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Business Analytics

What are the factors causing growth in both sectors?

	Year 1	Year 2	Year 3	Year 4
Consumer Discretionary	$1,306,636,	$1,359,506,	$1,433,673,	$1,523,851,
Consumer Staples	$1,388,801,	$1,428,526,	$1,453,416,	$1,459,100,
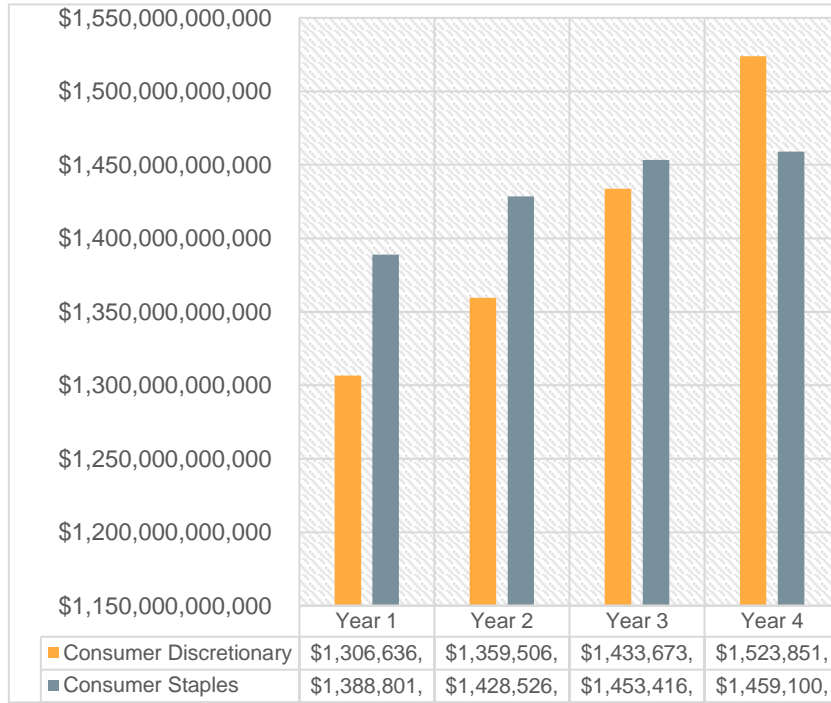
I chose both of these sectors because, given the nature of their products, they are both market leaders and excellent areas for investment. The four-year revenue growth for both sectors is shown in the bar graph, indicating a generally upward trend in consumer spending.

Consumer staples (gray color bars) are necessities such as food, drink, and household goods. The first two years, $1,306,636,524,000 and $1,359,506,280,000, respectively, show a good increase. The third and fourth years, $1,453,416,640,000 and $1,459,100,902,000, respectively, indicate relatively small margin growth. The continuous rise in the consumer staples sector suggests an ongoing demand for essentials, maybe caused by growing populations and inflationary pressures on product costs.

The major rise in the Consumer Discretionary sector ($1,523,851,904,000) in the fourth year may be the result of a strong economy encouraging consumers to buy more non-essential products. It also suggests that the consumer's income must have boosted their purchasing power.

Summary Statistics Interpretation

	Consumer Discretionary	Consumer Staples
Mean	$ 1,405,917,151,750	$ 1,432,461,562,750
Median	$ 1,396,590,089,500	$ 1,440,971,793,000
Standard Deviation	$ 81,684,843,865	$ 27,705,725,858
Skewness	$0.46	$ -0.65
Range	$ 217,215,380,000	$ 70,299,139,000

Mean

The mean represents the average revenue over the 4-year period. Consumer Discretionary has a mean of $1,405,917,151,750, while Consumer Staples has a slightly higher mean of $1,432,461,562,750.Consumer staples represent goods that are considered essential products for everyday use, such as food, beverages, and household items. These goods tend to be more stable in terms of revenue because they are always in demand. However, consumer discretionary represents goods that are non-essential, such as luxury items, entertainment, and leisure activities. Revenue in this sector is more volatile and can fluctuate based on economic conditions, as consumers are more likely to cut back on these items when there is limited budget.

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Median

Upon arranging the revenues from lowest to highest, the median represents the midpoint value. $1,396,590,089,500.00 is the median for consumer discretionary, and $1,440,971,793,000.00 is the median for consumer staples. Compared to the Consumer Discretionary median, the median for nearly half of the Consumer Staples data points is higher, suggesting higher overall sales in the Staples sector. Consumer Staples is less susceptible to economic fluctuations, as seen by the fact that its median revenue is higher than Consumer Discretionary's. It indicates a general tendency of greater and more consistent revenues, as more than half of the companies in the Consumer Staples sector have sales above the median of the Consumer Discretionary sector.

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Standard Deviation

The discretionary sector exhibits a larger variety in sales statistics among its other sectors, with a higher standard deviation of $94,321,533,188.70. The increased variation may be explained by variables such as shifting consumer tastes, the state of the economy, and the cyclical nature of spending on non-essential goods and services. Revenues in the consumer staple sector is more revolve around the mean, as indicated by the lower SD of $31,991,816,565.12. This indicates that earnings are more predictable and have less volatility, which is typical of businesses that provide necessities. Due to being more likely to have stable demand throughout economic cycles, these businesses tend to function more consistently.

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Range

The high range of consumer discretion is $217,215,380,000.00 suggests that certain businesses are making remarkably huge profits while others are making much smaller ones, suggesting a sector that is more vulnerable to sudden changes in the state of the economy and in the purchasing patterns of its customers.

With a smaller range of $70,299,139,000.00, Consumer Staples' revenues appear to be more stable and less variable. showing the steady demand for necessities that are more resistant to changes in the economy.

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The lower range suggests less extreme values, a closer distribution of values around the mean, and higher average revenues all point to Consumer Staples looking to be more stable. Consumer discretionary has a lower average revenue, but its higher range and positive skewness indicate that it is more variable and has the potential for higher revenue extremes. Investors or businesses making strategic decisions in these areas may find these insights useful.

References

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