

Shipping Audit

December 2016

For Account # 000071EY05

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2nd DRAFT

Purpose + General Points

The purpose of this monthly shipping audit is to assess the costs and revenue generated by Adafruit's shipping activities with UPS and USPS. This audit is one month behind. This is to allow for any month-end pending packages to make their way into the database. This report should be regarded as a summary while more figures and charts can be found in the accompanying Excel workbook.

- Without AdaBox and other free shipping activities, the shipping profit margin is nearly 7.5 percent.
- Adafruit's shipping volume shows a 2 percent year over year increase while total shipping charges see a decrease of 2 percent. This is a good thing, showing us that the Company is adequately quoting the customer on shipping costs.
- Total amount overcharged by UPS and USPS is 1.1 percent of total shipping revenue; for the most part overcharges are under control.
- The number of late shipments are minimal and the total potential refund amounts to \$17,600.

Overview

Total shipping revenue was \$371,000. December 2016 saw the release of AdaBox002 which was offered with free Ground shipping. There were a total of x1,400 units sold with a total shipping charge of \$12,500. This additional charge inflated the total shipping costs for December 2016 and caused a deficit in shipping profit in the amount of \$600. If this Adabox shipping charge is removed from these calculations, the shipping profit is 3.21 percent, and if all free shipping charges are excluded, the profit margin is nearly 7.5 percent.

Despite the cost of shipping AdaBox002, revenue generated from this product alone amounted to \$112,000, showing that 11 percent of AdaBox's revenue went to covering the free shipping cost of that item. Gross profit for this product totaled \$77,800, more than enough to cover the shipping profit deficit.

As for service overcharges, the total number of packages which incurred an overcharge amounted to 5 percent of total packages, and the total cost to the Company was 1.1 percent of total shipping revenue. These are small percentages, and these overcharges appear to be under control.

In addition to overcharges there were also some late shipments. Most late shipments originated from Worldwide Expedited and Ground. The number of late shipments was 2 percent of total shipments. If Adafruit were to seek a refund for December and receive it in full, the estimated amount would be \$17,600.

Conclusion + Follow-up

Shipping profit during December 2016 was strong at 3 percent (with free shipping, without AdaBox) and 7.5 percent (without free shipping, without AdaBox). The shipping charges incurred from AdaBox were covered by that item's revenue. Overcharges are under control and

the number of late shipments is minimal. Because of these reasons the Company should continue with the current shipping model.