

# Report: Company Business Analysis

Prepared by Nur Aisha binte S Burhan

*UOL student number:* 

# Table Of Content

<b>1   Executive Summary</b>	<b>2</b>
<b>2   Introduction to the Report</b>	<b>3</b>
<b>3   Low Sales in EMEA</b>	<b>3</b>
<i>3.1: The Overview</i>	<b>4</b>
<i>3.2: Customer Analysis</i>	<b>5</b>
<i>3.3: Operational Performance</i>	<b>6</b>
<i>3.4: Effectiveness of Discounts</i>	<b>7</b>
<i>3.5: Cost Analysis</i>	<b>8</b>
<b>4   Conclusion and Recommendations</b>	<b>9</b>
<b>5   References</b>	<b>10</b>

# 1 | Executive Summary

This report explores the company's growth and performance over the span of 4 years, from 2018 to 2021. The investigation encompasses an evaluation of the market, shipping costs and consumer habits.

As per the analysis findings, the company's sales revenue appears to have substantial opportunities for prospering. Despite the progressive growth of sales revenue however, we found that the EMEA market is not performing as well as the other markets given that the market has the lowest total sales and the lowest return on sales ratio. Our customer analysis further reveals that the consumer pool in the EMEA market consists of mostly repeated customers. The number of new customers has also declined to zero over the years.

These findings may be due to several reasons.

Our operational performance analysis indicates that the EMEA market is likely to be facing a bottleneck problem due to the inefficiency of the shipping operation, i.e., orders with different priority levels take the same number of days to be shipped. Furthermore, calculations have shown a discrepancy in the costs of shipping within the market such that orders that require more resources to fulfill costs relatively lesser than orders with lower priority. We have also observed that discounts are not extensively effective. The proportion of non-discounted orders is significantly larger than that of discounted orders. Additionally, discounted orders generated major losses instead of profits. Based on our costs analysis, we have found that the EMEA market has a higher shipping cost to revenue ratio, relative to the EU market. We also measured that the contrast between the profit earned and the difference between sales revenue and shipping expenses in the EMEA market is substantially larger than that of the EU market.

The EMEA market has great potential for improvement. It is our recommendation that the company adopts a well-planned marketing and operation strategy that can further strengthen the company's productivity in the long run. This includes boosting marketing strategies, adapting to the preferences and tastes of consumers, and evaluating shipping options and procedures within the EMEA market.

## 2 | Introduction to the Report

The purpose of this report is to provide a detailed insight on the company's performance. It is with intention that from these findings, we will be able to derive methods to improve decision-making and increase productivity.

This report encompasses data collected from sales made between, and inclusive of, 2018 to 2021. Data collected includes, but are not limited to, information regarding the date and geographical location the sale was made, product sold, amount of discount used, and mode of shipping within the different markets of the company.

The next part of this report entails a comprehensive explanation of the observations gathered from the data collected.

## 3 | Low Sales in EMEA

In this report, we dive into the study of sales performance in the EMEA market. Upon research we have discovered that the EMEA market produced one of the lowest amounts of sales relative to other markets.

The EMEA stands for Europe, Middle East and Africa. However, it is crucial to note that the company's EMEA market mainly consists of Russia and the Middle East countries— with the EU and Africa having their own separate markets, as seen in figure 1.

Russia and the Middle East countries within the EMEA market have a total population of over 600 million inhabitants (United Nations, 2022) while the EU has a population of roughly 446.8 million inhabitants as of 2022 (Statistics Explained, 2022). With that said, it would be expected for the EMEA market to deliver higher revenue, however the opposite stands to be true.

To understand the reason behind this phenomenon, we have divided the analysis into five parts. We begin with analyzing the issue, then examining the possible causes after.

### 3.1: The Overview

The overview provides a summary of the company's overall conduct over the measured years.

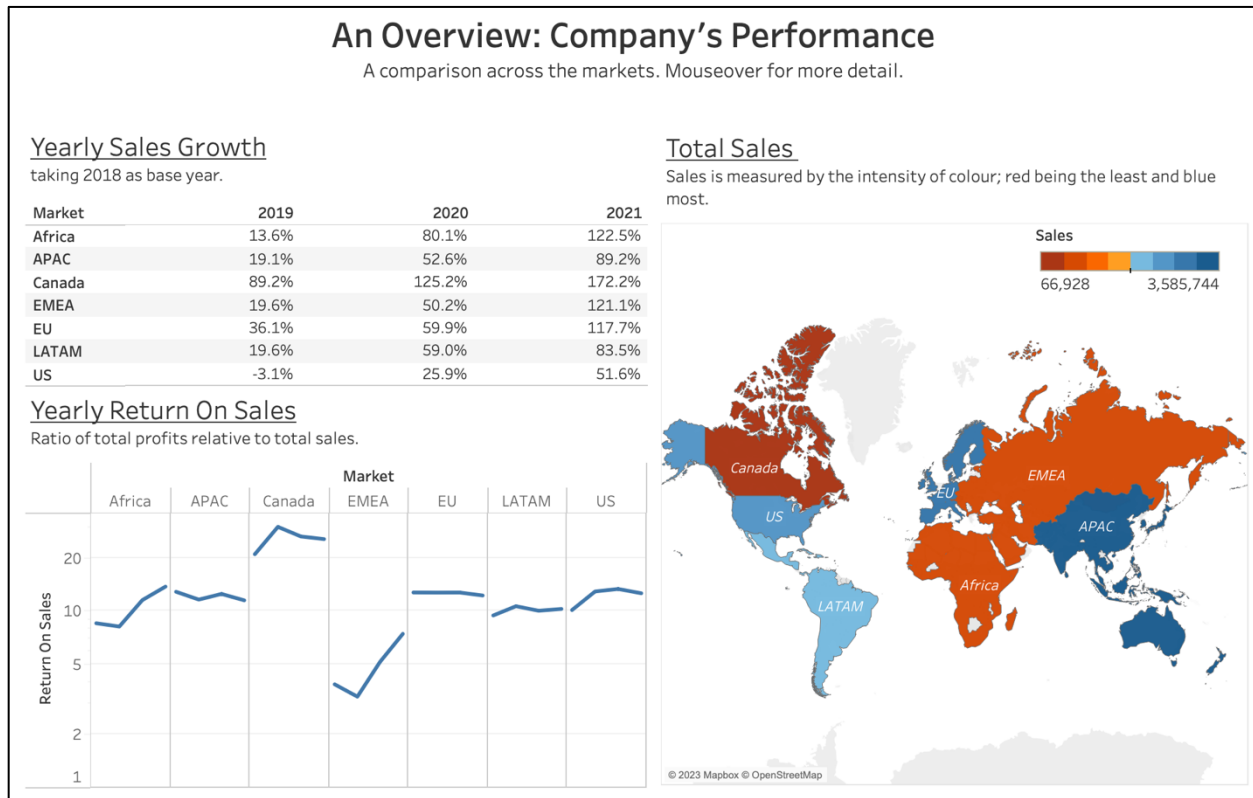


Figure 1: Dashboard of an overview of the company's performance

To calculate yearly sales growth, we divide the yearly sales by the base year's sales, which in this case is 2018. This helps us understand how much revenue has grown relative to 2018. Figure 1 shows that the EMEA market had an impressive revenue growth of nearly 121% in three years.

Sales comparison shows the contrast in total revenue attained by each market. As seen above, despite the significant increase in revenue, the EMEA market has one of the lowest total sales.

Return on sales refers to the ratio of profit to revenue. The higher the ratio, the more efficient the company is in turning sales into profit. The EMEA market has the lowest ratio ranging between 3.0 to 8.0. It was also found that the market experienced a fall in ratio in 2019, suggesting that there was a decrease in profits relative to total sales in said year.

### 3.2: Customer Analysis

Customer analysis is a powerful tool that can give us a better understanding of our customers' behavior. To have a clearer insight of the standing issue, we have restricted the measurements within the EMEA market.

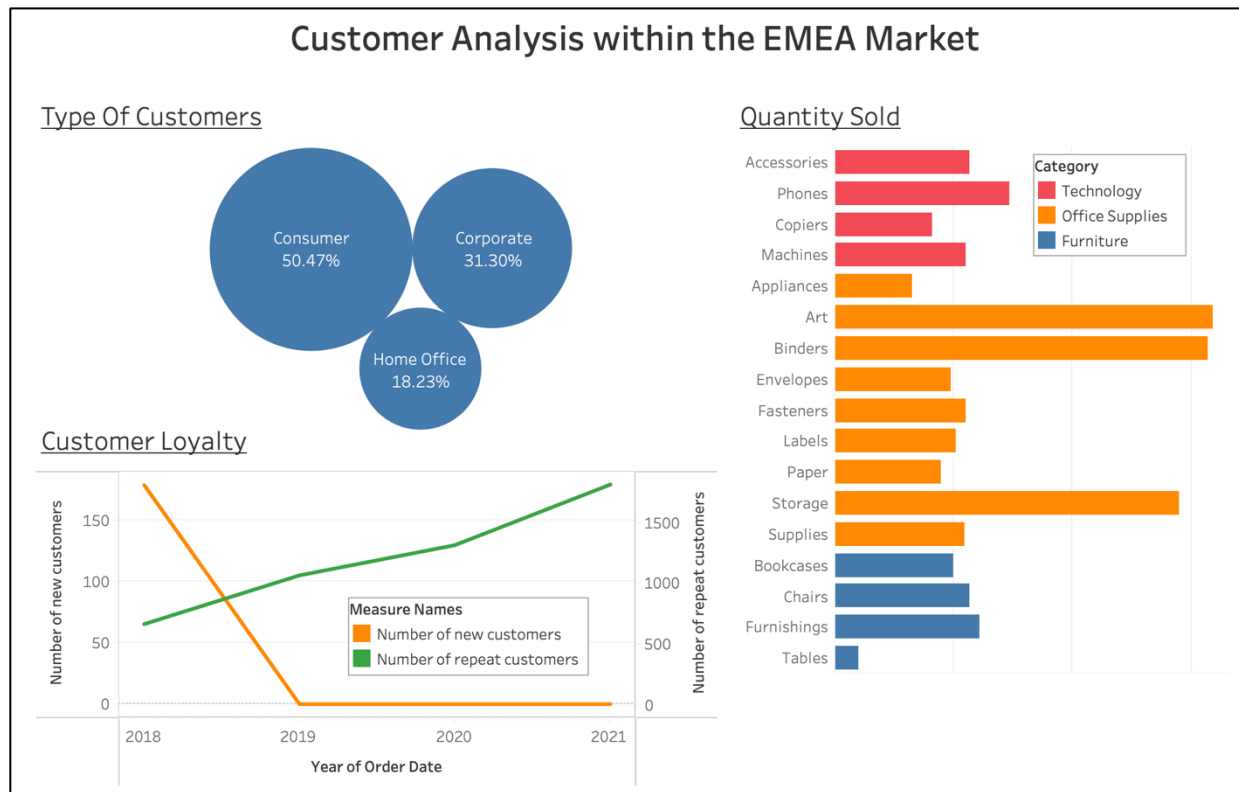


Figure 2: Dashboard of the customer analysis

In the EMEA market, customers can be divided into three types: Consumer, Corporate, and Home Office. Consumers make up the majority at around 50.5%. Office Supplies is the best-performing product category, with Art supplies being the top-selling product. Furniture, particularly Tables, has the lowest sales.

Figure 2 shows that the EMEA market experienced a decline in new customers between 2018 and 2019 and has had no new customers for two consecutive years. However, the number of repeated customers has consistently increased, indicating that the EMEA market is good at maintaining the loyalty of their current customers but needs to work on attracting new ones.

We will now move onto the three possible causes for the low sales in the EMEA market.

### 3.3: Operational Performance

Examining the operational performance of the company can prompt an assessment of how to better achieve its objectives and identify opportunities for cost savings (StudySmarter, n.d.). In this analysis, we assess how well the company's shipping process is working in the EMEA market, with a focus on the cost of shipping office supplies.

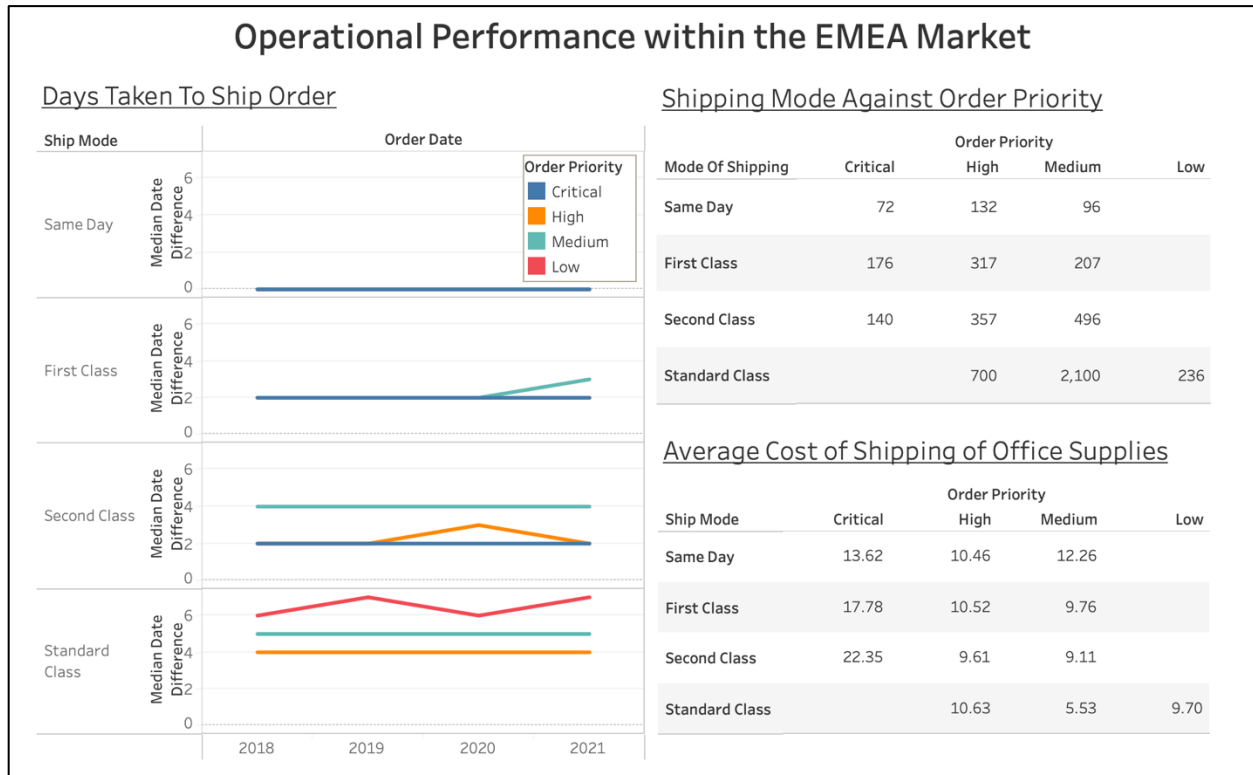


Figure 4: Dashboard of the operational performance analysis

Shipping modes cost differently– Same-day shipping is generally much more expensive as compared to Standard shipping due to the added costs for extra resources, such as prioritized handling and processing of orders, faster packing of products, and expedited shipping options (Pang, 2022). The average shipping costs show a discrepancy, as critical-priority second-class orders cost almost 64% more than critical-priority same-day orders, even though the latter is shipped 2 days faster.

High-priority standard-class and medium-priority second-class orders take the same time to ship, but the former is more expensive. The same is true for critical-priority first-class and second-class orders. This indicates redundancy in shipping categories, which can cause delays in order processing. The bottleneck issue refers to a situation where a specific process becomes a constraint that slows down the entire

production or delivery process (Barone, 2022). Eliminating bottlenecks in business operations can lead to enhanced productivity, amplified output capacity, and improved outcomes.

### 3.4: Effectiveness of Discounts

A discount analysis involves studying the financial implications of providing discounts on the company's sales revenue and profitability.

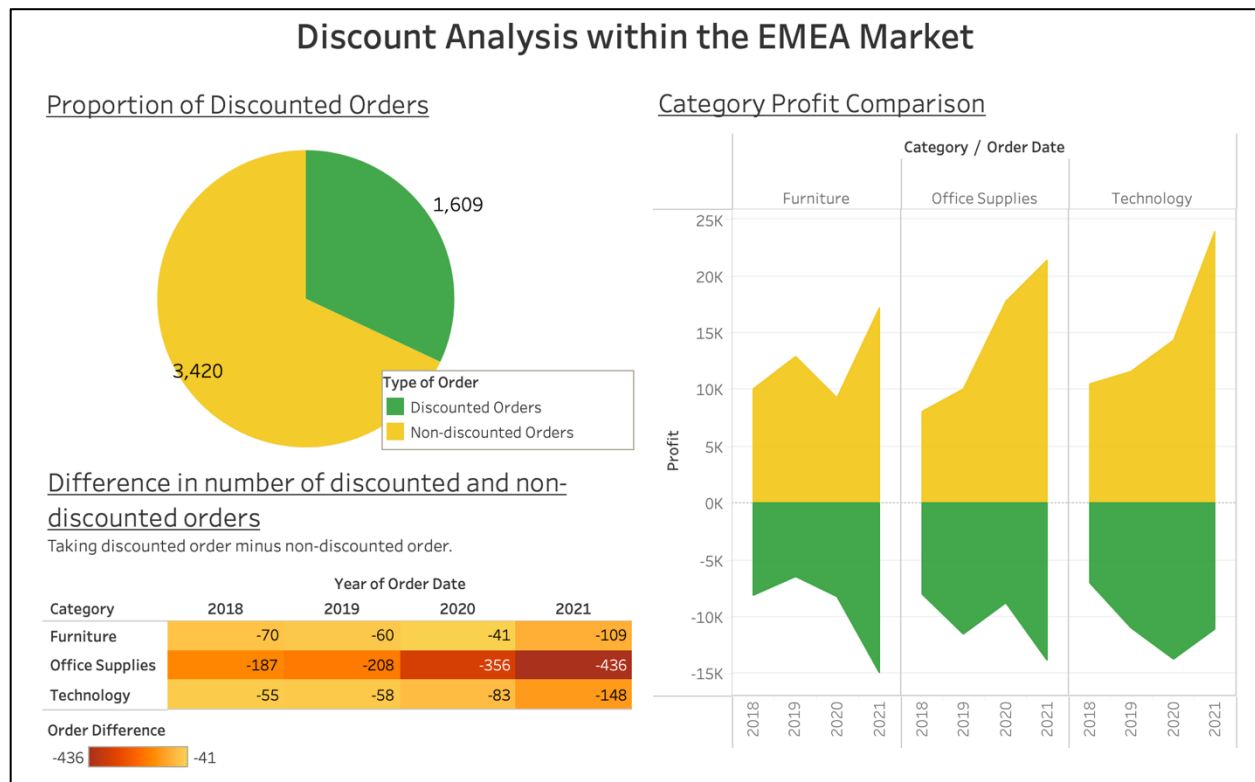


Figure 5: Dashboard of the discount analysis

Discounts are designed to motivate customers to buy by offering a financial benefit (Edwards, 2020). Figure 5 shows that there are more non-discounted orders than discounted ones in the EMEA market, indicating that discounts are not very effective. The product category with the largest difference between discounted and non-discounted orders is Office Supplies, which is also the best-selling category. This suggests that customers may not be fully aware of the discounts offered.

Offering discounts aims to boost sales and thus, profits (Edwards, 2020). However, discounted orders seem to generate losses instead, with the largest loss being close to \$15,000 for Furniture, in 2021.



### 3.5: Cost Analysis

Cost analysis involves evaluating the different expenses related to the company. In this analysis, we will be making a comparison between the EMEA and the EU markets.

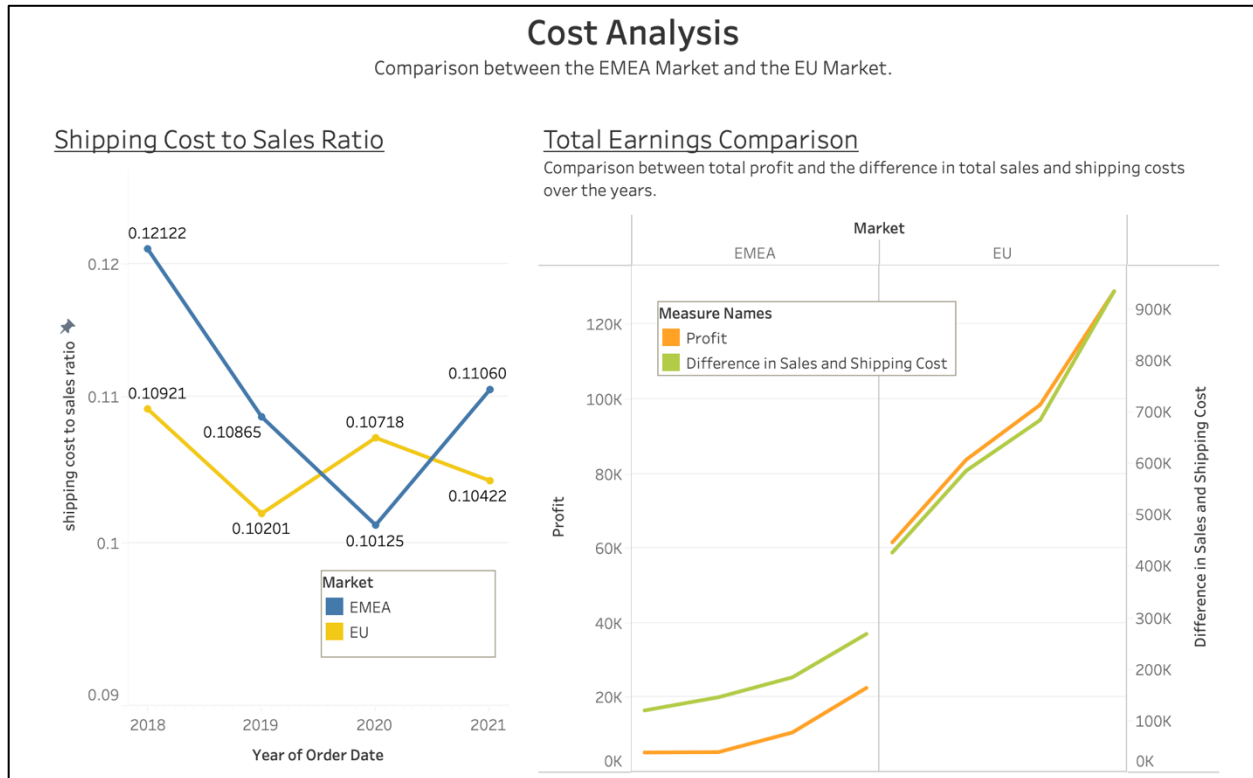


Figure 3: Dashboard of the shipping costs analysis

The shipping cost to sales ratio measures the percentage of total sales revenue that is spent on shipping. When the ratio is high, it suggests that a considerable portion of the sales revenue is being allocated to shipping, potentially leading to lower profit margins. Based on the analysis in figure 3, the EMEA market has a higher ratio as compared to the EU market, apart from 2020.

The profit gives the net revenue after subtracting total expenses. Our analysis found that the EU market has a profit higher than the difference in sales and shipping costs. This implies that the EU market is earning extra profits beyond sales. Conversely, we discovered that the EMEA market has a profit significantly lower than the difference in sales and shipping costs, indicating that a large proportion of revenue from the EMEA market may be used for other costs besides shipping. This disparity is concerning as, assuming resources are equally distributed to all markets, the proportion of the expenses and hence the gap between both measurements should be alike.

## 4 | Conclusion and Recommendations

Low sales in the EMEA market could be due to shipping and discount inefficiency, cost disparity. There is also the possibility of competition. Intense competition can cause businesses to engage in price wars, resulting in decreased revenue. Companies may also need to allocate more resources towards advertising to remain competitive, leading to higher expenses. Furthermore, fierce competition may lead to customer loss or difficulties in attracting new ones, resulting in a negative impact on revenue (Fontinelle, 2022).

To mitigate this, the company can consider implementing these strategies:

(1) Intensify marketing strategies.

To enhance marketing efforts, one approach is to make use of social media platforms that have a massive user base and can effectively reach out to a large audience. Targeted advertising on social media and search engines can further amplify the effectiveness of marketing campaigns by allowing the company to reach specific target groups.

(2) Adjust to the preferences and tastes of consumers.

To adapt to customer needs, the EMEA market can gather feedback and improve its product range. They could focus on producing their best-selling products, and reduce the production of, say, furniture to prevent under-utilization of resources. This helps increase efficiency and ensure they remain pertinent in the marketplace.

(3) Evaluate the shipping options and procedures.

Type of shipping and order priority can be further simplified to increase productivity. A suggestion is to reduce shipping options to Same Day and Standard shipping and classify them to Critical, Normal and Low order priorities only. This will reduce the time and resources required to categorize each order. Additionally, the EMEA market should consider services provided by every shipping carrier available and choose the cheapest alternative to save costs.

By adopting a more customer-centric and data-driven strategy, we can persist in providing value to our customers and accomplishing our business goals.

## 5 | References

**United Nations (2022):** World Population Prospects 2022.

<https://population.un.org/wpp/>

**Statistics Explained (2022):** Population and population change statistics

[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population\\_and\\_population\\_change\\_statistics#:~:text=On%201%20January%202022%2C%20the,fewer%20than%20the%20previous%20year.&text=The%20EU%20population%20decreased%20in,more%20deaths%20than%20in%202019](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_and_population_change_statistics#:~:text=On%201%20January%202022%2C%20the,fewer%20than%20the%20previous%20year.&text=The%20EU%20population%20decreased%20in,more%20deaths%20than%20in%202019)

**StudySmarter (n.d.):** Operational Performance Analysis

<https://www.studysmarter.us/explanations/business-studies/operational-management/operational-performance-analysis/>

**Alex Pang (2022):** Standard Shipping Vs. Expedited Shipping

<https://www.nextsmartship.com/blog/standard-shipping-vs-expedited-shipping#vs>

**Adam Barone (2022):** Bottleneck

<https://www.investopedia.com/terms/b/bottleneck.asp>

**Ian Edwards (2020):** Customer incentives: 6 reasons to use them

<https://www.beeliked.com/blog/customer-loyalty/customer-incentives-6-reasons-to-use-them>

**Eric Fontinelle (2022):** The Pros and Cons of Price Wars

<https://www.investopedia.com/financial-edge/0810/the-pros-and-cons-of-price-wars.aspx>