

# Decluttering your product range may have surprising benefits

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In my experience in category management, the 1990s stand out in terms of challenging the status quo: the Food Marketing Institute's (FMI) research on product assortment. This wasn't just academic; it struck at the heart of retail strategy.



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The following is an excerpt from *The effect of retail assortment size on perceptions, choice, and sales: Review and research directions*: “In the 1990s, the Food Marketing Institute (FMI) conducted several studies that showed retailers can cut costs and increase profits by strategically reducing assortment size (number of items carried) without sacrificing sales. They called this process of strategic assortment reduction Efficient Assortment Planning (EAP) and encouraged more research in this area (FMI, 1993). This call spurred a significant amount of academic research on the assortment size effect.”

FMI explored an important aspect of retail strategy and consumer behaviour, namely the impact of product assortment size on sales. The concept challenges the typical belief that a larger product range is inherently better for sales.

The underlying logic is that the more options a shopper has, the more likely it is that their needs will be met, and consequently, the more likely it is they will make a purchase.

However, FMI found that retailers can reduce their range without alienating customers or suffering sales losses. This insight remains striking when considering further supporting research on the effect of assortment size.

Reducing clutter and focusing more on what customers truly want could be very beneficial – benefits that include improved customer satisfaction, competitive range differentiation, and operational efficiency.

### The paradox of choice

Although customers value choice, there is a point beyond which the number of options becomes overwhelming and subsequently irrelevant. This speaks to Barry Schwartz' concept of "choice overload" or the "paradox of choice" as published in his 2004 book *The Paradox of Choice: Why More is Less*, Harper Perennial, where he argues that too much choice can increase anxiety for shoppers.



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Bernhardt van der Merwe 23 Nov 2023



This can lead to reduced customer satisfaction, decision paralysis, i.e. the inability to make a decision, leading to a lost sale, or increased regret after a purchase where the customer regrets not having bought the alternative.

Mini-research conducted by a colleague of mine, aimed to test FMI's findings on selective categories using a mix of qualitative and quantitative methods that were applied before, during and after the experiment.

Leveraging her strong relationship with the management team of a local retailer, she applied a methodical approach to the project and together with the retailer's management, they pinpointed and removed slow-moving and duplicated products.

Customers reported an improved shopper experience as navigation at the shelf was much easier. The retailer reported a reduction in inventory and replenishment costs and no loss in sales. Interestingly, products previously thought to be out-of-stock were simply lost in the clutter.

Post-change, these 'missing' items became visible and accessible, virtually eradicating out-of-stock perceptions. FMI's angle wasn't just about advocating the merits of cutting the range, though. It was a deeper dive into understanding customer behaviour.

### Retailers will continue to adapt to ever-changing trends

Of course, since the 90's the retail landscape, like everything else, has indeed evolved with retailers navigating between online and offline experiences, continually adapting to everchanging trends.

The principal lesson from FMI – getting the right mix of products is still gold, but these days it's a moving target. Fortunately, many retailers now have access to vast amounts of data about their customers – such as shopping behaviour/patterns, product preferences plus possible substitutes, and price sensitivity information, to name just a few.

This wealth of information is helping retailers to understand how shoppers make choices. With these insights, they can drive core product ranges, that meet the customer's needs, adding only to the core range where the retailer's location, or store format and subsequently their shopper profile, justifies differentiation.

Each time I walk into a store, whether I'm there as a shopper or I'm meeting with a business client, I am always reminded that it's not just about placing products on shelves. It's about continuously staying ahead of trends, understanding the psychology of shopping, using technology and data in innovative ways.



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It's also about the challenge of constructing an environment that engages the senses, speaks to emotions, and enhances the overall shopping experience. This involves a clever selection of products and strategic ways of merchandising that resonates on a personal level with shoppers.

Balance and strategy are important, but understanding customers is first prize. There is no doubt that excessive reduction, or cutting the wrong products from the mix, due to a lack of customer focus, can lead to lost sales. Walmart for example, reduced its product assortment by thousands of SKUs to streamline operations and improve the customer shopping experience.

Customers were highly dissatisfied and took their business to competitive stores in search of the products Walmart had discontinued. Within a year, in response to the negative customer feedback and impact on sales, Walmart reversed its strategy and reintroduced thousands of items back to its shelves, emphasising its commitment to being a one-stop shop for customers.

Does Walmart's experience disqualify the narrative of decluttering? No, many agree that Walmart's initiative lacked a focused customer mindset – and that, although the decision was made based on extensive surveys gathered from customers, it is argued that the survey questions were designed to support preconceived answers.

In conclusion, the balance between offering a wide range of products to cater to diverse customer needs and avoiding the pitfalls of over-choice is challenging for retailers. Walmart's experience underscores the importance of this balance, demonstrating that excessive reduction or poorly thought-out changes in product assortment can negatively affect sales and customer satisfaction.

It is essential for retailers to strategically curate their product selection, focusing on items that resonate with their target market's preferences while ensuring a high-quality shopping experience. By doing so, retailers can maintain customer loyalty, attract new shoppers, and achieve sustainable sales growth.

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