Welcome and Introduction

Business Analytics in SQL Server: Revenues

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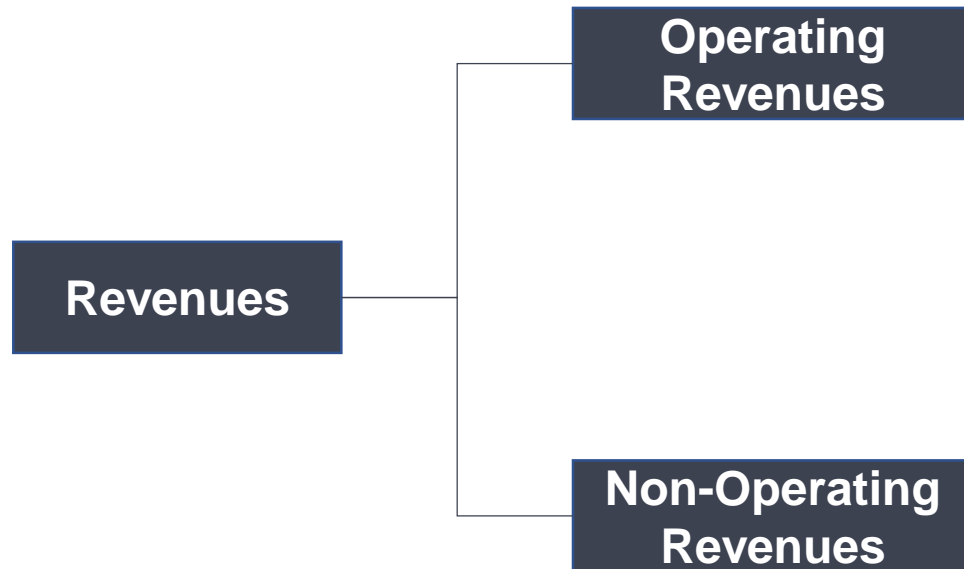
DataCamp

What is Revenue?

Revenue, often referred to as sales, is the income received from normal business operations and other business activities.

It can be known by a number of other name(s) such as:

- Gross Income

- Top Line

What is Revenue?

Revenues can be split further into two categories:

Revenues

Operating Revenues

- Sales Revenue that is generated from core business operations. (e.g. Quantity x Price of Unit Sold)

Non-Operating Revenues

- Non Operating Revenues – Revenues that are generated from secondary business operations (e.g. One Time Event Gains)

What is Revenue from a business analytics perspective?

Analysts look at analysing revenue via a number of metrics, the most common of which tend to be:
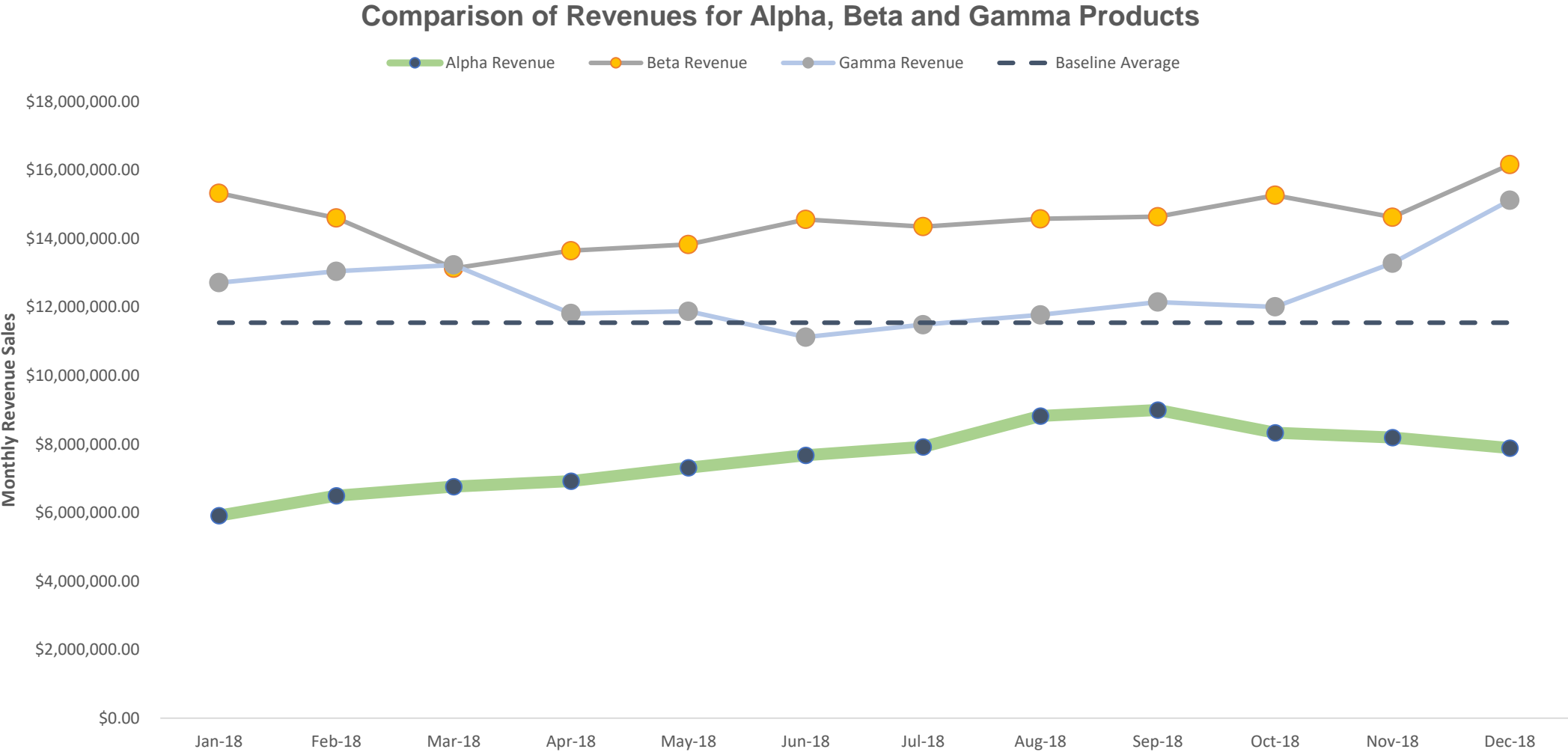
- Month-on-Month Revenues and Percent Change % (MoM)

- Quarter-on-Quarter Revenues and Percent Change % (QoQ)

- Year-on-Year Revenues and Percent % Change (YoY)

These all help with explaining a businesses overall growth, but without looking at expenses, is only an *indicative* measure of growth and should be considered as such.[1]

[1]Later in the course, we'll cover additional revenue metrics such as Operating Expenses Ratios but this only makes sense once we have covered expenses that you'll cover in the next module.

Example: Analyze Product Revenue via Month-on-Month Revenues

What do you observe when you look at the monthly revenue growth for the below products?

Comparison of Revenues for Alpha, Beta and Gamma Products

Alpha Revenue   Beta Revenue   Gamma Revenue   Baseline Average

Example: Analyze Product Revenue via Month-on-Month Revenues

Does this still hold true when we look through the Month-on-Month (%) Analysis?

Comparison of MoM% Change for Alpha, Beta and Gamma Products
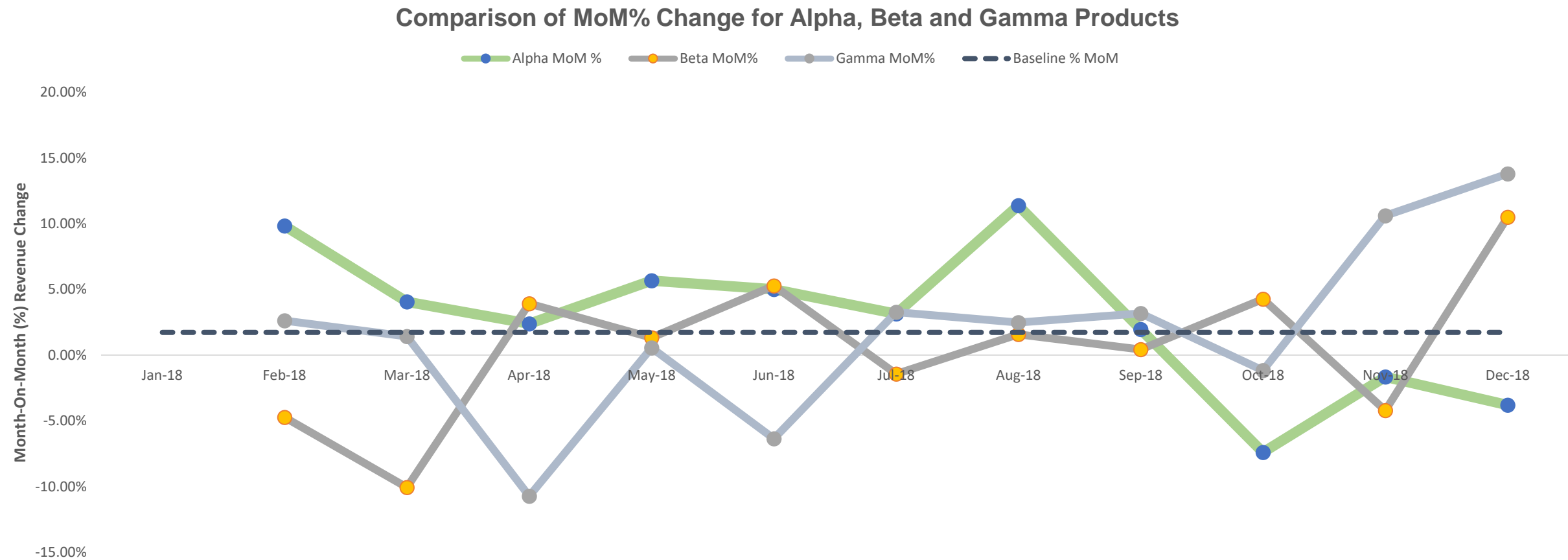
Data Analysis from a Business Analytics Perspective

From the example, you might have realised that it is very easy to introduce bias to our analysis.

To ensure we don't do this – It is important to view our financial metrics through an exploratory lens where each metric helps shed another part of the business analytics story.

As a take-away we note that:

- Monthly Revenue Comparison is useful as a measure to understand <u>gross</u> product growth. However, if two products differ significantly in revenues; it is worthwhile using MoM% as a measure to better understand the growth potential.

- Monthly Revenue (MoM) % changes are useful for an <u>overall</u> view of which products exhibit the highest growth.

Let's practice!

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