

# **Executive Summary**

This report analyses the company's monthly profit margin performance across the year. Although the business recorded a net annual profit of approximately \$9,000, the overall financial performance shows high instability and weak profitability.

The analysis reveals that profits were driven by only a few strong months, while several loss-making months significantly eroded gains. This indicates that the business is operating with thin margins, poor cost control, and high exposure to financial risk.

## **2. Overall Performance Overview**

- The company experienced frequent fluctuations between profit and loss throughout the year.
- There is no consistent upward trend in profitability.
- Large negative months nearly wiped out gains from profitable periods.
- Without a few exceptional months, the business would have ended the year at a net loss.

Conclusion:

The company survived the year financially but did not perform sustainably.

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## **3. Monthly Profit Margin Analysis**

### **Profitable Periods**

March: Moderate profit growth

July & August: Stable mid-year performance

October: Highest profit month of the year

December: Strong year-end recovery

These months demonstrate that the business can be profitable under the right conditions.

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## **Loss-Making Periods**

May: Significant loss

September: Marginal loss

November: Largest loss of the year

The November loss alone exceeded the profit of several positive months combined, making it the single biggest contributor to weak annual performance.

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## **4. Key Insights**

### **Insight 1: Profitability Is Highly Volatile**

Monthly profit swings indicate inconsistent pricing, cost management, or demand planning. This volatility increases business risk and makes forecasting unreliable.

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### **Insight 2: Heavy Dependence on Few Months**

October and December account for a disproportionate share of annual profit. Over-reliance on limited periods exposes the business to serious risk if those months underperform.

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### **Insight 3: Poor Cost Control During Peak Periods**

Despite strong sales potential in Q4, November recorded the worst loss. This suggests:

- Excessive discounting
  - High advertising spend with low conversion
  - Increased returns or logistics costs
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### **Insight 4: Annual Profit Is Critically Low**

Ending the year with only ₦9k profit indicates that:

- Margins are too thin
  - Operating costs are too high
  - Revenue growth is not translating into profitability
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## 5. KPI Tracking for Better Financial Control

To improve profitability and prevent unexpected losses, the business must shift from end-of-month reporting to real-time performance control using key KPIs.

### Core KPIs to Track:

#### 1. Profit Margin (%)

- Measures efficiency, not just revenue.
- Helps identify months where costs outweigh gains.
- Enables comparison across periods and products.

#### 2. Cost per Order (CPO)

- Reveals hidden increases in fulfilment, logistics, and marketing costs.
- Prevents selling at a loss unknowingly.

#### 3. Advertising Spend vs Profit

- Ensures marketing activities generate real profit, not just sales.

- Identifies unprofitable campaigns early.

#### **4. Return & Refund Rate**

- Highlights product quality, customer expectation, or logistics issues.
- Explains profit drops despite strong sales.

#### **5. Monthly Net Profit Trend**

- Acts as an early warning system.
  - Detects declining performance before losses escalate.
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### **6. Strategic Recommendations**

#### **1. Investigate Major Loss Months Immediately**

Focus on May and November to identify root causes such as ad overspend, discounts, or operational inefficiencies.

#### **2. Stabilise Monthly Performance**

Shift focus from occasional large profits to consistent monthly profitability.

#### **3. Strengthen Q4 Planning**

Improve demand forecasting, inventory planning, and promotional control during peak seasons.

#### **4. Prioritise Margin Over Revenue Growth**

Focus on higher-margin products and cost efficiency rather than sales volume alone.

## 5. Implement a KPI-Driven Dashboard

Use real-time KPIs to monitor performance and take corrective action early.

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## 7. Final Business Conclusion

While the company achieved a positive annual result, its profitability is fragile and unsustainable in its current form. Without improved cost control, KPI monitoring, and strategic planning, the business remains highly vulnerable to future losses.