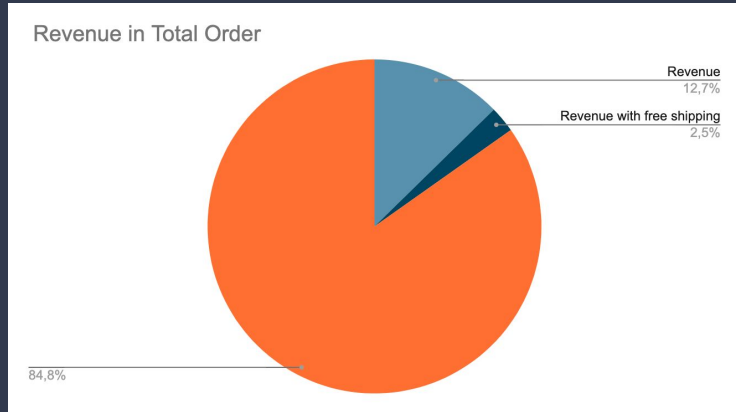


Retail_Website

Case Study - Application - Product Analysis

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Commission Model



- Revenues (turnover) = 13% of total order amounts (GMS)
- Suppose all orders are in free shipping
Revenues = 2.6% GMS
- Gross Margin (profits) = 14000 euros
- Net Margin (profits - 100 euros voucher) = negative of 38000 euros (15% of orders, 53% of retailers)
- Assume all orders payment would be postponed by 60 days: suppliers or Retail_Website would have to bear 790000 euros of delay in the first month - 5% of which are 36000 euros will have to be paid to insurance providers

Fair shipping costs

"The way I work is I will always order 1 brand I already know, and 1 or 2 brands I don't know to try them"

"I always need 30 to 50% new brands in my shop. Otherwise my customers don't come back! So finding new brands easily is key for my business"

Shipping costs represent 80% of the revenue

- Orders are sent in smaller batches owing to the offers of free shipping and new brands which drives shipping costs up
- There are orders with items from different retailers which multiplies packages and carriers

How to improve Gross Margin

Assume shipping cost and payment costs are incompressible

Revenue:

- New clients
- Existing clients
- Brands

Gross Margin=Revenue- shipping costs- payment costs

Marketing on new clients and brands

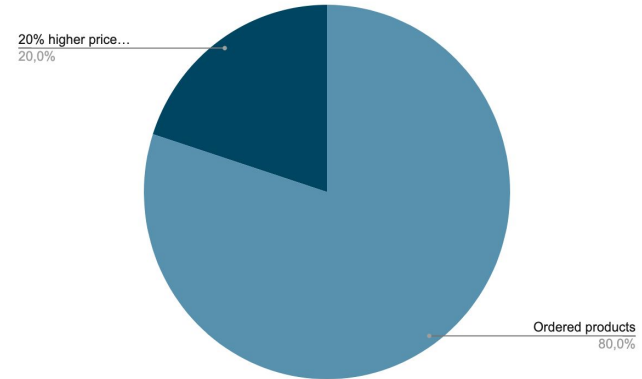
- Imagine sponsorships for word of mouth from one retailer to another
- Targeted campaigns where brands shipped by Retail_Website are present
- Reward brands for promoting Retail_Website (visibility on recommendations, lower commission, specific vouchers)
- Extend the portfolio
- Might be a bit drastic to reduce Retail_Website margin to 0.05 forever after discount changes shares to 15% of GMS for revenue, 5% with free shipping

Marketing on existing clients

- Assume proposal of same kind of product in small quantity within the order of a higher price or higher range of product in order for the retailer to test. If in the next order the retailer chooses the higher-ranged brand, the order amount will be higher
- Same with other type of product
- Have a shipping back or exchange policy which would enable retailers to stock better sold products overall and order more from Retail_Website (improving retailers sales)
- Improve quality of products or easiness to sale proposed by Retail_Website (sort of product rating or recommendation system within the proposals of products) (improving retailers sales)
- Reward fidelity
- Reward percentage of stock ordered from Retail_Website
- 10% of retailers are one-time customers on this dataset. How to convert to fidelity with a better rate. 7% have discount. Rest of 3% who might not have had access to the voucher (enhance visibility), imagine an email campaign

Proposal of same kind of product

Assume you propose an upgrade the order for 20% of the amount of items and for items 20% more expensive. No change in fees.



Assume then that the retailers like the product and convert the next order :

- entirely: 6% loss in Revenue / 19% long term
- 50%: 16 % loss in Revenue / 10% long term
- 10%: 24% loss in Revenue / 2% long term

Could be proposing product in addition to the order for trial

Thank You