Business Analytics



Barefoot Accessories

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Barefoot
Accessories

CONTENTS

Executive Summary

I. Introduction

II. Financial indicators

- 2.1 Sales and Profit by Year
- 2.2 Sales and Profit by Product
- 2.3 Sales by Payment Method
- 2.4 Sales by Channel a Year
- 2.5 Sales by Gender a Year

III. Non-financial indicators

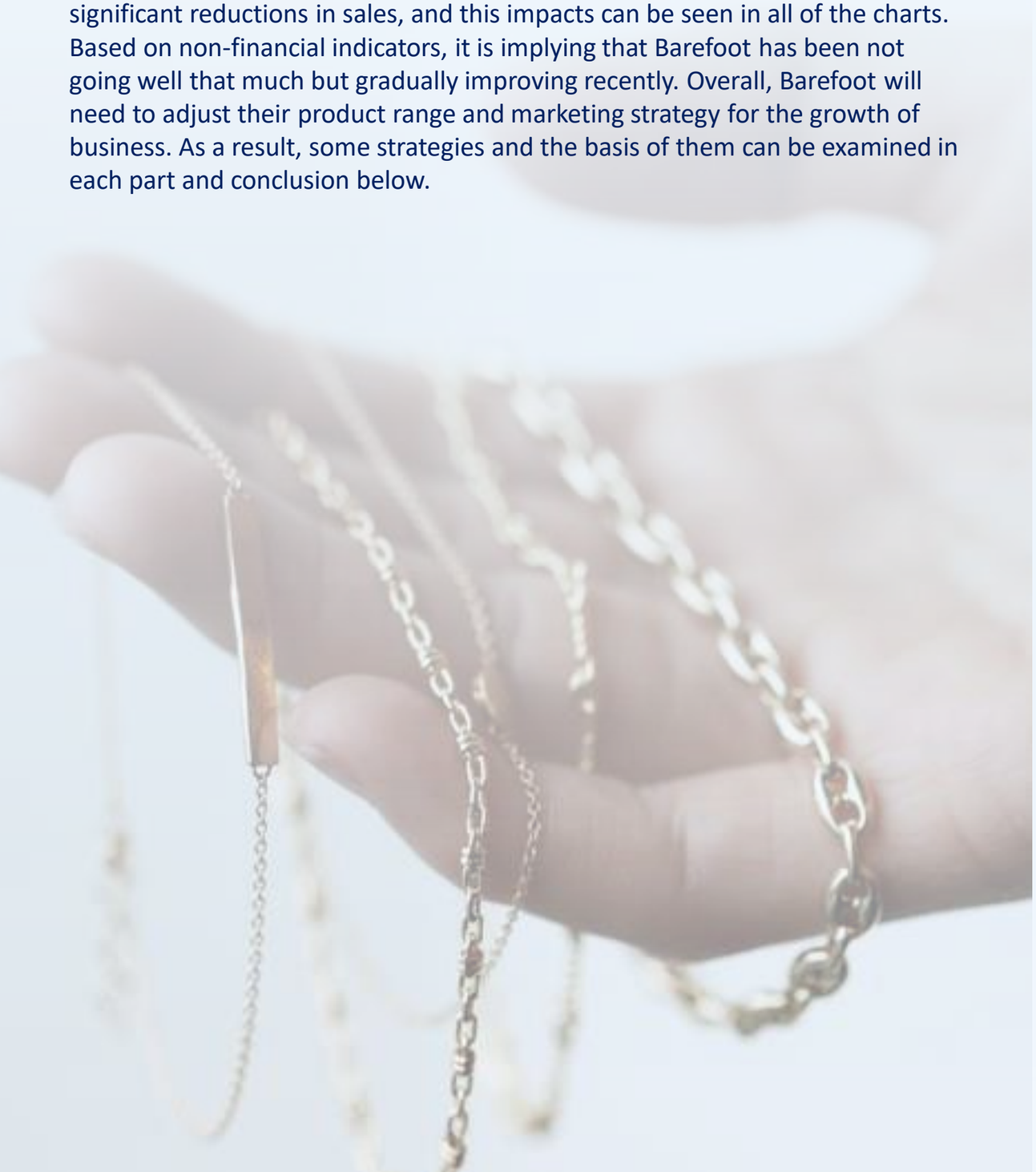
- 2.6 Customer Churn
- 2.7 CLTV
- 2.8 RFM Model

IV. Conclusion

Reference

EXECUTIVE SUMMARY

In this report, Barefoot's business performance and customers behavior will be assessed and some strategies would be suggested for growth of business. The financial indicators show Barefoot's sales revenue. In 2019, there were significant reductions in sales, and this impacts can be seen in all of the charts. Based on non-financial indicators, it is implying that Barefoot has been not going well that much but gradually improving recently. Overall, Barefoot will need to adjust their product range and marketing strategy for the growth of business. As a result, some strategies and the basis of them can be examined in each part and conclusion below.



INTRODUCTION

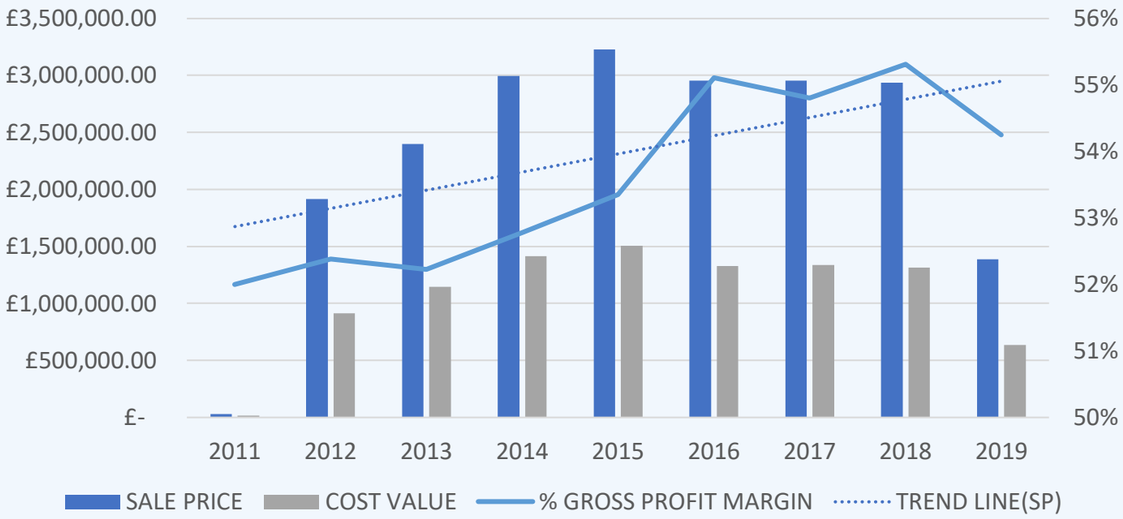


Accessories brands have become increasingly popular in recent years, since more and more consumers demand for unique and personalized fashion choices. Barefoot is one of the jewerlly accessories brands based on online retail that offers a variety of accessories including necklace, earrings, charms, and so on. In this report, sales data that is consist of purchasing time, cost and sale prices of purchase, products, channels, and customers information will be analyzed focusing on sales revenue from 2011 to 2019. Furthermore, examining this data would lead to inspect of customers behavior, so that Barefoot can establish their strategy for brand expansion.

This data analysis aims to provide insights into Barefoot and identify trends that can help brands develop effective branding strategies for marketing, and sustainable growth. The analysis focuses on several key financial indicators, 'Sales and profit by year', 'Sales and profit by product', 'Sales by payment methods', 'Sales by channel a year', and 'Sales by gender'. In this financial part, we will see the annual trend of revenue, product sales pattern. Also, payment method, channel and gender would be explored so that Barefoot can consider Elimination or introduction of elements. Moreover, non-financial indicators will be analyzed including 'Customer churn', 'CLTV', and RFM model'. In this part, the pattern of customer churn, and those who are valuable customers for Barefoot will be indicated with the aim of keeping a range of valuable customers. Overall, this data analysis provides valuable insights for Barefoot looking to understand their customers better and develop effective business strategies.

SALES AND PROFIT BY YEAR

Figure 1. SALES AND PROFIT BY YEAR



According to the figure 1, Barefoot had increasing sales revenue from 2011 to 2015, followed by a slight decrease in sales revenue in 2016 to 2018. However, it is notable that there was a substantial reduction in 2019, with a decrease of approximately more than 50%. The main reason of this could be COVID-19. The COVID-19 pandemic has had a significant impact on the global fashion industry, with many companies facing significant challenges related to supply chain disruptions, store closures, and decreased consumer demand (Whering, 2020). The pandemic has accelerated existing trends such as e-commerce and sustainability while also creating new challenges and opportunities for fashion brands. The following are some of the key impacts and trends in the industry.

On the other hand, the gross profit margin has exhibited a slight upward trend, with a particularly notable increase observed between 2015 and 2016. Comparing 2014 and 2016, even though the sale price is similar, the cost value in 2016 is less than in 2014. During this period, it is assumed that the company experienced a significant boost in its gross profit. Moreover, the cost value was maintained after this period excluding 2019, and this shows the Barefoot improved efficiency in the production and operations. Due to COVID-19 impact the fashion industry, the marketing strategy needs to be customized in this situation. For example, Barefoot can use kind of phrase ‘Be Ready Endemic’ which is touching upon customers’ desire. Moreover, it is necessary to consider launching new comfortable products.

SALES AND PROFIT BY PRODUCT

Figure 2. SALES AND PROFIT BY PRODUCT

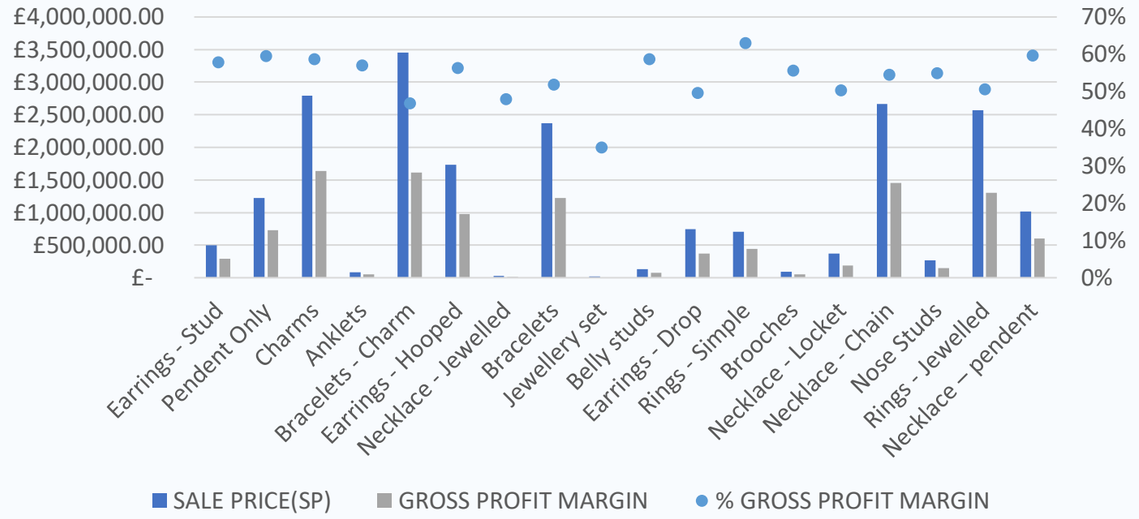


Figure 2 provides the sale price and cost value for each type of jewelry and the percentage of profit by product. The best-selling product of Barefoot is bracelets – charm, but they generate a gross profit of less than 50%. This shows the reason the gross profit margin of charms is slightly higher though these bracelets were sold around 8milion £ more than Charms. Moreover, the most profitable product is simple rings whose profit margin is over 60%, but they are not significantly sold. The 5 best-selling products were Charm bracelets, Charms, Chain necklace, Jewelled rings, and Bracelets, while the 5 most profitable products itself were Simple rings, Pendent necklace, Pendent only, Charms, and Belly studs.

Based on the analysis of the figure, Barefoot needs to make the cost value of best-selling items decreased especially bracelets – charm, so that the gross profit margin of them can be profitable. Also, the figure also shows that Barefoot's simple ring and pendant necklace products gets a higher gross profit margin, which means that they are profitable. To further improve the profitability of the business, Barefoot should focus on reinforcing the line or advertisement of these profitable products. As the 3 most purchased type of jewellery were Earrings, Necklace, and Rings(Mintel, 2022), it is clear that consumers are looking for these types of accessories. Therefore, it is necessary for Barefoot to encourage customers to buy these types of product as they are more profitable as well. This can help to increase sales and revenue while also improving the overall profitability of the business.

SALES BY PAYMENT METHOD

Figure 3. SALES BY PAYMENT METHOD

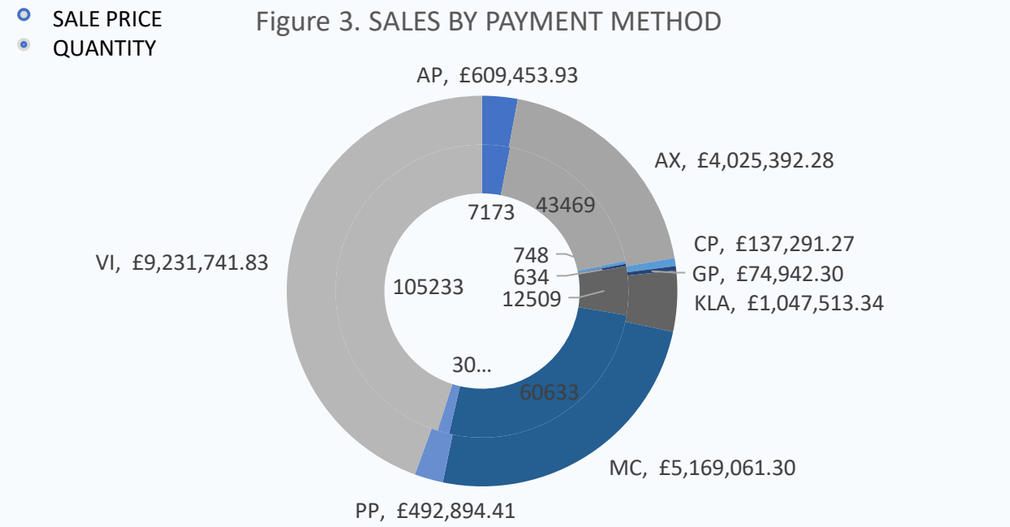
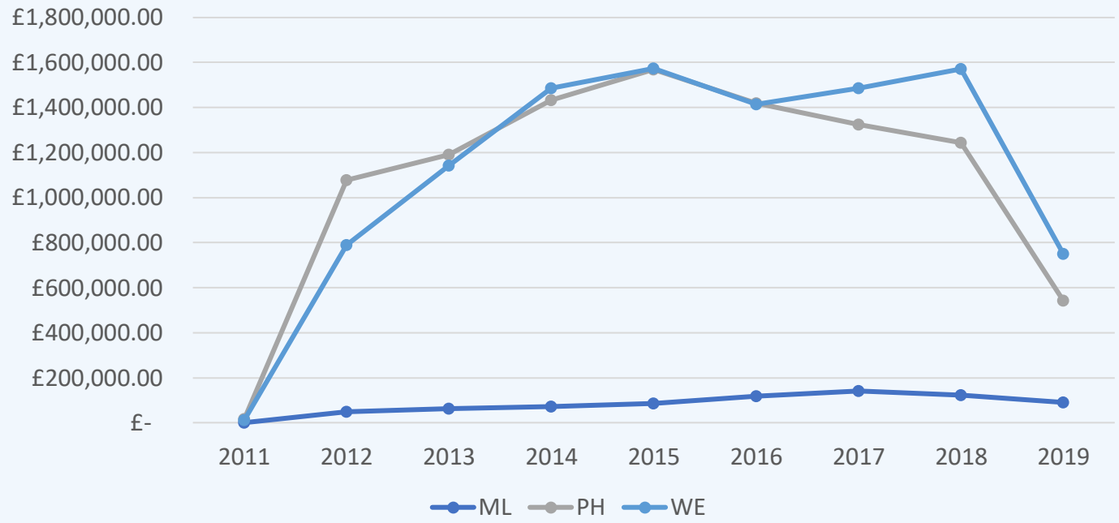


Figure 3 represents the sales revenue and quantity by payment methods used by customers in Barefoot. According to this data, it is obvious that The Visa has the highest sales quantity as well as revenue generated among all payment methods, with over 100,000 sales and £9 million in revenue, as the most common online payments method in UK is 'Debit card'(Figure 3-1; Satista, 2022). Also, depending on 'Online payment' method is the second most common in UK(Figure 3-1; Satista, 2022), Apple pay and Google pay were the second and third most popular payment method in Barefoot as well. The combined usage of these three payment methods amounts to approximately 90% which means majority of customers are using these when they purchase Barefoot's products.

As the M-commerce industry grows year on year(Figure 3-2; Statista, 2022), it would be beneficial to broaden the range of mobile payment options such as Samsung pay, or Barclays bpay which are used by 7-8% of people among the mobile payment users(Figure 3-3; Statista, 2022). Otherwise, Barefoot's own payment method – BAREFOOT PAY can be considered. This makes easier to get customer loyalty encouraging them to use additional loyalty point with this own payment method. Additionally, it can be reduced cost value of all items by avoiding third-party fees and charges with payment methods.

SALES BY CHANNEL A YEAR

Figure 4. SALES BY CHANNEL A YEAR



Based on Figure 4, it is displayed the sales revenue of Barefoot for each channel (Email, Phone, Website) by year, as well as the overall trend over the 9-year period. The data indicates that the Email purchases was maintained a low level consistently, and this means Email is not effective channel for Barefoot that much. On the other hand, Web and Phone purchases has been an upward trend in sales prior to 2019. It shows that Web orders expanded until 2015, followed by a slight decline, but recovered soon. Prior to 2015, Phone orders increased as well, but then slightly dropped. Interestingly, although phone orders were initially higher than website orders, the website purchase have shown an increase in recent times.

Since Social media and Mobile app channels are the most profitable excluding website related channels in the UK(Visualsoft, 2022), it is necessary to have own SNS account and Mobile application. Especially, mobile application can help business have stronger relationships with customers by offering better experience than phone call or email. Mobile app has visualized information as well as more events or convenience of use. Additionally, it is easier to communicate with customers with the mobile app, allowing for faster and more efficient customer support. Furthermore, application is one of the best marketing tools, as the customers have more possibilities to find and use this unconsciously. So, if Barefoot own their mobile application channel, it is assumed that the customer's royalty could maintained, having better relationships with their customers and communicating faster and more effectively.

SALES BY GENDER A YEAR

Figure 5. SALES BY GENDER A YEAR

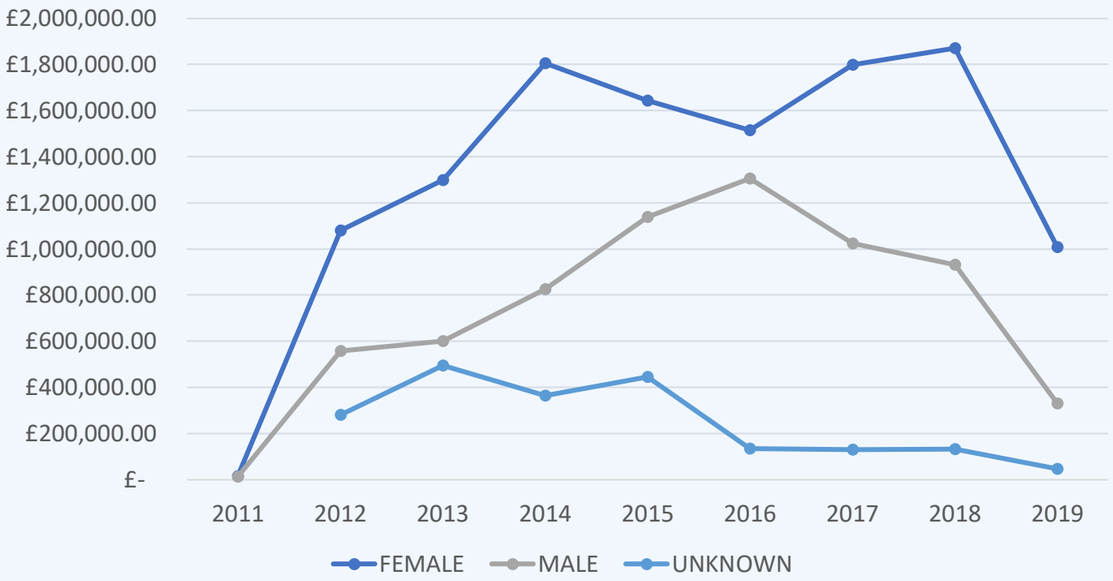


Figure 5 represents the sales revenue by gender per year. During this period, female customers have consistently generated a much higher sales than male customers having been an upward trend in sales before 2019. For female customers, there was significant growth between 2011 and 2014, with a slight decline in growth for the next two years, followed by a recovery in sales figures. On the other hand, male customers figured consistent growth until 2016, but then it was reduced gradually. Revenue of customers with unknown gender has been decreasing in steps.

Nowadays, as Sustainability and ethical practices has become a major concern in fashion industry and the influence of social media expanded, Generation Z consumers has been looking for some products that fits all the previous trends (FashionUnited, 2022). Especially, Gen Z emphasizing importance on personal appetite revealed an appetite for gender-neutral fashion. Also, these Z generation men see jewelry as an opportunity to express their individuality and represent important moments in their lives. Therefore, Barefoot might need to focus on Gender neutral accessories so that both female and male revenue of customers who are interested in gender neutral fashion would increase.



CUSTOMER CHURN

Figure 6. CUSTOMER CHURN

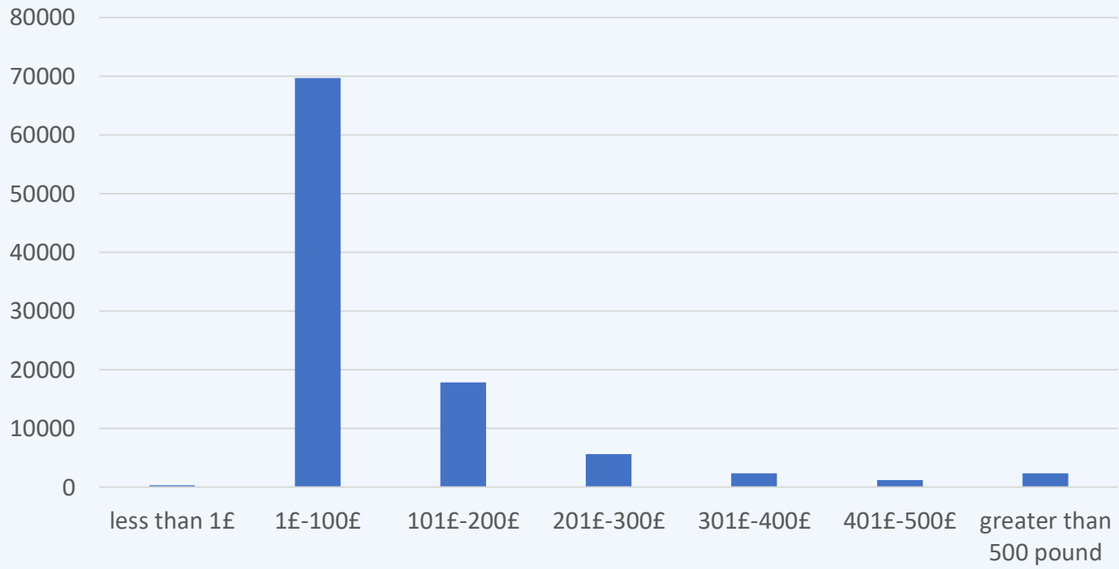
First Purchase / Final purchase	2011	2012	2013	2014	2015	2016	2017	2018	2019	Grand total
2011	13%									24
2012	16%	73%								8293
2013	12%	6%	78%							11027
2014	15%	5%	6%	82%						14149
2015	9%	4%	4%	6%	85%					14758
2016	10%	3%	3%	4%	5%	86%				12871
2017	9%	3%	3%	3%	4%	7%	88%			14351
2018	8%	3%	3%	3%	4%	5%	8%	94%		16097
2019	8%	2%	2%	2%	2%	3%	4%	6%	100%	8432
Grand total	184	11265	13122	15437	15080	12484	13322	13329	5779	100002

This data represents the customer retention rate for a business in Barefoot from 2011 to 2019. The table shows the percentage of customers who made their final purchase in each year, broken down by the year of their first purchase. According to the graph, customers made their first purchase in 2011 tend to reorder more than those who make a first order later, showing around 10%. This appears Barefoot has provided appealing experience with their products and services. On the other hand, during middle-period of from 2012 to 2015, less people are inclined to repurchase Barefoot's products recording less than around 5%. However, there has been a slight increase in growth recently, and it could be assumed that Barefoot is making an effort to keep customers leaving.

Dealing with this analysis, there should be more strategy to prevent customers churn. Likewise, it is important to provide a great first impression of brand experience to new customers, so that they can repurchase items and become a regular customer. For example, review of the items on website or SNS for advertising should be managed, and it needs to be easy with the steps of purchasing product on the website. Furthermore, it is necessary to keep customers from churn with any benefits. For instance, introducing membership level with more benefits on the higher level could be the way encouraging customers to order. Therefore, Barefoot has to focus on customer experience such as website design, advertisements, and brand policy, as well as offering high-quality products.

CLTV

Figure 7. CUSTOMER LIFE TIME VALUE



CLTV is Customer Life Time Value, which is a metric that estimates the total value a customer will bring to a business over the course of their relationship. CLTV could be considered with the profits (Sale Price - Cost Price) and the figure 7 represents amount of valuable customers counted with profits of each customer. From this data, it appears Barefoot has around 70,000 customer who spent their money between 1£ to 100£, and less than 20,000 from 101£ to 200£. On the other hand, Barefoot has about 5,000 customers to order more than 301£. This shows Barefoot has relatively much more customers who spend less than 100£, and it is necessary to acquire more valuable customers who purchase greater than 100£.

Barefoot needs some specific tactics should be employed to attract additional more valuable customers, so that the graph can figure peak-shaped. However, it is inevitable that the distribution depicted in the histogram is skewed towards the left, since Barefoot is in accessories market so it's hard to get very high profits with remaining customers currently have. Therefore, it is necessary to acquire new customers, and encourage for current customers to purchase more than 100£. Moreover, keeping the most valuable customers who spend a lot of money is significant, so it is recommended having highly attracting membership policy. Furthermore, initiating of accessories subscription could be a new experiment strategy option for steady performance of profit.

RFM MODEL

Figure 8. RFM MODEL

The number of customer	2011 - 2013	2014 - 2016	2017 - 2019
Recency			
Total	19344	41778	33880
Frequency			
Shop 0-1	12847	25392	20531
Monetary			
Less than 100 £	9358	18653	14663
100 – 500 £	3325	6521	5673
Over 500 £	164	218	195
Shop 2	3785	8535	7718
Less than 100 £	1533	2527	2145
100 – 500 £	2078	5726	5318
Over 500 £	174	282	255
Shop 3+	2712	7851	10631
Less than 100 £	189	295	316
100 – 500 £	2000	6553	6898
Over 500 £	523	1003	3417

RFM stands for Recency, Frequency, and Monetary Value. It is a customer segmentation technique used to analyze customer behavior and categorize customers into different segments based on their purchasing patterns. Looking at this chart, it can be analyzed that the ‘Total’ number of customer is recency, ‘Shop 0-1’, ‘Shop 2’, and ‘Shop 3+’ number is frequency, and ‘Less than 100£’, ‘100 - 500£’, and ‘Over 500£’ are Monetary.

In the figure 8, it appears the number of customers in each RFM segment and monetary value segment varies across the three time periods. At the beginning of this period (2011-2013), less people purchased Barefoot’s products showing the figure of 19,344, though the business has expanded after the middle of duration to 41,778, and 33,880 recently. The most customer Barefoot had was between 2014 to 2016, and it was slightly decreased after that period. The fact of the matter is frequency of purchase has been rising, as evidenced by growth of ‘shop 2’ segment, and ‘shop 3+’ segment. ‘shop 2’ category shows a pattern of increasing followed by decreasing, presenting more than 2 times of increase in refer to beginning of the business. At the same time, ‘shop 3+’ customers were 2712, but it was increased more than 3 times in the last duration. Also, the percentage of spending more money has showing upward trend, observing the data especially in ‘shop 2’ 100£-500£, and ‘shop 3+’ over 500£. It is natural that the group who spent less than 100£ showed a decrease in purchase frequency as it increased, while ‘over 500£’ segment experienced a rise as the frequency reduced.

According to the chart, it is assumed that Barefoot has been getting more valuable customers who spend more money frequently, viewing the ‘shop 3+’ segment. On the other hand, it is presumed that Barefoot has been attracting more people who are in ‘shop 0-1’ segment, and it is necessary to encourage them to purchase products again. The point is acquiring more new customers, encouraging them to buy more often and high-volume. Therefore, Barefoot needs to use some specific strategy mentioned above.

CONCLUSION

According to financial indicators, some strategy can be examined with a variety of factors that can be found from the charts. Consistent with annual sales and profit, the business was trending upward, followed by substantial decrease in 2019, and this indicates the influence of COVID-19 in fashion industry. So, it can be recommended to offer some products that are comfortable and stylish at the same time. By looking at the range of products, it is necessary to reduce the cost value of items that are purchased often by customers, or encourage them to buy profitable products by marketing. With the payment method, it is clear that a range of people are using ‘online payment’ method except for card payment, so introduction of more mobile payments could be helpful. Or else, it is proposed to have Barefoot Pay which is it’s own payment since it is beneficial to get not only customers royalty but also reducing commission. Also, it is highly advised to have own application in terms of channel, because most of people are familiar with mobile format as well as web channel. Yet, having own mobile platform is more beneficial for customers to access more easily, and for Barefoot to maintain customers and communicate effectively. Since new generations look for gender neutral fashion items expressing their personality, it is suggested to focus on new accessories which represent both female and male or feminism of men.

Based on non-financial indicators, some different strategies can be explored by analyzing various factors from the customers’ behavior. Regarding to customer churn, it can be seen that a lot of customers are churning entirely. So, it is suggested to make a effort to keep customers leaving with first impression of brand, such as managing reviews, and advancing UI/UX design of purchasing steps, offering high quality products as well. With the CLTV (Customer Life Time Value), Barefoot needs to make new customers and attract additional more valuable customers. Since accessories are not profitable enough to earn substantial revenue even if the products are made by expensive raw materials, a number of customers matters a lot. So, it is necessary to get more people and encourage them to be regular. In terms of RFM model which contains Recency, Frequency, and Monetary value, some strategies to persuade customers who purchase less times to buy more often and high-volume are needed.

Dealing with the data provided, it can be analyzed how Barefoot has been doing, and how they can adjust their business strategy to get more revenue. Ultimately, Barefoot will need some strategies for business growth, and it is recommended to consider these methods mentioned above.



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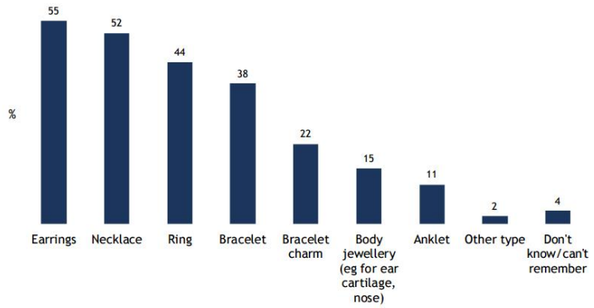
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APPENDIX

- Figure 2-1

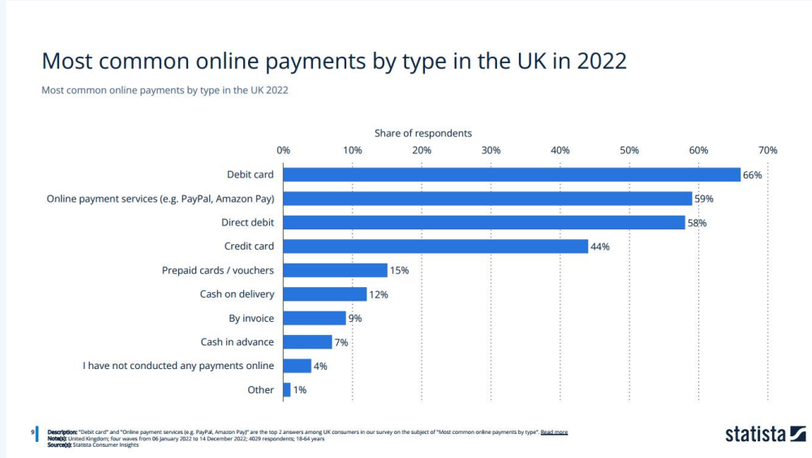
FIGURE 10: TYPES OF JEWELLERY PURCHASED, 2022

"What type(s) of jewellery have you bought in the last five years? Please select all that apply."

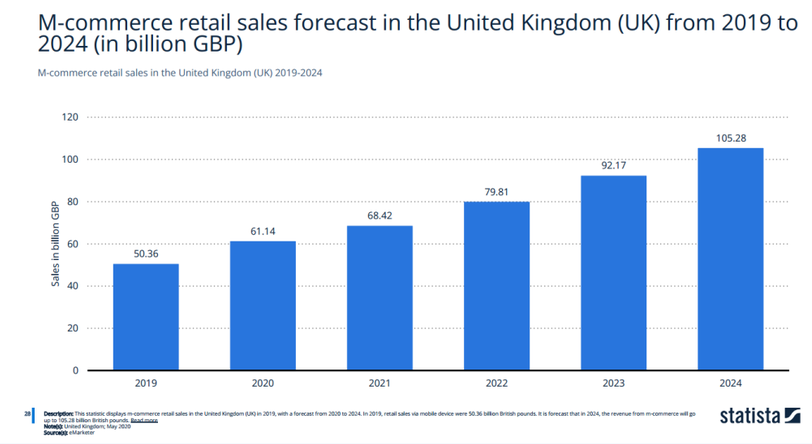


Base: 1,040 internet users aged 16+
Source: Kantar Profiles/Mintel, July 2022

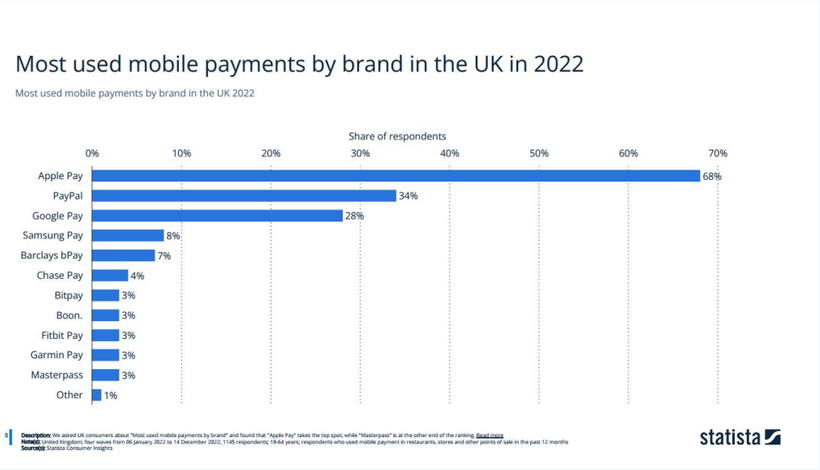
- Figure 3-1



- Figure 3-2



- Figure 3-3



- Figure 4-1

