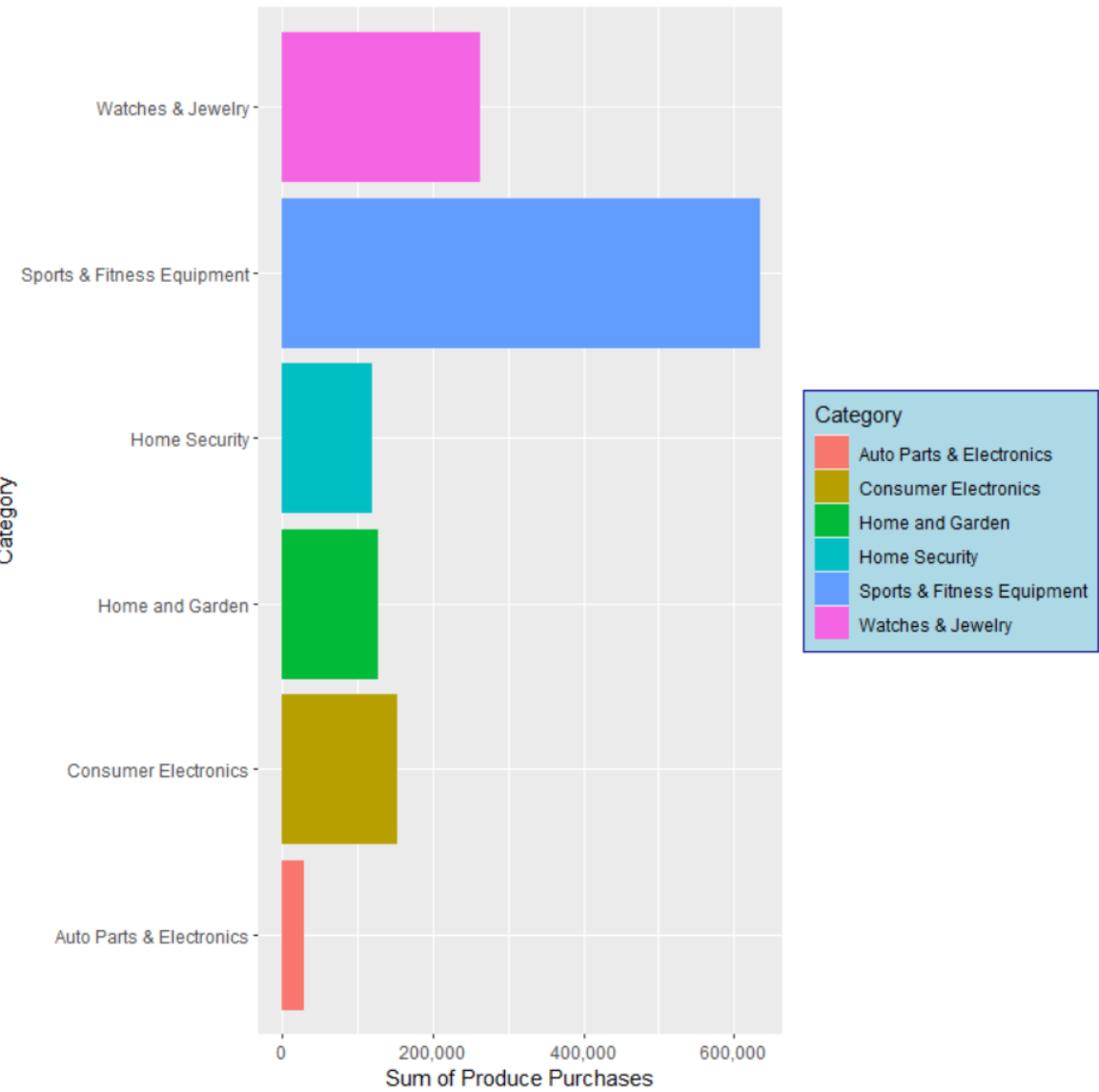


Analysis of Potential Expansion Activities

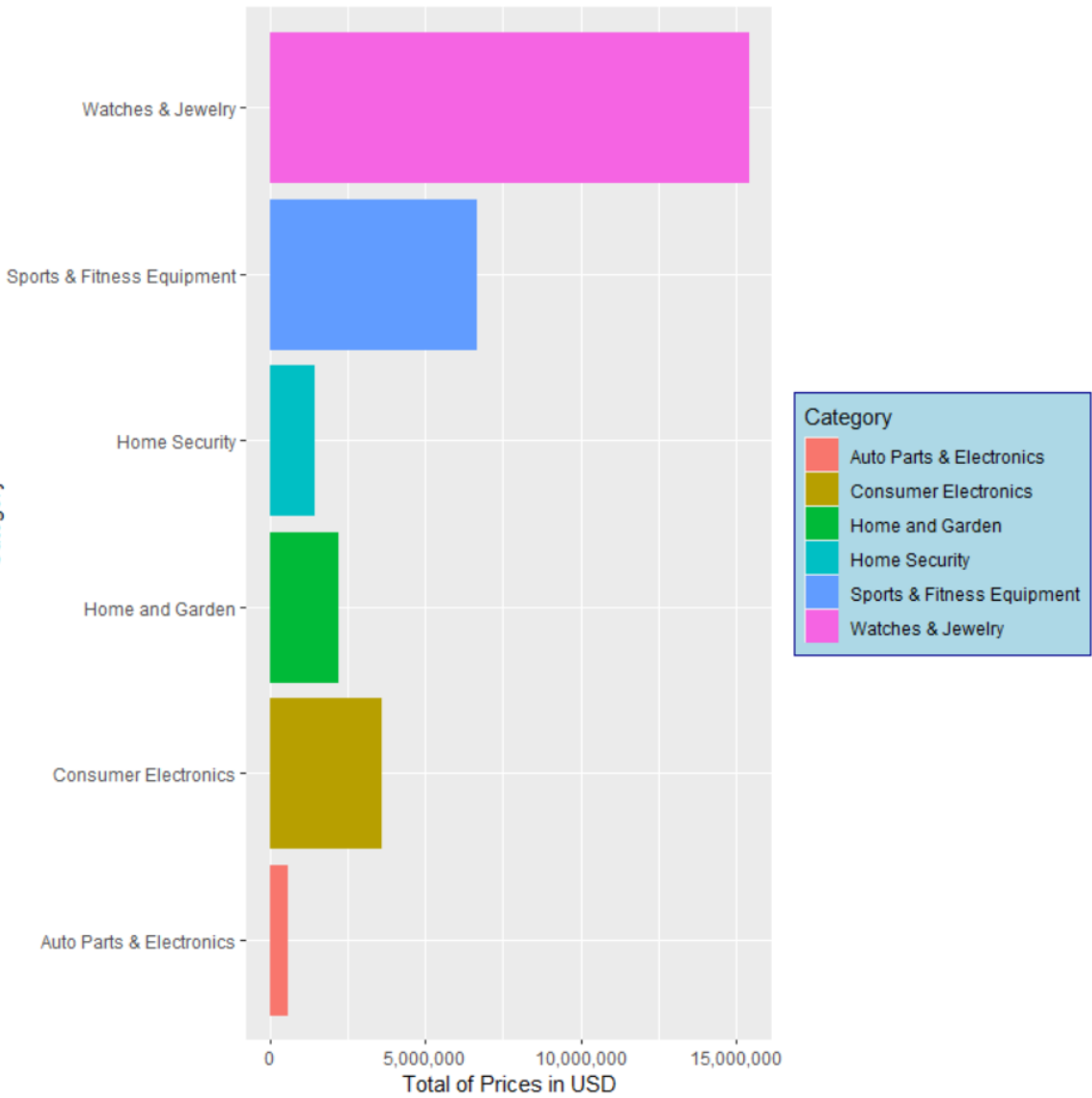


Market Analysis

Sum of Product Purchases That Have Warranties



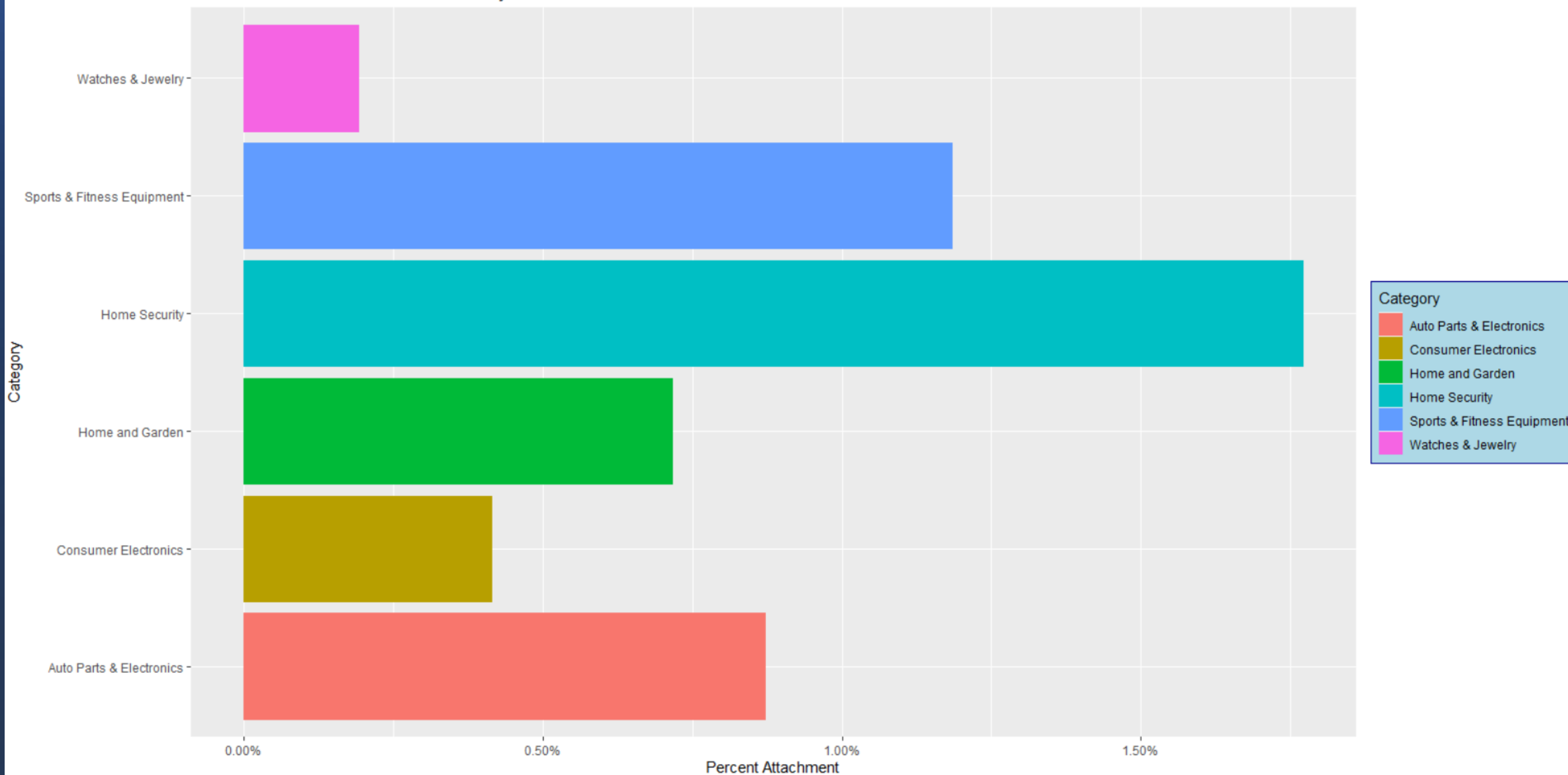
Sum of Product Purchases That That Have No Warranties



Market Analysis

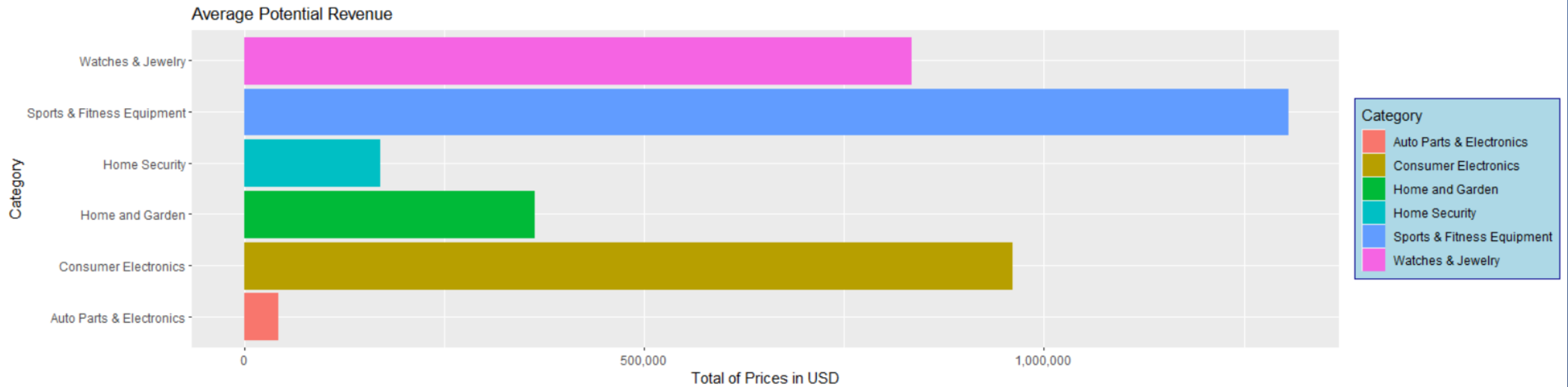
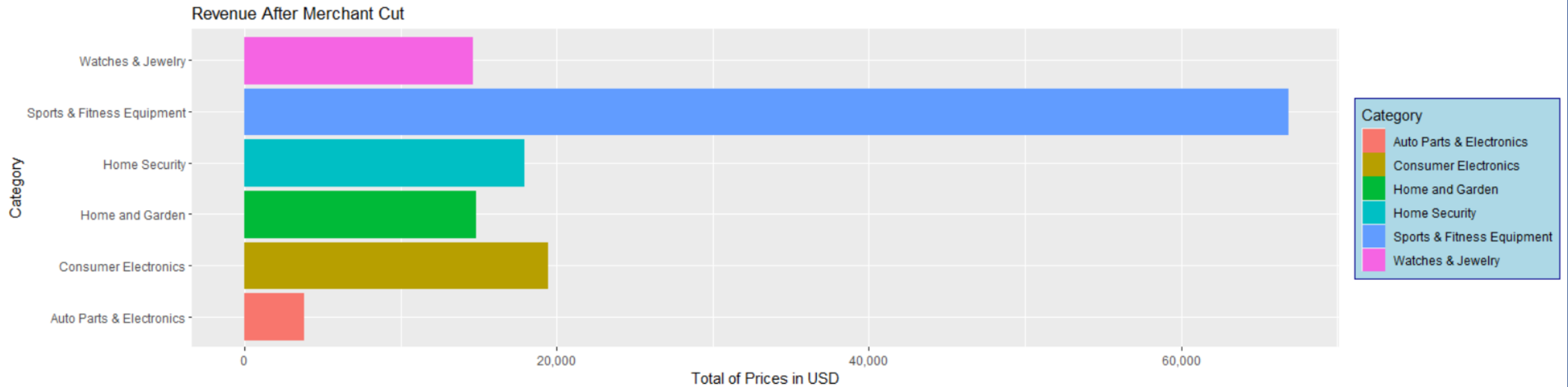
- Warranties are being sold for more expensive Sports & Fitness Equipment products and Watches & Jewelry.
- The value covered by jewelry still leaves room for growth.
 - 15 million in jewelry was ordered that was not covered.
 - Less than 400k was included in coverage by warranties.
- The value covered by sports equipment is stronger than jewelry
 - 6 million in Sports & Fitness Equipment not covered.
 - Over 600k in Sports & Fitness Equipment is covered.

Distribution of Attachment Across Industry



Market Analysis: Attachment

- Home Security has highest attachment rate
 - Probably not surprising
 - If you are going to buy home security, then you probably have a low risk tolerance
 - Lack of Strong Growth
 - Since there is limited consumption of the base product, growth will be limited
 - If growth strategy is more conservative, then it may make sense.
 - Would require more partners in this area to make this option more attractive.
- Sports Equipment has second highest attachment rate
 - Over 6 million dollars in product were ordered that were not covered by warranty.
 - Suggests strong opportunity for growth if attachment rate could increase



Revenue Analysis

- Revenue is dependent on Sports and Fitness.
 - It may be a business risk to have so much revenue coming from one kind of merchant. It would be advisable to increase the diversity of revenue resources .
 - There is still significant opportunity not captured within Sports and Fitness.
 - Average Potential Revenue is based on the mean merchant cut and price of plan per category.
- There is strong revenue coming from home security and consumer electronics.
 - Given the attachment rate for home security, it may make sense to focus business development to encourage stable growth.
 - Additionally, consumer electronics follows a similar trend and may benefit from similar support.

Statistical Analysis

- Used Linear Model
 - Explanatory Variables
 - The kind of store
 - The purchase price of product
 - Cut given to merchant
 - Dependent Variable
 - Is if there is a warranty or not?
 - Coded as 1 if yes and 0 if not

term	estimate	std.error	statistic	p.value
(Intercept)	1.817759e-01	5.398503e-03	33.671539	1.590687e-247
storetypeConsumer Electronics	-3.217829e-02	3.273612e-03	-9.829598	8.543639e-23
storetypeHome and Garden	-2.802846e-02	3.412440e-03	-8.213614	2.164865e-16
storetypeHome Security	1.069524e-02	3.267187e-03	3.273532	1.062387e-03
storetypeSports & Fitness Equipment	-2.192723e-02	3.056029e-03	-7.175070	7.263665e-13
storetypeWatches & Jewelry	-5.362672e-02	5.520433e-03	-9.714222	2.666631e-22
merchantcut	-3.900089e-01	1.850464e-02	-21.076277	1.889259e-98
product_purchase_price	5.882242e-06	7.383707e-07	7.966517	1.644608e-15

- There is a positive association between higher product prices and orders from home security merchants and automobiles. Autoparts & Electronics is part of the “intercept.”
- There is the largest negative association with watches and jewelry.

Recommendations

- Autoparts & Electronics and Home Security have the lowest barrier to increasing the attachment rate.
 - However, the amount of revenue gained from business development may not be large. It could be sense to promote balanced growth in business streams.
- Sports & Fitness Equipment has the most opportunity for future revenue.
 - There are higher barriers in terms of changing the attachment rate.
- Data suggests that a blended strategy may be useful.
 - A short-term strategy could focus on business development with the lower entry business sectors: Autoparts & Electronics and Home Security.
 - A long-term strategy could allocate resources to Sports & Fitness.
 - It is likely that diminishing returns will hit the lower barrier sectors eventually.
 - Once a threshold is hit, it may make sense to focus more on Sports & Fitness.

Next Steps

- Additional points to evaluate
 - How long does it take to influence the adjustment rate?
 - Current Data Availability
 - There are only orders from March – May in the analysis. It is not enough to capture significant time-series effects.
 - Additional Data Required
 - Annual data would be useful to capture seasonality effects.
 - Impact of Analysis
 - Tailor strategy for targeting business sectors based on expected barriers to increasing attachment rate
 - Is the cut given to merchants an effective incentive?
 - Current Data Availability
 - Merchant Cut is provided per merchant per contract.
 - The negative association in statistical model suggests misalignment.
 - Additional Data Required
 - Greater variation in merchant cuts across products over an annual time-series.
 - Impact of Analysis
 - Validates that current incentives are sufficient and to optimize current incentive programs