# 406 Ammunition – 2020 Sales Analysis

In the year 2020, many events have occurred which have led to increased demand of products and services that differ drastically from the normal patterns of consumption. A commodity that has experienced the variation in demand is ammunition and firearms. 406 Ammunition’s demand has allowed for great revenue growth in 2020!

The visuals below are based on 406 Ammunition’s 2020 sales data. The data is accompanied by analysis and suggestions based on best practices in the marketing industry. Due to the data’s nature, this sales data is very limited in scope and other major market factors (manufacturing, material acquisition, labor, etc.) go largely unaccounted for in the analysis and the data’s visualization.

## Revenue by Month

Revenue for 406 Ammunition has seemed grow rapidly over the course of April – June 2020. A reasonable understanding of the root cause of this growth, is the citizens of the United States responses to COVID-19. Along with toilet paper, the population of the US flocked to arms and ammunition stores, gathering as much as they could. An NPR article from March of 2020 that spoke to the increased demand on guns and ammunition from the Coronavirus crisis (<https://www.npr.org/2020/03/20/817369503/some-stock-up-on-guns-and-ammunition-during-coronavirus-crisis>). Whatever the cause may be of the revenue growth over the early parts of 2020, the increased revenue stabilized at the increased rate for the remainder of the year in the range of [$250,000, $325,000] from that of ~$50,000 in the earlier parts of the year.

## Unique Customers per Month

In a current ammunition market, there are constrained materials that make supply limited, especially primers. When ammunition can be produced, the supply is flying off the shelves as fast as it can be manufactured. However, this time of exposure and increased demand can be leveraged to a great degree and allow for 406 Ammunition to maintain the growth that has experienced in the recent months.

As seen above, the number of unique customers per month has increased dramatically over the course of 2020. By increasing visibility to such a high degree, 406 Ammunition can continue to offer the individuals product even when supply is no longer constrained. To capture all the new customers (both individuals and businesses), it is imperative that customers begin to build loyalty, this applies to both business partners and individual consumers. Building customer loyalty is no easy feat, however, there are many tools that can be employed to begin a long-term relationship with the customers. To engender loyalty and retain customers, 406 Ammunition will have to sacrifice short-term gains for life-time value. A few ways to generate life-time value are building loyalty programs, where consumers are incentivized to make repeat purchases, offering products at a discount as a part of a loyalty program are two of the most common techniques. To leverage the increased customer base, 406 Ammunition needs to generate loyalty from its customers – which will offer vast amounts long-term value and revenue.

## Revenue by State

The amount of revenue captured is largely derived from three main states - California, Texas, and Montana. It is clear that a few markets are on the verge of becoming a main region for 406 Ammunition, such as Idaho, Colorado, and Arizona – these could be a source of future revenue by expanding business into these regions.

As normal production of ammunition resumes in the future, ensure that 406 Ammunition can maintain its ‘foothold’ in the market. When supply of materials for ammunition manufacturing becomes abundant again, the competition for the most inexpensive or highest quality ammunition will resume between ammunition manufacturers. When this competition resumes, 406 Ammunition must be ready to edge into an aspect of the wider ammunition industry, expanding beyond just a local manufacturer. To do this, the ammunition will have to be differentiated from competitors in its form (the way the product is offered), class (the perceived or actual quality differentiations between products), and category (the grouping of products that are optimized for a certain interest-based group – i.e., personal defense, tactical training, or law enforcement). By differentiating the products from 406 Ammunition’s competitors, the market share that has been captured in regions and customers due to limited supply can be maintained even after the supply is no longer constrained.

# Customer Breakdown

To better understand 406 Ammunition’s customer base, it is important to analyze the distribution of revenue and transactions based on the customer type. Below, are visuals that depict the distribution of both the number of transactions and revenue per month, separated by customer type. Pay attention to the relationship between the share of transactions and the returned revenue share for each customer type.

## Monthly Transaction by Customer Type

The majority of monthly transactions seems to oscillate between businesses and individual customers. This can be accounted for a variety of reasons, one such being the main business partners could have an ordering process that increases orders during the summer months to keep on-hand inventory low but maintains a level of supply to support their customer’s demand.

## Monthly Revenue by Customer Type

Businesses have unequivocally accounted for most of the revenue for the entire year of 2020, regardless of the number or share of transactions that they accounted for. This means that the demand from businesses is relatively constant in regard to individual consumers.

It seems like the number of customers is increasing every month; however, it is from an increase of individual customers. This can be assumed that as chain ammunition stores are depleted of their ammunition, individuals seek out 406 Ammunition to obtain ammunition, these purchases are smaller and more frequent than those of business customers. Take for example April of 2020, individual’s transactions accounted for 91% of the month’s transactions, however it only accounted for 29% of the month’s revenue, thus leaving the 7% of business transaction accounting for 68% of the month’s revenue. This offset distribution of a small amount of business transaction accounting for most of the revenue mirrors the pareto principle. The pareto principle (<https://corporatefinanceinstitute.com/resources/knowledge/economics/pareto-distribution/>) is the naturally occurring distribution that roughly 20% of the inputs account for 80% of the outputs. 406 Ammunition’s revenue generation from individual and business customers follows the pareto principle very closely. This means that the ~20% of customers that generate ~80% of the revenue should be prioritized over the other ~80% of customers that only generate ~20% of the revenue. Business partners should be given the focus when marketing or sales strategies are developed. In the book World Class Manufacturing (WCM), the ideal supplier is determined as a company who ‘partners’ with their customer to continuously improve their product and design, sharing in the profits of the business. In WCM it also defines how to develop suppliers –

“Supplier development means making the supplier ‘like family.’ It is not worth the effort and cost unless there is a clear intent to stay with the supplier for the long haul.”

The overall action that 406 Ammunition should make is to develop long-term relationships with their business partners to optimize revenue and growth, to do this follow WCM’s outline for a supplier partner and become that type of supplier to your business partners. By creating this ‘like family’ relationship with your customers, it will allow you to be invested in your partner’s operations and strategy and they will likewise be invested into 406’s business as well. This opportunity could pay dividends in the future if executed properly.