From: Xueyun Qian

The paths (levels) of the categories represent the hierachy of the categories which to be configured into ERP system. For example, if your company has many clients in different regions (e.g. Europe and Asia), you should define the top path to be Europe and Asia, then define the paths of countries(e.g. France, China) within the different regions to have a lower level, and the cities within these countries to have a even lower level than the countries. These paths are closely related to the integration and configuration of an ERP system. A simple example would be when you are shopping online, you want to give the website your delivery address, normally you would have to choose the country of your residence first, then city, then street name etc. This is also a defined hierachy.