

Discover how a retail company found weak spots and improved its overall performance using benchmarking

Case study

Company: Vertex
Industry: Retail Company
Location: US

VERTEX

Vertex, a well-established, mid-size retail company which had been in operation for over 10 years.

The problem

The company had been experiencing a steady **decline in profit margins** over the past two years. The management suspected that possible reasons might be **high debt costs** and **inefficient inventory management**.

Although the company primarily focused on its internal data and used FP&A software, they had never done a benchmarking analysis before, thus lacked a clear comparison to competitors.

The goal

The management decided to use INSO to undertake a benchmarking study to gain insights into their position in the industry and identify areas for improvement.

■ How INSO managed to help

To gain a better understanding of its position and compare itself to industry peers, the company used INSO's database, which includes data on over 200 metrics from millions of companies worldwide.

AI was then employed to efficiently analyze the big datasets, providing actionable insights.

Step 1

Upload own data

With **seamless one-click integration**, the company's data was transferred into INSO's system, offering a user-friendly cockpit overview of financial KPIs.

Step 2

Conduct benchmarking

After choosing from hundreds of criteria (like industry, geography, and size), **the right benchmarking group** to represent the company was identified.

Step 3

AI report and tips

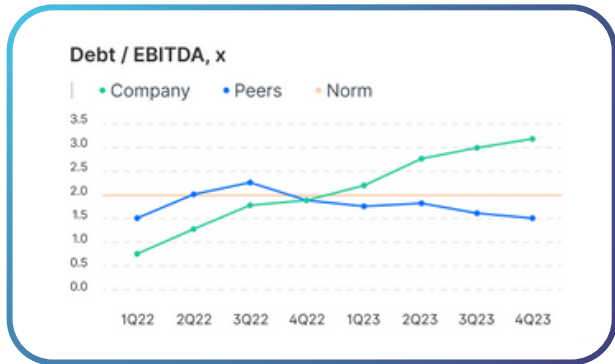
Finally, INSO's AI analyzed the data, **identified red flags**, and **provided actionable insights** for improvements.



INSO AI generated charts and insights

Gross profit margin

The company's **gross profit margin** is trending downward, reaching a 10% gap compared to competitors in the last quarter.



Debt level / EBITDA

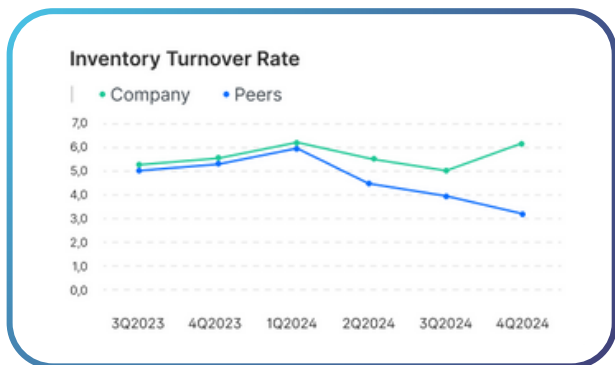
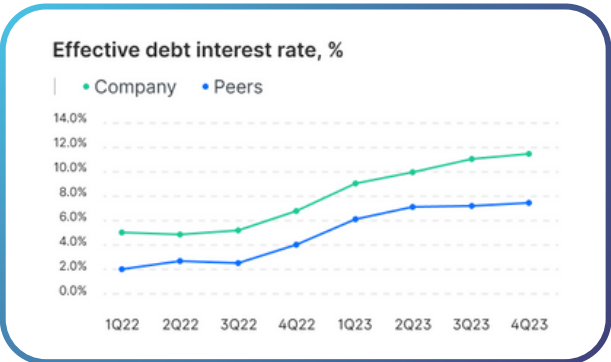
The company's **debt level** is rapidly rising, exceeding the industry norm, while competitors are following the opposite trend.

Possible reason: competitors are more cautious about market conditions or simply managing costs and cash flow more efficiently.

Effective debt interest rate

Overall **interest rates** are rising; however, the company is paying an additional spread of nearly 4%.

This is causing unnecessary cash burn. Renegotiating bank terms is advisable.



Inventory Turnover Rate

The company's **inventory turnover rate** is trending downward, reaching a gap of 3 points compared to average competitor.

This could be due to overstocking, high holding costs, or low demand. Such issues tie up money and can lead to waste or outdated stock.

■ Shocking insights

As anticipated, the benchmarking analysis revealed that the company's profitability and debt costs are above the industry average, as well as its inventory turnover rate, indicating highly inefficient stock management.

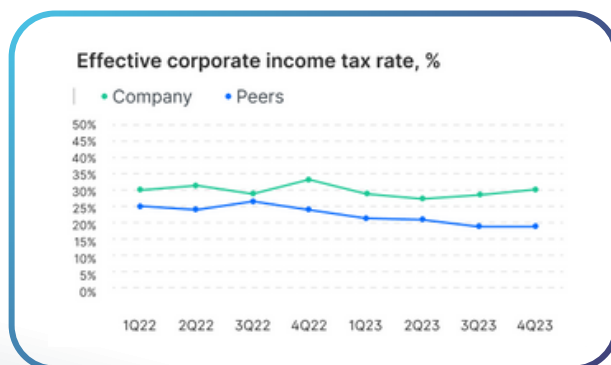
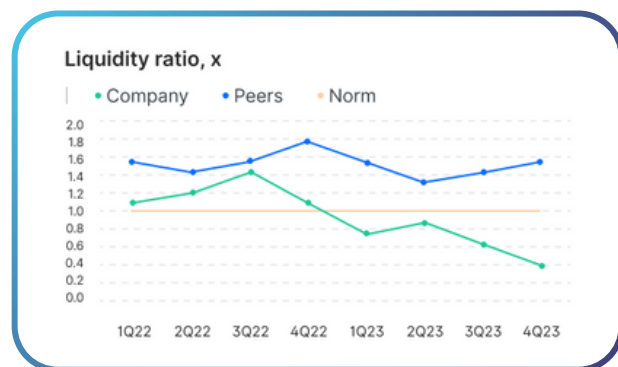
Additionally, INSO identified further red flags that, while not directly related to the primary issue, could help improve the business's overall performance.

INSO AI generated charts and insights

■ Liquidity ratio

The company's **liquidity ratio** is decreasing sharply, while competitors' levels remain stable.

This aggressive policy may lead to a lack of liquidity buffer during economic downturns.



■ Effective corporate income tax rate

While the **effective tax rate** is decreasing in the market, the company's rate remains constant at 30%, resulting in unnecessary cash burn.

A review of the overall legal structure and tax optimization may be needed.

■ Conclusion

The benchmarking analysis was a game-changer for the company. It revealed key weaknesses that regular internal reviews had missed. By comparing the company's performance with industry standards, it uncovered critical issues in profitability, debt management, and inventory turnover, all of which are crucial for financial stability and operational efficiency.

Next steps

INSO identified the problems and provided clear steps to address them before the financial and operational gaps widen:

- **Renegotiate loan terms** to reduce the 4% spread and alleviate unnecessary cash burn.
- **Improve inventory management** by optimizing stock levels and enhancing demand forecasting.
- **Build liquidity reserves** to ensure financial stability during economic downturns.
- **Review the company's tax structure** to identify opportunities for optimization and cost savings.

Implementing these measures will help Vertex stabilize its financial position, improve operational efficiency, and regain a competitive edge in the market.

Results

By implementing INSO's recommendations, the company achieved clear, measurable results.

Gross profit margin

+6 %

\$10 mil

debt reduction

\$0.5 mil

in monthly savings due to improved debt costs