

Business Analysis Report



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Executive Summary

This report delves into a critical analysis of a retail company, examines the current condition of the business and provides recommendations for future improvements. An overview of the company reveals that the company is in a good position with a steady increase in revenue and profits, along with a loyal customer base.

Descriptive analyses were carried out to find profitable markets, products and customer retention levels etc., while predictive analysis was also performed to identify the future growth prospects using current patterns. Key indicators such as profit margin, average sales per customer and rate of repeated customers were also calculated.

The US and APAC were discovered to be the most profitable country and market, and accordingly should be given higher prominence. Investigations into the products demonstrate that the technology category generates the highest profits while tables are a major contributor towards the losses incurred by the business. Recommendations include limiting the rate of discounts offered as it results in lower profits.

Further evaluations also revealed that the company's logistics operations need immediate re-assessment and it is advised to improve the efficiency of the warehouse processes by including automation and technology.

Section 1 - Introduction

The data of a retail company from the years 2017-2020 was provided for analyses, which included information about the customers, products, markets etc.

Some assumptions that were made for analysis purposes are listed below.

- The 'Order Date' variable was used for all trend analyses. This column had data of 31/12/2016 which was the only data available for 2016 and was omitted when performing analyses.
- The 'Customer ID' and 'Order ID' were used to identify unique customers and orders.
- An assumption was made about the estimated time to ship the products after the order was placed.

Ship Mode	Estimated Days to Ship
Same Day	0
First Class	2
Second Class	3
Standard Class	5

The order was assumed to be late if the shipping time was more than the estimated time, early if it was less, and was shipped on time if it was exactly the estimated time.

Section 2 – Analysis & Key Findings

2.1 Overall Analysis

APAC is the most profitable market (**29.7%**) and the United States is the most profitable country by a large margin (**19.52%**). The overall sales-profit ratio of the company is in a good state (**11.61%**). Countries such as China and UK also fall under the top profiting countries which indicate that population and wealth are contributing factors for profitability.

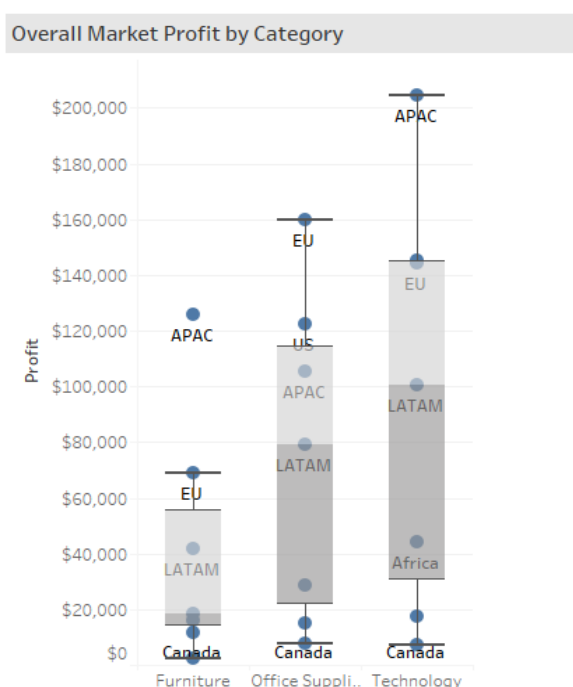


Figure 1

Figure 1 shows that the highest profit-generating product category is Technology with the most profit being incurred from the APAC market. The Canadian market has the highest sales-profit ratio (**26.62%**), indicating good performance (Appendix- Figure A). The fact that Canada makes the lowest overall profit is of no significance since that might be due to its comparatively lower population.

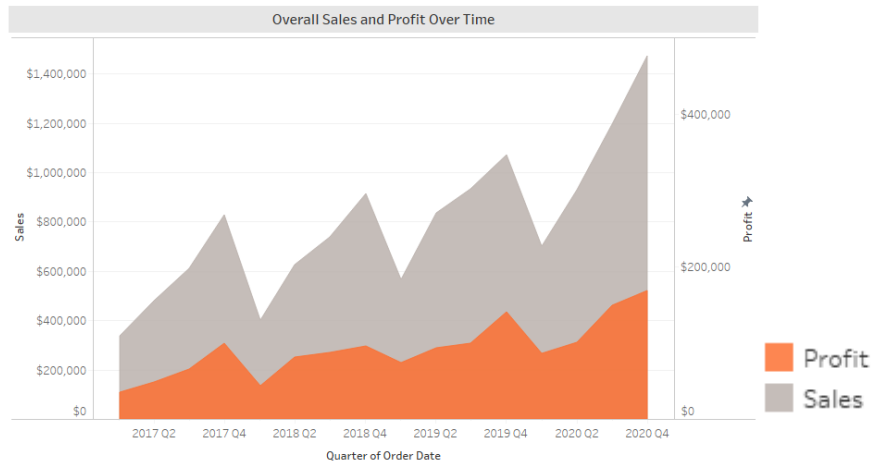


Figure 2

Figure 2 highlights the fact that the company has been experiencing a steady increase in both sales and profits over time, with 2020 being the highest. However, it's visible that sales have been increasing at a higher rate over the years, compared to profit. This indicates that the profit margin of the business is not sufficient.

2.2 United States Market Analysis

As mentioned above since the US market is the highest contributor to the company’s profits and revenue, a separate analysis will be carried out for this country.

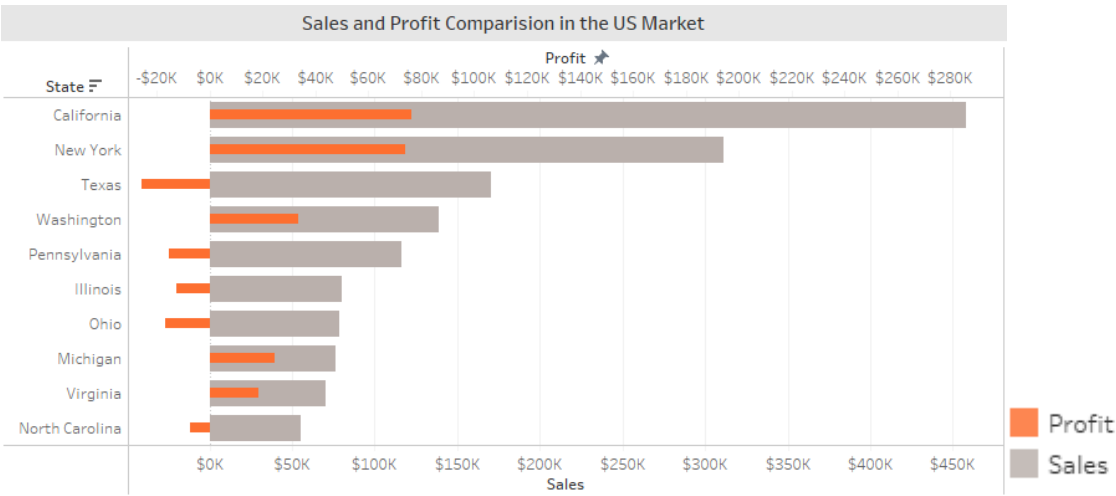


Figure 3

The above graph compares the revenue and profit for the top 10 revenue generating states. California is the highest selling and highest profitable state.

It is noteworthy that while Texas is the top 3rd sales making state, it is also the highest loss-making state.

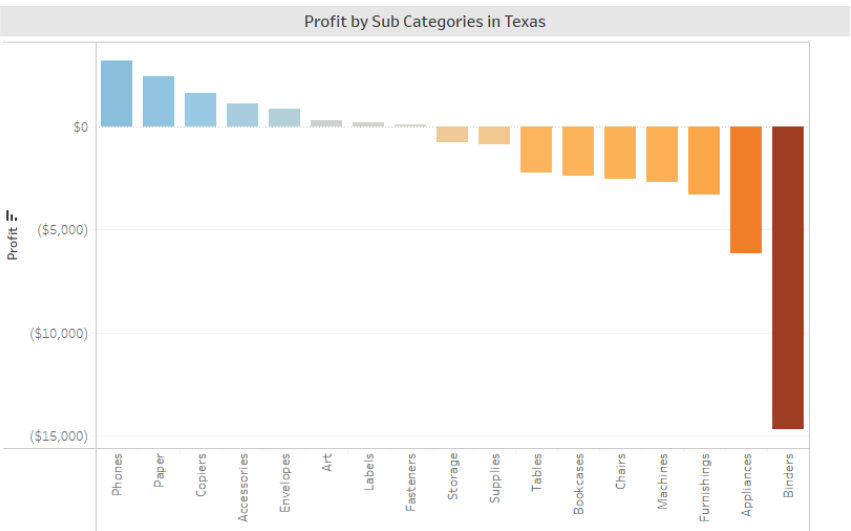


Figure 4

Figure 4 analyses the reason for the massive losses in Texas and it can be observed that the major contributing factor to this is the unusually large amount of losses made due to the sale of binders.

Examining at a deeper level, the below chart shows the total amount of discount given for each sub-category in the state of Texas.

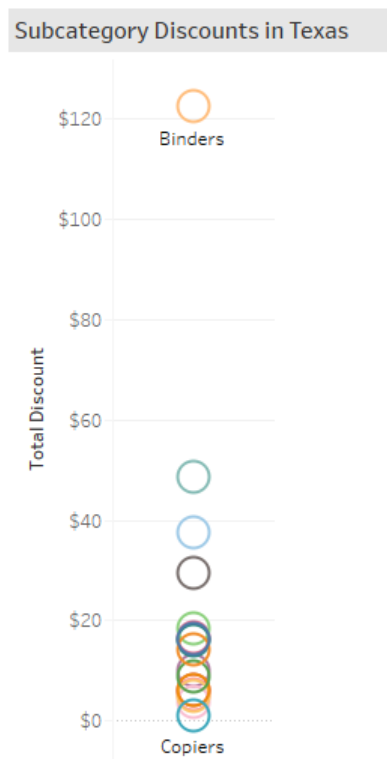


Figure 5

It is readily apparent that the binders have been given the highest total discount which explains the considerable losses made. Copiers, which made the 3rd highest profits in Texas, have been given the lowest total discount. This demonstrates that higher discounts increase the chance of incurring losses.

2.3 Product Analysis

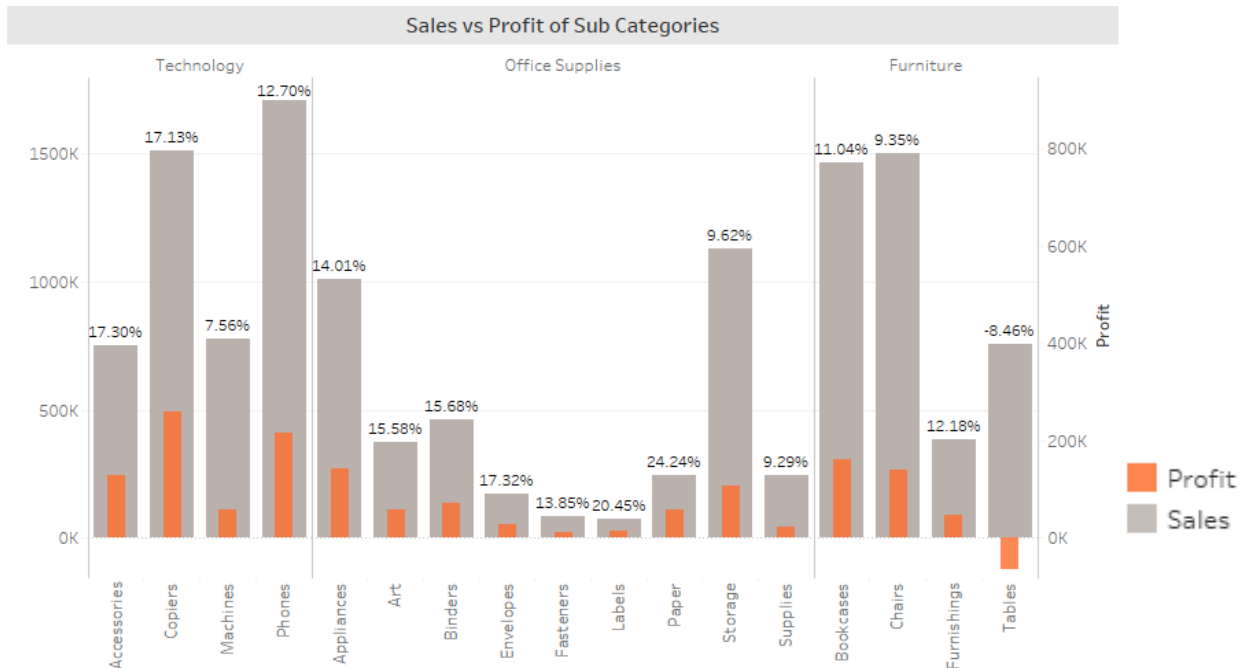


Figure 6

It is evident from figure 6 that copiers make the highest profits and phones make the highest sales while tables are the only sub-category making a loss.

Even though the total amount of sales and profit of paper is comparatively lower, it has the highest sales-profit ratio, indicating that **24.24%** of sales were converted into profits. This can be because the cost of producing paper is low and thus the profit margin can be high.

Since the cost of producing machines is high, it has the lowest sales-profit margin.

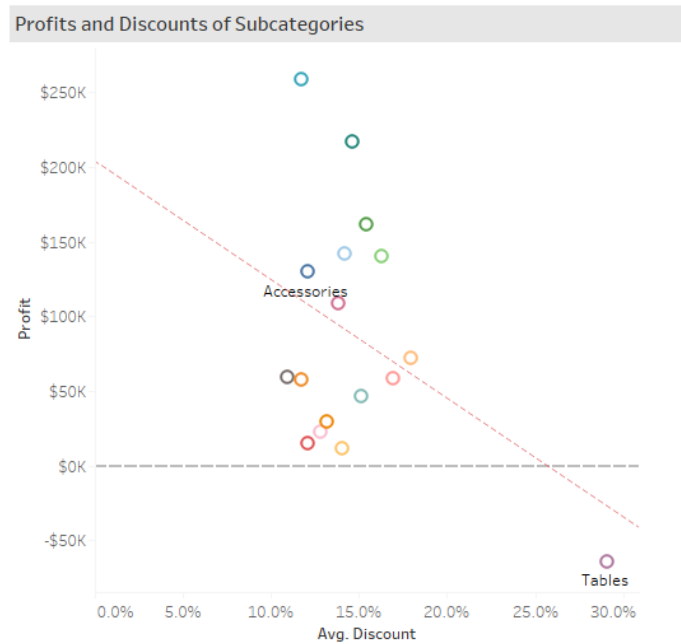


Figure 7

Further on, figure 7 shows the relationship between the profit levels and the average discount given for the product sub-categories. A very clear downward trend is visible as high discounts are negatively impacting overall profits. The average discount of 30% given for tables explains the immense level of losses incurred.

Further, high discounts also reduce the perceived value of products in the eyes of customers, risking the possibility that customers may not want to purchase the product without any discounts.

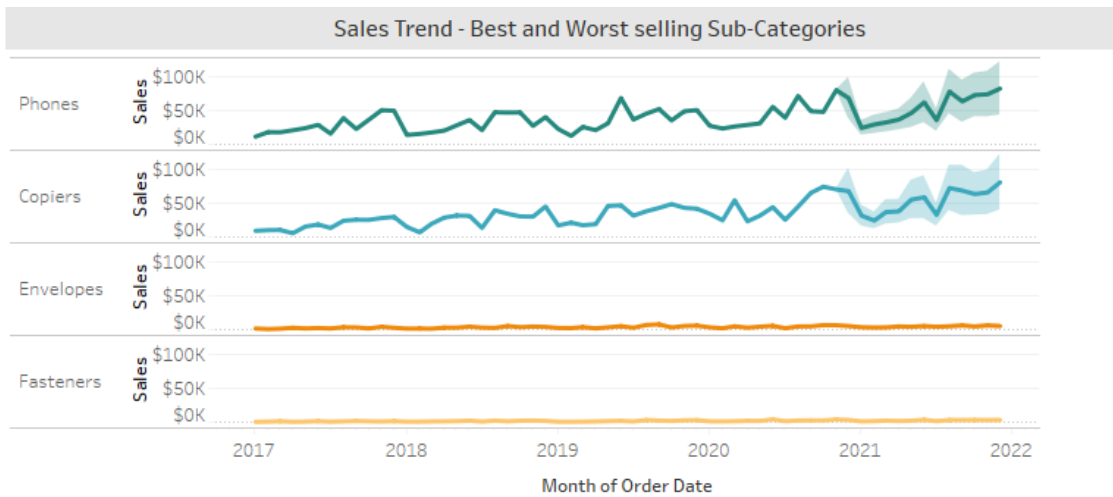


Figure 8

Diving deeper into the sales trends of the best and worst selling sub-categories, it is displayed that phones and copiers have a positive growth trend for the upcoming years as well. However, the trend lines for envelopes and fasteners are flat with almost no prospects of future growth.

2.4 Shipping Analysis

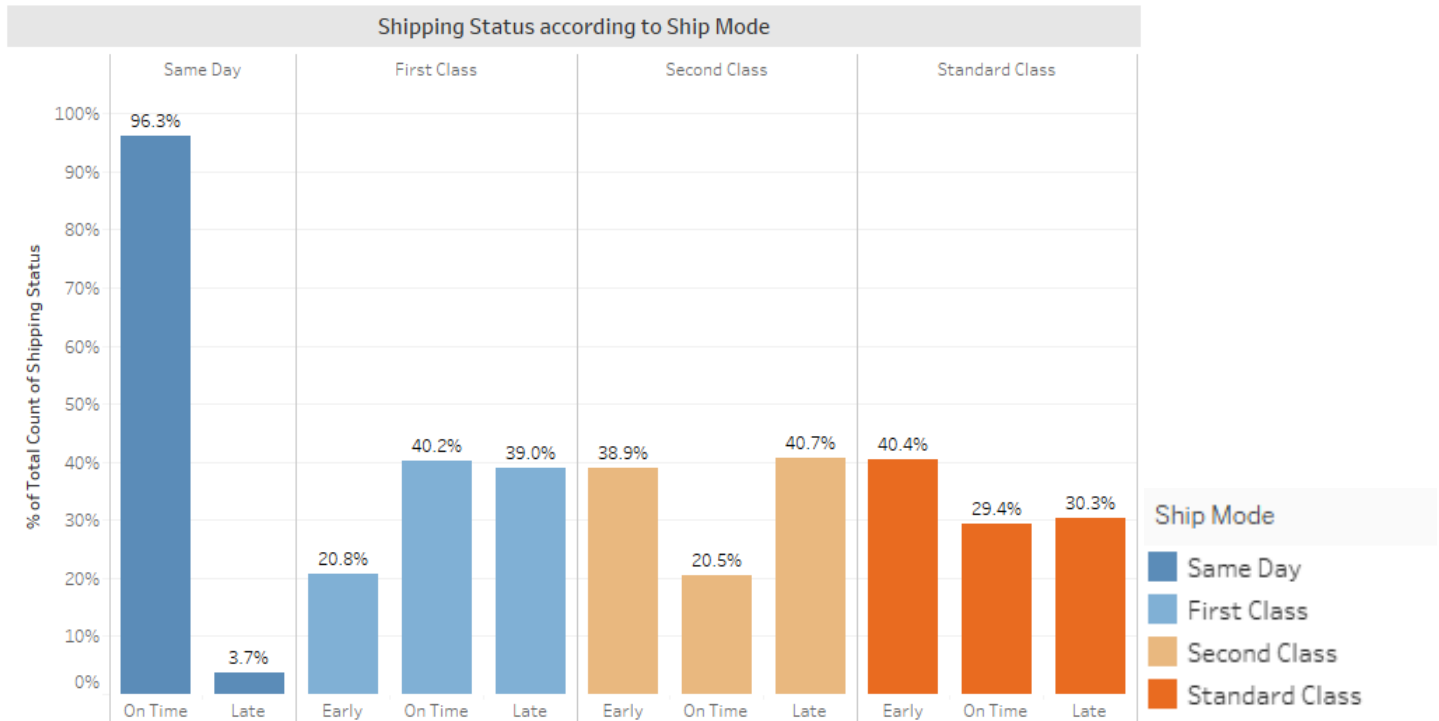


Figure 9

When taking a look at the percentages in figure 9, it can be seen that only 30.3% of the standard class deliveries were shipped late while 39.0% and 40.7% of first and second class deliveries were shipped late. Given that the average shipping cost of the first and second classes is higher than the standard class, this would cause dissatisfaction amongst the customers.

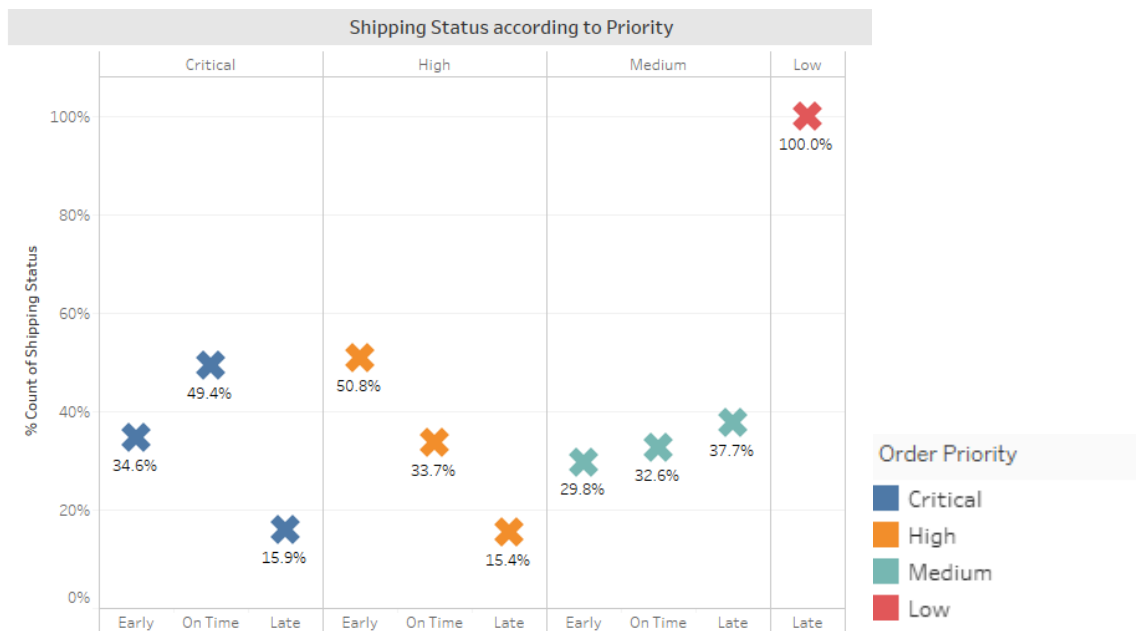


Figure 10

The above figure dives deeper into the shipping status and order priority and shows that approximately **15%** of critical and high priority orders were shipped late.

It should also be noted that every single low priority order was shipped late, indicating negligence towards low priority orders.

A detrimental rate of **32.2%** of all orders was shipped late, indicating a much-needed improvement in the logistics operations of the company. Especially critical and high priority being shipped late would result in further customer discontentment.

2.5 Customer Analysis

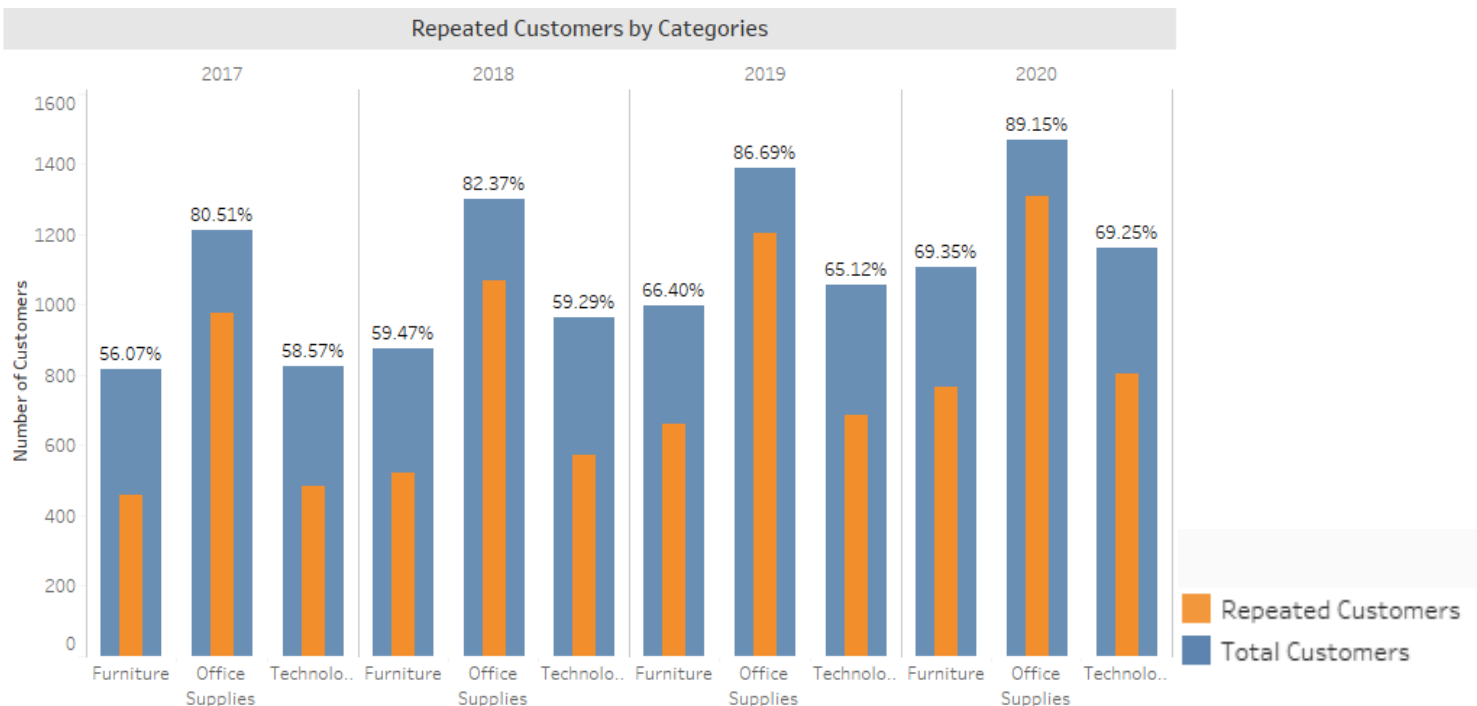


Figure 11

The above chart shows the proportion of repeated customers yearly, according to the product category. If a customer had purchased more than once in the same year they were classified as a repeated customer.

It is visible that office supplies is the category that brings in the highest proportion of repeated customers each year while furniture and technology have a similar proportion. A reason for this could be that office supplies such as paper and labels are products that have to be frequently purchased, unlike products in the technology and furniture categories such as phones and bookcases which inherently have a low purchase frequency.

However, the repeated customer proportion is steadily increasing each year for all three categories, which is a positive indication.

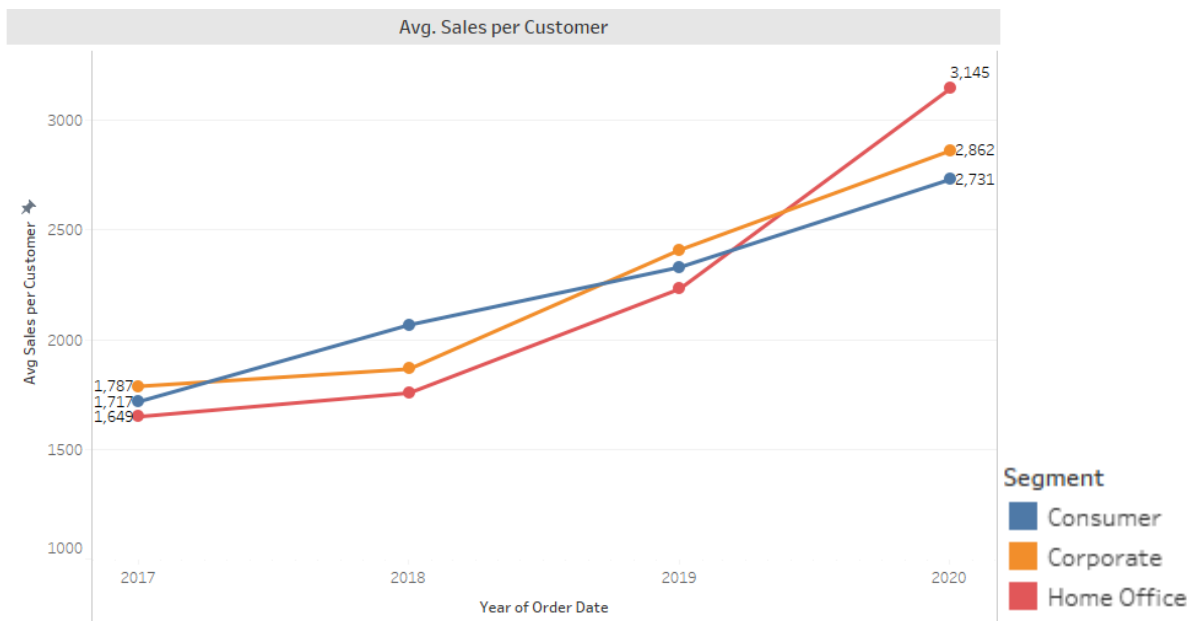


Figure 12

The above figure highlights the average sales per customer in the three customer segments. Even though the consumer segment accounts for more than half of the overall sales (**51.48%**), it can be seen that home office is generating the highest average sales per customer currently (**2020 - \$3145**). It is noteworthy that there was a sharp increase in the rate for the home office segment from 2019 to 2020. This might be due to higher repeated customers or targeted marketing towards the home office segment.

The average orders per customer are approximately **16** which is an exceptional rate signifying that customer satisfaction and retention rates are high.

Moreover, investigations into the status of the customers (retained/ new) revealed that the business's retention rate is predominantly high, while new customers acquired are quite low (Appendix – Figure B).

Section 3 – Recommendations and Conclusions

From a holistic perspective, it appears that the company is in a good position with steady profits and a promising future. Nevertheless, an in-depth analysis proved that areas of improvement include logistics and marketing. Prospective recommendations are provided.

Some strategies to sustain the high customer retention rate and to attract new customers include offering incentives such as discount codes, coupons to first-time buyers to encourage repeat purchases, collecting customers' suggestions and acting upon them to give customers an improved and personalised shopping experience, targeted marketing towards potential customers.

It appears that the discount strategy which is currently in place is not efficient. A new strategy can be employed by gradually decreasing discount levels and only offering during seasonal times. Alternative deals can be offered such as free shipping under certain conditions, special offers etc.

To control the losses made in the US, discontinuing the sales of binders in Texas is an option since it does not show growth prospects. Further, it would be recommended to examine the reason for high discounts being offered for binders only in Texas, unlike other states.

The sales-profit ratio can be improved in products such as chairs and storage where the sales are high but the profit margin is less than the overall rate. Some approaches to undertake include, reducing operational and manufacturing costs, improving the brand perception which enables the company to increase prices.

Some countries such as Nigeria and Turkey which are highly loss-making and products such as fasteners and envelopes which show no future growth potential can be discontinued and those

resources can be used to focus on more profiting countries or on R&D to develop new products to cater to customer needs.

The warehouse operations and logistics can be enhanced by the use of automation and technology, where redundant costs will be eliminated and supply chain management will be improved.

Outsourcing order fulfilment is also an option since it enables the company to focus on its core operations.

Section 4 - Appendix

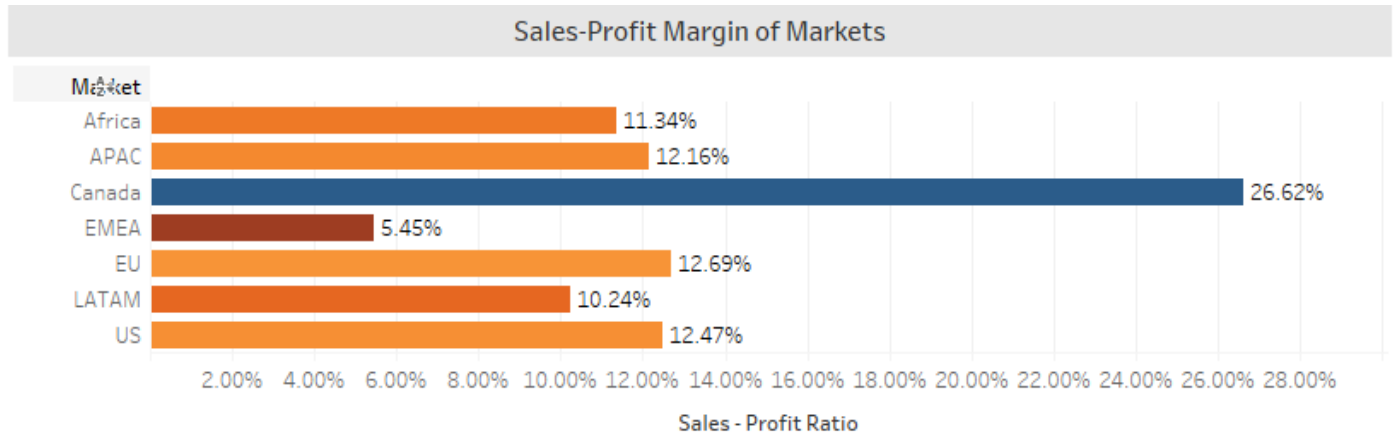


Figure A

Cohort Analysis				
Year of...	Order Date			
	2017	2018	2019	2020
2017	1,305	1,159	1,224	1,252
2018		210	174	192
2019			56	48
2020				15

Figure B