



Insights of Superstore Performance

UOL Student ID: 230696581

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Executive Summary

The Southeast Asia(SEA) market plays a critical role in the global expansion strategy of the company. Despite the promising sales figures in the region, recent performance data indicates significant profitability issues arising from low profits. This report focuses on the SEA region's performance, with attention to key drivers behind the underperformance. Issues such as shipping costs, discounting strategies and performance of certain products such as Tables have been identified to directly influence profitability.

Through this analysis, it has become apparent that certain areas of inefficiency require immediate attention. The primary focus areas for improvement include adjusting discount rates to optimal levels, particularly for product categories like tables, and reducing shipping costs. We have also identified that shipping costs do not account for the majority of the problem, making it more essential to refine the company's discounting strategies.

This report proposes strategic recommendations to optimize the company in the SEA region. Through refining discount policies and strategic cost optimisation, and focusing on the performance of specific products, profitability has the potential to increase. The company will then be able to sustain its growth trajectory in this competitive market and also achieve long-term strategic success. The proposed recommendations are designed to bring about immediate improvements so they can be immediately implemented.

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1.0 Business Overview

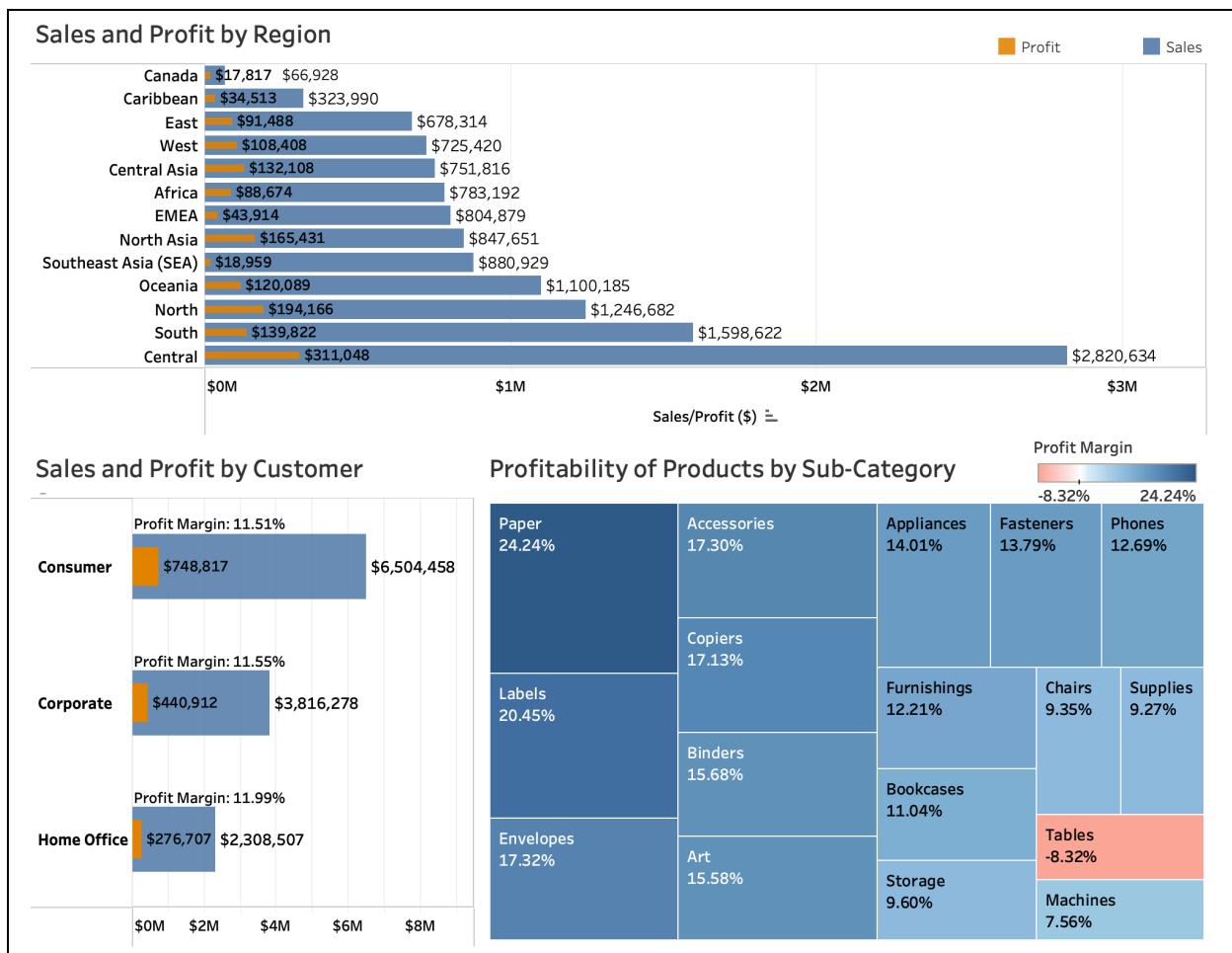


Figure 1: Dashboard of Overall performance of Superstore

Understanding the overall business performance of the superstore is crucial for identifying any areas that need improvement before delving into the specifics of regional performance. This allows us to figure out the current state and performance of the company.

A regional breakdown shows that the Central Region generates the highest sales, followed by the South and North Regions. The Southeast Asia (SEA) Region in particular exhibits high sales but has lacklustre profits. By analysing the **Sales and Profit By Region** chart, we can see that SEA has high sales exceeding \$800,000 but has only managed to convert a small portion into profits of just \$18,959, which is

extremely puzzling. This imbalance is a major concern and calls for immediate attention to why SEA is underperforming. Potential causes include high shipping costs or ineffective discounting practices.

While examining the breakdown by customer segment, we can observe a few trends that merit further investigation. The **Profits by Customer Segments** reveal that the Consumer segment accounts for the majority of the sales and profits, with sales amounting to over \$6,500,000 and profits amounting to around \$750,000. However, this segment is also the least profitable with profit margins of only 11.51%. While the Corporate and Home Office segments contribute smaller sales figures, they produce higher profit margins. The Corporate and Home segment has profit margins of 11.55% and 11.99% respectively. This indicates that although the company is successfully reaching large consumer markets, it is not capitalizing on these sales as it should.

Regarding profit profitability, by looking at the **Profitability of Products by category**, tables stand out as the only category with a negative profitability of -8.32%. In contrast, products like paper, labels and envelopes show positive profitability margins at 24.24%, 20.45% and 17.32% respectively. These disparities highlight the need for the company to refocus its efforts on optimizing product categories that show potential for high profitability.

Hence, we have identified the problem region and product, we can now conduct further analysis and delve deeper to find out the root cause of their underperformance.

2.0 Profitability Analysis of SEA

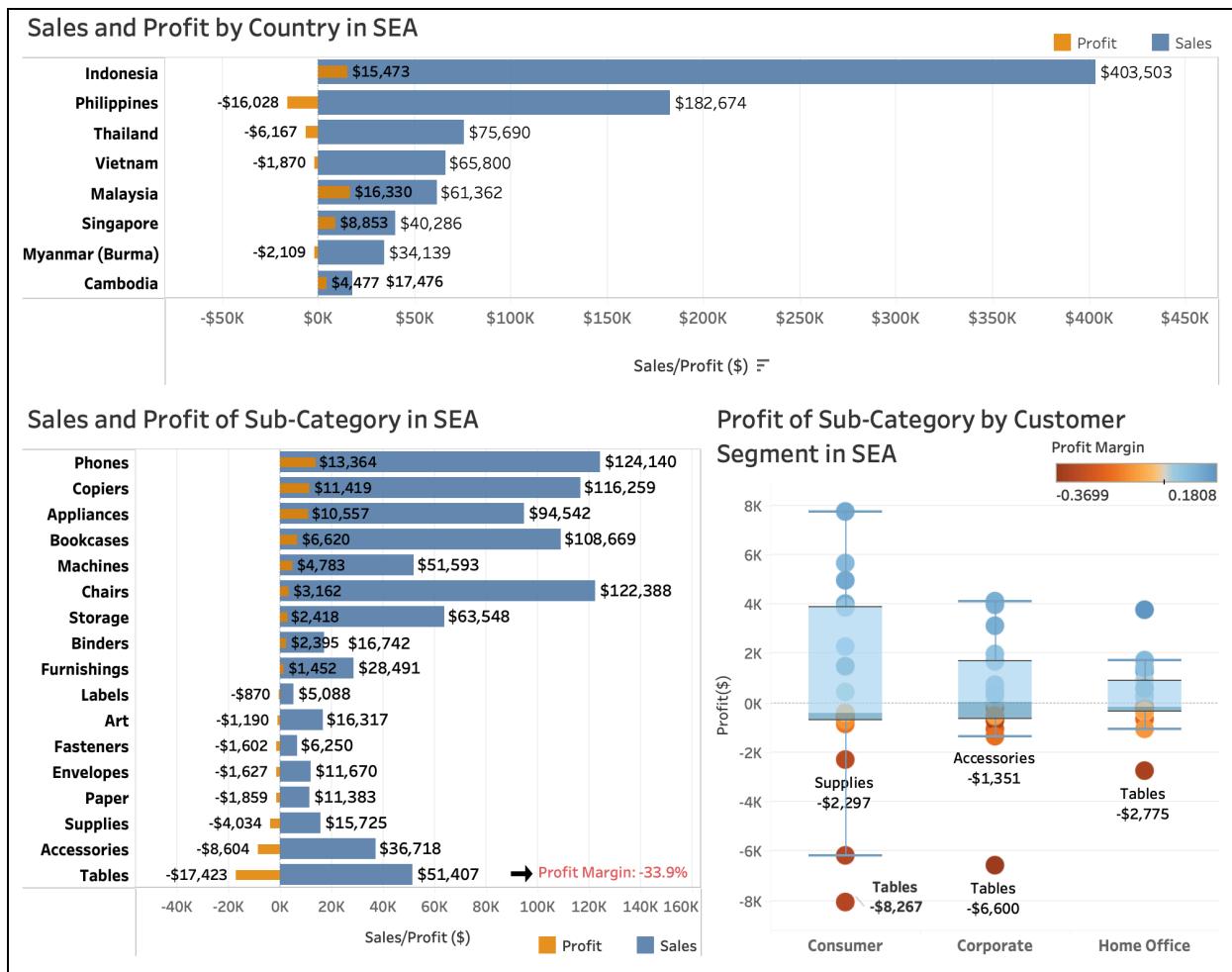


Figure 2: Dashboard of Profitability Analysis of SEA

Focusing on the SEA's region's performance, it is imperative to examine the specific profitability data for each country. SEA represents a significant growth opportunity for the company, but profitability is holding them back. By Examining the **Sales and Profit by Country in the SEA** bar chart, we can observe that many countries in the SEA struggle with profitability issues. Despite solid sales of \$403,503, Indonesia's profits stand at a mere \$15,473. Similarly, both The Philippines and Thailand face similar challenges. The Philippines has impressive sales figures exceeding \$180,000 but reports negative profits of \$16,000. Thailand also has decent sales figures of \$75,690 but has negative profits of \$6,000. This indicates that these countries are struggling with

inefficiencies in their cost structures, which is directly impacting their ability to convert sales into profits.

The subcategory analysis highlights Tables as the primary issue. From the **Sales and Profit Sub-Category** bar chart, despite Tables having reasonable sales figures of over \$51,000, it still contributes to the biggest loss in profitability of over \$17,000 in SEA.

This equates to a negative profit margin of -33.9% which is alarming and requires immediate attention. Accessories follow but are far less problematic, with losses of over \$8000.

This trend is also consistent across customer segments, with Tables causing the most significant losses in all segments, particularly in the Consumer segment followed by the Corporate and Home Office segments. From the **Profit of Sub-Category by Customer Segment** graph, we can see that Tables incur the greatest loss of profit of -\$8,267, -\$6,000 and -\$2,775 in all the Customer Segments respectively.

Hence, we can also conclude that Tables are also a problem product in the SEA and not just globally.

3.0 Breakdown of Table Shipping Costs

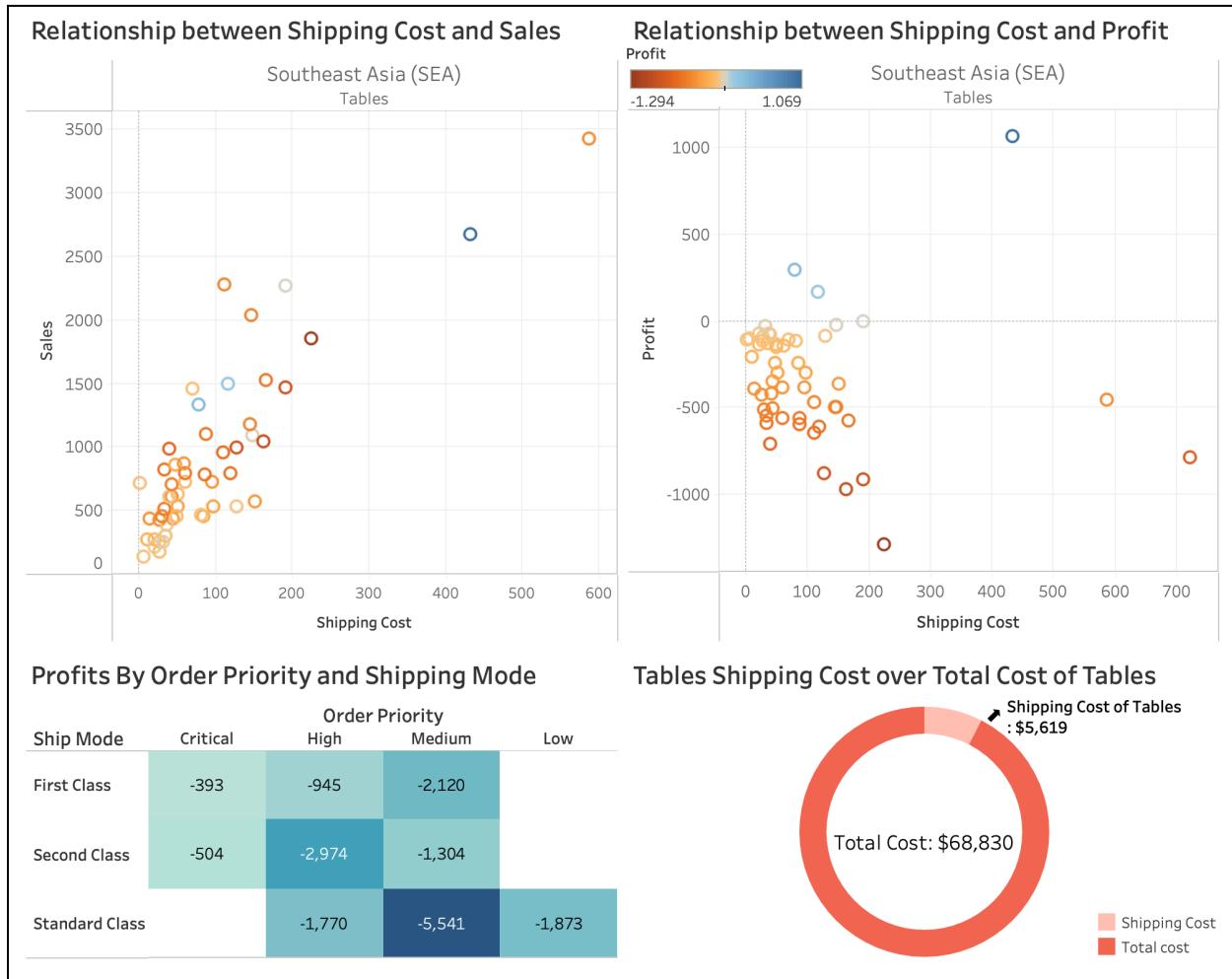


Figure 3: Dashboard of Breakdown of Shipping Cost of Tables

Given that Tables are one of the major reasons for SEA's low profitability, it is essential to evaluate the breakdown of the shipping costs of tables. Shipping costs are a critical part of the overall expense structure, understanding this will provide valuable insights on how they contribute to the unprofitability of tables in SEA. From the **Relationship between Shipping Costs and the Sales** graph, we can infer that the higher the shipping cost, the higher the sales. Similarly, the **Relationship between Shipping Costs and the Profit** graph portrays the same thing.

Further analysis shows that medium and standard-class incur the greatest losses of over -\$5,500, followed by the High and Second Class at -\$2,974 and Medium and First Class at -\$2,120.

Additionally, It is found that out of the total cost of tables in SEA, only a small portion of it is occupied by shipping costs. This means that shipping costs are not a leading cause of the table's unprofitability and there may be other reasons as to why tables were massively underperforming. However, it will also be beneficial to the profitability of the company if shipping costs are reduced.

4.0 Breakdown of Table Discounts

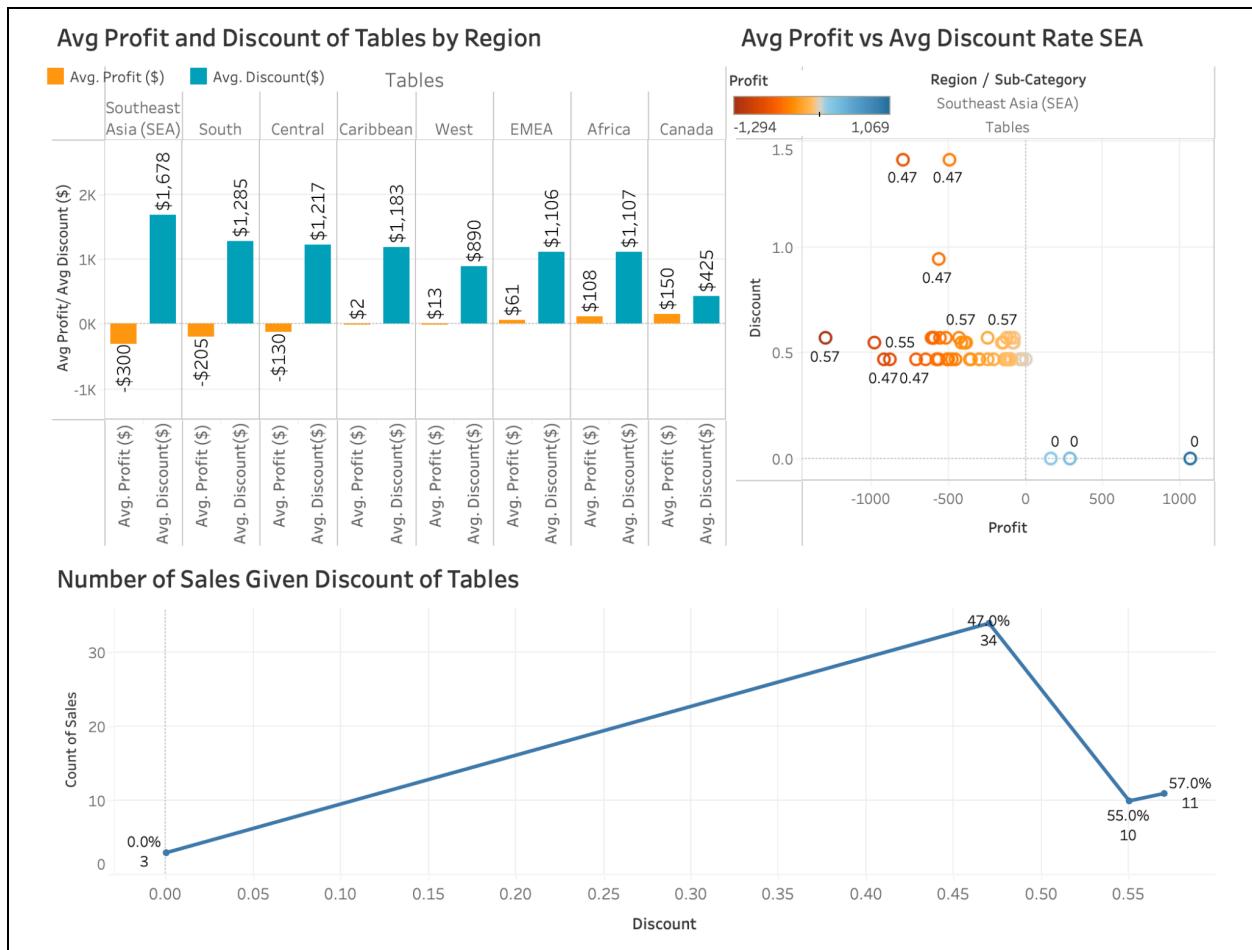


Figure 4: Dashboard of the breakdown of table discounts

After in-depth analysis, it is found that one of the most significant contributors to the low profitability of tables in SEA is the excessively high discount rates. The dashboard of the **Average Profit and Discounts of Table by Region** provides a comparison of where SEA stands in terms of the average profit and average discount of tables compared to other regions. SEA is recorded to have the highest average discounts and the lowest average profit. Regions with fewer discounts recorded positive average profits, this shows that the discounts have a direct impact on profitability.

By taking a look at the **Average Profit vs Discount Rate in SEA**, we can infer that profits drastically decline when the discount rate is significant. Therefore, the Discount

Rate should be kept within 0 to 0.5 to yield profitability. Any higher than 0.5 would lead to a significant decline in profits. Similarly, if there are no discounts, profit is very minimal which also translates to insignificant sales as it does not appeal to customers.

Further Analysis shows that the number of sales increases with the number of discounts given, but decreases the moment the discount given is too huge. This can be seen

Number of Sales Given Discounts in Tables, where the count of sales increases steeply from 3 sales at a 0% discount to 34 sales at a 57% discount. Thereafter, the sales drop steeply when a 55% discount is offered. This indicates that while lower discounts may stimulate demand, extremely high discounts do not yield the desired results and can harm profitability. Hence, an optimal discount rate should be adopted to bring about a balance and maximise profits.

5.0 Recommendations

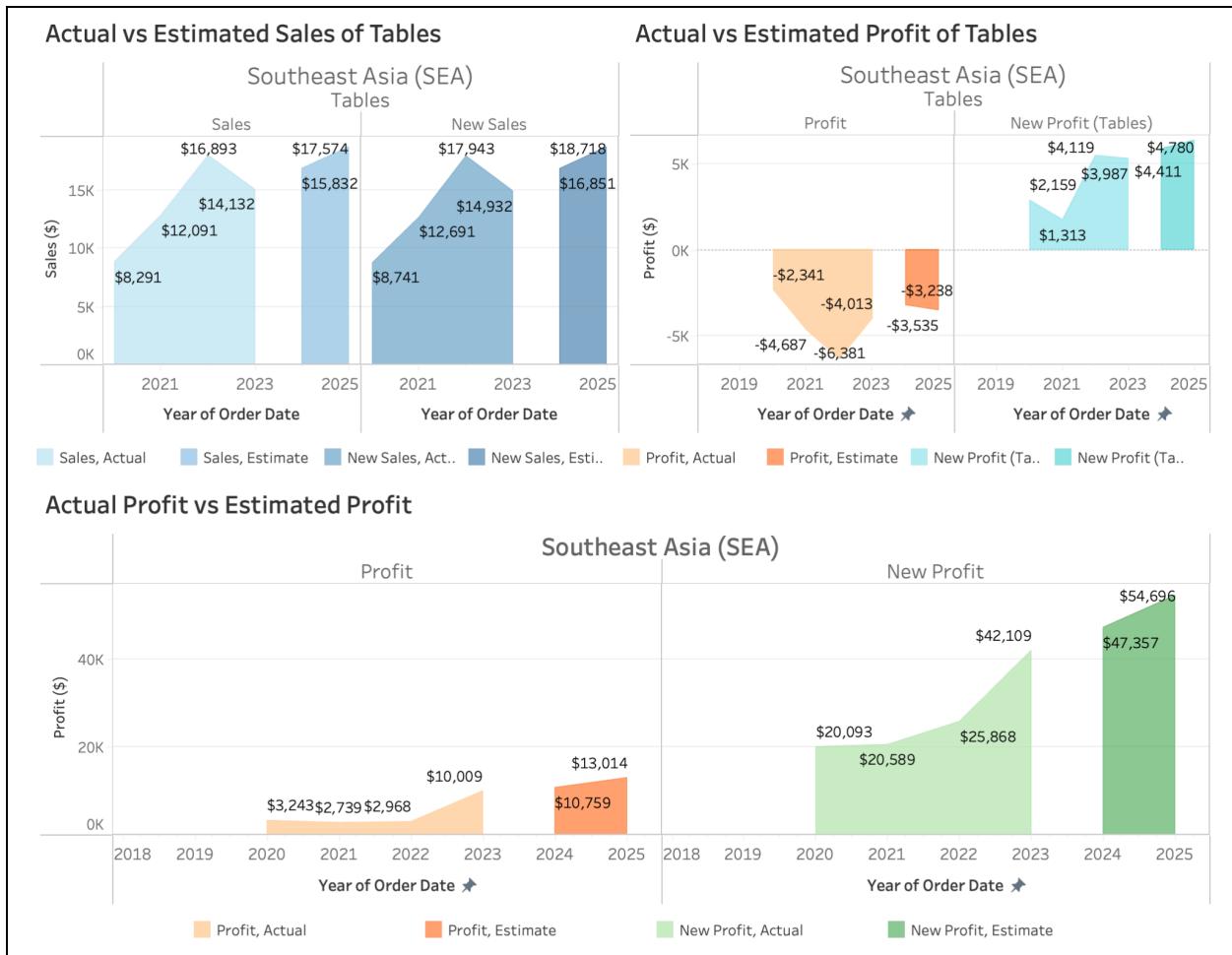


Figure 5: Dashboard for recommendations

As seen from **Figures 3 and 4**, the company is suffering from huge losses mainly because of the huge discounts offered. Therefore, to maximise profits and limit costs, I recommend that the company reduce its discounting rate to 25%. This would help to balance the need for competitive pricing while maintaining a strong profit margin. This ensures that the product remains attractive to consumers while still generating a reasonable return. Frequently evaluating the effectiveness of its discounts can also be done to combat the ever-changing customer preferences and demands.

We can also minimise shipping costs to bring about better results. While shipping costs are not the primary cause of profitability issues, reducing them will also lead to

additional savings. The company can explore alternative shipping methods such as negotiating better rates with service providers and consolidating shipments to minimize the impact of shipping on overall profitability.

After doing the sales and profit projections with the proposed discount rate and lowering shipping costs, I have come out with the above results. From the **Actual and Estimated Sales of Tables** in SEA, we see that the sales of tables increased from \$14,132, \$15,832 and \$17,574 to a projected \$14,932, \$16,851 and \$18,718 in the years 2023, 2024 and 2025 respectively after the discount and shipping costs adjustment.

Similarly, the **Actual and Estimated Profit of Tables** shows similar results if the changes are implemented, from -\$4,013, -\$3,535 to -\$3,238 to a projected profit of \$3,987, \$4,411 to \$4,780 in 2024 and 2025 respectively.

Lastly the **Actual vs Estimated Profit** in the SEA graph, we can observe that SEA's profit has the potential to increase drastically from \$10,759 and \$13,014 to a projected \$47,372 and \$54,696 respectively in 2024 and 2025.

6.0 Conclusion

In conclusion, the SEA region presents a significant growth opportunity for the company, but these profitability issues must be addressed to capitalize on this potential. By optimizing discounting strategies, reducing shipping costs and focusing on product performance, the company can improve its profitability in the region.

By taking a more targeted and efficient approach to cost management, price and discounting, the company will be able to achieve its goal of improving profitability while also positioning itself for long-term success in the competitive SEA market.