



# Sales Diagnostics

## Fast Food Chain

- Built and analyzed detailed 4-wall P&L to identify drivers of profitability decline
- Further analyzed impact of strategic initiatives such as introduction of new delivery channels, store refurbishment and marketing to evaluate ROI of these investments

# Sales diagnostics for a fast-food chain

## Situation

- To drive growth, client undertook strategic initiatives such as store refurbishment, introduction of delivery channels, promotions etc. However, the client did not have visibility into impact of these initiatives on revenues and profitability
- Partnered with the client to evaluate the drivers of decline in profitability and analyze the \$ impact of strategic initiatives

## Accordion Value Add

- Consolidated the expenses and transactions data from various sources to build a 4-wall cash-based P&L with detailed line items
- Analyzed the 4-wall P&L and identified that significant increase on labor costs and drop in sales as the primary drivers for decline in profitability
- Created statistical models to estimate the sales forecast had there been no initiatives and compared it with actual performance to evaluate the impact of sales initiatives
- Identified and shared the list of stores with low performance for consecutive years even after multiple initiatives, that could be considered for closure

## Impact

- The recommendations from 4-wall P&L analysis could result in potential savings of SAR 1 Mn
- Based on the payback period and incremental sales from refurbishment analysis, the client decided to invest further in refurbishing stores that could result in 10% incremental store sales
- The recommendations on delivery partners and delivery charges led to an estimated 5% increase in Store Level EBITDA

# Approach & Methodology



## Discrete data sources

- Location level P&Ls – Excel
- Delivery orders – Excel
- Refurbished store details – Excel
- Transactional data – SQL Server
- Store level expenses data – Tableau
- Employee details – Tableau



## Challenges

- **Data mismatch** across individual expense sources and location level P&L
- **Unavailability of critical data** such as Payroll details by channel (inhouse vs. delivery), delivery fulfillment cost (fuel, car rent) etc.
- **Allocating location level expenses** such as recruitment costs **across stores**
- **Impact of government regulations** on some stores
- Multiple initiatives were launched during the same period

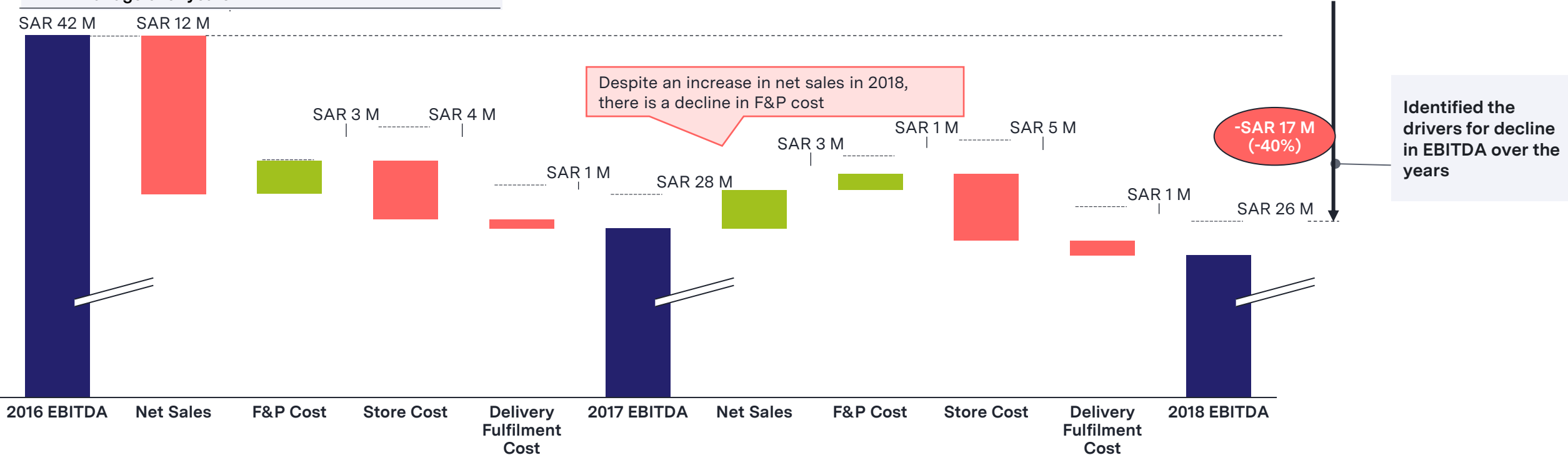


## Value-add

- **Reconciled** multiple data sources
- **Estimated** delivery labor **costs** and delivery fulfillment cost based on # delivery agents, # cars rented, fuel cost etc.
- Identified stores that have been loss-making after **normalizing for government regulations**
- Identified '**control**' stores to estimate the **impact** of each **initiative separately**

# 4-wall P&L analysis to identify EBITDA drivers

EBITDA bridge over years

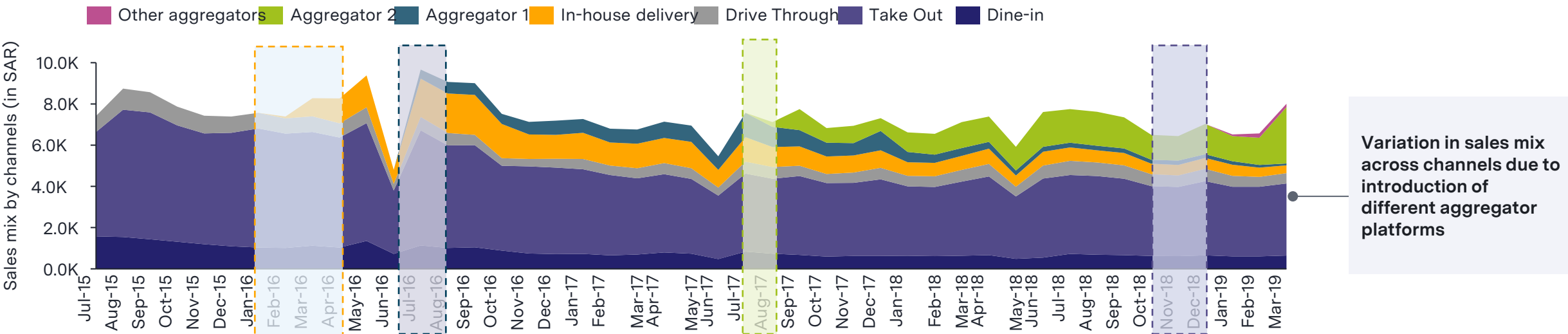


	Cohort (by EBITDA, in M SAR)	# of Stores	2018 Sales		2018 Cost (% of net sales)					EBITDA (in M SAR)	EBITDA (%)	Per Store (2018)		
			Per day sales	Annual (in M SAR)	F&P cost (%)	Labor cost (%)	Other cost (%)	Rent (%)	Delivery cost (%)			Per day sales	Annual (in '000 SAR)	EBITDA (in '000 SAR)
1	<0	15	23,963	9	35%	29%	15%	25%	5%	(0.8)	(9%)	705	257	(24)
2	0 to 50K	25	37,328	13	34%	25%	12%	16%	3%	1.4	11%	704	257	27
3	50K to 100K	35	65,986	24	33%	20%	10%	12%	5%	4.6	19%	1,047	382	73
4	100K to 150K	30	84,757	31	33%	17%	9%	10%	6%	7.6	25%	1,389	507	124
5	150K to 200K	15	49,490	18	33%	15%	7%	11%	5%	5.2	29%	1,650	602	174
6	>200K	15	59,745	22	33%	14%	7%	5%	5%	7.7	36%	2,213	808	287
Total		135	322,482	116	33%	19%	9%	11%	5%	25.7	22%	1,202	433	96

Variation of sales and cost drivers across sales cohorts to identify disproportionate share of costs, if any

# Impact of sales initiative - Introduction of delivery channels

Share of sales by channels and introduction of different delivery channels over time



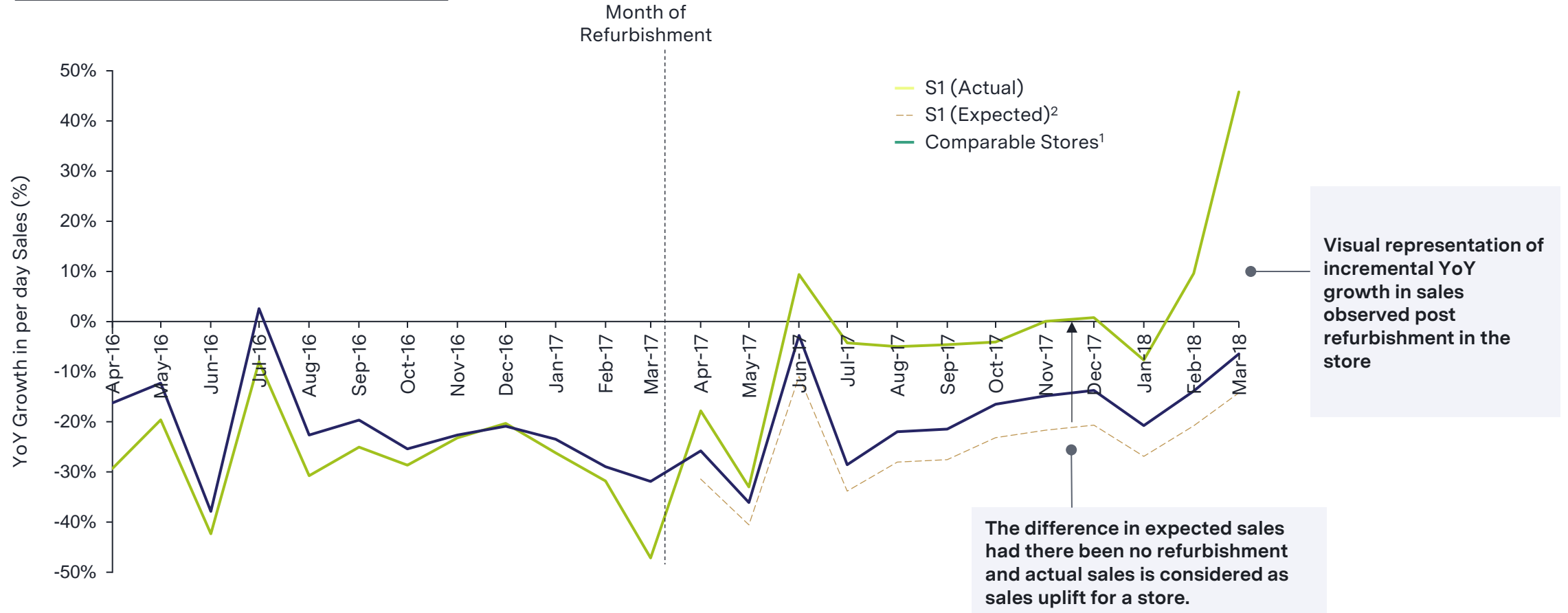
Introduction of 'Aggregator 1' across stores happened in Jul'17

	Inhouse delivery introduction	Aggregator 1	Aggregator 2	Other aggregators
Overall sales uplift	20%	10%	22%	-2%
<u>Cannibalization</u>				
Take out	0%	7%	11%	0%
Dine-in	-20%	-9%	9%	16%
Drive through	-20%	2%	18%	-9%
In-house delivery	NA	3%	-30%	-7%
Aggregator 1	NA	NA	-26%	-25%
Aggregator 2	NA	NA	NA	-15%

Net impact on the overall restaurant sales and cannibalization impact on the existing channel sales on introducing a new delivery channel

# Impact of sales initiative – Refurbishment

Sample YoY Plots for Sales for store S1



<sup>1</sup>For a store to be considered as comparable store to the refurbished store, following criteria are to be satisfied:

- Same Store type as that of the refurbished store
- YoY growth rates in sales from the store should be correlated ( $R^2 > 0.7$ ) with the YoY growth rates of the refurbished store, during 12 months prior to the month of refurbishment

<sup>2</sup>Upon finalizing the comparable set for each refurbished store, expected YoY growth for the refurbished store is estimated leveraging the correlation between the YoY growth rates of comparable stores and refurbished store