Slide 1

For the designing business for profitability final presentation, I have chosen to do a profitability analysis for growing a B2C seafood business. Hi, my name is Vishnu Kariyattu and I have a seafood business in India that operates on a B2C model. In this business we have eliminated the need for a wholesaler by directly procuring fish from fishermen and selling it to our customers. This approach is beneficial for us as it allows us to sell the fish at higher margins and additionally, its beneficial for the customers because they receive fish that is fresh, of premium quality, and free from preservatives.”

Slide 2

For providing a proper business context, I have taken into account the purchasing power parity between US and India. The adjustment value used is 22.95.

In the current scenario, we have 1 shop that operates as a hub and has an average monthly revenue of dollar eleven thousand three hundred and thirty. Currently, we sell approximately 2900 pounds of sea fish of varying variety. This amounts to an average revenue of $ 3.9 per pound.

Slide 3

We are in the final stages of starting a new shop at a location that is along the route between the harbor and our current hub. At this point, we want to do a cost analysis understand what it takes to run the current shop, so that we can use it as a benchmark to understand the costs better.

Here as you can see for running this business, we incur a lot of fixed as well as variable cost. The total fixed costs amount to dollar one thousand six hundred and ninety-three, with payroll being the biggest expense. We also incur a variable cost of dollar eight thousand five hundred and seventy-eight. This variable cost leaves us with a contribution margin of dollar two thousand seven hundred and fifty-one. Understanding contribution margin helps understand the profitability of the business.

From the table on the right, we can understand that there is a cost of dollar seven thousand two hundred and seventy-seven incurred while opening a new shop. This can be considered as a benchmark for future shop opening as well.

Slide 4

First, we have to understand how many months of sales it would take for us to cover the startup expenses. From the breakeven analysis, we understand that it would take us 2.65 months to cover the fixed costs incurred for our new shop. Since we have certain cost advantages with the opening of our new shop, we want to set a target profit of $ 2000 as our desired monthly profit. In order to achieve this, we need to generate for every $1.00 of fixed cost, the shop needs to generate $1.34 in sales revenue that contributes to covering these costs. After reaching the break-even point, any additional contribution margin contributes to the profit.

In this **particular route**, between the **Harbor** and the **shop no 1**, I can start another 2 more shops with the existing storage capacity and transportation expenses.

By conducting a overall profitability analysis for all the 4 shops together, given everything goes well, we can make a profit of $4231. This is the total profit above fixed costs but not accounting for any additional variable costs that might increase with more shops

Slide 5

Even though the analysis leads us to believe that this is a immensely profitable venture, that might not be entirely true, because of some hidden expenses. There will be various operational factors such as:

* Seasonal variability in the availability of fish
* Product losses due to spoilage
* The assumption that process quality will be maintained during scaling
* The need for technology upgrades
* Additional resources to meet increased demand or variability.

and economic factors such as:

* Inflation
* Regulatory changes
* Political influence in the area
* Potential economic downturns, like recessions.

Considering the above scenarios, there could be an additional variable cost of $806 that could be incurred monthly. This leads us to check if the venture is really profitable or not.

Slide 6

With the new Variable Costs in mind, my business would need to generate $1.90 for every $ 1 spend on Fixed Costs instead of earlier amount of $ 1.34 that was there before the analysis was conducted. There is a 42% increase, this means that we must sell more to achieve higher sales revenue to maintain profitability.

In terms of business viability, this points us to the following options:

1. Increased Sales Efforts
2. Cost Management
3. Pricing Strategy
4. Process Improvement
5. Risk Management

Finally the advice I have based on my analysis is that while,

Starting a business, especially in the seafood industry, which is subject to a variety of operational and market variables, requires thorough planning and flexibility.

* Have a **Comprehensive Business Plan** that covers market analysis, competition, pricing strategy, operational model, and financial projections.
* Keep a tight leash on the expenses of the business, while maintain a financial cushion to sustain the business through its initial stages and ensuring quality is maintained.
* The business should have an adaptable and responsive go-to-market strategy, along with pricing plans that are equally adaptable and responsive.

**In my case, had I not planned for the additional turmoil in the business and maintained a cash reserve, I would have gone out of business. This analysis prompts me to exercise extra caution when expanding my business, a practice that all startups would be wise to adopt**