

FTD Profitability Final Updated

FTD Profitability Analysis

Introduction

The goal of this analysis is to establish a new pricing strategy that offers consistent margins across various floral arrangements. By examining the top-selling SKUs and understanding their cost structure, we aim to create a formulaic approach to determine the cost of goods (COGs) based on the desired gross margin and the SRP.

Methodology

1. **Data Collection:** Gathered data on the top-selling SKUs for both Sympathy and EDay floral arrangements. This data includes the current SRP, current COGs, and sales volume.
2. **Margin Analysis:** Calculated the gross margins for each SKU. The top 30 SKUs by volume were then isolated to understand the typical margin structure of the best sellers.
3. **Percentile Analysis:** Determined the 75th percentile of the margin for the top 30 SKUs by volume for both Sympathy and EDay categories.
4. **Formula Derivation:** Based on the 75th percentile margin, derived a formula to determine COGs using the SRP and other fixed costs.

Results

75th Percentile Margin

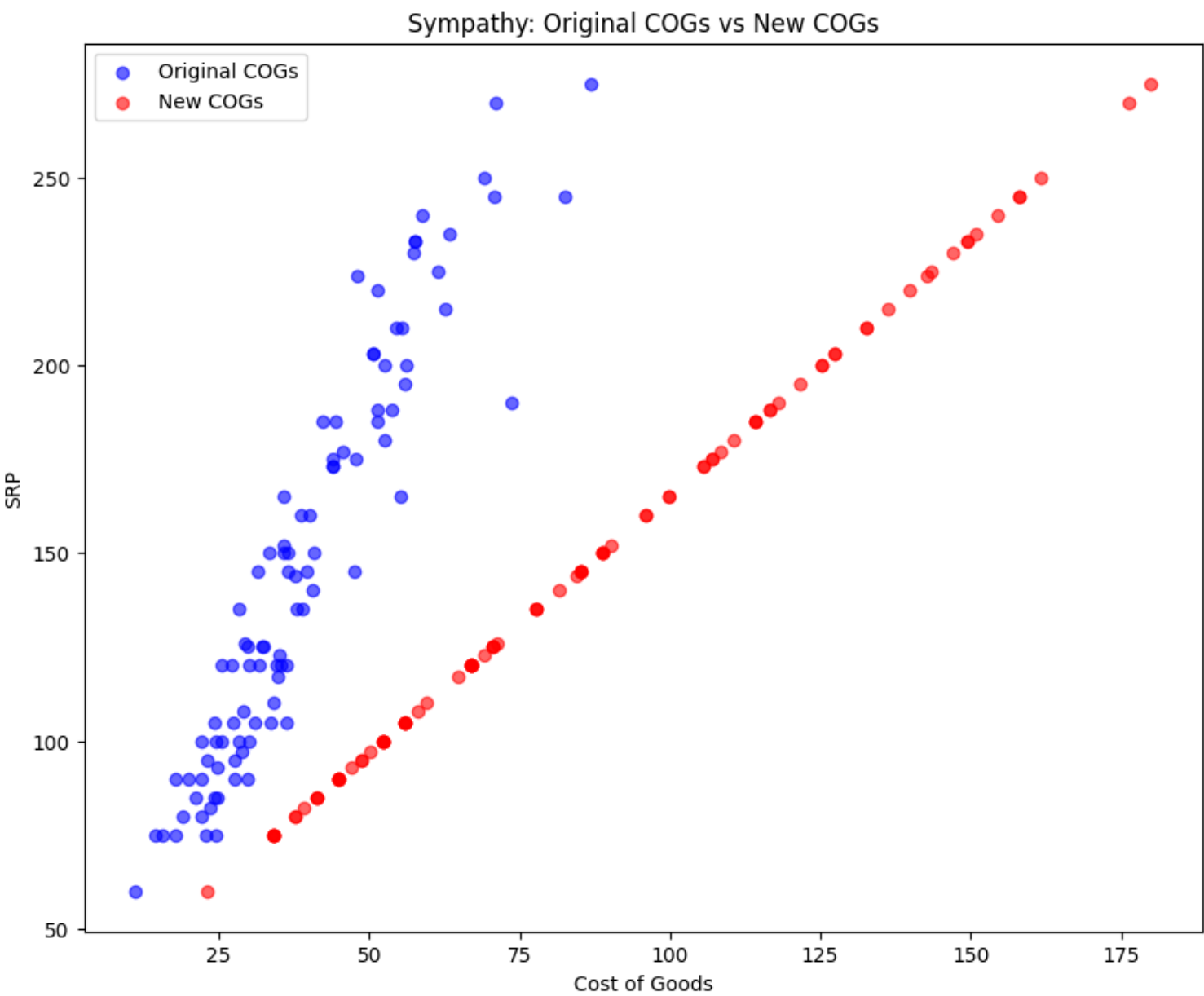
After analyzing the top 30 SKUs by volume for both Sympathy and EDay, the 75th percentile for the gross margin was determined. The values are:

- For "Sympathy": 24%
- For "EDay": 18%

Visual Analysis

To further understand the impact of our new pricing strategy, we visualized the comparison between the original and new COGs and SRP for both Sympathy and EDay floral arrangements.

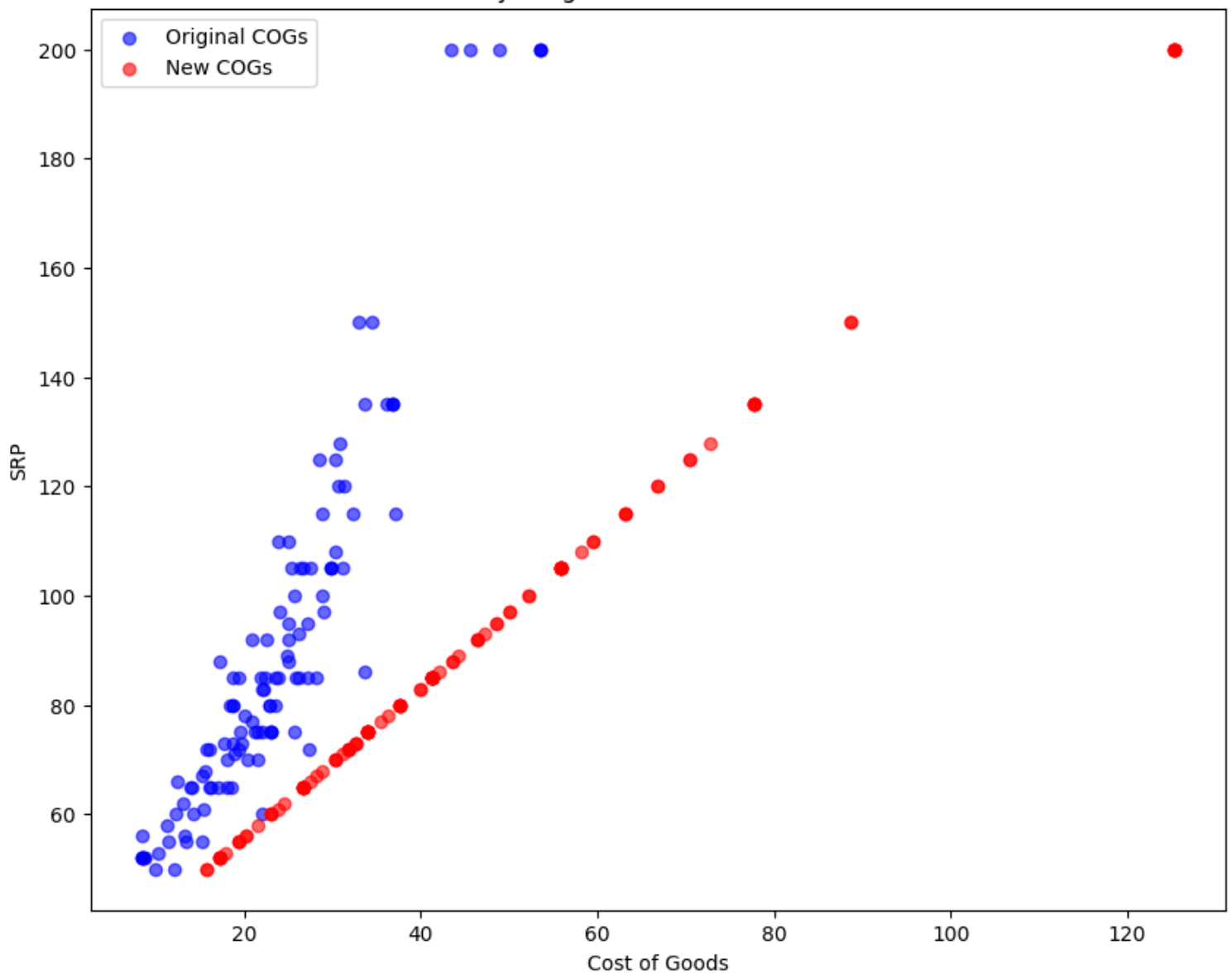
Sympathy: Current COGs vs New COGs



This graph illustrates the shift in COGs for the Sympathy category using our new formula. The blue dots represent the original COGs for each SKU, while the red dots depict the new COGs derived from the 75th percentile margin.

EDay: Current COGs vs New COGs

EDay: Original COGs vs New COGs



Similarly, for the EDay category, the blue dots represent the original COGs for each SKU, and the red dots depict the new COGs derived using our formula.

By visualizing these changes, we can better understand the pricing adjustments needed to achieve our desired profit margins.

Derived COGs using 75th Percentile Margin

Using the 75th percentile margins and the fixed costs of \$20.74, the COGs were derived for various SKUs.

Sympathy:

SKU	Original COGs	SRP	Original Margin	New COGs
S5498p	34.59	120	25%	35.66
CLSd	23.08	95	25%	23.91
S6-4447Fd	50.66	203	36%	74.67
S5281d	53.64	188	31%	67.62
S6-4447p	57.62	233	37%	88.77

EDay:

SKU	Original COGs	SRP	Original Margin	New COGs
CBLLe	28.89	115	28%	40.21
FLWs	8.46	52	14%	6.82
TSBe	30.34	108	24%	36.50
V1Rd	23.86	110	30%	37.56
CLLd	18.31	80	22%	21.66

Conclusion

Using the 75th percentile margin for the top 30 SKUs by volume, we derived a consistent approach to determine COGs based on the SRP. This ensures a standardized profit margin across various SKUs and provides clarity in our pricing strategy.