Project Report

VISION360 BUSINESS ANALYSIS PROJECT
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ValueFrenzy Inc.

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1. Company Overview

ValueFrenzy is a well-established supermarket chain specializing in Retail and Consumer Goods sector, offering a diverse product portfolio that includes consumer durables and premium goods. Operating in the United States, Mexico, and Canada since its founding in 2006, ValueFrenzy has built a reputation for affordability, quality, and customer satisfaction, making it a trusted brand across North America.

The company's product range is categorized into:

- Low-Tier: Everyday groceries and basic goods.
- Medium-Tier: Household items, appliances, and durable goods.
- High-Tier: Electronics and premium furniture.

With over 200 stores strategically located in urban and suburban areas, ValueFrenzy serves millions of customers annually. In addition to offering national brands, the company has expanded its focus on private label brands, providing customers with value-driven alternatives while enhancing profitability.

To stay competitive in the evolving Retail and Consumer Goods sector, ValueFrenzy has embraced a customer-first approach by enhancing its omnichannel shopping experience and integrating physical stores with a robust online platform. These efforts align with the company's mission to boost operational efficiency and ensure sustainable growth. The company continuously explores innovative strategies to enhance profitability, improve customer engagement, and solidify its position as a market leader.

2. Problem Statement

During a strategic review of its operations from 2021 to 2023, ValueFrenzy identified a concerning decline in revenue and profitability, particularly in its key USA market. This decline was marked by a sharp reduction in Average Transaction Value (ATV) and decreased demand for high-tier products, such as electronics and furniture. The trend raised critical questions about the company's ability to maintain competitiveness amidst shifting consumer behavior and economic challenges.

Recognizing the urgency of the situation, Sarah Jamieson, the Chief Operating Officer (COO), initiated a business analysis project to address these performance concerns. The objective was to conduct a comprehensive review of ValueFrenzy's sales performance across the USA, Mexico, and Canada, focusing on key performance indicators (KPIs) such as:

- Total Revenue
- Gross Profit
- Quantity Sold
- Total Transactions
- Average Transaction Value (ATV)

The project aimed to uncover critical gaps in performance, analyze customer purchasing behavior, and assess trends across regions and product tiers. By leveraging data-driven insights, the project sought to develop actionable recommendations to improve profit margins, optimize product offerings, and align business strategies with evolving market demands.

This analysis represents a foundational step in ValueFrenzy's broader effort to strengthen its market position and drive sustainable growth in an increasingly competitive Retail and Consumer Goods sector.

3. Key Stakeholders

Sarah Jamieson (COO): Sarah's strategic vision and leadership were critical in steering project priorities. Her feedback ensured that the recommendations aligned with ValueFrenzy's organizational goals, particularly regarding operational efficiency and sustainable growth.

David Lee (CFO): While less involved in day-to-day project tasks, David's expertise in financial metrics brought a sharper focus on Revenue and Gross Profit analysis. His contributions helped refine the recommendations for pricing strategies and profitability improvements.

Amanda Cole (Head of Sales and Marketing): Amanda provided key insights into product promotions and customer engagement strategies. Her input influenced the analysis of Average Transaction Value (ATV) and highlighted opportunities for enhancing regional sales performance.

Michael Rogers (Regional Manager, USA): Michael's detailed feedback on regional operations helped identify inefficiencies in the USA market, enabling a focused analysis on improving regional performance.

Isabella Martinez (Regional Manager, Mexico): Isabella contributed to uncovering market-specific challenges in Mexico, such as lower ATV and product availability, guiding recommendations for improved inventory management.

Ethan Carter (Regional Manager, Canada): Ethan's input was pivotal in analyzing Canadian market trends, where ATV and product performance required closer evaluation to meet organizational benchmarks.

Karen Blake (Head of Product Development and Strategy): Karen's expertise in product performance enabled the identification of underperforming categories. Her feedback shaped strategies to optimize the impact of high-tier products on overall sales.

Nitin Kunigal (Business Analyst): As the project's lead business analyst, Nitin spearheaded the comprehensive analysis of ValueFrenzy's sales data. His role included:

- Collaborating closely with stakeholders to elicit, document, and prioritize business requirements.
- Translating raw data into actionable insights through Excel-based tools like Power Query and Power Pivot.
- Delivering an interactive dashboard that enabled data-driven decision-making.
- Communicating findings and recommendations through well-structured presentations, ensuring alignment with strategic goals.
- Driving stakeholder engagement to validate findings and refine actionable strategies.

4. How Stakeholder Influence Shaped the Project

Sarah Jamieson (COO):

- <u>Strategic Oversight:</u> Sarah provided a strategic framework for the entire project, emphasizing the alignment of operational efficiency and sustainable growth with data-driven insights. Furthermore, she guided the project towards identifying key areas where cost savings and operational improvements could be made, especially in the USA and Canada regions.
- <u>Shaped Insights:</u> Directed the focus toward operational KPIs like Quantity Sold and Gross Profit to address performance gaps in the USA and Canada.
- <u>Shaped Recommendations:</u> Encouraged deeper exploration of product-tier performance to optimize both operational and financial strategies.

David Lee (CFO):

- <u>Financial Prioritization:</u> David's input ensured the analysis was grounded in financial accountability, focusing on Total Revenue and Gross Profit. His feedback on financial projections influenced the analytical depth of revenue trends across regions.
- <u>Shaped Insights:</u> His focus on revenue trends by region and the interplay between Average Transaction Value (ATV) and Gross Profit refined the financial analysis.
- <u>Shaped Recommendations:</u> Advocated for enhanced tracking of revenue per transaction and strategic inventory management to boost profitability.

Amanda Cole (Head of Sales & Marketing):

- <u>Sales Focus:</u> Amanda's interest in sales dynamics influenced the project's emphasis on marketing strategies and tiered product performance.
- <u>Shaped Insights:</u> Data from the Sales & Marketing departments, particularly in high-value product lines, shaped the analysis around Average Transaction Value (ATV) across regions.
- <u>Shaped Recommendations:</u> Recommended targeted marketing strategies for different regions to drive high-value product sales.

Michael Rogers, Isabella Martinez, and Ethan Carter (Regional Managers):

- <u>Regional Perspectives:</u> Their regional insights were crucial for the project's regional performance breakdowns in the Average Transaction Value (ATV) and gross profit analysis. They provided feedback on key regional challenges and influenced the focus on local product trends and customer preferences.
- <u>Shaped Insights:</u> Contributed to a detailed analysis of regional variations in transaction patterns and purchasing behavior.
- <u>Shaped Recommendations:</u> Recommended adjustments in pricing and inventory strategy specific to each region, especially for the USA and Mexico.

Karen Blake (Head of Product Development and Strategy):

- <u>Product Strategy:</u> Karen's focus on aligning the product portfolio with customer expectations steered the product-tier analysis.
- <u>Shaped Insights:</u> Guided the emphasis on product-tier analysis, which helped uncover performance gaps in the medium-tier household products and the low-tier grocery items.
- <u>Shaped Recommendations:</u> Recommended renegotiating supplier contracts for low-tier products to enhance gross margins and repositioning medium-tier products to boost sales across all regions.

5. Key Performance Indicators

5.1 Total Revenue

- Measures the overall income generated across all regions (USA, Mexico, and Canada) and product categories.
- Purpose: To evaluate regional revenue contributions, identify trends, and assess the impact of strategic decisions on overall income.

5.2 Gross Profit

- Calculated as Total Revenue minus the Cost of Goods Sold (COGS).
- Purpose: To provide insights into the profitability of products and regions, guiding decisions on cost management and margin optimization.

5.3 Quantity Sold

- Represents the total units sold across all regions and product tiers (low, medium, and high).
- Purpose: To analyze product performance, demand trends, and the effectiveness of sales strategies.

5.4 Total Transactions

- The total number of customer transactions processed across all regions.
- Purpose: To understand customer activity and engagement levels, and their impact on revenue generation.

5.5 Average Transaction Value (ATV)

- The average value of a single transaction, calculated as Total Revenue divided by Total Transactions.
- Purpose: To gauge customer spending behavior, identify opportunities for upselling, and align pricing strategies with market demand.

6. Rationale Behind Selected KPIs

In our analysis of ValueFrenzy, we focused on five key performance indicators (KPIs): Total Revenue, Gross Profit, Quantity Sold, Total Transactions, and Average Transaction Value (ATV). This selection was based on the following considerations:

- **Alignment with Analysis Objectives:** The chosen KPIs align directly with the project's primary objectives: understanding revenue generation, profitability, and customer purchasing behavior across regions and product tiers. These metrics provide actionable insights into ValueFrenzy's operational performance.
- **Data Availability and Quality:** The analysis was guided by the availability of reliable data. While metrics such as Total Returns or Return Rate are valuable in Retail and Consumer Goods projects, they were excluded due to the absence of relevant data in the dataset provided. Including incomplete or speculative metrics could have compromised the accuracy and credibility of the analysis.
- **Simplicity and Actionability:** Focusing on five KPIs ensured a clear and actionable analysis, avoiding unnecessary complexity. This approach allowed us to derive targeted insights and recommendations without overwhelming the stakeholders with excessive data.
- **Economic Context:** Given the challenging economic environment and ValueFrenzy's specific issues, such as declining revenue and profitability, the selected KPIs addressed the most pressing concerns, such as regional performance, transaction patterns, and profitability trends.
- **Industry Best Practices:** These KPIs reflect standard practices in Retail and Consumer Goods performance analysis, where revenue, transaction volumes, and customer behavior patterns are prioritized to drive business decisions.
- **Future Exploration:** While this analysis focused on the most relevant metrics for the current objectives, we acknowledge the importance of other KPIs like:
    - Total Returns and Return Rate: To analyze product performance and customer satisfaction.
    - Customer Retention Rate: To assess long-term customer loyalty.
    - Inventory Turnover: To evaluate operational efficiency and stock management.

These metrics could be explored in future assessments as part of a broader analysis to provide deeper insights into ValueFrenzy's overall business dynamics.

7. Methodology

The project adopted a structured approach to analyze ValueFrenzy's sales performance, ensuring actionable insights were derived from the available data. The key steps included:

1. **KPI Definition:**
   - Selected relevant KPIs (Total Revenue, Gross Profit, Quantity Sold, Total Transactions, and Average Transaction Value) aligned with business objectives and stakeholder priorities.
2. **Data Collection:**
   - Raw data from 2021 to 2023 was sourced in CSV format, encompassing transaction records, product categories, and regional sales data.
3. **Data Cleaning and Transformation:**
   - Identified and resolved inconsistencies (e.g., missing values, duplicates) using Excel's Power Query.
   - Standardized data formats for consistency across datasets.
4. **Data Modeling:**
   - Developed a robust data model using Excel's Power Pivot to establish relationships between fact and dimension tables, enabling comprehensive analysis.
5. **Analysis and Visualization:**
   - Leveraged advanced Excel techniques (pivot tables, calculated fields) to conduct detailed analysis.
   - Designed an interactive dashboard for data visualization, offering real-time insights into trends and patterns.
6. **Stakeholder Feedback Loop:**
   - Iteratively refined insights and recommendations based on feedback from key stakeholders throughout the project to ensure alignment with business needs.

This methodology ensured a systematic and comprehensive analysis, enabling well-informed strategic decisions.

8. Insights and Recommendations

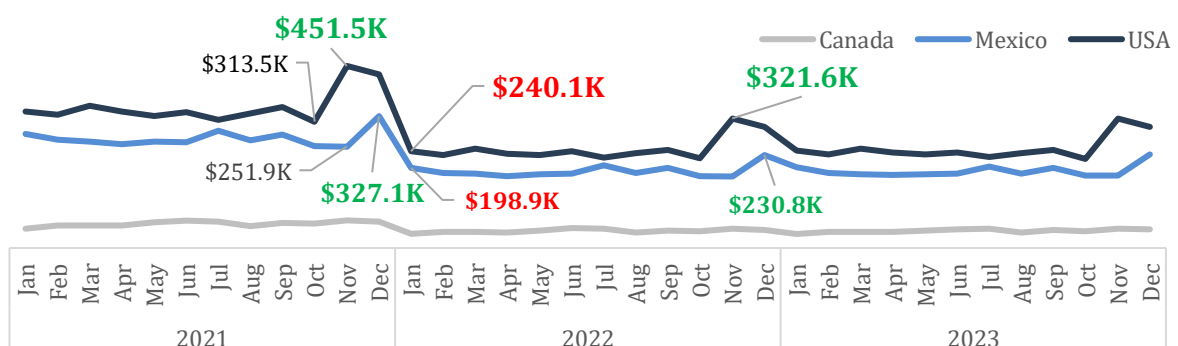## Insight 1: Declining Revenue and Gross Profit

Insight: The USA contributed the highest revenue (51%) but faced steep declines, driven by reduced high-tier sales and economic challenges. Mexico showed relative resilience, with medium-tier products driving revenue, while Canada, though a smaller market, remained stable, mitigating some overall losses.

- Revenue Trends: Total revenue dropped sharply from $13.8M in 2021 to $9.7M in both 2022 and 2023.
- Profit Trends: Gross profit followed a similar trend, declining from $8.2M in 2021 to $5.8M in subsequent years.
- Category Contributions: Medium-tier products contributed the most to revenue and profit, but high-tier products (electronics and furniture) showed the steepest decline, particularly in the USA.
- Regional Performance: Mexico's revenue and profit matched the USA's, showcasing growth potential.
- Sales Patterns: Weekday profits totaled $14.1M, outpacing weekend profits of $5.7M, indicating an opportunity to improve weekend sales.

Root Cause Analysis:

- Economic Factors: Inflation and economic uncertainty reduced consumer spending on high-value products.
- ATV Decline: A sharp drop in Average Transaction Value since Dec 2021 further impacted revenue.
- Market Dynamics: USA sales suffered most in high-tier categories, reflecting a need for region-specific strategies.

Significant **DECREASE** in **PROFITS** (especially, in the **USA**) from **Nov-2021** to **Jan-2022** due to a significant **DROP** in the overall **Average Transaction Value (ATV)**

Recommendation 1: Strategies to Address Declining Revenue and Gross Profit

1. Revitalize High-Tier Product Sales in the USA:
   - Targeted Promotions: Launch seasonal campaigns during peak shopping periods (e.g., Black Friday, Christmas) to attract customers.
   - Flexible Payment Options: Introduce financing plans such as 0% interest installments to make high-value products more accessible.
2. Enhance Customer Engagement Across All Regions:
   - Personalized Recommendations: Use customer data to offer tailored suggestions, focusing on medium- and high-tier products.
   - Omnichannel Experience: Strengthen the online shopping experience by integrating exclusive discounts for registered customers.
3. Boost Weekend Sales:
   - Weekend Promotions: Roll out exclusive discounts or bundle offers during weekends to increase ATV and customer traffic.
   - In-Store Events: Host product demos or flash sales to attract customers.
4. Leverage Mexico's Success as a Growth Model:
   - Replicate Mexico's successful strategies in the USA, particularly for medium-tier products.
   - Expand Mexico's high-tier product offerings to tap into its market potential.
5. Tailor Regional Campaigns with Market Research:
   - Develop region-specific marketing campaigns informed by ongoing local market analysis.
   - Adjust product offerings and pricing based on trends to better meet consumer needs.

Insight 2: Stable Quantity Sold but Declining Profit Margins

Insight: ValueFrenzy maintained a high total sales volume of 15.7 million units, but there were notable shifts in the product mix:

- Low-Tier Dominance: Low-tier products (groceries) accounted for 49% of total sales, underscoring their role as a volume driver. However, a decline in sales was observed from Dec-2021 to Jan-2022, likely due to supply chain disruptions and economic pressures.
- Medium-Tier Stability: Medium-tier products maintained steady contributions but lacked aggressive growth, particularly in regions like Canada.
- High-Tier Challenges: High-tier products, despite having the highest ATV, contributed only 17% of total quantity sold—the lowest among all tiers—highlighting a critical gap in profitability drivers.

Root Cause Analysis:

- Economic Constraints: Economic uncertainty led consumers to prioritize essential goods, resulting in a shift towards lower-tier products.

- Demand Shift: High-tier products like electronics and furniture saw reduced demand, particularly in the USA, where consumer spending was most affected.
- Product Strategy Gaps: Insufficient cross-promotion and bundling strategies for medium- and high-tier products limited their sales potential.

17% of **High-Tier** units sold, despite having the highest ATV, Needs Granular Attention
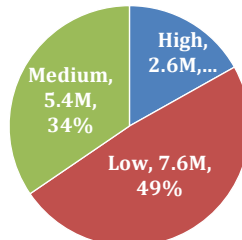
Recommendation 2: Optimize Product Mix and Drive High-Tier Sales

1. <u>Focus on Medium- and High-Tier Product Growth:</u>
   o Region-Specific Campaigns:
     ▪ In Mexico, emphasize the affordability of premium products by showcasing their quality and durability.
     ▪ In Canada, leverage high-tier product reliability and bundle it with extended warranties or free accessories.
   o Brand Positioning: Reinforce the aspirational value of medium- and high-tier products, positioning them as attainable luxuries that offer long-term benefits.
2. <u>Leverage Cross-Selling Opportunities:</u>
   o Product Bundles: Design targeted bundles, such as pairing electronics with complementary accessories or offering discounts on household items when purchased with groceries.
   o In-Store and Online Suggestions: Use customer purchase history to recommend high-tier add-ons during low-tier purchases. For example, a customer buying groceries could be offered discounts on small kitchen appliances.
3. <u>Enhance Marketing and Promotions for High-Tier Products:</u>
   o Run high-tier-focused campaigns during key shopping seasons (e.g., holidays or back-to-school periods).
   o Provide targeted incentives, such as trade-in offers for old electronics or financing options for large purchases.
4. <u>Monitor Product Performance:</u>
   o Introduce a periodic review of product mix performance to identify early signs of profitability declines.
   o Use regional feedback to refine product offerings and ensure inventory aligns with local customer demand.

## Insight 3: Disparity Between Transactions and ATV Trends (Oct–Dec)

Insight: Transaction volume consistently increased from early October to early December across all three years, particularly during the holiday season. However:

- Flat ATV: Despite higher transaction volumes, the Average Transaction Value (ATV) remained stagnant during this period.
- Holiday Decline: A sharp ATV drop from over $75 to around $53 occurred between December 2021 and January 2022, reflecting a sustained lower level in 2022 and 2023.
- Steady Period Trends: ATV showed minimal fluctuations in non-holiday months, indicating a focus on essentials over discretionary spending.

Root Cause Analysis:

- Customer Spending Behavior: Increased transaction volumes were driven by low-tier purchases (groceries), which limited ATV growth.
- Economic Constraints: Inflation and reduced disposable income further suppressed spending on high-tier products.
- Promotional Gap: Seasonal promotions primarily targeted transaction increases, not ATV growth, limiting the opportunity to capitalize on the holiday surge.

Sharp **ATV DROP** from **$75.30** to **$53.13** between **Dec-2021** to **Jan-2022**. **ATV** remained consistent across regions and product tiers due to **STABLE PURCHASING PATTERNS**. Despite a **TRANSACTION INCREASE** in late 2021, **ATV** remained steady, driven by **FREQUENT** low-tier purchases
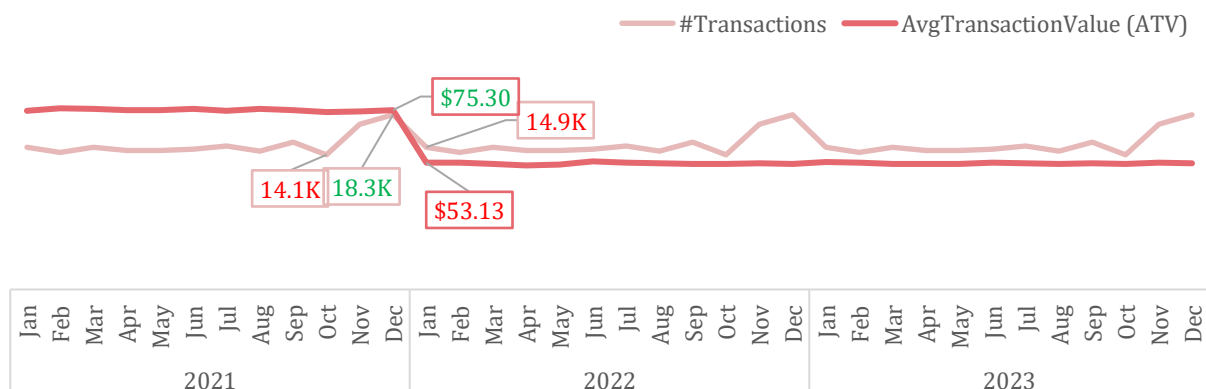
Recommendation 3: Boost Average Transaction Value (ATV)

1. Implement a Targeted Loyalty Program:
   - **Exclusive Rewards for Larger Purchases**: Launch a tiered loyalty program offering points for higher spending, with rewards redeemable for medium- and high-tier products.

- o **Holiday Promotions**: Introduce seasonal rewards, such as bonus points for purchases during the holiday season, to drive both transactions and higher-value sales.
2. Upselling and Cross-Selling Strategies:
   - o **Dynamic Suggestions**: Use customer purchase history and cart data to suggest premium or complementary products at checkout. Examples:
     - ▪ Electronics: Recommend accessories like chargers or screen protectors.
     - ▪ Groceries: Suggest related household products, such as bulk cleaning supplies.
   - o **Bundled Offers**: Create bundles that combine high-tier products with frequently purchased low-tier items, offering slight discounts to encourage bulk spending.
3. Holiday-Specific ATV Campaigns:
   - o **Personalized Offers**: Use targeted marketing emails or app notifications to present curated product bundles or discounts on high-value items during the holiday season.
   - o **Promotional Financing Options**: Offer 0% interest financing or flexible payment plans on high-tier purchases to incentivize larger transactions during key shopping periods.
4. Monitor and Adjust Campaign Effectiveness:
   - o Analyze ATV and transaction data to assess the success of loyalty programs and cross-selling efforts.
   - o Use insights to refine offers and adjust strategies for subsequent holiday seasons.

Impact of Recommendations:

By incentivizing higher-value purchases and leveraging customer data for targeted upselling, these strategies can:

- Increase ATV without compromising transaction volumes.
- Strengthen customer loyalty by offering tangible value through rewards and personalized offers.
- Align holiday promotions with profitability goals, maximizing the seasonal surge's impact.

Insight 4: Impact of Macroeconomic Conditions on Purchasing Patterns

Insight: Macroeconomic challenges like inflation, rising operational costs, and shifting customer preferences toward essentials led to fewer high-ticket purchases, particularly electronics. Customers across all regions increasingly opted for value-for-money goods, negatively impacting Average Transaction Value (ATV) and profit margins.

- Inflationary Pressures: Rising costs of goods and services reduced disposable income, limiting customers' ability to purchase high-value items like electronics and furniture.
- Operational Challenges: Increased supply chain costs due to global disruptions further escalated pricing challenges, squeezing profit margins.
- Shift in Consumer Preferences: The economic climate prompted a focus on affordable essentials, driving demand for low-cost groceries and private label products.

Recommendation 4: Adapt to Macroeconomic Conditions

- Promote Private Label Brands:
  - Highlight private label products as affordable, high-quality alternatives to national brands.
  - Run targeted marketing campaigns to showcase cost savings and value for money, appealing to budget-conscious customers.
- Improve Operational Efficiency:
  - Invest in supply chain optimization to reduce operational costs and improve product availability.
  - Implement lean operations and cost-saving measures to maintain competitive pricing without sacrificing profitability.

The insights and root causes show how KPIs are interlinked and affected by economic factors, product tier performance, and regional disparities. The primary focus should be on recovering revenue and profit margins by improving sales in high-margin categories while maintaining steady performance in core product areas like groceries and household goods.

By implementing these data-backed strategies, ValueFrenzy is well-positioned to overcome its current challenges and achieve sustainable growth across all markets.

9. Limitations of the Analysis

While the project provided valuable insights and recommendations, certain limitations should be acknowledged:

1. Data Availability:
    - The analysis relied on historical data from 2021 to 2023, which may not fully capture recent market trends or emerging consumer behaviors.
2. Lack of External Data:
    - The project focused solely on internal data, excluding external factors such as competitor strategies, broader market conditions, and macroeconomic trends, which might influence customer behavior.
3. Tool Constraints:
    - The analysis was conducted using Excel, which, while versatile, has limitations in handling larger datasets or advanced analytics compared to tools like Python or SQL.
4. Regional Insights Granularity:
    - Regional analysis was conducted at a high level, and more granular insights (e.g., city-level trends) could provide additional depth.
5. Static Analysis:
    - The project did not incorporate predictive modeling or forecasting, which could provide insights into future trends and guide proactive decision-making.

Recognizing these limitations allows for a more balanced interpretation of the findings and highlights areas for potential improvement in future analyses.

10. Conclusion

This business analysis of ValueFrenzy's sales performance from 2021 to 2023 provided critical insights into the company's operational and market dynamics, highlighting opportunities for growth and areas requiring strategic intervention. By evaluating key performance indicators—Total Revenue, Gross Profit, Quantity Sold, Total Transactions, and Average Transaction Value (ATV)—the study uncovered significant challenges, including declining revenue and profit margins, regional disparities in performance, and evolving customer purchasing behaviors.

Key findings revealed that economic conditions, shifts in consumer preferences, and operational inefficiencies are impacting ValueFrenzy's competitiveness in the Retail and Consumer Goods sector. However, these challenges also highlight potential avenues for growth, such as targeted regional strategies, leveraging private label brands, and enhancing customer engagement through tailored promotions and improved omnichannel experiences.

By implementing data-driven recommendations, ValueFrenzy can address performance gaps, optimize operations, and better align with changing market dynamics. These actionable strategies position the company to strengthen its market share, improve profitability, and sustain long-term growth. This analysis serves as a valuable foundation for informed decision-making, equipping ValueFrenzy with the insights needed to navigate a competitive and evolving marketplace.