Dear Sir/Madam,

Analysis of the historical performance of all locations for your company shows low variable and fixed costs relative to gross revenue are associated with high profit margins. In particular, the exceptional store with the highest profit margin produced most efficiently, using the lowest variable cost per dollar of revenue. The association between effective cost ratios, defined as fixed cost over variable cost, further corroborates the **impact of production efficiency in driving higher profit margins**. Even in states with higher numbers of underperforming stores, such as Georgia and New Jersey, similar trends in comparatively efficient cost structures and high profit margins prevail.

Conversely, stores with relatively high operating costs were less successful in sustaining satisfactory annual profit margins. While average profit margins varied across states, high fixed and variable costs in all locations introduced inefficiencies.

As the business seeks to expand and to improve, analyzing each store's cost structure and its use of capital is critical to maximizing profit margin at each location. By identifying stores that efficiently allocate their resources to scale their operations, your company will be able to leverage fiscal discipline and generate higher returns.

Please let me know if you have questions or concerns about my recommendation.

Sincerely,
Annie Zhao