



Zappos.com

# Business Recommendation for Further Investment

---

Merchandising Analysis

# Meet the Team (Me)



Harper He

Merchandising / Portfolio Analysis

---

- Business Analytics MS Degree
- 3 Years Experience in Communication / Advertising
- Data enthusiast



[linkedin.com/in/harper-he](https://www.linkedin.com/in/harper-he)



[github.com/harper-he](https://github.com/harper-he)

Excel



SQL



R



Python



A dark, high-angle photograph showing several people's hands reaching across a table to assemble large, interlocking puzzle pieces. One piece is white and one is green, representing a missing link in a team or process.

# The Problem

---

**Is further investment in the clothing product type the right decision ?**

# Net Sales

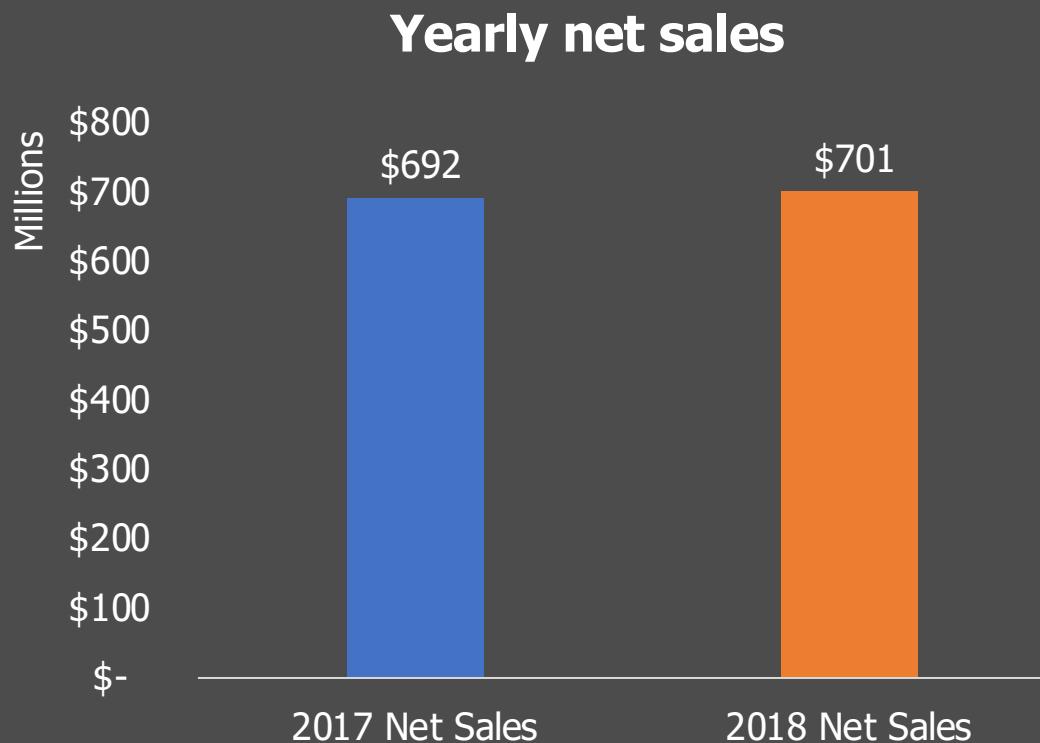
---



# Net Sales

2017 Net Sales : \$692 M

2018 Net Sales : \$701 M



- Comparing net sales and growth% from the year 2017 - 2018, sale amount **grew by 1.3%**.
- The increasing year-over-year rate indicates that this might be a **financially-healthy** business.
- This positive periodic financial performance means **further investment is financially possible**.
- BUT invest in ...



# Net Sales

2017 Net Sales : \$692 M

2018 Net Sales : \$701 M

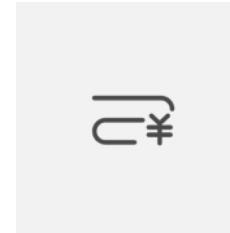
↑ 1.3%



7

Product  
Types

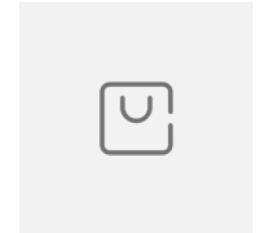
- Shoes
- Clothing
- Bags
- Accessories
- Eyewear
- Jewelry
- Watches



2

Sales  
Channels

- Online
- Brick and Mortar



386

Product  
Categories

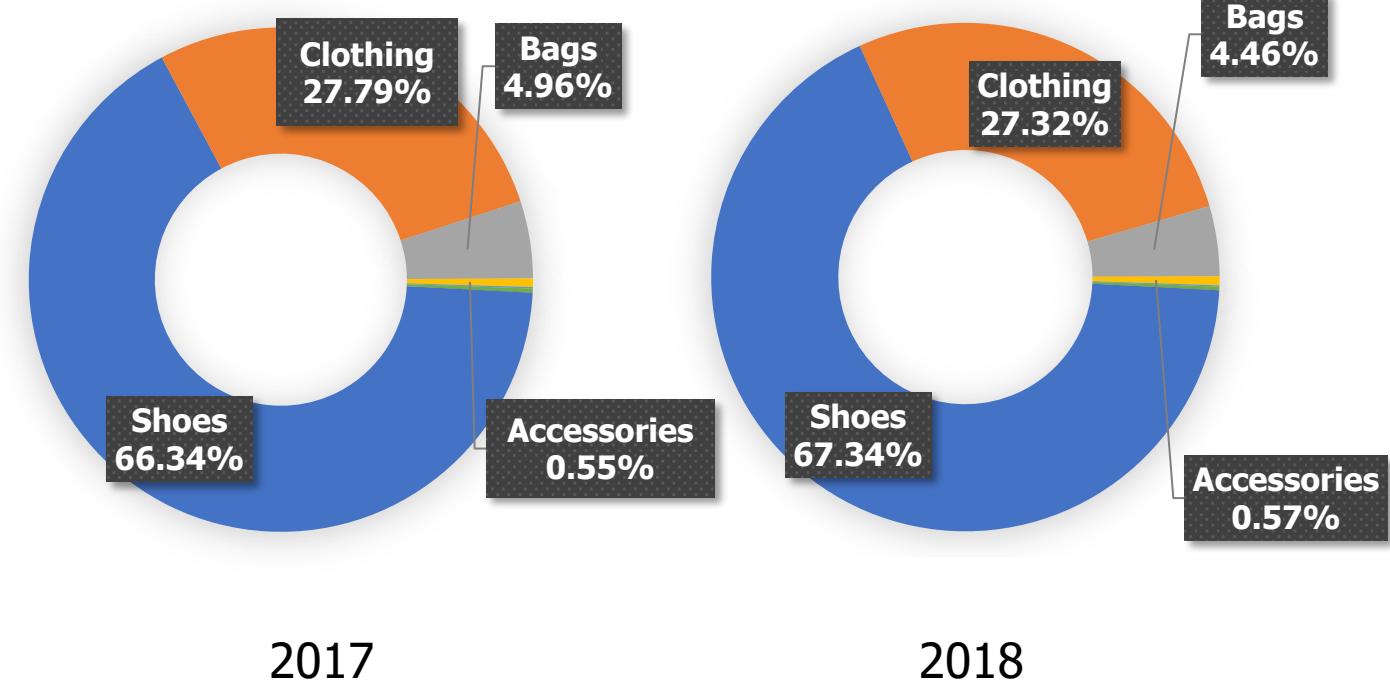
- Belts
- Cufflinks
- Gloves
- Hats
- Scarves
- Umbrellas
- ...

# Net Sales by Product Type

Yearly net sales

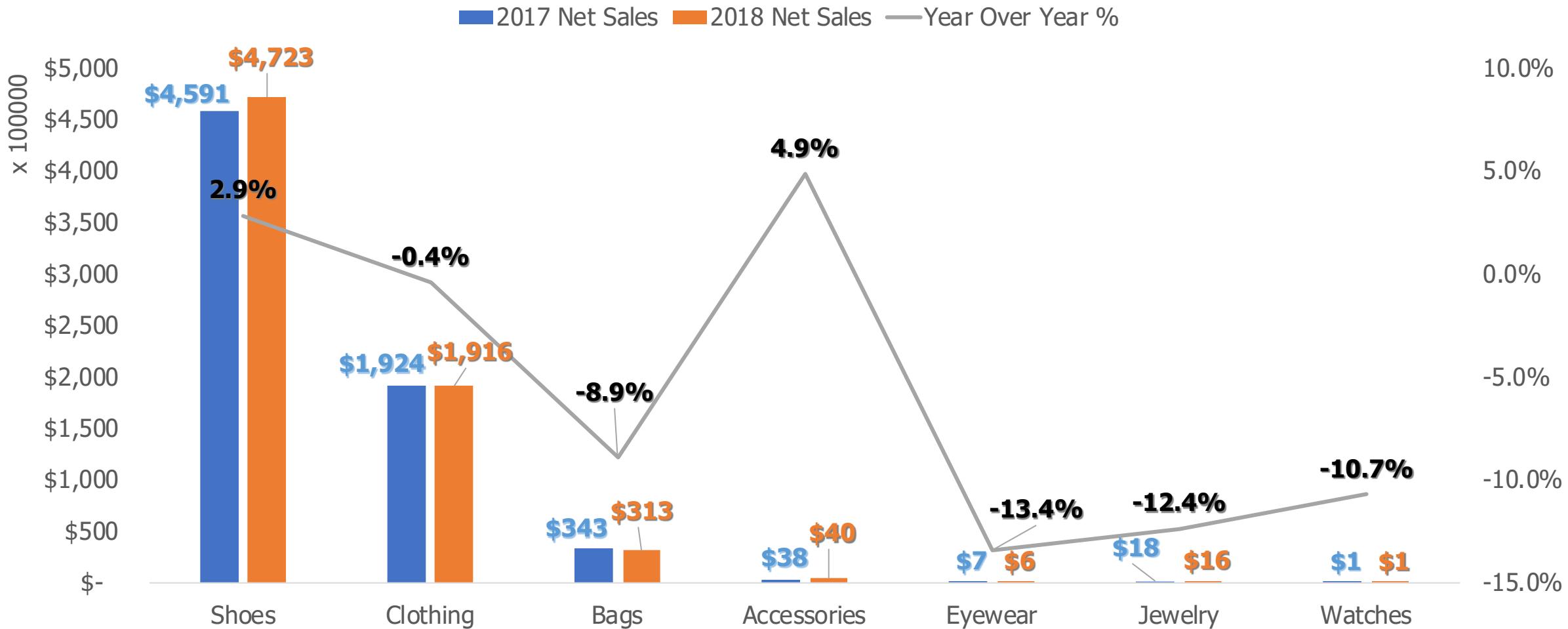


■ Shoes ■ Clothing ■ Bags ■ Accessories ■ Eyewear ■ Jewelry ■ Watches



# Net Sales by Product Type

## Yearly net sales and growth of net sales by product type



# Comparing to Market Net Sales Growth ...

Market Yearly Net Sales YOY Growth of **Clothing**



Market Yearly Net Sales YOY Growth of **Shoes**





## Net Sales

- Analysis

- **Shoes** are **largest** product type, accounting for about 66% of the net sales or around \$459 million in fiscal 2017, and 67%, \$472 million in fiscal 2018. The type includes 12 categories. It is **up trend**.
- **Clothing** is the **second-largest** product type. It accounted for about 28% of sales, or \$192.4 million, in fiscal 2017, and 27%, \$191.6 million in fiscal 2018. It is **down trend**.
- Other **Growing** trend product type over the years:  
**Accessories**
- Other **Downward** trend product type over the years: Bags, Eyewear, Jewelry, Watches



## Net Sales

- Summary

- In terms of **contribution**, **Clothing** is the **second-largest** product type, accounting for nearly 30% of sales. It can be regarded the key product after Shoes. So it is necessary to invest in this product type.
- **However**, in terms of **growth**, the potential opportunities are not in the **Clothing** where the growth trend is downward.
- Comparing to Market Net Sales Growth, the net sales growth of Clothing (-0.4%) is **far behind the market** (2.3%). We need to catch up our peers before further investing in this product type.
- **Further investment in the clothing is NOT the right decision.**

# Net Margin

# Net profit margin is the bottom line.

“

”

I used to look at the gross margin in both \$'s and %. The reason was that many of the products had great margin %, but the **sale price** was so low, that the actual dollars generated to run the business were not that much.

Matthew Hudson, CXO of Work Wear Safety Shoes

“

”

Net profit margin provides the final picture of how profitable a company is after all expenses have been taken into account. A reason to use it as a measure of profitability is that it takes everything into account.

“

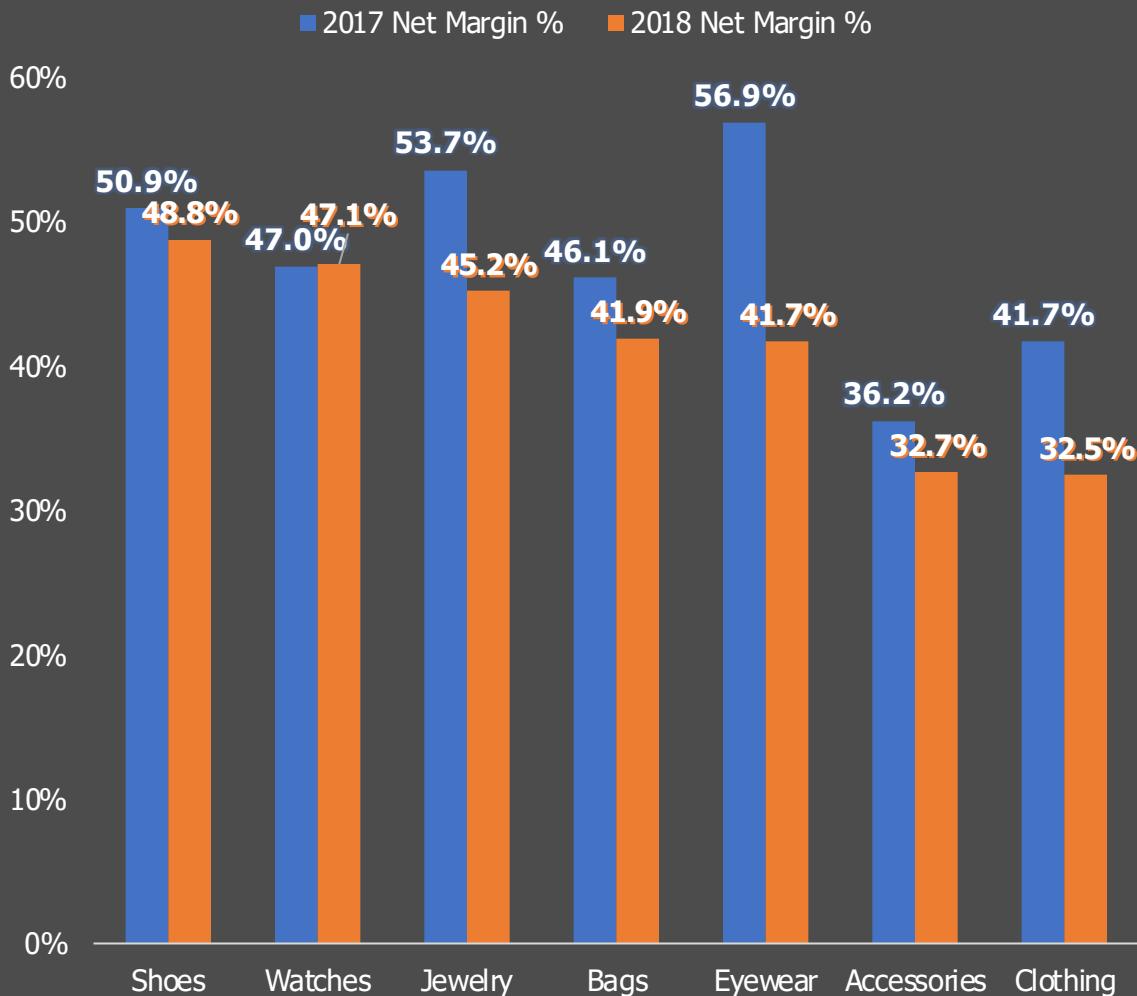
”

I could get very excited seeing 65% margins on accessories, but accessories only made up 10% of the total sales in the stores — therefore meaning although it was exciting, it could be misleading.

Matthew Hudson, CXO of Work Wear Safety Shoes

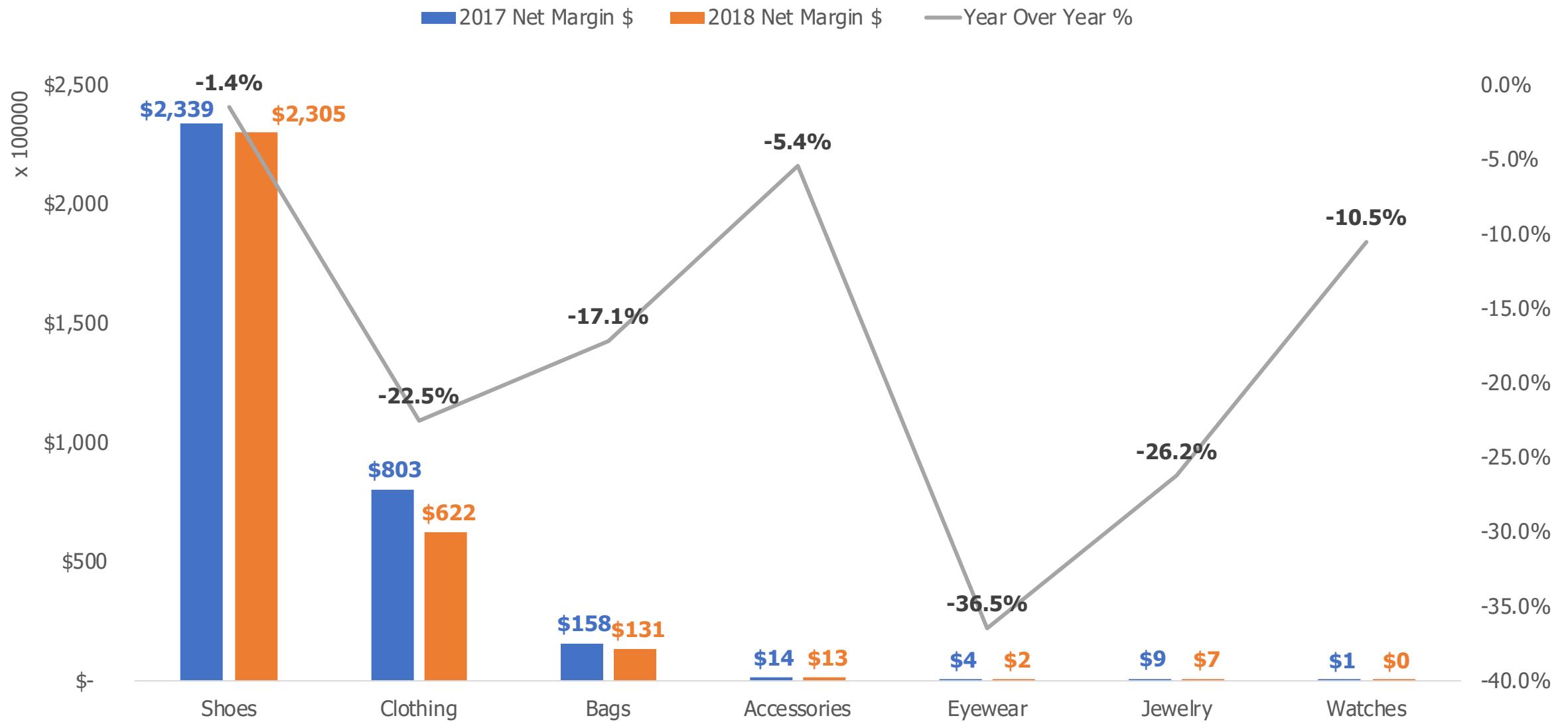
# Net Margin %

## Net Margin % By Product Type (Sorted by 2018 Net Margin %)



- With 41.7% Net Margin %, the Clothing was the second to last in fiscal 2017. However, it declined significantly to 32.5% in 2018.
- Though all product types except Watches experienced a decline in Net Margin %. The Clothing became the **least profitable** product type in 2018 because of its significant drop.
- It means **a decline in performance and profitability levels** of Clothing.

# Net Margin \$ and Growth By Product Type





## Net Margin by Product Type

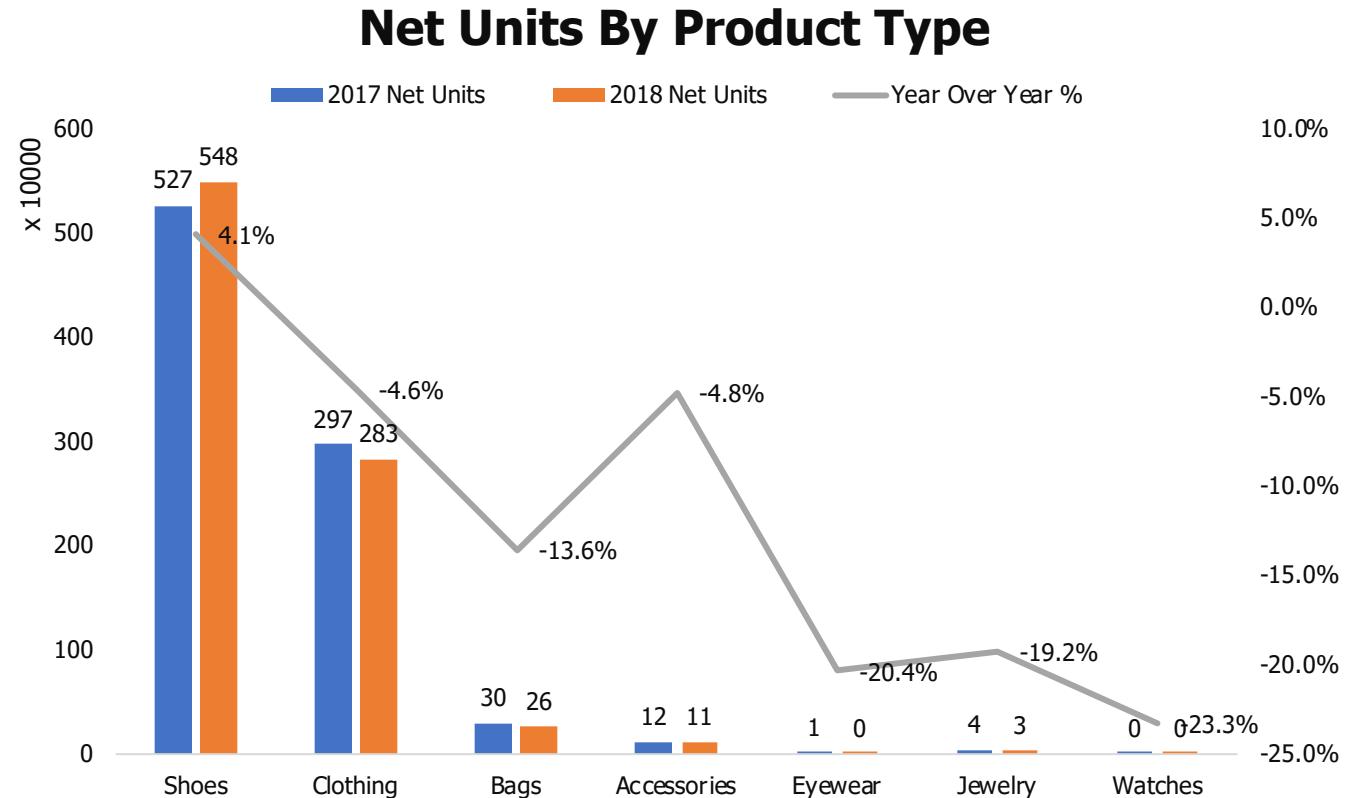
- Analysis

- The Clothing is the **second-largest** contributor to Net Margin \$ but there was **a marked drop** in its Net Margin \$ .
- Net Margin \$ of **all the product type** decreased from 2017 to 2018.
- However, the Net Margin \$ YOY growth of **Clothing** is -22.5%. It means **a significant decline in performance** of Clothing.



## Net Margin by Product Type

### ○ Analysis



- The decline of Net Margin \$ YOY growth of Clothing cannot be fully explained by the decline of Net Units. Because the decline of Net Units of clothing is less than 5%.



## Net Margin by Product Type

- Summary

- In terms of **Net Margin \$ contribution**, **Clothing** is the **second-largest** product type.
- **However**, the **Net Margin \$** of clothing dropped down remarkably over years, which didn't indicate the potential opportunities in this product type.
- **Further investment in the clothing is NOT the right decision.**

A collage of images showing various work scenarios. On the left, a person in a dark t-shirt and jeans sits at a desk with a laptop, looking down at a small notebook. In the center, a person in a dark suit and tie sits at a wooden desk with a laptop, looking down at it. On the right, a person in a light-colored shirt and jeans sits at a desk with a laptop, looking down at it. There are also images of a smartphone, a laptop keyboard, and a small robot-like device.

# The Answer

---

**Further investment in the clothing IS NOT the right decision.**

