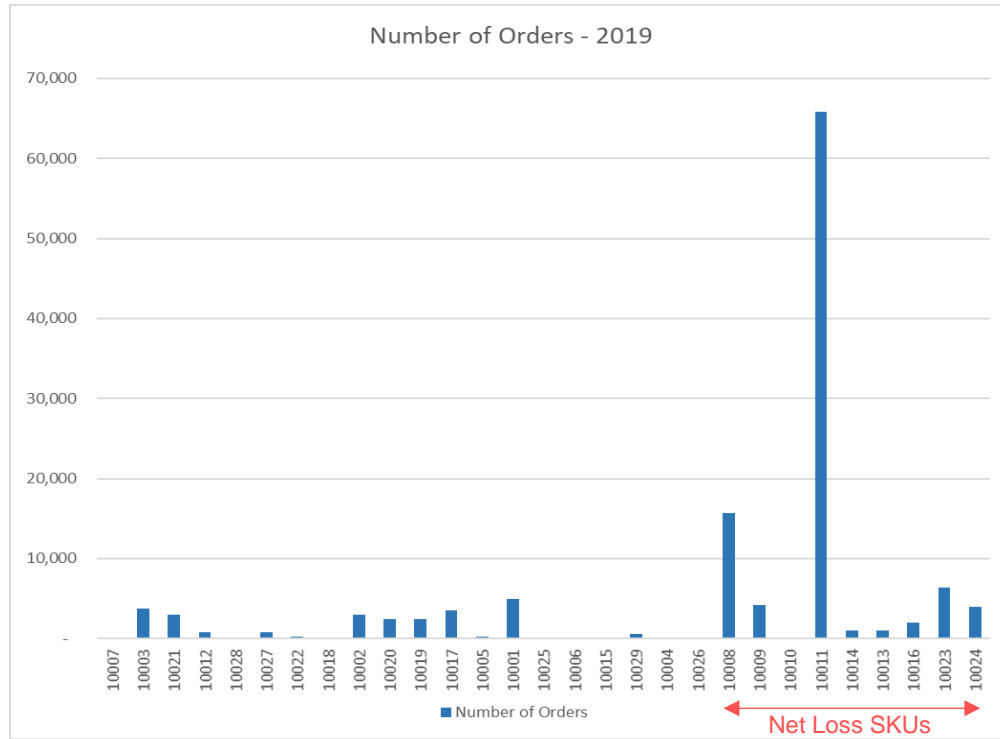


# Warehousing Labour Costs – last 12 months



Total Number of Orders in 2019: 126,388 (86,582 B2B + 39,536 B2C)

Average Time of Warehouse Labour for each Order: 1.82 hours

Average Cost of Warehouse Labour for each Order: \$45.42

Note: Average cost of warehouse labour is \$25 an hour.

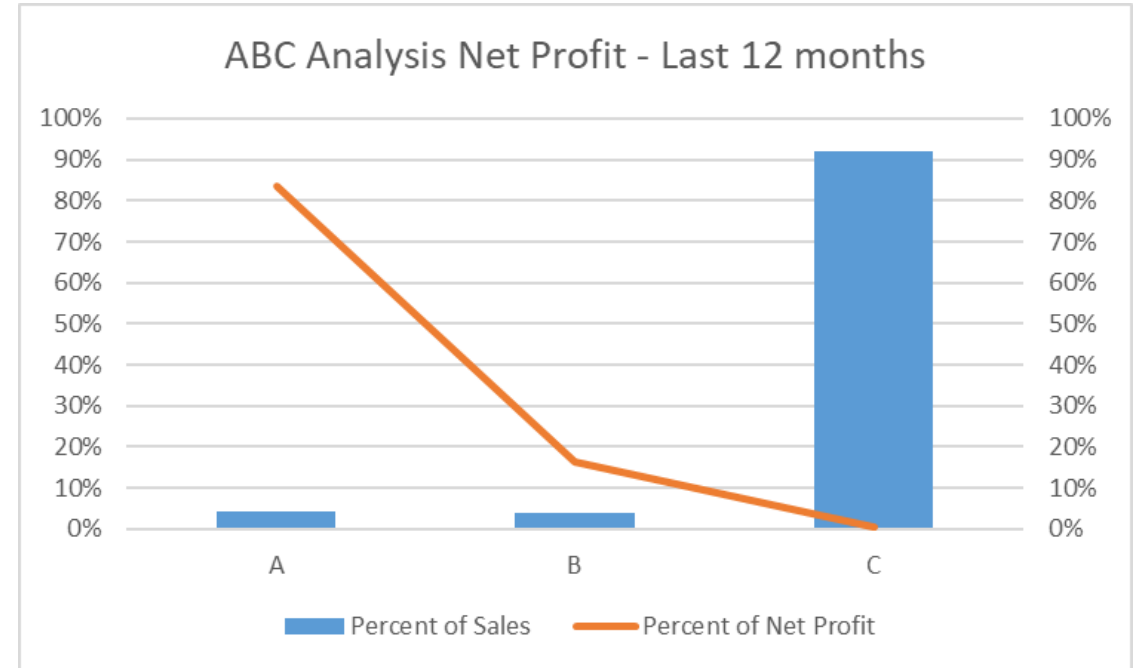
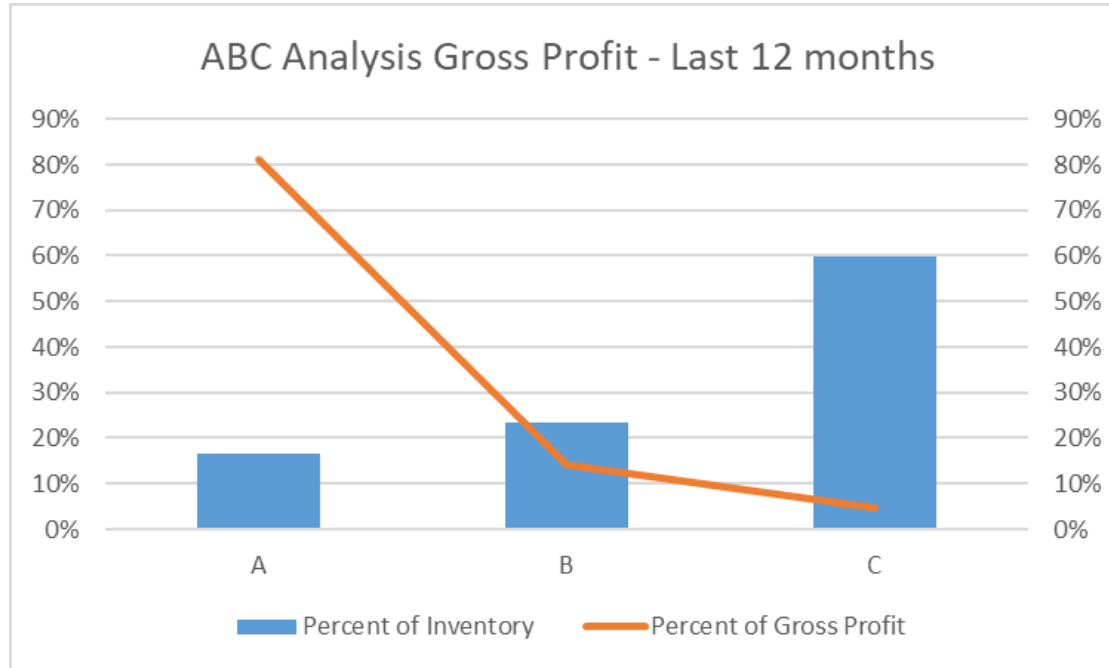


Total Loss from Net Loss SKUs 2019 = \$2,396,272.45

Warehouse Improvement Suggestions:

1. See if there is unnecessary movement of workers in the warehouse.
2. See if SKUs are organized and labelled properly in the warehouse and large items closer to loading doors.
3. See if processes and workflows are streamlined and automate where possible.

# Inventory Analysis – last 12 months



Poor Inventory Management Examples:

SKU	Number on Hand, July 31, 2019	Sales, 2019	Average Order Size	Number of Orders	B2B or B2C
10004	188,640	40	2	20	B2C
10026	166,240	20	1	20	B2C

Drop all SKUs except the following to maintain approx. 95% of net profit from sales.

SKU	Name	B2B or B2C
10003	Drop Down TV Lift - 50" travel - Full Set	B2B
10021	Linear Actuator - 12VDC - 22" Stroke - 400 lbs - IP-66 - Hall Effect Sensor	B2B
10007	48" Car lift	B2B
10001	Drop Down TV Lift - 30" travel - Full Set	B2B
10002	Drop Down TV Lift - 40" travel - Full Set	B2B

Note: The top green highlighted is category A that makes up approx. 83% of net profit from sales.

# Recommendations and Projections

## Recommendations:

1. Concentrate on the B2B business.
2. Only keep the following SKUs to maintain approx. 95% of net profit from sales.

SKU	Name	B2B or B2C
10003	Drop Down TV Lift - 50" travel - Full Set	B2B
10021	Linear Actuator - 12VDC - 22" Stroke - 400 lbs - IP-66 - Hall Effect Sensor	B2B
10007	48" Car lift	B2B
10001	Drop Down TV Lift - 30" travel - Full Set	B2B
10002	Drop Down TV Lift - 40" travel - Full Set	B2B

3. Improve inventory management and processes now that B2C business is dropped.

4. Lower FTE count based on the following chart:

Labour Hours Saved	2019 Hours	Projected 2020 Hours	Hours Saved	FTE Equivalent
Purchasing	176,855	20,746	156,109	75
Sales	139,202	16,329	122,873	59
Warehouse	229,601	26,933	202,668	97
Other	168,339	19,747	148,592	71

5. Lower Other Overhead cost if possible such as smaller warehouse.
6. Contact the 20% of B2B customers that have closed their accounts and that have previously ordered the SKUs you are maintaining, and offer a discount on their first order, something like 10%. Let them know the changes you have made.

## Projections:

	P & L 2019 - Actual	P & L 2020 - Projection (Expenses based on order change)	Percent Change
Revenue	88,990,006	68,349,000	-23%
Number of Orders	126,389	14,826	-88%
Cost of Goods Sold	69,821,158	54,935,800	-21%
<b>Gross Profit</b>	<b>19,168,848</b>	<b>13,413,200</b>	-30%
Expenses:			
Labour:			
Purchasing	4,421,371	518,647	-88%
Sales	3,480,057	408,226	-88%
Warehouse	5,740,027	673,331	-88%
Other	4,208,463	493,672	-88%
Total Labour	17,849,918	2,093,876	-88%
Other Overhead	21,712,169	2,546,935	-88%
<b>Total Expenses</b>	<b>39,562,087</b>	<b>6,734,687</b>	-88%
<b>Net Operating Income</b>	<b>- 20,393,238</b>	<b>6,678,513</b>	<b>133%</b>

Projected change in dollars after implementing recommendations = + \$27,071,751

Note: Not taking in account improved warehouse processes and return of the B2B customers that closed their accounts. Which will increase increased profits.