Analysis of Report

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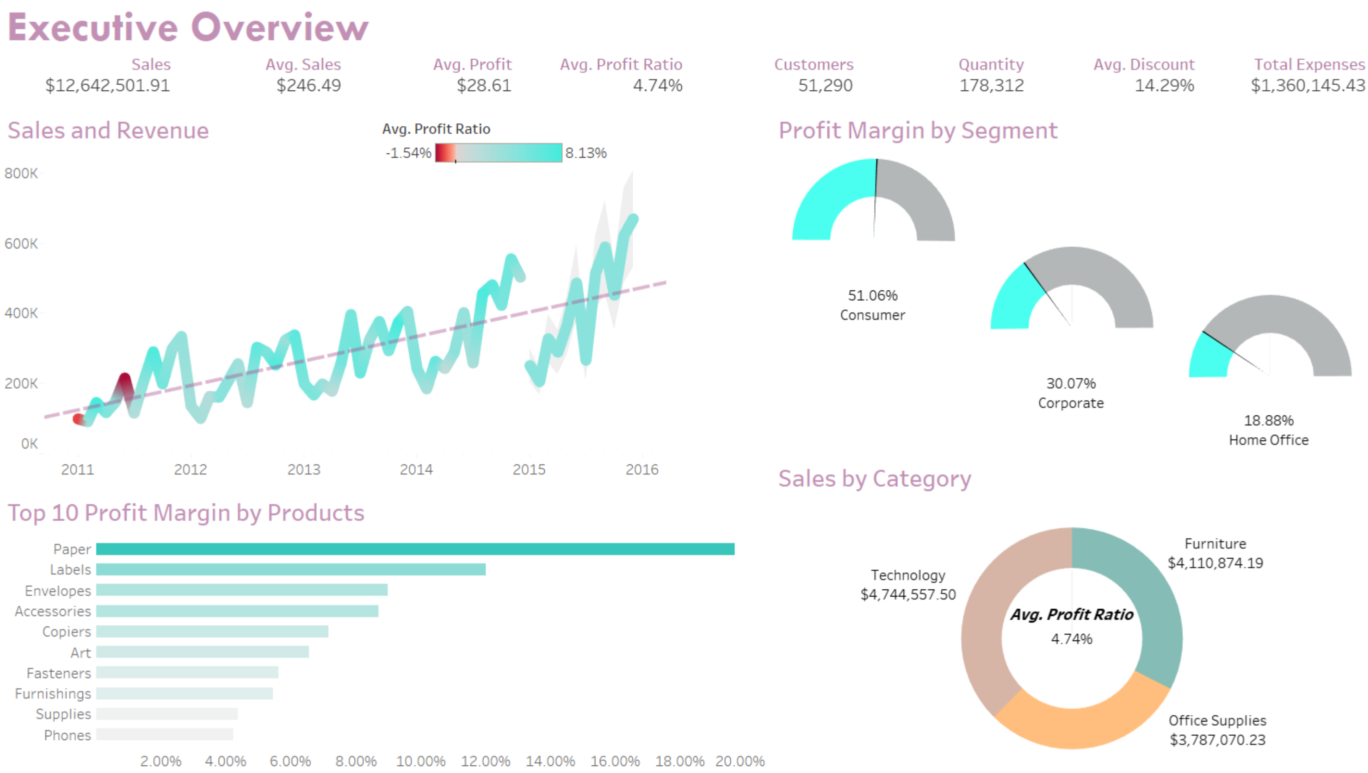
1. Executive Summary

Through analysis, it has been found that there is an area that underperformed and may affect the overall financial performance of the company. It was concluded that collectively, furniture has caused home office segment to generate the least profit margin compared to others. Recommendation has been made to minimize losses associated with furniture by reducing production facilitated and maximize opportunities gained from other categories that overperformed through increasing its production and investment that improves its product quality.

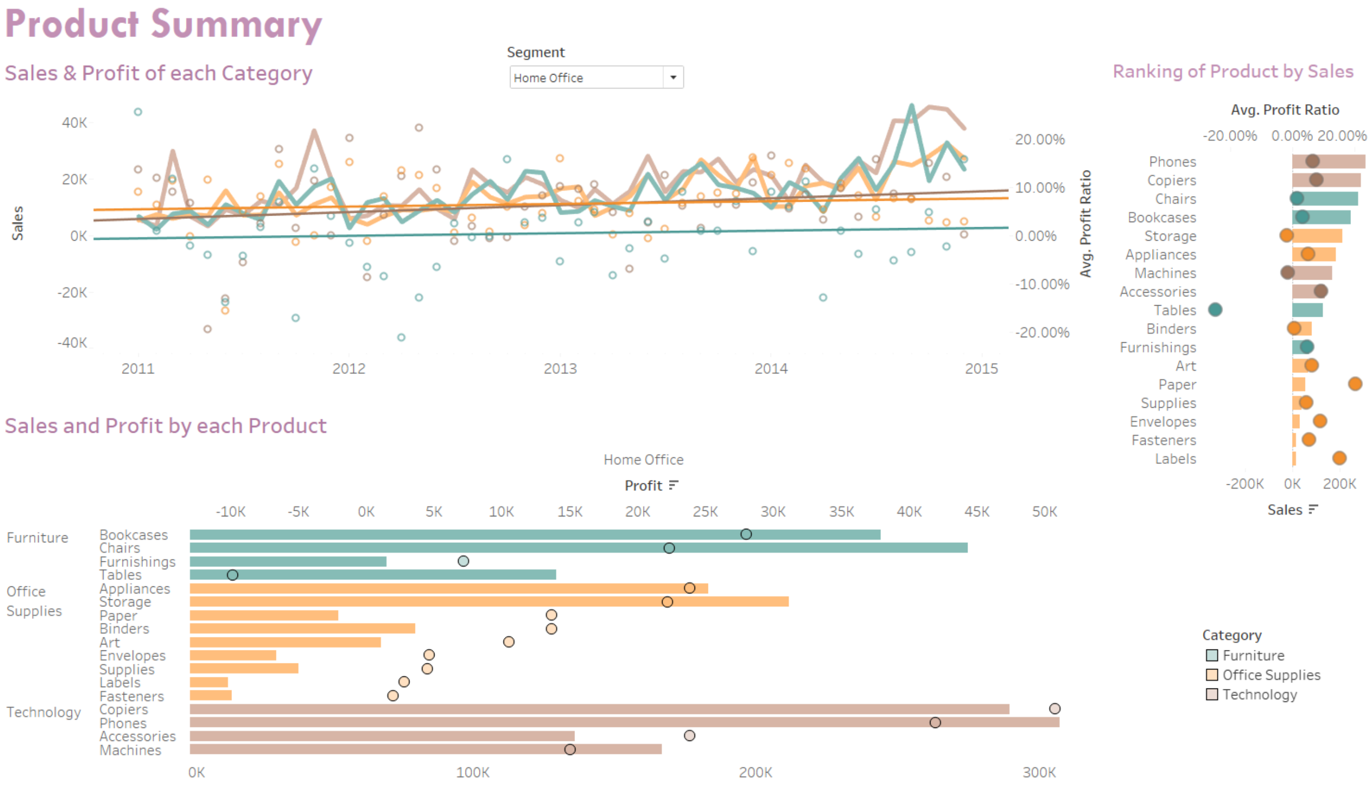
2. Findings

2.1 Executive Overview



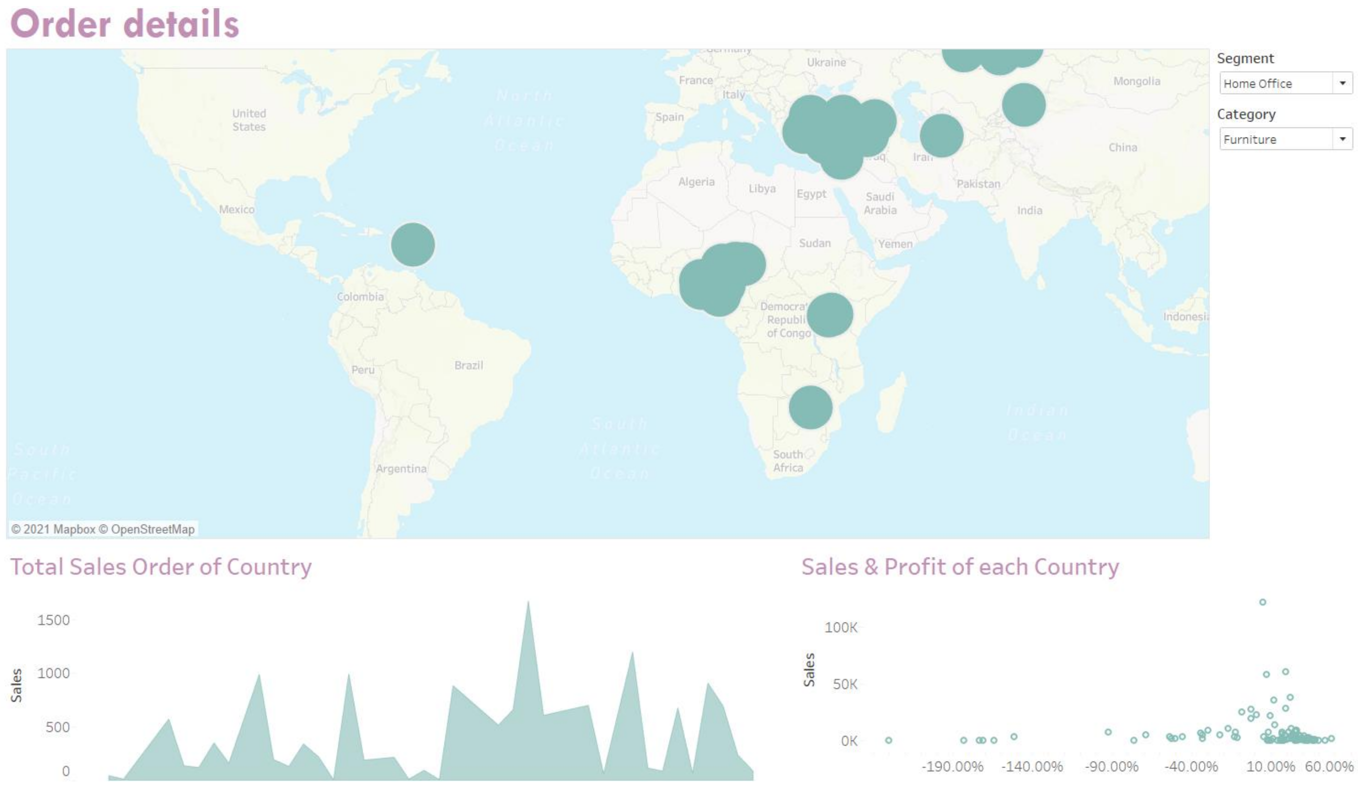
Executive overview reflects the overall breakdown of financial performance of the company. The business performed decently as the firm generated positive average profit ratio of 4.74%, which shown promising result from past performance and forecast a further rise in sales and revenue at the end of 2015. The performance of sales, number or orders and average profit ratio is projected to grow further by $165,949, 340 and 1.73% respectively from December 2014 to 2015. However, based on current performance, it was noted that home office segment contributes to least profit margin of 18.882493-% and sales of $2,309,855 compared to corporate and consumer. This underlying performance will be investigated further below on other factors that affects low profit margin.

2.2 Product Summary



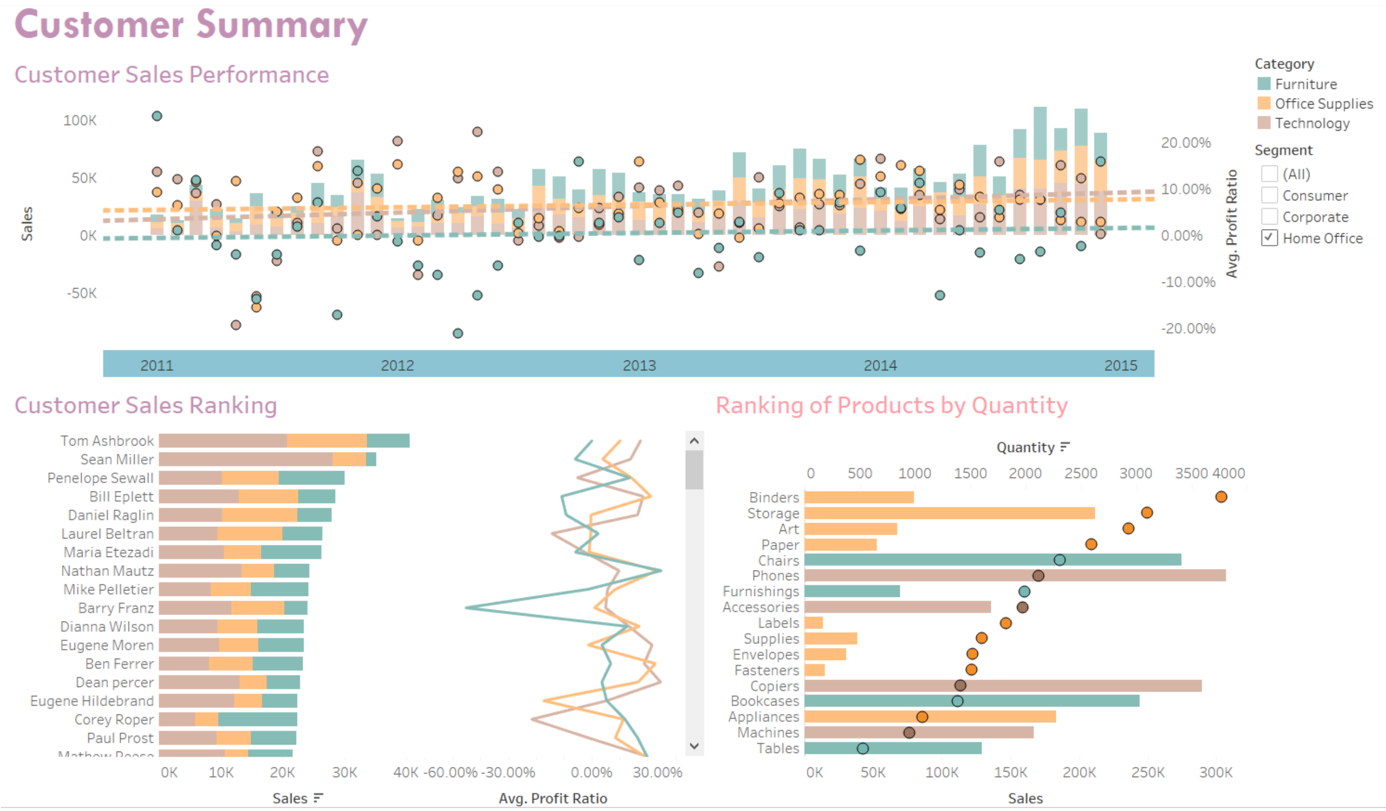
Observation is made and found out that among the categories in home office segment, the lowest mean sales and profit margin is generated by furniture. Evidently, by looking at the trendline (best fit line for estimating all scattered data points) for furniture highlighted in green, it reflects the lowest approximate average profit ratio than other categories. Even though total sales made for furniture is $717,959, higher than office supplies of $$297,431, but total profit generated is $47,738, lower than office supplies of $77,832. Furnitures such as chairs, bookcases and binders made a total profit of $22,354, $28,025, $7,192 respectively and average profit ratio of 1.31%, 3.12% and 4.74% respectively. However, tables contributed to a loss of sales amounted to -$9,833 and average profit ratio of -24.87% which negatively impacted on the overall financial average profit ratio. Following findings below has been made to observe the cause of underperformance made by furniture.

2.3 Order Details



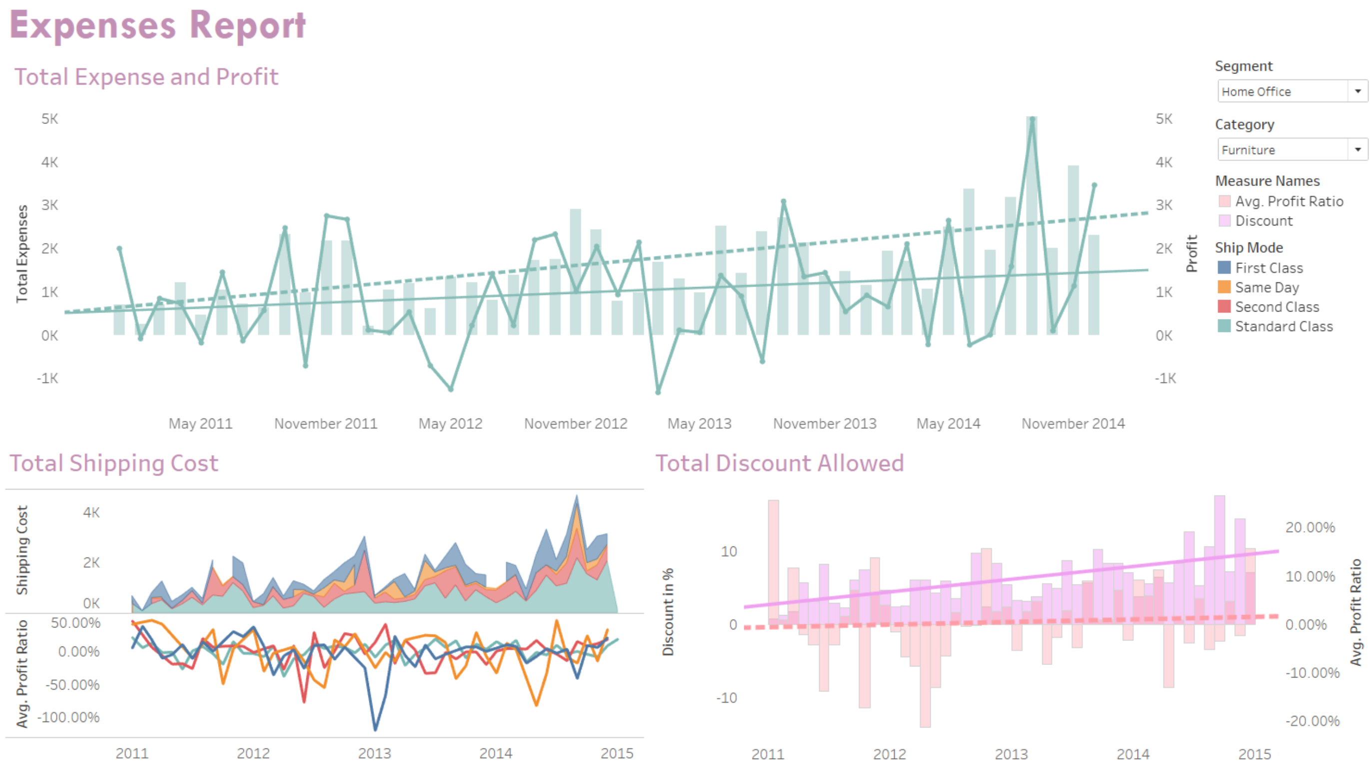
Further inspection made by analysing countries that may have contributed to lower profit margin for furniture under home office segment. According to extreme outliers of sales and average profit ratio of each country, majority of the developing countries such as Zimbabwe, Uganda and Nigeria are generating negative average profit ratio of -173.34%, -171.16%, and -151.43% respectively. It s assumed that sales made to developing countries produce huge losses that may hinder financial performance of the business operation. However, after observing individual countries, not only do developing country produce losses but developed country such as Netherland, Italy, Sweden, and South Korea also contributed to losses of -34.28%, -16.92%, -68.46% and -12.85% respectively. Hence, further investigation is needed to determine the actual cause of low profit margin that affected home office segment.

2.4 Customer Summary



By making comparison of customer's spending habit and preference under home office segment, overall office supplies sold a total of 19,921 and technology made the most sales of $899,726. Even with decent sales made from furniture, it was the least sold of 6,217 among other categories. Additionally, trendline (best fit line for estimating all scattered data points) has been provided as it reflects the approximate trend for mean profit ratio. It can be observed from the trendline that furniture performed the worse compared to office supplies and technology among the customers. This indicates that customers prefer to spend on technology and office supplies more than furniture. It is important to weigh in other factors such as cost that may have contributed to lower profit margin of furniture under home office segment as it is not limited to just comparison of sales and profit per se. Therefore, further analysis made on costs incurred on sale to observe any relationship affecting its profit margin.

2.5 Total Expenses



Expenses report reflects the total expenses incurred from sale and it consists of both shipping cost and discounts given to customers. By comparing total expenses against profits generated from furniture under home office segment, it can be observed that the dotted trendline represents total expenses, exceeds profit generated indicated in bolded trendline. Looking into individual expenses such as discount allowed, average discount given to customer is higher than average profit generated from incurring such expenses. Furthermore, total shipping cost is depicted to be higher than overall average profit made. Additionally, it is also noted that overall furniture in other segments underperformed as well. Although sales generated is higher than office supplies, yet total expenses decrease its profit generated from furniture.

In conclusion, the cause for least profit margin generated by home office segment was due to furniture incurring high cost of shipping and discounts given to customers. Therefore, overall furniture underperformed compared to other categories such as office supplies and technology in all segments.

3. Recommendation

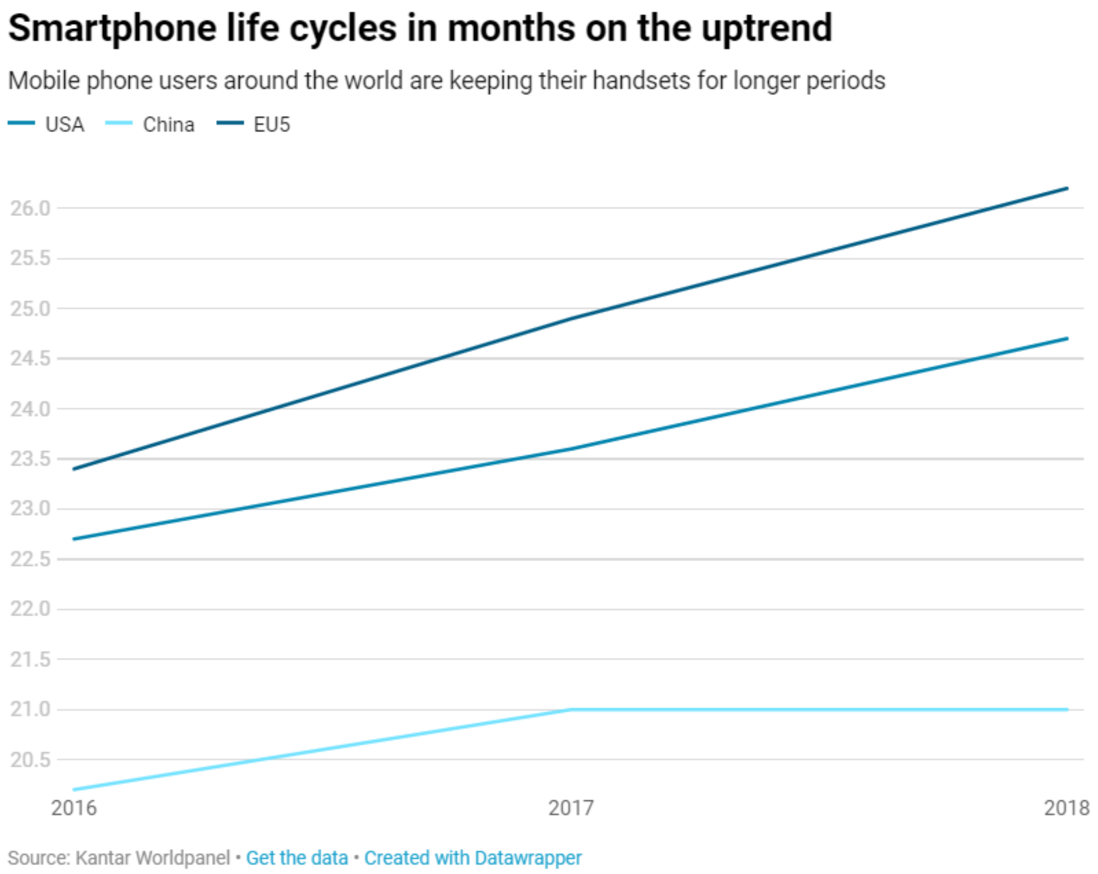
In view of the underperformance made by home office segment, it is advised to reduce risk and minimize losses associated with furniture. The company ought to consider reducing production facilities that focused on producing furniture. The difference in sales when comparing technology and office supplies against furniture can be attributed to that fact that the lifespan of a furniture is longer than technology. For example, in 2018, average lifecycle of a smartphone device last about 2-3 years (see figure 1) before renewal while lifecycle of furniture last about 5-20 years. Furthermore, as technology advances rapidly, consumers are willing to spend on improved product quality and this can be referred to the above analysis under product summary, where sales made on technology rises throughout. Therefore, sales made on furniture is less frequent than technology and it can be referred to above analysis under customer performance, where quantity sold for furniture is lesser than technology. Furthermore, the company could maximize opportunities by focusing on facilitating production of other categories such as technology and office supplies that has consistent rise in sales and profit that yield promising results. This allows the company to focus and invest on delivering product quality that generates higher sales volume and profit margin and thus, further rise in financial performance that could lead to further expansion of business operation.

4. References

Ng, A., 2021. [online] Available at: <https://www.cnbc.com/2019/05/17/smartphone-users-are-waiting-longer-before-upgrading-heres-why.html> [Accessed 20 February 2021].

Marlowe Leverette, M., 2021. *When Should You Replace Your Furniture?* [online] The Spruce. Available at: <https://www.thespruce.com/when-to-replace-furniture-4171738> [Accessed 20 February 2021].

5. Appendix



(figure 1) (Ng, 2021)