Superstore Strategic Performance Report

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November 2025

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1 EXECUTIVE SUMMARY

The Superstore is currently facing a **"Profitability Paradox"**: while sales volume is healthy and growing, net profit is being severely eroded by an aggressive, unchecked discounting strategy. Our analysis confirms that 30–50% discounts on unprofitable products (Tables) and in unprofitable regions (Texas, Ohio) are the primary root cause of financial leakage.

By implementing a strict **20% Discount Cap** and restructuring our approach to Furniture sales, our forecasting models predict an immediate stabilization of profit, generating a projected monthly profit of **~$16,400 by June 2018**, shifting the company from volatility to sustainable growth.

2 DIAGNOSTIC ANALYSIS (THE "WHY" & "WHERE")

Based on the Performance & Problems Dashboards (Week 2 Analysis)

2.1 The "Discount Trap" (Root Cause)

The data reveals a direct negative correlation between discount rates and profit.

- **The Breakeven Point:** Any discount exceeding 20% consistently results in a negative profit margin.
- **The Timeline:** This is a structural issue, not a seasonal one. The trend of "buying sales" through losses began in Q1 2014, exemplified by a specific order in Illinois where a Binder was sold at an 80% discount.

2.2 Geographic Performance

- **The Winners:** California and New York are the engines of the company, driving the majority of profitable revenue.
- **The Losers:** Despite high sales volume, Texas, Ohio, and Pennsylvania are significantly unprofitable. We are essentially paying marketing dollars to acquire customers in these states who lose the company money on every transaction.

2.3 Product Portfolio Health

- **Cash Cows:** The 'Technology' category (specifically Phones and Copiers) and 'Office Supplies' (Paper, Binders) are the most efficient profit generators.
- **Bleeding Assets:** The 'Furniture' category is the primary drag on performance. Specifically, 'Tables' and 'Bookcases' are sold with high discounts that fail to cover their likely high shipping and handling costs.

3 PREDICTIVE FORECASTING (THE FUTURE OUTLOOK)

Based on Linear Regression Modeling (Week 3 Analysis)

We modeled two scenarios for the next 6 months (January – June 2018):

3.1 Scenario A: Business as Usual

If no changes are made, the model predicts continued volatility. Sales will likely grow due to natural market trends, but profit will remain unpredictable and flat, as high discounts continue to eat into margins.

3.2 Scenario B: Strategic Intervention (Recommended)

We modeled a scenario where:

- Discounts are capped at 20%.
- Advertising is paused in TX, OH, and PA.
- 'Tables' are removed from promotions.

The Forecast:

- **Immediate Impact:** Monthly profit is projected to stabilize at **$15,357** in January 2018.
- **Growth Trajectory:** Profit shows a steady upward trend, reaching **$16,394** by June 2018.

Conclusion: The proposed interventions successfully decouple sales growth from profit loss.

4 STRATEGIC RECOMMENDATIONS

Actionable steps for the Management Team

Phase 1: Stop the Bleeding (Immediate Actions)

- **Implement the "Rule of 20":** Institute a hard system lock that prevents any discount over 20% without Regional Manager approval.
- **Geographic Freeze:** Immediately pause all paid advertising and promotional spend in Texas, Ohio, and Pennsylvania. Conduct a logistics audit to understand why shipping costs in these regions are destroying margins.

Phase 2: Restructure the Offer (Short Term)

The ”Furniture Fix”: Stop discounting ‘Tables’ and ‘Bookcases’ directly. Instead, use Bundling.

- *Old Strategy:* Sell a Table at 30% off (Loss).
- *New Strategy:* Sell a Table at Full Price, get 20% off Chairs (Profit + Inventory movement).

Free Shipping Threshold: Capitalize on the ”Standard Class” shipping dominance. Raise the Average Order Value (AOV) by offering Free Shipping only on orders over $75.

Phase 3: Accelerate Growth (Long Term)

- **Inventory Loading:** Historical data shows a massive seasonal peak in Q4 (Nov-Dec). Increase inventory orders for ‘Technology’ and ‘Office Supplies’ by 15% in September to prevent stockouts during the holiday rush.
- **Loyalty Focus:** Double down on the Consumer Segment (our most profitable group) with a loyalty rewards program to increase their lifetime value, rather than chasing low-value Corporate bulk orders that demand high discounts.