Operational Strategy Analysis of ERP Muesli Inc.

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Executive Summary

This analysis was contacted during the 2023 fiscal year to share Enterprise Operations analytics with the CEO of ERP Muesli Incorporated. The data for this analysis was retrieved from an SAP S4 HANA server at the California State University, Chico using an OData connection and the analysis was performed using Tableau Desktop 2022. Among the many operational database tables, only the relevant data for this analysis were used.

The findings of this analysis could be used as the foundation for the organization's strategy execution for the 2024 fiscal year. The overview, analysis and recommendation are as follows.

Descriptive Analytics in Tableau Case Study:

Overview:

The OEM manufactures Muesli - a breakfast cereal in six varieities like nut, blueberries, strawberries, raisin, original and mixed. Each product comes in two different sizes that is in 500g and 1kg.

The product names are $$-F01 through $$-F016 (image above) and these products are sold by many different subsidiary companies under their own product names ($$ in the product name indicates the company code that sells the product.

These products are distributed to the market by the OEM's ten subsidiaries- AA, BB, CC, DD, EE, SS, TT, UU, VV, WW through distribution channels like hypermarkets, grocery chains, independent grocers in germany.

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Analysis of operational data

This analysis was conducted during the 2023 fiscal year to share Enterprise Operations analytics with the CEO of ERP Muesli Incorporated.

Data from ten diffferent subsidiary companies (Companies AA through WW) were analyzed and used to identify the successful from the unsuccessful business practices in the highest and lowest performing companies. In a sense, comparing the top performing operations with the bottom performing operations can help identify success criteria.

The analysis was conducted using Tableau focusing on eight different parts and below is the summary of charts, observations and recommendations.

1. Determine the two best performing Companies:

The comparison of profitability among the ten subsidiaries has been done and it was found that CC is the most profitable one among all with a net income of -2,072,048 euros. On the other hand, VV is the least profitable company among all with a net income of -375,222 euros. The data has been summarized in the form of a tableau chart, which provides a clear overview of the income statements of all the companies.

INCOME STATEMENT OVERVIEW SORTED BY NET INCOME

			COMPANY CODE (Financial Postings)									
Fs Level 1	Fs Level 2	Fs Level 3	CC	UU	BB	WW	TT	EE	DD	AA	SS	VV
Income Statement	Cost of Goods Sold		1,387,476	1,465,998	1,431,260	1,399,649	1,430,358	1,342,640	806,750	1,096,551	1,266,816	904,788
	Inventory Change		-14,382	-26,760	-18,825	-23,428	-17,036	-16,801	-9,664	-12,806	-11,693	-17,580
	Operating Expenses		1,189,700	1,163,058	1,189,000	1,148,400	1,179,700	1,150,600	1,120,500	1,137,600	1,262,300	1,179,500
	Sales, General, and Administrative Expenses	Interest Expenses	154,923	156,282	150,784	153,964	153,883	154,042	120,807	155,898	158,825	154,275
		SG&A	480,000	480,000	480,000	480,000	480,000	480,000	480,000	480,000	480,000	480,000
		Marketing Expenses	1,797	2,000		556	294	850	465	955	1,012	285
		Production Improvement Expenses	125,000									
	Revenues		-5,396,561	-5,184,391	-5,134,802	-4,957,830	-4,944,860	-4,592,484	-3,048,704	-3,342,466	-3,587,085	-3,076,490
Net Income			-2,072,048	-1,943,812	-1,902,584	-1,798,690	-1,717,661	-1,481,154	-529,846	-484,268	-429,825	-375,222

Based on the above table summary we can confirm that CC performance in terms of net income is the best of all and VV is the lowest of all. Henceforth our focus will be on the comparison of CC and VV by their performance and strategies.

INCOME STATEMENT OVERVIEW OF CC AND VV

			COMPANY CODE (Financial Postings)	
Fs Level 1	Fs Level 2	Fs Level 3	CC	VV
Income Statement	Cost of Goods Sold		1,387,476	904,788
	Inventory Change		-14,382	-17,580
	Operating Expenses		1,189,700	1,179,500
	Sales, General, and Administrative Expenses	Interest Expenses	154,923	154,275
		SG&A	480,000	480,000
		Marketing Expenses	1,797	285
		Production Improvement Expenses	125,000	
	Revenues		-5,396,561	-3,076,490
Net Income			-2,072,048	-375,222

In comparing the financial performance of CC and VV, it is clear that CC has a better net income than VV. Several significant differences can be observed between the two companies that explain the differences in their financial results. One of the most notable differences is the amount of money spent on marketing. CC has spent a considerable amount on marketing, which indicates that it has a better marketing strategy to attract more customers, resulting in higher sales and a better market share. In contrast, VV needs to come up with better marketing strategies to sell more and improve its income.

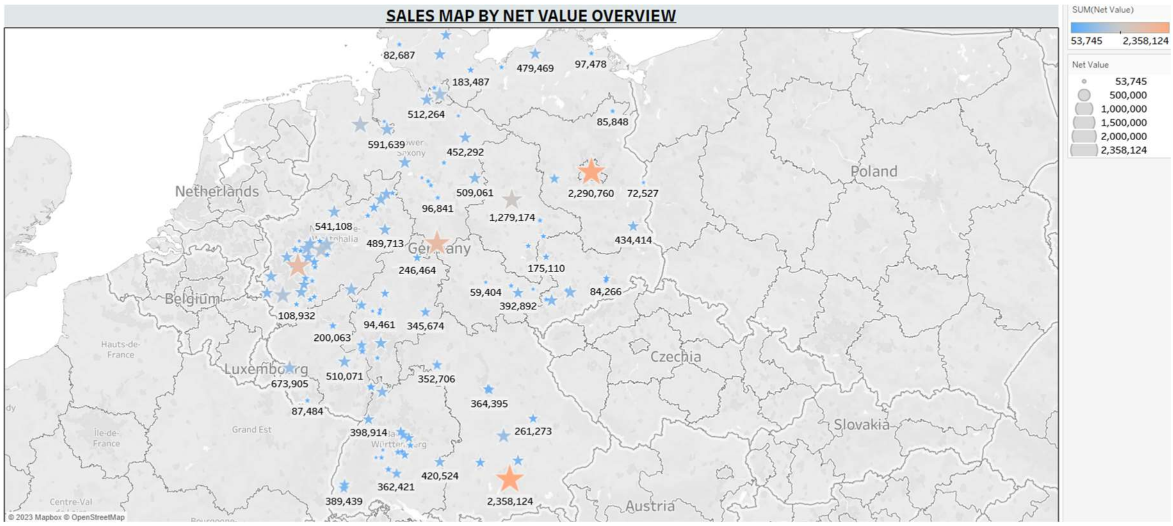
Another noticeable difference between the two companies is that CC is the only company that has invested in its production capabilities. This investment indicates that market demand is high, and CC is investing in its product availability, sales, and marketing efforts, which is a good practice to increase revenue. VV, on the other hand, has not invested in its production capabilities, which could be a disadvantage for the company in the long run.

Despite the fact that CC's expenses have been higher than VV's, CC has had higher income than VV, resulting in higher net income. The higher revenue of CC indicates that the company is selling better and growing its customer base, leading to increased market share. The ability of CC to generate better income, regardless of its expenses, implies that CC could have a lower profit margin. CC is able to generate high sales volume due to its lower prices, resulting in customer satisfaction, increased market share, and brand recognition.

Overall, the comparison between CC and VV suggests that CC has a better financial performance than VV. CC's better marketing strategy, investment in production capabilities, and ability to generate high sales volume through lower prices are key factors contributing to its success. VV needs to develop better marketing strategies to attract more customers and invest in its production capabilities to remain competitive in the market. The financial comparison highlights the importance of investing in production capabilities and having a strong marketing strategy to drive sales and increase revenue.

2. Analyze Global Sales for Best and Worst Companies

Analyzing global sales is essential for determining the performance of companies, especially for identifying the best and worst performers. Global sales analysis helps to provide an overview of the market share of companies and their ability to compete in the global market. Below is the sales map indicating the net income generated at each region by all the companies.

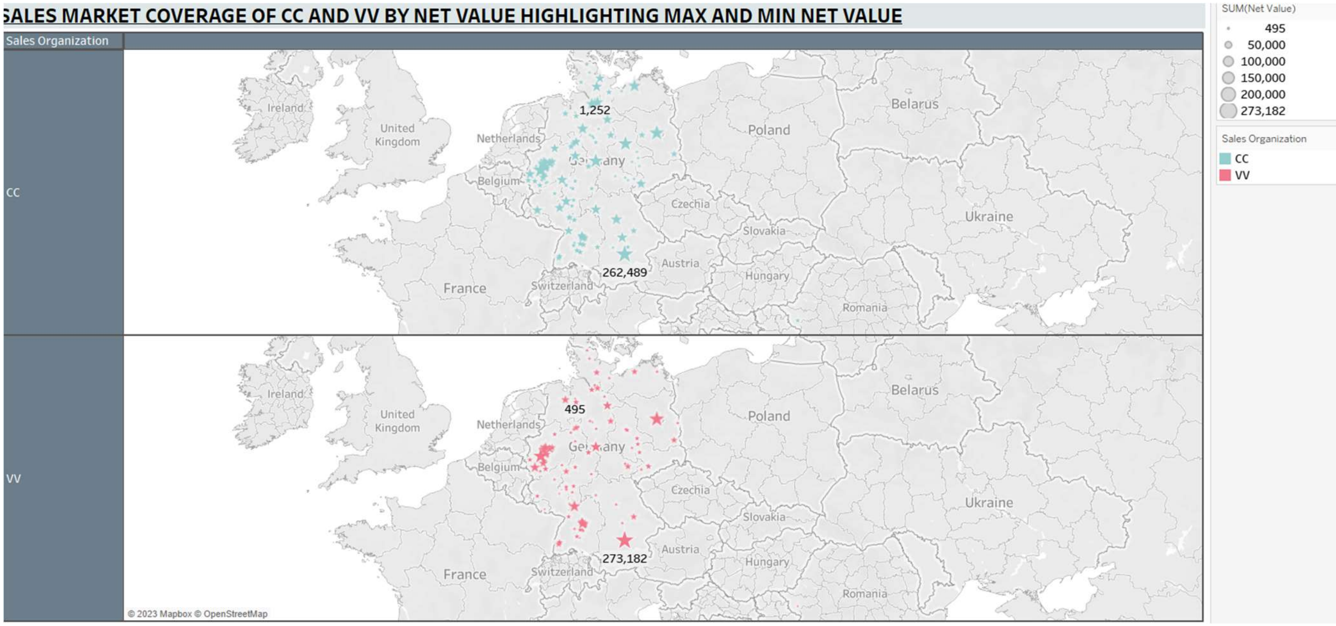


Analyzing the sales map of all companies, we can observe that Munchen has the highest net value, indicating that it is the most lucrative market among all cities. This information provides valuable insight to businesses as they can capitalize on this market potential to increase their sales revenue. The demand for products in Munchen is high, which suggests that consumers in that region are more likely to purchase products and services than consumers in other cities. Companies can use this information to tailor their marketing strategies and product offerings to the specific needs of Munchen's consumers to maintain and improve market share steadily.

Following Munchen, we can say that Berlin, Gottingen, Dusseldort, and Magdeburg are the top five demanding markets with high net values potential. By leveraging this data, businesses can increase their sales revenue, market share, and profitability by catering to the needs of the regions with high market demand and potential.

The lowest demanding markets observed in the sales map are Dettlingen, Wetzlar, Erfurt, Gera, and Nagold. These regions have the lowest net values and show lower market potential and demand. It is important for companies to analyze these regions and determine the cause of the low demand. It could be due to various factors such as lack of marketing efforts, insufficient product availability, or high competition from other companies. Companies need to identify these issues and develop appropriate strategies to address them. By doing so, they can tap into the market potential and increase their sales in these regions.

Now, we analyze the global sales for the best and worst company determined from the financial statement as follows:

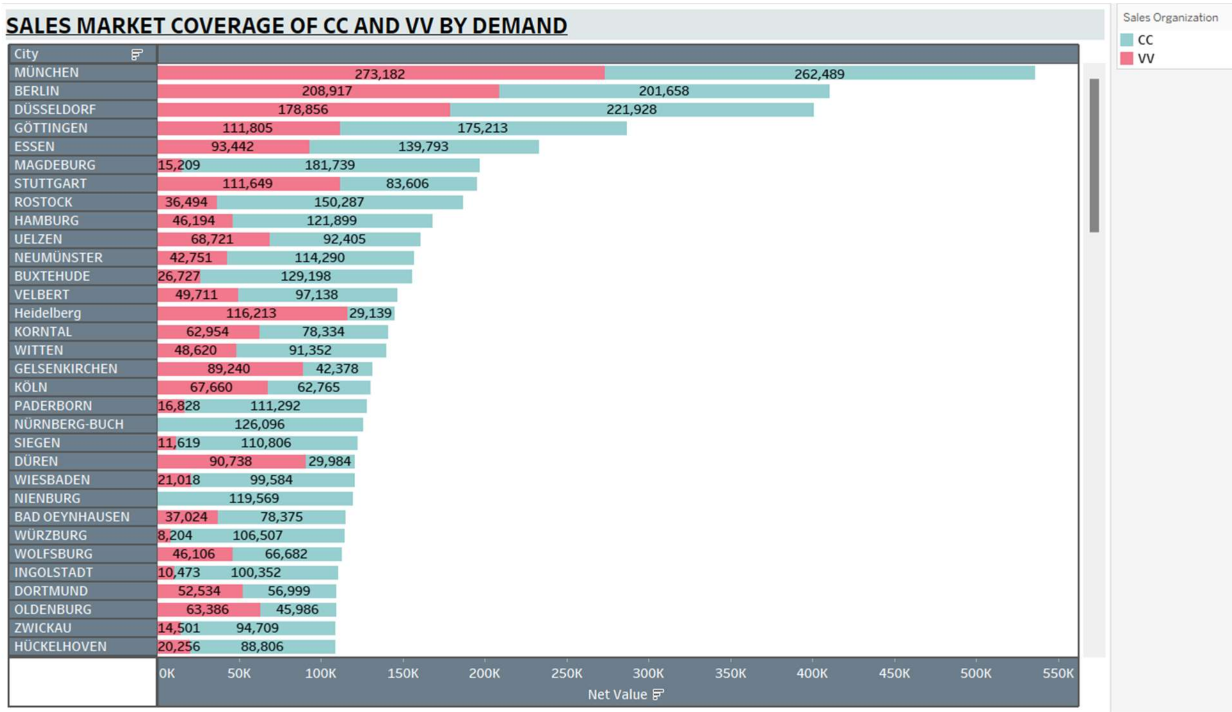


SALES MARKET COVERAGE OF CC AND VV BY COUNT OF CITIES AND NET VALUE

Country	Sales Organization	Distinct count of City	Net Value
Germany	CC	111	5,396,561
	VV	94	3,076,490

The global sales map above gives us a comprehensive view of the performance of the two companies in different regions across germany. It is evident from the map and also the above table that CC has a wider market coverage and a better net value in comparison to VV. The net value of CC ranges between 1,252 euros to 262489 euros per city, while VV's net value ranges between 495 euros to 273,182 euros. This indicates that CC has a higher market coverage by higher sales volume and is also performing better in terms of revenue generation.

This analysis should help VV come up with valuable insights on demand in different regions based on which it can conduct targeted advertising campaigns or other forms of marketing promotions to increase sales and improve revenue.

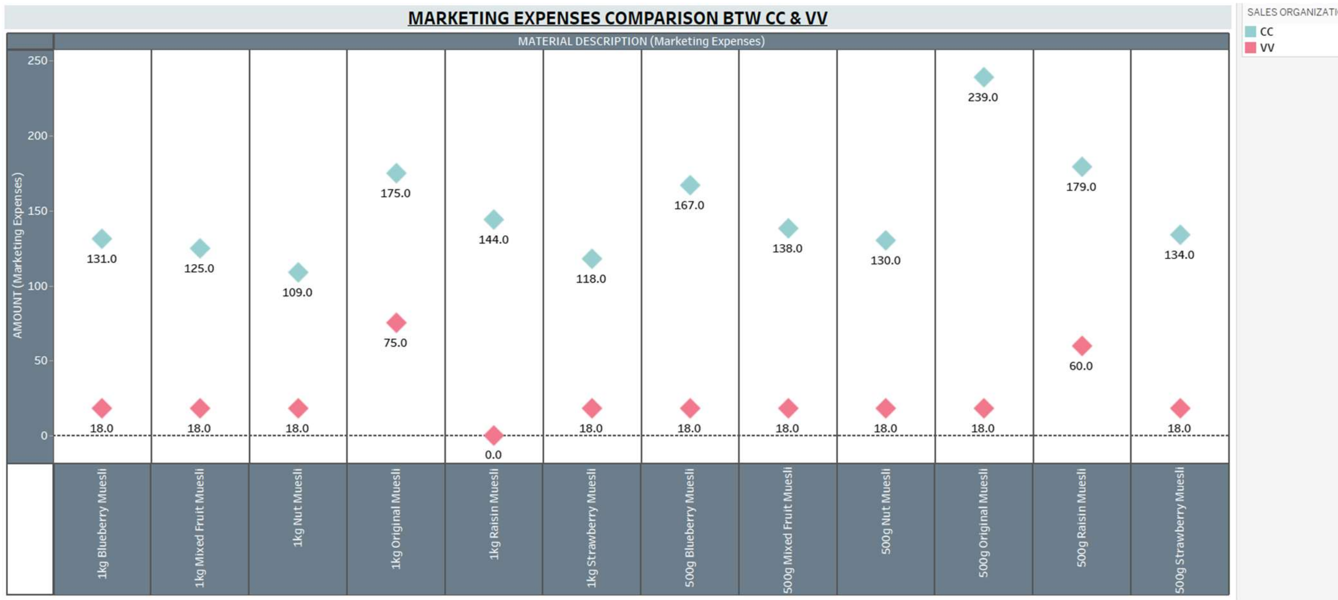


In further analyzing the sales map of VV and CC, it is interesting to note that VV has the highest net value generated from Munchen, which is the top performing market across all companies. However, when comparing the performance of VV and CC within specific markets, it becomes apparent that CC has a strong presence and is dominating in Dusseldorf, Magdeburg, and Gottingen. On the other hand, VV seems to have a stronger presence and dominates in Munchen, Berlin, and Dusseldorf

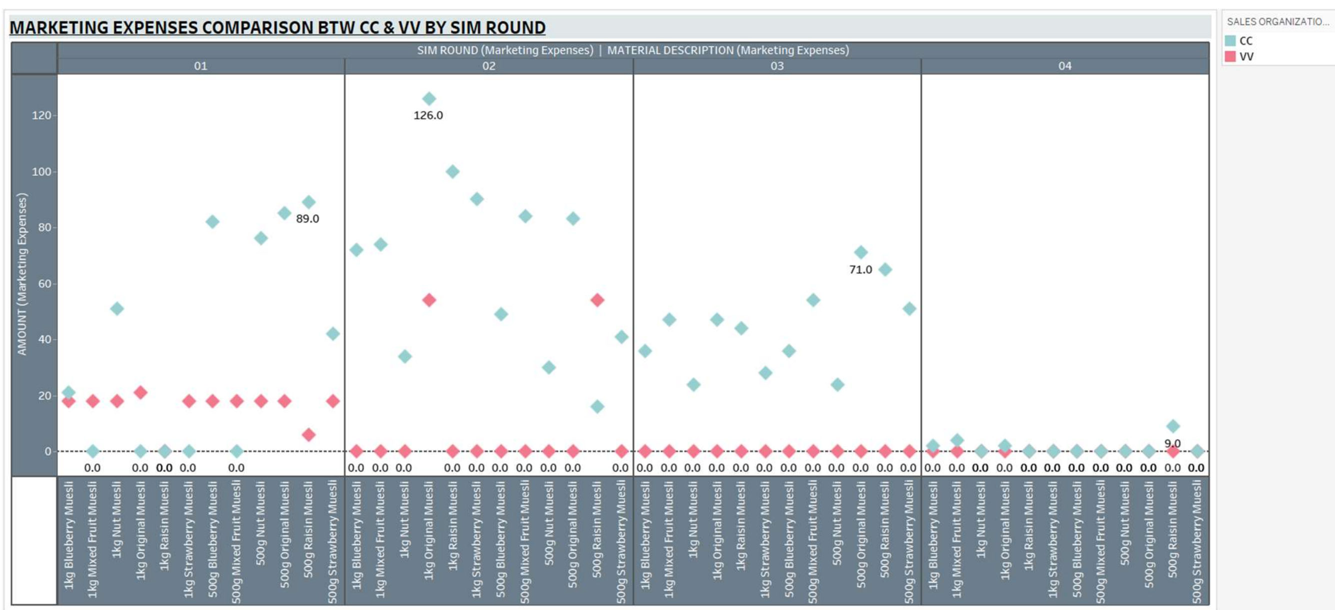
It is worth noting that while VV may have a higher net value in certain markets, it is important to also consider the overall performance and market coverage of each company. CC has shown to have a better overall net income and a stronger market coverage in terms of cities where it has generated high net values. It is possible that VV may need to consider adjusting its strategies in certain markets to improve its overall performance and market coverage.

3. Analyze the Marketing Expense Strategies:

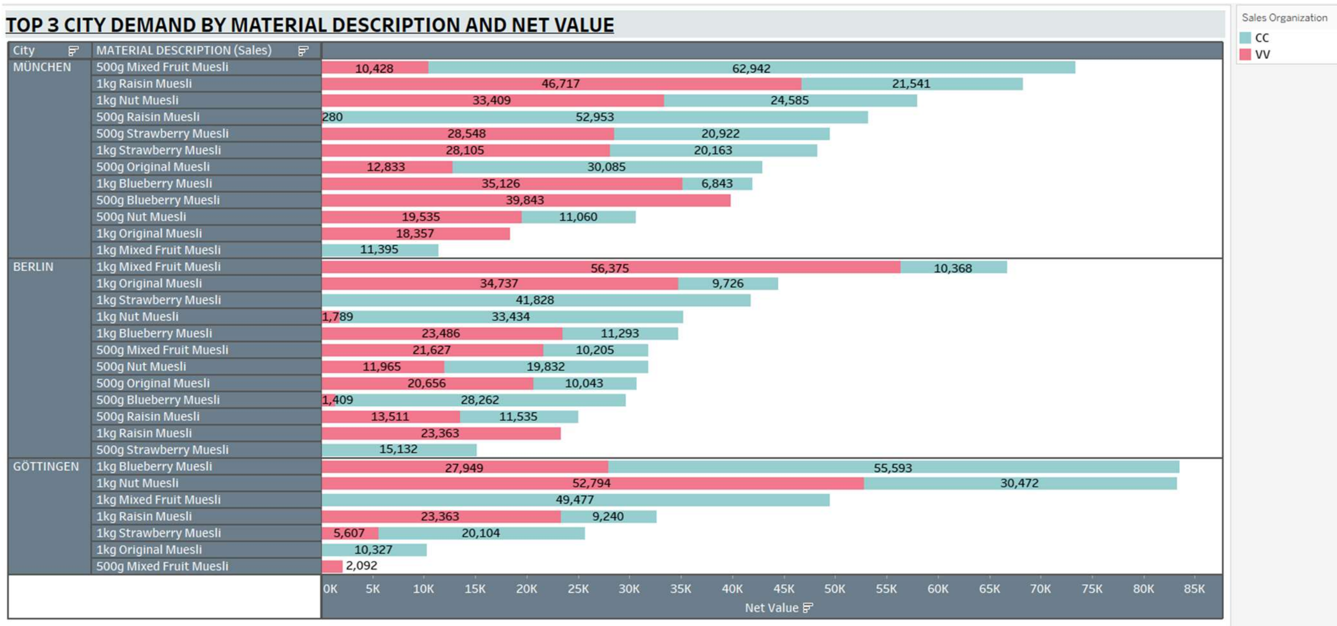
When analyzing the marketing strategies between CC and VV, it becomes clear that CC has a more aggressive approach to marketing, with significantly higher marketing expenses than VV. For example, CC spends up to 239 euros on 500g of original muesli, while VV only spends 18 euros on the same product. This suggests that CC is investing in a more robust marketing strategy to attract customers and increase sales, whereas VV may be lagging behind in this area.



Quarterly data further highlights the difference between the two companies, with VV's marketing remaining stagnant and poor compared to CC's more active and ongoing efforts.

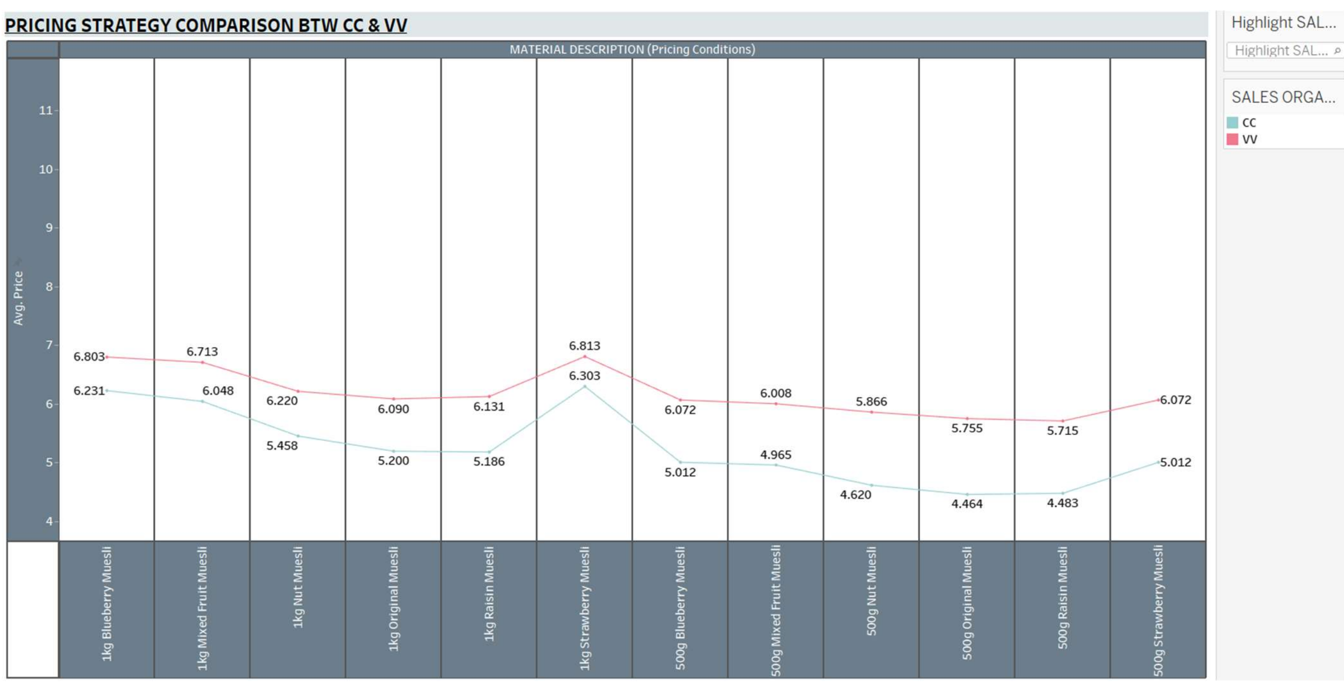


The high-demand market of Munchen, in particular, has the highest demand for 500g mixed fruit muesli, and CC is dominating this market by supplying the most. This indicates that CC's marketing strategy is effective in targeting the preferences and needs of customers in this region, while VV may need to reevaluate its approach to better serve this market.

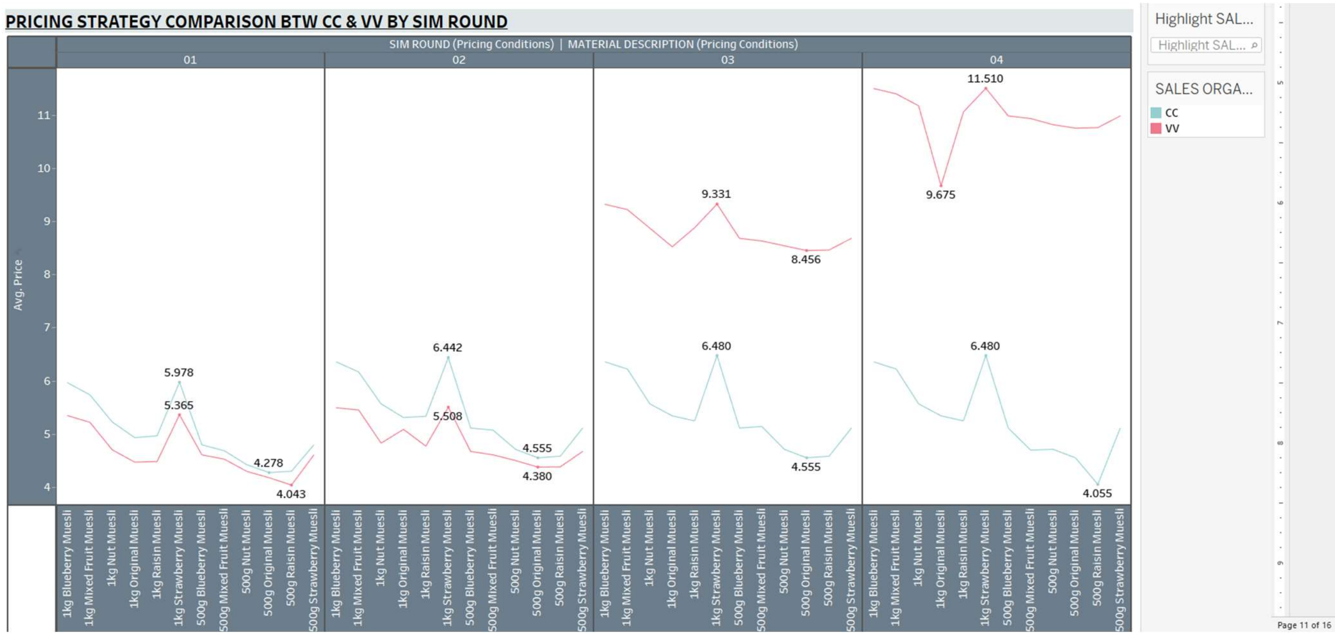


Overall, the comparison between CC and VV suggests that investing in marketing and advertising efforts can be critical to a company's success, particularly in competitive markets with high demand. CC's more aggressive approach to marketing appears to be paying off, as the company is outperforming VV in terms of net income and market share.

4.Pricing Strategy:



When comparing the pricing strategy between CC and VV, the prices of CC are lower than VV's.

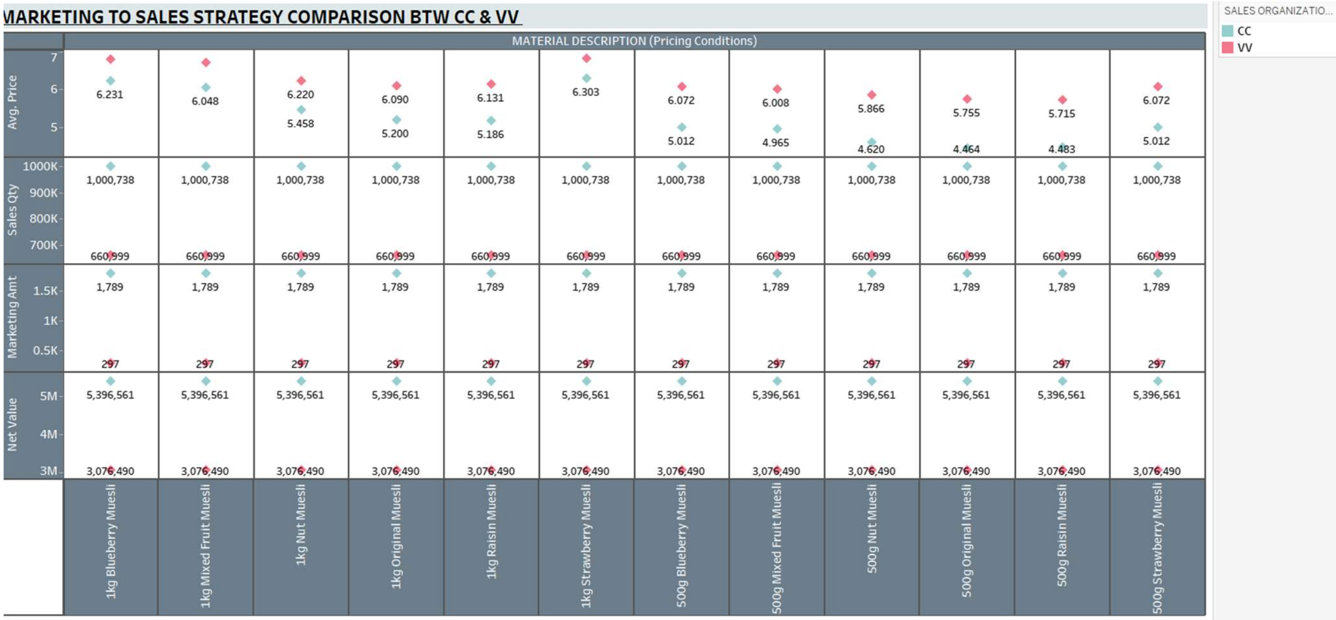


On a quarterly basis, it indicates that VV has increased its prices in the last two quarters to a considerable difference, while CC's price increase is lower and consistent. For instance, the average price of CC on the most demanded product, 500g mixed fruit muesli at Munchen, is 4.965 euros per box, whereas VV's price is 6.008 euros for the same product.

This difference in pricing strategy could be a significant factor in the sales performance between CC and VV, as customers are likely to opt for a lower-priced product if it offers the same quality and features. Therefore, it may be beneficial for VV to consider lowering its prices to increase its competitiveness in the market, especially in high-demand regions like Munchen.

In conclusion, a comparative analysis of pricing strategies between CC and VV suggests that VV may need to adjust its prices to remain competitive in the market, while also considering its overall financial goals and marketing expenses.

5. Marketing to Sales Strategy:



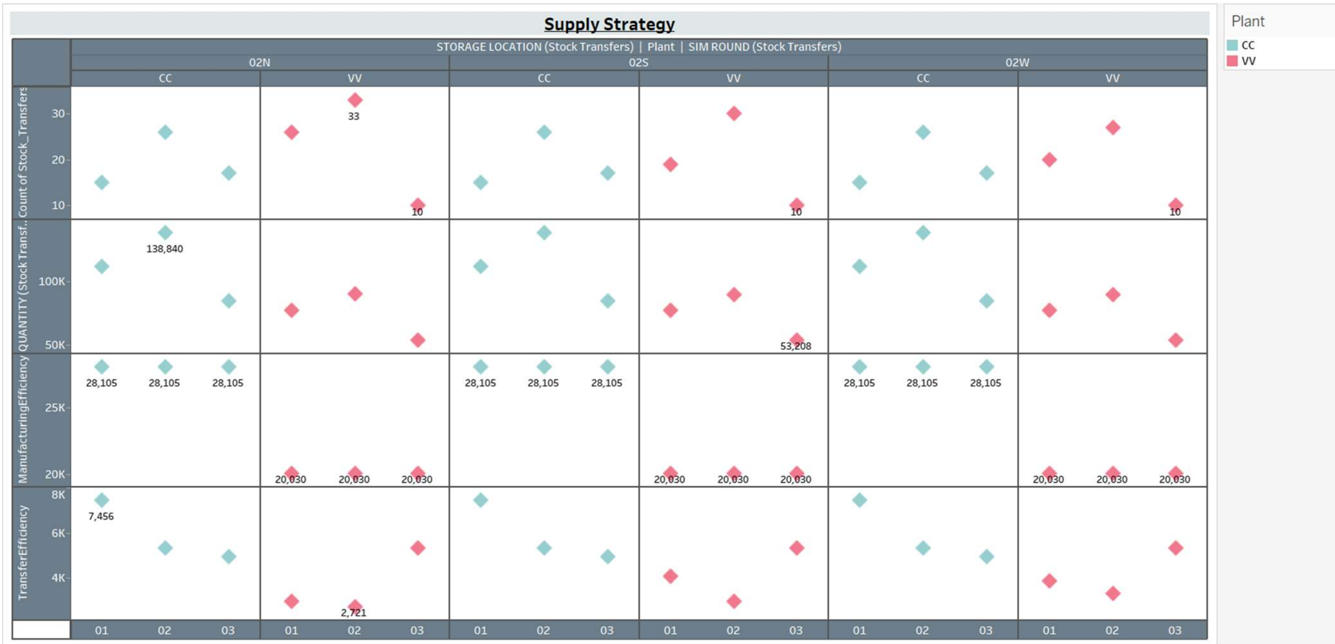
After analyzing the marketing and sales strategies of CC and VV, it is evident that CC has a better performance than VV in terms of average pricing, sales quantity, marketing expenses, and net value. CC's marketing expenses are significantly higher than VV's, and this has helped CC to achieve a higher net value. In addition, CC's average pricing is lower than VV, which has helped CC to sell more products and achieve higher sales quantity.

Furthermore, CC has been consistent in its pricing strategy, whereas VV has increased its prices significantly in the last two quarters. This could be a factor in the decrease of VV's net value. On the other hand, CC's pricing has remained steady, which has contributed to its better performance in the market.

Moreover, CC has identified the highest demand for 500g mixed fruit muesli in Munich and has been supplying the product in significant quantities. This has helped CC to dominate the market in Munich and achieve a higher net value. VV, on the other hand, has not been able to capitalize on the demand for 500g mixed fruit muesli in Munich, which could be a factor in its lower net value.

Therefore, based on the analysis, it can be recommended that VV should reconsider its pricing strategy and marketing efforts to achieve a better performance in the market. VV should focus on increasing its marketing expenses to increase its net value and identify the highest demand markets to dominate the market. Moreover, VV should consider a more consistent pricing strategy to avoid losing customers due to price fluctuations.

6. Analyze Supply Strategy:



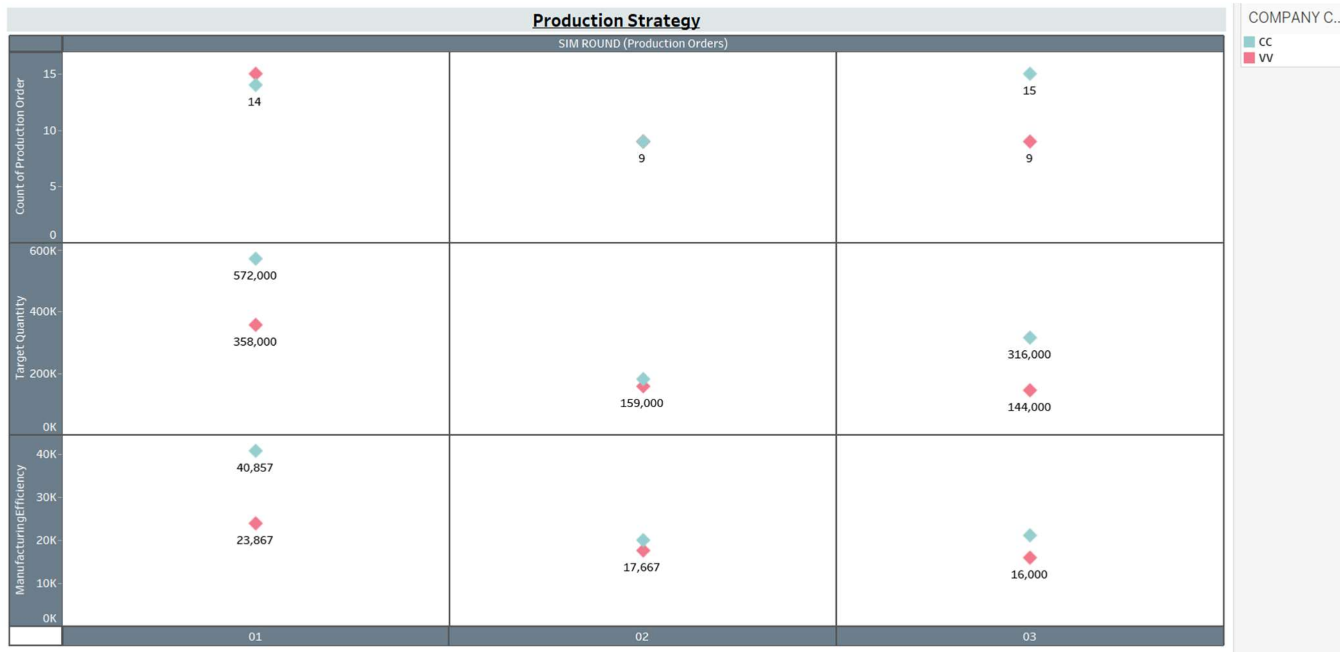
Manufacturing efficiency and transfer efficiency are two crucial factors that determine the effectiveness of supply strategy for any company. Manufacturing efficiency refers to the ability of a company to manufacture its products in a cost-effective and efficient manner. On the other hand, transfer efficiency refers to the ability of a company to move its products from one storage location to another in a timely and efficient manner.

By analyzing the supply strategy of CC and VV, it is clear that CC has a higher manufacturing efficiency than VV at each storage location. This indicates that CC is able to manufacture its products at a lower cost and with a higher level of efficiency than VV. Additionally, CC has a higher transfer efficiency during the first quarter of each storage location, which suggests that the company is able to move its products from one location to another in a more timely and efficient manner than VV during this time.

In contrast, VV has a lower manufacturing efficiency than CC and its transfer efficiency seems to increase by each quarter. This indicates that VV may need to improve its manufacturing processes to reduce costs and improve efficiency. Additionally, VV may need to focus on improving its transfer efficiency to ensure that its products are moved from one location to another in a more timely and efficient manner.

Overall, manufacturing efficiency and transfer efficiency are critical factors for companies in ensuring the success of their supply strategy. Companies should focus on improving these factors to reduce costs, improve efficiency, and ultimately increase profitability. Based on the analysis, CC seems to have a more effective supply strategy than VV, particularly in terms of manufacturing efficiency and transfer efficiency.

7. Production Strategy:



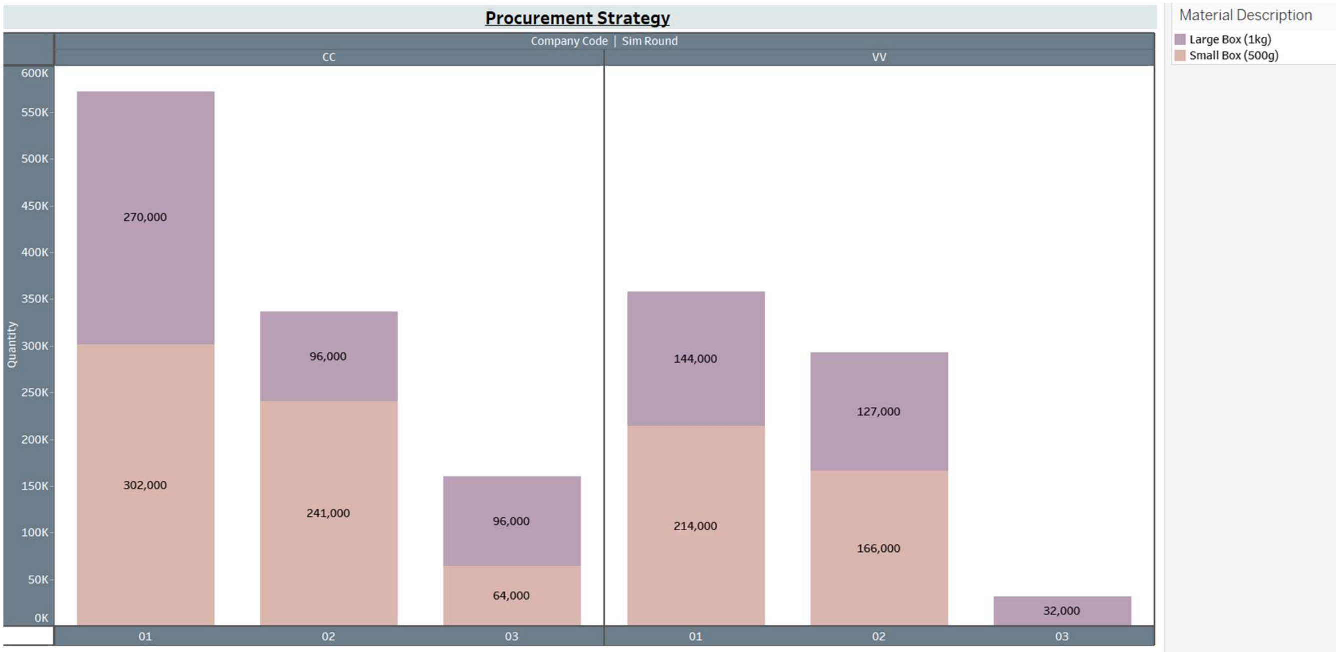
When it comes to the production strategy of CC and VV, it is evident that CC has an upper hand in terms of production order count, target quantity, and manufacturing efficiency. CC is able to produce more orders, fulfill more target quantities, and operate more efficiently during each quarter when compared to VV. It is important to note that each manufacturing facility can produce 24,000 boxes of cereal per day. However, downtime of 8 hours is incurred when switching from one product to another, which makes small batch manufacturing not as economical and efficient.

CC seems to have a better strategy in managing manufacturing, as it has a higher production order count and is able to fulfill more target quantities, resulting in higher manufacturing efficiency. This indicates that CC is more efficient in managing its production process, resulting in a higher output of products within a given timeframe. In contrast, VV's production order count, target quantity, and manufacturing efficiency are lower, which could be a result of inefficient production management.

Efficient manufacturing is essential for a company's success, as it can have a significant impact on production costs, time-to-market, and product quality. By improving manufacturing efficiency, a company can reduce costs, improve product quality, and increase productivity. Therefore, it is recommended that VV improve its manufacturing process to increase production order count, target quantity, and manufacturing efficiency to achieve better results.

In conclusion, by analyzing the production strategy of CC and VV, it is clear that CC has a more efficient manufacturing process, resulting in a higher production output. VV can improve its production process to match CC's level of efficiency, which would lead to improved productivity, lower costs, and better product quality.

8. Procurement Strategy:



When comparing the procurement strategy between CC and VV, it is evident that CC procures a higher quantity of both large and small boxes compared to VV. In the first quarter, CC procured 270k large boxes and 302k small boxes, whereas VV procured only 144k large boxes and 214k small boxes. Additionally, VV did not procure any small boxes after the second quarter.

It is important to note that procurement strategy can have a significant impact on the supply chain efficiency and costs. By procuring a higher quantity of boxes, CC can leverage economies of scale to negotiate better prices from suppliers and reduce procurement costs. This may also result in faster lead times and lower inventory costs, as larger quantities of boxes can be stored for a longer period.

However, it is also important to maintain an optimal balance between procurement quantity and inventory costs, as overstocking can result in additional storage costs and potential losses due to expired inventory. It is recommended that CC and VV conduct a thorough analysis of their procurement strategy to identify opportunities for cost reduction and process optimization.

Furthermore, it may be beneficial for VV to increase their procurement of both large and small boxes to align with the demand for their products and ensure efficient supply chain operations. By closely monitoring procurement and inventory levels, both CC and VV can optimize their supply chain and improve their overall efficiency and profitability.

Analyst recommendations

1. Based on the Income Statement analysis, investing in production capabilities and having a strong marketing strategy are key factors for driving sales and increasing revenue, as demonstrated by CC's better financial performance compared to VV. Therefore, VV should focus on developing better marketing strategies and investing in production capabilities to remain competitive in the market.

2. Based on the sales map analysis, a recommendation for VV is it should focuses on improving its overall market coverage and performance by developing targeted advertising campaigns or other forms of marketing promotions in regions where it has lower net values. Additionally, VV should consider adjusting its strategies in certain markets to improve its overall performance and market coverage to better compete with CC. By doing so, VV can increase its sales revenue and improve its financial performance.

3. Based on the marketing expenses strategy analysis, a recommendation for VV is it should consider investing more in its marketing and advertising efforts, especially in high-demand markets such as Munchen. By targeting the preferences and needs of customers more effectively, VV can increase its market share and improve its overall financial performance. It is important for VV to keep up with the competition and remain active in its marketing efforts to remain competitive in the market.

4. Based on the pricing strategy analysis, a recommendation for VV based on this analysis could be to conduct a market research study to understand the pricing expectations and behaviors of their target customers. This can help VV to identify the optimal price range that would be attractive to their customers and still provide them with sufficient profit margins. Additionally, VV could consider implementing a pricing strategy that offers discounts or promotions to incentivize customers to purchase their products, especially in highly competitive markets.

5. Based on marketing to sales strategy, a recommendation for VV is to is to focus on increasing its marketing expenses to improve its net value and identify high demand markets to dominate the market. Additionally, VV should reconsider its pricing strategy to maintain consistency and avoid losing customers due to price fluctuations.

6. Based on the supply strategy analysis, a recommendation for VV would be to improve its manufacturing and transfer efficiency to reduce costs and improve efficiency. VV should focus on identifying areas where it can streamline its manufacturing processes and reduce waste to improve its manufacturing efficiency. Additionally, VV should invest in technologies that can help optimize its transfer efficiency, such as automation and real-time tracking systems. By improving these factors, VV can increase its profitability and better compete with CC in the market.

7. Based on production strategy analysis, a recommendation for VV is to improve its manufacturing process to increase production order count, target quantity, and manufacturing efficiency to achieve better results, which would lead to improved productivity, lower costs, and better product quality.

8. Based on the analysis, it is recommended that VV should consider revising its procurement strategy to align with the demand for their products and improve their supply chain efficiency. VV should conduct a thorough analysis of their procurement process to identify opportunities for cost reduction and process optimization. It may be beneficial for VV to increase their procurement of both large and small boxes to ensure that they have enough inventory to meet the demand for their products. Additionally, VV should closely monitor their inventory levels to avoid overstocking and potential losses due to expired inventory. By optimizing their

procurement strategy, VV can improve their supply chain efficiency and reduce procurement costs, which can lead to higher profitability

Analysis Conclusion

With reference to the observations and recommendations provided above. The analysis conclusion is summarized below.

After conducting a comprehensive analysis of the financial and operational performance of CC and VV it is evident that there are noteworthy variations in their market performance and procurement strategies. CC has displayed superior market performance in terms of market coverage, average pricing, sales quantity, marketing expenses, and net value. The higher marketing expenses of CC have contributed to its higher net value, while its consistent pricing strategy has resulted in better market performance and higher net income in contrast to VV. VV has increased its prices significantly in the last two quarters but still incurred considerably less net income as compared to CC.

Furthermore, CC has identified and capitalized on the highest demand for 500g mixed fruit muesli in Munich, which has helped it dominate the market and achieve a higher net value. In contrast, VV has not been able to capture the market demand for the same product, which could be a factor in its lower net value. Therefore, VV needs to reconsider its pricing strategy and marketing efforts to achieve better market performance. It needs to focus on increasing its marketing expenses to increase its net value and identify the highest demand markets to dominate the market. Additionally, VV should consider a more consistent pricing strategy to avoid losing customers due to price fluctuations.

In terms of procurement strategy, CC procures a higher quantity of both large and small boxes compared to VV, allowing it to leverage economies of scale to negotiate better prices from suppliers and reduce procurement costs. However, both CC and VV should conduct a thorough analysis of their procurement strategy to identify opportunities for cost reduction and process optimization.

In conclusion, it is evident that both CC and VV have their strengths and weaknesses, and a thorough analysis of their financial and operational performance is necessary to identify opportunities for improvement and optimize their business operations for better profitability and sustainability. While CC has demonstrated better market performance and procurement strategy, there is still room for improvement for both companies. By adopting the recommendations provided, both companies can enhance their market performance, reduce costs, and increase their profitability.