

# AdventureWorks Cycles

## Profit Decline Analysis & Recommendations

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## Overview of business case

1

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.

2

The company's IT department has provided me with the company's sales data over the last few years (2005 – 2008 only (Q1 and Q2)).

3

In the absence of any consultation with the business, I will need to examine this data on my own and decide which key elements I will focus on in my analysis.

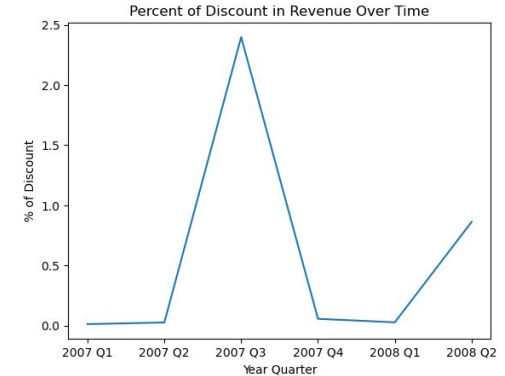
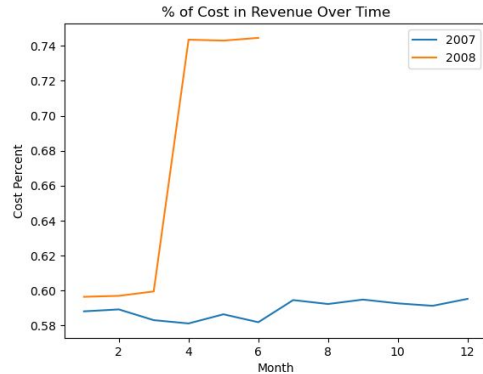
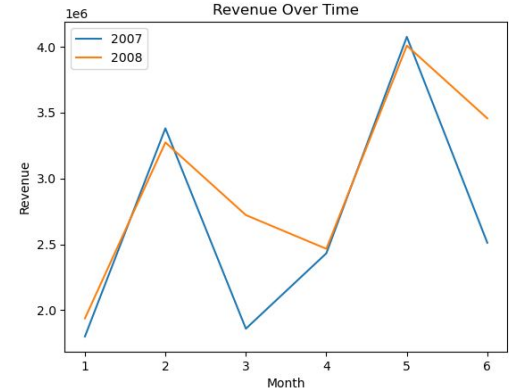
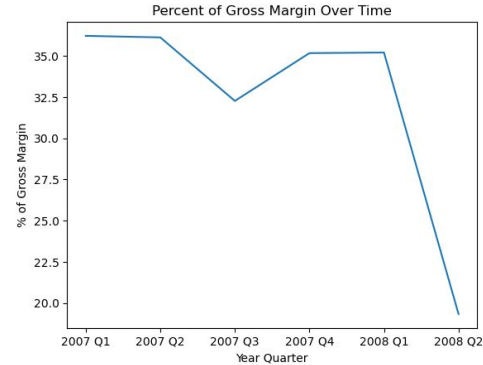
# Analysis results and conclusions

AdventureWorks

- The product portfolio consists of 249 products sold from 2005 to 2008 Q2.
- Sales prices are constant throughout the years in the data model per product.
- It's confirmed that some of the products got their unit cost price increased, starting 2008 Q2.
- 148 products out of 249 are affected by cost price change, linearly at a 20% ratio.
- The highest impact on profit decline is gross margin decreasing starting 2008 Q2.
- A slightly increased % of product discount in 2008 Q2 sales also affects gross margin by about 1%.
- Freight cost is about the same YoY 2008 vs 2007 for Q2, but comparing 2008 Q1 vs Q2 it's visible approximately 0.5% increase in cost. Somewhat of the products sold have higher unit freight costs than gross margins.
- 20% increase in unit cost prices lead to about a 15% decrease in gross margin in 2008 Q2 that lead to the majority of profit decline.

# Analysis Charts

- % of Gross Margin over time
- Revenue comparison MoM 2008 vs 2007
- % Cost prices increase in Revenue 2008 vs 2007
- % of Discount in Revenue YoY 2008 vs 2007



## Strategic recommendations

### Next steps

- To increase sales prices based on new cost prices and/or look for better supply chain options that will keep current sales prices on the market while maintaining/increasing targeted gross margin from the previous period

### Change Management

- Lower unit freight cost price, find shipping and handling alternatives
- Create a new discount policy based on the product sales and market requirements that will increase sales figures and maintain targeted gross margin, ultimately profit levels.

### Fulfill budget expectation

# AdventureWorks

# Thank You

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