

# **E & R**

## **Profitability Solutions for the Asia Pacific Market**

Report 1

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### **Introduction**

This report addresses the profitability issues Superstore has been experiencing in the Asian Pacific market. This report was ordered by Superstore CMO, Kaveh Abhari, and was prepared by E&R Consulting Group members Rebecca Li, Senior Data Analyst and Estee Howsare, Market Data Analyst.

### **Background & Purposes**

Global Superstore distributes many different office goods such as furniture, office supplies, and technology. This project was created due to low profit, profit loss, and profit margin that was brought to our attention in the Asia Pacific market. Using Tableau, E&R team analyzed the data set to determine why profit is underperforming in the Asia Pacific market.

The purpose of E&R Consulting Group analyzing profitability data is to form a strategy that will improve issues causing lost in profit from previous years in Asia Pacific, and to achieve at least a mean 15% profit ratio in the Asia Pacific market. This detailed study will allow us to determine the worst performing countries and products, which would allow us to remove the worst performing countries and increase profit due to costs of free shipping and underpricing. This report answers the following questions for Asia Pacific:

1. Is this a recent problem or a consistent trend?
2. Are all the regions having profitability issues in the market, or only select few countries?
3. Which products are contributing to the low profitability?
4. Is free shipping and/or underpricing causing low profit?

### **Methods & Instrumentations**

With use of descriptive analysis, a sensitivity analysis was conducted to forecast if increasing prices, removing free shipping benefits to customers, and eliminating contracts in underperforming countries will increase profitability.

E&R team used Tableau (2019) to see what-if scenarios for the analysis of Superstore's dataset based on data from 2016 through 2018 in the Asia Pacific market. The scenarios consisted of: (a) Increasing prices by 11% to items with negative profit ratio. (b) Eliminating free shipping for all items. (c) Liquidating and closing stores in countries that have negative profit ratios. Causes and possible solutions were derived from a sensitivity analysis of the profit ratios to increase profit.

## Data Source

CMO provided E&R team with the Global Superstore 2018 dataset, which included historical data from the Superstore IT Department. This Superstore historical sales data includes about 11,787 orders from 2016 to 2018 from the Asia Pacific Market.

## Results

The key results of this study are summarized below:

1. Superstore has not met any of its profit goals in any region of Asia Pacific (see slide 1, Li) within the past three years (see slide 2, Li). There is consistently 14 out of 17 underperforming sub-categories (see slide 3, Li).
2. Increasing overall profit goals did not improve profits and only increase costs (see slide 4 & 5, Howsare).
3. By further inspecting all product's (see slide 4, Li) profit ratios (see slide 5, Li) in underperforming sub-categories, increasing the price of the products that are below 0 percent profit ratio by 11 percent would allow Superstore to save \$4,689 in profit (see slide 6, Li).
4. Free shipping is given on all products so having charging customers for shipping products out that are about the 0 percent profit ratio would allow Superstore to gain \$678,510 in profit (see slide 7, Li).
5. Removing Superstore from the lowest performing countries increased overall profitability in the Asia Pacific by nearly 19% (from an overall -0.57% to 18.4%) (see slide 6, Howsare).
6. When the proposed strategies are combined, items overall are forecasted to achieve a profit ratio of 16.5%, which is above our goal of 15% (see slide 8, Howsare).

## Recommendations

Majority of the products in the Asia Pacific market are at a profit loss or underperforming. E&R team recommends Superstore to increase price by 11% for items that are below 0 percent profit and remove free shipping from products that are above 0 percent profit ratio in the underperforming sub-categories. It is also recommended for Superstore to liquidate businesses in countries with overall negative profit ratio of all items. If all three strategies are used, there will be a forecasted 16.5% profit ratio for all products sold within the Asia Pacific market, a \$524,845 revenue, and \$86,599 in profits after costs are accounted for (see slide 8, Howsare). Whereas if business is not liquidated in underperforming countries, the forecasted 2019 Quarter 4 profit after costs is only \$56,997 (see slide 7, Howsare).

If Superstore does not wish to liquidate business in countries with negative profit ratio, there could be a cost analysis of restructuring business processes and strategies to implement them.

It is recommended to conduct a restructuring of the entire market, whether the business in underperforming countries is liquidated or not, since all regions and item categories are performing below the expectation. Our assumptions based on given data that there seems to be a cultural disconnect from items being sold to the Asia Pacific market and the cultural preferences in each region of the market. Suggested strategies to restructure and rebrand Asia Pacific include an analysis

of cultural demands, survey popular sub-categories and brands, most effective marketing techniques in those countries, and re-run consumer retention/consumer validation tests in those countries.

## Limitations

E&R team conducted this descriptive study under the following assumptions:

1. Based on historical data, increasing overall profit goals for items within the Asia Pacific market will incur additional costs, but profit goals of individual items and categories versus costs were not explored.
2. This study did not associate marketing, rebranding, and culture focus development to profit goals and success from establishing such quotas. Therefore, costs, forecasts and outcomes of profit goals were simply limited to establishing sales quotas for regions within the market.
3. Study is based on data from 2016 to 2018, therefore it does not indicate promises of future performance.
4. Study is conducted based on limited data size and years surveyed provided by Superstore Asia Pacific market.
5. In all forecasts, we assumed the supplier will charge the same costs, consumer demand will remain constant, and the economy will stay relatively the same for coming years.
6. This report cannot be considered comprehensive because there was not enough data to include all possible solutions that will increase profitability; such as eliminating products that are not of interest in each region, sourcing or negotiating with suppliers that can lower costs to Superstore, assessing Superstore's competitors, etc. This should be considered a preliminary report.

## Summary

In the Asia Pacific Superstore analysis using Tableau, we found that Superstore can achieve \$524,845 in revenue by implementing the following changes in sales strategy with some reservations: (a) Remove the option for free shipping in Asia Pacific; (b) Reprice items in sub-categories with negative profit ratios; and (c) Liquidate (or re-structure) business models in the Asia Pacific market.

There was not a focus in product removal nor restructuring of business models in Asia Pacific due to a lack of data on cultural preferences and trends within the market, and therefore our results do not display the full extent of profit recovery or possible costs if such a cultural study was done. It is recommended to further increase profits, sales volume, customer volume, and customer retention that a cultural study be done and following up by restructuring each Asia Pacific Superstore region according to the findings.

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**References:** Tableau 2019, Professional Edition.

**Appendices:** Tableau Storyboard available online at:

Rebecca Li:

[https://public.tableau.com/profile/beccali#!/vizhome/Li\\_Rebecca\\_MIS496\\_Lab02/ImprovingProfitabilityinAsiaPacificStrategy?](https://public.tableau.com/profile/beccali#!/vizhome/Li_Rebecca_MIS496_Lab02/ImprovingProfitabilityinAsiaPacificStrategy?iid=2)

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