

Vendor Performance & Commercial Efficiency Analysis

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Purpose: Executive Review & Decision Support

Executive Summary

This report presents a comprehensive analysis of vendor and brand performance with the objective of improving profitability, reducing inventory risk, and strengthening procurement efficiency. Using consolidated sales, purchase, margin, and inventory metrics, the analysis identifies key revenue drivers, structural inefficiencies, and actionable opportunities for commercial optimization.

Overall performance is strong, with healthy profitability; however, the findings reveal **high vendor concentration risk, capital locked in slow-moving inventory, and distinct profitability models across vendor segments**. The insights outlined in this report are intended to support data-driven strategic decisions across pricing, vendor management, and inventory planning.

Business Context & Objectives

Effective vendor and inventory management is critical for sustaining profitability in retail and wholesale operations. Leadership requires visibility into:

- Which vendors and brands drive the majority of revenue
- Where capital is tied up in unsold or slow-moving inventory
- How purchasing behavior impacts unit costs and margins
- Whether current pricing strategies align with volume and profitability goals

Objectives of this analysis:

1. Identify top and underperforming vendors and brands
2. Assess vendor dependency and concentration risk
3. Evaluate the impact of bulk purchasing on unit costs
4. Highlight inventory inefficiencies and unsold capital
5. Compare profitability models across vendor segments

Overall Commercial Performance

Metric	Value
Total Sales	\$441.41M
Total Purchase Value	\$307.34M
Gross Profit	\$134.07M
Average Profit Margin	38.7%
Unsold Inventory Capital	\$2.71M

Key Interpretation:

- The business demonstrates strong top-line revenue and margins.
- However, the presence of unsold inventory and margin dispersion across vendors indicates opportunities for operational and pricing improvements.

Vendor Concentration & Dependency Analysis

Analysis of purchase contribution shows that the **top 10 vendors account for approximately 65.7% of total purchases.**

Implications:

- Heavy reliance on a limited number of vendors increases exposure to:
 - Supply chain disruptions
 - Pricing leverage imbalance
 - Operational risk concentration

Business Risk:

A performance or supply issue with any top vendor could materially impact sales continuity and revenue.

Recommendation:

- Gradually diversify procurement by scaling reliable mid-tier vendors.
- Use performance metrics to identify candidates for strategic expansion.

Top Vendors and Brand Performance

Top Vendors by Sales

Leading vendors such as **Diageo North America**, **Martignetti Companies**, **Pernod Ricard USA**, and **Jim Beam Brands Company** are the primary revenue contributors.

Top Brands by Sales

Brands including:

- Jack Daniel's No.7
- Tito's Handmade Vodka
- Grey Goose Vodka
- Captain Morgan Spiced Rum

consistently outperform others, reflecting strong consumer demand and brand loyalty.

Insight:

Top performers follow a **high-volume, moderate-margin model**, prioritizing scale and market penetration.

Impact of Bulk Purchasing on Cost Efficiency

Bulk purchasing analysis shows a **clear inverse relationship between order size and unit purchase cost**:

- Small orders incur the highest unit costs
- Large orders achieve **~72% lower unit costs**

Business Impact:

- Bulk purchasing materially improves cost efficiency.

- Encouraging higher order volumes where sell-through is strong can improve margins without increasing consumer prices.

Recommendation:

- Align procurement strategies with demand forecasts to maximize bulk pricing benefits while controlling inventory risk.

Inventory Health & Low-Performing Vendors

The analysis identifies **\$2.71M in unsold inventory capital**, driven by vendors with low stock turnover.

Implications:

- Increased storage and holding costs
- Reduced cash-flow efficiency
- Elevated risk of obsolescence and discount-driven losses

Recommendation:

- Reassess reorder quantities for low-turnover vendors.
- Introduce clearance, promotional, or renegotiation strategies to release tied-up capital.

Profitability Comparison: Vendor Segments

A comparative analysis between vendor segments reveals two distinct commercial models:

Vendor Group	Mean Profit Margin
Top-Selling Vendors	~31%
Low-Performing Vendors	~41%

Key Insight:

- Low-performing vendors are not unprofitable; they operate at **higher margins but lower volumes**.
- This indicates pricing or market reach constraints rather than cost inefficiencies.

Statistical testing confirms a **significant difference in profit margins**, validating that these segments operate under structurally different strategies.

Strategic Recommendations

- 1. Scale High-Margin, Low-Volume Vendors**
 - a. Apply targeted promotions and pricing adjustments to increase sales volume while preserving margins.
- 2. Optimize Margins for Top Vendors**
 - a. Explore cost reductions, bundled offerings, or selective price optimization at scale.
- 3. Reduce Vendor Dependency Risk**
 - a. Diversify sourcing to improve resilience and negotiating leverage.
- 4. Leverage Bulk Procurement Strategically**
 - a. Expand bulk purchasing where demand is stable and inventory turnover is strong.
- 5. Improve Inventory Efficiency**
 - a. Actively manage slow-moving stock to release capital and improve cash flow.

Conclusion

This analysis demonstrates that while the business is commercially strong, targeted interventions across vendor management, pricing strategy, and inventory planning can unlock further value. By balancing volume growth with margin optimization and reducing dependency risks, the organization can enhance profitability while maintaining operational resilience.

This report provides leadership with a clear, data-backed foundation for strategic decision-making.