

ABC ANALYSIS AS A BASIS OF THE MARKETING STRATEGY IN COMPANY XY

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Abstract: *The paper deals with ABC analysis as a basis for creation sales strategy of the company. ABC analysis is the theoretical approaches and practical implementation in the company XY, involving the ABC analysis by product and by customer. Subsequently are formulated proposals arising from the ABC analysis and these have been implemented into the sales strategy of the company.*

Keywords: ABC analysis, products, sales strategy

1 INTRODUCTION

Before sales strategy creation is examining the past, present and the future development and business environment. ABC analysis is one of the internal analysis that complements the other activities of the enterprise internal analysis and external analysis of the marketing environment that form the initial basis for formulating marketing objectives and business strategy.

2 THEORETICAL CONCEPTS OF THE ABC ANALYSIS

ABC analysis is a method that is based on the Pareto rule that 80% of the consequences or outcomes are caused by 20% of the causes (20% of products provides 80% of revenue). The essence of ABC analysis is a division of the elements of a particular type into three groups according to the degree as elements of the total volume of the selected parameter.

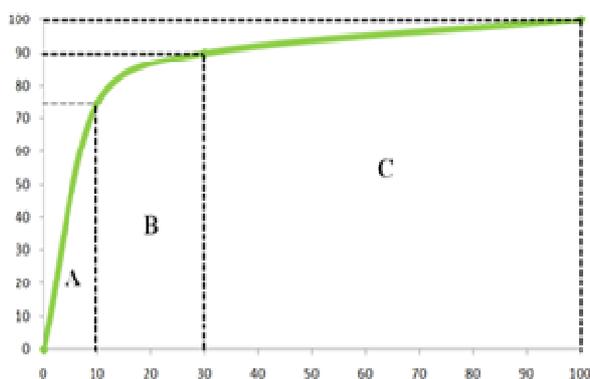


Fig.1 ABC analysis

ABC analysis divides the elements into three groups, namely:

- A - the group includes elements that are most important with regard to the undertaking's turnover (about 10% of the products making

up 75% of turnover). This element is the most attention.

- B - is a minor group of elements that have about 20% of the total group of elements, but for business only represent 15% of turnover.
- C - there are at least important elements of which are but the most numerous (about 70% of the total amount of elements) but it brings the company's smallest turnover (about 10% of turnover).

ABC analysis can take different forms based on what group of elements affecting the selected parameter (in this case the sales, turnover) follow. The most common modifications ABC analysis include:

1. ABC analysis by product (product group) - this analysis to find out which product groups bring us the highest resp. lowest turnover, which products should be exercised when making sales strategy most attention.
2. ABC analysis by markets - here we find information on markets, which are for us in terms of turnover biggest asset.
3. ABC analysis by industry - here we find out which sectors have the largest representation in the sale and what share of total sales accounted for by our various sectors.
4. ABC analysis by customers - this analysis serves to identify those customers who are most important to us in terms of sales.

3 ABC ANALYSIS IN COMPANY XY ACCORDING TO PRODUCTS

The first ABC analysis, we divided the various products of the company's product portfolio into different groups and we assigned them their percentage share of the turnover. Through the cumulative share of turnover we have identified three most important

product groups, four groups of products which are less significant for society and bringing five product groups of the lowest turnover. The proportion of the groups of products, the turnover of the shares, then the assignment of the groups of products in three categories according to their relevance ABC analysis are shown in Table 1.

Table 1 ABC analysis in company XY according to products

Products group	Turnover share	The combined market share of turnover	ABC	ABC Group's share in the total	ABC Group's share of turnover
Clothes	26%	26%	A	25%	62%
Shoes	22%	48%			
Cycling	14%	62%			
Run	8%	70%	B	33%	25%
Ball sports	7%	77%			
Ski equipment	5%	82%			
Football	5%	87%			
fitness equipments	5%	92%	C	42%	13%
Accessories (bags, food)	4%	95%			
other sports	2%	97%			
Free time activities	2%	99%			
camping, outdoor	1%	100%			

From Table 1 is clear that 25% of products (sportswear, sports shoes and bicycle equipment) companies comprise 62% share. This product should society pay the most attention. Products posing sports equipment for running, ball sports, skiing and football are in group B, since their share of turnover is significantly lower. The least important product of the products listed in Group C, which means for the company, only 13% of the turnover. The individual shares of the three groups of products is generated by their significance graphically displays the Fig. 2.

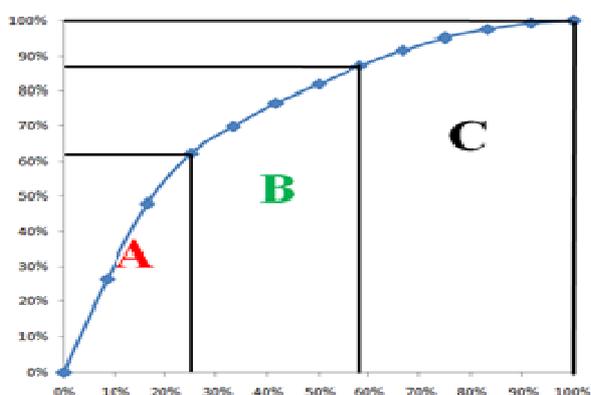


Fig. 2 Graphical representation ABC analysis by product

4 ABC ANALYSIS IN COMPANY XY ACCORDING TO CUSTOMER

The last modification of ABC analysis, we divided customers into three categories, according to their share in the turnover. The characteristics of customers, we selected three criteria, which are the focus of the company in terms of importance. The first is the age of the customers which were divided into 9 groups of children (1-10 years) and falling into the age interval 81-90 years. The second criterion is a lifestyle, that relationship to health and the movement by which we distinguish several groups of customers from active athletes to people focused more on tourism. The third criterion is the intensity of consumption, where we have identified several groups of customers from those who buy products the company a week to those who buy about once a year.

Table 1 ABC analysis in company XY according to customer

Type of the customer	ABC	ABC Group's share in the total	ABC Group's share of turnover
AGE:21-30 Lifestyle: an active sportsman The intensity of consumption: Frequent shopping	A	15%	73%
Age: 11-20, 31-40, 41-50 Lifestyle: Passive athlete The intensity of consumption: Occasional shopping	B	32%	17%
Age:1-10, 51-60, 61-70, 71-80, 81-90 Lifestyle: tourism, nature The intensity of consumption: Exceptional shopping	C	53%	10%

Table 2 shows that the smallest share of all customers have most turnover customers (category A), which can be described as young and sporty, active people who are dedicated to several sports and therefore often buy sports equipment. Teenagers and middle-aged people passive sports-based make up 32% share of all customers, but its share of the turnover (17%) belong to the less significant group of customers (category B). Sales least interesting and most numerous customers are children and the elderly, who are more passive and sports prefer trekking and nature excursions. These customers buy sports equipment rarely, so their share of marketing is only 10%, and therefore belong to the category C. These ratios are graphically displayed on the Fig. 3.

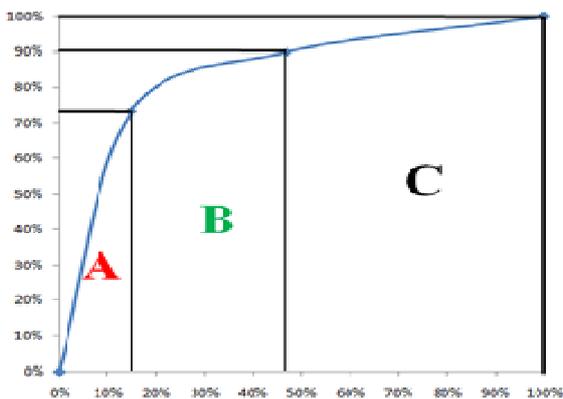


Fig. 3 Graphical representation ABC analysis by customer

5 PROPOSALS RESULTING FROM ABC ANALYSIS

Based on the ABC analysis we suggest solutions for each of the group from ABC analysis. As the nature of ABC analysis is to distinguish between groups of elements according to their importance, which is why our proposals are specifically determine the most important category A, category B minor and least important category C.

1. Proposals and recommendations for the element category "A":

When developing sales strategy, the company has paid the most attention to this element, because it is a most turnover items. For individual analysed elements belonging to this category, we propose:

- For products - to ensure that it was still enough products in stock (these products may not be sold out);
- For customers - to provide impeccable care and professional customer service (minimize complaints and ensure prompt delivery of goods).

2. Proposals and recommendations for the element category "B":

Elements of category B, which are less turnaround for the company, require the maintenance of their position and possible changes. For the following design elements:

- For products - increasing marketing costs (better promoted);
- For customers - to reduce marketing costs (instead of obtaining these customers to ensure that they maintain particularly through loyalty program Sportisimo club).

Proposals and recommendations for the element category "C":

Category C is the most numerous, although the number of elements, but these elements have low turnover. Therefore, the Company should endeavor to

ensure that these elements are received in Category B for the elements in this category, we propose:

- For products - diversify supply (this refers mainly fitness equipment, sports equipment for other sports articles for leisure activities);
- For customers - to offer price discounts (lead them to re-purchase).

6 CONCLUSION

ABC analysis carried out by the company XY we distinguished between three categories (Category A, Category B and Category C), in which we included different groups of elements. The company in developing its sales strategy needs to take a different stance on various factors, depending on the category in which they are located. In general, the definition of objectives and strategies for the elements of category A will have the greatest impact on society. On the other hand, elements belonging to category B and category C have less impact on the future position of the company, but nevertheless it is also necessary to consider these elements as they can weaken the company's market.

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