



RMIT Business Analyst Champion

Season 2

ROUND 1

CASE STUDY

DATA MINERS

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Executive Summary

Question

Evaluate financial performance of SP Co. over the past 3 years

Compare financial performance of SP Co. with other competitors in the industry

Situation

COGS decreased over the past 3 years leading to higher gross profit as well as NOPBT

SP Co. had well exploited economies of scale as its cost per RC is relatively low compared to others

SP Co. had the highest product cost which made it become the least efficient company in managing expenses

The expenditure of A&M and D&A was inefficient as sales volume in Y3 decreased but these cost increased greatly

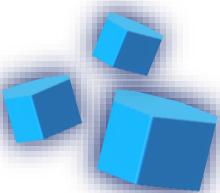
Recommendation

Negotiating with PET suppliers to reduce total product cost

Using ABC analysis to manage product types better

Increasing revenue based on office contribution

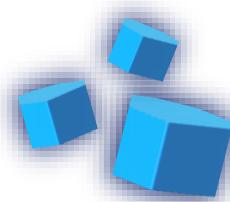
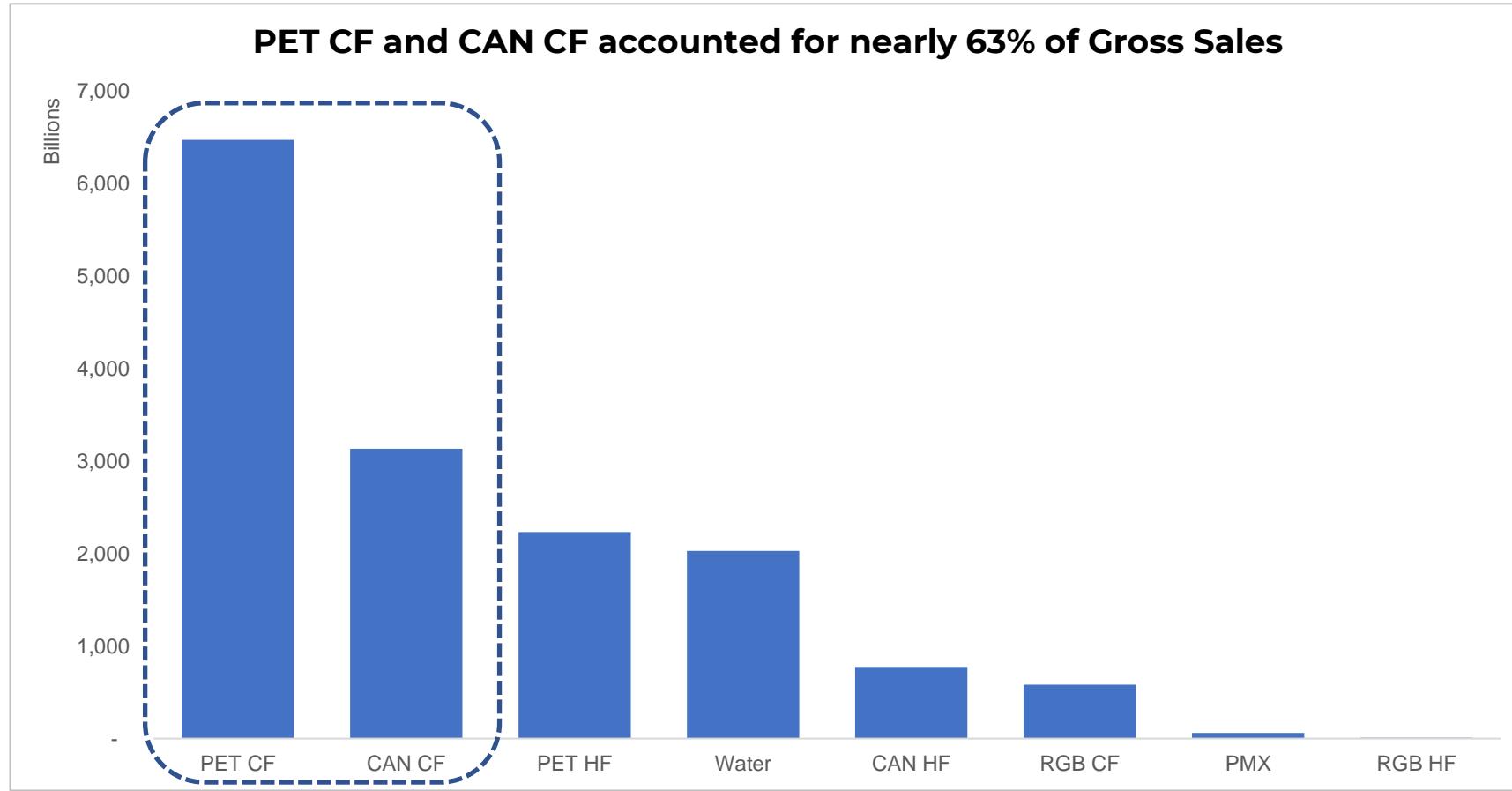
Allocating budget for Marketing & Sales more effectively to increase sales volume



Gross Sales in Year 3

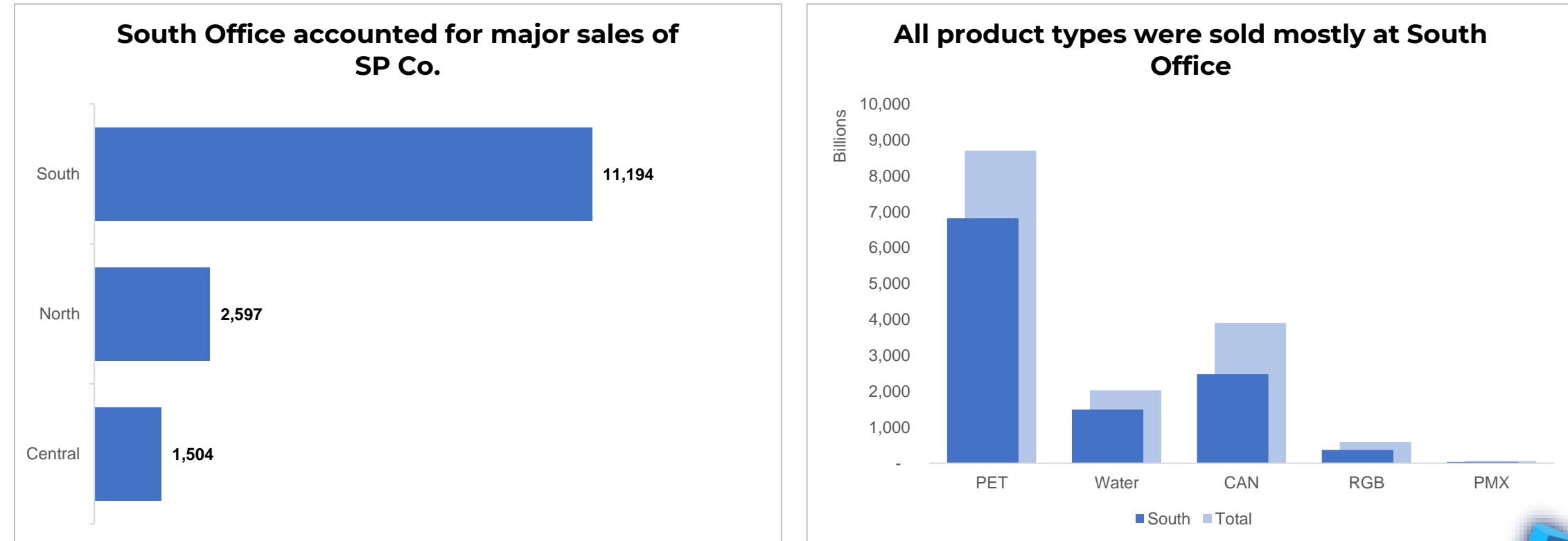
Customers were more likely to buy cold-fill than other product types of SP Co.

At **6471.8** billion VND, **PET CF** had the highest Gross Sales and was much higher than other types of beverage

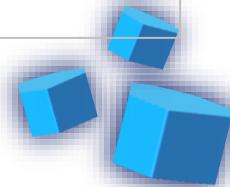


SP Co. should focus on South region to generate more revenue and stay competitive

At **11,194** billion VND, **South Office** had the highest Gross Sales, accounted for **73.19%** and approximately **7.5** times higher than Central Office

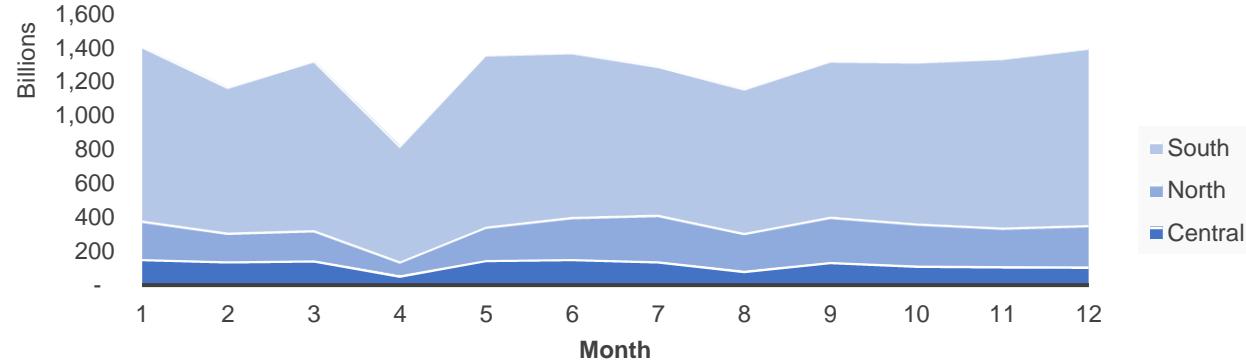


When Sales Office was South, the average of Gross Sales (by product type) increased by approximately **102.8 billion**



Gross Sales was higher at the beginning and the end of Year 3 than others

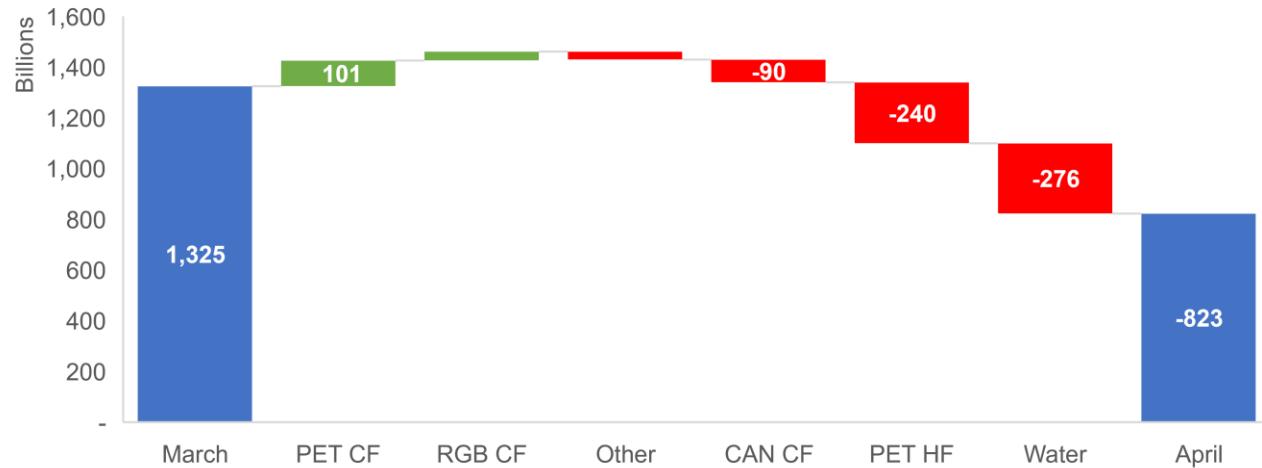
January and December accounted for nearly 18.5% of total Gross Sales of Year 3



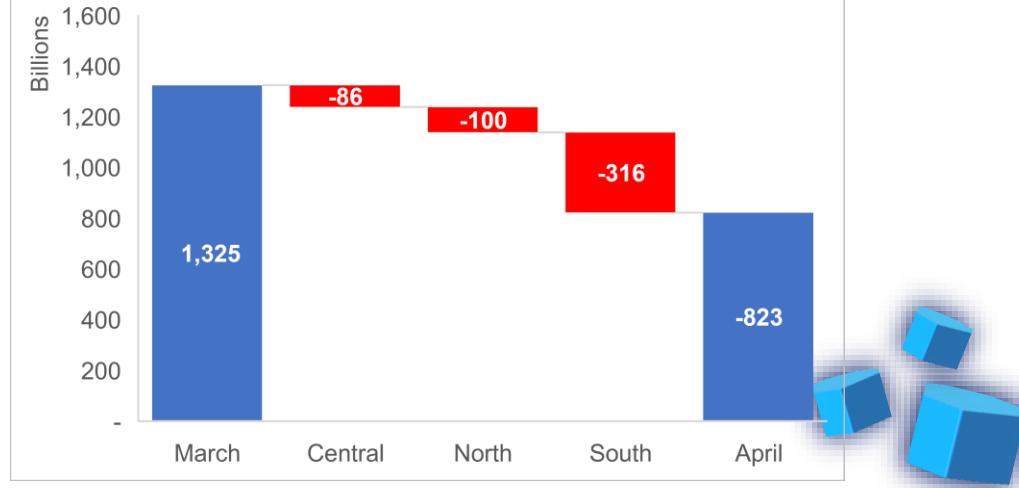
There was a significant decrease in Gross Sales from March to April at all three offices

Most of which occurred at South Office because of PET HF and Water products

Gross Sales by Month and Product Type



Gross Sales by Month and Sales Office



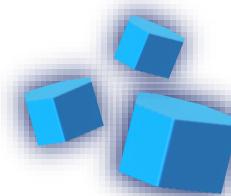
The dramatic increase in sales volume of PET CF and CAN CF had offset the decline in unit price and sales volume of the rest



Variance Analysis (\$)

Gross Sales (\$)

Product Types	Sales Vol	Product Mix	Unit price	Year 2	Gross Sales (\$)
RGB CF	-1,246,144	-0.93%	-0.02		
RGB HF	-105,088	-0.08%	-0.02		
CAN CF	-2,479,463	-1.84%	-0.05		
CAN HF	1,335,320	1.06%	-0.05		
PET CF	6,682,411	5.41%	-0.04	657,658,118.86	
PET HF	-471,634	-0.30%	-0.04		
Water	-4,412,161	-3.31%	-0.02		
PMX	-28,834	-0.02%	-0.15		
Grand Total	-725,593		0.09	664,991,449.15	



Net Operating Profit Before Tax

Marketing & Sales expenses were not efficiently used compared to last year as sales volume decreased in Y3

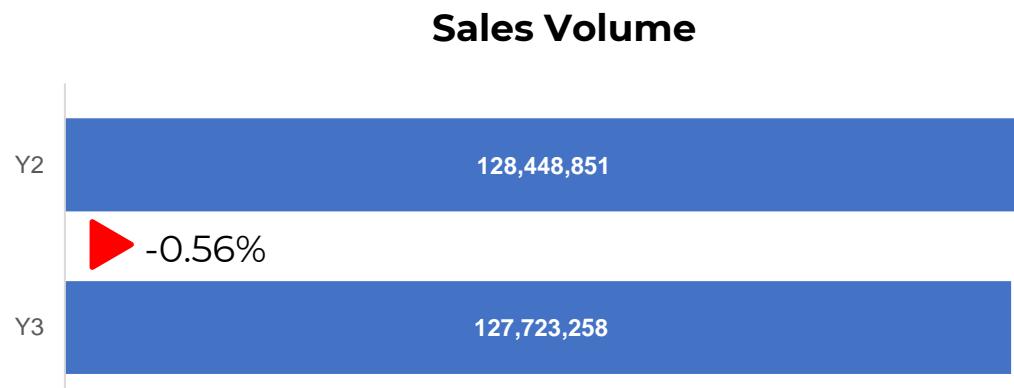
D&A expenses had seen a considerable increase with above 16% compared to just 10% of the period Y1 to Y2



SP Co. had also allocated more money for A&M with the increase of nearly 30% in Y3

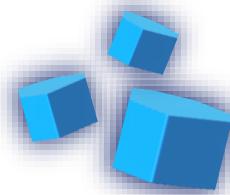
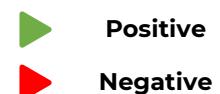


However, sales volume in Y3 saw a decrease of 0,56%

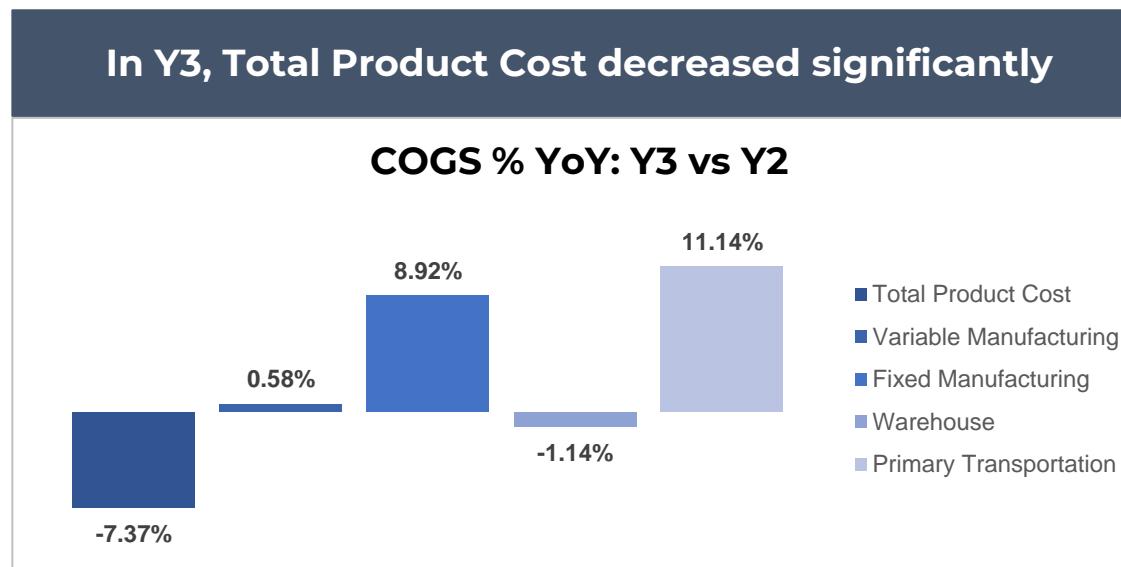
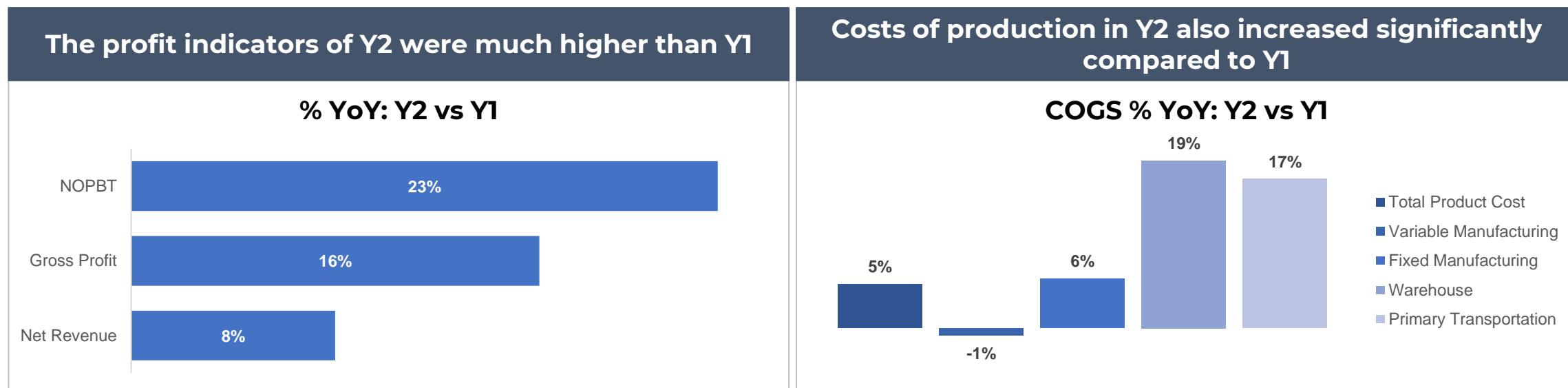


→ These two activities were one of the inefficient factors which need reviewing thoroughly and enhancing. There are a number of effective strategies for increasing sales and marketing performance:

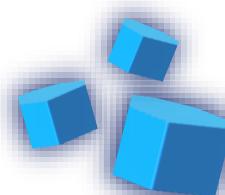
- Review and align SP Co. targets and budgets
- Define and segment audiences and buyer personas
- Gain insight from a variety of stakeholders
- Cut the budget if necessary



Business performance in Y3 was the successor to the growth of Y2 on the basis of cost optimization



Despite a **0.45** percent decrease in Net Revenue in Y3 compared to Y2, NOPBT was higher than the previous two years due to cost optimization



Three major factors contributed to the drop in production costs, which increased NOPBT are raw materials, packaging, and delivery transportation costs

Reduced 1,72% in raw materials cost

To cut down raw materials costs SP Co. could have implemented some of the following ways:

- Substituting lower-cost materials
- Improving negotiation plans with suppliers
- Reviewing and redesigning products or processes

Reduced 14,85% in packaging cost

There are several efficient methods for lowering packaging expenses:

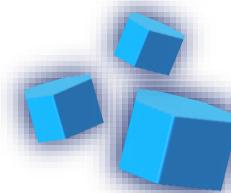
- Enhancing the efficiency of material storage and packaging lines
- Saving the amount of packing time with technology
- Optimizing packaging capacity

The optimization of both materials and packaging costs had a great impact on the decrease of Total Product Cost

Reduced 3,27% in delivery transportation cost

Here are some ideas for potentially lowering SP Co. delivery transportation costs:

- Improving optimized routes
- Automating delivery transportation
- Partnership with a 3rd party transportation providers

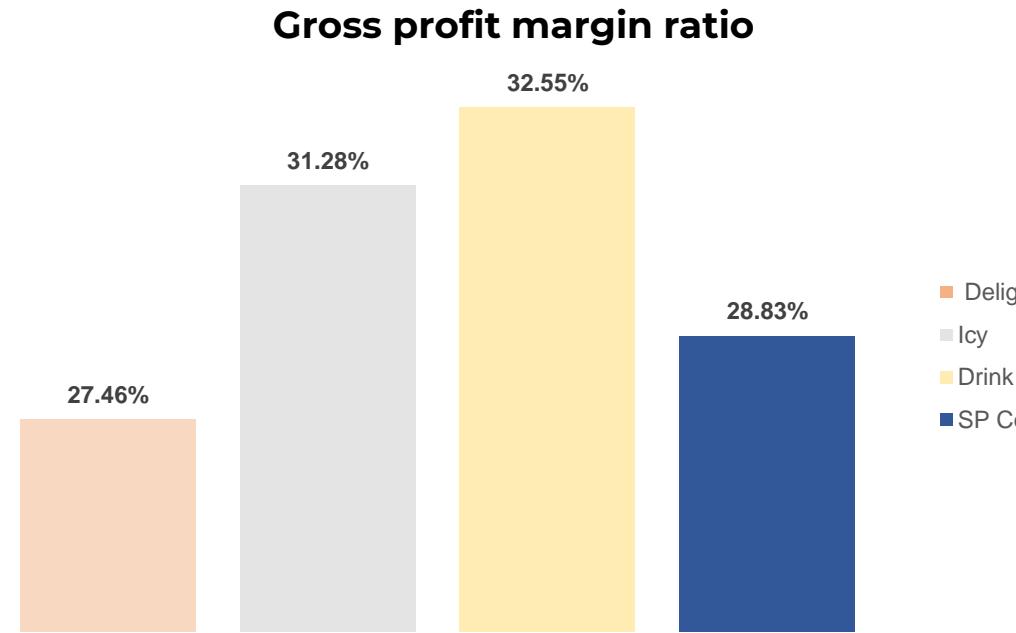


Comparison with competitors

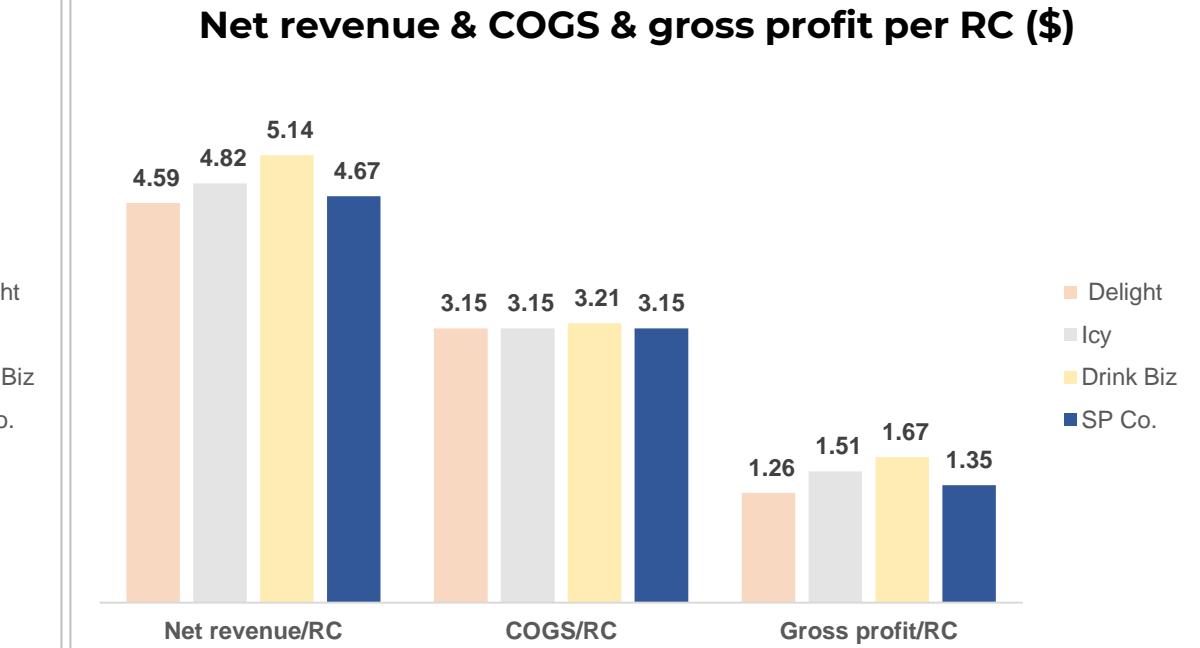
SP Co. did not effectively generate revenue based on direct costs compared to other competitors



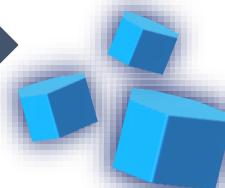
Gross profit margin of SP Co. ranked third in the industry and below the industry average



SP Co. set third-lowest price per RC (net revenue) but COGS was equal to Delight and Icy (second - highest)
→ Lower gross profit per RC



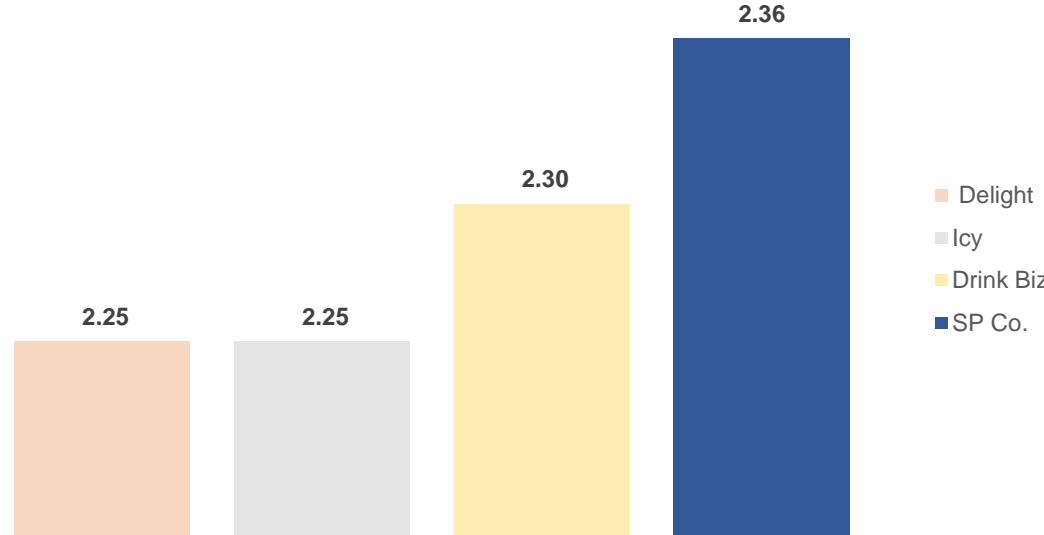
SP Co. must enhance its effectiveness at converting goods, materials and direct labor into profit to earn higher gross profit margin and become more competitive in the market



There was a contrast in the efficiency of product cost and manufacturing cost that led to high COGS of SP Co.

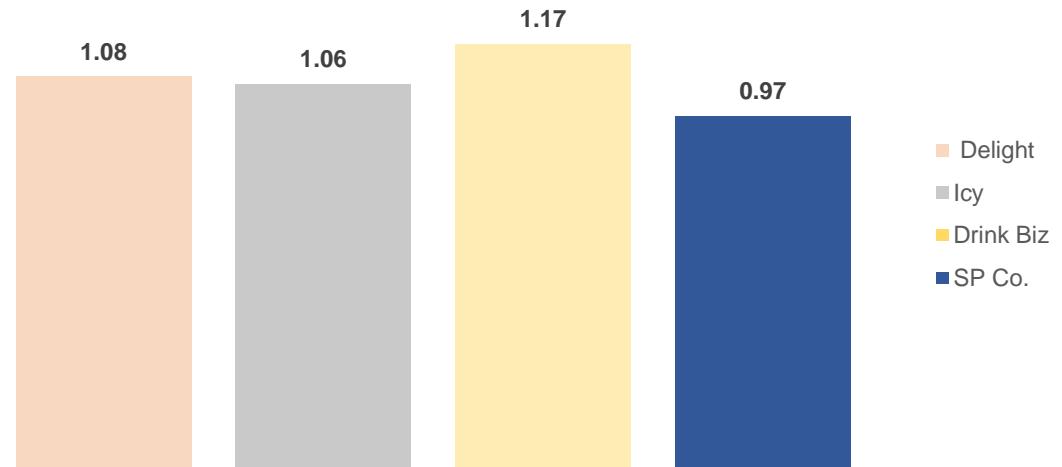
SP Co.'s total product cost was the highest amongst 4 companies contributing to high COGS

Total product cost of 4 companies (\$)

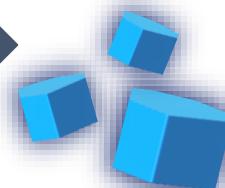


However, SP Co.'s total cost of manufacturing, warehousing and transportation was the lowest in the industry

Total cost of manufacturing, warehousing & transportation of 4 companies (\$)



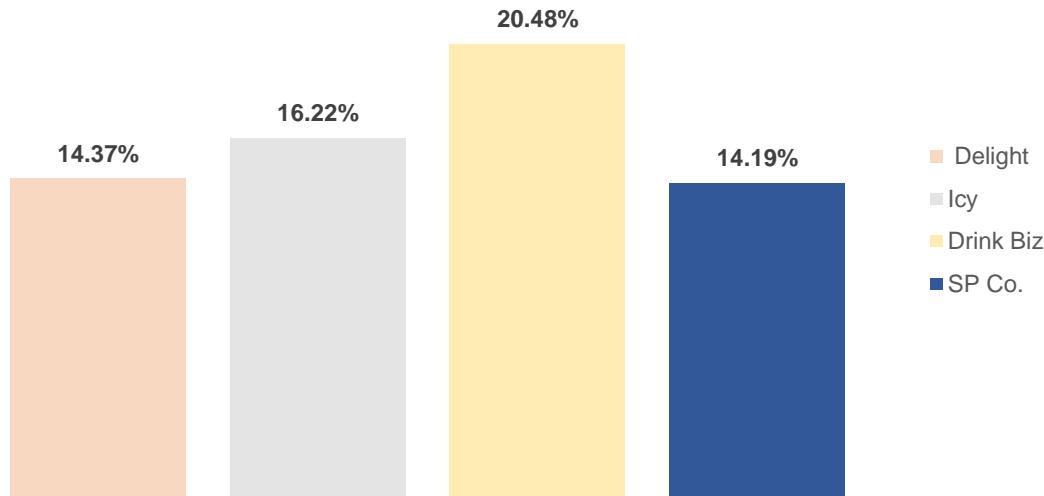
SP Co. needs to reduce its product cost to decrease COGS through improving procurement. Moreover, SP Co. should also maintain the efficiency regarding manufacturing, warehousing & transportation



SP Co. was the least efficient company in managing expenses to maximize profitability in the industry

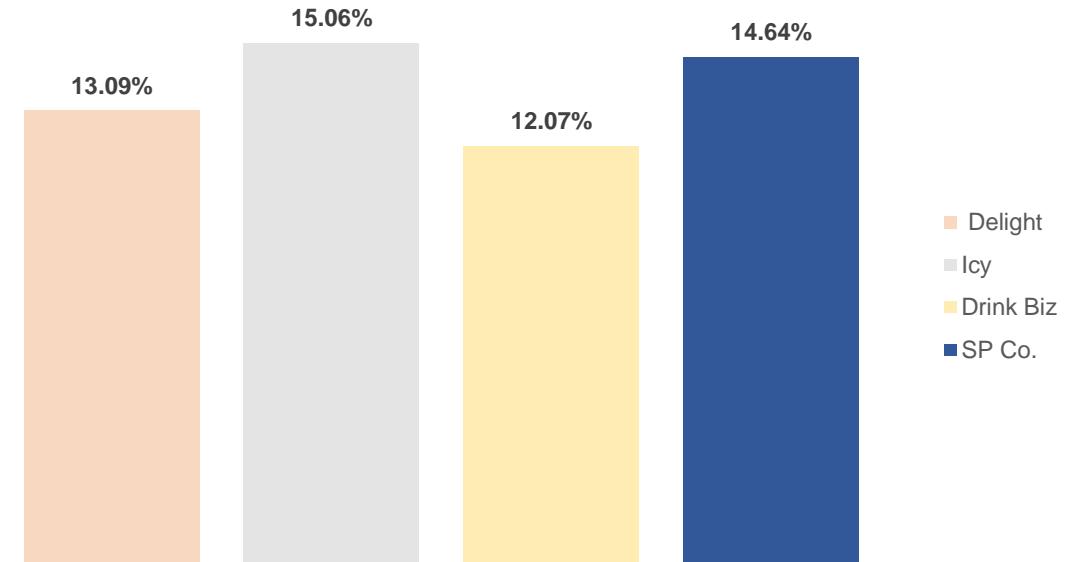
Net Operating Profit Before Tax Margin of SP Co. was the lowest compared to other competitors

Net operating profit before tax margin ratio

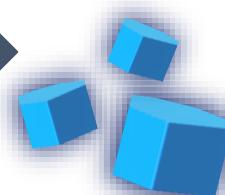


SP Co.'s management team did not efficiently control operating expenses with the second - highest indirect costs percentage in the industry

Operating expenses margin ratio



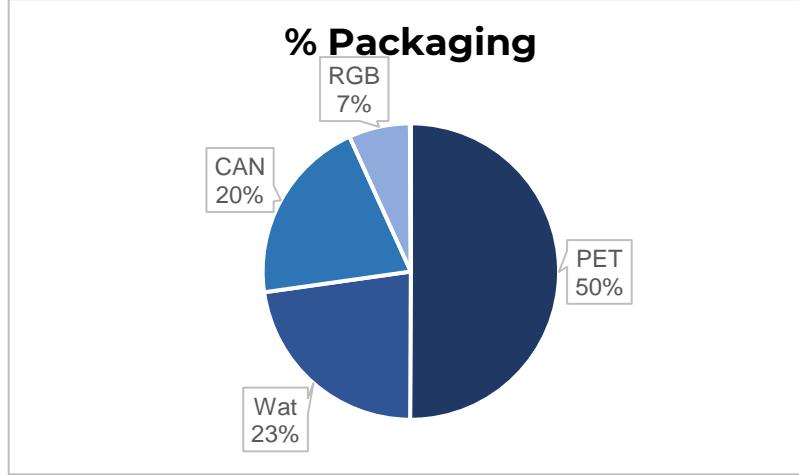
Beside direct costs, SP Co.'s management team also needs to execute actions on operating expenses to increase NOPBT margin ratio, thus maximizing profitability



Recommendations

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1. Negotiating with PET suppliers

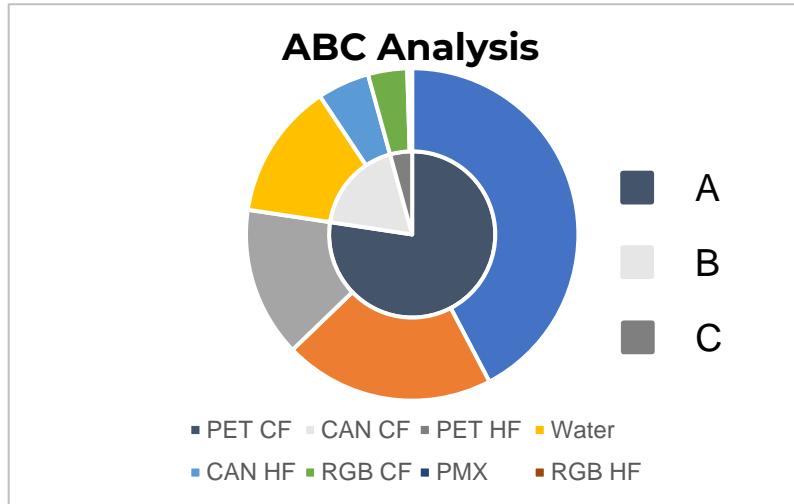


Negotiating with the **PET suppliers** to get incentive about **10%** if SP Co. could purchase with the high volume

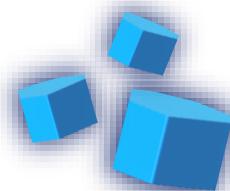


Product cost per RC will be decreased from **\$2.36** to **\$2.31** that lead to reducing COGS to **\$3.1/RC**

2. Using ABC Analysis to determine the most profitable items

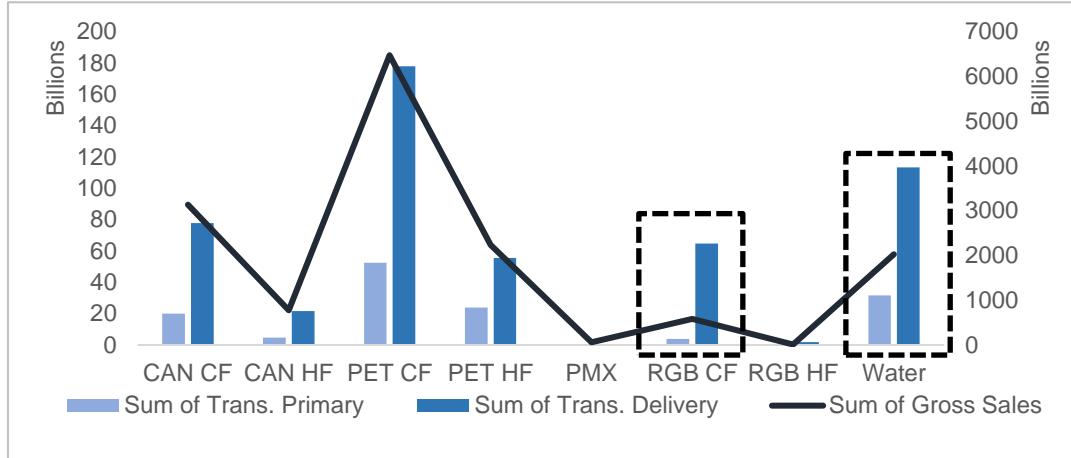


Focus on managing **PET CF, CAN CF, PET HF** that occupied approximately **78%** Total Gross Sales of SP Co. → Reduce the cost of obsolete and increase customer service level



Recommendations

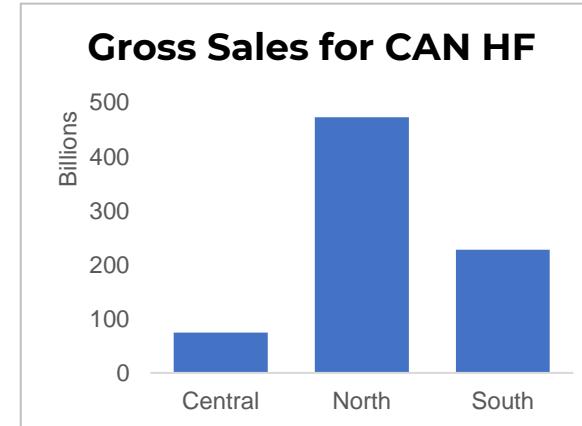
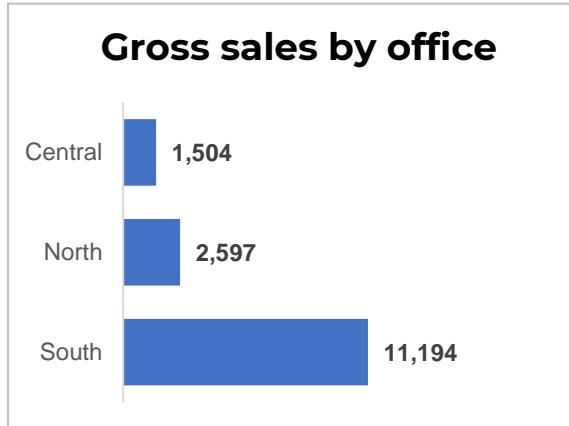
3. Reducing the number of deliveries for RGB CF and Water



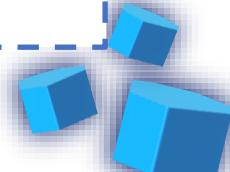
In RGB CF and Water, there was a disproportionate amount of gross sales and transportation cost, the amount of deliveries was excessive but it was ineffective, leading to a decrease in profit
→ Reduce the number of shipments to enhance profit

In reality, a larger gross sales will require a corresponding amount of deliveries, resulting in increased transportation costs.

4. Improving sale based on office



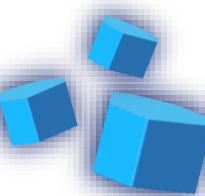
North: Focus on **CAN HF**
South: maintain the sales of class A products like **PET CF, CAN CF, PET HF**



Recommendations

Pros and cons

Recommendations	Pros	Cons
Negotiating with PET suppliers	Reduce COGS	Lower cost might lead to lower quality packaging
Using ABC Analysis	Better control of inventory Increase customer service	Lack dynamism and flexibility
Reducing number of deliveries in some SKUs	Optimize the profit for SP Co.	Increase lead time for each orders
Pushing more promotion in Central and North	Reach the potential market ➔ Increase total revenue	Increase A&M cost



THANK YOU FOR YOUR ATTENTION

