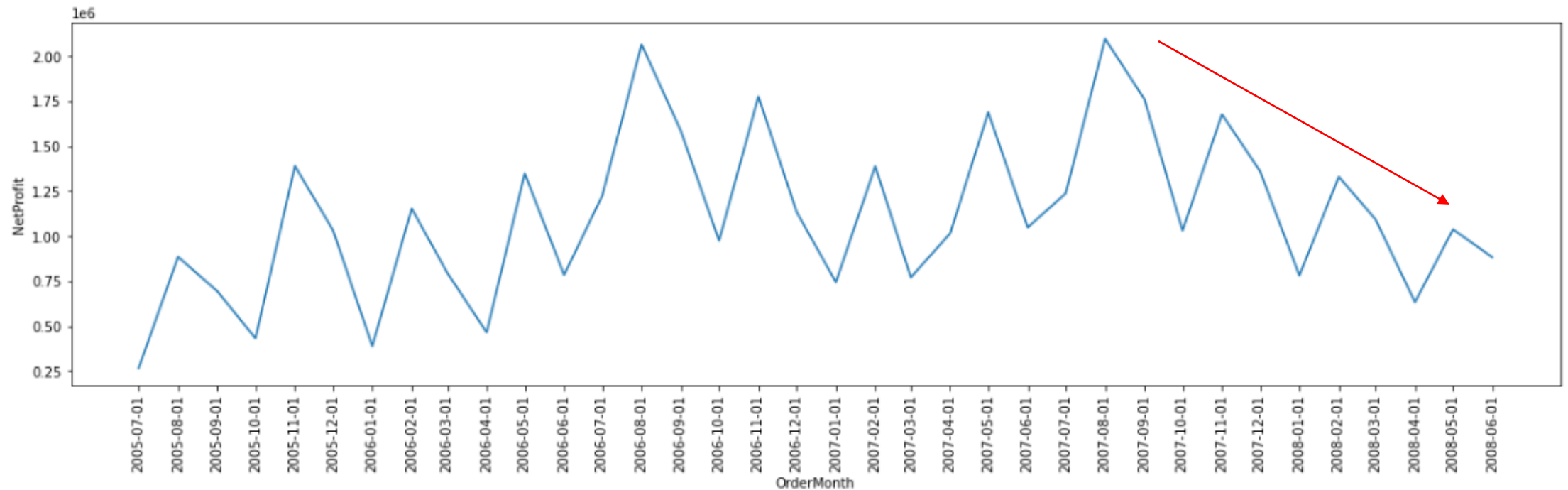


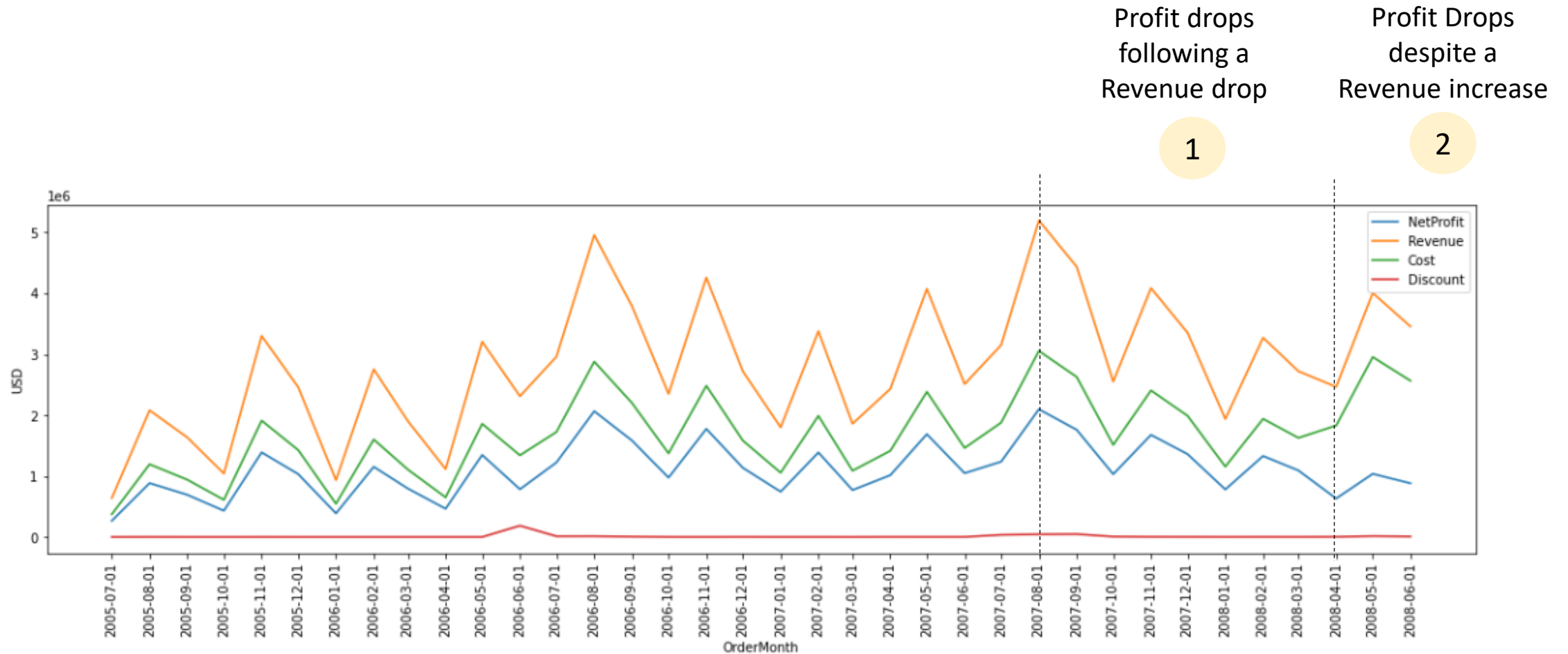
Adventure Works Cycles

Profit Drop Analysis

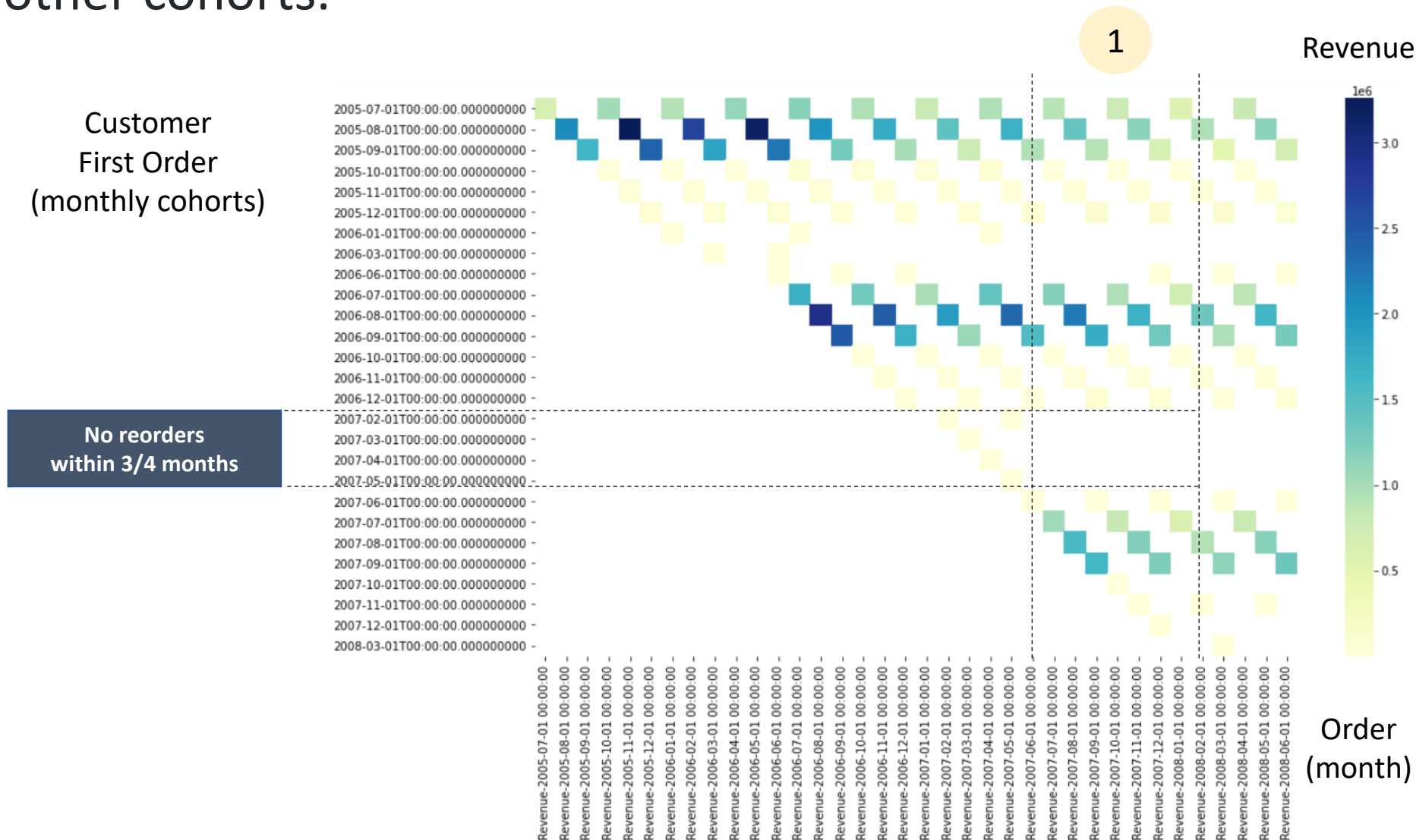
Net Profit has been dropping since September 2007



Such drop can be broken in two moments:



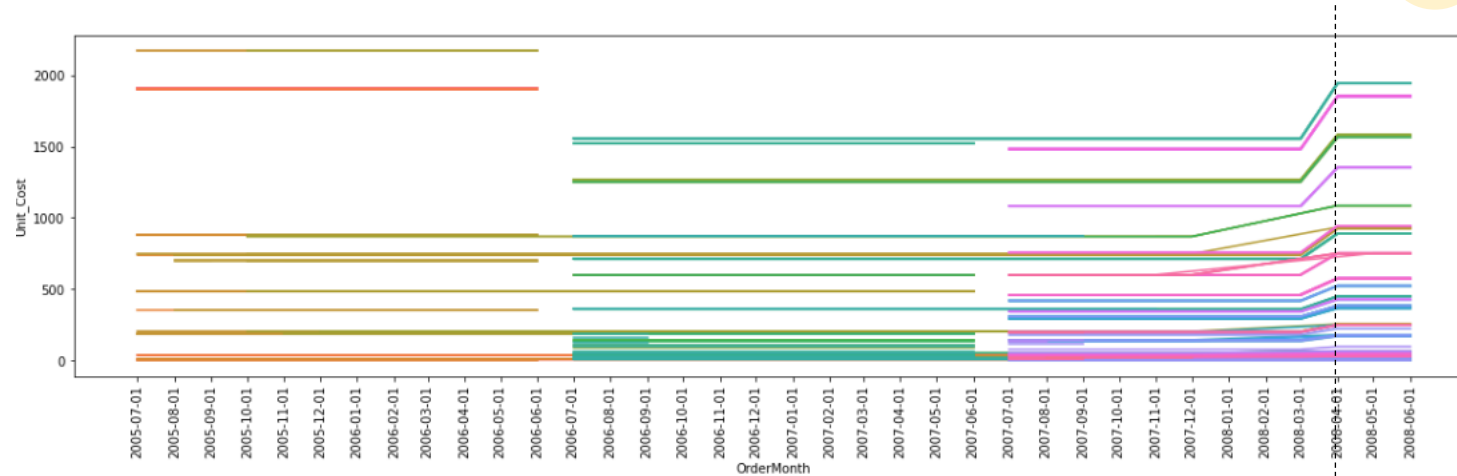
First moment: drop in Revenue, thus Profit, is mainly caused by customers from February, March, April and May 2007 cohorts. They created a “gap” of revenue by not placing recurrent orders such as in other cohorts.



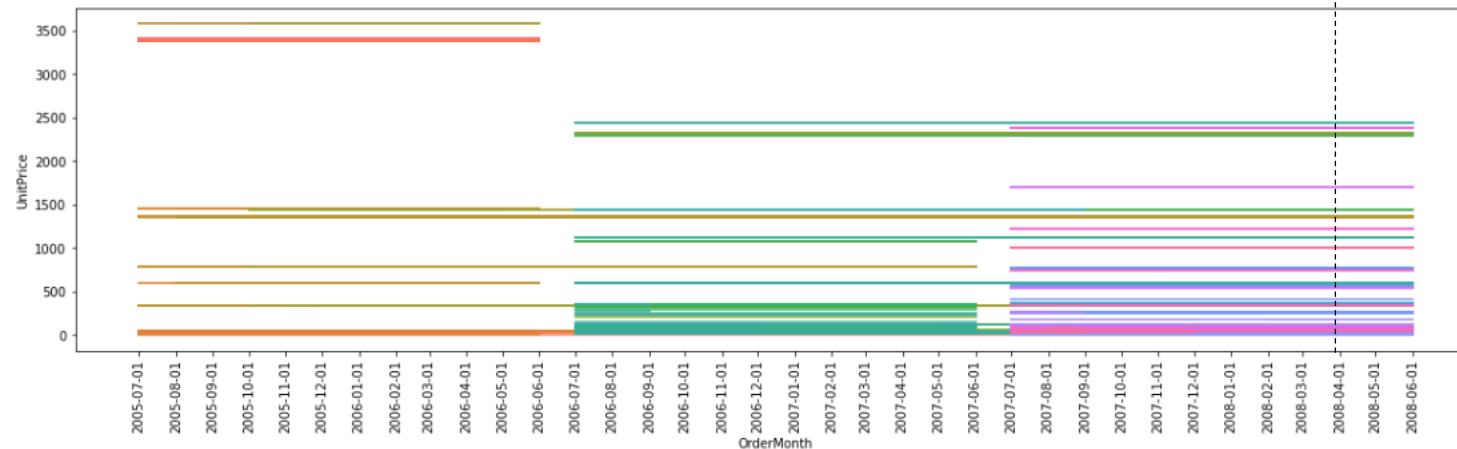
Second moment: items cost have increased but prices maintained.
This explains why, in this new scenario, even with the increase in Revenue it was not sufficient to sustain the Profit.

2

Items **Cost** evolution
(each line represents
a product)



Items **Sold Price**
evolution
(each line represents
a product)



Recommendation

- Contact customers from Feb, Mar, Apr and May 2007 cohorts and try to recover them or at least understand their churn reason(s);
- Prices to the customers have always been the same, after the increase in items costs it's time to work on a price increase strategy in order to sustain the profit.
- Further analysis on what makes a strong cohort in terms of revenue. Slide 4 shows that a cohort that start strong will have a higher LTV.
- Further analysis on the impact of discounts. They can be used as a good strategy to acquire new customers or nurture the current ones.