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FINANCIAL ANALYSIS IN THE FUNCTION OF THE EXERCISE OF THE SALES ASSORTMENT PLAN

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Abstract: *Changes in the market caused by new demands and wishes of consumers are reflected in the assortment, and consequently on the realized revenues of the company from the business. For these reasons, the assortment must be adjusted to adapt to new conditions. The assortment as the content of the production and sales program, has a certain structure that is constantly changing under the influence of various factors. Analysis, study and planning of assortments and its structure are gaining in importance by increasing the number of lines, groups, types and models of products that are produced and sold. The structure of the assortment needs to be defined as from a financial aspect that includes the production and sales assortment of products as well as from the aspect of consumption. Since production and consumption are causally and consequently related to determining the structure of the assortment from a financial point of view, it is enough to start from the fact that it is the same for both production and consumption. A significant parameter of the sales analysis is the analysis of the plan for the realization of the assortment.*

Keywords: *assortment, new product, analysis, plan.*

1. INTRODUCTION

The development and expansion of economic activities in the global market generates a strong rise in the purchasing power of individual consumers and businesses. These effects are manifested through high and rapid growth in demand in the expanded market, consumer goods and production factors. Growth in demand in the global market has a twofold character that is manifested through a greater volume of demand for existing products and

an ever-increasing demand or innovation that the market requires. The business imperative of companies in the global market is to adapt its sales to the current requirements of customers, both in terms of scope and assortment and quality. Only in that way can it be possible to preserve and possibly strengthen the competitive position. The primary task of the company is the development of new products and technologies by innovating the existing and daily monitoring of trends in demand trends in the market. Otherwise, future development processes in the global environment can negatively affect certain business parameters. Modern business conditions open up great opportunities for innovating existing and introducing new products which undoubtedly influence the growth of profitability and the strengthening of competitive capacities in existing or emerging markets. Adequate approach to this issue creates the conditions for continuous growth and reaching the desired profitability rate. By passive attitude to the current demands of customers, managers limit the possibility of growth and development of the company, which already in the short term loses market position. It is necessary to bear in mind the fact that the innovation of the existing and the launch of new products on the market require high preparation and development costs, and the non-acceptance of these products by the market can have significant detrimental effects. Innovation of existing or introduction of new products into the sales assortment is a challenge that brings significant benefits, and in case of poor estimates and inadequate moves can cause high financial expenses. We conclude that innovating the existing product range and changing its structure brings with it high financial risks. Flexible management accounting must be in the service of quality information management and contribute to the adoption of adequate decisions on the introduction of the product range of both innovative and new products.

2. INTRODUCTION OF NEW PRODUCTS IN ASSORTMENT

The emergence of a new fashion usually dictates the most developed countries of the world. Companies in these countries have many advantages on the global market thanks to the developed design and fashion outlets. Enterprises that create and create new fashion are always predominant in the market compared to competitors. As soon as new fashion arises, it is extremely appealing to consumers and the source or creator of this fashion is already making significant sales while competitors, as imitators, find themselves on the market.

For the source and the emergence of a new fashion, it is an important factor in its expansion in the market of domicile country where its source is located, and then on the whole world market. Sometimes it was difficult and slowly spread across markets and geographical areas. There were cases of fashion coming up in one country and ending there. More often it happened that a fashion style remained within a continent where it was created. The global market is characterized by powerful means of communication, and the very man himself very quickly crosses huge distances traveling from end to end of the world. Information is very fast around the world and a person can be informed at any moment about events that take place on other continents and in the furthest places. This route quickly learns about the new mode, no matter where its source and creator is. This means that fashion today is spreading rapidly across all the world's markets.

Fashion style appears in a certain period, takes time and disappears. Time from occurrence to disappearance called a fashion cycle. Among the many factors depends on the

length of the fashion cycle, among which they are more important: the ability of designers to create a new fashion; product characteristics; the absorption power of the market; research and product development; technology capabilities and moral obsolescence of products. The duration of the fashion cycle influences the designer's ability to make one cycle as long as possible or to create a more attractive mode that will shorten the life of the previous one. One of the factors affecting the duration of fashion is the nature of the product.

The characteristic of fashion is its cyclical repetition over time. Every mode always inherits a new, different in product properties. But the previous mode cycle will appear again after a longer or shorter time. This is mainly dependent on the nature of the product. More often, the cycles of fashion shoes and clothing rather than furniture and some other products are repeated, the repetition of the fashion cycle empirically is constantly proven. The old mode whose cycle repeats after a certain time does not mark the absolutely same product properties, because in the new cycle, something always changes on the product. The product is constantly being explored and developed, which in time requires the creation of new solutions, which is conditioned by general progress in which the product is constantly evolving. Through the fashion time, they change one another. So the same fashion is cyclical, but it is very difficult to predict when. For the business of the manufacturer, some features of the fashion cycle are extremely important.

Like a product in production or consumption, and the cycle of fashion has its own life and phases. One model of a new product lives only as much as it is modern. Market supply depends on all the factors that influence the offer of individual sellers.¹

The most important moment for each product model is entering the phase of the mass acceptance cycle. At this stage, consumers have broadly embraced the new fashion, and the manufacturer achieves maximum production and sales. This results in maximum income and profit as the main economic goals.

Since no one cycle of fashion lasts forever, that will make each mode enter the decay phase. At this stage, the manufacturer is forced to revive products, if possible, to stay modern, that is, to produce and sell. This is the life of the product completed and the cycle of the existing fashion stopped. In the most favorable situation, there are manufacturers who create a new fashion, because they are able to dictate the duration of the cycle and the emergence of a new fashion. All others are late and are lagging behind in production, and therefore also making profits.

The fashion designer manufacturer has optimal width, depth and density, covering wide markets and a large number of consumers. The attractiveness of their brand keeps consumers together and attracts new ones. Starting a new fashion cycle for most manufacturers is an important event on the market. Cycles of the same mode are repeated usually at irregular time intervals.

While the properties of the product are in line with the current mode, it will live. As soon as it becomes demodulated, its lives in production and consumption are endangered and usually end. The goal of every manufacturer is to give it as many modern models as possible, which will lead them to live longer in production and consumption. Manufacturers of fashion designers always have advantages over imitators, because of the ability to dictate fashion cycles, and therefore the lifetime of the product.

In order to create a product that is a fashion designer, it takes a lot of knowledge, expe-

1 N.G.Mankiw, M.P.Taylor, „Economy“, Data Status, Belgrade, 2008., page 70.

rience and skills, because such a product is always at the heart of consumers' attention and subject to their analysis and assessment, regardless of whether they will buy it or not. The product that is the fashion designer represents a prestige for the company in relation to the competition.

The new mode brings only a new product, and in no way existing, regardless of the possibilities of re-designing. In the emergence of a new fashion, manufacturers are on the market in different positions. This is reflected in two cases. The creator of the new product and fashion that has managed to create competitive and efficient new products, which by their means make the new fashion a new product as a carrier of the new fashion on the market at the moment that is optimal for them. This moment they choose according to their own strategy and tactics, trying, above all, to surprise competitors. Only manufacturers whose brand has prestige in the market can do this.

The new fashion whose carrier is the new product does not disappear at regular intervals, so it is difficult to plan and even predict the manufacturers of fashion. Manufacturers who do not create a new fashion are always in a subordinate position because they lag behind the new fashion, so they appear on the market when the creator of the new fashion has already made significant sales.

After the emergence of a new fashion, a market game arises, who will first create a new product in accordance with the newly created mode. Produce and sell the necessary quantities of the new product until this fashion stops and there is no new, primary goal for manufacturers who produce products whose fashion cycles last very briefly. The manufacturer who creates new fashion often can not by its production and sales meet the market potential. Remaining enough space for sale is only a question of readiness and speed of reaction to introduce the new product as its carrier into the production and market.

Market conditions, relationships and factors on the market are very different in terms of performance for sales in general, and also on the emergence of a new fashion. Some conditions, relationships, and factors on the market are sometimes difficult to explore and anticipate, so the fashion designer is often in a dilemma that gives properties to a new product and when it starts with a new fashion. In any case, the new fashion will surely arise, it is only a question that will be of the leading manufacturers and its creator and imposed on the market. If the product that emerges as a bearer of a new mode encounters difficulties in appearance on the market, promotion must be enhanced. It is important that the new product enters the stage of mass acceptance as soon as possible, since then the manufacturer has achieved the goal, or imposed a new mode on the market. Then you need to get ready for new fashion cycles and advance your competitors, as the existing fashion will stop sooner or later.

Manufacturers who create new fashion must take the market requirements as the starting point, otherwise the fashion they launch will not come to life. Every consumer has his own perceptions of fashion, expressed through taste. It is impossible to satisfy all requests and wishes in this regard. The creator of the new fashion should strive to meet the needs of a wider circle of consumers. This is his interest, since wider acceptance of fashion means greater sales and profit. For a new fashion maker, it's important that the market responds to it.

The manufacturer who creates a new fashion and realizes the planned profit only if the products are sold at real prices. He most often does it. Other manufacturers often lag

behind the maker of the new fashion, they produce significant quantities of products that are in line with the previous one, but there has already been a new fashion, which leads to significant quantities of products remaining unsold as the new fashion is already conquering the market and consumers. Such products are demodulated, but, as practice shows, they are not uninteresting to consumers. There are always groups of consumers who, while lasting a fashion, are waiting for it to go and then buy the remaining demodulated products. The main reason for this is low purchasing power, as demodulated products are most often sold at lower prices than real ones. Apart from low purchasing power, consumers who buy demodulated products are still characterized by lack of interest in the new mode. These consumers rescue producers who would not know what to do with demodulated products. For the manufacturer, it is better to sell demodized products at lower prices than to store them in the warehouses or to donate.

The precondition for the realization of the economic goals of the production company is to increase the volume of production and sales. Companies have certain costs when they buy inputs for the production of goods and services they plan to sell. The volume of production is conditional on sales. When new fashion is emerging in the product market it is necessary to know how long it will last, and what quantity of products can be sold at real prices. Small producers are in a subordinate position because the duration of the existing and the emergence of a new fashion is not in the sphere of their prediction and influence. While one fashion lasts it is possible to produce and sell models that are its nights or products that have features that make this fashion special. When a new fashion is emerging among manufacturers, a market game is created that will more produce and sell.

The range of products is under the direct influence of fashion and its movements. Fashion demands of consumers are very dynamic and diverse. In a fashion that carries certain properties of the product, there are a number of sub-agents in terms of consumer demand. If it wants to survive on the market, the manufacturer must adapt and change the product range and product collection. Modern market conditions, where supply is much higher than demand, manufacturers are forced to do so. If the manufacturer wants to produce the products during one fashion cycle in all quantities manufactured and at real prices, in terms of product range and product line, it must be adapted to the current requirements of the consumer.

The goal of each manufacturer is the continuous growth and expansion of capacity, the growth in production and sales volume, and in particular the growth of revenues and dibits. Product development should also be the base of production and business and the main factor in the realization of economic goals. As a result, there will be a general development of the company. The growth and development of the company integrates fashion as an important factor. It significantly affects the situation in the company, and often in the economy of the whole country. The company is persistently investing efforts to make its brand economically and psychologically attractive to consumers. Most consumer fashion is an important factor of satisfaction after the completed purchase and the basis for satisfaction in the use of the product. In order to create a new fashion, it is necessary to have a long-lasting and long-lasting experience. The company must act to increase market share, which will make the brand itself a far-reaching prestige. Due to its versatile effect on consumers, one of the essential means of doing this is certainly fashion.

Analyzing the overall business of the manufacturer, it is difficult to find a segment in

which fashion does not act as a strong business and market factor. Fashion as a factor that affects production and business, significantly directs all functions in the company and the company operates from the market and business environment. The new fashion from the market acts as an external factor and directs the whole business of the company to be included as soon as possible with new products that will be fashionably current.

3. ANALYSIS OF THE EXECUTION OF THE PRODUCT ASSORTMENT PLAN

One of the crucial factors influencing the position and economy of the producers is the type of products it produces and offers to the market. The kind of product, in fact, is the production program of a specific manufacturer. Each type of product has its own purpose. This purpose is at the same time the main characteristic of the production program, which is the same as the type of product.

The production program is a field of continuous research and study. The production program represents a long-term orientation of a specific producer in the production of products, which with its purpose and characteristics tends to satisfy the existing or new needs of consumers. The strategy of the production program is a long-term character and defines which products the manufacturer will offer to the market.

If after a certain period of production and intense promotions do not occur in consumer reception, it is clear that the choice of the production program is a failure with multiple negative consequences. The result of such a decision is the cessation of production of this type of product and the reorientation to another type, or new production program.

Decisions on the selection of the production program must be based on precise analysis and planned and studious research of the most important factors in the market, and above all the potential of the market in the current and assumed future period. Detailed analysis and unconditionally verified data can be reliable information for decision-making about a production program, which can not be changed frequently, especially due to new investments that carry risks.

The assortment within the production program is a set of all the lines, groups, types and models of products that a specific manufacturer produces and sells to satisfy consumers and achieve their economic goals. The production program has chosen a set of products in the long run, while the range of products is constantly improving, changing and adapting to the market. Due to changes in the market caused by new demands and wishes of consumers, the range has to be adjusted, adjusted to the new conditions. Changes in the market are reflected in new product collections. The collection represents a group of the latest models, so it is often changed and adapted to fashion.

What one manufacturer produces will be found on the market, or only one product in the structure of his assortment can be found on the market. The structure of the assortment is influenced by the policy of products in the field of research and development, which will result in new products that will enter the assortment. In addition to the products that are in the production and market, the structure of the assortment includes those who are on a redesign or those whose production for some reason has stopped. The new products whose design are finished and are waiting for their introduction into the production and market

are not considered as members of the assortment. The structure of the assortment consists of: lines, groups, types and models of products.

A set of products related to purpose is a line which, in addition, has common properties in terms of size, shape, color, construction, materials, quality and usage. The product group has more purpose and more specific properties in terms of the purpose, size, shape, color, materials, construction, quality of manufacture, and use in relation to the product line.

One type of product can have more models. For a model within one type of product it is characteristic that it has more specific properties than the type itself. In theory, the type and model of products are often identified. In the case of a manufacturer who produces product types in just one model, mixing the term type and model is impossible, since then those terms and terms are synonymous. If the types have multiple models, they should be different by their name, or in some other way.

The difference between the lines, groups, types and models of products will be tackled as a kind of product. The shoe manufacturer most often has a very diverse structure of products. Product lines in its assortment can be; men, women, children, and protective footwear. If we look at one of the inspiration lines, for example, women's footwear, we see that it is made up of the following product groups: women's slippers, women's sandals, women's shoes and ladies' boots. A woman's shoe as a group can be seen as a set of different types, where they belong; shoes, summer shoes, winter shoes and shoe with or without support, moccasins, etc. A woman, for example, a winter shoe can have more models.

Each model has the same purpose as the type of product it belongs to, except that the models differ in shape according to their design, materials, quality and manner of production.

Defining the assortment of products is also important for aligning the sales, purchasing and production functions. The assortment is conditioned on one side by the demands of the market, and on the other, the technical possibilities of production of various assortments. The width of the assortment is determined only by the company and it shows the conformity of the needs of the market and the production and procurement. The width of the assortment affects the volume of sales, and in production and procurement, the impact of the assortment on economy and productivity is significant.

In the literature, there are different opinions about the sizes used to determine the indicators of the assortment. Some argue that it is necessary to take value indicators. Others think that the ratio of performance indicators should be related to the amount with indicators of the execution of the plan by value. The third advocates the view that a deviation from the plan of the assortment on the basis of quantities should be established.

We are convinced that it is objectively to be defined for a third point, because the quantity excluded is the price as a variable factor. Deviations of the assortment on the basis of value are determined by converting the planned and realized quantities of assortments into value through the plan price. When determining the deviations from the assortment plan by quantity, we must all reduce all quantities to the same natural indicators.

Management is responsible for reports reflecting economic reality and being consistent with relevant accounting standards.²

2 J.Kothari, E.Barone, „Finansijsko računovodstvo“, Data Status, Beograd, 2012., page.332.

Let's assume that we need to find an indicator of the execution of a sales plan according to the data in the following table:

Table 1: Overview of the execution of the assortment plan

Product	Jedinica mere	Sell quantity of assortment		Quantities taken to determine indicators	Performance indicator of product assortment
		Planned	Realized	Realized	
1	2	3	4	5	6
1 Slippers	pair	1.000	900	900	90,00
2 Sandals	pair	2.000	2.000	2.000	100,00
3 Shoes	pair	2.500	2.800	2.500	100,00
4 Boots	pair	1.500	1.200	1.200	80,00
TOTAL:		7.000	6.900	6.600	94,28

Although referring to the same period, the data in columns 3 and 5 are not the same. Because the assortment of the one product can not be executed more than 100%, when the planned and realized quantities are the same or when the quantities achieved are higher than planned. In column 5, execution is 100%. Such a procedure is justified, because a larger execution of a plan of an article can not be defeated by non-execution of the plan of another article.

The indicator in column 6 was calculated on the basis of the following form:

$$\text{Indicator of execution of the plan sold by assortment} = \frac{\text{The realized amount of sales corrected for overruns and unplanned items}}{\text{Planned quantities of sales by assortment}}$$

Execution of the assortment plan

The assortment plan was made 94.28%, resulting in the plan being subtracted by 5.72%. Distributed by products we get insight into individual non-execution, or execution of assortments and its impact on the final total execution of the assortment of sales. This indicator of the assortment shows that the assortment has a slight adverse effect on the execution of the sales plan.

The reason for the non-execution of the sales plan is the usually lower demand for this product on the market, price increase, poor quality, insufficient supply of basic and auxiliary materials, insufficient advertising and the influence of the season.

Production in our case was 1.5% higher than sales, which means that the volume of production achieved was sufficient and that this factor of sales did not interfere with achieving better results.

Analysis of changes and optimization of assortments requires defining the width, depth, density, diversity and consistency of the assortment. The width of the assortment is determined by the number of product lines, the depth of the number of product groups on each line, the density of the number of product types in each group, and the variety depends on the number of models within one type of product. If there are a number of lines, the assortment is broader, and with a larger number of groups on the lines it becomes deeper. More product types in groups make the assortment more dense, and if the types have more models, the range has diversified. The widest assortment is the one with the largest possible number of lines, the deepest one is that it has the largest number of groups on each line, it is densest if it has the maximum number of types in each group and the most diversified assortment is when each type has multiple models. If the manufacturer has the maximum possible number of lines, groups, types and models of products, he has a rich assortment.

The assortment is optimal for the manufacturer when all models, types, groups and product lines maximize the profit as the most important economic goal. In business policy, the optimal assortment is the one that contributes to the capitalization of the capital according to the plans and expectations of the owners.

4. CONCLUSION

The introduction of a new product in the range of production and sales of companies besides quantitative financial indicators must also be shown in some other sizes for which there is no possibility of quantification. This means that the introduction into the assortment of a new product can not always be expressed only by the financial indicators that are unambiguously accurate in the quality analysis. The new product in the existing product range can be complimentary with some product that is already selling and contributing to increasing interest and demand for it. However, in some cases, the new product can be competitive with some of the products from the current range and cause a reduction in demand for it, which means that the introduction of a new product can cause, on the one hand, a reduction or increase in demand for certain products from the existing product range. Therefore, the introduction of a new product may increase or decrease the financial risk associated with the realization of the financial result of the enterprise. The non-financial factors in the assortment planning require their precise definition and value identification, and inclusion in the analysis system, as information that management can use in deciding on changing the structure of the assortment of products. A significant element of sales efficiency is a well-designed product sales plan by articles as well as its quality analysis of the achievements. This analysis represents a quality basis for the formation of the structure of the sales assortment in the future.

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