

Abstract

“Challenge of new product listings”

Area

Product range, product range optimisation

Keywords

Value management, supply chain management, new listings, product range management, product range expansion, efficiency, process costs

Study/project

Project

Starting point/project assignment/objective

Efforts to expand product ranges have intensified in recent times, whether through substituting or adding products or through innovations within a product range in existing or new supplier relationships. Usually, product range changes are opted for in the expectation of generating more sales. These are increasingly likely if the new products listed represent a genuine innovation which the market is ready to accept. Studies show that this is usually the case with less than 4% of new listings. These products in particular hold the prospect of significant sales effects.

There is little attention paid to the effort associated with a new listing, especially with respect to complementary products in the retail value chain. Each new listing, regardless of whether it is a new product or supplier listing, leads to work and therefore costs. These are not just the “one-time” costs of the negotiation or IT implementation of the listing, but also costs that arise from adding the new product to the logistics system or its management in the retail space.

The objective was to create transparency and assess the listing process with respect to the associated costs and the return expected through a new listing.

Procedure

- Process analysis, starting with the listing discussion and ending with the product in the store
- Consideration of one-time and recurring effects
- Quantification of the process elements, process cost calculation
- Addition of the income aspects to the cost aspects, especially consideration of substitution effects
- Derivation of a recommended action with respect to the listing

Results/findings

No significant sales growth can be seen from listing complementary products in particular. Growth in sales of a product is frequently at the expense of an existing product. The total gross profit is inevitably affected. This conditional change is offset against additional, sometimes significant costs in the overall process, from purchasing, data management and logistics through to the retail space. Consideration of the costs and income showed that a decision on a new product listing, particularly of complementary products, requires real deliberation.

Strategic aspects of listing new complementary products are not considered. Likewise, a new listing may improve a retailer's appeal from a customer perspective which may lead to the acquisition of new customers, which in turn may have an impact on sales throughout the product range.

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