

Champo Carpets: Dealing with low conversion rates

- Mehal Sanghvi

April 11, 2023

Summary:

Champo Carpets is a large carpet manufacturing company based in Uttar Pradesh, India. The company has been facing a low conversion rate of 20% on the samples it shares with its potential customers, compared to the prevalent 35% across the industry. This has resulted in a drop in profitability and disruptions in regular production schedules. The cost of creating a new sample is high and includes design, raw material, dyeing, weaving, finishing, waste, and labor costs. They sent samples of carpet designs to clients based on various factors like latest trends, client's past purchases, and raw material availability in the inventory. This process was costly and elaborate, but essential to showcase the products and generate potential sales. However, despite their efforts, the conversion rate of samples to actual sales was low, which was a major concern for the company.

Findings:

The company decided to implement an ERP system to efficiently collect business data and the company has a large B2B clientele worldwide. Using the data, following insights about revenue generation were derived:

- The most important type of carpet for the company is Hand-Tufted, generating a total revenue of \$18,504,871 (**Exhibit -1**)
- The most important customers were identified as TGT, generating a total revenue of \$11,341,053 (**Exhibit - 2**)
- The most important country for sales was USA, generating a total revenue of \$27,083,224 (**Exhibit - 3**)

From the data generated on sample conversations, following were the findings:

- The item with highest conversion rate from samples is Knotted with a conversion rate of 47.07%, the other high conversion rates are seen for Double Back at 38.5% and Table Tufted at 38.09% (**Exhibit - 4**)
- The total revenue from converted samples is close to \$4,675,349 (**Exhibit - 5**)
- The customer segment most receptive to sampling is identified as JL (**Exhibit - 6**), but the most profitable customer segment identified for generating the highest revenue is H-2 (**Exhibit - 7**)

Recommendations:

Based on the data analysis, Champo Carpets can take the following actions to improve their conversion rate and revenue generation:

In terms of orders:

1. Focus more on the hand-tufted carpets and target TGT customer group as they are most important item and customer group in terms of revenue generation.
2. Increase their marketing efforts in USA as it is most important country for sales revenue.

In terms of sampling:

1. Focus on the sampling of items with highest conversion rate like Knotted, Double Back and Table Tufted.
2. Increase sampling efforts in UK, which has the highest sample conversion rate at 74.3% (**Exhibit - 8**) and is also the second highest revenue generating country at \$1,965,411 (**Exhibit -3**)
3. Target JL as they are most receptive to sampling and H-2 as they are most profitable customer segment in terms of revenue.
4. Re-evaluate the sample creation process to reduce costs and increase efficiency.

Exhibit -1 : Revenue Generated by Each Item

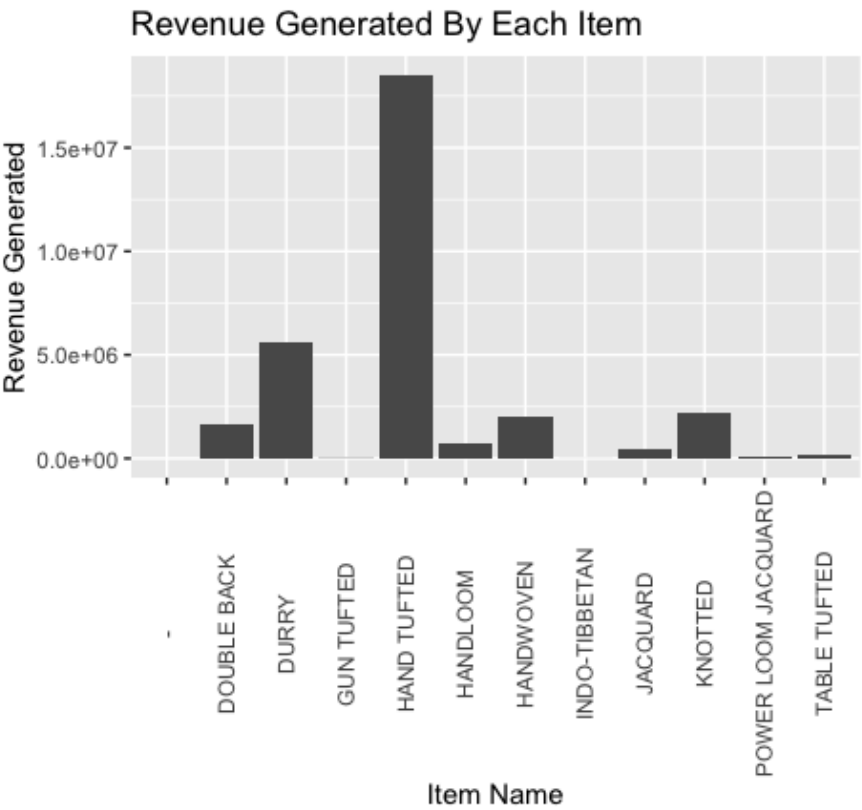


Exhibit – 2: Revenue Generated by Each Customer

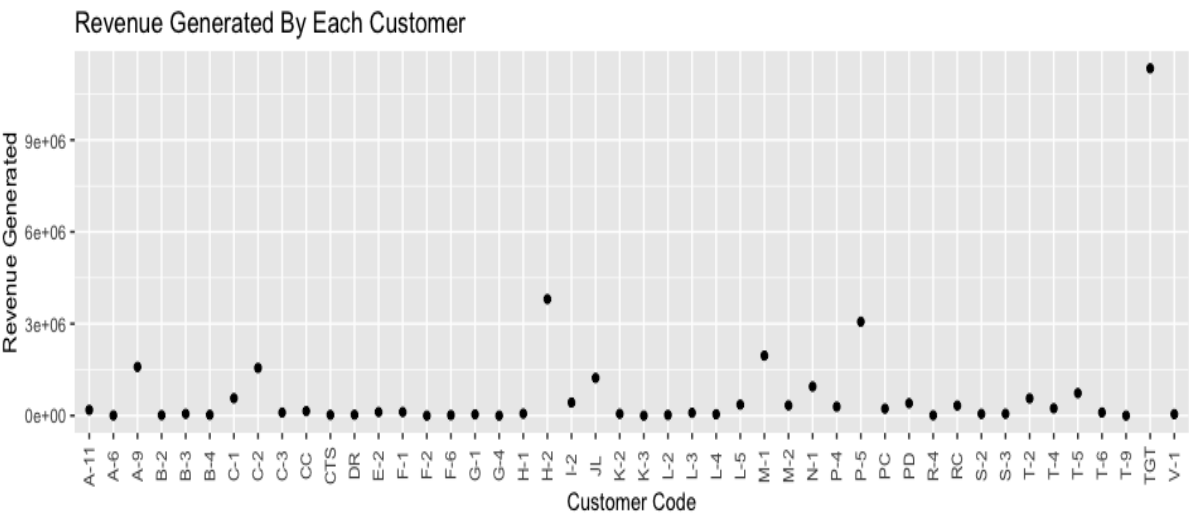


Exhibit – 3: Countries and Revenue

Country Names	Total Revenue (\$)
AUSTRALIA	356939
BELGIUM	426791
BRAZIL	59877
CANADA	116778
CHINA	24920
INDIA	147574
ISRAEL	17129
ITALY	563099
LEBANON	56743
POLAND	0
ROMANIA	426626
SOUTH AFRICA	130458
UAE	44234
UK	1965411
USA	27083224

Exhibit – 4 : Highest Conversion Rate by Item

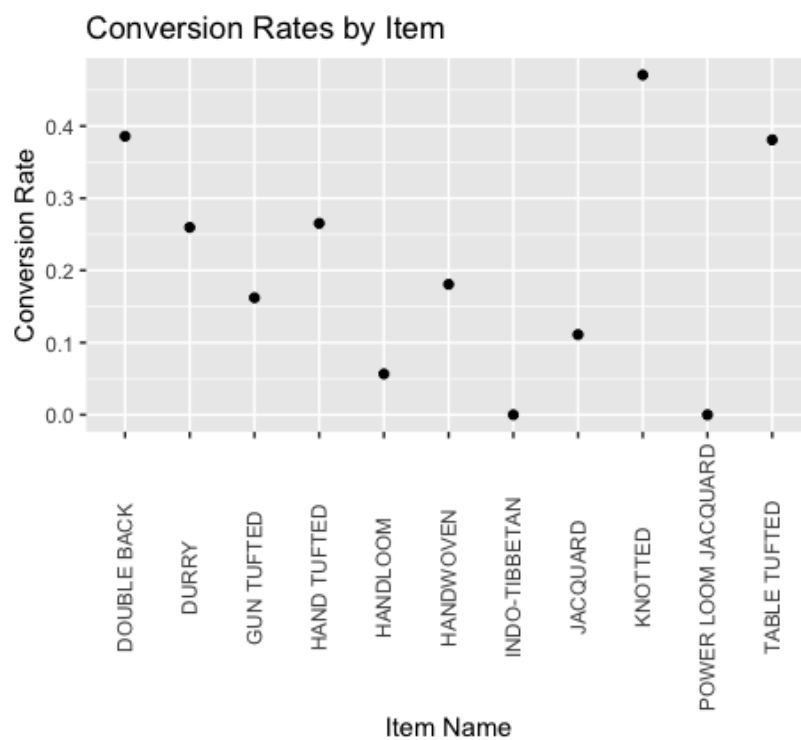


Exhibit – 5 Total Revenue from Sampling

ITEM_NAME	Total
DOUBLE BACK	398137
DURRY	711926
GUN TUFTED	0
HAND TUFTED	2814121
HANDLOOM	0
HANDWOVEN	402647
INDO-TIBBETAN	0
JACQUARD	13819
KNOTTED	191516
POWER LOOM JACQUARD	0
TABLE TUFTED	143183
Total	4675349

Exhibit – 6 Customer Most Receptive to Sampling

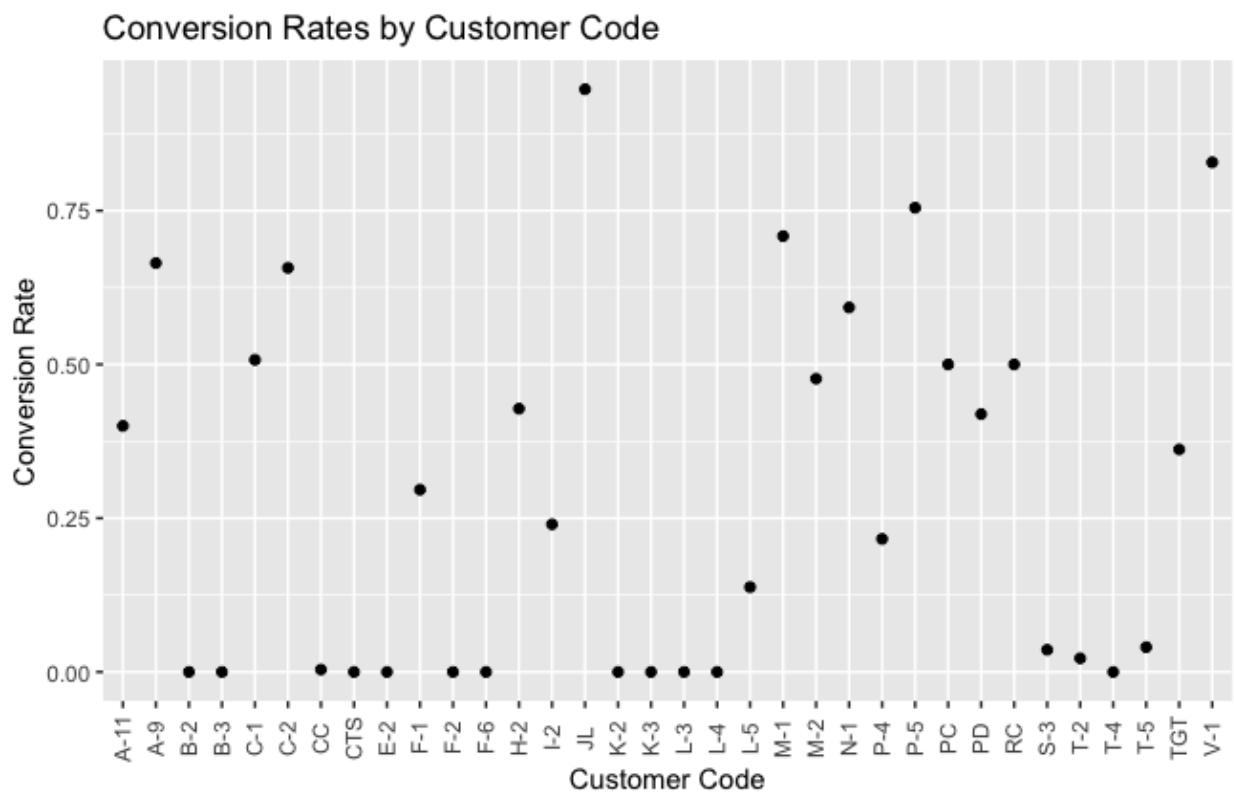


Exhibit – 7 Customer Most Profitable

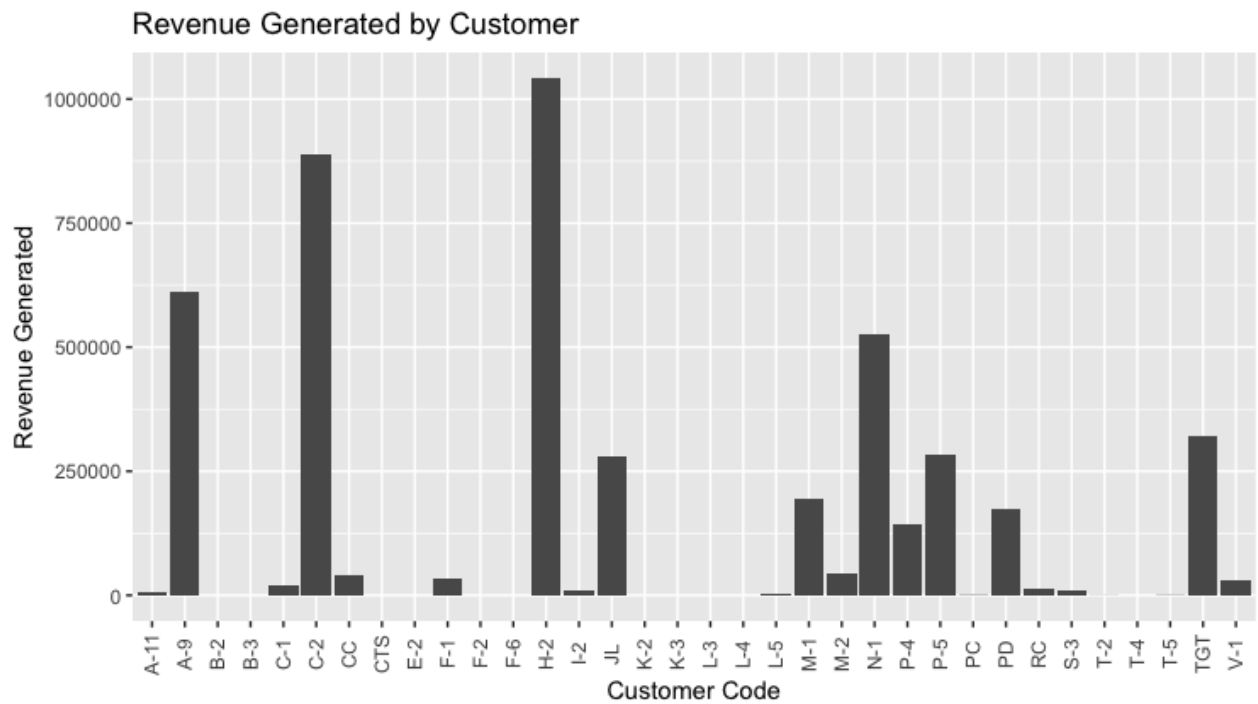


Exhibit – 9 Conversion per country

Country Name	rate
AUSTRALIA	0.5
BELGIUM	0.419
BRAZIL	0
CANADA	0
CHINA	0
INDIA	0.00381
ISRAEL	0
ITALY	0.0222
POLAND	0
ROMANIA	0.24
SOUTH AFRICA	0
UAE	0
UK	0.743
USA	0.549