

Plan of Action Based on Sales & Profitability Insights

(Internal Business & Analytics Execution Document)

1. Purpose of This Document

The purpose of this document is to **translate analytical insights** derived from the Sales & Profitability dashboard into **clear, prioritized, and executable business actions**.

While the dashboard and analysis explain *what is happening* and *why it is happening*, this document focuses on:

- **What actions should be taken**
- **Why each action is necessary**
- **How it can be implemented**
- **How success should be measured**

This document is intended for **business leaders, product owners, pricing teams, and analytics stakeholders**.

2. Summary of Core Insights Driving Action

The action plan is based on the following validated insights:

1. **Sales growth (~90%) has not translated proportionally into profit**, resulting in a modest overall margin of ~11.6%.
2. **Discounting is the strongest driver of margin erosion**, with a negative correlation (~ -0.32) between discount levels and profit margins.
3. Certain **sub-categories generate high sales but low or negative profit**, indicating inefficient revenue.
4. **Profit contribution is uneven across segments**, with the Consumer segment contributing ~51% of total profit.
5. A small number of sub-categories contribute disproportionately to total profit, while others dilute margins.

These insights form the basis for the recommended actions below.

3. Action Area 1: Discount Governance & Control

Problem Identified

- Average discount level is ~8%
- High-discount sub-categories frequently operate at or below break-even
- Discounting is applied broadly rather than selectively

Recommended Action

Introduce structured discount guardrails at the sub-category level.

Execution Plan

- Define **maximum allowable discount thresholds** for each sub-category based on historical margin performance.
- Classify sub-categories into:

- High-margin (discount flexibility allowed)
- Medium-margin (controlled discounting)
- Low/negative-margin (strict discount caps)
- Require managerial approval for discounts exceeding defined thresholds on low-margin sub-categories.

Expected Business Impact

- Immediate reduction in margin leakage
- Prevention of value destruction in high-volume orders
- Improved predictability of profitability

Success Metrics

- Reduction in average discount for low-margin sub-categories
- Improvement in profit margin without reduction in sales volume

4. Action Area 2: Repricing and Cost Review of Loss-Making Sub-Categories

Problem Identified

- Sub-categories such as **Tables** operate at negative margins (~-8.5%)
- Other sub-categories generate large sales volumes with disproportionately low profit

Recommended Action

Conduct targeted repricing and cost-structure reviews for loss-making and low-margin sub-categories.

Execution Plan

- Identify sub-categories with:
 - Profit margin <5%
 - Sales volume > significant threshold (e.g., >500K)
- For each identified sub-category:
 - Review pricing strategy
 - Evaluate supplier and logistics costs
 - Assess feasibility of margin improvement
- Decide on one of the following:
 - Price increase
 - Cost reduction
 - Reduced promotional activity
 - Strategic deprioritization

Expected Business Impact

- Elimination or reduction of negative-margin sales
- Cleaner revenue mix

- Improved overall profitability

Success Metrics

- Reduction in number of loss-making sub-categories
 - Positive margin turnaround for repriced products
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5. Action Area 3: Shift Strategic Focus to High-Margin Sub-Categories

Problem Identified

- Profit contribution is highly concentrated in a small set of sub-categories
- High-margin products are treated similarly to low-margin ones in promotions

Recommended Action

Prioritize high-margin sub-categories in sales and marketing strategies.

Execution Plan

- Identify sub-categories with profit margins >15%
- Increase visibility and availability of these products through:
 - Targeted promotions
 - Bundling strategies
 - Inventory prioritization
- Avoid heavy discounting on these products to preserve margins

Expected Business Impact

- Higher profit per unit sold
- Better return on marketing spend
- More sustainable revenue growth

Success Metrics

- Increase in profit contribution from high-margin sub-categories
 - Stable or improved margins during promotional periods
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6. Action Area 4: Segment-Specific Pricing and Discount Strategy

Problem Identified

- Consumer segment contributes ~51% of total profit
- Other segments show lower margin efficiency
- Uniform pricing and discounting applied across segments

Recommended Action

Adopt differentiated pricing and discount strategies by customer segment.

Execution Plan

- Analyse margin performance by segment within each category
- Define segment-specific discount policies:
 - More conservative discounts for low-margin segments
 - Performance-based incentives for high-value segments
- Align sales incentives with segment profitability rather than volume alone

Expected Business Impact

- Improved segment-level margin efficiency
- Reduced over-discounting in low-return segments
- Better alignment between sales incentives and business outcomes

Success Metrics

- Margin improvement by segment
- Reduced discount variance across segments

7. Action Area 5: Introduce Margin-Centric Performance Tracking

Problem Identified

- Performance is primarily evaluated on sales metrics
- Margin risks are detected late

Recommended Action

Embed margin-based KPIs into regular performance reviews.

Execution Plan

- Track the following KPIs monthly:
 - Profit Margin %
 - Profit per Order
 - High Sales–Low Profit flags
- Use dashboards to flag:
 - Sub-categories with declining margins
 - High-volume orders with low profitability
- Include margin KPIs in management and sales reviews

Expected Business Impact

- Early detection of profitability risks
- More informed decision-making
- Shift from volume-driven to value-driven growth

Success Metrics

- Reduction in margin volatility

- Improved consistency in profit performance
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8. Implementation Roadmap

Phase	Timeline	Key Focus
Short-term	0–30 days	Discount caps, margin monitoring
Mid-term	1–3 months	Repricing & cost reviews
Long-term	3–6 months	Segment strategy & KPI redesign

9. Risks & Mitigation

Potential Risks

- Short-term sales impact due to reduced discounting
- Resistance from sales teams
- Customer sensitivity to pricing changes

Mitigation Measures

- Pilot changes on select sub-categories
 - Communicate margin rationale to sales teams
 - Monitor customer response closely before scaling
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10. Conclusion

This plan of action ensures that analytical insights are **converted into measurable business outcomes**. By focusing on discount discipline, product-level profitability, and margin-centric performance tracking, the organization can move from revenue-led growth to **sustainable, profit-driven growth**.