E-Commerce Business Insights and Recommendations

Executive Summary:

Overview

Analysed **100,000+ orders (2016 - 2018**), evaluating growth trajectory, product concentration, and customer retention for Brazil's largest department store marketplace.

Financial Growth

The platform experienced rapid growth, scaling from a start-up phase in 2016 to a high-volume,scalable marketplace by 2018:

- **Total Revenue: R$ 16,008,872.12**
- **Order Scaling:** The business grew from **296** orders **(2016)**, **44,379 (2017)**, and to **55,532** (2018).
- **Key trend:** Order volume increased by **20%** between 2017 and 2018 (YTD), yet the **Average Order Value (AOV)** remained stable showcasing a scalable business model.

Critical Insights

- **Retention Gap ('Leaky Bucket')**: Despite the high acquisition, diving deeper into customer data and orders, there are **6%** of customers who are returning indicating a significant **'leaky bucket'** in the customer lifecycle.
- **Revenue Concentration:** The **'Pareto Principle'** is clear as only **12%** of product categories amount to **80%** of revenue, indicating Olist should prioritise high, in-demand product categories.
- **Conversion Power: Direct Traffic** and **Paid Search** are **outperforming Social Media** in lead quality, with conversion rates exceeding **11%**.
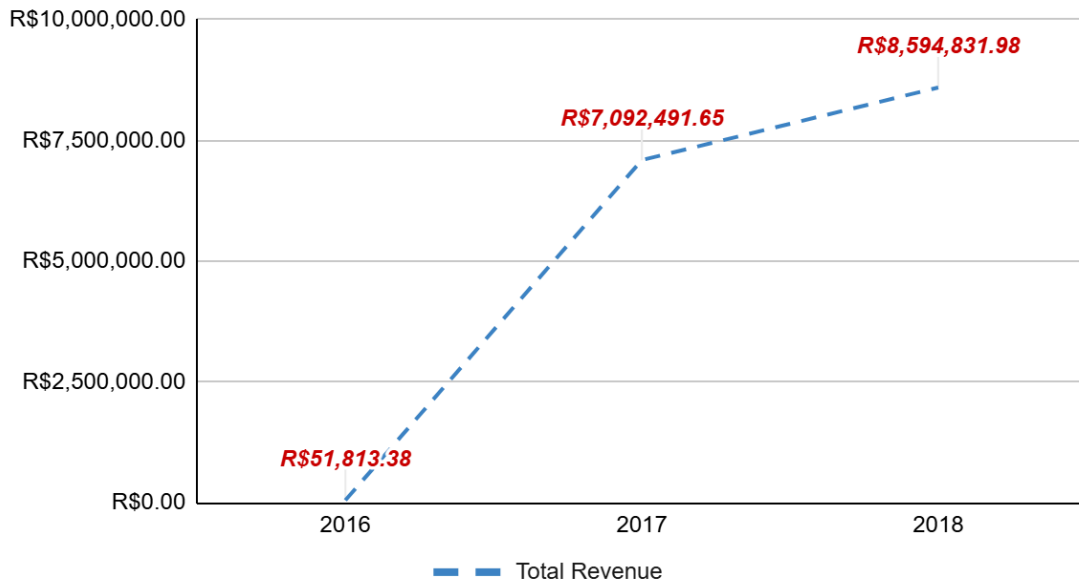
Top Recommendation

The **most untapped opportunity lies** in **customer retention**. Olist should pivot from pure acquisition to customer loyalty and retention. This can be achieved by implementing a **post purchase loyalty re-engagement loop** in converting the 94% of new buyers into regular customers , resulting in recurring revenue, reducing marketing costs.
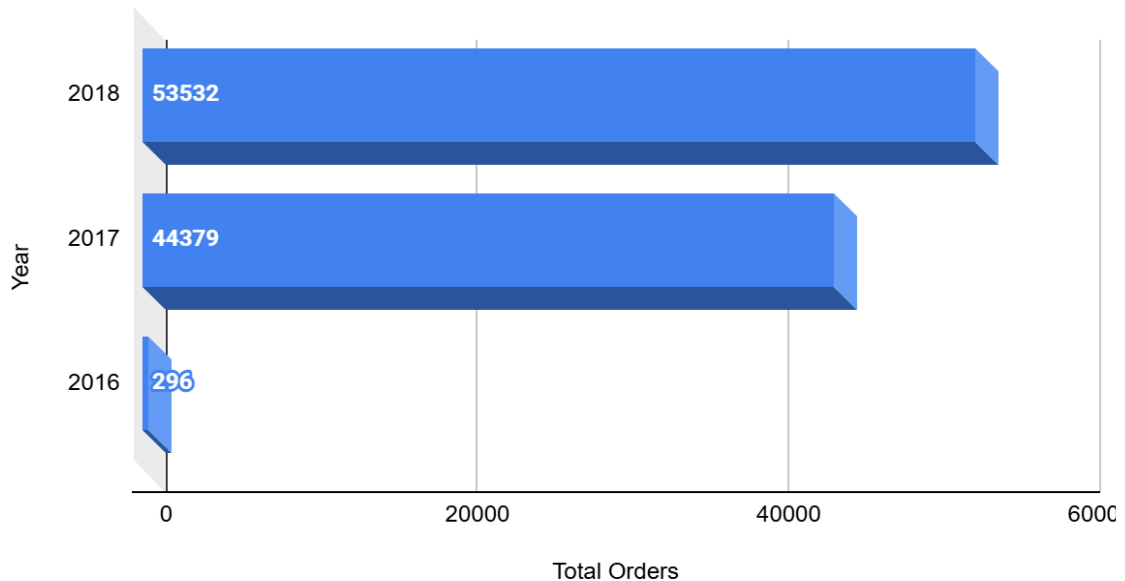
1.) Core Performance & Growth

Metrics	2016 (Pilot)	2017 (Scaling)	2018 (YTD*)
Total Orders	296	44,379	55,532
Total Revenue	**R$** 51,813	**R$** 7,092,492	**R$** 8,594,832
Average Order Value (AOV)	**R$** 175.05	**R$** 159.82	**R$** 160.56

- *Note: 2018 data represents January - August only*

Revenue per year

| | Total Revenue |

Total Orders vs. Year

Observation: The Revenue line follows the Order bars with almost perfect correlation. This indicates that Olist's growth is stable and predictable, with no sudden drops in transaction quality despite the massive influx of users.

Strategic Analysis & Insights
- **Massive Scalability:** The platform has experienced a scaling of 14,800% in order volume from 2016 to 2017, making it a marketplace from a pilot.

- **AOV Stability:** This is impressive stability in AOV, considering how quickly new customers are flowing in. Almost R$160. The business model is driven by the number of customers instead of the expenditure of each individual customer.
- **2018 Momentum:** Given the projection of the 2018 YTD figures, a growth of 2017 total revenues by 40% and more is expected, with the data only going up to August.

2.) Product Performance & Geography Distribution

The Pareto Effect: Category Revenue Concentration

Rank	Product Category	Revenue Contribution	Cumulative (%)
1	Health and Beauty	~ **R$** 1.26M	9.39 %
2	Watches and Gifts	~ **R$** 1.21M	18.38 %
3	Bed, Bath and Table	~ **R$** 1.04M	26.11 %
4	Sports and Leisure	~ **R$** 0.99M	33.48 %
5	Computer Accessories	~ **R$** 0.91M	40.28 %

Analysis Insight: The top 5 categories account for nearly 40% of all revenue. Olist is currently a "Home & Lifestyle" centric marketplace. This concentration suggests a "Category Hero" strategy is effective, but diversification into higher-margin electronics could further boost AOV.

Geographic Distribution: The South-East Hub
Olist has logistics and customer density centered around the industrialised region of Brazil.
- **Leading State:** São Paulo (SP), is the leading state in this business, as nearly 42% of the total orders are received here.
- **The Golden Triangle**: The Brazil states, SP, RJ (Rio de Janeiro), and MG (Minas Gerais) account for over 60% of revenue.
- **Logistics Friction:** While states like Acre and Amapá in the North indicate a willingness, it is hindered by the increase in transportation costs and the time spent in transit.

Strategic Analysis & Insights
- **Category Prioritisation:** The categories to be chosen for the first-party fulfillment program at Olist would be "Bed, Bath, Table" and "Health & Beauty". This is because standardising the shipping of the most sold items will have the greatest impact on overall customer satisfaction
- **Regional Expansion Opportunity :** The concentration of Sellers in SP is a "Logistics Advantage." Olist must find ways to incentivise Sellers in the North-East region to list on the platform by mitigating the "Cross Country" shipping disadvantage paid by customers outside SP.

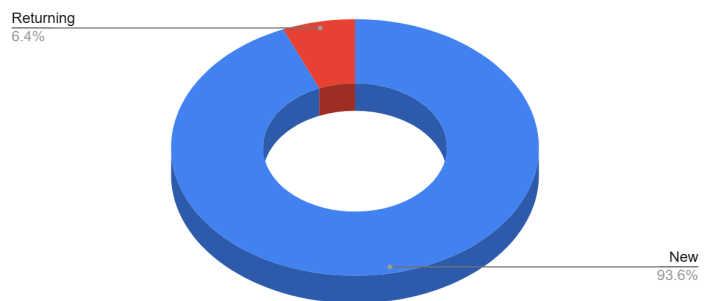## 3.) Customer Behaviour & Marketing Funnel

The Retention Challenge

While acquisition is high, data reveals a significant opportunity to improve Customer Lifetime Value.

Customer Segment	Total Customers	Order Contribution	Revenue Contribution
New	~93,000	93.6%	94.1%
Returning	~3000	6.4%	5.9%

Analysis Insight: Olist is presently a "Leaky Bucket" business. With 94% of revenue earned from first-time customers, the business heavily relies on continuous and expensive marketing efforts. Olist stands to gain from the switch of 2% 'New' customers, i.e., 1,860 customers, to the 'Returning' category, which would result in an estimated R$ 595,000 in additional annual revenue (based on current AOV of R$160 × 2.5 average orders per returning customer × 1,860 customers), as well as a decrease of 15% in customer acquisition expenses.

Olist Customer Segmentation (2016 - 2018)

Returning
6.4%

New
93.6%

The Seller Funnel: Lead Quality by Origin

Not all traffic is equal. That is where the analysis of a marketing funnel shows which channels bring more "serious" partners to a marketplace.

- **High-Intent Leaders:** Direct traffic and paid search boast the highest conversion rates, at >11%, because users predisposed themselves to sell.
- **Social Gap:** Social Media brings volume high but has the lowest conversion-to-deal rate at about 5% and is therefore better for "Brand Awareness" than "Lead Generation."
- **"Unknown" Revenue:** A large amount of deals source from "Unknown" but convert at a high 16%. This likely represents organic word-of-mouth that requires tracking through CRM integration.

Strategic Analysis & Recommendations

- **Retention Pivot (Main Priority):** Olist should implement a Post-Purchase Re-engagement Loop. By targeting "New" buyers with personalised category discounts (e.g., a "Furniture Decor" discount for someone who just bought a "Bed"), Olist can reduce its reliance on high-cost acquisition channels.
- **Channel Optimisation:** Reallocate 15% of the Social Media budget into SEO and Paid Search. The data shows that users searching specifically for Olist or its categories are 2x more likely to convert into long-term partners than those scrolling social feeds.
- **Data Infrastructure Fix:** Establish a mandatory "Lead Origin" field in the seller sign-up process to eliminate the "Unknown/Blank" data gap. This will allow for more precise ROI calculations on marketing spend.