Insights for EMEA profitability Improvement

Introduction:

This report delves into an in-depth analysis of the factors contributing to lower profitability in the EMEA region compared to other regions. By leveraging insights from a series of dashboards, the analysis aims to uncover key drivers of profitability disparities and offer actionable recommendations to address underlying challenges.

Executive Summary:

- EMEA's Profit% trails behind Africa by 5.8%, indicating a significant performance gap that requires further investigation.
- Despite Turkey contributing 11% of sales in EMEA, it has incurred a staggering 90% loss from 2019 to 2022, emerging as a major contributor to overall losses.
- The losses observed in Turkey are spread evenly across all product categories. However, excluding Turkey, EMEA demonstrates superior performance compared to other world markets across all categories.
- A consistent 60% discount across all product categories and years has been identified as the primary reason for Turkey's losses.
- Implementing a 20% reduction in discounts could lead to a significant 7.8% increase in EMEA's profit percentage.

Detailed Analysis and Interpretation:

Dashboard Overview:

The dashboard suite comprises five key sections, each offering insights into the profitability landscape of the EMEA region:

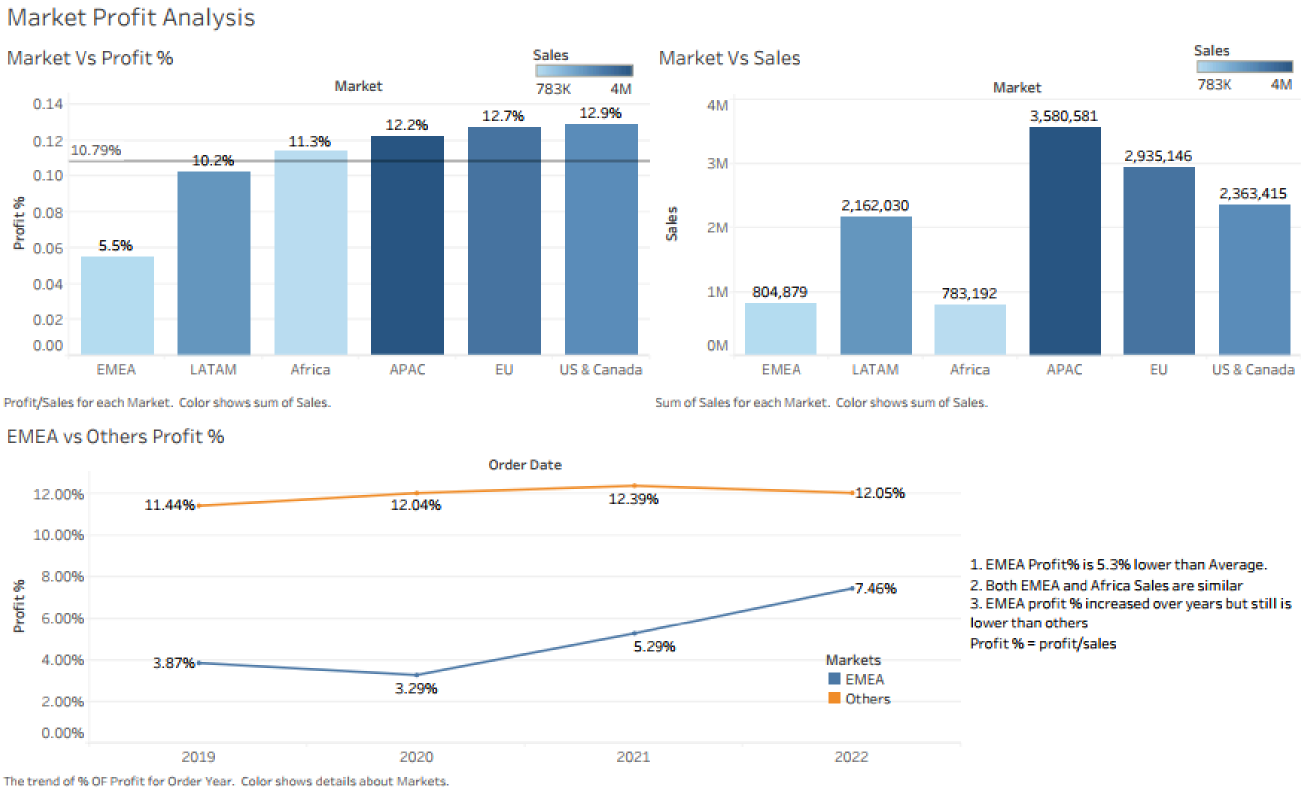
- Market Analysis
- Country-Level Analysis
- Sub-Category Analysis
- Discount and Shipping cost Analysis
- Discount Sensitivity Analysis

The metrics that are discussed in the dashboard are as follows :

- Profit% - represents the percentage of each sales dollar that remains as profit after deducting all expenses.
- % of total sales - the contribution of a particular product, region, or segment to the overall sales revenue of the group

Market Analysis:

The idea of this analysis is to conduct a detailed examination of EMEA's profitability relative to other regions, such as Africa, Asia-Pacific, and the Americas.



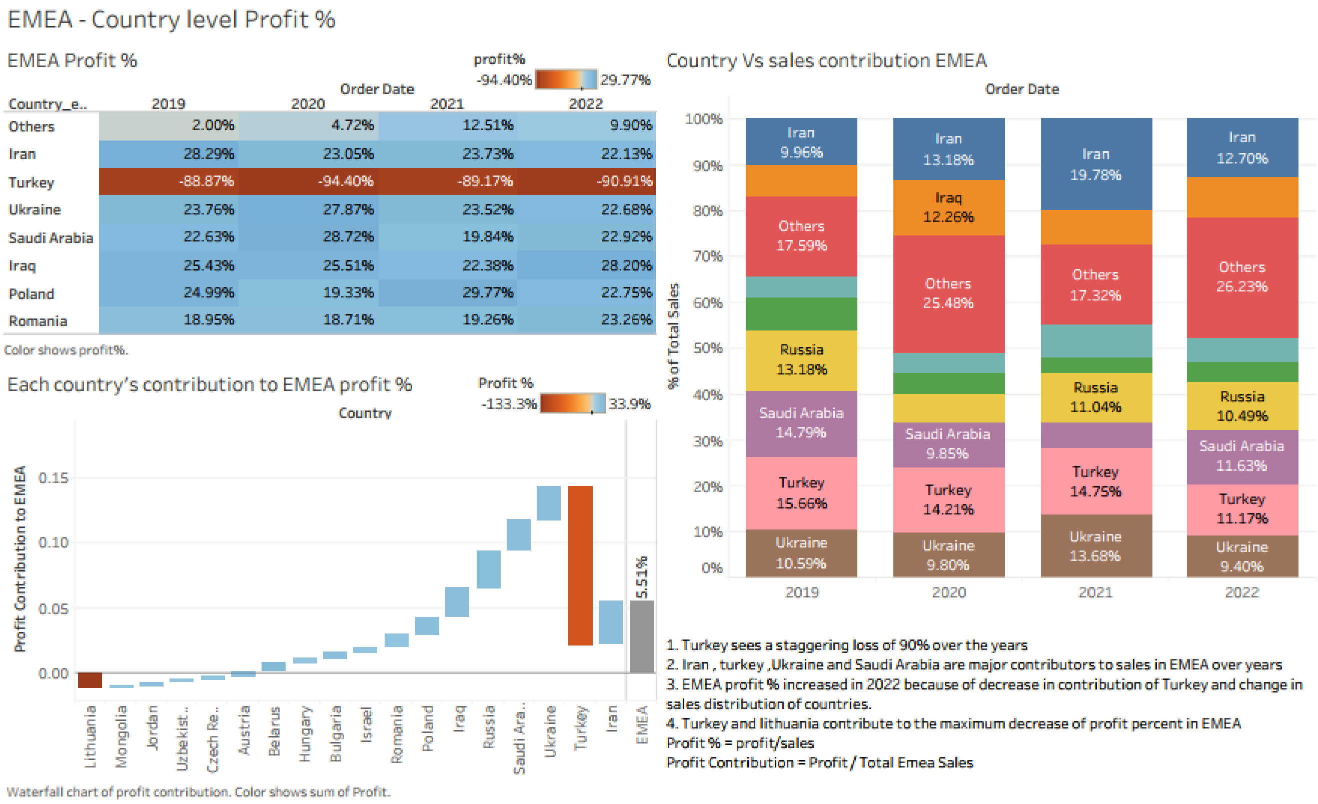
The first graph reveals a concerning trend: EMEA's profit percentage is only 5.5%, significantly lower than the average by 5.3%. What's troubling is that EMEA is the only region with a profit percentage below 10%. Another graph shows that while EMEA's sales (804,879) are similar to Africa's (783,192), its profitability lags far behind. This suggests a need to figure out why EMEA's profits are so low compared to its sales.

Looking at the Year-on-Year growth of profit percentages in the third graph, we see some improvement. From 2019 to 2022, EMEA's profit percentage increased from 3.87% to 7.46%, a significant 90% growth. But even with this progress, EMEA still falls short compared to other regions.

In our analysis, we explore various factors such as country, discounts, shipping mode, and order priority to uncover the reasons behind the low profit and fluctuations in profit of EMEA.

Country-Level Analysis:

This dashboard tries to identify countries with low profitability and high loss percentages to further uncover underlying challenges.



Continuing from our previous analysis of the Year-on-Year changes in EMEA, we now explore the trends in profit percentage and sales contribution over time.

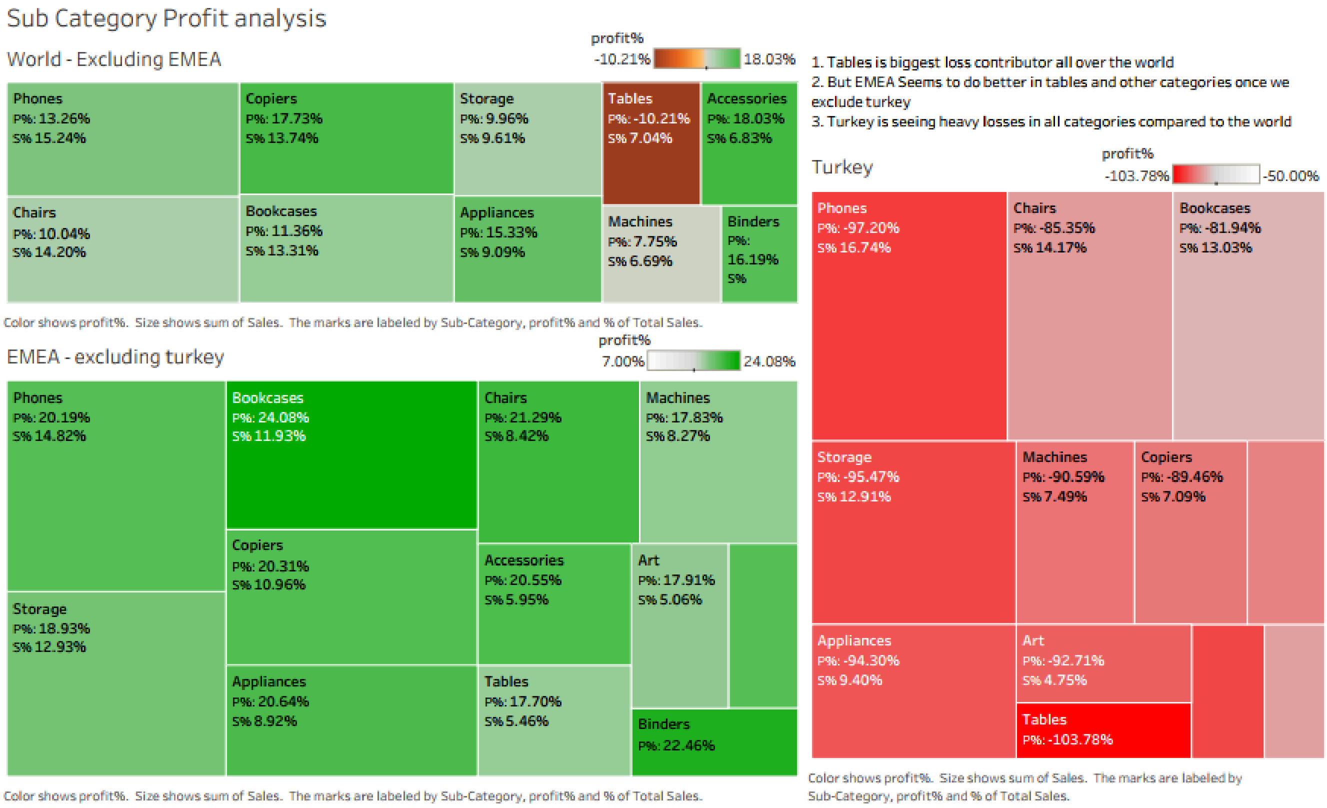
In the visualization showing EMEA's profit percentage, we notice a consistent negative trend for Turkey, marked in red, with a -90% profit across all years, despite its significant sales contribution exceeding 10% within EMEA. The stacked bar chart illustrates how sales contributions have shifted from 2019 to 2022, with Turkey's contribution decreasing during this period, leading to an overall increase in EMEA's profit percentage.

This rise in EMEA's profit percentage is mainly attributed to Turkey's declining sales share and an improvement in profit percentages from other countries, reflecting changes in country sales distribution.

Furthermore, the waterfall graph provides a breakdown of each country's contribution to EMEA's overall profit. The red sections indicate negative profit contributions, with Turkey and Lithuania being the primary contributors to losses. Turkey, in particular, significantly impacts the profit generated by other countries, halving the overall profit.

Sub Category Analysis:

This dashboard is to reveal insights at a subcategory level and compare Emea and Turkey with World countries.

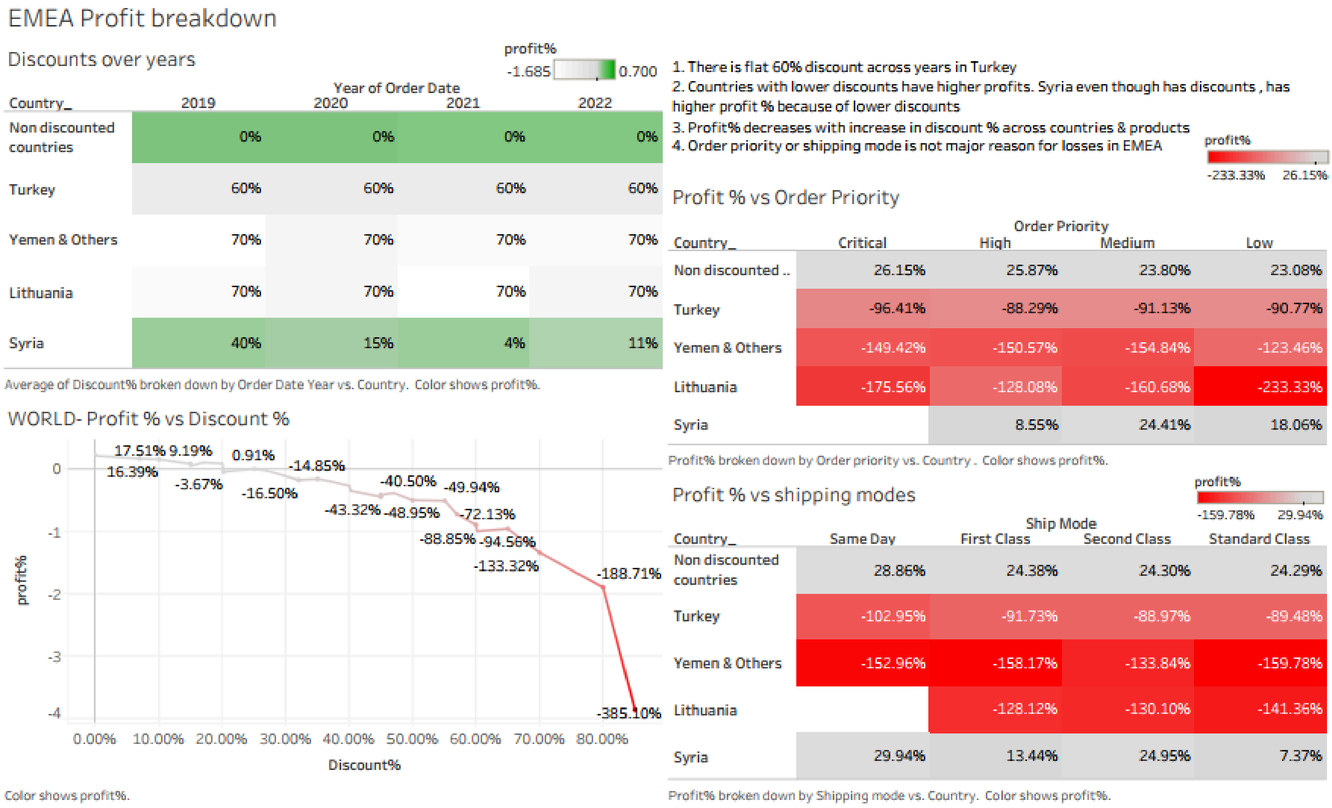


Identifying Turkey as our primary loss contributor, we conduct a detailed exploration into subcategories. Each visualization takes the form of a treemap, illustrating the profit percentage and sales contribution of each subcategory within the dataset. In these visualizations, the size of each rectangle corresponds to its sales contribution, while the color represents the profit percentage.

In the initial analysis, we observe an interesting trend: while tables are typically sold at a loss globally (about 10%), in EMEA countries, they actually bring in a profit of 17%. However, Turkey stands out as an exception, selling all its products at a loss, with tables being the most significant contributors to this loss. Interestingly, phones appear to be the most popular products purchased across countries.

Discount and Shipping cost Analysis:

This dashboard explores the relationship between discount strategies and profitability along with validating other factors that can contribute to lower profit % .



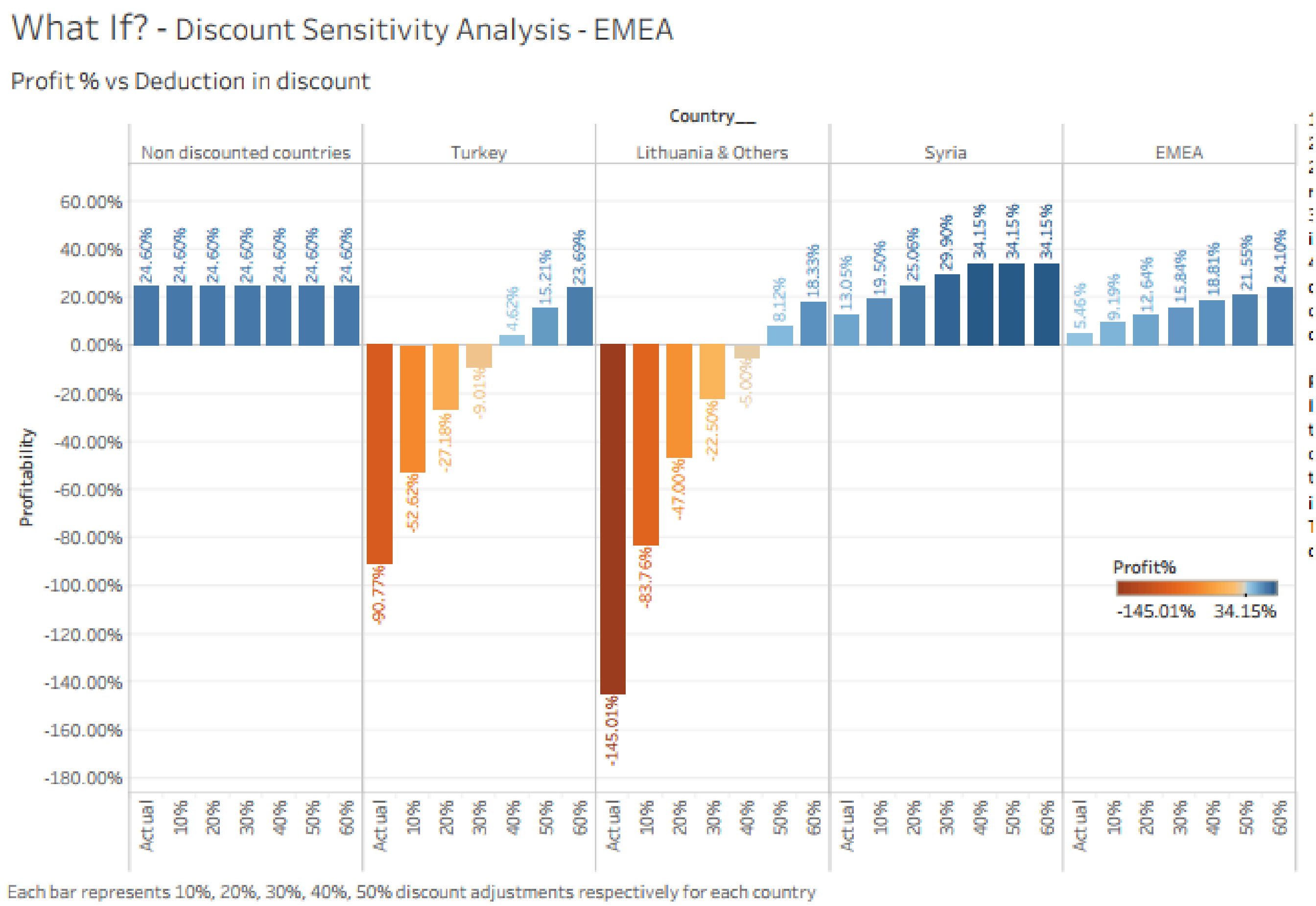
In the first visualization, we analyze how countries have adjusted their discount percentages over the years. Here, green shades represent profit percentages. Notably, Turkey consistently offers a flat 60% discount over the years, while countries with higher discount rates tend to see lower profits.

In the "World Profit % vs Discount %" visualization, we explore the relationship between discount percentages and profit percentages worldwide. The data suggests a clear pattern: as discount percentages rise, profit percentages decline, eventually turning negative after reaching a 30% discount.

To reinforce the idea that discount percentages play a key role in driving down profits, we examine other cost factors like critical order priority and same-day deliveries. The following two visualizations use color coding: red indicates low profit percentages, while white indicates high ones. When we divide countries into discounted and non-discounted groups, a significant difference emerges. Despite the higher costs associated with same-day deliveries and critical order priorities, non-discounted countries still manage to maintain positive profit percentages. On the other hand, discounted countries consistently experience losses across all shipping modes and order priorities, irrespective of price variations.

Discount Sensitivity Analysis:

This dashboard investigates the impact of discount reductions on profitability, offering insights into potential strategies for aligning pricing strategies with profitability objectives in the EMEA market.



The bar chart above illustrates the impact of reducing discounts by specific percentages on profit percentages across countries. Notably, Turkey's profit percentage turns positive when the discount percentage is decreased by 40%. Additionally, EMEA begins to catch up with its counterparts in other markets when the discount percentage is reduced by 20% across all countries. This highlights the potential for improved profitability through strategic discount adjustments.

Recommendations:

- **Optimize Discount Strategies**: Consider recalibrating discounting strategies, particularly in regions like Turkey where high discounts are resulting in significant losses. A more targeted and conservative approach to discounts could help improve overall profitability.
- **Monitor and Adjust**: Implement regular monitoring mechanisms to track the effectiveness of discounting strategies and other initiatives aimed at improving profitability. Be prepared to make timely adjustments based on evolving market dynamics and performance metrics.
- **Focus on Profitable Markets:** Allocate resources towards markets with higher profitability potential like Iran, Ukraine , Syria etc.,

Risk Factors:

- **Impact on Sales Volume**: Decreasing discounts may lead to a decrease in sales volume as customers may perceive reduced value or affordability. There is a risk of losing price-sensitive customers who were attracted by the previous discount levels.
- **Competitive Positioning**: Lowering discounts may affect your competitive positioning in the market. Competitors offering higher discounts may attract customers away from your brand, impacting market share and revenue.

Conclusion:

In conclusion, our analysis revealed the impact of discounts on profitability in supermarket sales, with a specific focus on the challenges faced by the EMEA region.Now, we need to decide whether to lower discounts or invest more in marketing efforts elsewhere after checking micro and macro trends affecting discount rates.This decision requires careful consideration to ensure we maintain competitiveness while protecting profitability.

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