



ChemCorp Inc. Case Study – Overview

Scenario Overview

As a leading producer of chemicals, ChemCorp has observed that market demand has been strong over the past few years with growth averaging 7% Year-on-Year. As a Fortune 500 corporation, this is impressive growth and has led to continual operation and distribution center expansions across 48 states in the US. With favorable growth rates and lowered barriers to entry due to government regulation, this has attracted increased competition. New startups are offering optimized delivery channels for chemicals; a few companies have started using new technologies like machine learning and artificial intelligence to create new chemicals and lower the production costs for existing chemicals.

ChemCorp didn't think these competitors were a primary concern until recently when discussions with five long-term customers revealed that ChemCorp was no longer these firms' preferred provider of chemicals. After these customers left, the sales management team found that ~ 10% of sales revenue came from these customers.

ChemCorp's management team immediately drafted an action plan, pulling together a team from Commercial, Strategy and Business Analytics to tackle this issue. If this trend were to continue unchecked, ChemCorp's market share and potential customer-base would gradually erode, damaging the board's confidence in existing management. This unchecked trend could also indicate a potential risk in the company's ability to make dividend payments to shareholders if losses prove to be too steep.

ChemCorp's current portfolio includes six primary industries and eleven different chemical products. These industries and chemicals are listed below:

Industries

- Aerospace Defence
- Biotechnology
- Machinery and Industrial Goods
- Medical Equipment
- Paper and Packaging
- Pharmaceuticals

Chemicals

- Chemical A (Speciality)
- Chemical B
- Chemical C
- Chemical D
- Chemical E
- Chemical F
- Chemical G (Speciality)
- Chemical H
- Chemical I
- Chemical J (Speciality)
- Chemical K

Management has concluded that to best address the loss of customers and protect the existing market share, an immediate short-term action plan needs to be drafted.

Amelia Edwards, formerly Chief Operations Officer, has recently switched roles with ChemCorp's Chief Sales Officer; Amelia is now leading this project. Her strategy and approach to this issue have been outlined in the following email:

From: "Edwards, Amelia" <Amelia.Edwards@ChemCorp.com>

Sent: Friday, January 2, 12:27 PM

Subject: Customer Segmentation Analysis

Team,

As you'd know, I've recently taken over Ricardo's role as Chief Sales Officer. Ricardo will now take on the duties of Chief Operations Officer. I appreciate that I might take a few weeks to adapt to this new role, so bear with me here. I'd like us to refrain from using any technical jargon in our presentations as this is likely to go over my head, for now, so let's keep things simple.

I believe there are three key areas we should focus on. I've listed them as points A, B, and C below.

A) Customer Strategy – Understanding our customers.

Customers are at the heart of everything we do here at ChemCorp.

We need to understand the following:

- i) **What** products customers buy the most and what products are bought the least
- ii) **Where** most products are being bought
- iii) **How** seasonality plays into the purchase of these products. Are any of our industries or chemicals impacted by seasonal variation?

B) Market Opportunities – As we look to the future, what opportunities are we missing?

If we only think short term and focus on Quarter-over-Quarter (QoQ), we won't be able to compete effectively against new entrants coming into the market. We need to look deeper at our market segments to maximize value-add for both customers and our company. This means considering the long-term.

- i) **Which** industry provides the most revenue to ChemCorp at this point in time?
- ii) **What** industries have the highest profit margins and how is this reflected in the number of business customers per segment?
- iii) **What** products provide the highest profitability?

C) **Product Divestment** – We have a limited amount of capital; we need to make sure we're spending the right dollars in the areas which have the highest growth potential. This means doing some potential cleaning of our existing product inventory and weeding out low performing categories.

- i. Which industries have the lowest overall profitability?
- ii. What products have the lowest profitability and number of business customers?

Let me know if anything I've stated in the above three points – A, B, and C – are unclear. If they are, we can cover this in the next team meeting.

Ideally, I'd like a high-level slide deck (**PowerPoint, Tableau or PowerBI is fine**) which synthesizes the key findings from these questions with minimal technical jargon associated with these traditional analyses.

Thank you.

BR,
Amelia Edwards
