

# Should Blackwell Acquire Electronidex?

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## Executive Summary

This report will provide an overview of the purchasing patterns of Electronidex's current clientele and assess the potential advantages and disadvantages of Blackwell acquiring the start-up retailer. It will also highlight recommendations for next steps if Electronidex is acquired.

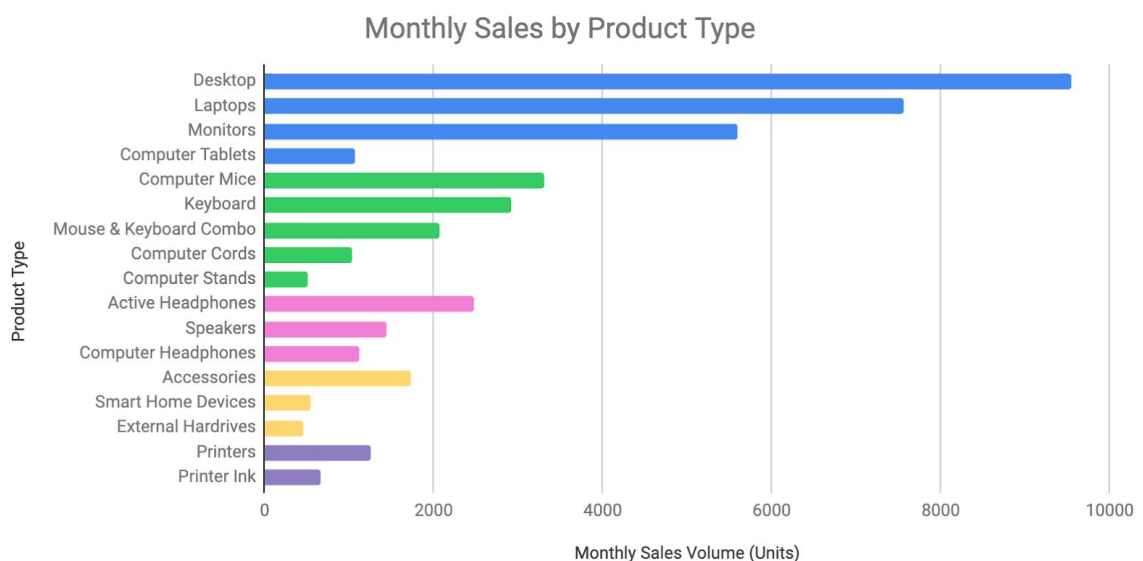
## Method

A market basket analysis was conducted on the online transaction data for one month of sales at Electronidex to gain insight into which product types and items are most likely to be purchased together. The raw data was also analyzed to determine the highest and lowest-selling SKUs and product types. Additionally, sales information from Blackwell's existing product line was reviewed.

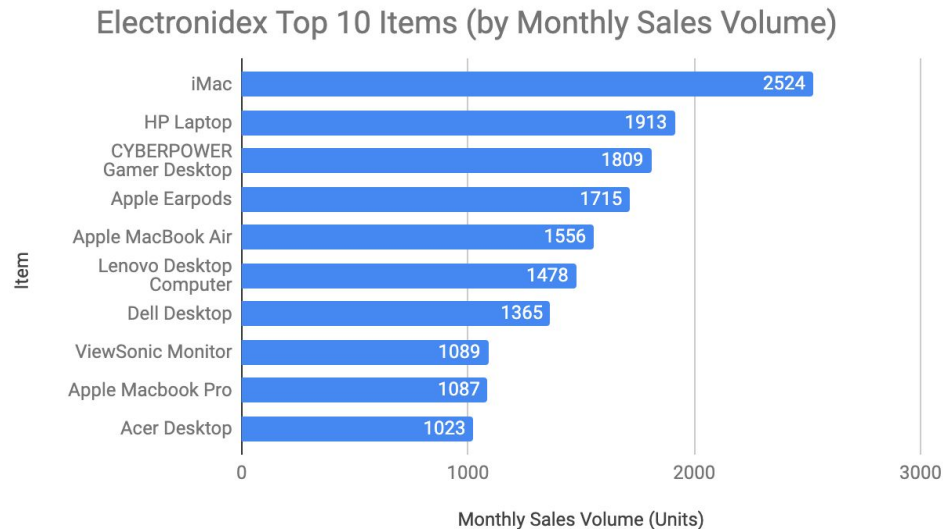
## Findings

### 1. *Electronidex sales drivers*

The biggest portion of Electronidex's sales comes from computers - desktops, laptops, monitors, and computer tablets. These four categories make up 55% of the company's online sales, with desktops and laptops accounting for 40%. Computer mice and keyboards (including combos) account for a further 19% of the online business. The lowest-selling categories for the retailer are computer stands, smart devices, external hard drives, and printer ink.



The top-selling items at Electronidex mirror the top-selling categories at the retailer, with computers representing 9 out of the top 10 selling products (5 desktops, 3 laptops, and 1 monitor). The top-selling item is the iMac, which is responsible for 6% of the company's monthly sales volume, followed by the HP Laptop and the Cyberpower Gamer Desktop.



## 2. *Interesting category and item relationships at Electronidex*

At the category level, there is an interesting pattern of Electronidex customers buying a monitor and also buying an item from one of the following product categories (in the same transaction):

- Mouse & Keyboard Combo
- Accessories
- Printers
- Computer Tablets
- Computer Cords

Based on the sales data provided, customers who bought an item from one of the categories above were 40-50% more likely to buy a monitor than other customers. In fact, 59% of the transactions where a monitor was purchased also included an item from at least one of the categories listed above.

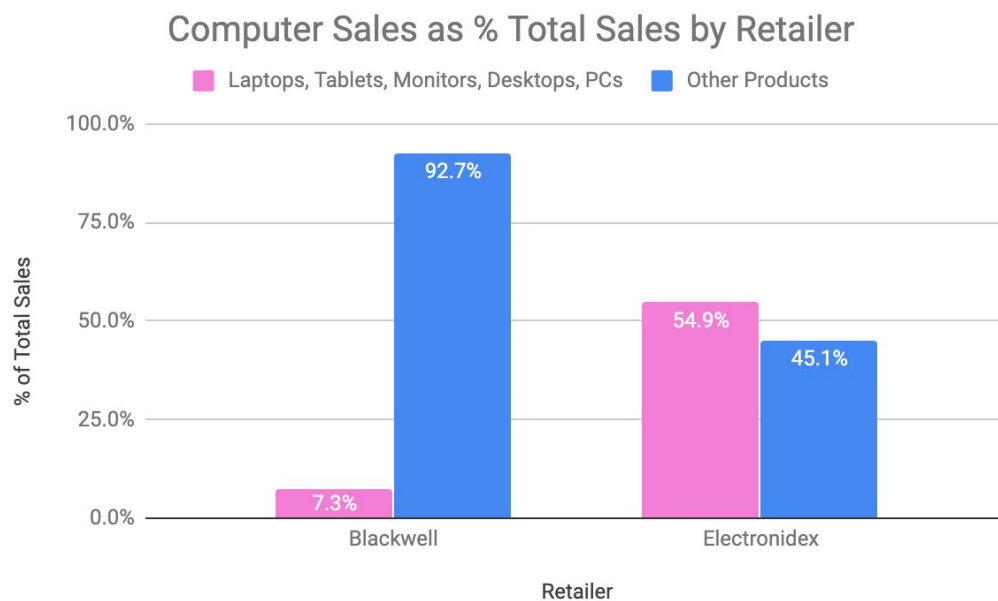
At the item level, there is an interesting relationship between customers purchasing an iMac in the same transaction that they also purchase one of the items below:

- HP Laptop
- Lenovo Desktop Computer
- Dell Desktop
- ViewSonic Monitor

Transactions that included at least one of the items listed above were 50-70% more likely to include an iMac than other transactions. Overall, 58% of transactions that included an iMac also included at least one of the items listed above.

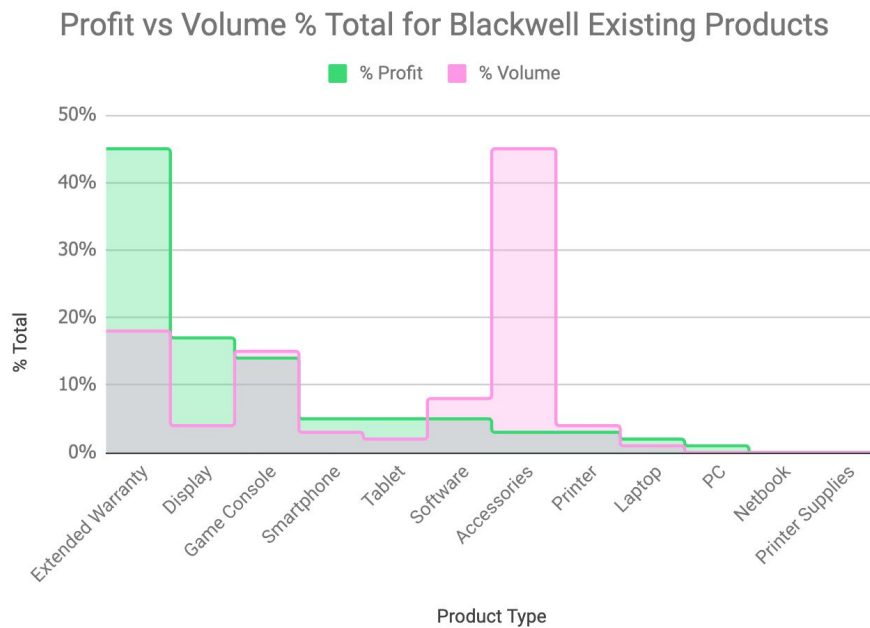
### 3. *Potential benefits of selling Electronidex items at Blackwell and vice versa*

If Blackwell acquires Electronidex, there are potential benefits to changing the items and product categories offered at both retailers. Over half (55%) of Electronidex's sales come from computers (laptops, tablets, monitors, desktops, and PCs), whereas the same categories make up only 7% of Blackwell's sales volume.



If some of the smaller accessory categories are removed from Electronidex (making it more of a true shopping destination for computers) and Blackwell focuses on selling and marketing the other categories currently offered by both, there is the potential to increase sales across the board. To test this, Blackwell can start incorporating lower-ticket items and accessories into its own product lineup, and sell its current computer products at Electronidex.

Since Blackwell's extended warranty is its most profitable offering, it could also boost profits if the program is offered on Electronidex (where the majority of sales come from high-ticket items that customers would likely want warranties for). If the retailer is acquired, Blackwell can also leverage the increased purchasing power to try to negotiate a lower cost on accessories, which currently have a high sales volume at the company but one of the lower profit margins.



#### 4. *Should Blackwell acquire Electronidex?*

In order to determine if Blackwell should acquire Electronidex, a more comprehensive review of the company's profitability, sales, and overall finances is recommended. Based solely on the sales data provided, the choice to acquire the start-up has promising potential as both companies have strong sales in different categories so cannibalization is not a huge concern. Since Blackwell and Electronidex have very different customer bases, it is recommended to keep them as separate entities if the retailer is ultimately acquired. Additionally, making each retailer a destination for different categories could allow each to free up dollars and shelf space for more profitable categories and items. The acquisition would also yield increased buying power to help negotiate lower prices when buying in bulk from vendors.

#### **Recommendations if Blackwell acquires Electronidex**

1. Keep Blackwell and Electronidex as separate brands/entities - the clientele are very different as evidenced by the top-selling items and categories at each retailer.
2. Offer Blackwell's extended warranty on Electronidex products. Blackwell's extended warranty is the retailer's most profitable offering and has the potential to do very well at Electronidex, which gets most of its sales from high-ticket items that customers would likely want warranties for.
3. Utilize increased buying power to negotiate lower costs from vendors, increasing profit potential at both retailers.
4. Review Electronidex marketing and customer demographics to determine similarities/difference to Blackwell's customer base and deep dive into what's driving high computer sales at the startup.

5. Rationalization of existing product offerings at both companies - cut underperforming product categories from each retailer to increase profits and reduce cannibalization. In other categories, review item offerings and reduce item count as needed in order to free up money and shelf space to buy into categories and SKUs that are working at each retailer.
  - a. Top 50 selling products (of 125 total SKUs) at Electronidex account for 82% of sales. Can retain 91% of Electronidex sales volume while cutting 45 products by:
    - i. Eliminating Computer Headphones, Smart Home Devices, and Computer Stands
    - ii. Reducing item count by half in Keyboards, Active Headphones, Mouse & Keyboard Combo, Speakers, Computer Tablets, Computer Cords, Printer Ink, and External Hard drives
6. Adjust marketing and store placement for Electronidex items based on significant item and category relationships to drive sales. For example, offer discounts on the smaller items that customers often buy with a monitor (mouse & keyboard combo, accessories, printers, tablets, cords) to increase monitor sales. Since the iMac is the top-selling item at Electronidex and is also frequently bought with laptops and desktops, feature the item prominently in marketing and offer bundle deals.