



SALE

RETAIL & CONSUMER GOODS

Under pressure

Portfolio adjustment and massive discounts as the "New Normal"?



Key facts

The number of items available in online shops (so-called stock keeping units or SKUs) increased by 126 % on average between 2020-23. In the same period, however, the average turnover grew by only 19 %. This results in high discounts and portfolio adjustments to reduce increased inventory-related costs. Smaller brands and the mid-price segment are particularly affected, with discounts often exceeding 20 %.



Expansion of product portfolios since 2020

Following the COVID-19 pandemic, the number of offered items (SKUs, stock keeping units) has increased by up to 300 % – significantly more than turnover.



Consumer restraint

Inflation-adjusted non-food retail turnover has been declining since the beginning of the Ukraine war – there are currently no signs of a trend reversal.



Portfolio adjustments across all segments

Leading brands have already announced portfolio adjustments in 2023 – discounts are up to Ø 30 % compared to the recommended retail price (RRP).



Market leaders less affected

Established brands are less affected by discount campaigns than smaller players, partly due to higher bargaining power vis-à-vis retailers and higher pricing power as a result of higher brand awareness.



(Upper) mid-price segment particularly under pressure

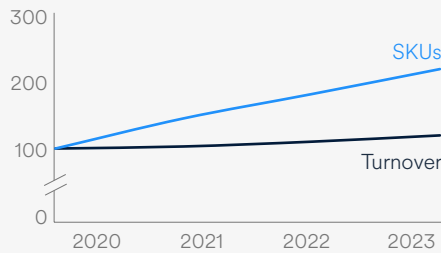
Premium-prize customers are less sensitive to economic pressure; the budget segment benefits while the mid-price segment is forced to discount.



Introduction

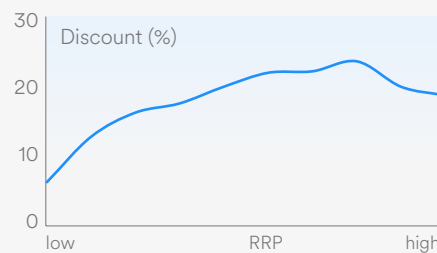
In recent years, consumer goods and retail companies have faced major challenges in managing their product portfolios: COVID-19 disrupted supply chains, consumer behaviour changed literally overnight and the shift to e-commerce accelerated massively. Among other things, this has led to a surge in the number of stock keeping units (SKUs) as companies have struggled to keep up with changing demand patterns. This rapid expansion, coupled with weak real retail turnover growth since early 2022, has created new challenges, making portfolio optimisation, particularly **reducing the number of SKUs**, more relevant. Currently, many companies are confronted with cannibalising products, increased complexity, a lack of focus and a slowdown in consumer spending. This has a negative impact on both turnover and costs. Particularly in a highly fragmented competitive environment and **in the (upper) mid-price segment**, significant **adjustments** are currently taking place via discounting. A strategic streamlining of the product range makes it possible to reduce complexity and focus on core competences, which allows better control of production, logistics, pricing and the customer experience, among others. It also actively contributes to working capital optimisation. For the following analyses, developments in non-food retail (home/furniture, fashion, toys) were considered.

Strong increase in available SKUs compared to turnover



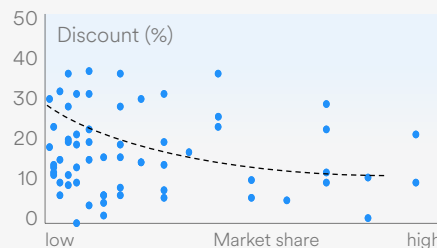
[Details p. 4 >](#)

High discounts in particular in the (upper) mid-price segment



[Details p. 6 >](#)

Market leaders less affected by discounts



[Details p. 8 >](#)

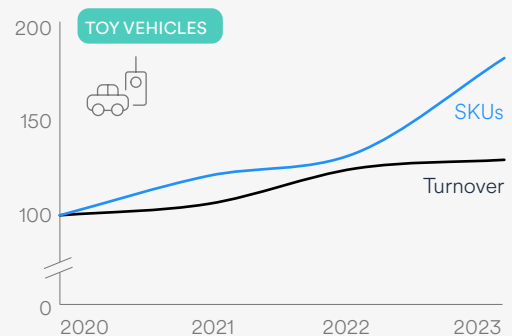
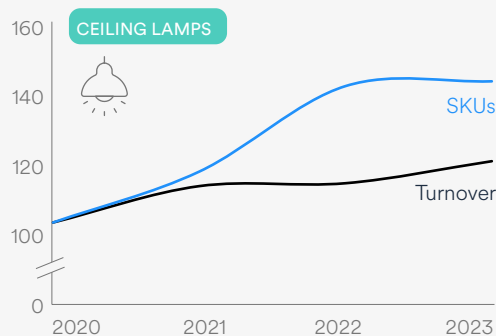
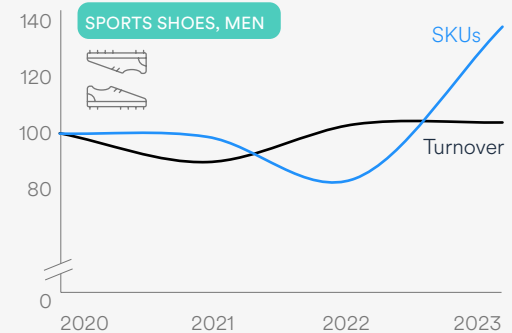
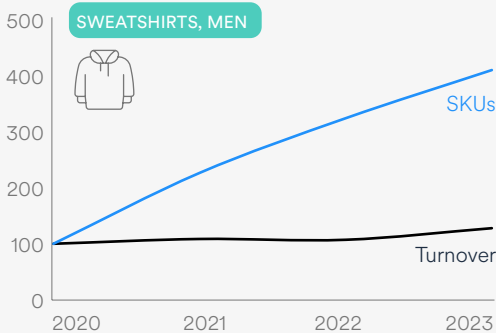
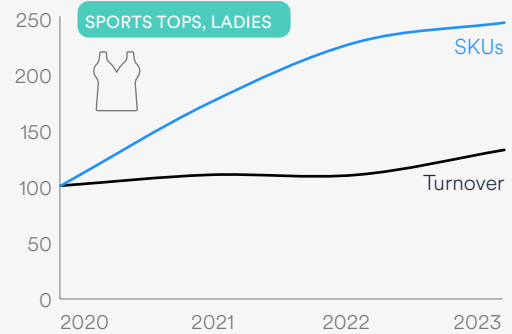
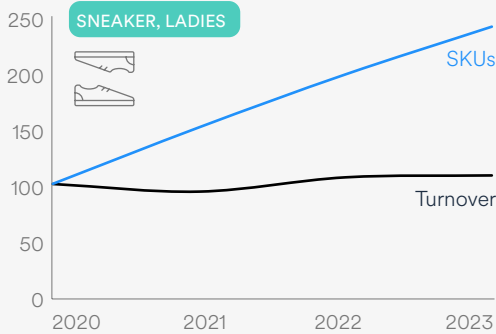
(1) Germany, (2) data collection (sample) from leading online retailers
Source: DESTATIS; company information; FTI-Andersch analysis



SKUs and turnover grow at different pace

Strong increase in available SKUs compared to turnover

(Index, 2020=100)



Source: Home24; MyToys; Statista CMO; Zalando; Company data; FTI-Andersch analysis

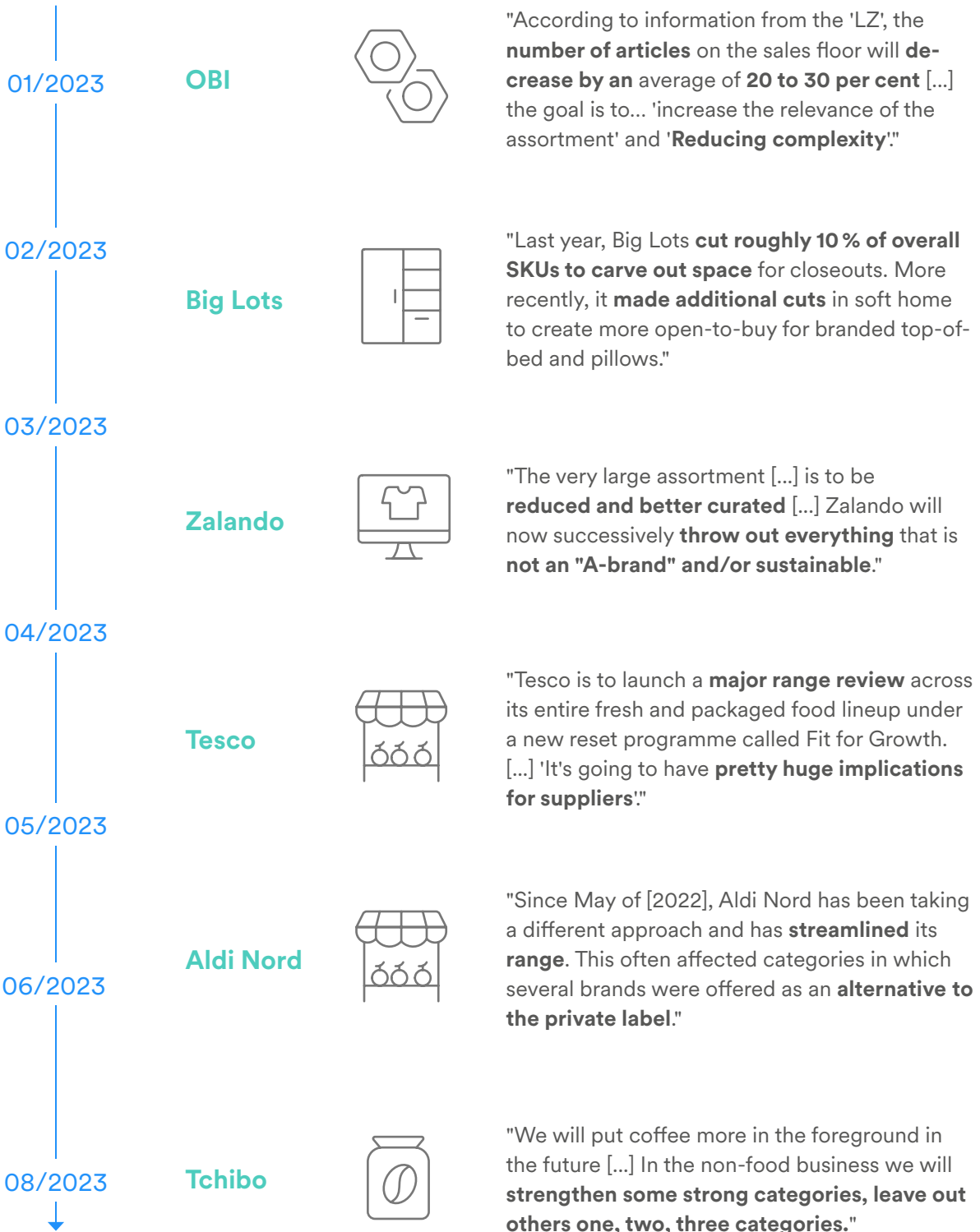
The **number of items** available (online) has increased by leaps and bounds across segments since the beginning of the COVID-19 pandemic. Within the categories examined, the spectrum in 2023 ranges from around **+30 %** (sports shoes, men) **to around +300 %** (sweatshirts, men).

Turnover has not developed analogously in the period – competition for limited household budgets has intensified. Despite announced assortment adjustments, however, no significant decline in the number of SKUs is yet discernible in 2023.



Retailer adjustments

Portfolio adjustment of selected retailers (translated press quotes)



Source: Handelsblatt; Home Textiles Today; InternetWorld; Lebensmittelzeitung; Morgenpost; The Grocer; FTI-Andersch

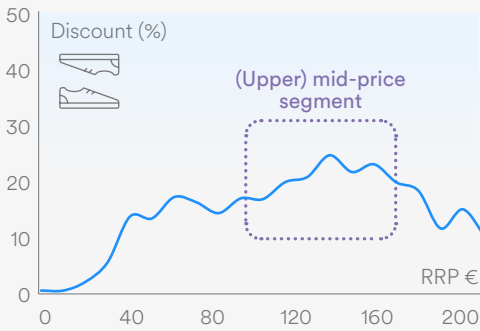


Adjustment according to price segments

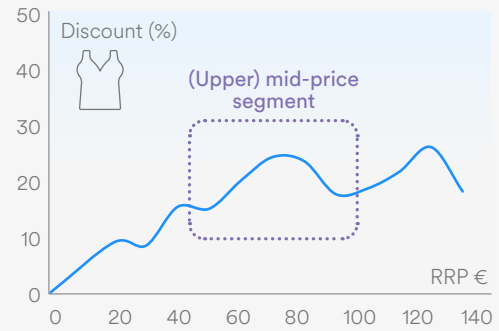
High discounts especially in the (upper) mid-price segment

(Average distribution of discounts by price segment, samples)

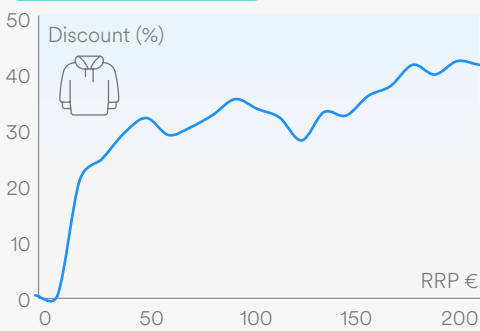
SNEAKER, LADIES (n=505)⁽¹⁾



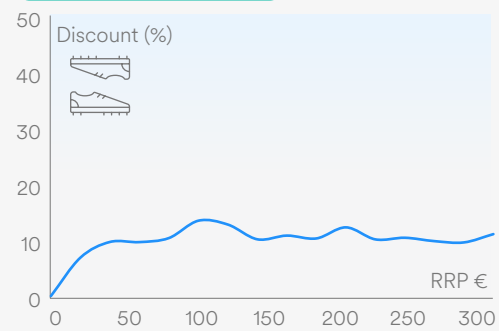
SPORT OVERWEAR, LADIES (n=328)



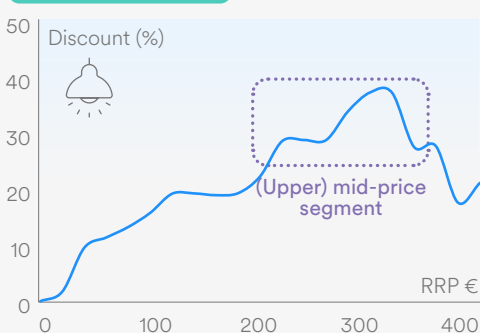
SWEATSHIRTS, MEN (n=440)



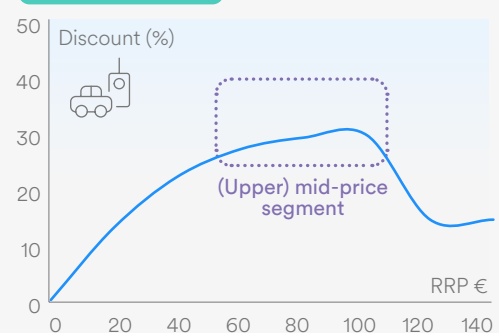
SPORTS SHOES, MEN (n=313)



CEILING LAMPS (n=252)



TOY VEHICLES (n=273)



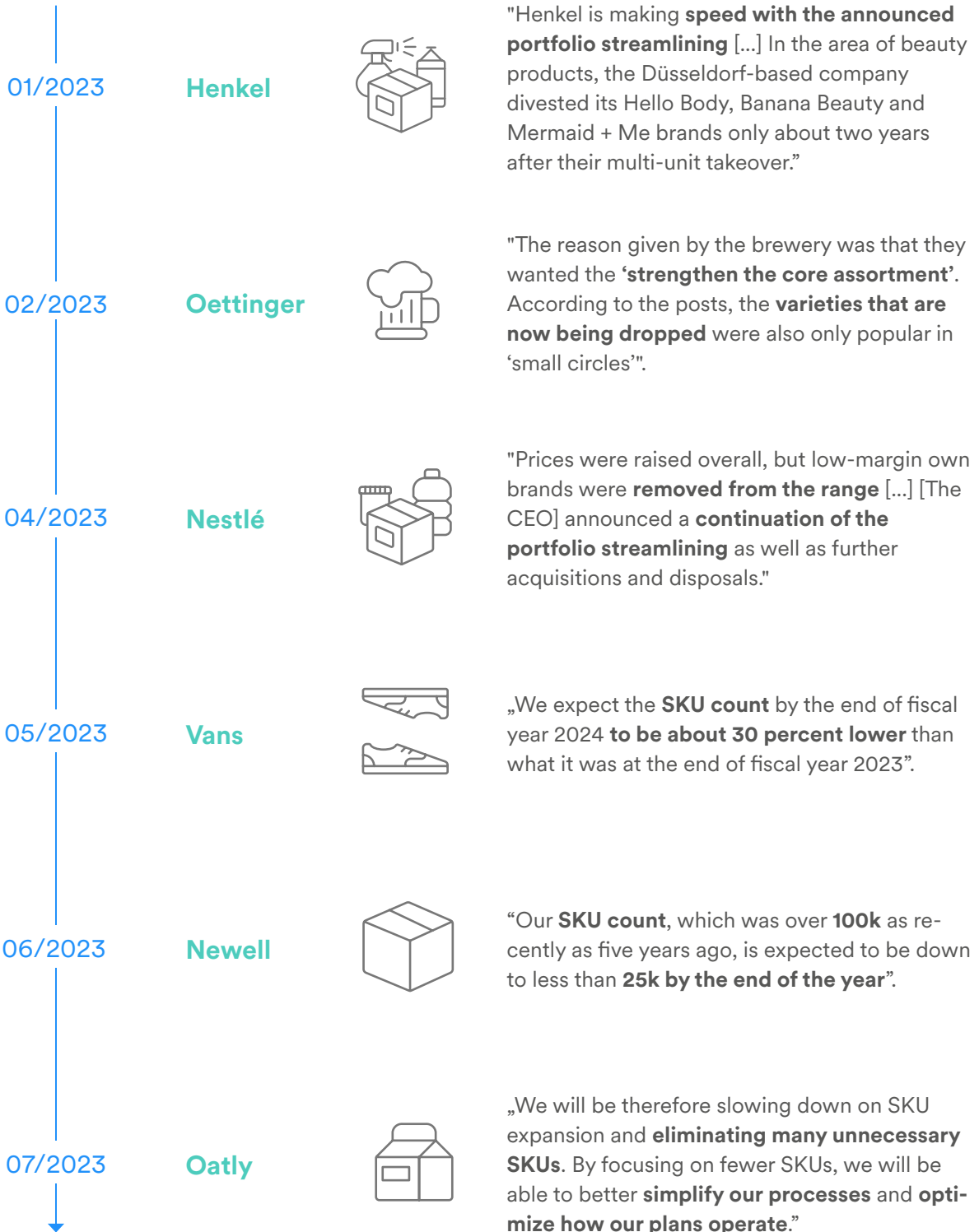
While supply (number of SKUs) has risen sharply over the last three years, real demand has dampened since the start of the Ukraine war. In particular, segments with a strong increase in available items and a fragmented competitive landscape (e.g., men's sweatshirts) are now seeing extensive discount promotions as part of the assortment adjustments. Across product groups, particularly **high discounts** are evident in **the (upper) mid-price segment**. The budget and premium segments, on the other hand, are only affected to a limited extent.

(1) Proportion of SKUs in the sample
Source: Home24; MyToys; Zalando; Company information; FTI-Andersch



Manufacturers tighten the belt

Portfolio adjustment of selected manufacturers (translated press quotes)



Source: Chip.de; Cosmetics Business; FAZ; Lebensmittelzeitung; SGB Online; FTI-Andersch analysis

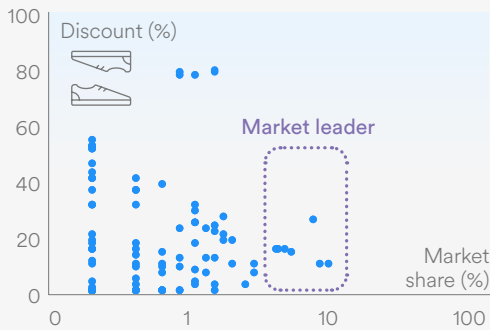


Adjustment according to brands

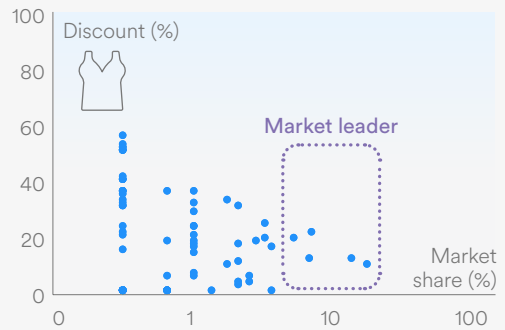
Market leaders are less affected

(Average distribution of discounts by brand, samples)

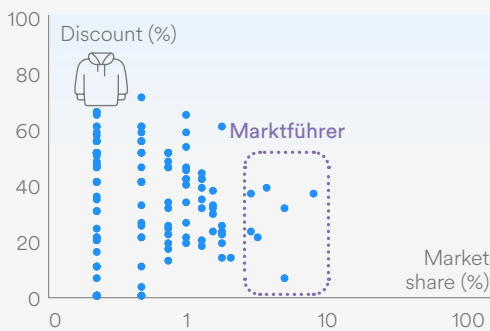
SNEAKERS, LADIES (n=505)⁽¹⁾



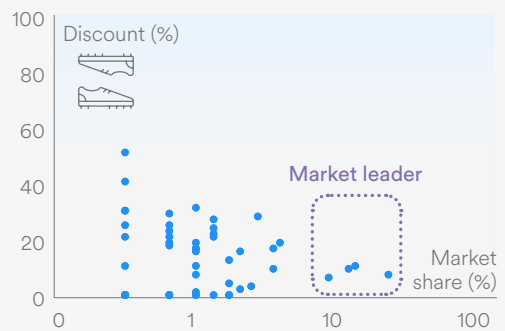
SPORT OVERTIME, LADIES (n=328)



SWEATSHIRTS, MEN (n=440)



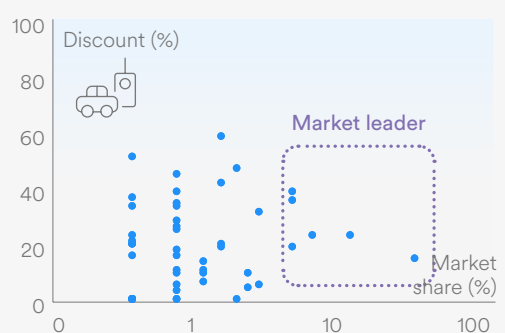
SPORTS SHOES, MEN (n=313)



CEILING LAMPS (n=252)



TOY VEHICLES (n=273)



The discount campaigns are not evenly distributed among the brands. Across product groups, the discounts of the market leaders (usually brands with pricing power and higher bargaining power vis-à-vis retailers) are below average, while significant discounts are announced especially for brands with low market share. Once again, the discounts in fragmented product groups are significantly higher, while the **market leaders** have a **more stable price level** in consolidated product groups.

(1) Proportion of SKUs in the sample
Source: Home24; MyToys; Zalando; Company data; FTI-Andersch analysis



Decision-making factors

Especially in the current economic situation, a comprehensive portfolio analysis and adjustment can be an effective means of securing short-term liquidity and reducing complexity as well as for long-term reorientation and increasing earnings. While the **assessment of turnover and margin effects (ABC analysis) as well as the planning ability and stability of demand (XYZ analysis)** can be implemented quickly, the adjustment decision should not be limited to this. For example, individual articles often have "hidden" costs due to high return rates or warehousing costs.

In addition, companies should consider **strategic decision factors**, especially for long-term development. This includes, for example, the growth prospects of articles with currently low **profit contributions**. Furthermore, the elimination of an item that is critical for core customers can negatively impact **customer loyalty** and thus sales and profitability of other items.

Strategic approaches



Coherence with the product portfolio



Medium to long-term growth prospects



Relevance for key customers



Interchangeability ("must-have item")



Relevance for brand image

Financial and operational approaches



Direct turnover and margin effects



Planability and stability of demand



Need for fixed cost depression



Degree of modularisation



Tying up of organisational resources

Source: BM Experts; Whiplash; FTI-Andersch

Contact information

LinkedIn



Dorothee Fritsch

Head of Business Development & Strategy

dorothee.fritsch@fti-andersch.com



William Kaffka

Senior Consultant Markets & Strategy

william.kaffka@fti-andersch.com



FTI-Andersch

Taunusanlage 9–10
60329 Frankfurt am Main

Stephansplatz 2–6
20354 Hamburg

Speditionstraße 21–23
40221 Düsseldorf

Friedrichstraße 187
10117 Berlin

www.fti-andersch.com