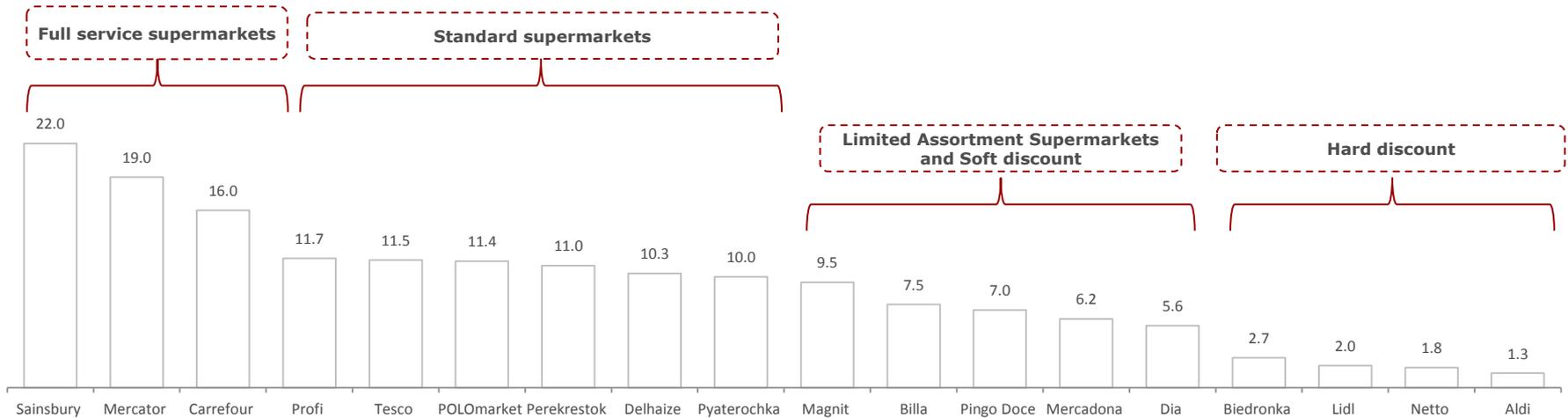
Commercial margin

- A reduced assortment **improves gross margin through better supplier conditions** stemming from the concentration of volumes in a lower number of SKUs/supplier.
- **Increase of penetration of PL will also have a positive impact on Gross Margin** (PL has normally better GM than branded products).

Assortment – SKUs density benchmark

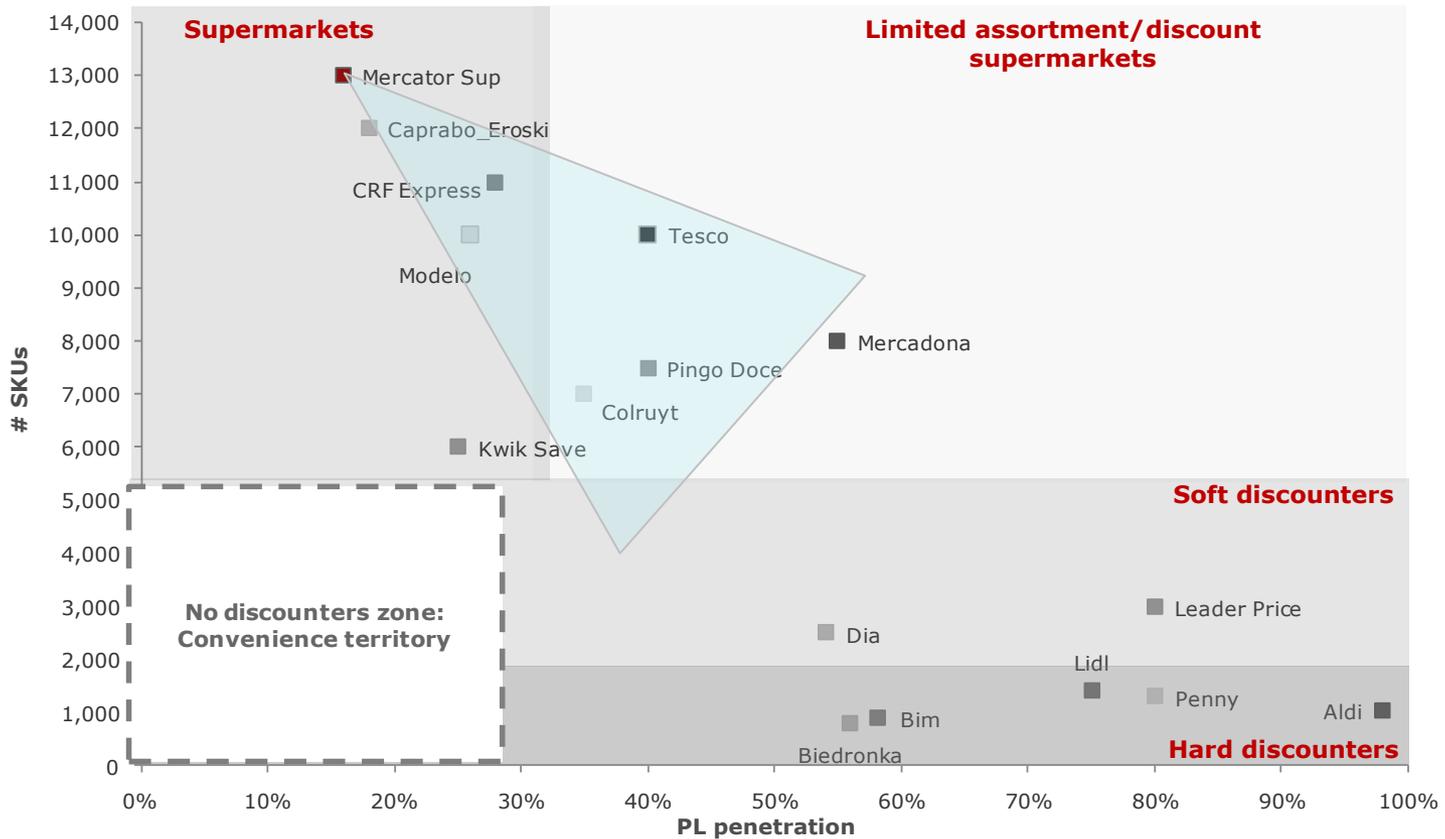
There are strong disparities in SKUs density depending on the different formats

SKUs per SQM of selling area – international benchmark

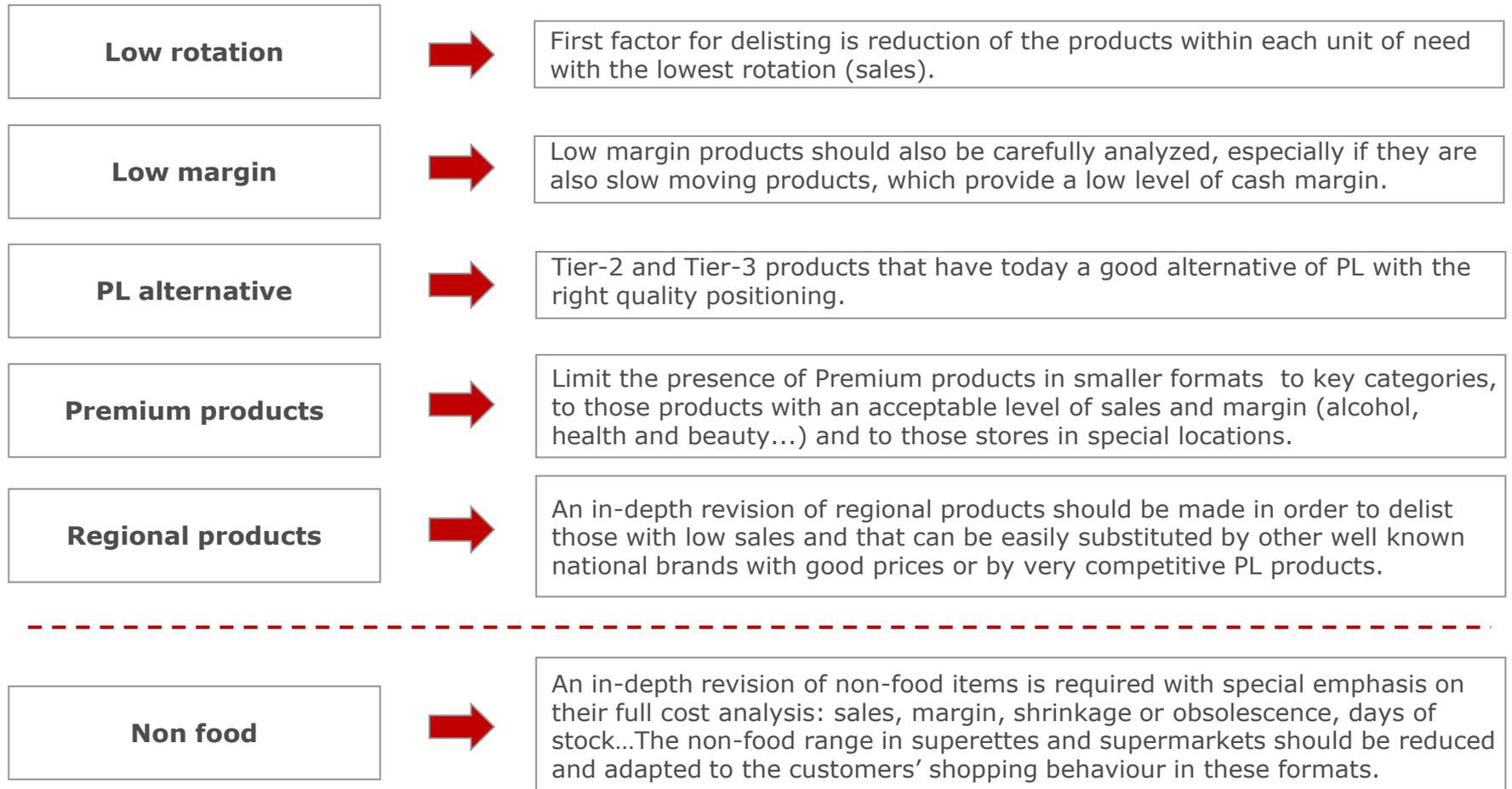


Change of assortment : moving to efficient supermarkets

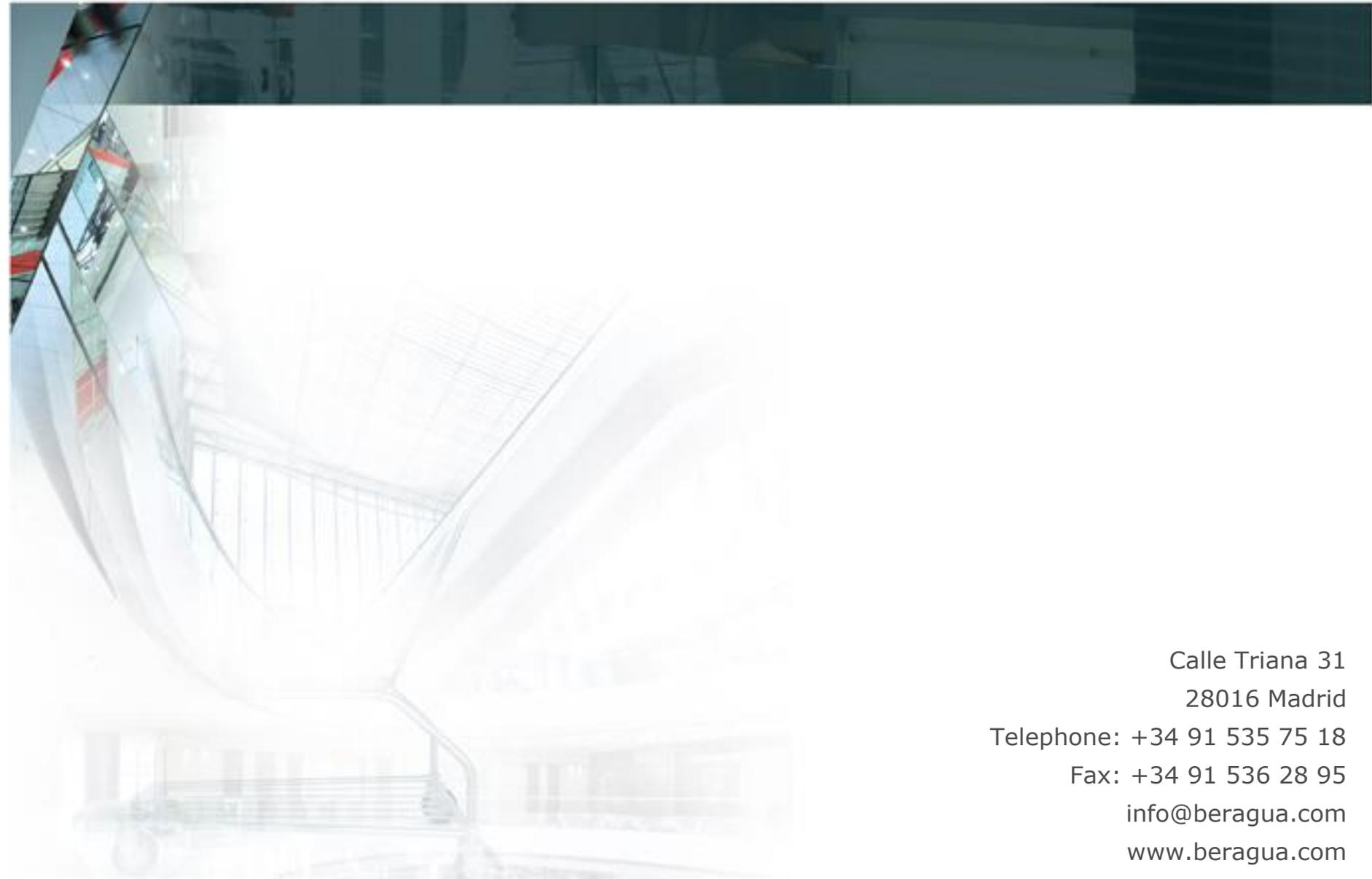
Current trends in retail favor the streamlining of the assortment towards efficient and limited assortment models: lower number of SKUs through reduction in depth and substitution of tier-2 brands by strong and competitive PL products



Assortment redefinition: critical factors



The assortment redefinition needs an in-depth analysis of the current structure by category focusing on the critical factors



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