

Bazaar Ceramics Information

15th January, 2015

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Interview Transcripts



Transcript from interview with the owner of Bazaar Ceramics

Interviewer is shown in bold italics.

History

Interviewer:

Thanks for making the time to speak to me. I was hoping to start by having you tell me something about the history of your company – how it began and how you arrived at your present situation

We started as a small collective in Hahndorf about 20 years ago, which is a popular tourist destination with a lot of arts and crafts galleries.

Yes I've heard of it

Right from the beginning we developed a reputation for producing good - quality domestic ware and individually designed art pieces.

Every member of the co-op was responsible for designing, throwing, glazing and firing their own work. We hired a gallery director to look after the gallery and all the marketing.

But – like many co-operatives – as we grew in size and reputation, it became harder to agree about our future direction. So we agreed that I would buy the business.

Since then, the company's continued to expand and now we have a sizable market nationally – and we're making some inroads overseas.

At what stage did you move to the new location?

We moved to Stepney a few years ago because we were running out of space. We needed more gallery space – more workshop space – bigger kilns and more office space ...

How many staff have you got?

Well – there's the finance manager – the gallery director (who's also the marketing manager). The production staff includes – the production manager – 2 full time ceramic designers and 8 production potters.

Purpose of the Website

Can you explain why you've decided you need a website?

Well – there's a number of reasons.

All the important ceramics journals and galleries –have websites – and I think if we don't - we'll be seen as old fashioned producers of boring round brown pots.

What image are you trying to portray?

Well – we're contemporary ceramic artists – we produce sculpture and ceramic ware for collectors - or people who are willing to spend a bit of money for something unique! So I guess we want to project this crisp, contemporary, arty feel.

Are there any other reasons – what do you think a website will achieve?

It'll give us greater exposure in the market – and increase sales! We've already done this by advertising in the top ceramics magazines – but this is really expensive.

Also a lot of our national and international sales are to gallery owners and corporate customers – who mostly select their range from our catalogue and place orders over the phone. But again – it's expensive to keep the catalogue up to date and any way – these account customers are starting to say – why don't you have a website?

A website would allow them to view the pieces - maybe in 3D and order over the internet.

What functions do you think your website should provide?

The most important thing is to showcase our work – so it would be good to show:

- Upcoming exhibitions
- Have a gallery which maybe would show images of our pots from all sides
- Information about our designers and designs
- Information about our company
- Technical information for collectors - like what's the production process, what temperature we fire to, information about the different types of glazes
- We need some way for people to contact us
 - We want to have an online catalogue and order form
- We need a way for customers to add themselves to a customer list
- And get feedback and comments

Which of the reasons you've suggested for a website – do you see as the most important?

Promoting the company and showcasing our products – and improving communication with our remote customers

Customer Base

Can you explain what type of customers you have? Are they mostly casual buyers, individual collectors, gallery owners?

We've got the individual and corporate collectors who buy one off sculptural pieces and vase forms - these pieces can be found in board rooms, international hotels and private homes as far away as the US and Germany.

We have our account customers – gallery owners from around the country and overseas. They might buy art pieces or domestic ware – depending on the type of gallery.

Or we have people that just walk off the street, they visit the gallery either looking for gifts or domestic ware.

What type of customer makes up the majority of your sales?

The bulk of our sales are from people visiting the gallery in person.

This has changed a bit recently – since we started spending more money on advertising in the ceramics magazines – this boosts national and overseas sales – but it's really expensive.

Have you got some of this promotional material or any documents that might help us?

Yes we've got a document that lists the history of the company and how the design process works. You should also see our catalogue. I'll get all our documents for you to look at.

Well I think we've got enough information to make a start – I won't take up more of your time. Thank you – that's been very helpful.

I'll put together a transcript of the interview – and send it to you within a couple of days. Have a look at it and let me know if you think we've left out anything important. I'll be in touch in a few days. Thanks again.



Transcript from the second interview with the owner of bazaar ceramics

Interviewer is shown in bold italics.

Thanks again for providing this opportunity for clarifying a few points from our earlier interview. You mentioned that you would like your website to include a feedback and order form. What type of feedback would you like to get from your customers?

We would like to know if they had any suggestions for improvements to the website. For example would they like more technical information on the production process, or history of the glazes. Some collectors find this information useful.

Or perhaps they'd like more information about the company or the designers?

Is there anything else?

Just generally whether they like the website or not. If they like the look and feel of it, whether they can find all the information they need...

You also mentioned something about a customer database?

We would like to add them to a customer database, so we could send them out promotional material, invitations to exhibitions and so on. So we need to ask them first whether they'd like to be added to our customer base and then we need to get their contact information - their name, postal address, email address. And whether they'd like to be notified by email or post?

You'll need to include a privacy policy on your website - but I'll take care of these details

Good

What about the order form, have you got a paper-based example of an order form that we could use?

Yes I'll get one of our admin staff to get it for you.

Are there any changes you'd like to make to it?

No it's fine as it is.

OK, thanks again. I'll send you the transcript of our interview, like the last time and you can let me know if there's anything else you want to add.

Operational Information

Company Background



Bazaar Ceramics Studio has been operating for 20 years. We started as a small collective, operating in the picturesque township of Hahndorf, South Australia - known for its quality arts and crafts. Over the years the studio has passed through a number of transformations. In the first 7 years of its existence - as a co-operative, it was well known for producing quality domestic ware and fine individually designed art pieces.

Each member of the co-operative was responsible for designing, throwing, glazing and firing their own work. A gallery director was employed to look after the gallery and all aspects of marketing.



As the reputation of the studio grew nationally, and production expanded to meet demand, the structure of the business changed to its present form. Kim Hayward bought the business and moved into larger premises in Stepney, Adelaide. The production staff increased and currently includes a production manager, 2 full time ceramic designers and 6 production potters.

Bazaar Ceramics has a wide range of products to meet the needs of clients both nationally and internationally. The studio produces exquisite one off sculptural pieces for the individual and corporate collector. Commissions make up approximately 40% of this work. These pieces can be found in board rooms, international hotels and private homes as far away as the US and Germany.

Bazaar Ceramics also produce unique, individually designed domestic ware, including full dinner sets and ovenware.

The Products

The current range of products consist of one off ceramic forms (eg vase and bottle forms and dishes) using a number of traditional glazes that are highly prized amongst ceramic collectors. These include

- Copper Red
- Reduced Lustre
- Celadon
- Jun



The other area of ceramic production is the “domestic” ware range. These pieces are also individually designed and hand crafted to the highest quality, however unlike the individual art pieces, our customers are able to purchase entire dinner, coffee and ovenware in a range of designs. Products available in this range include:

- Earthenware dinner sets in a range of brightly coloured contemporary designs
- Stoneware tea and coffee sets
- Stoneware oven and serving dishes

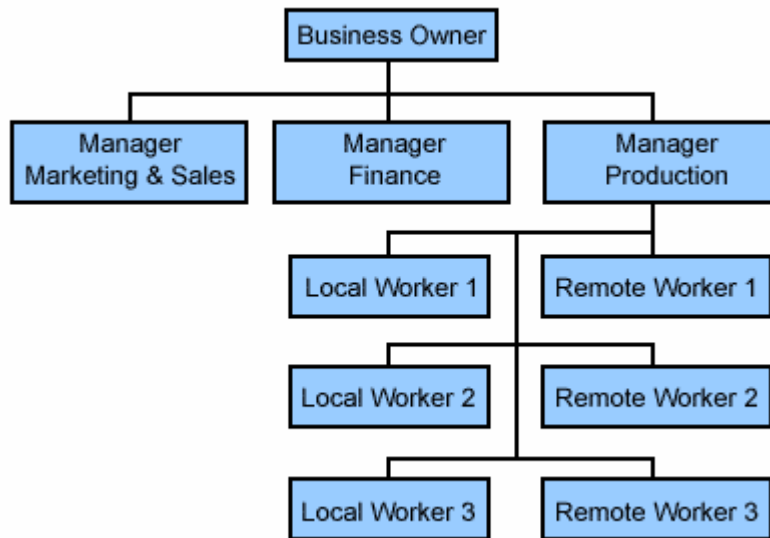
Mission Statement

Bazaar Ceramics is committed to producing unique, evocative contemporary Ceramic Art of the highest technical quality.

Our Goals:

- To produce unique hand crafted pieces for the individual and corporate collector
- To showcase the best of Australian Ceramic Art and Design
- To provide an extensive range of well crafted and designed domestic ware
- To showcase technical excellence in ceramic technology

Organisational chart



Job Profiles

Title:	Business owner
Reports to:	nil
Subordinates:	Gallery Director/Manager Marketing and Sales Manager Finance Manager Production
Major activities:	
Remuneration basis	Based on profits (Profit = revenue – expenses)

Title:	Gallery Director Manager Marketing and Sales
Reports to:	Business owner
Subordinates:	nil
Major activities:	Develop marketing and sales plans Responsible for external perception of company image Negotiates sales with customers – receives most of the customer orders Responsible for customer service Follows up sales leads Works from the shop sales counter most days Monitors sales targets and achievement Approves new designs of products
Remuneration basis	Rewarded for increased total sales (revenue)

Title:	Manager Finance
Reports to:	Business owner
Subordinates:	nil
Major activities:	Produce financial reports Monitors profitability and costs Establishes minimum pricing Monitors local inventory investment Authorises accounts for regular customers Responsible for setting discount pricing for old stock
Remuneration basis	Rewarded for high Return On Investment (ROI)

Title:	Manager Production
Reports to:	Business owner
Subordinates:	Local workers (three) Remote workers (three)
Major activities:	Coordinate the production of goods Orders raw materials for local workers Coordinates dispatch of delivered goods Coordinates the receipt of goods from remote workers.
Remuneration basis	Rewarded for high productivity of local and remote workers Rewarded for low production costs (expenses)

Title:	Local workers
Reports to:	Manager Production
Subordinates:	nil
Major activities:	Designs products Produces products
Remuneration basis	Base wage, plus minimal commission on products that the worker has manufactured and the shop has sold

Title:	Remote workers
Reports to:	Manager Production
Subordinates:	nil
Major activities:	Designs products Produces products Orders own raw materials Pays for costs associated with running their remote location. Packs and freights products to the shop or direct to customers
Remuneration basis	Minimal base wage. Significant commission paid on products that the worker has manufactured and the shop has sold. Remote workers receive higher commissions than local workers.

Policies

Pricing structure

Retail pricing

Calculated on cost of goods manufactured + 100% markup
(that is, cost of goods sold X 2)

Old stock markdowns

Goods over 3 months old will be marked down by 25% from retail price

Goods over 6 months old will be marked down by 50% from retail price

Discounts

Manager Marketing and Sales has the authority to discount products by 10% of retail price

Account customers (another retailer of the product) receive 25% discount from the retail price

Discounts do not apply to marked down products.

Commission

Local workers

Commission is calculated at 5% of the difference between cost of goods sold and the selling price.

Remote workers

Commission is calculated at 10% of the difference between cost of goods sold and the selling price.

Strategic Direction

Critical Issues Facing Bazaar Ceramics

In determining our strategic direction for the next five years, the following points have been considered:

- Our business has been growing steadily over the last five years. This is due in part because of our new marketing focus towards the International ceramic art market. This has had a flow on effect in terms of our overall local and international profile.
- Return on investment has decreased due to the high costs of running the gallery and maintaining our international marketing campaign.
- The main source of revenue continues to be from gallery sales.
- Direct retail sales achieve the highest markup.
- Sales to account customers are growing steadily but these are mostly interstate and overseas client who find the current arrangements for purchasing cumbersome. Many have suggested we develop a website to streamline the process.
- Our competitors continue to make inroads into the World Wide Web and there is evidence that we will be left behind if we don't embark on this marketing tool.

Current Status

We are continuing to grow our reputation for unique highly sought after collectable ceramics and professionally designed domestic ware. The key to this success is maintaining the highest technical and artistic standards and investment in marketing our products correctly.

Longer Term Vision

We will continue to produce fine contemporary domestic ware, however we consider it is the art market where we have the greatest potential for growth. To grow in this area it is important to establish a strong international reputation. This gives our work credibility on the national stage as well.

The marketing manager recently wrote a convincing report on the benefits of the Internet as a marketing and sales tool. We therefore intend to adopt this strategy to increase our profile nationally and internationally, reduce traditional advertising costs, streamline sales and get greater feedback from customers - both retail and wholesale.

Strategic Plan

Environmental Analysis

Internal Environment

Strengths

- Bazaar Ceramics Studio has been operating for 20 years
- Wide range of products
- Sells exclusive art pieces
- Established customer base
- Responsive to the requirements of their clients
- Unique and contemporary products
- Growing reputation
- Niche market
- Outstanding business growth over last five years
- Increased sales by 233% in last five years
- Exceeding targeted sales growth
- International demand for product
- Ceramic designers and gallery director communicate regularly
- High quality product
- Sales to account customers are growing steadily
- Products are made to the highest technical and artistic standards
- Existing IT infrastructure

Weaknesses

- Cost of selling product (manual processes)
- Ordering of products must be done in person, by phone/fax, or by email
- Ordering process time consuming
- Return on investment has decreased due to the high costs of running the gallery and maintaining our international marketing campaign
- The main source of revenue continues to be from gallery sales (in person)
- Interstate and overseas clients find the current arrangements for purchasing cumbersome
- No IT or technical staff employed by Bazaar Ceramics
- Increased employee numbers have increased fixed costs of the business
- The showroom has increased fixed costs dramatically in the last three years
- Negative return on investment in the last three years
- Decline in markup on product in the last five years
- Cost of goods sold has increased over last five years
- Showroom not big enough to display all products
- Production of unsaleable products

- Inability to capture sales information about popular products
- Double handling of products made by remote workers
- Any advertising brochures become quickly out of date due to uniqueness of each product
- Orders from international customers entails time zone differences
- Inability of international customers to order by phone (time zone differences)
- Only personal customers can view products adequately
- Manual order forms (costs of printing)
- Time consuming to fill in order forms for phone/fax orders
- Staff can make errors transcribing information onto forms (5% errors)
- Redundant information due to multiple forms

External Environment

Opportunities

- Business expansion
- Expand into national market
- Further expansion into the international market
- Customer requests to provide online ordering facilities
- Create communication and product website
 - Create website to market products (brochure site)
 - Decrease marketing costs
 - Increase profile
 - Create website to sell products (e-commerce site)
 - Increase customer base
 - Increase business reach
- Establish a strong international reputation in the 'art market'
- Move to smaller showroom to reduce fixed costs
- Gather and incorporate more feedback from customers

Threats

- Competition
- Competitors continue to make inroads into the world wide web
- Competitors have a pricing advantage because of their website (reduced marketing and sales costs)
- Fear of being 'left behind' by competitors if website is not implemented
- High advertising costs
- High value of Australian dollar is a constraint to exporting into international markets
 - Products less affordable to overseas customers
- Growing bargaining power of account customers (25% discount fair?)

Critical Issues and Strategic Objectives

Critical Issue 1: Gallery costs

Strategic Analysis:

- Return on investment has decreased due to the high costs of running the gallery and maintaining our international marketing campaign
- The main source of revenue continues to be from gallery sales (in person)
- Cost of goods sold has increased over last five years
- The showroom has increased fixed costs dramatically in the last three years

Strategic Objective:

- Explore alternatives to selling in gallery sales

Critical Issue 2: Manual processes

Strategic Analysis:

- Manual order forms
- Cost of selling product (manual processes)
- Ordering processes time consuming
- Staff can make errors transcribing information onto forms (5% mistakes)
- Redundant information due to multiple forms

Strategic Objective:

- Automate processes for employees

Critical Issue 3: Double handling of Products

Strategic Analysis:

- Double handling of products made by remote workers

Strategic Objective:

- Develop direct shipping processes from remote workers to client

All the above could come under one heading "production costs" with strategic objective: automate production processes where possible and improve efficiency in handling goods

Critical Issue 4: Pressure on profit

Strategic Analysis

- Increased employee numbers have increased fixed costs of the business
- The showroom has increased fixed costs dramatically in the last three years
- Negative return on investment in the last three years

- Decline in markup on product in the last five years
- Manual order forms (costs of printing)
- High advertising costs
- Exchange rate

Strategic objective:

- Reduce fixed costs

Critical Issue 5: Ordering process for customers

- Ordering of products must be done in person, by phone/fax, or by email
- Ordering process time consuming
- Interstate and overseas clients find the current arrangements for purchasing cumbersome
- Orders from international customers entails time zone differences
- Inability of international customers to order by phone (time zone differences)
- Time consuming to fill in order forms for phone/fax orders

Strategic Objective

- Automate ordering process for customers

Critical Issue 6: Lack of IT support

Strategic Analysis

- No IT or technical staff employed by Bazaar Ceramics

Strategic Objective

- Hire IT staff

Critical Issue 7: Lack of showroom space

Strategic Analysis

- Showroom not big enough to display all products

Strategic Objective:

- Explore alternatives to gallery display

Critical Issue 8: Inadequate sales information

- Production of unsaleable products
- Inability to capture sales information about popular products

Strategic Objective:

Improve feedback mechanism from customers

Critical Issue 9: Advertising processes cumbersome

Strategic Analysis

- Any advertising brochures become quickly out of date due to uniqueness of each product

Strategic Objective:

- Find alternative methods of advertising

Critical Issues 10: Competition

Strategic Analysis

- Competition
- Competitors continue to make inroads into the world wide web
- Competitors have a pricing advantage because of their website (reduced marketing and sales costs)
- Fear of being 'left behind' competitors if website is not implemented
- Growing bargaining power of account customers (25% discount fair?)

Strategic Objectives:

- Explore opportunities to improve competitiveness

Internal Memos

MF Re Profit and ROI Report

To: Business Owner. Manager Marketing and Sales, Manager Production
From: Manager Finance
Subject: Re: request for profit and return on investment (ROI) report

Message:

As requested, the following figures represent the profit and ROI on a yearly basis.

Notes:

- Fixed costs have regularly increased each year; this can be associated with the increase in employee numbers.
- Fixed costs dramatically increased in year 3 when the showroom was opened.
- Our average realized markup has been dramatically impacted with the introduction of account customers receiving 25% discount off retail. This also occurred in year 3. Refer to memo markup report.

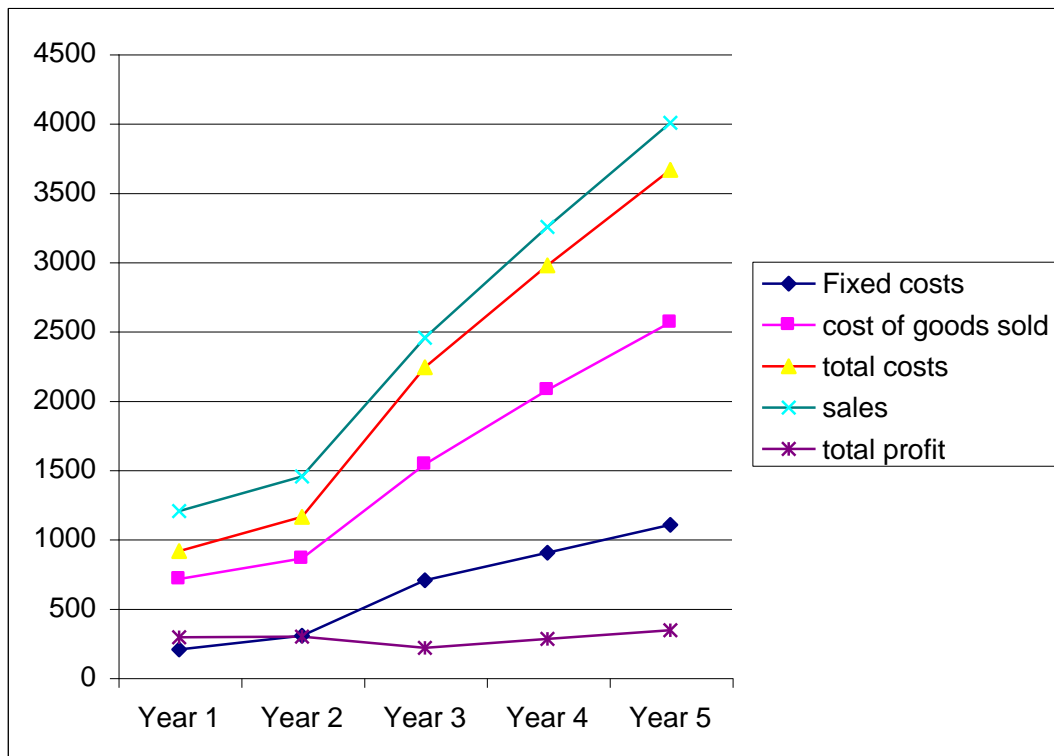
	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed costs	200	300	700	900	1100
cost of goods sold	710	857.5	1537.5	2072.5	2560
total costs	910	1157.5	2237.5	2972.5	3660
sales	1200	1450	2450	3250	4000
total profit	290	292.5	212.5	277.5	340
Return on investment %	0.32	0.25	0.09	0.09	0.09

Legend

Fixed costs are operating expenses that are incurred to provide facilities and organisation that are kept in readiness to do business without regard to actual volumes of production and sales. Fixed costs remain relatively constant until changed by managerial decision. Within general limits they do not vary with business volume. Examples of fixed costs consist of property rent, managerial wages and non-production wages.

Cost of goods sold (COGS) is a figure representing the cost of buying raw material and producing finished goods. Included are precise factors, i.e. material and factory labour; as well as others that are variable, such as factory overheads, commissions.

Conclusion: Our ROI is going backwards. We could do better by investing our money in the stock market!



MM Memo Revenue Report

To: Business Owner
From: Manager Marketing and Sales
Subject: Re: request for revenue report

Message:

As requested, the following figures represent the total sales by each customer type

Legend

Counter sales –

Customers who purchase products in person over the counter

Phone/fax/email –

Customers who place orders remotely – often overseas or interstate customers.

The customers are aware of our product range. Excludes account sales

Account sales –

Sales to resellers of our product. All accounts are interstate or overseas

Values in \$, 000

Cust type	Year 1	Year 2	Year 3	Year 4	Year 5
Counter sales	1000	1200	1400	1700	2000
Phone/fax/email	200	250	450	550	700
Account sales	0	0	600	1000	1300
Total	1200	1450	2450	3250	4000

Conclusion: We are doing really well

MF Memo markup report

To: Business Owner
From: Manager Finance
Subject: Re: request for markup report

Message:

As requested, the following figures represent the average markup realized by each customer type

Markup = (selling price – cost of goods)/cost of goods

The retail markup is 100% this means a product costing \$50 to produce (cost of goods) will retail for \$100

Markup = $(100-50)/50 = 100\%$ or \$50

However, often the products are discounted under agreed business rules
The Manager marketing and sales has the authority to discount by 5-10%

Actual markup = 90%-80%

Or – Discounts for old stock are 25% for 3 months

Actual markup = 50%

Or – Discounts for old stock are 50% for 6 months

Actual markup = 0%

Or - Account customers automatically receive 25% off retail.

Actual markup = 25%

Customer description

Counter sales – **80% Average realized markup**

Customers who purchase products in person over the counter

Most counter sales customers get 5-10% off

Most old stock is sold via counter sales at 25-50% off

Phone/fax/email – **90% Average realized markup**

Customers who place orders remotely – often overseas or interstate customers.

The customers are aware of our product range. Excludes account sales

Most Phone/fax/email customers receive little discount the average is 5%

Very little old stock is sold to these customers

Account sales – **50% Average realized markup**

Sales to resellers of our product. All accounts are interstate or overseas

All account customers get 25% off all purchases

Account customers do not buy old stock

Markup table by year and customer type

Customer type	<i>Ave realised mark-up</i>	Year 1	Year 2	Year 3	Year 4	Year 5	% of total mark-up
Counter sales	80%	400	480	560	680	800	0.56
Phone/fax/email	90%	90	112.5	202.5	247.5	315	0.22
Account sales	50%	0	0	150	250	325	0.23
Total realised markup \$		490	592.5	912.5	1177.5	1440	1.00
Yearly realised mark-up		0.69	0.69	0.59	0.57	0.56	

Conclusion: Note the decline in markup over the 5 years, we are going backwards.

MP Memo cost of goods report

To: Business Owner
From: Manager Production
Subject: Re: request for cost of goods report

Message:

As requested please find cost of goods report attached.

Cost of goods sold by
customer type

Customer type	Year 1	Year 2	Year 3	Year 4	Year 5	% of cost
Counter sales	600	720	840	1020	1200	0.47
Phone/fax/email	110	137.5	247.5	302.5	385	0.15
Account sales	0	0	450	750	975	0.38
Total cost of goods	710	857.5	1537.5	2072.5	2560	1.00

Counter sales –

Customers who purchase products in person over the counter

Phone/fax/email –

Customers who place orders remotely – often overseas or interstate customers.

The customers are aware of our product range. Excludes account sales

Account sales –

Sales to resellers of our product. All accounts are interstate or overseas

Cost of goods sold (COGS) is a figure representing the cost of buying raw material and producing finished goods. Included are precise factors, i.e. material and factory labour; as well as others that are variable, such as factory overheads, commissions.

Products sold to phone/fax/email customers as well as Account Customers are usually freighted directly to the customer's destination at the customer's own cost. This is an additional expense for the customer.

Conclusion: There is little difference between costs associated with the different customer categories.

Further more there are double freighting costs when the product is produced by remote workers. In this case the product must be packed and freighted into the showroom, unpacked, sold, repacked and freighted to the customer's destination.

MP memo request for remote working

To: Business owner, Manager Marketing and Sales.
From: Manager Production
Subject: Request for remote working

Message:

Two of our three workers want to work from their home – they want to be remote workers.

I have said NO to this request because of our investment in the workshop and show room. In addition we will have to double handle our products. That is the remote worker will have to pack and freight their products, we have to receive them, unpack them and put them on display. When the product is sold we have to repack the product, and if the product is to be shipped we have secondary shipping costs.

Conclusion: we should continue with local workers.

<h3><i>MM Memo re request for remote working</i></h3>
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To: Manager Production, Business Owner
From: Manager Marketing and Sales
Subject: re: Request for remote working

Message:

It might not be such a bad idea letting workers work from home, our showroom is filling up and we could use the workshop area for additional showroom space.
Note my comments on the memo MM memo New Showroom.

Conclusion: please reconsider

MM memo New Showroom

To: Business Owner, Manager Finance, Manager Production
From: Manager Marketing and Sales
Subject: New Showroom required.

Message:

Despite the lack of salable items, our sales are doing well, we have increased sales by 233% in the last five years. When we moved from the small showroom to our present showroom in the third year we increased our sales by 70% in just one year – I think it is time we made the next move to a new larger show room. The more people can see the more they will buy.

Our showroom is full, and we need a bigger showroom to cater for all the products manufactured by the production department. Given that the show room is full we still seem to be missing a lot of our popular designs.

We are presently selling a lot of old stock at 25% and 50% off, because our popular designs are missing. Production need to stop producing un-salable products.

Conclusion: Start looking for a new location to display our wares

MF memo re New Showroom required

To: Manager Marketing and Sales, Business Owner
From: Manager Finance
Subject: Re: New Showroom required.

Message:

It is astounding how the Manager Marketing and Sales came to the conclusion that changing to the new showroom increased sales. When we introduced the new show room our Return On Investment (ROI) dropped from 25% to 9%. A new showroom will add more fixed costs to our operation – we may make a loss. I propose we shift back to a small showroom, relinquish our production staff if they can't make salable items and return to the good old days of 32-25% ROI.

Conclusion: Start looking for a cheaper rental showroom.

MP Memo Sales Info needed

To: Manager Marketing and Sales, Business Owner
From: Manager Production
Subject: Sales Info Needed

Message:

I am not receiving sales information fast enough, I need to schedule the production workers to produce items that we know have been sold at full retail prices. And I need to order raw materials for production of high moving items.

We are continuing to produce at maximum output, but many of the items go to the showroom and sit on the shelf. Eventually they are sold off using old stock pricing rules. I am sure you are aware that our production workers receive commission on the difference between cost and selling price.

We receive sales information too late and it is incomplete. Recently I told one of the workers to produce another one of their designs because it had just been sold, later I found out that it was old stock sold and sold for 50% off, so neither the company nor the worker received any benefits and now we have another one on the shelf.

Conclusion: we need to implement a system that swiftly communicates to production workers items that have been sold– this will enable the rapid production of popular items.

It would be desirable to be notified with the date of manufacture status or a discount rate so we can tell if it was a popular product – this could be an optional requirement.

MP memo re thoughts on reducing costs

To: Business Owner
From: Production Manager
Subject: Re: any thoughts on reducing costs

Message:

Regarding your request for reducing costs, I am aware that we sometimes double handle items produced by our remote workers.

Several of our Account Customers regularly buy items produced by our remote workers. In these situations, the item is produced, packed and freighted to the showroom. When it is received at the showroom, an invoice is attached and then it is freighted to the client. It may be cheaper and easier to post the invoice directly to the remote worker, and then have the remote worker freight the item to the Account Customer.

Similar situations happen with email/phone/fax sales

I believe we can save 10% of the cost of goods sold if we can freight direct to the customer.

Conclusion: avoid double handling, post invoices to remote workers, and freight direct to customers.

MM Memo outstanding sales results

To: Business Owner, Manager Production, Manager Finance
From: Manager Marketing and Production
Subject: Outstanding sales results

Message:

I have done so well! Figures prove that since the introduction of Account Customers (who resell our products) we have increased our revenue significantly. In year three we introduced Account Customers, in that year we increased our sales by 70%. Account Customers last year represented 32.5% of our total business. I believe with a little more money spent on glossy brochures I should be able to get the Account Customer segment to represent 50% of our business in the next two years.

Conclusion: Invest in photography and brochures so that our Account Customers (who do not come in to the showroom) can see our products and buy more and more and more.

MF Re outstanding sales results

To: Manager Marketing and Sales
From: Manager Finance
Subject: Re outstanding sales results

Message:

Is your head in the clouds, we hardly make any profit on Account Customer sales. Last year the difference between revenue and cost of goods sold was \$1440 for all customers. Last year Account Customers contributed 23% to this figure. While you say they contributed to 32.5% of the total business, they in fact cost 38% of all direct production costs.

No we won't spend money on glossy photos –find another way.

Conclusion: Any expenses associated with the production of glossy (or even dull colored paper-based) brochures will not be approved – find another way
Manager Marketing and Finance.

MP Re outstanding sales results

To: Business Owner, Manager Marketing and Sales
From: Manager Production
Subject: Re outstanding sales results

Message:

I have some serious concerns spending money on brochures that may be out of date in a very short time.

As you are aware our products are hand crafted and may not always be representative of photographs. It is better to let customers view the product in real life or let them see a photograph of the actual item they are purchasing, not just a representative photograph.

Conclusion: if you are to develop brochures – produce small runs of the brochures, then update the photographs and produce another small run. This will need to be done on a regular basis.

MM Memo 1 re thoughts on reducing costs

To: Business Owner,
From: Manager Marketing and Sales
Subject: Memo 1 re thoughts on reducing costs.

Message:

After reading Manager Production's memo "MP Memo Sales Info needed" I agree with the conclusion

"Conclusion: we need to implement a system that swiftly communicates to production workers items that have been sold– this will enable the rapid production of popular items."

It is interesting that sales information goes directly to the production workers and not to the Manager Production.

Indeed if we put such a system in place we can probably get rid of Manager Production and save wage expenses associated with his job.

Conclusion: Lets do it!

MM Memo 2 re thoughts on reducing costs

To: Business Owner,
From: Manager Marketing and Sales
Subject: Memo 2 re thoughts on reducing costs.

Message:

I believe we need to update our order system, I have noted that most of the Counter Sales, and all of the phone/email/fax orders now pay by credit card. If we automate the order entry as well as the credit transfer system we can probably save hours from the tasks that Manager Finance performs. This would enable us to put Manager Finance on as a part time employee and save wage expenses associated with his job.

Conclusion: Automate order entry and credit card transactions

MF Memo 1 re thoughts on reducing costs

To: Business Owner
From: Manager Finance
Subject: Memo 1 re thoughts on reducing costs.

Message:

Many shops seem to be enabling customers to serve themselves in shops, they let the customers select their products and proceed to a cash register. It also seems that some customers feel special if they deal directly with people producing their products.

I believe that the people making the product have an interest in maximising the selling price so that they receive maximum commission.

I think we can move toward customer self-service, reduce production levels and get production staff to sell in the show room. We will then be in a situation that we don't need Manager Marketing and Sales, so we can save on expenses associated with wages.

Conclusion: Move toward self-service – and get production workers to sell in the show room.

MF Memo 2 re thoughts on reducing costs

To: Business Owner
From: Manager Finance
Subject: Memo 2 re thoughts on reducing costs.

Message:

I have already pointed out that we should move back to a smaller showroom this was documented in “MF memo re New Showroom required.”

Another option is to close the showroom altogether. On a review of recent sales figures it shows that the revenue from phone/fax/email customers continues to grow at a rapid rate. If it continues to grow at its current rate we should increase sales to this customer segment by 50% over the next two years – by year seven we may generate \$475, 000 in total markup from these customers.

Account customers are also growing rapidly, in two years we may increase our revenue by twofold representing a markup contribution of over \$700,000.

We will also save significant costs by closing the showroom.

In order to pursue these strategies we will need to produce and distribute brochures.

Conclusion: consider closing the showroom and distributing brochures to clients.

MM Memo Fax and email orders

To: Business Owner
From: Manager Marketing and Sales
Subject: Changes in customer ordering processes

Message:

I have noted that there has been a marked increase in orders received via fax and more recently email. This applies to both Account Customers and Phone/fax/email customers. We still get phone calls but the proportion of other mediums – particularly email - is increasing rapidly.

Most of email orders are coming from interstate and overseas customers, but some local customers that once placed orders by phone now use email. I have noted that international customers who send email orders often transmit the communication in the middle of the night. (I don't know why they would stay up all night to do that!)

One example involves an international customer who used to complain about the difficulty in dealing with us by phone. He now emails and requests that we send back pictures to him via email.

We have a digital camera now but I haven't sent him any pictures yet. It is difficult and impractical to send lots of pictures by email. We need a way to show customers new stock and designs.

Conclusion: we need to monitor email orders – then make some decisions about what we find out.

MP memo Complaints from remote workers

To: Business Owner
From: Manager Production

Subject: Complaints from remote workers

Message:

Remote workers are complaining about various aspects of the business:

- 1) They are complaining that they must produce specific orders for Account Customers, but they only get half the commission because there is a discount structure of 25% off for Account Customers. They are not complaining so much about floor stock sold to Account Customers – they understand that system – it is the made-to-order products that they grump about. They want to know if there is any way to streamline or reduce costs in the ordering and fulfilling processes so that they can receive a greater share of the profits.
- 2) They are complaining that from time to time they are told to produce a product that has just been sold. But the product they are replacing was old stock and they received no commission on the sale. They want to know if a system can be put into place that stops reproduction of slow selling items. I can't tell from my sales reports if an item is old or not.
- 3) They are complaining that they are not informed fast enough that an item has been sold. They believe that if a popular item was sold, another similar item may also sell, hence they can produce more salable items at a more consistent rate.

Conclusion: For Your Information

MM memo re overseas sales

To: Business Owner
From: Manager Marketing and Sales
Subject: Re: Overseas and interstate sales

Message:

Report as requested,

Overseas sales are growing. Basically 50% of Account Customers and approximately 40% of phone/fax/email orders are going overseas. I would say** 20% of Counter Sales are international customers. The ones that don't order over the counter are the ones that phone or email an order later.

Overseas Customers-

50% of Account Customers are overseas customers

40% of phone/fax/email are overseas customers

20% of Counter Sales are overseas customers

Interstate sales –

50% of Account Customers are interstate customers

20 % of phone/fax/email orders are interstate customers

20% of Counter Sales are interstate customers.

Local Customers -

0% Account Customers

40% of phone/fax/email orders that are local customers

60% of Counter Sales are local customers.

In dollar terms for year five

\$1480, 000 local purchases

\$2520, 000 overseas and interstate purchases

\$4000, 000 total sales

In year one, 43% of total sales were overseas or interstate

** Many of the Counter Sales are also tourists. I know this because I talk to them, and in conversation they chat about their holiday. I can also tell by the delivery address because most international customers have their products delivered to their home address.

Conclusion: there has obviously been an increase in overseas and interstate sales.

MM Memo Re FAQ

To: Business Owner
From: Manager Marketing and Sales
Subject: Re: FAQ

Message:

Business Owner, you asked about the frequently asked questions when making a sale, the most common questions are (in random order):

- Who made these products?
- How were they made?
- What raw materials are used in them?
- Are they Australian Made?
- How long has your company been here?
- Can you ship overseas?
- So what price is that in \$US?
- Do you take Amex?
- Can you ship that back to XX for me?
- How much is shipping?
- Where can you ship to?
- Is there any insurance on the shipping?
- How can I tell where it is while it is being shipped for me? – can I track the freighting progress?
- What sort of packaging do you use?
- Can you include a card in the package – it's a present for someone special!
- Will you do better for cash?
- Has anyone famous bought your product?
- What is the warranty?
- How do I know you won't put other items on my credit card?
- What do you do with my personal details?

Conclusion: You need this information in order to make sales.

MM Use of Internet for Marketing

MEMO

To: Business Owner, Manager Production, Manager Finance
From: Gallery Director/Marketing Manager
Subject: Use of the Internet for Marketing

Message:

I have recently become aware that a number of our competitors have been making inroads into the Internet for marketing and e-commerce. As a response to this I have been conducting some research into the benefits of developing a “web presence” and have come to the following conclusions:

- The key to our recent success is due to our marketing campaign locally and internationally. I have made a number of important overseas trips to find good quality retailers of our ceramic products and have embarked on an intense campaign to target the top ceramic art magazines. This effort has led to an increased profile and sales.
- While this type of marketing is essential to our success it is also very expensive.
- The Internet provides us with the opportunity to directly reach our wholesale and retail market; be in control of our own marketing and raise our profile as a contemporary company with a well designed website.

Forms used within the organisation



Telephone Order Form For Account customers

Customer Details	
Business name:	
Business address:	
Contact name:	
Account number:	
Phone #:	

Product Details	
Product Title:	
Product Description:	
Quantity Required:	
Product Title:	
Product Description:	
Quantity Required:	
Product Title:	
Product Description:	
Quantity Required:	
Product Title:	
Product Description:	
Quantity Required:	
Product Title:	
Product Description:	
Quantity Required:	

Delivery Details	
Deliver to (name):	
Delivery address:	
Delivery instructions:	



Telephone Order Form
For non-account customers

Customer Details	
Family name:	
Given name:	
Phone #:	
Postal address:	

Product Details	
Product Title:	
Product Description:	
Quantity Required:	
Product Title:	
Product Description:	
Quantity Required:	
Product Title:	
Product Description:	
Quantity Required:	

Payment Details	
Name on credit card:	
Credit card #:	
Expiry date:	
Credit card type:	

Delivery Details	
Deliver to (name):	
Delivery address:	
Delivery instructions:	

Product Information

The Design Process

The ceramic designers take regular trips to remote regions looking for inspiration from the natural environment, whether it is the outback or the wild coastlines. Back in the studio their sketches and photographs are worked up into designs, which complement the ceramic forms. The ceramic designers work closely with the gallery director, to ensure that not only is their work unique and contemporary, but is also responsive to the requirements of their clients.



The Production Process


Bazaar Ceramics are constantly experimenting with new designs and techniques. The process of developing a particular range of ceramics, starts with the design process. The ceramic designers and gallery director meet regularly to discuss new ideas for product ranges. It may be that the designers are following through on an inspiration from a field trip or perhaps the gallery director has some suggestions to make based on feedback from customers.




Promising designs are developed into working drawings which the production potters use to create the ceramic forms. Depending on the type of decoration, the designers may apply the decoration at this stage, or after they have been “bisqued” (fired to 1000 degrees celsius). These prototype designs go through a lengthy development stage of testing and review until the designer is happy with the finished product. At this stage a limited number of pots are produced and displayed in the gallery. If they do well in the gallery, they become a “standard line”.

Bazaar Ceramics Catalogue - January 2004


Copper Red Dish

Picture	Details
 bcpot020	Title: Copper Red Dish 001
	Size: 50cm diameter
	Price: \$450.00
	Glaze Type: Copper Red
	Description: Shallow Copper Red dish form showing distinctive qualities of this traditional reduction fired glaze. Fired to 1300 degrees


Copper Red Bottle

Picture	Details
 <p data-bbox="229 1077 347 1111">bcpot003</p>	<p data-bbox="1050 349 1430 383">Title: Copper Red Bottle 001</p>
	<p data-bbox="1050 1115 1246 1149">Size: 60cm tall</p>
	<p data-bbox="1050 1164 1246 1198">Price: \$550.00</p>
	<p data-bbox="1050 1214 1369 1247">Glaze type: Copper Red</p>
	<p data-bbox="1050 1254 1453 1361">Description: Copper Red bottle form. Reduction fired to 1300 degrees</p>


Chun bowl

Picture	Details
 <p data-bbox="229 875 352 904">bcpot006</p>	<p data-bbox="1046 353 1331 383">Title: Chun bowl 001</p>
	<p data-bbox="1046 913 1326 943">Size: 20 cm diameter</p>
	<p data-bbox="1046 952 1246 981">Price: \$350.00</p>
	<p data-bbox="1046 990 1286 1019">Glaze type: Chun</p>
	<p data-bbox="1046 1028 1442 1169">Description: Blue Chun bowl with tea stain rim over terracotta. Fired to 1300 degrees</p>


Moonscape bowl

Picture	Details
 <p data-bbox="229 891 349 920">bcpot009</p>	<p data-bbox="1046 349 1409 387">Title: Moonscape bowl 001</p>
	<p data-bbox="1046 925 1318 958">Size: 40cm diameter</p>
	<p data-bbox="1046 963 1246 996">Price: \$320.00</p>
	<p data-bbox="1046 1001 1398 1034">Glaze type: High Calcium</p>
	<p data-bbox="1046 1039 1414 1180">Description: High Calcium bowl with white glaze over blue slip. Fired to 1280 degrees</p>


Crystalline bowl

Picture	Details
	Title: Crystalline bowl 001
bcpot013	Size: 20 cm diameter
	Price: \$250.00
	Glaze type: Blue Green Crystalline
	Description: Blue Green Crystalline glaze. Narrow-foot bowl with clear glaze outside. Fired to 1300 degrees


Carved vase form

Picture	Details
 <p data-bbox="229 1070 352 1111">bcpot014</p>	<p data-bbox="1046 344 1422 385">Title: Carved vase form 001</p>
	<p data-bbox="1046 1111 1329 1146">Size: 40 cm diameter</p>
	<p data-bbox="1046 1146 1246 1184">Price: \$450.00</p>
	<p data-bbox="1046 1184 1410 1263">Glaze type: Iron stoneware and lustre</p>
	<p data-bbox="1046 1263 1453 1408">Description: Carved Iron stoneware vase form. Oxidation lustre on rim. Fired to 1280 degrees</p>


Carved vase form

Picture	Details
 <p data-bbox="229 1093 352 1128">bcpot016</p>	<p data-bbox="1046 349 1422 385">Title: Carved vase form 002</p>
	<p data-bbox="1046 1133 1326 1169">Size: 40 cm diameter</p>
	<p data-bbox="1046 1169 1246 1205">Price: \$450.00</p>
	<p data-bbox="1046 1205 1453 1240">Glaze type: Dry Matt Calcium</p>
	<p data-bbox="1046 1240 1453 1350">Description: Carved dry matt calcium vase form. Fired to 1280 degrees</p>


Carved Bottle form

Picture	Details
 <p data-bbox="229 1151 349 1178">bcpot018</p>	<p data-bbox="1050 349 1458 385">Title: Carved Bottle form 001</p>
	<p data-bbox="1050 1187 1251 1223">Size: 60 cm tall</p>
	<p data-bbox="1050 1223 1251 1258">Price: \$600.00</p>
	<p data-bbox="1050 1258 1458 1294">Glaze type: Dry Matt Calcium</p>
	<p data-bbox="1050 1294 1458 1404">Description: Carved dry matt calcium bottle form. Lustre rim. Fired to 1280 degrees</p>

Dry earth vase form

Picture	Details
 <p data-bbox="229 1146 352 1182">bcpot012</p>	<p data-bbox="1050 344 1458 380">Title: Dry earth vase form 001</p>
	<p data-bbox="1050 1182 1254 1218">Size: 60 cm tall</p>
	<p data-bbox="1050 1218 1246 1254">Price: \$500.00</p>
	<p data-bbox="1050 1254 1342 1290">Glaze type: Slip ware</p>
	<p data-bbox="1050 1290 1418 1411">Description: Vase form. White slip over earthenware clay. Fired to 1000 degrees</p>

Carnivale cup and saucer

Picture	Details
 <p data-bbox="229 927 352 958">bcpot008</p>	<p data-bbox="1046 344 1369 421">Title: Carnivale cup and saucer 001</p>
	<p data-bbox="1046 958 1382 999">Size: 10 cm diameter cup</p>
	<p data-bbox="1046 999 1206 1039">Price: \$150</p>
	<p data-bbox="1046 1039 1394 1115">Glaze type: Slip and clear glaze</p>
	<p data-bbox="1046 1115 1436 1261">Description: Cup and Saucer with Carnivale design. Coloured slips under clear glaze. Earthenware</p>