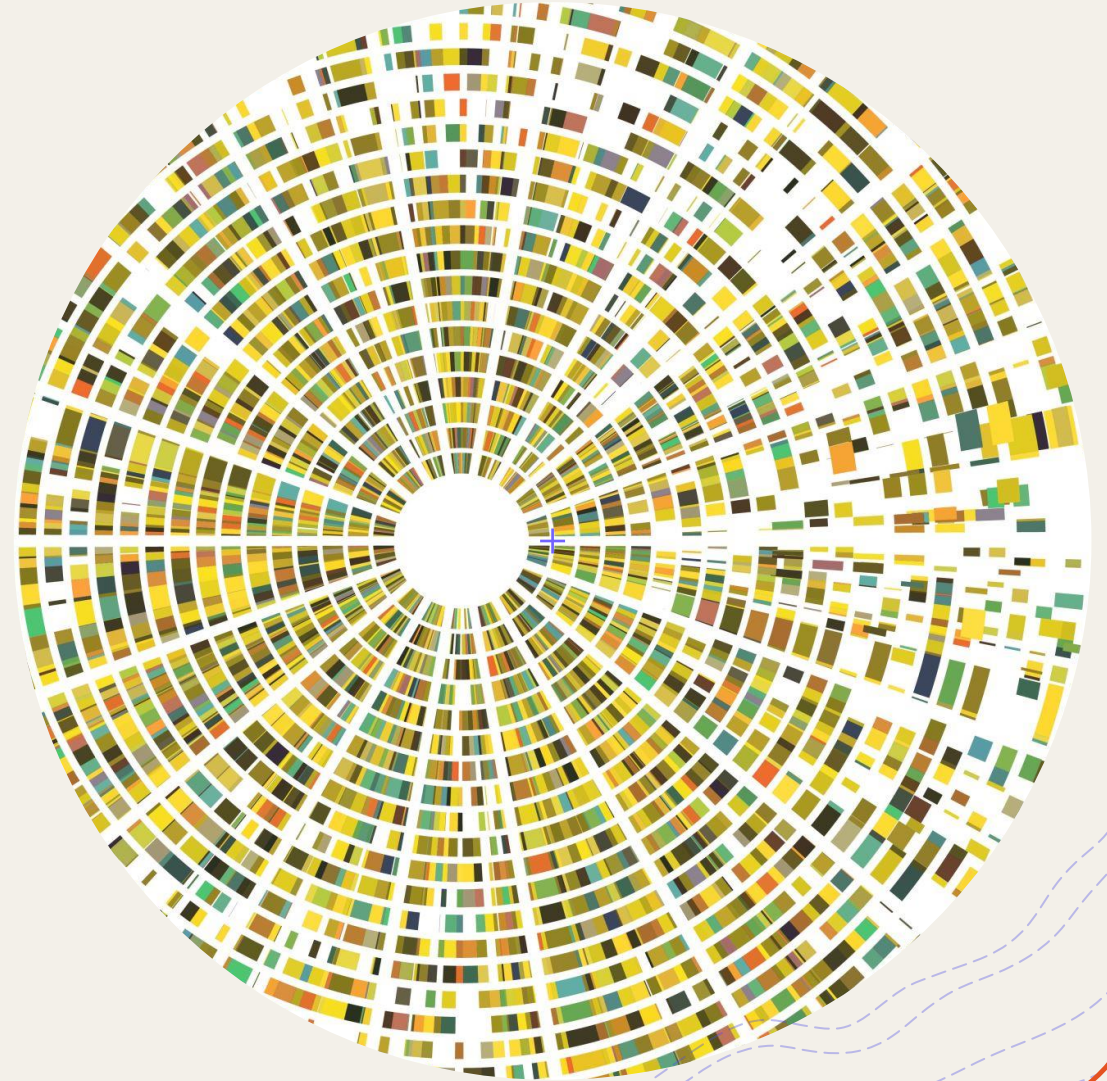


# Adventure Works Cycles Purchase Order Data Analysis and Recommendations

By Atila Madai



# Notes

- +The analysis is based on financial year.
- +Start of financial year 1<sup>st</sup> of July.
- +End of financial year 30<sup>th</sup> of June.
- +Data provides purchase orders for financial years:2006, 2007 and 2008

# Analysis by Region

- + United States has the highest share of Revenue in 2008 88% followed by France 12%
- + Germany is a new Market and has just started
- + United States YoY Revenue Growth 07/06 and 08/07 was 51% and 2% respectively. United States is experiencing a slowdown in sales.
- + France YoY Revenue Growth 08/07 was 107%.
- + France is showing big potential.

Share of Revenue by Region and Year			
FsYear	2006	2007	2008
Sales_Region			
United States	100%	94%	88%
France	0%	6%	12%
Germany	0%	0%	0%

Revenue by Region and Year and YoY Growth in %						
FsYear	2006	2007	2008	Total	07/06%	08/07%
Sales_Region						
Total	22,953,363	36,995,711	40,181,556	100,130,630	61	9
United States	22,953,363	34,731,526	35,501,341	93,186,229	51	2
France	0	2,264,186	4,679,878	6,944,064	0	107
Germany	0	0	337	337	0	0

# Analysis by Product Category and Sub Category in France

- + Most of the revenue comes from Bikes 78%
- + In 2008 realized revenue from Bike sales was 3.6M
- + We will focus on Bikes Product Category as this is the core business

Share of Revenue by Product Category in France

	FsYear	2007	2008
Product_Category			
Bikes		78%	78%
Components		19%	18%
Clothing		3%	2%
Accessories		0%	1%

Heat Map of Revenue by Product Category in France

	FsYear	2007	2008
Product_Category			
Bikes		1,757,577	3,643,949
Components		439,120	865,489
Clothing		57,739	114,747
Accessories		9,749	55,694

- + Touring Bikes are the new product and they have 43% revenue share in 2008. Touring bikes are in high demand as they are suitable for roads and off road.
- + Mountain Bikes have strong demand, revenue growth YoY 08/07 was 55%, however they represent only 27% of revenue share in Bikes Category
- + Road Bikes are falling in demand, YoY Revenue growth 08/07 was -2%

Share of Revenue in France by Product Sub Category

	FsYear	2007	2008
Product_Sub_Category			
Touring Bikes		0%	43%
Road Bikes		64%	30%
Mountain Bikes		36%	27%

Heat Map of Revenue in France by Product Sub Category

	FsYear	2007	2008	Total	08/07%
Product_Sub_Category					
Total		1,757,577	3,643,949	5,401,526	107
Touring Bikes		0	1,561,195	1,561,195	0
Road Bikes		1,122,531	1,096,004	2,218,534	-2
Mountain Bikes		635,047	986,750	1,621,797	55



# Analysis by Product Category and Sub Category in United States

- + Highest Revenue Share comes from Bikes as they are core business. In 2008 revenue share was 81%
- + In 2008 realized revenue from Bike sales was 27.7M
- + Sales of Bikes is slowing down, as Revenue Growth YoY 08/07 was 2%
- + Touring Bikes are the new product and they have 30% revenue share in 2008. Touring bikes are the new hot product.
- + Mountain Bikes experienced a drop in demand, revenue growth YoY 08/07 was -21%.
- + Road Bikes are also falling in demand, YoY Revenue growth 08/07 was -34%

Share of Revenue by Product Category in United States

	FsYear	2006	2007	2008
Product_Category				
Bikes		92%	81%	81%
Components		7%	16%	16%
Clothing		0%	2%	2%
Accessories		0%	0%	1%

Heat Map of Revenue by Product Category in United States

	FsYear	2006	2007	2008
Product_Category				
Bikes		21,154,003	28,145,143	28,714,258
Components		1,662,587	5,613,207	5,593,927
Clothing		88,354	833,060	857,848
Accessories		48,418	140,116	335,307

Share of Revenue in United States by Product Sub Category

	FsYear	2006	2007	2008
Product_Sub_Category				
Road Bikes		40%	58%	38%
Mountain Bikes		60%	42%	32%
Touring Bikes		0%	0%	30%

Heat Map of Revenue in United States by Product Sub Category

	FsYear	2006	2007	2008	Total	07/06%	08/07%
Product_Sub_Category							
Total		21,154,003	28,145,143	28,714,258	78,013,404	33	2
Road Bikes		8,512,673	16,440,014	10,916,419	35,869,105	93	-34
Mountain Bikes		12,641,330	11,705,130	9,299,650	33,646,109	-7	-21
Touring Bikes		0	0	8,498,189	8,498,189	0	0

# Margin Comparison of Bikes sold in US and France

- + Touring Bikes both in United States and in France had a promotions sales discount as a new product. Highest margin share in France comes from Touring Bikes. This is inline with high demand and low discount disregarding the promotional period.
- + United States shows highest share of margin from Mountain Bikes, however Mountain Bikes are falling in demand in the US.

+

Heat Map of Average Unit Price Discount percentage by Product Sub Category in France

	FsYear	2007	2008
Product_Sub_Category			
Touring Bikes		0%	3%
Mountain Bikes		0%	1%
Road Bikes		0%	0%

Heat Map of Average Unit Price Discount percentage by Product Sub Category in United States

	FsYear	2006	2007	2008
Product_Sub_Category				
Touring Bikes		0%	0%	3%
Mountain Bikes		3%	0%	2%
Road Bikes		0%	0%	0%

Heat Map of Margin by Product Sub Category in France

	FsYear	2007	2008
Product_Sub_Category			
Touring Bikes		0	401,105
Mountain Bikes		275,424	394,005
Road Bikes		364,611	307,912

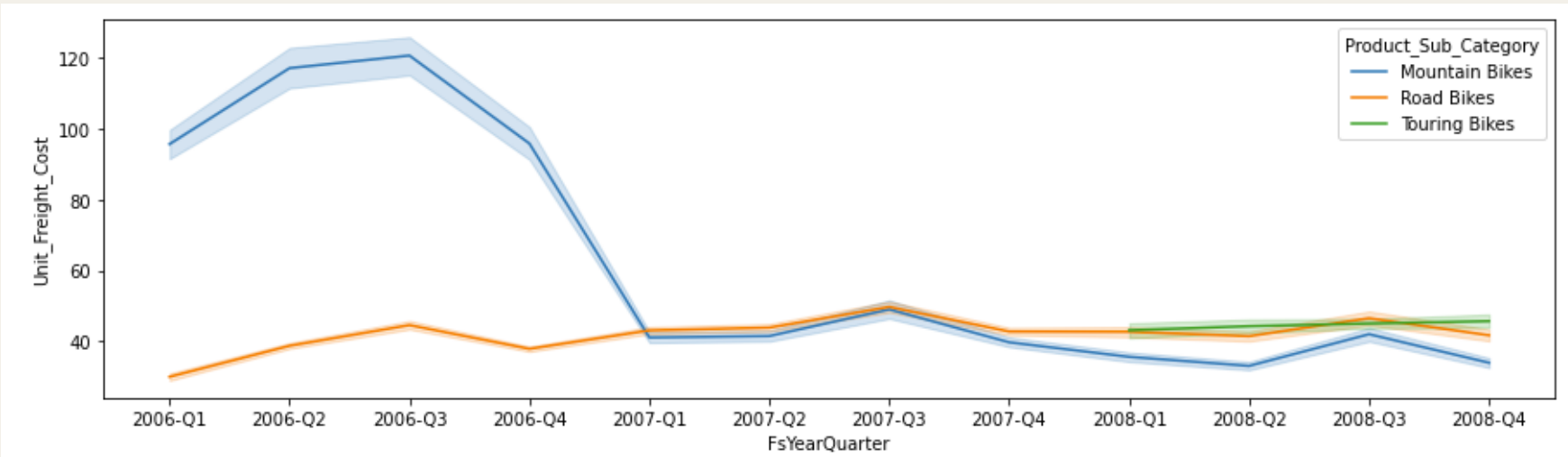
Heat Map of Margin by Product Sub Category in United States

	FsYear	2006	2007	2008
Product_Sub_Category				
Mountain Bikes		4,820,039	4,995,036	3,605,660
Road Bikes		3,036,549	5,406,866	3,147,000
Touring Bikes		0	0	2,406,510

# Freight Cost comparison in US

Heat Map of Average Unit Freight Cost by Product Sub Category in United States

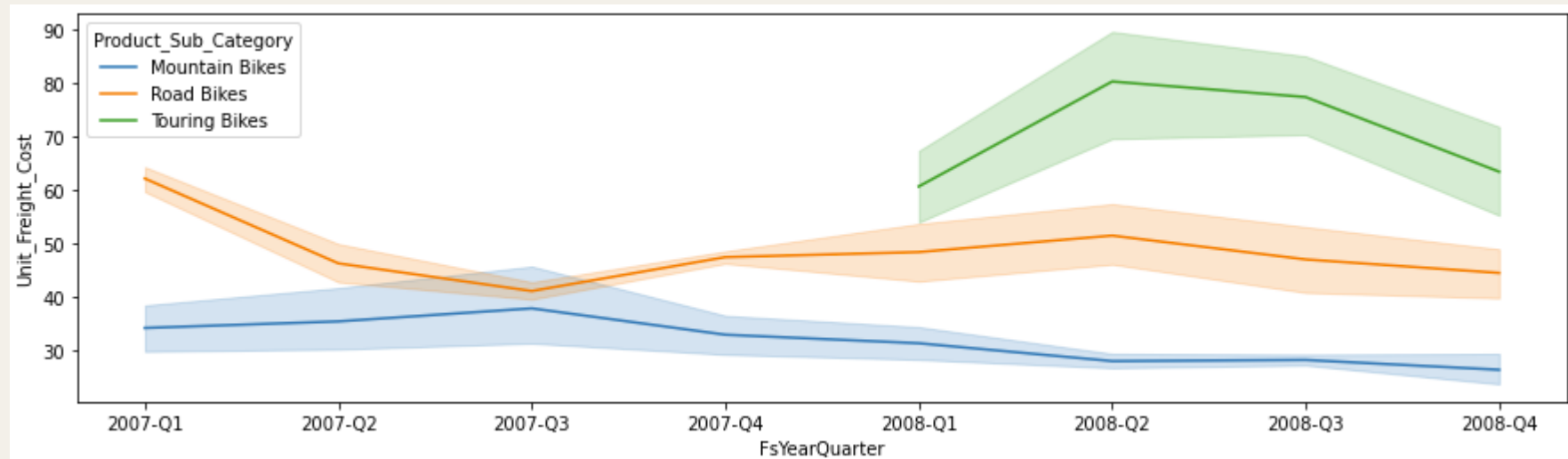
FsYearQuarter	2006-Q1	2006-Q2	2006-Q3	2006-Q4	2007-Q1	2007-Q2	2007-Q3	2007-Q4	2008-Q1	2008-Q2	2008-Q3	2008-Q4
Product_Sub_Category												
Touring Bikes	0	0	0	0	0	0	0	0	43	44	45	46
Road Bikes	30	39	45	38	43	44	50	43	43	41	47	42
Mountain Bikes	96	117	121	96	41	42	49	40	36	33	42	34



# Freight Cost comparison in France

Heat Map of Average Unit Freight Cost by Product Sub Category in France

FsYearQuarter	2007-Q1	2007-Q2	2007-Q3	2007-Q4	2008-Q1	2008-Q2	2008-Q3	2008-Q4
Product_Sub_Category								
Touring Bikes	0	0	0	0	61	80	77	63
Road Bikes	62	46	41	47	48	51	47	44
Mountain Bikes	34	35	38	33	31	28	28	26





# Recommendations

- + As demand for Mountain Bikes is dropping in United States and is rising in France, focus on Mountain Bikes sales for the next period should be in France. Naturally, as France also has a market trend of high demand of Touring Bikes this should also be in focus without discount or very low discount not higher than 2%.
- + In United states focus should be on Sales of Touring Bikes as both Mountain Bikes and Road Bikes are in low demand. This is driven by market trends and not by higher cost of mentioned Bikes
- + Both in US and France occasional higher discounts to boost the sales or clear the stock are recommended but should be kept below 35% as higher discount percentages are eating in the margin.
- + Germany as new market could benefit from France market experience. Both are European Countries and have strong economies with developed cycling roads and culture. As new market trend are Touring Bikes this should be the focus.