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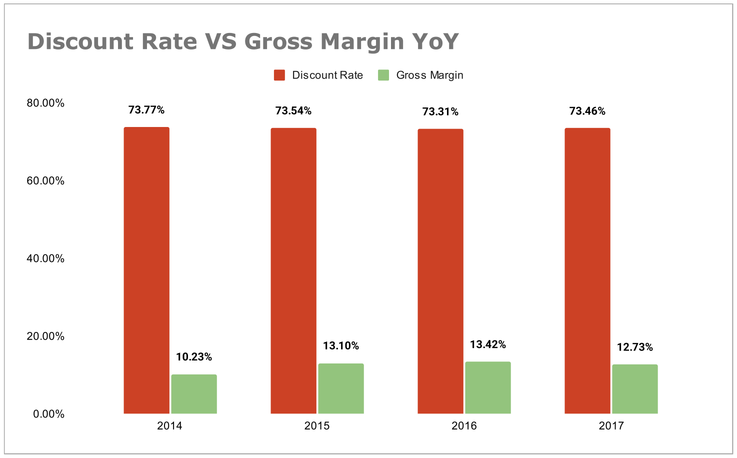
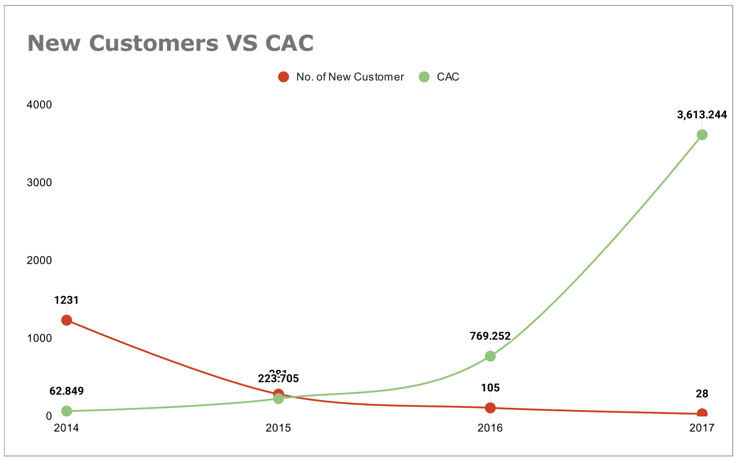


Key Insight:
The analysis of discount rates and profit margins over the years 2014-2017 reveals a consistent strategy of using high discounts to drive sales volume. While the discount rates have remained high, averaging over 73% from 2014-2017, although the company has managed to maintain a stable gross margin, ranging from 10.23% to 13.42% the discount rate nearly consumes all of our gross profit margin, leaving minimal net profit and creating significant financial risk. While sales have grown healthily, the cost of generating those sales through deep discounts has grown at a parallel rate. In 2014, the discount rate of 73.77% was 7.2x higher than the gross margin of 10.23%. This pattern continues throughout the period, indicating a strategy reliant on unsustainable price reductions to drive volume. There is a need to re-evaluate discount strategies to ensure they are not negatively impacting profitability. Further analysis of customer behavior and market conditions could provide insights into optimizing discount levels and improving profit margins.

Strategic Recommendations:
Revise the discount strategy avoid discount for low-margin products. Identify products with margins below 15% and prohibit discounts on them entirely. Instead, bundle them with higher-margin items. Understand the situation over the company decision to put discount as big as 80% to push margin to cross entirely to loss is very necessary to prevent more losses.

Analyze customer segmentation data. Determine if these deep discounts are acquiring loyal, profitable customers or one-time bargain hunters. Shift incentives from upfront discounts to loyalty programs and value-added services.

2

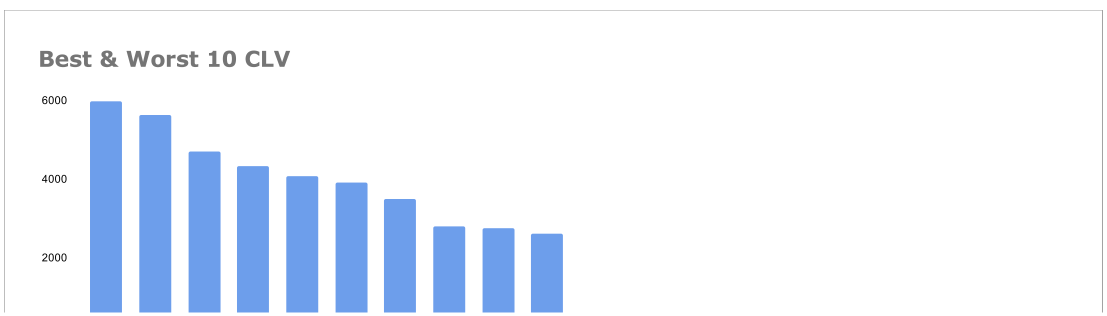


Key Insight:
Company's reliance on discount-driven acquisition has created a vicious cycle: primarily driven by the use of discounts as the sole component of total marketing and sales expenses, deeper discounts are required to attract fewer customers, causing CAC to become prohibitively expensive and directly destroying profitability. While our discount spending (marketing cost) increased by a manageable 31% from 2014 to 2017, the number of new customers we acquired collapsed by 98%. This inverse relationship proves that discounts have severely diminishing returns and are no longer an effective acquisition lever. The 2017 CAC of $3,613 is a major red flag; Company could virtually guaranteed to lose money on every new customer we acquire.

Strategic Recommendations:
Diversify Marketing Strategies, relying solely on discounts as a marketing strategy is leading to unsustainable increases in CAC. Diversify marketing efforts by re-allocate at least 50% of the planned discount budget ($50k+) towards building brand awareness and generating organic demand through content marketing, SEO, and targeted advertising that emphasizes value, not price. Also include other channels such as social media, email campaigns, and referral programs. This can help attract new customers at a lower cost.

Optimize Discount Strategies, high discounts are becoming less effective in attracting new customers. Cease using blanket discounts as a lead-generation tool. Implement more targeted and tiered discount strategies. For example, offer higher discounts to first-time buyers and lower discounts to repeat customers. This can help maintain customer acquisition while controlling costs.

3

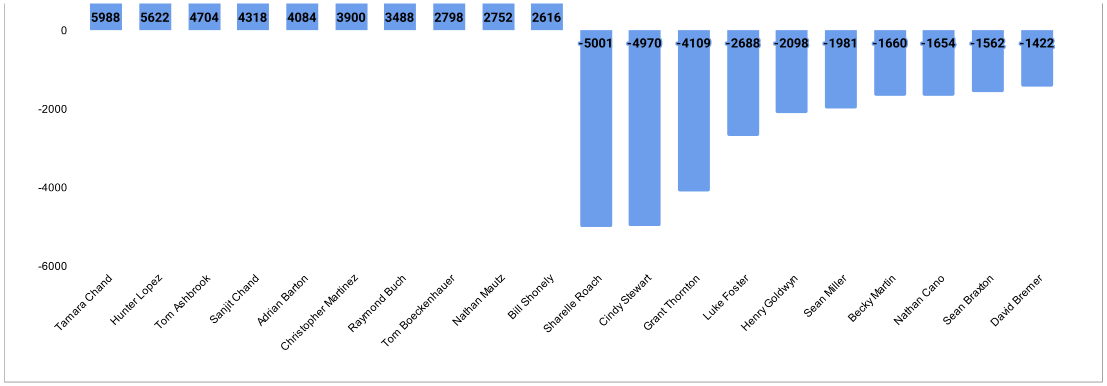


Key Insight:
The extreme disparity between our best and worst customers is not a simple performance gap; it is a fundamental business model flaw. We are running a successful, high-margin business for a few clients and a failing, loss-making charity for others, all under the same roof.

The Champions Drive the Business: The top 10 customers are highly profitable, with an average Gross Margin of 39.6%. They have high Average Order Values (AOVs like Tamara Chand's $1,588) and are loyal over multiple years. They are the reason we are still in business.

The Liabilities Are Burning It Down: The bottom 10 are not just unprofitable; they are financially catastrophic. They operate at a negative average Gross Margin of -53.8%, meaning we lose more than 50 cents for every dollar of sales to them. Customers like Cindy Stewart (-116.46% Margin) and Sharelle Roach (-103.11% Margin) are not customers; they are value destruction vehicles. Their high sales volumes (e.g., Sean Miller: $25k Sales) mask devastating losses.

Strategic Recommendations:
Immediate Triage (Next 7 Days):
- FREEZE ALL ACTIVITY for the Bottom 10 customers. Halt any new orders, discounts, or dedicated



support for these accounts pending a profitability review. This is a financial emergency.
- Calculate the exact cost-to-serve for each of the Bottom 10. Include support, logistics, and handling costs to understand the full scope of the losses.

Medium-Term corrective Action (Next Quarter):
- The "Fire" Decision: For the most egregious loss-makers (e.g., Cindy Stewart, Sharelle Roach), we must exit these relationships. Inform them that we can no longer serve them under their current commercial terms. This is not a negotiation; it is a necessary surgery to save the business.
- The "Fix" Decision: For other bottom customers, immediately renegotiate terms. Remove all discounts and raise prices to at least a minimum profitability threshold (e.g., 15% GM). Be prepared for them to leave.

Strategic Overhaul (Ongoing):
- Implement a "Red Line" Pricing Policy: Mandate that no salesperson can offer a discount that pushes the gross margin below 10% without written executive approval. The system must physically block it.
- Create a CLV-Driven Segmentation Model: Formally segment all customers into A-B-C tiers based on CLV. Direct marketing resources to acquire more "A" customers and systematically improve or exit "C" customers.