Pivot With Pivot Tables



A project scenario where I am placed in a leadership position of a struggling business. The goal is to explore the power pivot tables and of course, save the business.

# Background

I’ve just been promoted to VP of retail operations for a medium-sized homewares store. I’ve built my whole career on a deep understanding of customer behaviors. I am the go-to expert for understanding pricing strategy, customer insights, and market segmentation.

That's the good news. The bad news is it's the 21st century. Retail shops just can't seem to compete. The retail behemoths are squeezing your 45-store business.

Before I was promoted, I worked on integrating a state-of-the-art data collection system into all store operations. This system allowed me to see weekly data trends.

The iceberg is melting and it's time for a change. My role is to create a strategy for the business and deliver results.

# Business Overview

The first question is, how bad is it? Are we making a profit in any of our regions?

Text, table

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We see that the business is losing about $40M a year. The Central region is our most “profitable” with a loss of $135,359. The West appears to be the anchor weighing us down the most.

What are our sales by region?

Graphical user interface, text, application

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Here we can see sales are most sluggish in the Southeast, another area of concern. A deeper dive is required.

Text, table

Description automatically generated with medium confidence

The Mall store type is the most profitable and the Strip Mall is the least profitable.

# The Price is Right

Marketing has emailed me to ask if holidays are affecting sales and if so, how?

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The difference in sales on a holiday is negligible. Marketing is a little concerned as this is where they have focused their efforts.

Today in a pricing strategy meeting your two regional directors got into an argument. One says that markdowns don't drive sales, one said it does, and the other didn't have an opinion. I decided to pull the average sales by region and then by store type to see if markdowns are affecting sales.

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Markdowns improve sales for Mall stores in the West, for Stand Alone stores in the Central and Northeast, and for Strip Mall stores in the Central and West Regions. Markdowns on all other store combinations hurt sales. I email the marking team to inform them.

# Jamie’s Dilemma

Jamie is the district manager for the Midwestern stores and comes under fire for not meeting P/L targets. Jamie complains that the Midwest has very high unemployment numbers which are driving poor sales.

Chart

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The pivot chart shows that unemployment is not the driver for poor performance. Further, we can see the Midwest has the lowest unemployment. Jamie’s claim does not have any merit.

# Hard Decisions

It's time to make a management decision. The business needs to cut losses, but the CEO still wants to hold onto as many locations as possible. I am told that can make strategic decisions to leave entire regions, or store types in specific regions. However, I cannot close an individual store without its losses being >2.5% of total company sales. Total sales are approximately $119M, 2.5% is about $2.9M.

Text, table

Description automatically generated with medium confidence

From the pivot table above, we see all Strip Malls are losing money. Closing the Strip Malls is the first recommendation.

# Best Performing Region

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The Central region is making almost $14M in profit on its own now that we have closed the Strip Malls. The CEO stated to keep as many locations as possible. The goal will be to find a way to keep the locations in other regions while remaining profitable.

# Poor Performing Regions

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My next recommendation is to close the Northeast and Southeast regions. All of the stores in those locations are highly unprofitable.

We can also close store 15 in the Midwest region which meets the CEO's loss of 2.5% of the total sales requirement.

Table

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This leaves us with $10M in profit from $53M in sales.

An additional suggestion would be for the CEO to reconsider the initial 2.5% rule and close the stores with a loss of at least $2M. And review the remaining stores to see if they can be brought back to profitability. This would increase profit to $16M and sales would only drop to $49M.

Table

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# Conclusion

We can raise profits from a loss of ($40M) to a profit of **$10-16M**. The cost was steep, 45 stores were reduced to just 10-13 stores. Hundreds of employees were laid off.

Further, this is simply management by numbers and does not address the underlying issues that have caused the business to start failing. Without identifying and resolving the underlying issues, the business is doomed.