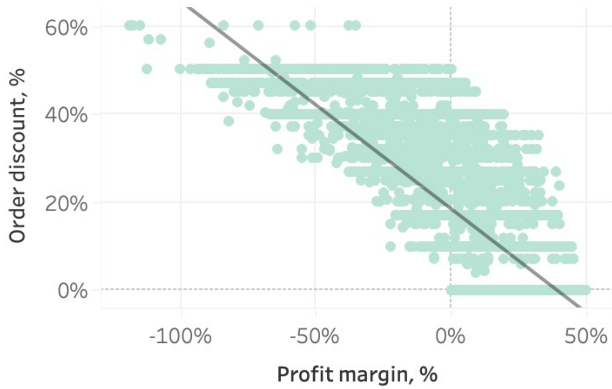
Executive summary

Recommendation #1: to limit the discount level to 25% and introduce a ship mode upgrade in the APAC market

Current status: the discounts applied to the orders negatively impact the orders' profit margin. Hence, the profit margin of the orders will be improved by decreasing the discounts of the orders.

The relationship of the discount and the profit margin of orders in the APAC market in 2018-2020



Action: the orders with the discounts over 25% cumulatively created losses in 2018-2020, therefore, we recommend to start with imposing a threshold at the 25% discount level.
To balance the limited discounts, the delivery upgrade promotion program might be introduced, since it has a wide application: over 60% of orders were made with the standard class shipping mode.

Shipping mode APAC orders distribution in 2018-2020

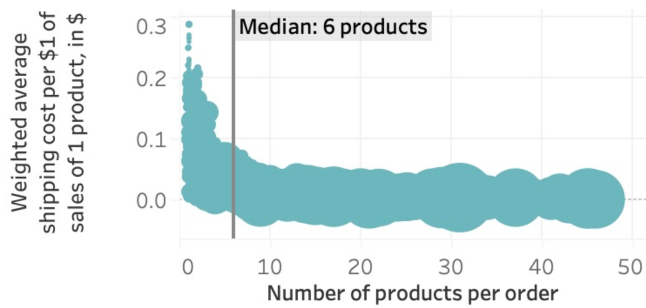
Same Day	First Class	Second Class	Standard
5.2%	14.5%	20.0%	60.4%

Result: the higher level of profit margin per order in the APAC region due to the discount limitation.

Recommendation #2: to increase the discounts to up to 20% for the orders with over 6 products in the EU market

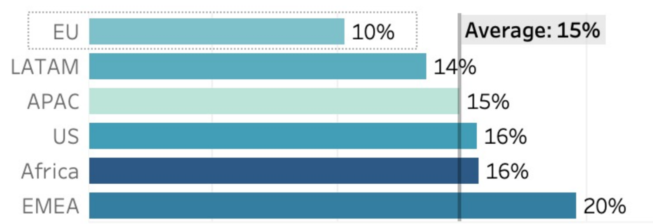
Current status: the more products per order sold, the more cost-efficient the delivery. The median number of products per order is 6 in the EU market.

Weighted average shipping cost per $1 of sales of 1 product and the number of products per order in 2018-2020



Action: to increase the discount for orders with over 6 since the current discount rates in the EU market are the lowest across all markets where the Company operates.
The 20% discount threshold is the optimal one to introduce based on the past orders' profitability.

The average discounts of the products sold by markets in 2018-2020

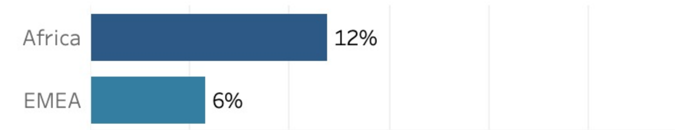


Result: up to 20% dicount will be applied for the orders with over 6 products, leading to the decreased delivery expenses in the EU market.

Recommendation #3: to terminate operations in 3 African and 7 EMEA countries if the "other" expenses reduction alternative is not feasible

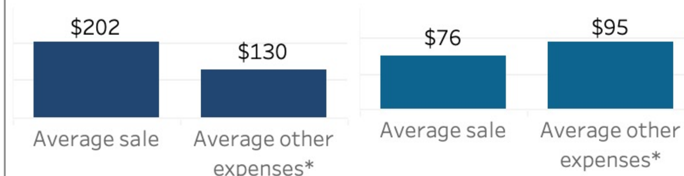
Current status: the total negative profit is concentrated in the 3 African and 7 EMEA countries, holding the total profit margin of the markets much lower than it could be.

The total profit margin of the orders in 2018-2020



Action: one of the main reasons of the negative profit generated is the average "other" expenses being higher than the average sales in 2018-2020. If the expenses will not be substantially decreased, we recommend terminating operations in the selected countries.

3 selected African countries **7 selected EMEA countries**



** other expenses = sales - profit - shipping cost - discount*

Result: a significant reduction of the loss-creating operations in the African and EMEA markets will lead to the substantial growth in the total profit margin.

The total profit margin of the orders in 2018-2020 <u>without</u> 3 African and 7 EMEA countries selected

Recommendation #1: to limit the discount level to 25% and introduce a ship mode upgrade in the APAC market

There is a strong negative linear relationship between the order discount and the order profit margin in the APAC region. Hence, it is worth considering lowering the discount rates.

The relationship of the discount and the profit margin of orders in the APAC market in 2018-2020

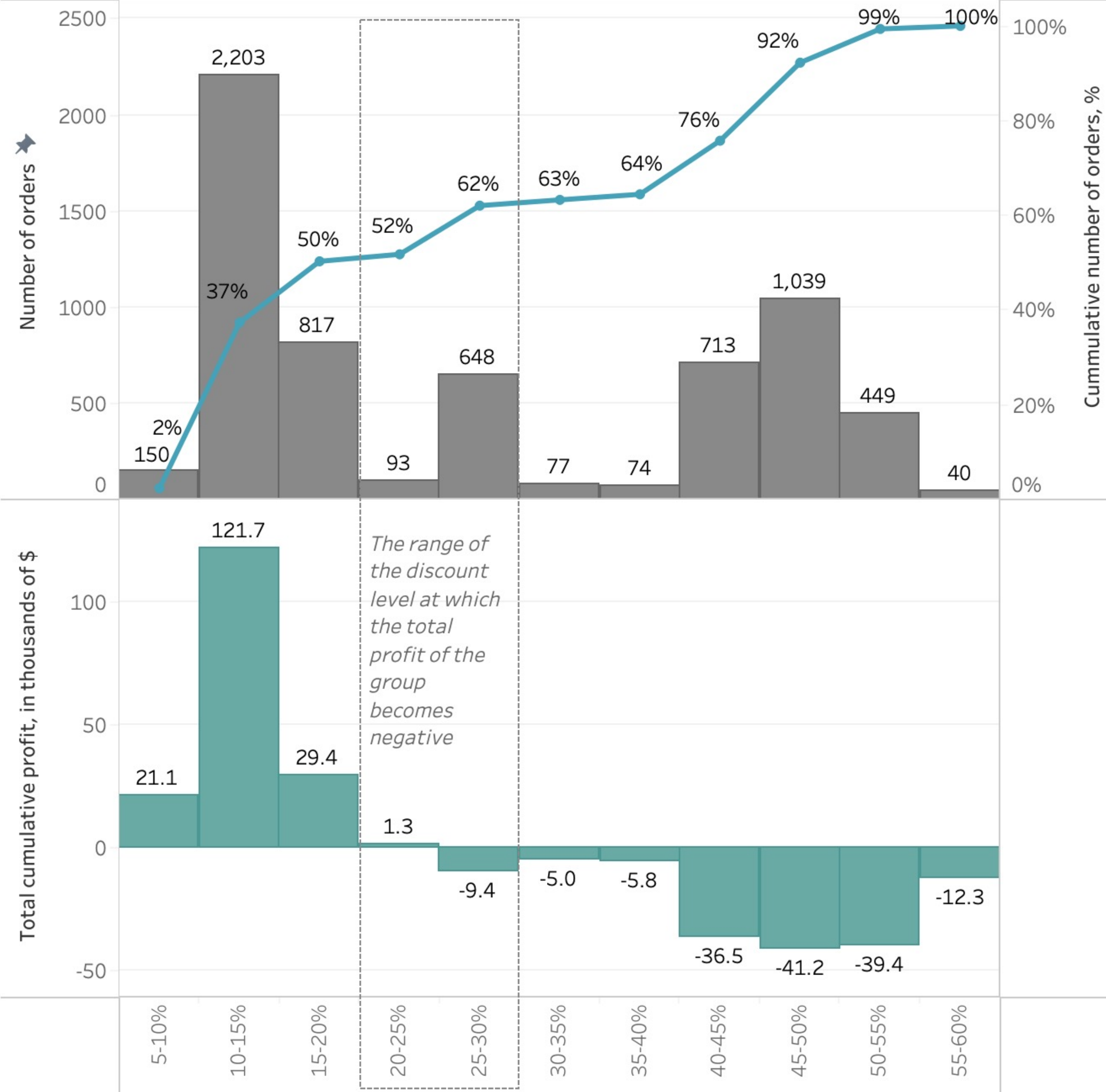
To balance the sales level which might be negatively impacted by the discounts' level proposed decline, we suggest exploring a shipping mode upgrade.
First of all, it is a widely applicable method of promotion since over 60% of orders were made with the standard class shipping mode. Also, the shipping mode does not correlate with the discount level as we can observe on the graph above and, therefore, is be able to reach orders with all discount levels, including the ones limited by the recommendation.

Shipping mode APAC orders distribution in 2018-2020

Same Day	First Class	Second Class	Standard
5%	14%	20%	60%

Starting at a 25% discount level, the cumulative profit of each order group sorted by the discounts applied is negative. Therefore, we recommend limiting the discounts to 25% and considering other promotion methods, as the discount reduction might impact ca. 48% of orders.

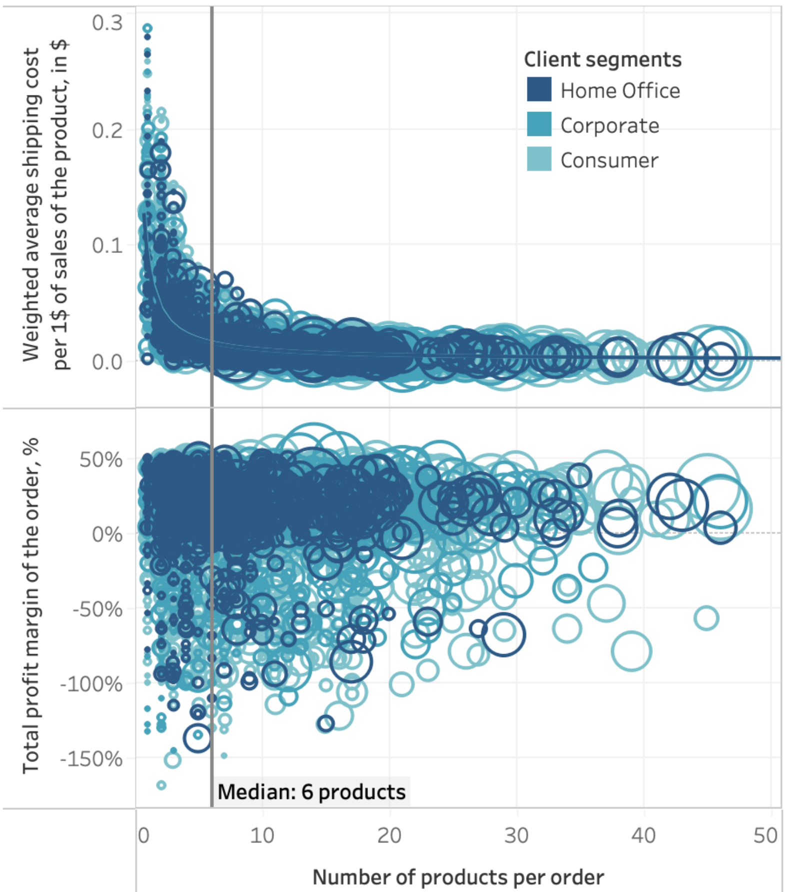
Profit analysis by the discount level of the orders in the APAC market in 2018-2020



Recommendation #2: to increase the discounts to up to 20% for the orders with over 6 products in the EU market

In the EU market, the shipping cost per 1$ of the sales of the product decreases as the number of products per order grows. Besides the higher cost efficiency, the number of products in the order drives the orders' profit margin.

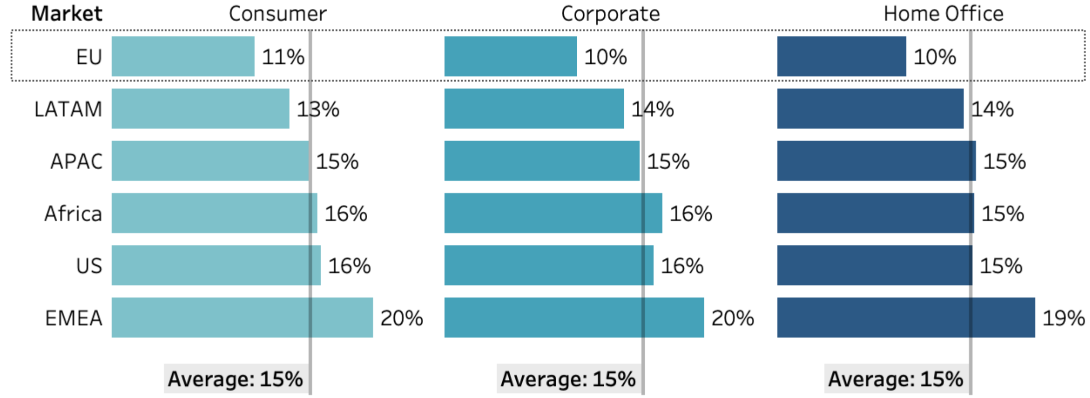
The relationship of the number of products per order with the weighted average shipping cost per $1 of of sales of 1 product and the total profit margin of the order in 2018-2020



Since the median number of products per order is 6, we suggest starting the application of the promotion for all orders with over 6 products and updating the threshold, the number of products at the order, based on the results received.

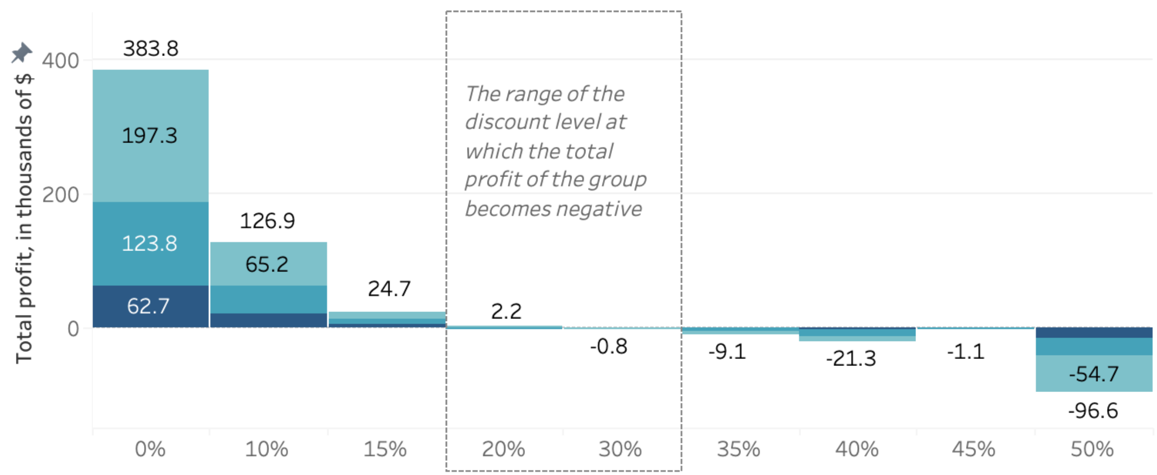
The discount levels of the EU market across all client segments are the lowest among markets where the Company operates (besides Canada, where no discount promotion is applied). Hence, even the increase to the average level might be a noticeable change with a significant effect on the consumers' behaviour.

The average discounts of each client segment by markets in 2018-2020



The orders with up to 20% discount have a positive cumulative profit ($2,200) and the ones with over 20% discount level - a negative one (-$800). Therefore, we believe that the best option will be to raise the discount to up to 20% level and consider a future increase based on the results of the promotion introduced.

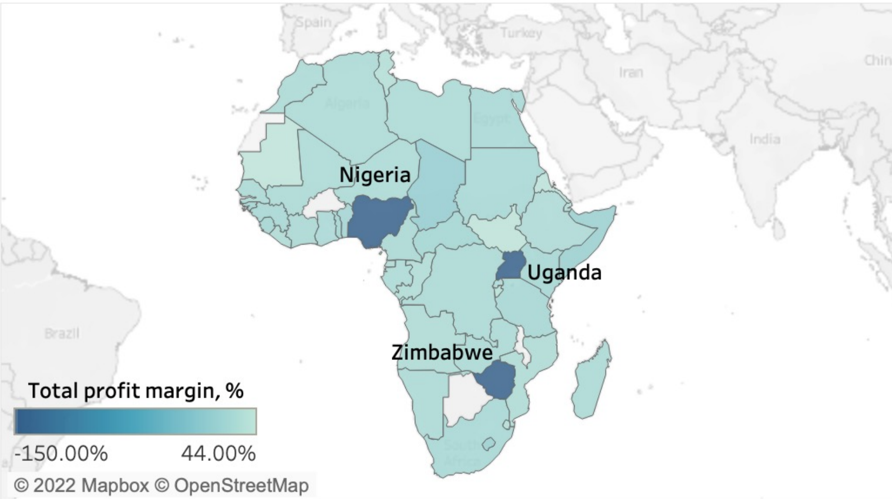
The total cumulative profit of orders sorted by the discount level in the EU market in 2018-2020



Recommendation #3.1: to terminate operations at 3 countries in the African market, if the "other" expenses reduction alternative is not feasible

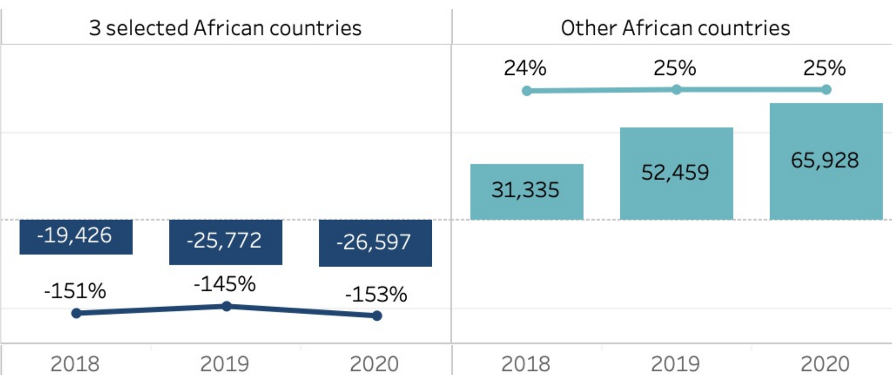
Only 3 out of 45 countries in the African market created losses in 2018-2020. These countries are Nigeria, Zimbabwe, Uganda. The map highlights the difference at the total profit margins in each country.

The total profit margin of the African countries in 2018-2020



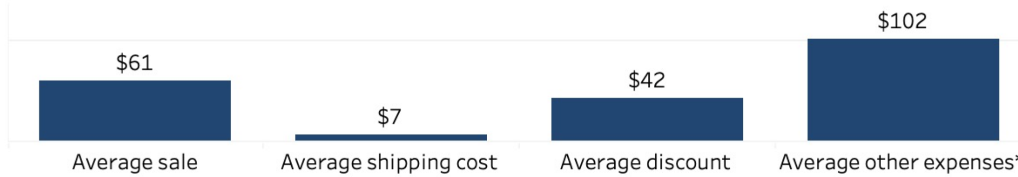
Every year, the 3 selected countries generate a negative cumulative profit, while all other countries create a positive cumulative profit.

The total cumulative profit and total profit margin dynamic



The "other" expenses are the largest category of the expenses at the 3 selected countries. The average sale is lower than the average "other" expenses, which leads to the negative profit. Therefore, it is crucial to dramatically decrease "other" expenses before considering any other type of cost-optimisation.

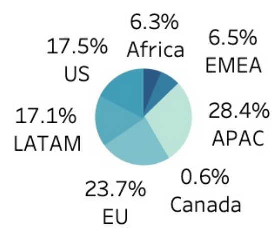
The average sales and expenses per product in 3 selected African countries in 2018-2020



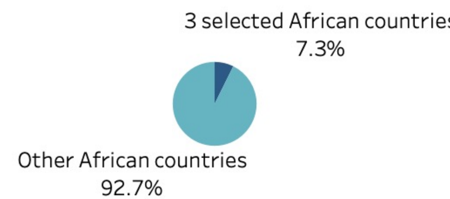
** other expenses = sale - profit - shipping cost - discount*

The 3 selected African countries account for 0.4% of sales across all markets (7.3% of African market, which constitutes 6.3% of total sales).

Sales breakdown by markets in 2018-2020

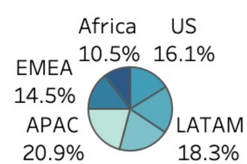


Sales breakdown by 2 groups of Afrcian countries in 2018-2020

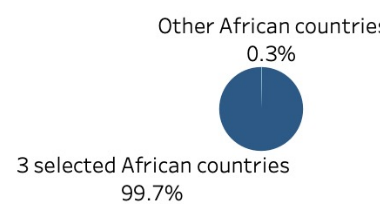


The 3 highlighted countries account for 99.7% and 10.5% of losses in the African market and global market, respectively. As a result, it is prudently to shut down operations in the selected countries if the "other" expenses reduction alternative is not feasible.

Negative profit breakdown by markets in 2018-2020



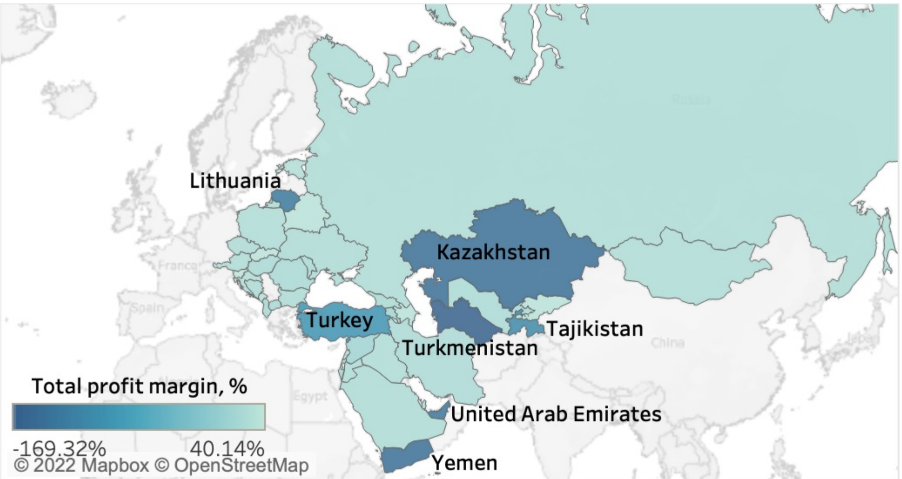
Negative profit breakdown by 2 groups of African countries in 2018-2020



Recommendation #3.2: to discontinue operations at 7 countries in the EMEA market, if the "other" expenses reduction alternative is not feasible

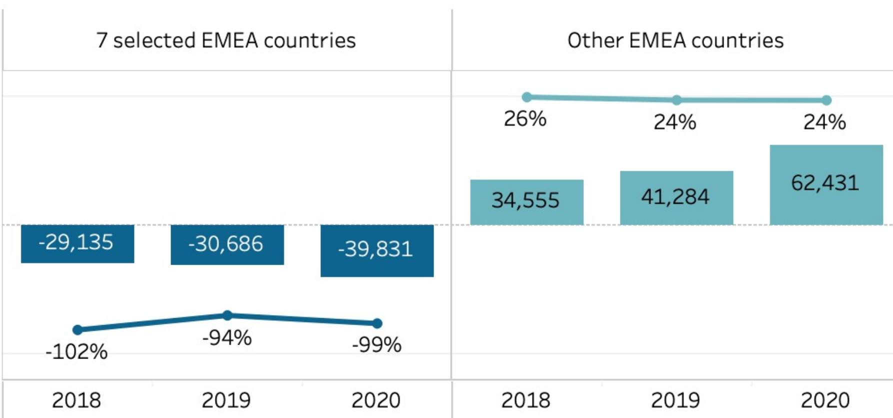
Only 7 out of 40 countries in the EMEA market created losses in 2018-2020: Kazakhstan, Turkey, Turkmenistan, Tajikistan, United Arab Emirates, Yemen, Lithuania. The map highlights the difference at the total profit margins in each country.

The total profit margin of the EMEA countries in 2018-2020



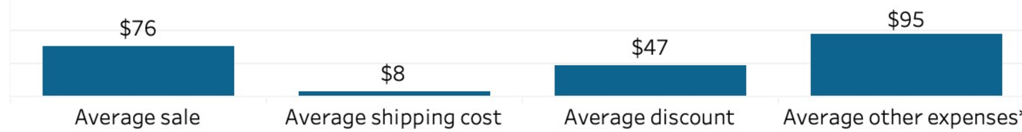
The 7 selected countries generate a negative cumulative profit, while all other countries combined create a positive profit every year.

The total cumulative profit and total profit margin dynamic



The reason of the negative profit generated by the 7 selected EMEA countries is a large amount of "other" expenses: the average of "other" expenses is greater than the average of sales in these 7 selected countries. Hence, it is crucial to substantially diminish "other" expenses.

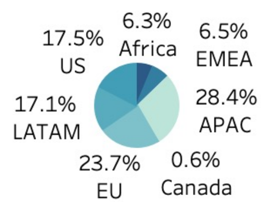
The average sales and expenses per product in 7 selected EMEA countries in 2018-2020



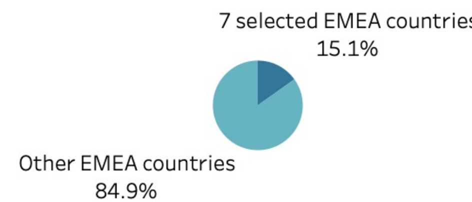
** other expenses = sale - profit - shipping cost - discount*

The 7 selected countries are accounted for ca. 1% of sales across all markets (15.1% of EMEA market, which constitutes 6.5% of total sales).

Sales breakdown by markets in 2018-2020

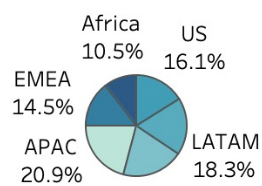


Sales breakdown by 2 groups of EMEA countries in 2018-2020



The 7 selected countries are accounted for 100% and 14.5% of losses in the EMEA market and the global market, respectively. Consequently, it is reasonable to terminate operations in the highlighted countries if "other" expenses are not possible to be dramatically diminished.

Negative profit breakdown by markets in 2018-2020



Negative profit breakdown by 2 groups of EMEA countries in 2018-2020