



# Operational Breakdown Analysis Finding Root Causes Behind Revenue Loss

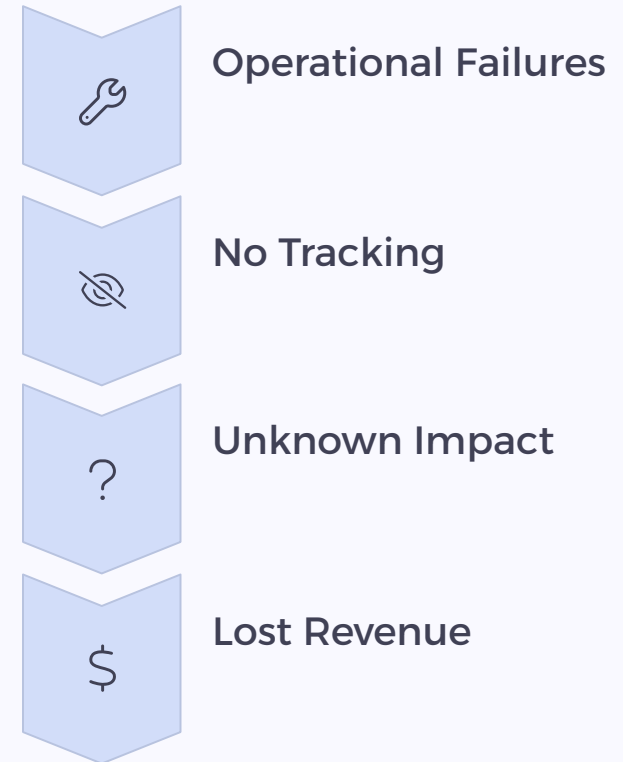
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# Business Challenge

Companies silently lose revenue every day because of operational failures – late shipments, missing stock, poor vendor performance, customer complaints, and IT downtimes.

These failures are often scattered across departments, not well tracked, and most importantly, not linked to the actual money lost.

As a result, leaders can see the symptoms (missed deliveries, customer churn, rising costs), but they don't know the root cause – so they can't fix it efficiently.



# Project Objective

You are creating a data-driven system that:

- Detects where operational failures are happening (e.g., late deliveries, missing stock).
- Traces them to the real root causes (e.g., vendor delays, IT glitches).
- Calculates how much revenue is being lost because of those failures.
- Helps managers prioritize what to fix for maximum impact.





# Departments Involved and Their Roles

## Logistics

### What they do:

- Handle shipping and delivery.
- Coordinate transport, carriers, dispatch.

### Common failures:

- Late deliveries, lost shipments.
- Wrong route selection, transit damage.

**How it causes revenue loss:** Delays lead to cancellations, customer dissatisfaction, and lost sales opportunities.

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## Inventory

### What they do:

- Manage warehouse stock levels.
- Track reorder needs and product availability.

### Common failures:

- Stockouts, picking errors.
- Restocking delays, obsolete inventory.

**How it causes revenue loss:** Missed sales due to unavailable items, costly rework for incorrect orders.

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## Vendor Management

### What they do:

- Manage supplier relationships.
- Monitor performance and delivery timelines.

### Common failures:

- Vendor delays, missed deadlines.
- Incomplete or poor-quality deliveries.

**How it causes revenue loss:** Downstream stockouts, production delays, and higher operating costs.

## Customer Support

### What they do:

- Resolve customer issues and complaints.
- Provide product information and assistance.

### Common failures:

- Long resolution times, unresolved tickets.
- Poor tracking or frequent escalations.

**How it causes revenue loss:** Refunds, customer churn, and negative brand reputation impact.

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## IT / Systems

### What they do:

- Maintain order, delivery, and inventory systems.
- Ensure data integrity and system availability.

### Common failures:

- System downtimes, critical software bugs.
- Data sync delays, security breaches.

**How it causes revenue loss:** Failed orders, operational disruptions, and impaired decision-making.

Operational breakdowns are cross-departmental, with root causes often hidden within functional silos.

# Q1: Which Departments Drive the Most Revenue Loss?

*Where is the business bleeding money?*

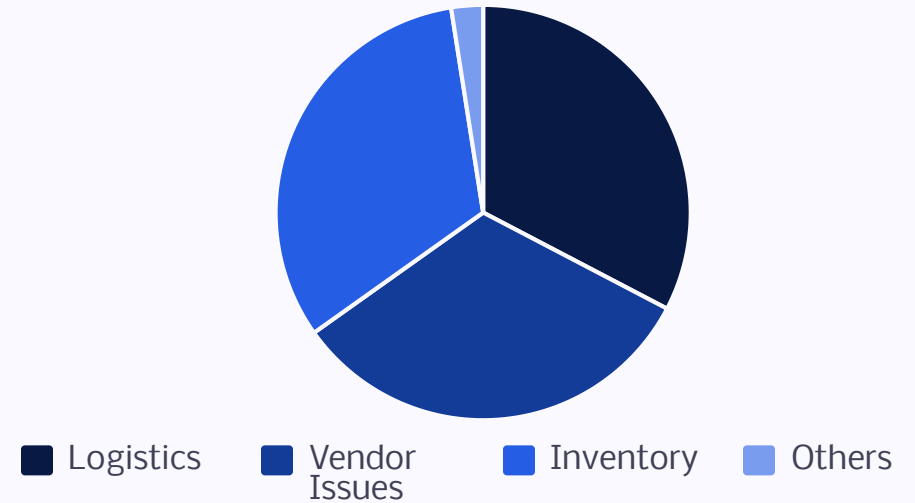
Our analysis reveals a significant financial drain:

- Total Revenue: ₹1,048 million
- Revenue Lost Due to Failures: ₹646 million (61.5%)

Of this ₹646 million loss due to operational failures:

- Logistics accounts for ₹211M (32.7%)
- Vendor Issues ₹210M (32.5%)
- Inventory ₹209M (32.3%)

For every ₹1 lost, ₹0.98 stems from these three core departments.



**97.5% Loss from  
Just 3  
Departments**

# Recommendations – What Should the Business Do?

*Based on the revenue loss breakdown, here's what I suggest we do next:*



## Focus on Core Loss Areas

Logistics, Vendor, and Inventory drive nearly all losses. Improvements here yield biggest financial impact.



## Track Revenue Recovery Targets

Set monthly goals to recover revenue by reducing specific failure types.



## Launch Root Cause Initiatives

Launch focused initiatives on late deliveries, vendor delays, and stockouts.








## Align Budget with Data

Shift budget from low-impact IT /Customer Support to high-impact operational improvements.

# Q2.Which Failure Types Are Hurting Us the Most?

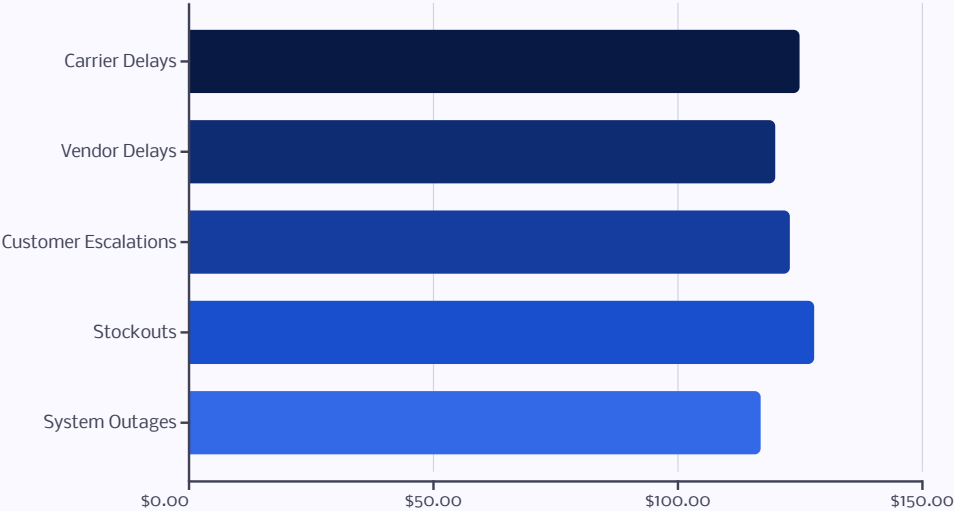
A few failure modes are driving nearly all of our revenue loss.

## Key Failure Types Driving Loss

-  Carrier Delays
-  Vendor Delays
-  Customer Escalations
-  Stockouts
-  System Outages

These five recurring issues occurred over **41,000 times each**, accounting for **95% of all revenue loss**. They are not isolated events, happening frequently across multiple departments. Addressing even one could recover over ₹120M+ annually.

Revenue Loss by Top 5 Failure Types



# Recommendations – How We Can Reduce Failure Costs

*These are high-frequency issues that are fixable – and costly if ignored.*



## Tighten Contracts with Carriers & Vendors

**Implement** real-time delay tracking and **include** SLA penalties to **drive** vendor and carrier accountability.



## Strengthen Inventory Management

**Utilize** demand forecasting and **align** restocking with sales trends to **reduce** stockouts and lost revenue.



## Proactive Customer Support

**Automate** order updates and **empower** teams to **resolve** escalations faster, **reducing** refunds and **boosting** loyalty.



## Protect Systems from Downtime

A targeted **investment** in IT monitoring and backup **prevents** outages that **disrupt** critical order and operational flows.



# Q3.What's Really Causing These Failures?

Patterns hidden across products, vendors, and categories are driving massive repeat failures.



## Products

Top 10 products caused over ₹63M+ in revenue loss, with recurring failures like 4,000+ stockouts each. **Root Cause:** No forecasting or alert system for high-demand SKUs.



## Vendors

Just 3 vendors caused over 40% of all vendor losses, often shipping incomplete or wrong orders despite being 'on time.' **Root Cause:** Metrics track only time, not quality or order completeness.



## Categories

Five product categories (Furniture, Electronics, Food, Toys, Clothing) account for 90% of product-related loss. **Root Cause:** Inventory strategy treats all categories equally, without revenue prioritization.

# Recommendations

Fixing the patterns behind our biggest repeat failures



## Demand Forecasting for High-Loss Products

Focus on the top 10 SKUs with ₹63M+ in stockout-related losses. Automate reordering using ABC analysis.



## Stockout Alerts for Revenue-Critical Items

Trigger alerts if stockouts exceed 2,000 units or ₹3M in lost revenue per SKU. Escalate in daily/weekly ops dashboards.



## Redesign the Vendor Scorecard

Add KPIs like Fill Rate, Defect Rate, and Partial Shipment Incidents. Go beyond on-time tracking for quality.



## Diversify Vendor Base

Identify SKUs with over 50% dependency on one vendor. Onboard reliable backups to reduce supply chain risk.



## Automate Inventory for Key Product Categories

Focus automation and SLAs on Furniture, Electronics, Food, Toys, and Clothing, as these 5 categories drive 90% of losses.

# Q4.Where Should We Invest for Maximum Savings?

## 🔍 Question 4 – Strategic ROI Insights

### 1 What the Data Tells Us

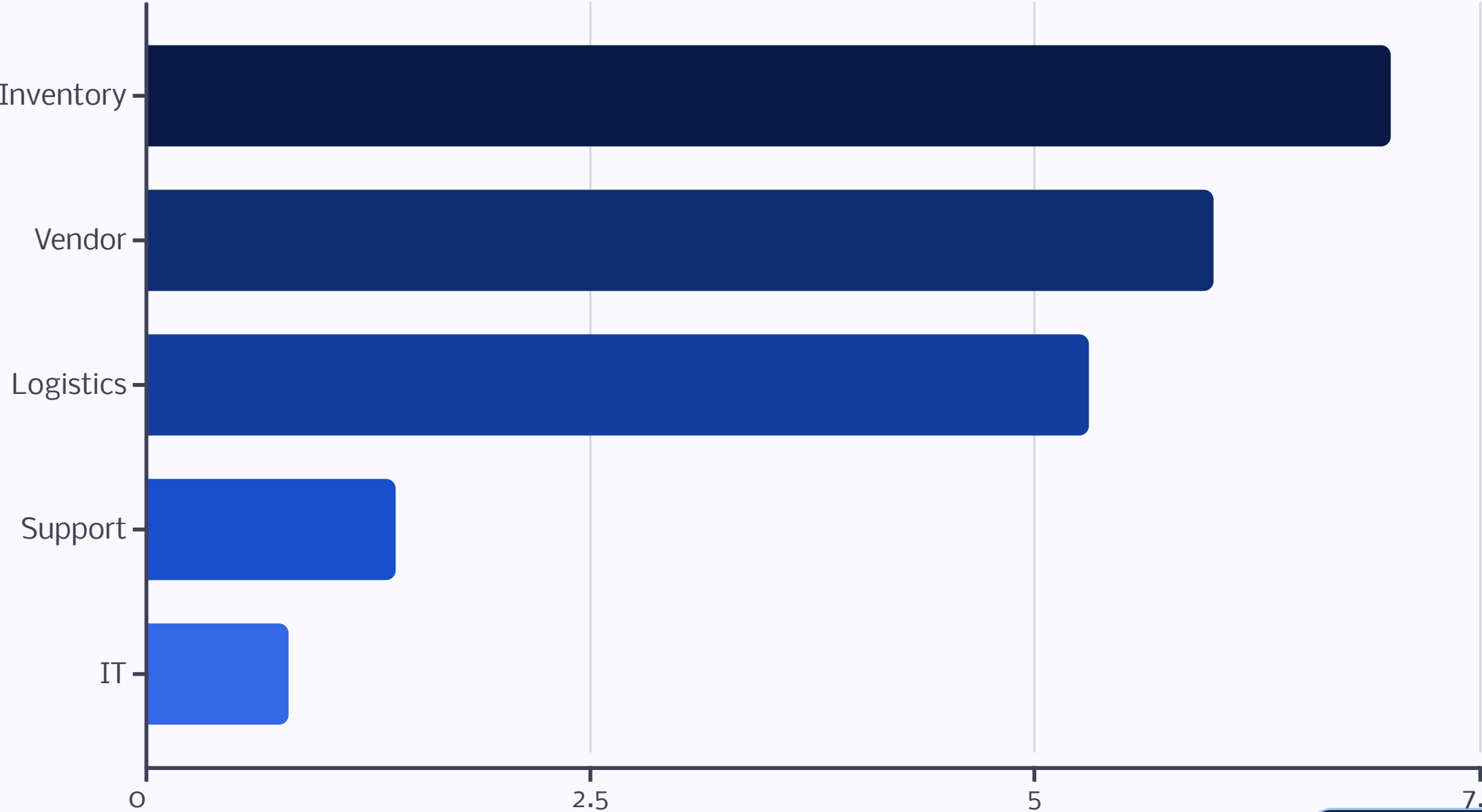
Inventory, Vendor, and Logistics account for nearly all revenue losses – and they also offer the **highest return on investment**. Their average ROI ranges from 5x to 7x, with potential recovery of over **₹630M combined**. Fixing even **one** of these areas could save **₹200M+** annually.

### 2 Not All Problems Are Worth Solving Right Now

IT and Customer Support issues may seem urgent but only represent **<3% of losses**. Despite lower fix costs, their ROI is under **1.5x** – meaning money spent here may **not significantly move the needle**.

### 3 The Smartest Path Forward

Go where the money is: **Inventory** (forecasting), **Vendors** (backup + metrics), **Logistics** (SLAs, route tools). These fixes are measurable, trackable, and recoverable – they hit both operational performance and financial results.



# Where to Invest for Maximum Return

## Strategic Recommendations

*Focus on high-ROI initiatives that deliver measurable, department-wide impact.*



### Fix Inventory Failures First (ROI: 7x)

**Why:** Fast-moving SKUs are repeatedly going out of stock, leading to massive loss. **What to do:** Automate reordering for top products, set up real-time stockout alerts, and focus on Furniture, Electronics, Food, Toys, and Apparel categories.



### Strengthen Vendor Reliability (ROI: 6x)

**Why:** Just a few vendors cause the majority of downstream issues. **What to do:** Redesign vendor KPIs to include fill rate and shipment quality, onboard backup vendors for critical SKUs, and reduce overdependence on any single supplier.



### Optimize Logistics Performance (ROI: 5.3x)

**Why:** Late and incomplete deliveries hurt customer experience and revenue. **What to do:** Enforce SLAs with accountability, use GPS + AI to improve routing, and start tracking delivery **completeness**, not just timeliness.



### Deprioritize IT & Support Investments

**Why:** While these areas matter, they represent <3% of total loss with <1.5x ROI. **What to do:** Maintain current support and system levels, avoiding major spending unless tied to high-impact recovery initiatives.

# Strategic Takeaways & Business Impact

Clear, data-driven decisions to reduce operational loss and unlock savings.



**Identified** ₹646M in annual revenue loss due to operational failures – 61.5% of total revenue.



**Pinpointed** Logistics, Vendor, and Inventory as the root causes – 97.5% of total losses.



**Diagnosed** top 5 failure types (stockouts, delays, outages) responsible for 95% of the loss.



**Uncovered** hidden drivers like incomplete vendor fulfillment and stockouts in key categories.



**Quantified** ROI across departments – up to 7x return on fixing inventory and vendor issues.



**Recommended** precise, high-impact fixes: alerts, automation, vendor diversification, SLAs.



**Built** a cost-benefit roadmap for smart investment prioritization.



**Delivered** a scalable, cross-departmental framework to prevent future revenue leakage.