UAV Drones—Market Segment Performance

Explanations, Suggestions, and Tips

You will find it valuable to examine the information on this page every year and use the information to take corrective actions in the upcoming decision round.

What is on This Page

This page contains comprehensive revenue-cost-profit information regarding the sale of your company's UAV drones in each of the four geographic regions of the world market *in the most recently completed year*. There are data groupings for "Direct Online Sales", 3rd-Party Online Retailers, and All UAV Drone Operations.

Direct Online Sales

The first thing to look for here is the cross-regional differences in the operating profit margins—the percentages are likely to be significantly lower in one or two regions than in the others. Verify that the regions with small operating profit margins are also the regions where total operating profit and operating profit per drone sold are also lowest. ***It is in these underperforming regions where corrective actions to boost profitability are most needed.***

Once you have identified the underperforming regions that most need management attention in the upcoming year, you and your co-managers must then proceed to *determine the reasons for the underperformance*.

- Was it due to weak demand for your company's UAV drones at the company's website, perhaps because your company was badly (and unexpectedly?) outcompeted by rivals in this region or regions? See the data for this region or regions in the Competitive Intelligence Report.
- Was it partly due to sales lost due to stockouts (because your company failed to assemble enough units to meet buyer demand in this region or regions)? See the "Unit Demand and Sales" section at the bottom of the report page.
- Was it due to production costs and/or marketing costs that were higher than those of rivals in this region or regions? (See the benchmarking data on pages 6 and 7 of the *Camera and Drone Journal.*)
- Was it due to charging a price that was too low (which "squeezed" profit margins) or too high (which resulted in unexpectedly lower sales and market share)? See the data for this region or regions in the Competitive Intelligence Report.
- Was it partly due to having fewer 3rd-party online retailers in the region than many/most rivals? See the data for this region or regions in the Competitive Intelligence Report.
- Was it partly due to spending too little on search engine advertising or website displays relative to the expenditures of rival companies? See the data for this region or regions in the Competitive Intelligence Report.
- Was it partly due to other reasons you can confidently identify based on your analysis of the situation?

As indicated above, ***answering these questions cannot be done just by looking at the other information on this page***. You will almost certainly have to examine the data for this region or regions in the Competitive Intelligence Report and the benchmarking data on page 7 of the *Camera and Drone Journal*.

Only if you identify all of the real reasons for the underperformance are you prepared to take the appropriate corrective actions. Just guessing at things to do that might work is never a sound approach to managing a business that competes against rivals intent on taking sales and market share away from your company whenever you give them the opening to do so

There are a number of corrective actions to consider:

- ***Explore ways to reduce production/assembly costs (without having much, if any, adverse effect on the drone P/Q rating)***. Possible candidates include the costs of the design specifications for UAV drones on the UAV Drone Design decision screen, product R&D, and labor costs for assembling UAV drones. But achieving cost savings all across aspects of your company's drone operations merit consideration.
- ***Change the average retail price to drone buyers at the company's website***. Raising prices may be wise if the added revenues from a higher price will more than compensate for a reduction in unit sales. Lower prices are called for if gains in volume will help spread fixed costs out over a greater number of units sold. The primary fixed costs (fixed in the sense that they do not vary directly as unit sales go up or down in a given year) include depreciation costs, advertising costs, new product R&D, and administrative expenses. When fixed costs are sufficiently large, spreading them across a greater volume of sales can result in meaningfully lower costs per unit sold.
- ***Change marketing costs***. "Very high" marketing costs per drone sold usually signal either overspending (driving up unit costs per drone sold) or too small a sales volume (when sizeable marketing expenditures are spread over a small number of drones sold, then "high" marketing costs per drone sold squeeze profit margins).
- ***Consider changes in other competitive effort measures***—number of models, the P/Q rating—that may hold potential for either lower costs or greater unit sales not only in the underperforming region(s) but also elsewhere.

Good clues for what moves to make can often be gotten from careful analysis of the Comparative Competitive Efforts of Rival Companies for the underperforming region(s).

3rd-Party Online Retailers

Again, the first thing to look for here is the cross-regional differences in the operating profit margins. The percentages are likely to be significantly lower in one or two regions than in the others. Verify that the regions with small operating profit margins on sales to 3rd-party online retailers are also the regions where total operating profit and operating profit per drone sold to 3rd-party online retailers are also lowest. ***It is in these underperforming regions where corrective actions to boost profitability on sales to 3rd-party online retailers are most needed.***

Once you have identified the underperforming regions that most need management attention in the upcoming year, you must proceed to determine the reasons for the low profit margins on sales to 3rd-party online retailers.

- Was it due to an "oversized" discount to online retailers that cut deeply into the net revenue your company received on each drone sold to 3rd party online retailers? You can see how the size of your discount compared to rivals by looking at the data for this region or regions in the Competitive Intelligence Report.
- Was it due to production costs and/or retailer recruitment/support expenditures that were higher than those of rivals in this region or regions? (See the benchmarking data on page 7 of the *Camera and Drone Journal*.)
- Was it due to charging a "low" average retail price to online customers (which after the discount off this price granted to 3rd-party online retailers left your company with too little net revenue per drone sold to 3rd-party online retailers to cover the remaining costs and end up with an attractive operating profit margin)?

- Was it partly due to large unfavorable exchange rate adjustments that reduced the net revenue received on drones sold to 3rd-party online retailers?
- Was it due to having to pay import duties on drones shipped to Europe-Africa, the Asia-Pacific, and/or Latin America?
- Was it partly due to other reasons you can confidently identify based on your analysis of the situation?

As indicated above, ***answering these questions cannot be done just by looking at the other information on this page***. You will almost certainly have to examine the data for this region or regions in the Competitive Intelligence Report and the benchmarking data on page 7 of the *Camera and Drone Journal*.

Only if you correctly identify the real reasons for the underperformance are you prepared to take the appropriate corrective actions. Just guessing at things to do that might work is never a sound approach to managing a business that competes against rivals intent on taking sales and market share away from your company whenever you give them the opening to do so.

There are a number of corrective actions to consider:

- ***See if drone production/assembly costs can be cut***. Possible candidates include the costs of the design specifications for UAV drones on the UAV Drone Design decision screen, product R&D, and labor costs for assembling UAV drones. But achieving cost savings all across aspects of your company's drone operations merit consideration.
- ***Change the average retail price to drone buyers at the company's website*** Raising prices may be wise if the added revenues from a higher price will more than compensate for a reduction in unit sales. Lower prices are called for if gains in volume will help spread fixed costs out over a greater number of units sold. The primary fixed costs (fixed in the sense that they do not vary directly as unit sales go up or down in a given year) include depreciation costs, advertising costs, new product R&D, and administrative expenses. When fixed costs are sufficiently large, spreading them across a greater volume of sales can result in meaningfully lower costs per unit sold.
- ***Change the size of the discount off the average retail price*** to drone buyers at the company's website that the company grants to 3rd-party retailers.
- ***Change the amount the company spends for recruiting 3rd-party online retailers*** and supporting their merchandising efforts.
- ***Consider changes in other competitive effort measures***—number of models, the P/Q rating—that may hold potential for either lower costs or more profitable sales volumes not only in the underperforming region(s) but also elsewhere.

Good clues for what moves to make often have to come from careful analysis of the Comparative Competitive Efforts of Rival Companies for the underperforming region(s).

All UAV Drone Operations

This last section on the page combines the operating results for Direct Online Sales and Sales to 3rd-Party Online Retailers to provide you with a complete region-by-region and worldwide picture of how well your company's overall drone business performed.

The important thing to scrutinize here is the numbers for operating profit and operating profit margin. *These numbers should confirm that actions need to be taken in the upcoming decision round to improve the profitability of those regions with skimpy operating profits and operating profit margins.*