

ADVENTURE WORKS CYCLES

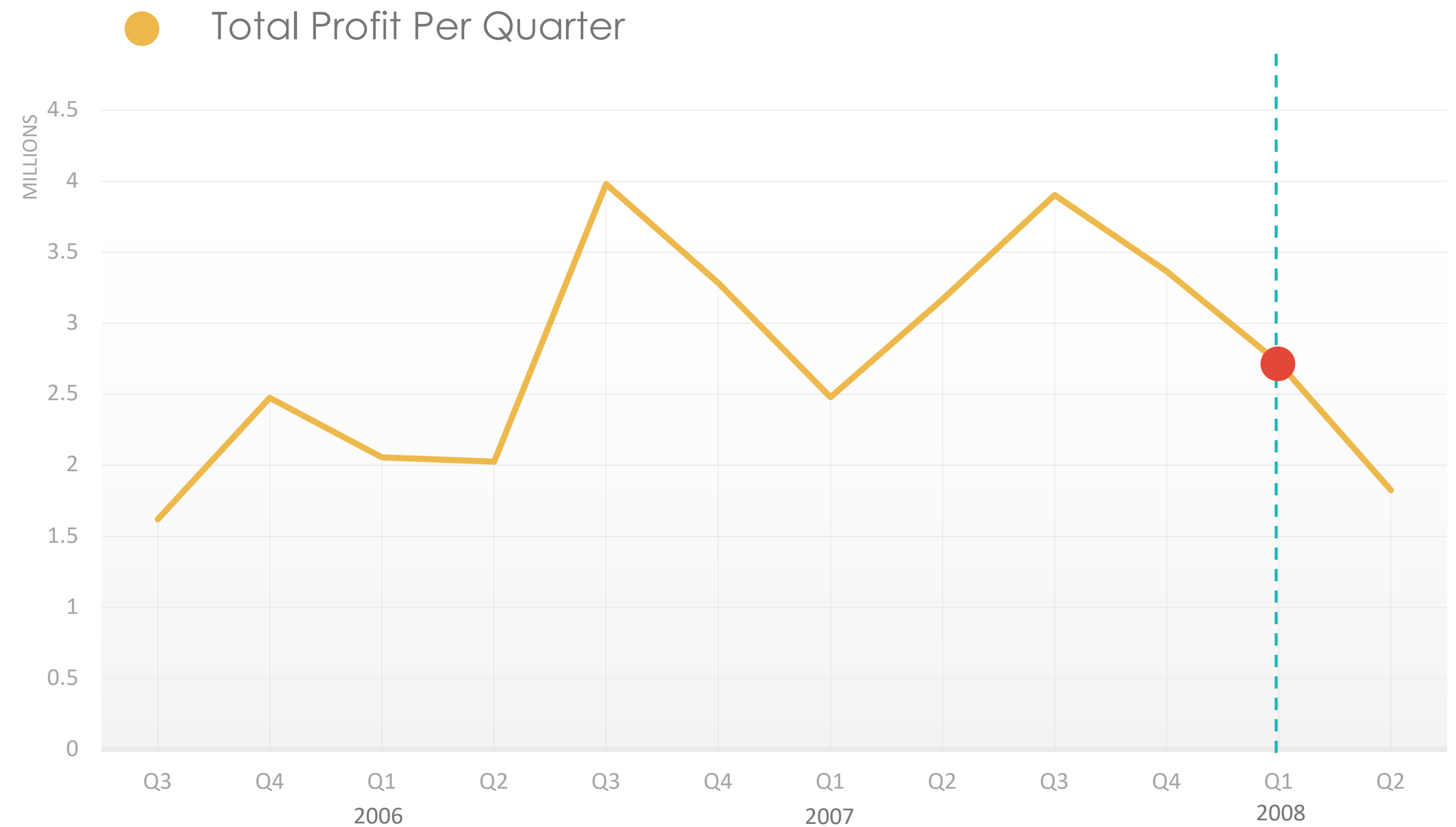
Profit Decline Investigation

Problem Statement

Adventure Works Cycles

- Adventure Works Cycles, a large wholesaler of bicycles in the US and Europe, has noticed that their total profits have been declining over the last few months

Let's look at profit drivers...



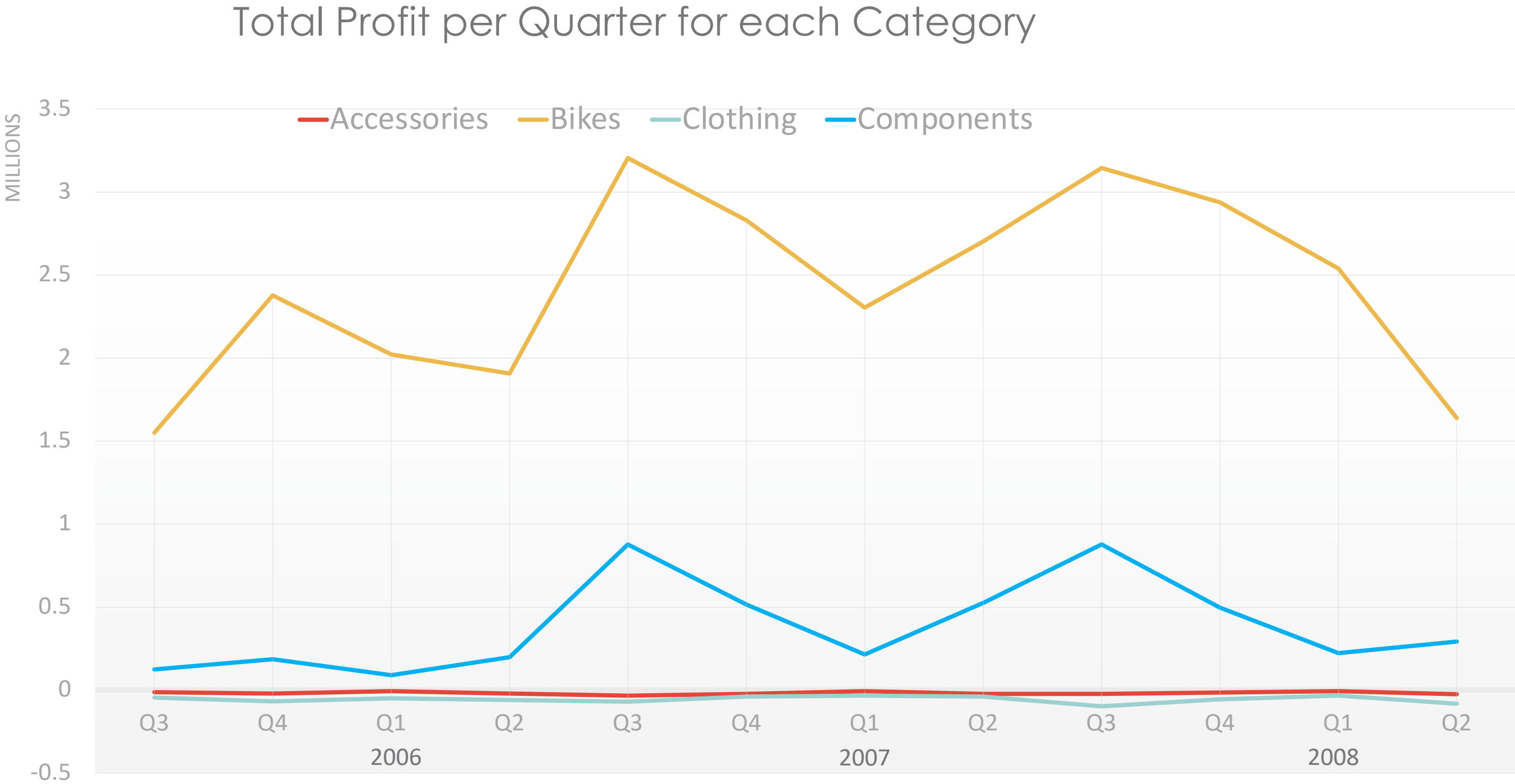
What is the main driver of Profit?

Adventure Works Cycles

Product Category	Profit Share
Bikes	88.5%
Components	14%
Accessories	-2%
Clothing	-0.5%

Bikes are the main driver of profit for Adventure Works Cycles with 88.5% of total profit across the past 3 years

Let's look at Bikes Sales...



Is there an Issue with Sales?

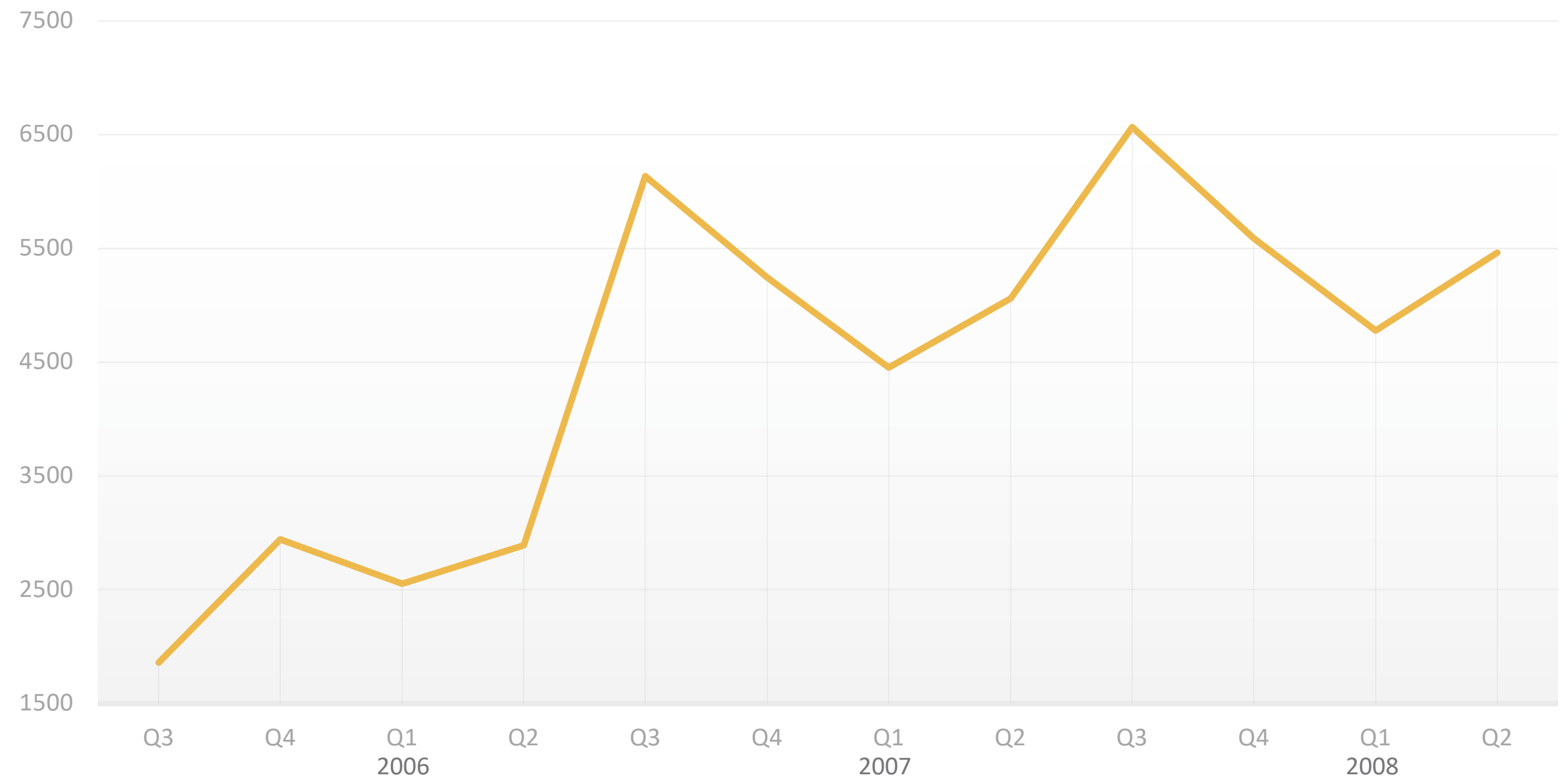
Adventure Works Cycles

Though there is decline in profit over the last months, bike sales have been increasing

*So, sales volume is **not** the reason for profit decline!*

Let's investigate profit margin...

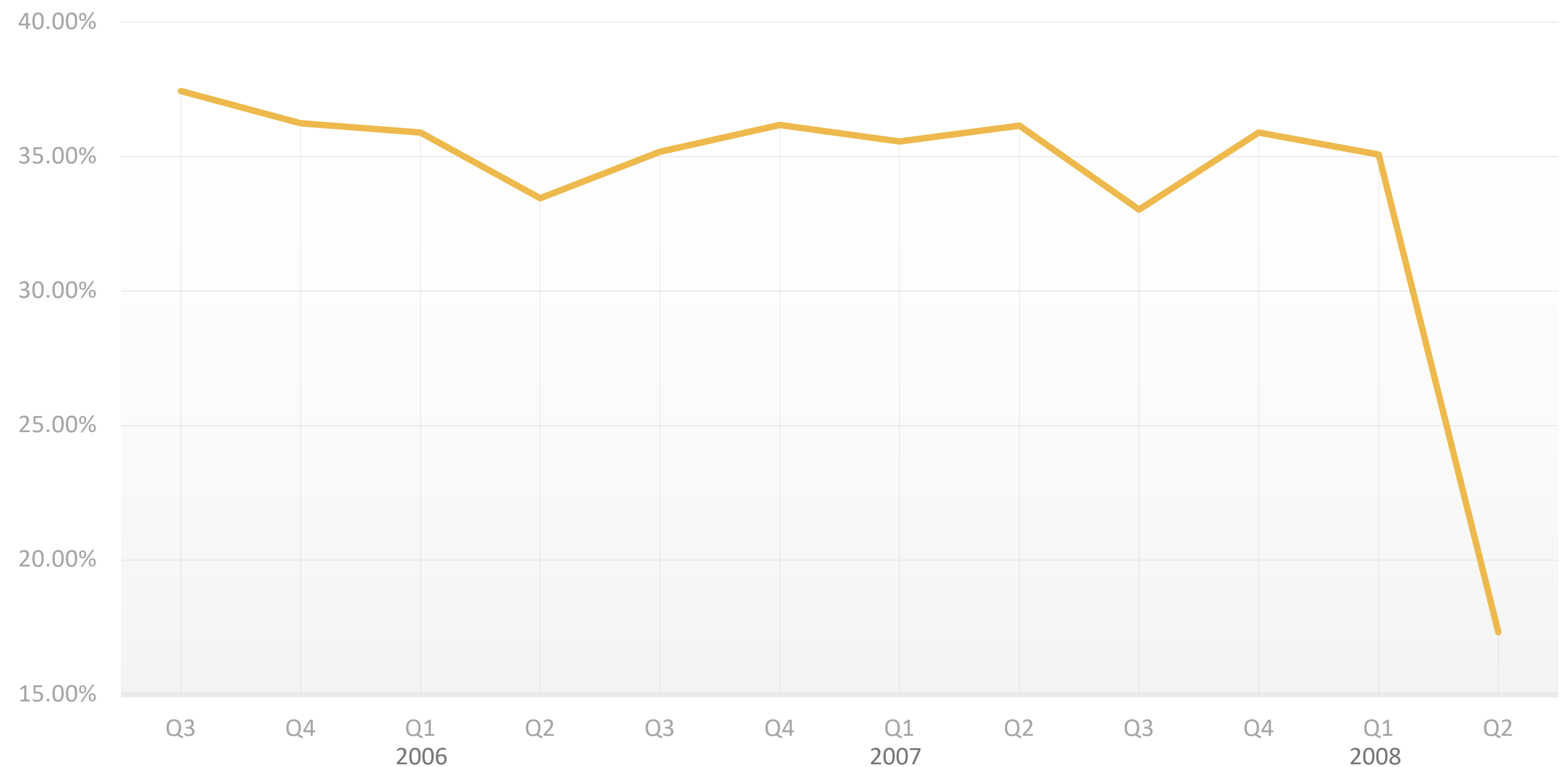
Bikes Total Sales Per Quarter



How does Profit Margin look over time?

Adventure Works Cycles

Bikes Mean Net Profit Margin



Mean profit margin has declined in the last quarter

Note: Looking at discounts, there is no major discounts made in the last quarter

Let's investigate unit cost...

Did the Cost Increase in the last quarter?

Adventure Works Cycles

We can see an increase in mean bike cost during the last quarter

This led to lower profit margins

Which resulted in a decrease in total profit

Mean Bike Cost per Quarter



Conclusion and Recommendation

Adventure Works Cycles

Conclusion:

After investigation we discovered that the main reason behind profit decline in the last quarter is the increase in unit cost without reflecting this increase in consumer prices

Recommendation:

- Further analysis is required to better understand the reasons behind the increase in unit cost*
- We need to consult with the business on the importance of unprofitable products*
- The company needs to adjust consumer prices to mitigate the decrease in net profit margin*
- The company should deploy a dashboard to show changes in unit cost*