

Shipping Audit December 2016

For Account # 000071EY05

Created 02/02/2017

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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.

- Adabox free Ground shipping causes a small deficit of \$500 in shipping profit; without AdaBox and other free shipping the shipping profit margin is nearly 7.5 percent; the shipping charge built into the AdaBox price should be reexamined to monitor its efficiency.
- Despite a negative change in shipping volume there is a year over year increase of 6.9 percent in the total number of packages sent.
- Total amount overcharged 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 (versus x140 units of AdaBox001 in November) with a total shipping charge of \$12,450. This additional charge inflated the total shipping costs for December 2016 and caused a deficit in shipping profit in the amount of \$580. If this Adabox shipping charge is removed from these calculations, the shipping profit is 0.03 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 \$84,000, showing that 14 percent of AdaBox's revenue went to covering the free shipping cost. Gross profit for this product totaled \$49,500, more than enough to cover the shipping profit deficit.

As for service overcharges, the total number of packages which incurred an overcharge amounted to 4.8 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 late shipments. Most late shipments originated from Worldwide Expedited and Ground. The number of late shipments was 2.2 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

AdaBox002 sales jumped 90 percent from Adabox001 sales and caused a small deficit in the shipping profit. The shipping charge that is built into the AdaBox price should be reexamined to ensure that it is properly covering all AdaBox shipping charges. Another option is to use the

refunds from late shipments to fund AdaBox shipping costs. The full potential late shipment refund from December would have more than covered the cost to ship AdaBox002. Keep in mind this is the largest potential refund, and that the Company is not likely to receive the entire amount.