Analyzing EMEA's Market Performance: A Focus on Profitability

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Executive Summary

This report provides a detailed analysis of the sales, profits, and profitability of the EMEA market, focusing on the discrepancy between sales and profitability and highlighting the low profitability of Turkey. It suggests specific strategies to address the issue and improve overall profitability in EMEA.

Executive Overview

The analysis of sales and profitability, using the bar graph, in the EMEA market reveals notable insights. In the total Sales by market bar chart, EMEA's sales rank 5th at $804,879. However, in total Profit by market, EMEA's profits rank 6th at $43,914. This indicates a disparity between sales performance and profitability within the EMEA market.

Using a Box and whisker plot to examine overall profitability by market, EMEA's position is disconcerting, ranking last at 5.46%, which falls below the lower whisker group. This suggests that EMEA's profitability significantly lags behind the market average, warranting immediate action to rectify the situation.

Low Profitability in EMEA Countries

Further analysis reveals that 7 countries in EMEA are experiencing negative profitability, with percentages ranging from -90.77% to -162.93%. They are Turkey, Tajikistan, Lithuania, United Arab Emirates, Yemen, Kazakhstan and Turkmenistan in order. These countries are significantly below the lower whisker group in terms of profitability, and their performance is dragging down the overall profitability of the EMEA market. One of these countries, Turkey, ranks 7th in terms of low profitability at -90.77%, despite demonstrating substantial sales of $108,302 compared to the other 6 countries. Addressing Turkey's low profitability issue could considerably impact EMEA's profitability, and the strategies employed could be applied to other countries facing similar challenges.

Analysis of Turkey's Shipping Costs and Discounts

A detailed analysis of Turkey's shipping costs and discounts reveals important insights. The bar graph illustrating Total Shipping cost by sub-category shows that Phones have the highest total shipping cost among the sub-categories at $1,999, which is significantly higher than the previous highest total shipping cost for chairs at $1,619.

Furthermore, in the Phones sub-category, the total shipping cost of First Class is as high as Standard Class, with costs amounting to $783 and $808 respectively. This indicates that the high cost of First Class shipping for Phones could be a contributing factor to Turkey's low profitability.

However, closer inspection of the discount distribution based on each row ID in the dataset using a box and whisker plot in the Phone sub-category, it becomes apparent that every order, regardless of the ship mode, has been discounted by 60%, given that there is no upper or lower spread in the box and whisker plot. Furthermore, this pattern extends beyond the Phone sub-category; every sub-category exhibits the same consistent 60% discount policy. This uniform discounting approach suggests that discounts could contribute to Turkey's low profitability.

Recommendations and Impact

To address the low profitability in Turkey, it is recommended to reduce discounts by 65% for all orders. This adjustment is projected to increase Turkey's profitability by 97.5%, from -90.77% to 6.73%, effectively making Turkey a profitable country. Furthermore, this strategy is expected to increase EMEA's overall profitability by 13.12%, from 5.46% to 18.58%. It is advised that management consider reducing discounts given to Turkey along with the 6 countries that are experiencing negative profitability as it could improve their financial performance.

Conclusion

In conclusion, the analysis underscores the disparity between sales performance and profitability in the EMEA market, with Turkey being a significant contributor to the region's low profitability. By implementing targeted strategies to reduce discounts, management can enhance profitability not only in Turkey but also in other countries facing similar challenges.

542 Words

Technical Appendix

-Profitability/Profit Ratio: Profit / Sales

-Adjusted Profit After Reduced Discount : [Sales/(1-Discount given)]*(Discount Given * Percent of Discount Reduce I.E 0.65) + Profit

-Adjusted Profit Ratio/Profitability: New Profit After Discount / Sales