

# Olist E-commerce Strategic Analysis: Unlocking Growth via Logistics & Retention

Prepared For: Olist Executive Team

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## 1. Executive Summary

This report presents the findings of a comprehensive analysis of 113,000+ order items from the Olist marketplace. The objective was to identify the primary drivers of customer dissatisfaction, diagnose operational bottlenecks, and develop a data-driven strategy for profitability and retention.

### The Verdict:

Olist's primary challenge is not product quality or pricing, but logistics consistency. The analysis proves that delivery performance is the single strongest predictor of customer satisfaction. Furthermore, the business is currently operating as a "churn machine," relying on expensive new customer acquisition while failing to retain 97% of buyers.

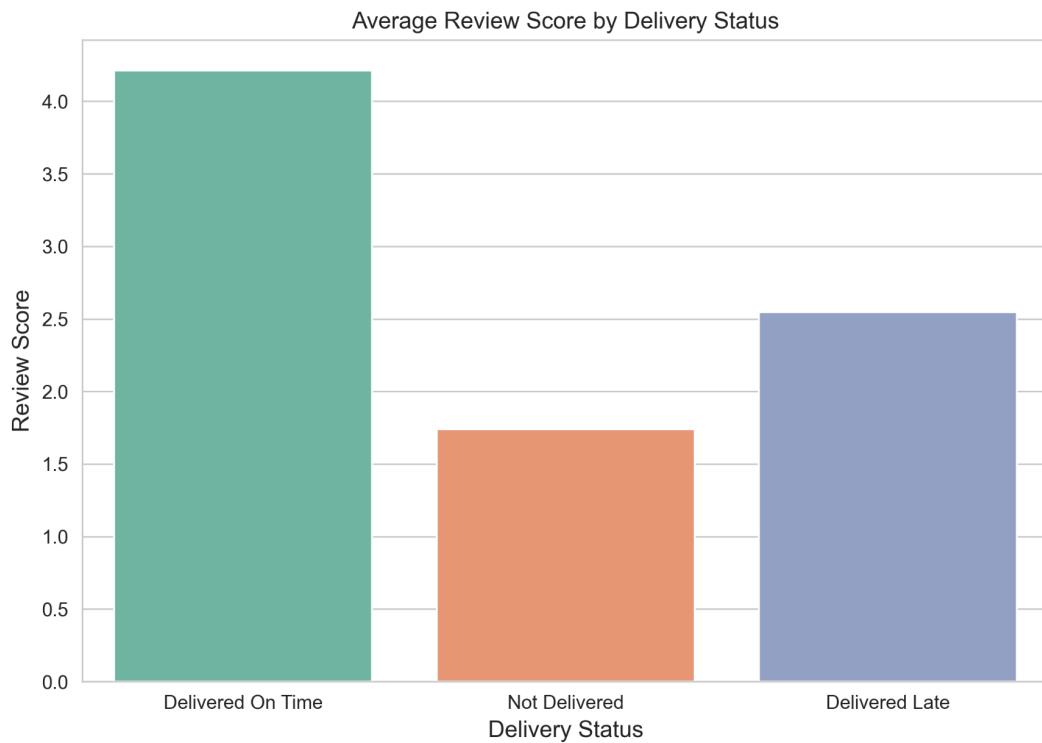
### Key Strategic Recommendations:

- Stabilize Logistics:** Implement targeted interventions for the "slowest 1%" of sellers and increase estimated delivery times for the Amazon basin region.
- Shift to Retention:** Pivot marketing spend from broad acquisition to a targeted "Second Purchase" campaign for the high-value "Promising" segment.
- Re-Evaluate Friction:** Address the unsustainable 70% freight ratio in the Electronics category to unlock higher customer satisfaction.

## 2. The "Satisfaction Equation": Why Customers Are Unhappy

My analysis began by testing the hypothesis that price or product quality drives reviews. The data conclusively disproves this.

- Price vs. Satisfaction:** There is **zero correlation** between the price of an item and its review score. Customers are just as happy (or unhappy) with a \$50 item as a \$500 item.
- Logistics vs. Satisfaction:** There is a **strong, direct correlation** between delivery speed and satisfaction.



#### The "Satisfaction Cliff"

The data reveals a binary customer experience:

- **On-Time Orders:** Average Review Score: **4.2 / 5.0** (High Satisfaction)
- **Late Orders:** Average Review Score: **2.5 / 5.0** (Severe Dissatisfaction)
- **Failed Deliveries:** Average Review Score: **1.7 / 5.0** (Churn Risk)

**Conclusion:** To improve the company's Net Promoter Score (NPS) or average rating, all efforts must focus on **reducing late deliveries**. Improving product quality will yield diminishing returns compared to fixing the supply chain.

## 3. Diagnosing the Supply Chain: Who and Where?

Having identified logistics as the core problem, I isolated the specific sources of delay. The problem is not systemic across the entire platform; it is concentrated in specific areas.

### A. The "Mega-Seller" Risk

The marketplace relies heavily on a small number of high-volume sellers. While most are efficient (processing orders in < 3 days), one of the **Top 3 sellers** is a critical bottleneck, averaging an **11-day processing delay**.

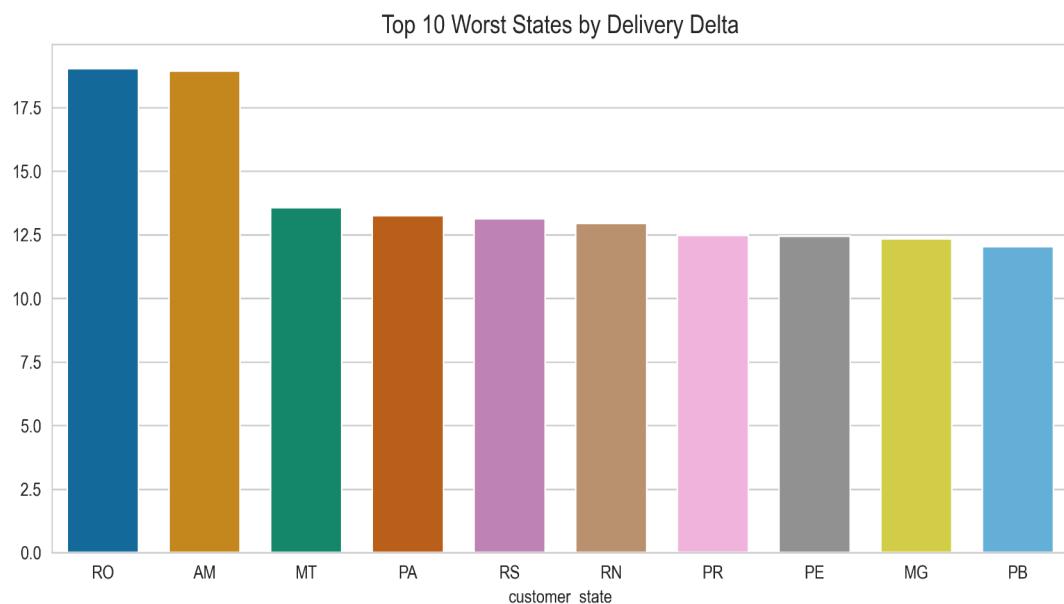
- **Impact:** This single seller is generating thousands of late orders. Despite this, their review score is a passable ~3.4, suggesting their product quality is high enough to

- prevent a total collapse.
- **Recommendation:** Immediate account management intervention to fix this seller's fulfillment process.

## B. The Geographical Gap

Delivery performance is highly regional.

- **The Problem:** Customers in remote states like **Rondônia (RO)** and **Amazonas (AM)** experience average delays of **18+ days**.



- **The Solution:** This is a network limitation, not a seller failure. The platform must adjust its Estimated Delivery Date algorithm for these regions to set realistic expectations. A customer told "20 days" who receives it in 18 is happy; a customer told "10 days" is furious.

## 4. Product Portfolio Strategy

I analyzed the product catalog to identify high-value opportunities and friction points.

### The "Volume" vs. "Value" Split

The business operates on two distinct models:

1. **Volume Drivers (e.g., Bed & Bath):** High sales count, lower ticket size. These are the "engine" of the platform.
2. **Value Drivers (e.g., Watches & Gifts):** Lower sales count, but the **#2 highest revenue generator**. These are the "profit centers."

## The "Electronics" Paradox

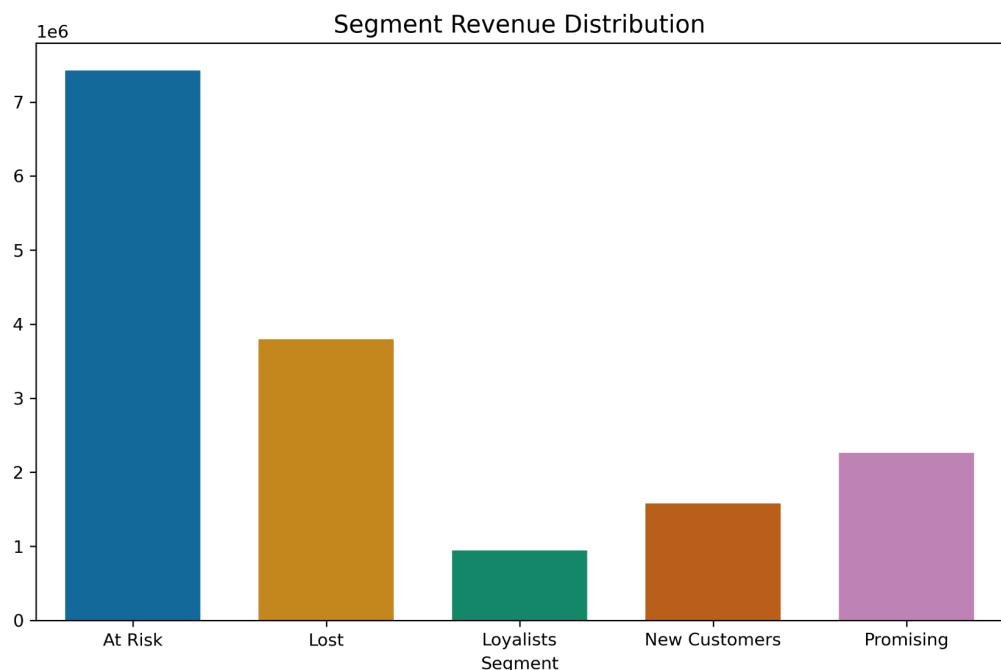
The **Electronics** category represents a unique strategic risk.

- **High Friction:** The average freight cost is **70%** of the item price (e.g., \$70 shipping for a \$100 item).
- **High Speed:** It has the fastest delivery times (10 days early on average).
- **Mediocre Score:** Despite the speed, the review score is only **~4.0**.
- **Insight:** The exorbitant shipping cost creates "buyer's remorse," canceling out the delight of fast delivery. The business model for this category is inefficient and vulnerable to competitors with better logistics pricing.

## 5. Customer Retention: The "Leaky Bucket" Crisis

A comprehensive RFM (Recency, Frequency, Monetary) analysis revealed the most critical long-term risk to the business: **Customer Churn**.

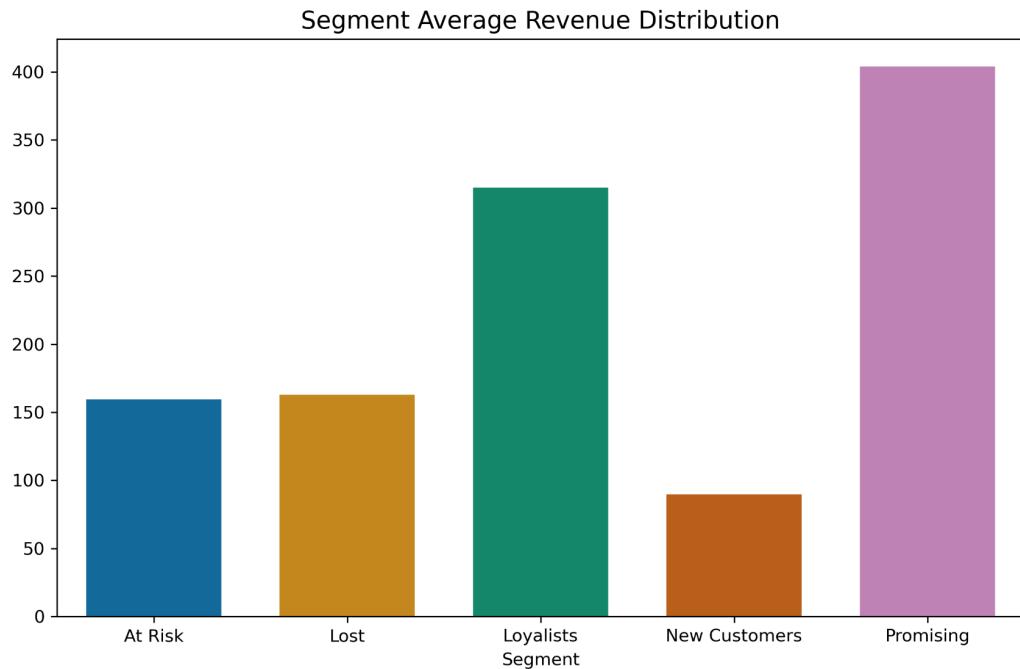
- **97% of customers are "One-Time Buyers."**
- **Only 3% of customers ever return to make a second purchase.**



This means the business is entirely dependent on a constant, expensive stream of new customer acquisition.

### The "Hidden Gold Mine" (Promising Segment)

However, the analysis uncovered a specific, high-potential cohort: the "**Promising**" segment.



- **Who they are:** Recent, one-time buyers who spent significantly more than average.
- **Value:** Their average order value (**~400 BRL**) is significantly *higher* than even the "Loyalist" segment (**~310 BRL**).
- **Opportunity:** These 5,595 customers are the most valuable un-tapped asset in the database. They have proven spending power and recent intent but have not yet been retained.

## 6. The Strategic Playbook: Next Steps

Based on these findings, I propose the following immediate actions:

Priority	Strategy	Action	Expected Outcome
High	The "Promising" Activation	Launch a targeted email campaign to the "Promising" segment offering a 15% discount on a <i>second</i> purchase within 30 days.	Convert high-value one-timers into Loyalists, increasing Customer Lifetime Value (LTV).
High	The "Expectation"	Update the	immediate

	<b>Fix</b>	logistics algorithm to add +5 days to the estimated delivery date for orders shipping to RO, AM, and other remote states.	reduction in "Late Delivery" flags and an increase in review scores in these regions.
<b>Medium</b>	<b>The Seller Intervention</b>	Assign a dedicated account manager to audit the fulfillment process of the identified "slow" mega-seller.	Reduction in average processing time from 11 days to <3 days, boosting overall platform speed.
<b>Medium</b>	<b>The "At-Risk" Recovery</b>	Send a "Service Recovery" campaign to the "At Risk" segment (who suffered poor delivery), offering a "Fast Shipping Guarantee" on their next order.	Win back customers who left due to service failure, rather than lack of interest.