

Cinnamon Pte Ltd

Business Report

Business Intelligence Report

Name: Tan Wai Kit

Table of Contents

<i>Executive Summary</i>	- 3 -
<i>Company Overview</i>	- 4 -
Current Success	- 4 -
Potential Success	- 5 -
Company's Portfolio	- 6 -
Category	- 6 -
Segment	- 7 -
<i>Products</i>	- 8 -
Sub-categories Analysis	- 8 -
Seasonal Planning	- 9 -
Individual Product Analysis	- 10 -
<i>Shipping</i>	- 11 -
Shipping to Success	- 11 -
Market's Shipping Status	- 12 -
2014/2013 Shipping Days Comparison	- 13 -
<i>Location</i>	- 14 -
Market's Profit Proportions	- 14 -
Top and Bottom 3 Countries	- 15 -
<i>Evaluating Discounts</i>	- 16 -
Translating Discounts to Profits in Markets	- 16 -
Limiting Discount	- 17 -
Bundling Together for Profits	- 18 -
<i>Dashboards</i>	- 19 -
<i>Appendix</i>	- 22 -
Bibliography	- 22 -

Executive Summary

Established in 1997, Cinnamon Pte Ltd has evolved into an international commerce brand, offering an extensive range of products in 16 Sub-Categories, to customers in three main Segments: Consumers, Home Offices and Corporate.

Achieving steady and consistent growth in Sales and Profits, Cinnamon Pte Ltd is forecasted to peak even further in 2015 internationally. The report aims to identify aspects to boost profits for the company, by minimizing loss-inducing factors and leveraging on profit-driving advantages. The first chapter of this report will present the key indicators of Cinnamon Pte Ltd to depict the **performance from 2011-2014 and the forecasted performance of 2015**. The subsequent chapters will assess and discuss the following aspects:

1. Product

Focusing and establishing niche Sub-Categories in profitable markets are essential for further growth. Even though Tables are making an overall revenue loss, only affected markets should be removed. Seasonal trends are presented to strategize initiatives and inventory. Individual products (High and Low Profits, High Quantity) are analyzed to increase the profit contributions to Cinnamon Pte Ltd.

2. Shipping

Shipping is one of the essential pillars, directly affecting customers' experience in Cinnamon Pte Ltd and indirectly future purchases. Shipping statuses (Early, On-Time, Late) are throughout looked into. Ship modes and order priority should be reformed, while shipping companies in markets and countries should be re-evaluated.

3. Location

Every market and even countries have different sales, profit and profit margin. By comparing the profitability of each market and countries, location-based insights are concluded to determine the potential expansion of markets and termination of sales in identified countries.

4. Discount

Similarly, distinct to every market, there are different impacts when discounts are prescribed. Discounts are shown to be ineffective if above 24.74% and results in negative profit margins. For the optimal level of sales and profits, discounts should be prescribed to complementary bundles.

Company Overview

Current Success

Yearly Analysis

	2011	2012	2013	2014
Sales	2,259,451	2,677,439	3,405,746	4,299,866
Changes in Sales		18.50%	27.20%	26.25%
Profit	248,941	307,415	406,935	504,166
Changes in Profit		23.49%	32.37%	23.89%
Profit Margin	11.02%	11.48%	11.95%	11.73%

Fig. 1.1 – Yearly breakdown of Sales, Profit and Profit Margin

The company's sales and profits have consistent average growth rates of 23.98% and 26.58% respectively. There is a steady profit margin rate of 11.55% on average yearly. This indicates consistently positive performance, and the company moving in the right direction.

In 2013, the company experienced best performance in every aspect.

Recommendations:

- Proceed with current corporate development strategies for subsequent years.
- Take reference from corporate strategies in 2013 as optimum target for future planning.

Potential Success

Quarterly Analysis

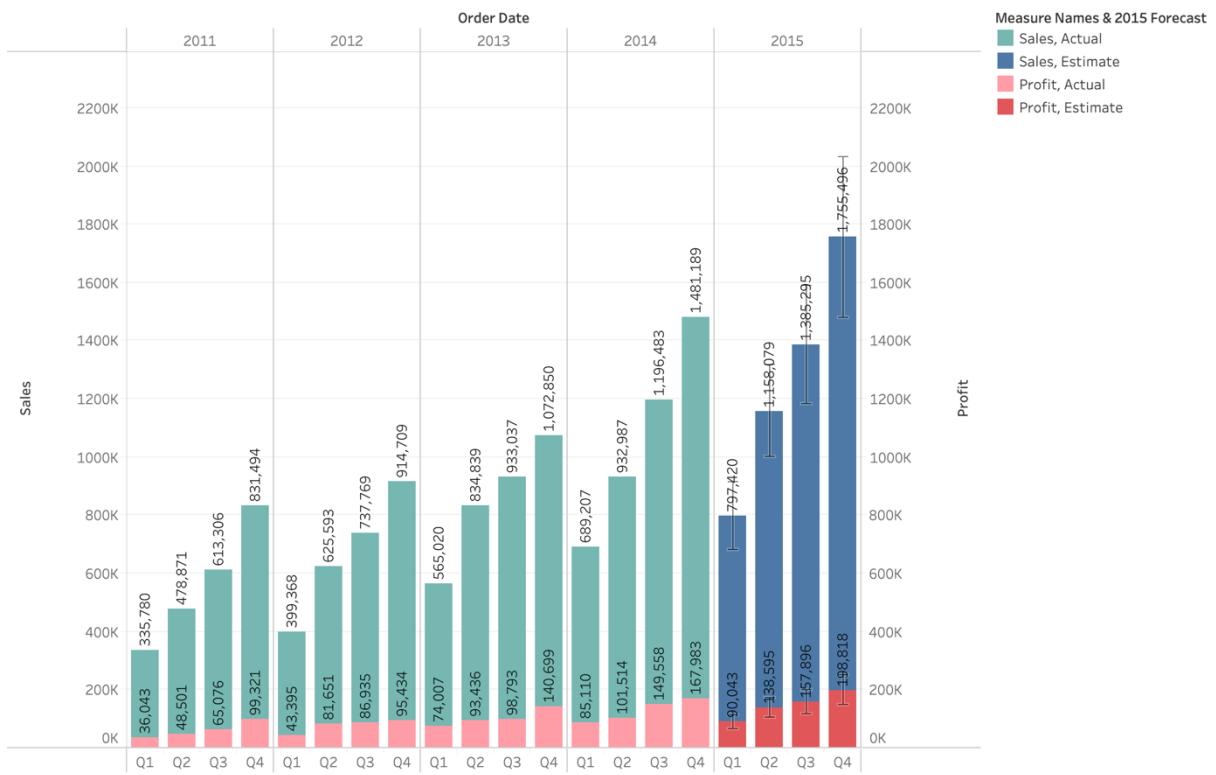


Fig. 1.2 – Quarterly breakdown and forecast of Sales and Profit for 2015

Sales and profits follow a seasonal pattern, with a rise from Q1 to Q4 followed by a sudden drop back in Q1. In 2015, sales and profit are expected to follow the same seasonal trend and forecasted to reach 1,755,496 and 198,818 respectively, which are positive growths from 2014.

Recommendations:

- Pilot or trial projects should be implemented in Q1 to avoid affecting the high sales and profit volume in Q4.
- Adopt contractual or seasonal employment arrangements that operate quarter. Increase manpower gradually from Q1 to Q4 and reduce manpower after Q4.
- Offer discounts for relevant products in Q4 to boost sales.

Company's Portfolio

Category
Category Portfolio

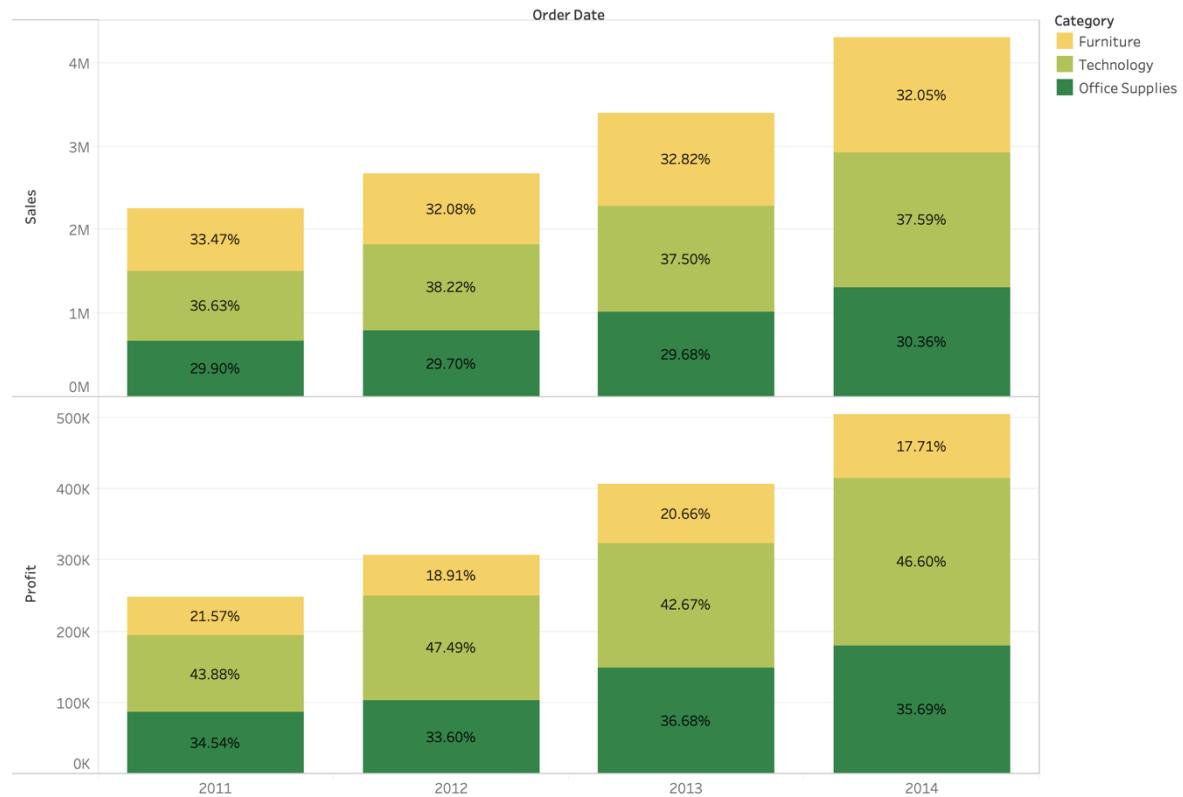


Fig. 1.3 – Yearly breakdown of Sales and Profit and its proportions by Categories

Sales demand has remained fairly unchanged for all. However, categories' profits are not proportional to sales, technology has the highest profit margin while furniture has the lowest. Sub-category's will be investigated¹ in Product Analysis.

Recommendations:

- Redistribute resources from furniture to technology, to capitalize on high profitability in future plans.
- Refresh product catalogue in 2015 to focus on technology to boost sales.

¹ Refer to Product Analysis for investigation.

Segment Segment Portfolio



Fig. 1.4 – Yearly breakdown of Sales and Profit and its proportions by Segments

Home Offices is a growing market as contributions to total sales has increased the most throughout the years as compared to others. Segments' profits are proportional to sales.

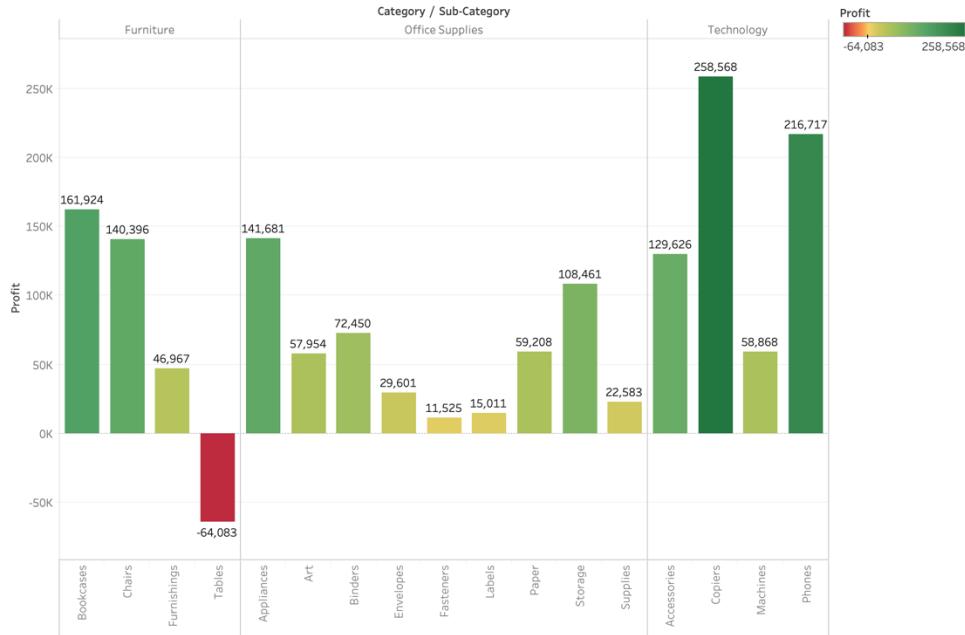
Recommendations.

- Consider expanding Home Offices due to its potential growth.
- More marketing budget should be allocated to consumers and promotional activities should be targeted to consumers who contributed a significant 51.8% of sales on average.

Products

Sub-categories Analysis

Sub-Categories Profit



Sub-Categories in Markets

Market	Sub-Category									Avg. Profit
	Accessories	Appliances	Bookcases	Chairs	Copiers	Phones	Storage	Tables		
US	\$54.11	\$38.92	\$-15.23	\$43.10	\$817.91	\$50.07	\$25.15	\$-55.57	\$-230.75	
EMEA	\$14.93	\$19.64	\$35.76	\$-2.44	\$43.04	\$10.14	\$5.37	\$61.43	\$817.91	
Africa	\$27.92	\$25.14	\$36.56	\$15.21	\$68.00	\$66.52	\$20.23	\$108.40		
Canada	\$68.17	\$139.62	\$103.27	\$71.39	\$204.90	\$133.99	\$58.25	\$150.09		
LATAM	\$41.05	\$80.95	\$38.65	\$30.75	\$65.26	\$48.05	\$20.21	\$-69.13		
APAC	\$22.72	\$124.64	\$108.42	\$64.06	\$124.01	\$118.02	\$30.25	\$-106.50		
EU	\$73.99	\$148.52	\$116.54	\$42.56	\$120.86	\$65.52	\$21.32	\$-230.75		

Fig. 2.1 and 2.2 – Profits by Sub-Categories, and Average Profits in Significant Sub-Categories

By looking into total profits by sub-categories, we can see that there are 7 sub-categories that contribute largely to the company's total profits. For the past 4 years, they have contributed a total profit of \$1,157,373. Tables are the only sub-category incurring a loss of \$64,083 in revenue. Diving into the significant sub-categories in each market, we can see that losses from tables mainly stems from 4 markets and are doing relatively well in the remaining 3 markets. There is also losses for bookcases and chairs in the US and EMEA respectively.

Recommendations:

- Terminate tables sales for mentioned markets to curb losses
- Customize product catalogues in each market according to sub-categories profitability

Seasonal Planning

Seasonal Products

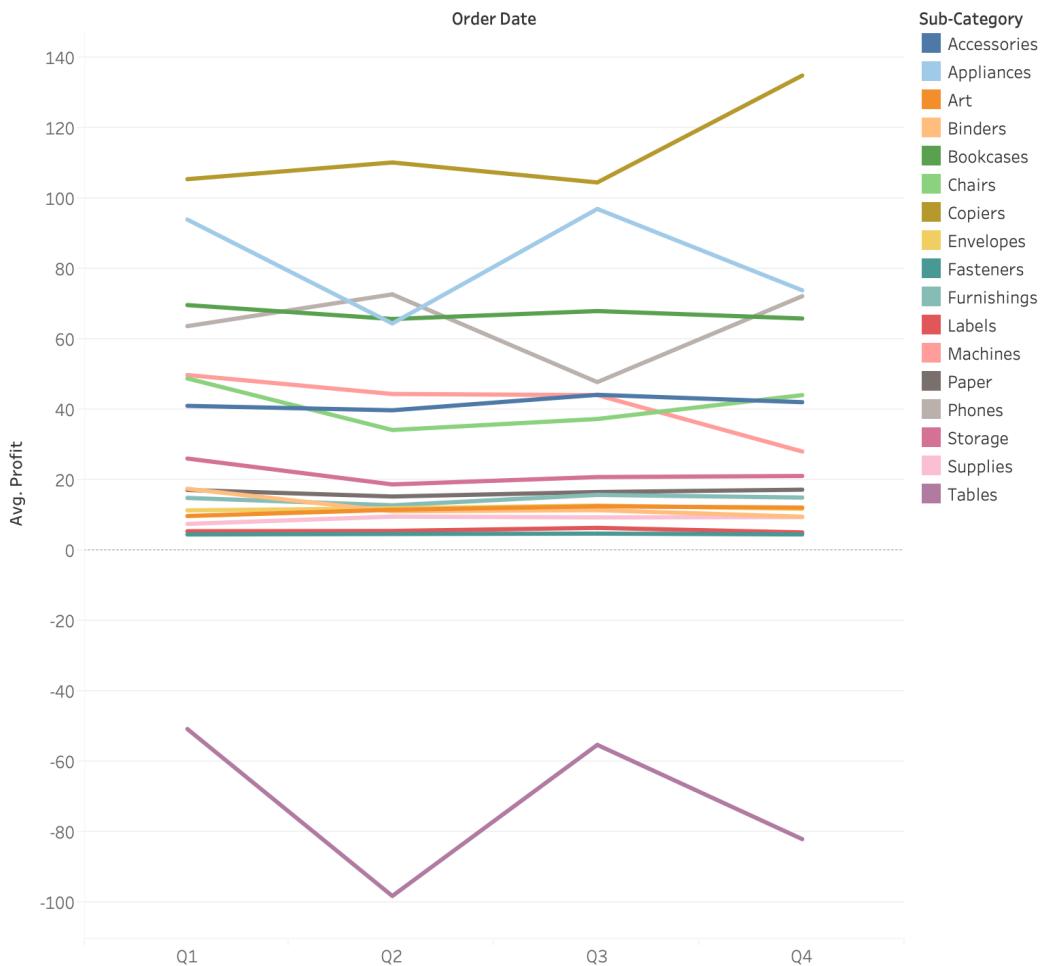


Fig. 2.3 – Quarterly trends for all Sub-Categories

Different seasonal trends are also observed in sub-categories' average profit. For Appliances and Tables, there is a rise in Q1 and Q3, and a drop in Q2 and Q4. It is vice versa for Phones and Copiers, while other sub-categories remain relatively constant.

Recommendations:

- Investigate reasons for fluctuations in profit and increase marketing budget and efforts for these sub-categories during peak seasons.
- Consider flexible warehouse storage arrangements for these sub-categories during peak seasons.

Individual Product Analysis

Product Analysis

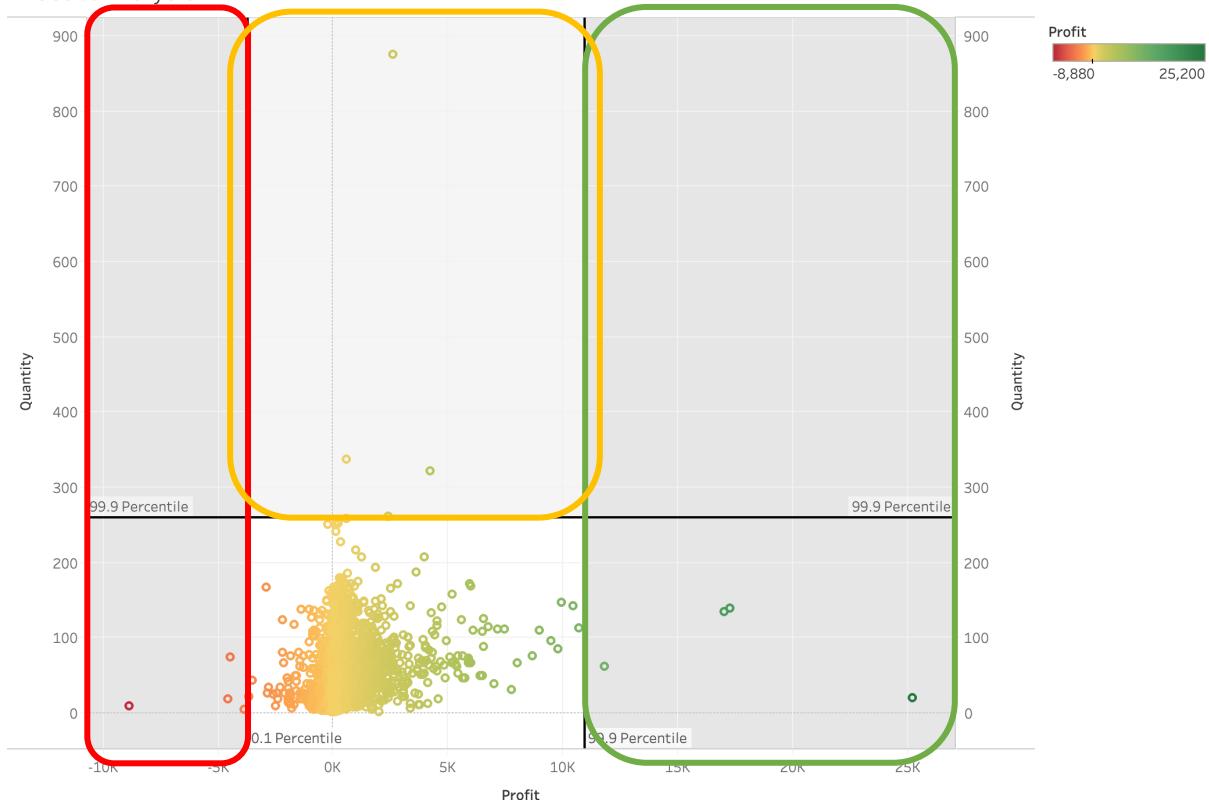


Fig. 2.4 – Scatter Plot of all Products' Profit and Quantity

Red region contains highly unprofitable products, green region contains highly profitable products, and yellow region contains products with especially high sales quantities.

Recommendation:

- Red Region: Stop sales of products promptly.
- Yellow Region: Increase prices of products as it still has the potential² to drive more profit
- Green Region:
 - Invest in market efforts to advocate and promote quantity sales³ for green region products.
 - Investigate contributing factors for low costs for those products to implement for other products.

² Given the current high sales quantity as high as 876, only a profit of \$2611 is achieved.

³ Despite only having a sales quantity of 20, a profit of \$25,200 is achieved.

Shipping

Shipping to Success

Shipping Costs

Year of Order Date	Ship Mode			
	Same Day	First Class	Second Class	Standard Class
2011	\$41.29	\$43.15	\$30.83	\$20.60
2012	\$46.03	\$40.90	\$29.05	\$19.65
2013	\$44.55	\$40.70	\$31.19	\$19.74
2014	\$40.58	\$40.31	\$30.55	\$20.04
Grand Total	\$43.11	\$41.27	\$30.41	\$20.01

Shipping Improvement

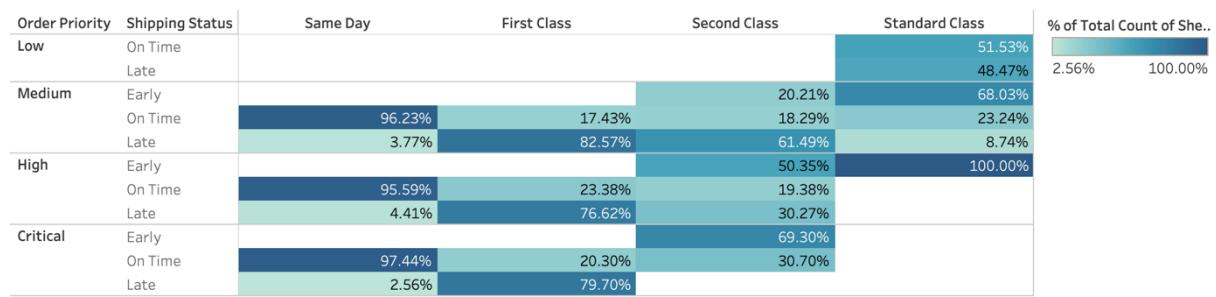


Fig. 3.1 and 3.2 – Shipping Cost breakdown for Ship Modes, and Overall Shipping Status based on Order Priority and Ship Modes.

As the company strives to provide customers with maximum satisfaction, the first day of range stipulated in the USPS' estimated delivery time⁴ (USPS, 2021) is used for our analysis to determine shipping status⁵.

By observing the average shipping cost, the price difference between Same Day and First-Class is only \$1.84 on average. Same Day delivery has the best performance, with an average of 3.58% being late, while first class ship mode has an average of 79.63% being late. Furthermore, despite the majority of second class' shipping being on-time or early, there is still a highly significant 61.49% of late shipments for medium order priority.

⁴ Same Day = 0 Day, and First Class = 1 Day [compared against USPS Global Express Guaranteed], Second Class = 3 Days [compared against USPS Priority Mail Express International]. Standard Class = 6 Days [compared against USPS Priority Mail International] (**USPS, 2021**)

⁵ Early, On-Time, Late

Recommendations:

- Negotiate with shipping companies to remove first class and use Same Day delivery, or merge both modes due to similar costs.
- Reconsider order priority categorisation to ensure most shipping orders under all priorities are delivered on time or even early.

Market's Shipping Status

Shipping Market

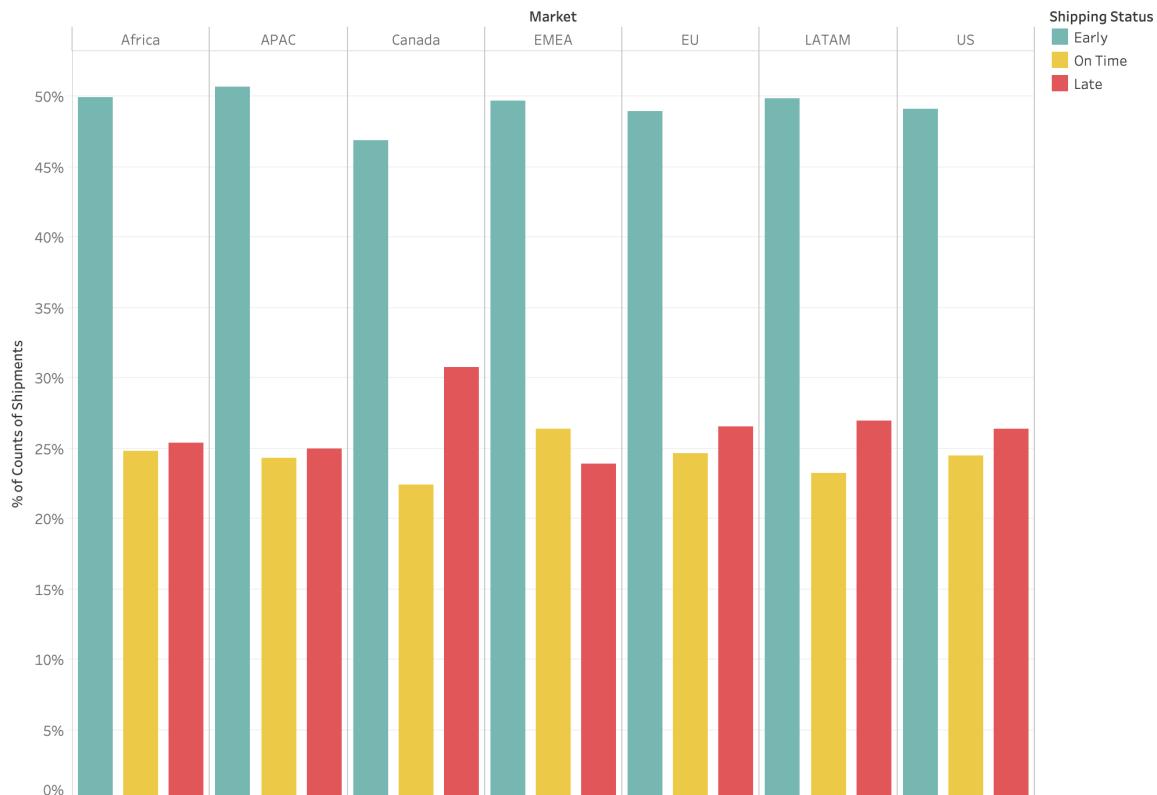


Fig. 3.3 – Shipping Status breakdown for Markets

When investigating market's shipping status, improvements are needed for all markets especially Canada with the highest percentage of late shipments at 30.73%.

Recommendations:

- Increase automation processes for all markets' warehouses, for better overall shipping efficiency.
- For Canada market, investigate the cause of inefficiency or consider other shipping companies if required.
- Consider early procurement of goods for warehouses in all markets especially Canada so there will always be a ready set of stock to ship out as soon as possible.

2014/2013 Shipping Days Comparison

Shipping Country Quadrant

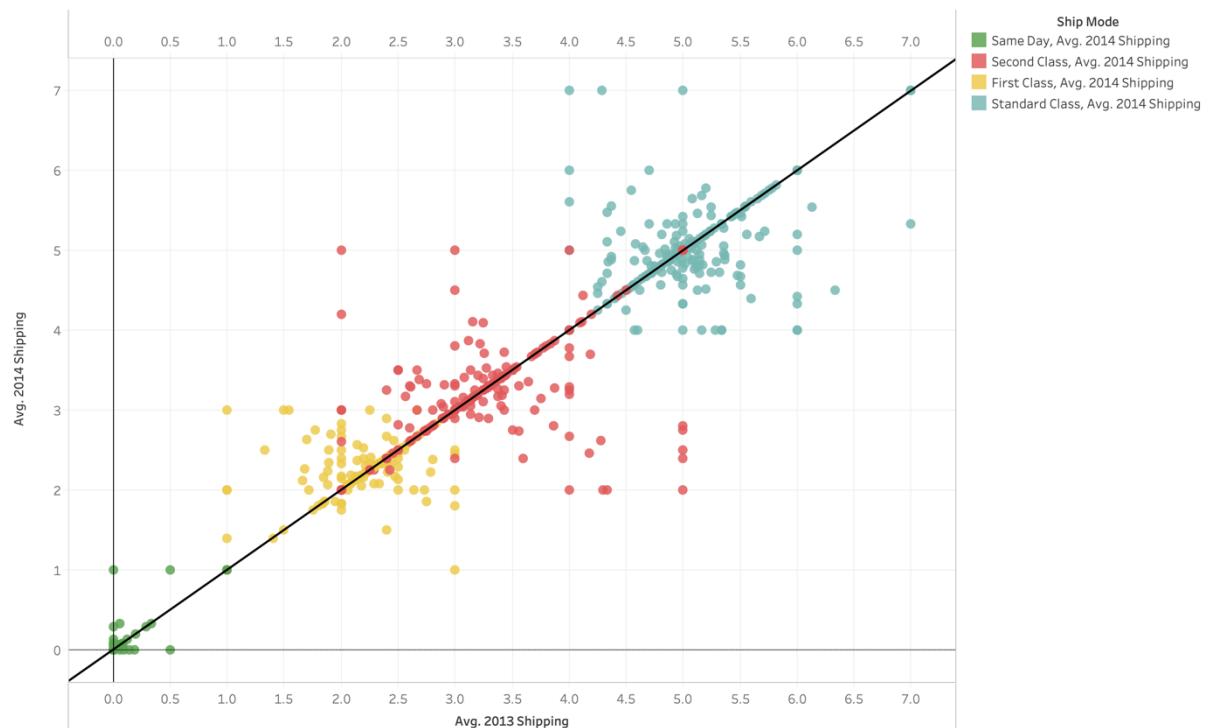


Fig. 3.4 – Shipping Days comparison plot for all countries, based on 2013 and 2014

Plotting average days required for shipping for all countries in 2013 and 2014, we can conclude that second class ship mode has very inconsistent⁶ shipping days for countries. Countries below the 45 degrees line improved in 2014 while countries above the 45 degrees line worsened in 2014.

Recommendations:

- Improve on differentiation for shipping mode to increase satisfaction and confidence across all modes selected by customers.
- Implement bonuses and penalties for countries⁷ that have improved and worsened to encourage a higher quality of shipping.

⁶ Early shipments of second-class ship mode overlap with first class ship mode, and late shipments of second-class ship mode overlap with standard class ship mode.

⁷ Shipping companies that operate for the company in each country.

Location

Market's Profit Proportions

Markets Profit



Markets Profit Contribution

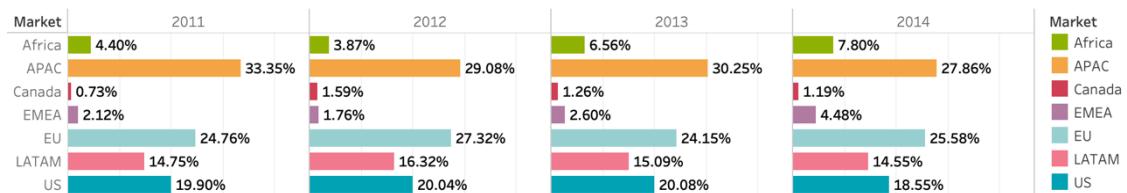


Fig. 4.1 – Yearly breakdown of Market's Profit and its contributions

In 4 years, APAC and EU have the two largest⁸ market profit shares, contributing a significant 55.1% of total profits. We observe that the profit contributions of Africa have been increasing while APAC has been decreasing. EMEA and Africa also have the biggest expansion⁹ across the years.

- Recommendations:

EMEA Sales and Profit



Fig. 4.1.1 – Yearly breakdown of EMEA's Profit and Sales growth.

- Investigate production costs of EMEA as profit is increasing significantly faster compared to sales as shown above, use it as best-case model for other markets.
- Conduct market research in the EU and APAC, to investigate customers' preferences to know how to expand the market further.
- Further expand in EMEA and Africa which has the highest potential to grow in future.

⁸ APAC has 436000 and EU has 372830 in profits, totalling up to 808830 out of a total profit of 1467457.

⁹ Africa - 3.59 times, APAC – 1.69 times, Canada – 3.32 times, EMEA – 4.28 times, EU – 2.09 times, LATAM – 2.00 times, US – 1.89 times

Top and Bottom 3 Countries

Countries Profit

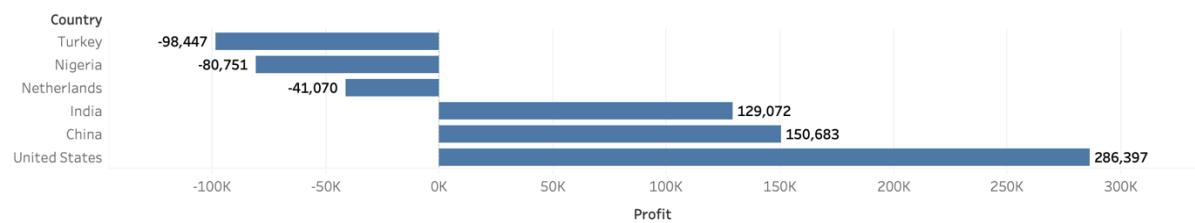


Fig. 4.2 – Top and Bottom 3 Countries in Profit performance

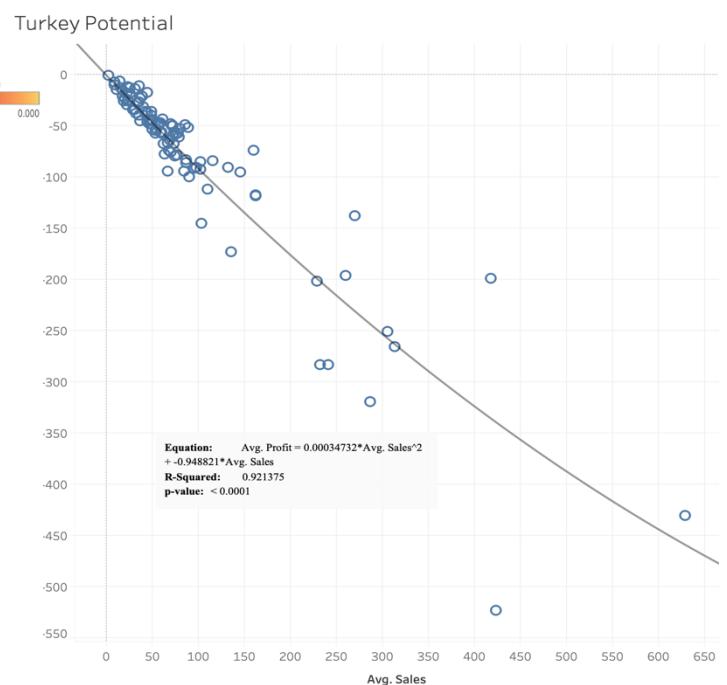
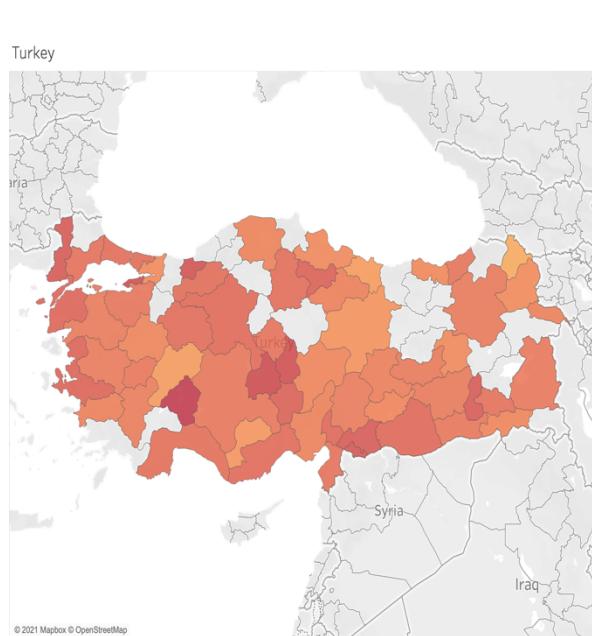


Fig. 4.3 and 4.4 – Drill down Analysis into Turkey, and predictions in average Profits.

There is a profit gap¹⁰ of \$786420 between the top and bottom 3 countries. Turkey has a negative profit margin in all its states.

By using a trendline, we can predict the estimated profit, as sales increases.

Investigating Turkey, we can observe that if sales increase, it will only incur significant losses to the company.

Recommendations:

- Withdraw sales and services in these bottom countries due to no potential¹¹ growth.
- Investigate upstream to identify causes for high production cost that causes huge losses and avoid similar issues in other countries.

¹⁰ Bottom 3 countries have an average of 220268. Top 3 countries have an average of 566152

¹¹ By observing trendline of polynomial degree 2, profits are not expected to bounce back in the near future.

Evaluating Discounts

Translating Discounts to Profits in Markets

Market Discount

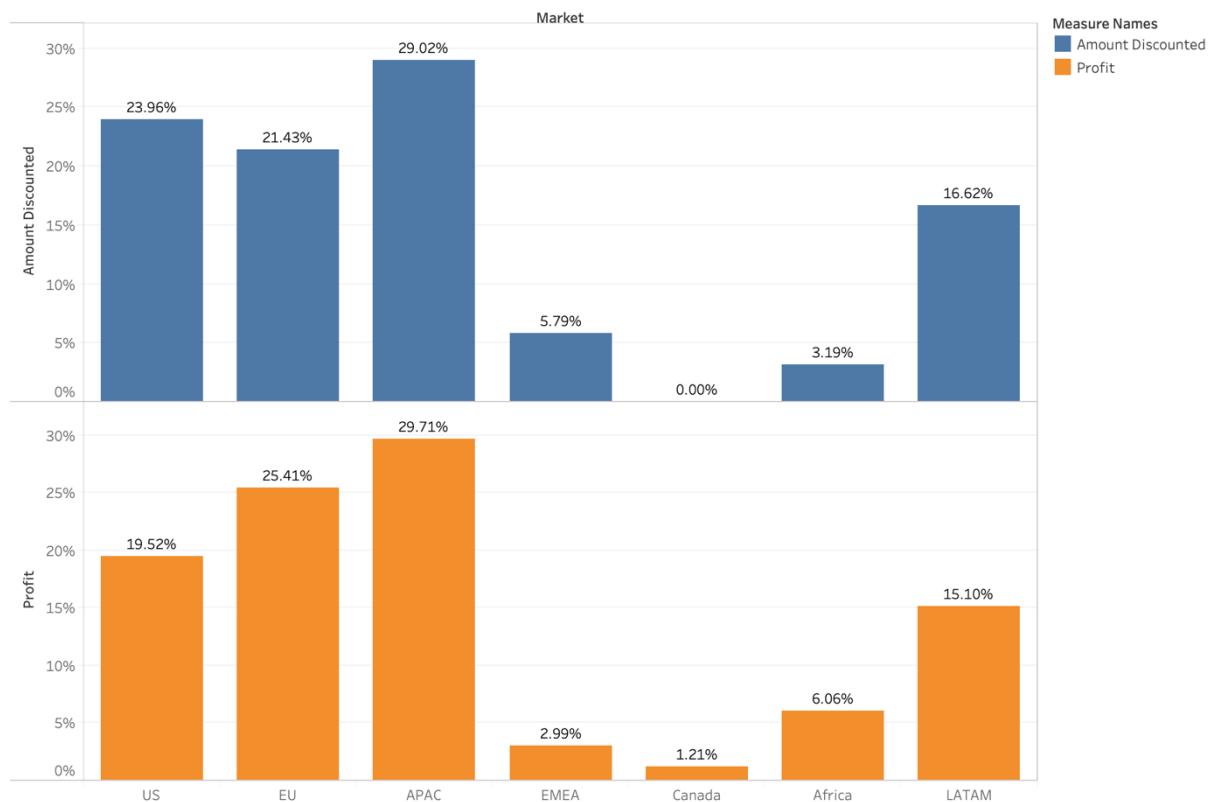


Fig. 5.1 – Proportions of Profit and Amount Discounted breakdown by Markets

Profits are generally consistent with Amount Discounted. However, discounts are shown to be more effective in EU, Africa and APAC markets, yielding more profit to discount proportions than other markets. Canada is also observed to not utilize discount at all

Recommendations:

- Consider pilot trial for discounts in Canada market to boost market share.
- Continue to utilize discount in EU, Africa and APAC, and design marketing strategies to emphasize on discounted prices.

Limiting Discount

Discount Limit

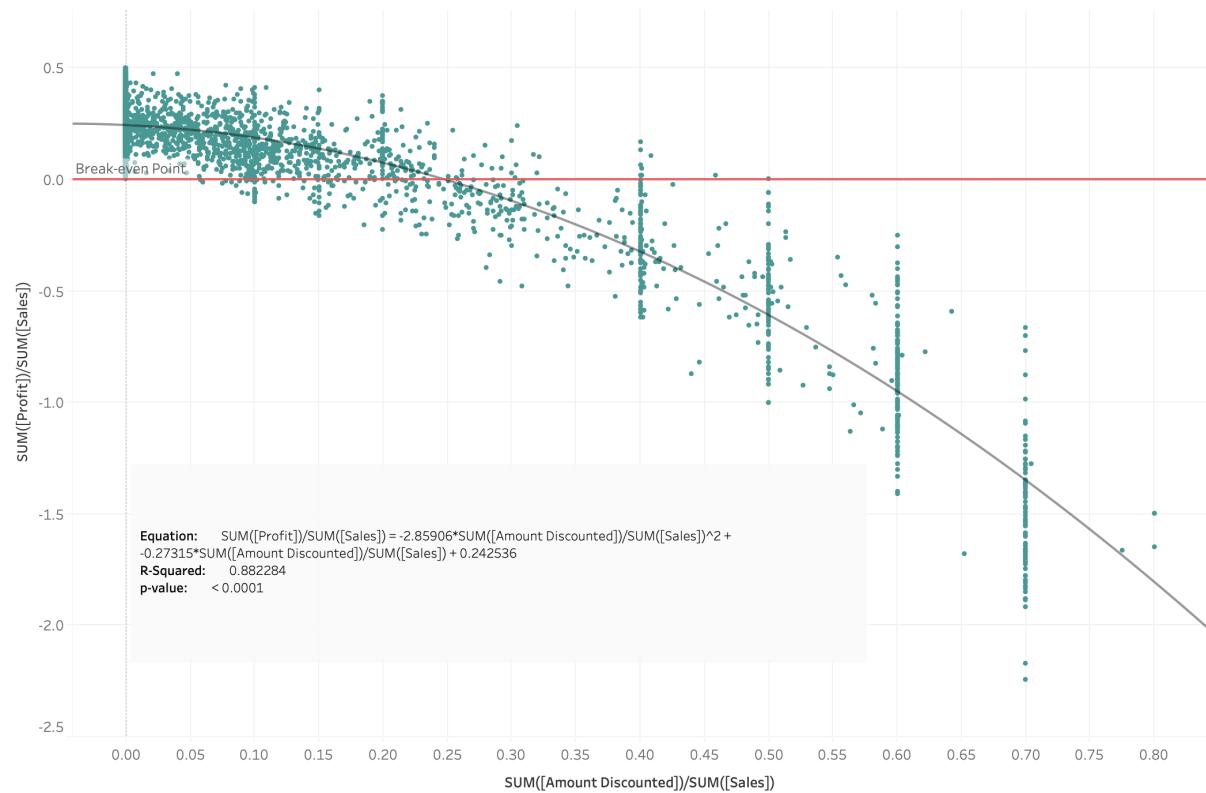


Fig. 5.2 – Discount Limit Analysis based on cities

Although discounts are introduced to boost sales, losses may occur if immoderate discounts are offered. By measuring the trend line of the regression model, discounts above 24.74% or 0.2474 will result in negative profit margins, causing losses for the company.

Recommendation:

- Ensure discounts are within 24.74%.
- Using this graph, prescribe appropriate levels of discount specific to each city.

Bundling Together for Profits

Complementary Goods for Bundle

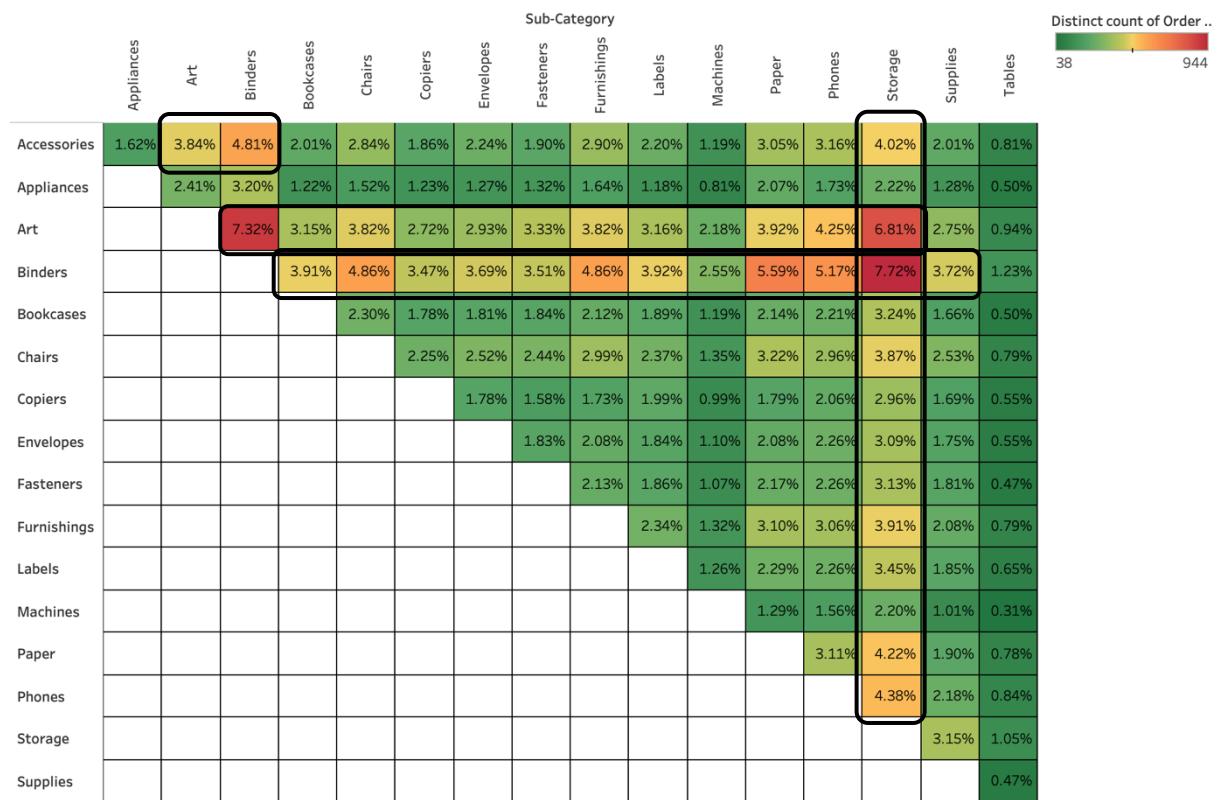


Fig. 5.3 – Breakdown of items often bought together for bundles

We are able to deduce complementary sub-categories by comparing the sub-categories counts of items that are often bought collectively. Art, binders and storages are sub-categories that are most complementary in nature.

Recommendations:

- Promote and bundle products with other products from complementary sub-categories to boost sales.
- Offer promotional discounts¹² for these bundles.

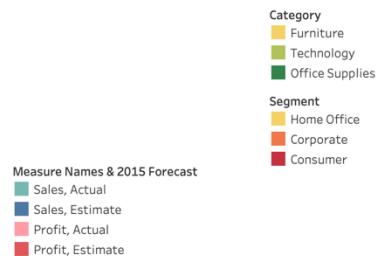
¹² Adjust discount percentages for bundles according to Fig.

Dashboards

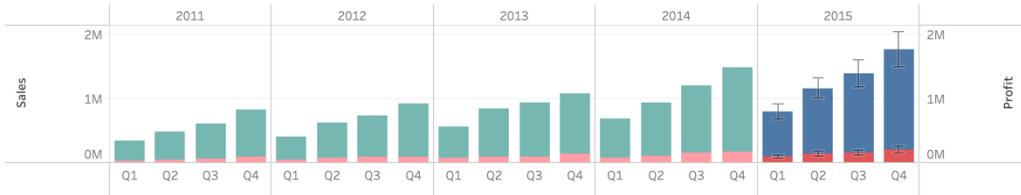
1. Overview

Yearly Analysis

	2011	2012	2013	2014
Sales	2,259,451	2,677,439	3,405,746	4,299,866
Changes in Sales		18.50%	27.20%	26.25%
Profit	248,941	307,415	406,935	504,166
Changes in Profit		23.49%	32.37%	23.89%
Profit Margin	11.02%	11.48%	11.95%	11.73%



Quarterly Analysis



Category Portfolio



Segment Portfolio



2. Products

Sub-Categories Profit



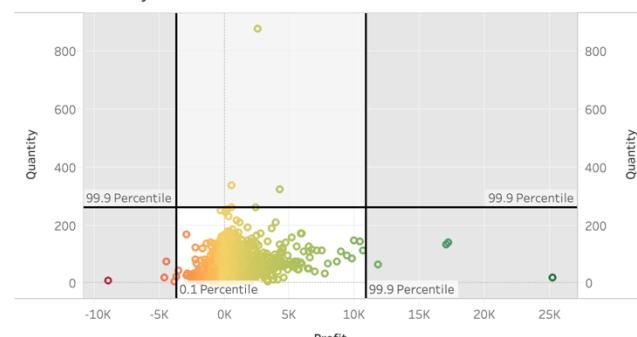
Sub-Categories in Markets

Market	Sub-Category						
	Accessories	Appliances	Bookcases	Chairs	Copiers	Phones	Storage
US	\$54.11	\$38.92	\$-15.23	\$43.10	\$817.91	\$50.07	\$25.15
EMEA	\$14.93	\$19.64	\$35.76	\$2.44	\$43.04	\$10.14	\$5.37
Africa	\$27.92	\$25.14	\$36.56	\$15.21	\$68.00	\$66.52	\$20.23
Canada	\$68.17	\$139.62	\$103.27	\$71.39	\$204.90	\$133.99	\$58.25
LATAM	\$41.05	\$80.95	\$38.65	\$30.75	\$65.26	\$48.05	\$20.21
APAC	\$22.72	\$124.64	\$108.42	\$64.06	\$124.01	\$118.02	\$30.25
EU	\$73.99	\$148.52	\$116.54	\$42.56	\$120.86	\$65.52	\$21.32

Seasonal Products



Product Analysis



3.Shipping

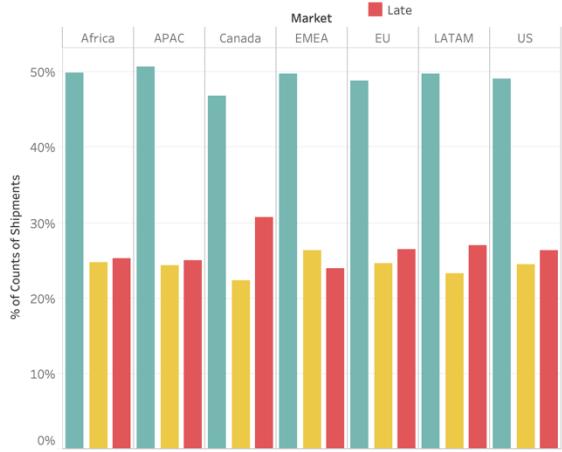
Shipping Costs

Year of Order Date	Ship Mode			
	Same Day	First Class	Second Class	Standard Class
2011	\$41.29	\$43.15	\$30.83	\$20.60
2012	\$46.03	\$40.90	\$29.05	\$19.65
2013	\$44.55	\$40.70	\$31.19	\$19.74
2014	\$40.58	\$40.31	\$30.55	\$20.04
Grand Total	\$43.11	\$41.27	\$30.41	\$20.01

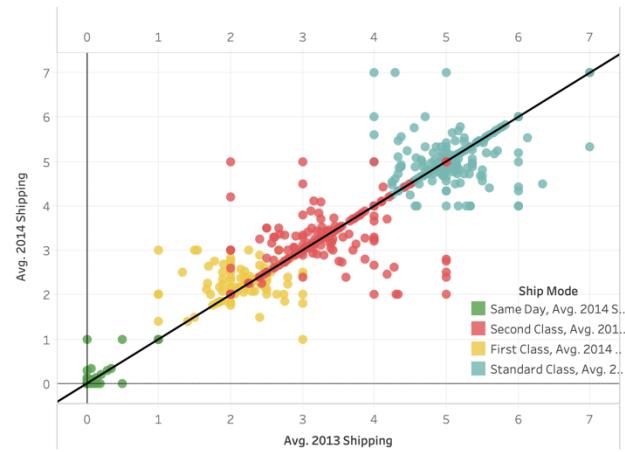
Shipping Improvement

Order Priority	Shipping Status	Same Day	First Class	Second Class	Standard Class
		On Time	Late	Late	Late
Medium	Early			20.21%	68.03%
	On Time	96.23%	17.43%	18.29%	23.24%
	Late	3.77%	82.57%	61.49%	8.74%
High	Early			50.35%	100.00%
	On Time	95.59%	23.38%	19.38%	
	Late	4.41%	76.62%	30.27%	
Critical	Early			69.30%	
	On Time	97.44%	20.30%	30.70%	
	Late	2.56%	79.70%		

Shipping Market

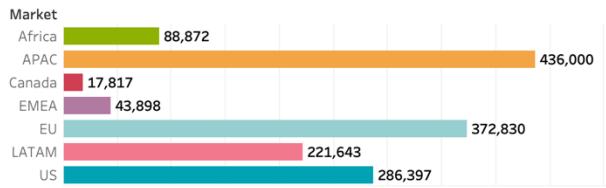


Shipping Country Quadrant

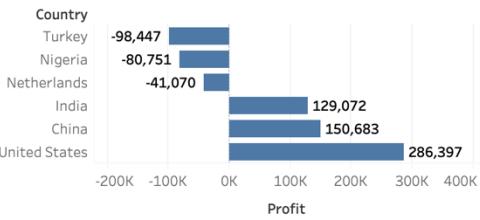


4.Location

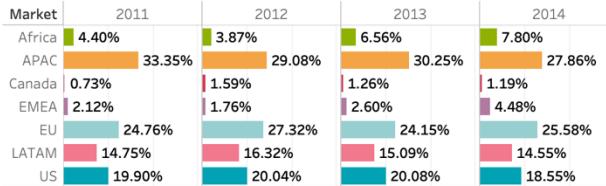
Markets Profit



Countries Profit



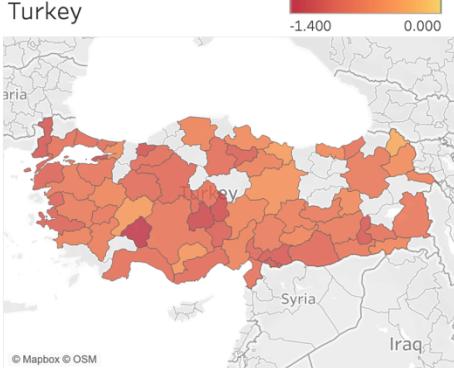
Markets Profit Contribution



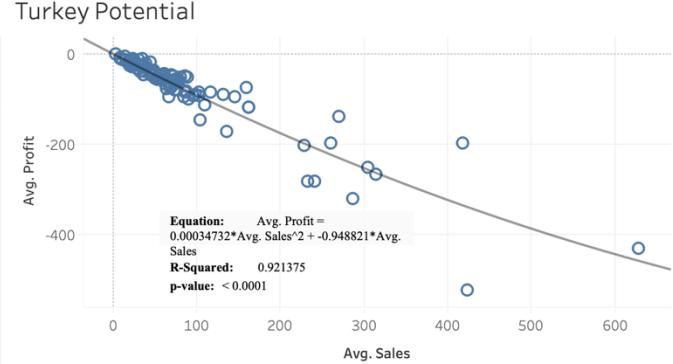
Market

- Africa
- APAC
- Canada
- EMEA
- EU
- LATAM
- US

Turkey

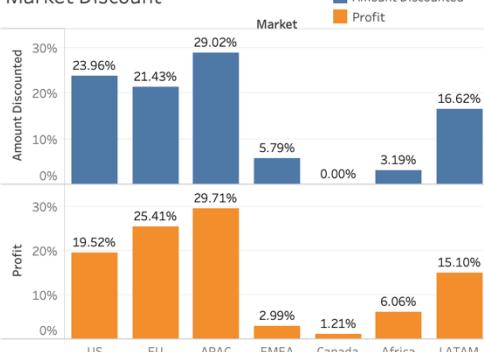


Turkey Potential

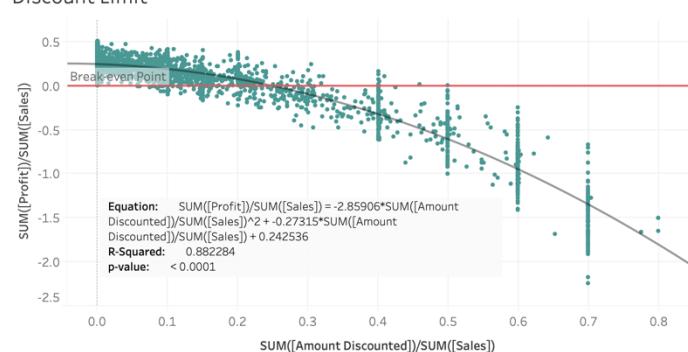


5.Discount

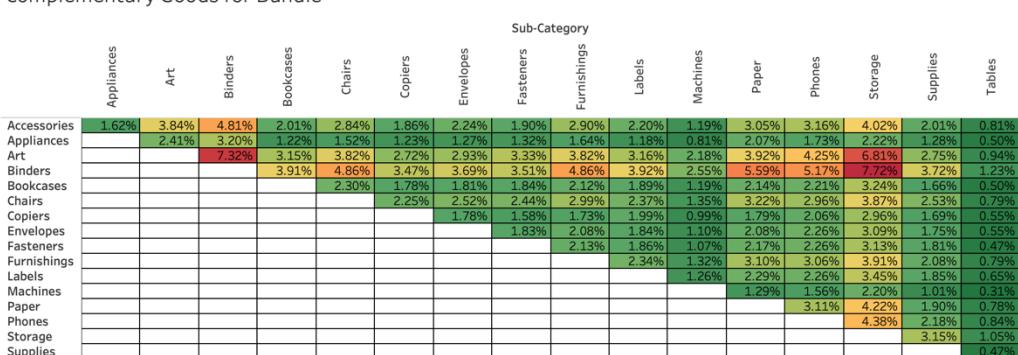
Market Discount



Discount Limit



Complementary Goods for Bundle



Appendix

Bibliography

United States Postal Service, 2021. International Services: International Shipping Services [Online]
Available at: <https://www.usps.com/international/>
[Accessed 26 February 2021]