SUPERSTORE
PROFITABILITY ANALYSIS

TEAM DN5

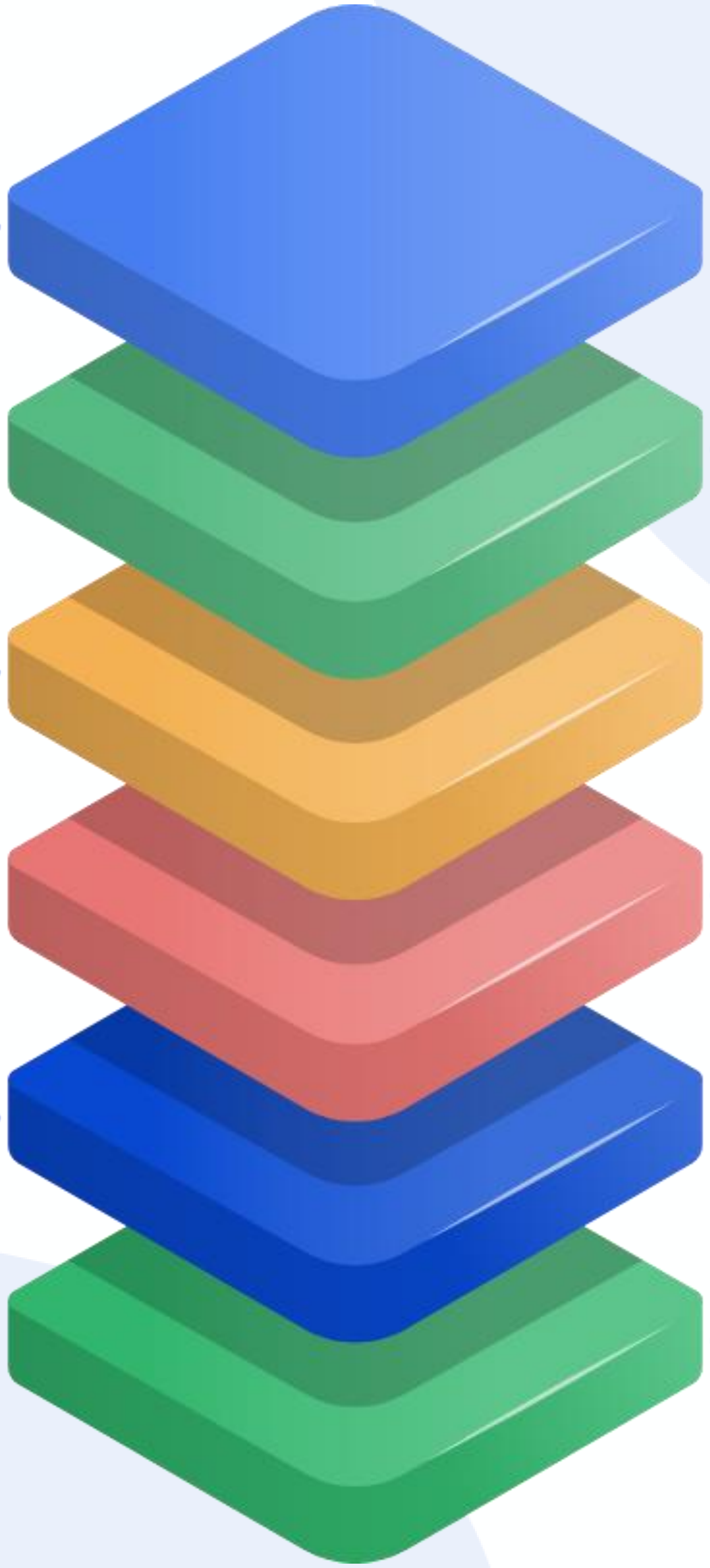
CHRISTOPER FISCHER

ERIC MOLNER

JUSTIN RIZZO

SHARON WHITE

Analyzing Superstore's Profitability Challenges



Significant Sales Volume

Superstore has achieved a substantial sales volume of $2.3 million but struggles with profitability.

High Discount Rates

The average discount offered is 16%, which may be contributing to reduced profit margins.

Data Limitations

The dataset has granularity issues and lacks essential metrics such as COGS and operational expenses.

Low Profit Margin

Despite high sales, the overall profit margin stands at only 12.5%, indicating inefficiencies.

Outlier Identification

The analysis identified 165 outliers with high sales but significant losses that need further examination.

Time Frame of Analysis

The analysis covers a limited period from 2014 to 2017, which may restrict trend insights.

Key Findings from Superstore Analysts

Justin Rizzo
Sales & Revenue Analyst

- West region, Consumer segment, and Technology category are highest revenue generators.
- Significant negative correlation between Discount and Profit.
- Profit margins vary by category (Technology highest, Furniture lowest) and segment (Home Office highest, Consumer lowest).
- Losses concentrated in Consumer segment, Central/East regions, and Furniture/Office Supplies/Technology categories.

Sharon White
Customer Behavior Analyst

- Monthly sales trends show fluctuations and potential seasonal patterns.
- Heavy discounting (over 30%) consistently leads to negative profit margins.
- Discounts in the 0-10% range maintain best profitability.
- 10-30% discount range balances volume and margin.

Christopher Fischer
Product Performance Analyst

- Technology leads in revenue and profit (15.6% margin) with minimal discounts (13.2% avg).
- Office Supplies are solid contributors (13.8% margin).
- Furniture significantly underperforms (sub-4% margin) due to high discounts (17.4% avg) and likely elevated fulfillment costs.
- Profitability is highly sensitive to discount levels.

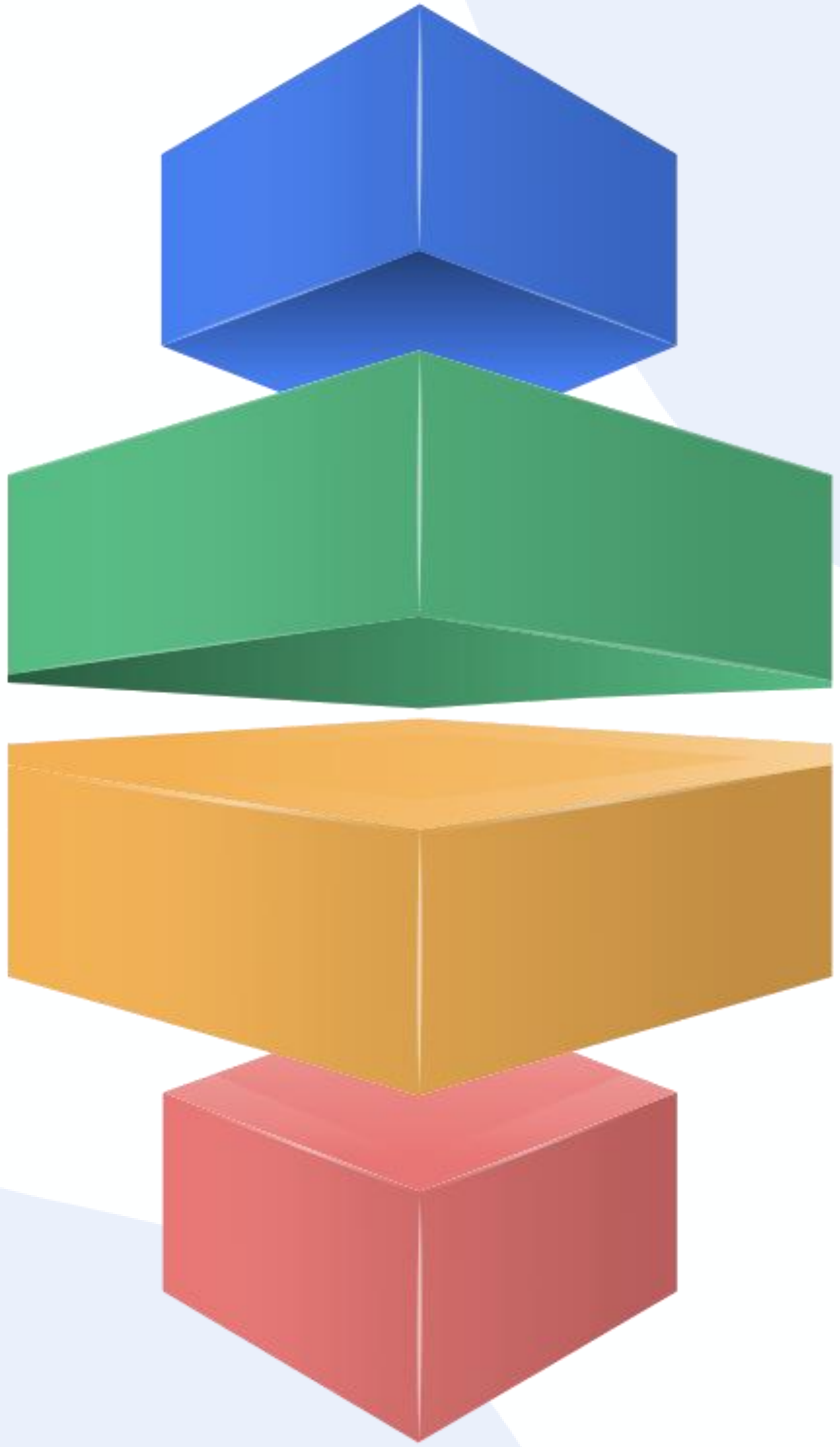
Eric Molner
Regional/Operational Analyst

- West and East are top-performing regions in sales, profit, and profit-to-sales ratios.
- Locations broken into tranches to isolate where potential issues or higher costs exist, expand, and consolidate.
- Ship Mode and # of days to ship does not have a statistical (i.e., linear correlation) significant impact on total sales or profit.

Optimizing Discount Strategies for Profitability

Discount Strategy

Discounts can increase sales volume, but those over 30% often harm profitability. Aim for 10-30% to balance both.



Category Insights

Technology products drive profits due to their scalability. Office Supplies remain stable, while Furniture needs urgent review for margins.

Regional Performance

Regions like the West and East excel, but cities like Philadelphia and Houston and Houston have high-sales and low-profit indicating operational inefficiencies

Data Challenges

Lack of COGS, operational expenses, and returns data limits understanding of true profit drivers and strategy effectiveness.

TEAM DN5 Fischer, Molner, Rizzo, White

Top 3 Recommendations for Profit Improvement

Optimize Discounting Strategy

Implement tiered discounts to protect profit margins and reduce erosion.

Strategic Product Portfolio Reassessment

Invest in high-margin products and reassess underperforming items.

Enhance Regional Operational Efficiency

Streamline costly operations, replicate high-margin success, and exit low-performing markets.

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