

Electronidex Acquisition Analysis

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Executive Summary for CTO Questions

Are there any interesting patterns or item relationships within Electronidex's transactions?

- **Monitors are a great cross-selling product**
- Electronidex's best sellers are Laptops and PCs, high profit margin products
- **Electronidex has a strong B2B customer base**, businesses who buy many products
 - 38% of transactions have 5 items or more
 - 25% of transactions include more than two computers in the same sale

Would Blackwell benefit from selling any of Electronidex's items?

Blackwell should sell more high-end products like: Laptops, PCs, Apple Products, and Gaming Products. Electronidex is very good at selling these high-end products. Blackwell's strength right now is selling accessories, but we could benefit from expanding into high-end markets.

Should Blackwell acquire Electronidex?

It seems advantageous to tap into Electronidex's high-spending customer base, but further info is needed on Electronidex's profitability and geographic location.

Recommendations if we acquire Electronidex

Using selling patterns to cross-sell monitors.

Blackwell vs Electronidex Strengths

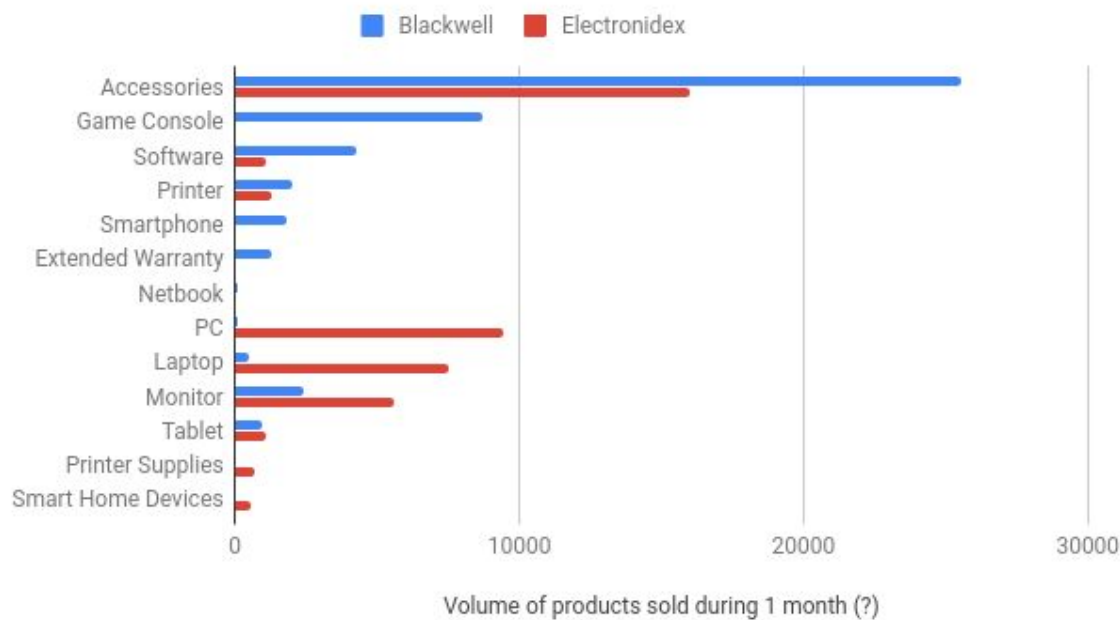
Data received for the two companies had the following characteristics.

Data Characteristics for Blackwell vs Electronidex Comparison		
Data	Blackwell Electronics	Electronidex
Time range of data	Unknown: 1 month? Less than 1 year.	1 month
Total number of transactions	Unknown	9,835
Number of distinct products	74	125
Total volume of sold products	47,776	43,328

As we do not know the exact timeframe of the original Blackwell Electronics sales volume data, it is difficult to compare sales volume/month between the two companies, but we can consider the extremes. **If Blackwell data is from one year, then Electronindex is selling 12 times larger volumes than Blackwell.** If the data is one month, both companies are selling roughly equal volumes. Further characteristics of the data used to compare the companies is summarized below.

Blackwell is strongest at selling accessories and Game Consoles while Electronindex excels at selling PCs, Laptops, and Monitors.

Volume of Products Sold



Would we benefit from selling any of Electronindex’s products?

Electronindex is a company specialized in PCs and Laptops since in addition to having a wide variety of these products in its portfolio, most of its transactions correspond to these two categories. Therefore, Blackwell could benefit from selling the Electronindex products of these two categories and thus strengthen its sales of PCs and Laptops.

Number of items per Category (Laptops and PC)		
	Blackwell	Electronindex
Items	5	19
Percentage of sales	1.3%	39%

Monitors are a great cross-selling product

The most meaningful sales patterns we found in the Electronidex data were combinations that lead to the purchase of a monitor. The table below shows the top five rules for product combinations that typically lead to a monitor purchase. For example, in the first row, 251 transactions included a desktop, a keyboard, and software and in 75% of those cases a monitor was purchased also. Monitors are a high-value product and can have good profit margins.

Top 5 Rules for Product Combinations That Lead to Monitor Purchases		
Combinations that lead to a monitor purchase	Combination count	% time monitor is also purchased
Desktop, Software, Keyboard	251	75%
Desktop, Software, Computer Mice	246	74%
Desktop, Laptop, Keyboard, Mouse and Keyboard Combo	259	73%
Desktop, Laptop, Computer Mice, Active Headphones	301	73%
Desktop, Laptop, Computer Cords	328	72%

Should We Acquire Electronidex?

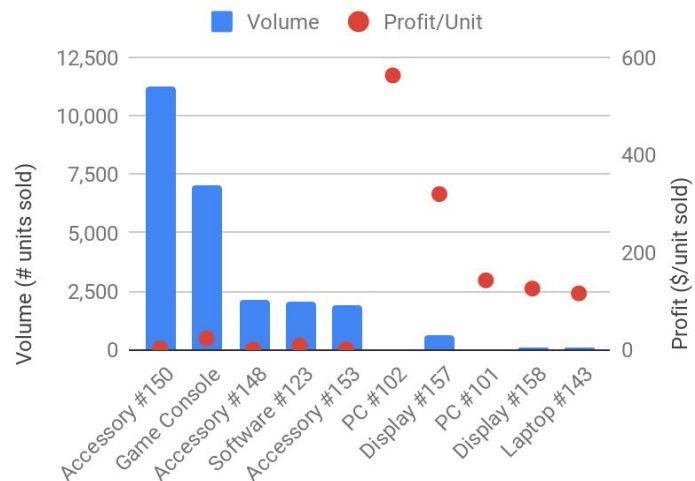
We recommend the acquisition of Electronidex in order to expand into high-end products and quickly acquire a high-spending customer base. Electronidex could enable us to:

- **Rejuvenate our product list** by adding new more current products to it and they are working very well in Electronidex. For example: currently Blackwell is only one Apple product: a smartphone. Meanwhile, Apple products are some of the top sellers for Electronidex. Gaming products are another area to grow.
- **Specialize in the sale of PCs and Laptops**, an area where we have a lot of room to improve, where Electronidex excels.
- **Capitalize on high profit products.** Currently in Blackwell the top-selling products leave us very poor margins, at \$2-50 per unit. On the other hand, the best-selling Electronidex products are high cost and likely have higher profit per unit towards the \$30-500 range.

Blackwells' top-selling products have low profit/unit while Electronidex's top products likely have high profit/unit. We don't know Electronidex's profit/unit, but we can make some estimates based on similar products that Blackwell is selling now, as shown in the charts and tables below.

Blackwell's top-selling products have low profit/unit

Blackwell Top 5 products	Unit Price	Unit Profit
Accessory # 150	50	2
Nintendo Game Console	129	23
Accessory #148	11	1
Software #123	57	9
Accessory #153	20	1



Electronidex Top 5 products	Blackwell Product in Similar Price Range	Blackwell Price	Profit/Unit	Electronidex Volume	Blackwell Volume
iMac	PC #102	\$2,250	\$562	2,519	8
HP Laptop	Laptop #143	\$771	\$116	1,909	88
CP Gaming Desktop	PC #101	\$949	\$142	1,809	12
Apple Earpods	Accessory #153	\$20	\$1	1,715	1,252
Apple MacBook Air	Laptop #105	\$1,080	\$97	1,530	232

Finally, acquiring Electronidex could allow us to gain market share by obtaining a direct competitor and obtain a high-spending customer base.

If we acquire Electronidex, cross-selling computer monitors to customers buying other computer products is likely to be very lucrative.

Nonetheless, there are several crucial points that need to be defined first:

- Does Electronidex sell mostly online? Do they have brick and mortar stores also?
- Timeframe for Blackwell's online data. Is Electronidex selling 12 times as much as Blackwell?
- Do our geographic locations overlap or would we be expanding into new territory?
- Profitability of Electronidex and profit margin on their products