

BUSINESS CANVAS ANALYSIS – CSI ROMANIA

Lene Groterud, Luluk Sulistiyani Urholt, Ionut Gavris

Contents

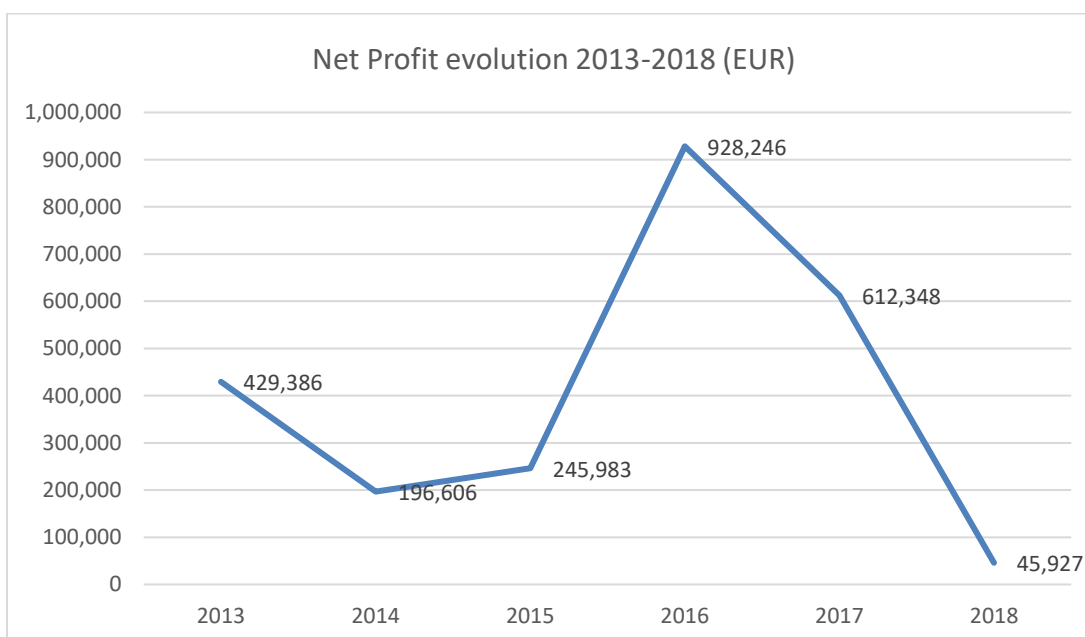
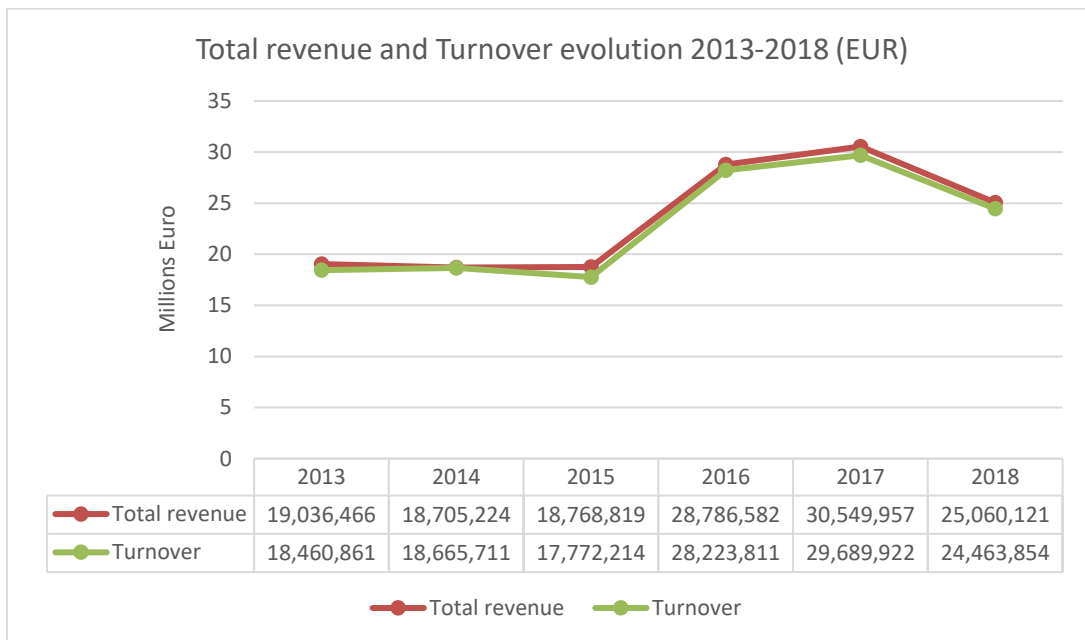
Introduction:.....	3
Customer segments:.....	4
The canvas.....	3
Value proposition.....	4
Distribution channels:.....	5
Customer relationships:.....	5
Revenue Streams:.....	5
Key resources:.....	6
Key activities.....	6
Key partners:.....	6
Cost structure:.....	6
Conclusion.....	7

Introduction:

CSI Romania, part of the Dutch CSI Industries, is a company operating in the industry sector that deals with metalworking, palletising and logistics solutions.

They have been operating in Romania for 15 years. Since 2014, they have started a new factory in Reghin that specializes in metalworking, while the one in Cluj deals with assembly and software engineering.

In terms of financial figures the charts below express the evolution of revenues and net profit over the past 6 years.



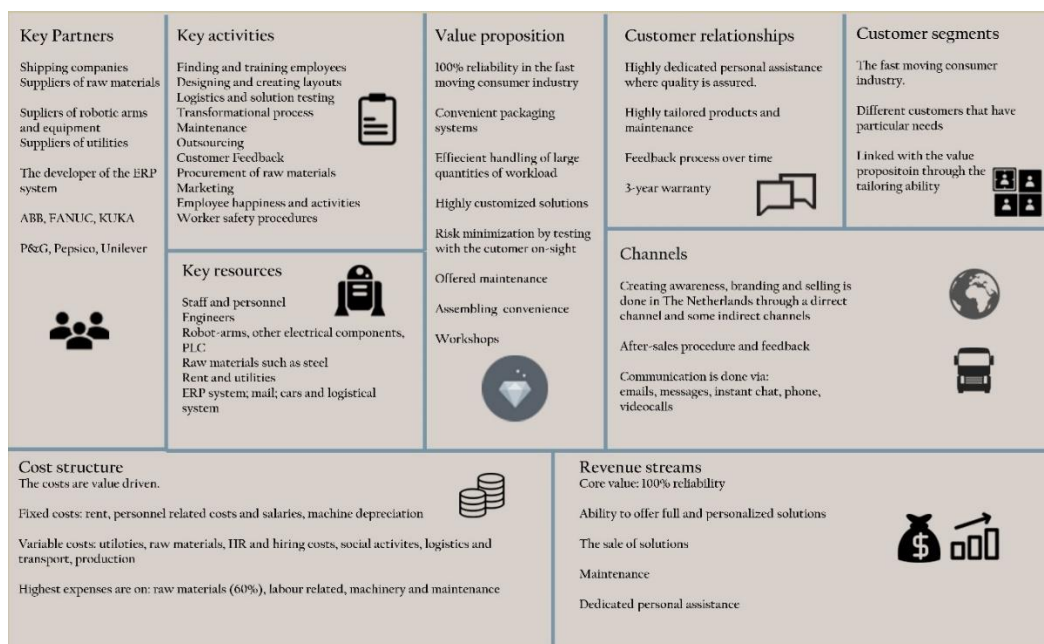
Productivity:

Generated revenue/employee, expressed in EUR

for the period 2013 to 2018 is:

2018	82,164.33
2017	88,040.22
2016	94,382.23
2015	68,884.55
2014	72,220.94
2013	76,759.94

The canvas



Customer segments:

This company has different customers with individual needs, such as Unilever and P&G. We can describe that CSI has a market segment in the fast-moving consumables since the solutions produced are all related to that industry. This can be linked with their value proposition in terms of customization of their solutions.

Value proposition

Perhaps the best value that CSI can provide is 100% reliability on the solutions offered.

CSI executes projects in the fast-moving consumer industry, up to the FAT level (final acceptance test). Their solutions make customers' work easier by packing and handling products in industries like food and beverages or pharma. CSI offers three main concepts: wrapping machines, packaging machines and logistic lines. Concepts might be tailored and combined according to customers' needs.

The performance delivered is measured in terms of the products' ability and speed to handle and pack high volumes of foods /beverages /pharmaceuticals. Products are highly customized because each buyer requires different tailoring.

Different tailoring of the product is needed because their customers have different needs in terms of layout. In general, customers already have an idea about what type of equipment they need. Solution and design are created during joined work between experts from CSI and customer. Therefore, final cost of the product can be controlled and optimized from design phase through production until installation and work test. To minimize the risk and make sure the solution will work as expected, they do lots of testing and FATs together with the customer. Also, the company provides maintenance and three years warranty. Engineers from CSI assemble and test products on-site (where the product is shipped).

The company organizes events for their customers presenting new products and ideas.

They offer on-site assembly, design customization and maintenance.

The solutions are not precisely patented because it is not worth doing it since each individual buyer will require something different.

Distribution channels:

CSI Romania does not deal with creating awareness, selling, or branding because its main sales force is in The Netherlands, the residence country of the mother company. All the aforementioned activities are carried out in The Netherlands. Thus, the company has direct distribution channels along with some indirect third parties.

The only channel here in Romania has to do with creating awareness for hiring purposes.

There is an after-sales procedure where support is offered through maintenance and a 3-year warranty.

To communicate with their customers, CSI is using all modern tools and techniques, like email, phone calls, videoconferences, messages, and instant chats.

Customer relationships:

To maintain a good relationship with customer, CSI is applying the following strategy

- Provide highly dedicated personal assistance
- Quality of services and products supplied is essential
- Highly tailored products to meet customers' needs and satisfaction are produced
- 100% reliability is company's core value.

Revenue Streams:

The core value of the business as a source of revenue is the ability to offer full solutions along with maintenance. Although the average profit margin from all activities between 2013-2018 was 1.86%, some products are sold for 4-5%.

Production volumes are not always constant and so, sometimes (in busy periods) outsourcing is required. Hence, we can argue that most of the revenue comes from sales and specific customization solutions, detailed and dedicated assistance.

Key resources:

They have in-house trained employees for basic jobs and specially trained workers for specialized jobs.

CSI uses arm-robots from ABB, FANUC, KUKA and these are installed and programmed in-house. The Americans prefer using ABB in their companies due to quality requirements.

To avoid production delays and to keep customers perception at high and steady levels, CSI is using high quality steel from an Austrian company.

Raw materials are metal (steel sheets and pipes), electronic components, rollers, and PLC. An ERP system is used for planning.

Key activities:

Finding human resources and training them.

The designs and layouts are done in The Netherlands; the plans are sent to Romania where the detailed engineering is done.

Logistics from Reghin to Cluj and opposite.

In Reghin or by subcontractors some initial production activities like laser cutting, bending, drilling, and welding are performed. Semi finite products are shipped to Cluj for surface treatment. Mechanical and electrical assembly, software installation, quality control and testing are the last activities before delivery to the final customer for on-site installation.

Depending on the sales contract, maintenance is included in the sales price, or is provided against an additional price. In general, warranty is offered for a period of 3 years. Feedback from customers is regularly required.

CSI Romania has several safety procedures. Workers wear special protection clothes and, in some areas, even protection masks. The exhaust system is eliminating welding and painting gases to protect employee's health.

Third-party outsourcing is used, especially during periods with high workload.

Yearly, employee's satisfaction is monitored, and eventually corrective actions are implemented.

Trainings and social activities are organized for employees.

Marketing and selling are performed by Dutch team.

Other key activities include maintenance of the website; procurement of raw materials; maintenance of their own equipment.

Key partners:

They work with third parties (shipping companies, specialized airlines) to deliver customers products on site.

Suppliers deliver or provide raw materials, robotic equipment, utilities, rent, financial services (banks), electronic equipment, robots, PLC, paint, gases, welding consumables, maintenance or update for ERP system

Cost structure:

Fixed costs are

- Rent
- Salaries
- Machine depreciation

Variable costs:

- Utilities
- Raw materials
- Overtime costs
- Daily allowance for on-site installation teams

The tradeoff of switching suppliers greatly varies depending on the raw material in cause, however, as an example switching to a cheaper steel supplier can result in immediate lower expenses but higher over time because a cheaper steel would mean a lower quality, thus the company would lose important clients in the future.

Highest costs: Raw materials sum up to around 60% of the total, followed by labour and machinery (depreciation over time included) related expenses.

The budget is mostly based on the ABC costing methodology. Customers gives an estimated volume for the upcoming year. CSI estimates hours required to produce that equipment. Hourly rate is applied, and raw material cost is added. Logistic surcharge might be added.

Conclusion

Business Canvas Model provides an insight on how the business works and helps describe important aspects of the operations, the key stakeholders, and evaluates company's' evolution.

We have concluded that its modus operandi has both opportunities and risks. They are listed as follows:

Opportunities:

- Potential future growth in the industry sector: expansion on new markets / getting new customers
- Increasing value for customers through reliability and effectiveness.

Risks:

- Potential cashflow problems requiring a credit line
- Low profit margin

Year	Debt to Assets	Gross Margin	Profit Margin	DSO
2018	84%	0.31%	0.18%	215
2017	81%	2.31%	2%	138
2016	82%	3.78%	3.22%	112
2015	135%	1.51%	1.30%	111
2014	84%	1.05%	1.05%	97
2013	78%	2.77%	2.25%	78

References:

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