



Sovereign CPAs

# E-Commerce Profit Playbook

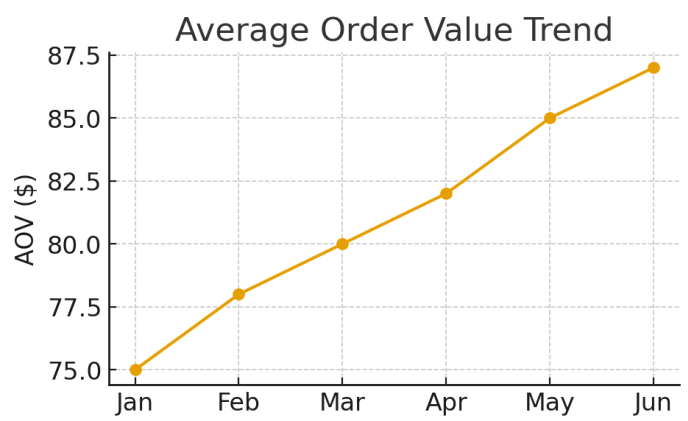
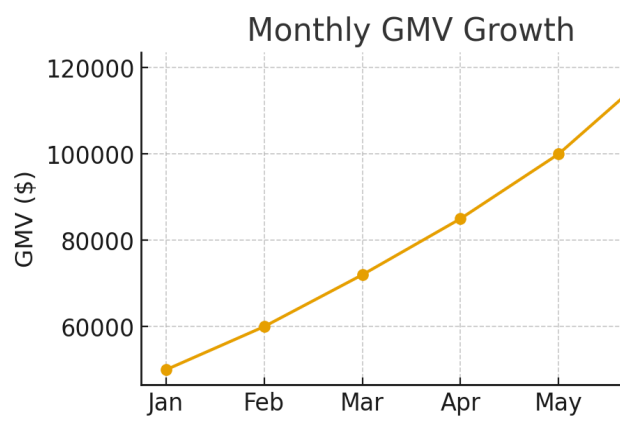
A Strategic Guide for Growth, Margins, and Financial Discipline

# Executive Summary

- E-commerce profitability depends on balancing top-line growth with margin protection, operational efficiency, and unit economics.
- Key metrics now include GMV, contribution margin, CAC, AOV, repeat purchase rates, inventory turns, landed costs, and SKU-level margins.
- Unit economics and cash conversion cycles are critical for sustaining profitability at scale.
- Strategic levers include optimizing pricing and promotions, supply chain efficiency, retention strategies, and SKU margin management.
- Disciplined forecasting, robust financial controls, and granular reporting help maintain profit focus.
- In the first 90 days, emphasize margin analysis, SKU profitability reviews, and marketing efficiency audits.

# Executive Dashboard

<b>GMV</b> \$1.2M	<b>AOV</b> \$84
<b>CAC</b> \$22	<b>Repeat Purchase Rate</b> 38%
<b>Contribution Margin</b> 32%	<b>ROAS</b> 4.2x
<b>Inventory Turns</b> 6.5x	<b>SKU Margins</b> Varies by product



# 1. Foundations of E-Commerce Finance

- Revenue drivers: GMV, take rate, shipping, and ancillary revenues.
- Margin structure: contribution margin = net revenue - variable costs.
- Cash conversion: inventory cycles, supplier terms, and payment processing.

# 2. Core E-Commerce Metrics

- GMV: total merchandise sold through the platform.
- AOV: average spend per order.
- CAC: cost of acquiring a customer.
- Repeat Purchase Rate: measure of retention and loyalty.
- Contribution Margin: variable profit per order.
- Inventory Turns: how often inventory is sold and replaced in a period.
- SKU Margins: profitability tracked at the individual SKU level.

# 3. Budgeting & Forecasting

- Revenue forecast: demand planning by channel and cohort-based modeling.
- Expense forecast: ad spend, logistics, warehousing, returns, and overhead.
- Scenario planning: seasonality, promotions, macro shifts.
- Cash flow: track working capital tied to inventory.
- Landed Costs: include shipping, tariffs, and handling in COGS forecasts.

# 4. Pricing & Promotions Strategy

- Dynamic pricing models and promotional calendars.
- Discount guardrails to protect margins.
- Bundling and upselling to increase AOV.
- Loyalty programs to drive repeat purchases.

# 5. Finance Operations

- Order-to-cash automation: payment gateways, refunds, chargebacks.
- Inventory accounting and COGS recognition.
- Expense control: marketing ROAS targets and logistics KPIs.

- Fraud prevention and payment risk management.

## 6. Investor & Board Reporting

- Monthly dashboards: GMV, net revenue, contribution margin, and CAC payback.
- Quarterly reviews: cohort profitability, channel efficiency, inventory turns.
- Investor KPIs: growth efficiency, cash runway, ROAS, LTV/CAC.

## 7. Compliance & Risk Management

- Sales tax/VAT compliance by jurisdiction.
- Data privacy: GDPR, CCPA; PCI compliance for payments.
- Supply chain risks: diversification of suppliers and shipping.
- Audit readiness: financial controls and reconciliations.

## 8. Scaling the Finance Org

- Early stage: bookkeeping + outsourced CFO support.
- Growth stage: in-house finance lead, analyst, and ops controller.
- Mature stage: CFO, FP&A, RevOps, compliance team.
- Systems: ERP, order management, inventory systems.

## 9. Strategic Levers for Profitability

- Marketing efficiency: improve ROAS and optimize channel mix.
- Supply chain optimization: negotiate freight, warehouse automation.
- Product mix: emphasize higher-margin SKUs and track SKU-level margins.
- Inventory management: improve inventory turns to free up working capital.
- International expansion: manage FX and cross-border logistics.

## 10. 90-Day Implementation Plan

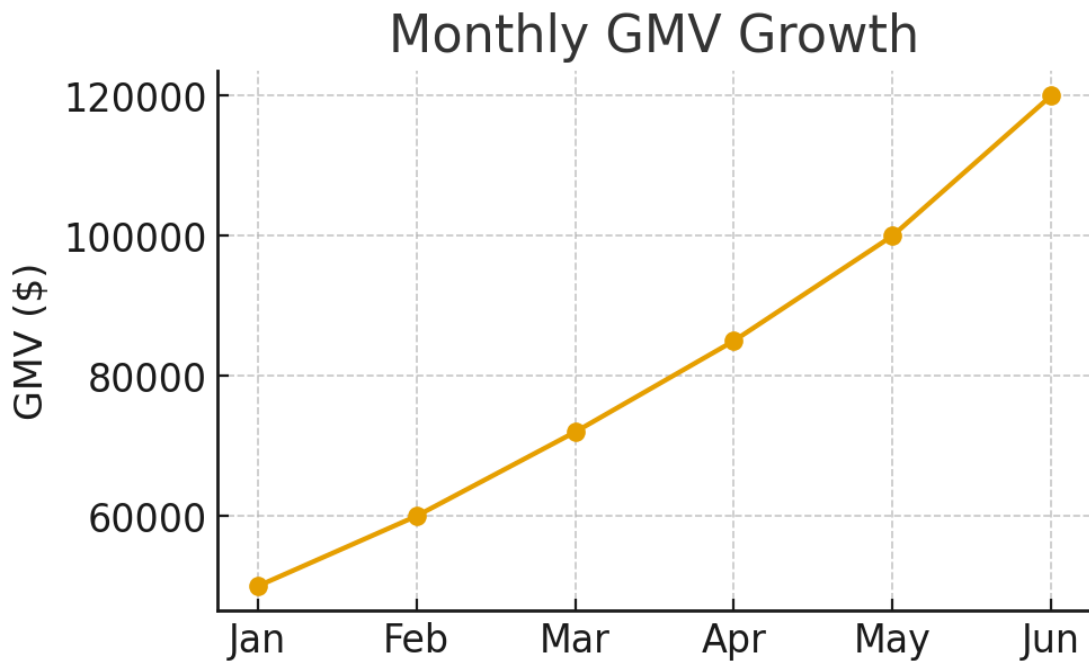
- Days 1–30: margin audit by SKU; CAC/AOV benchmarking.
- Days 31–60: build 12-month profit model; refine promotions strategy; analyze landed costs.
- Days 61–90: establish reporting cadence; optimize inventory turns; monitor SKU profitability.

## Key E-Commerce Metrics Table

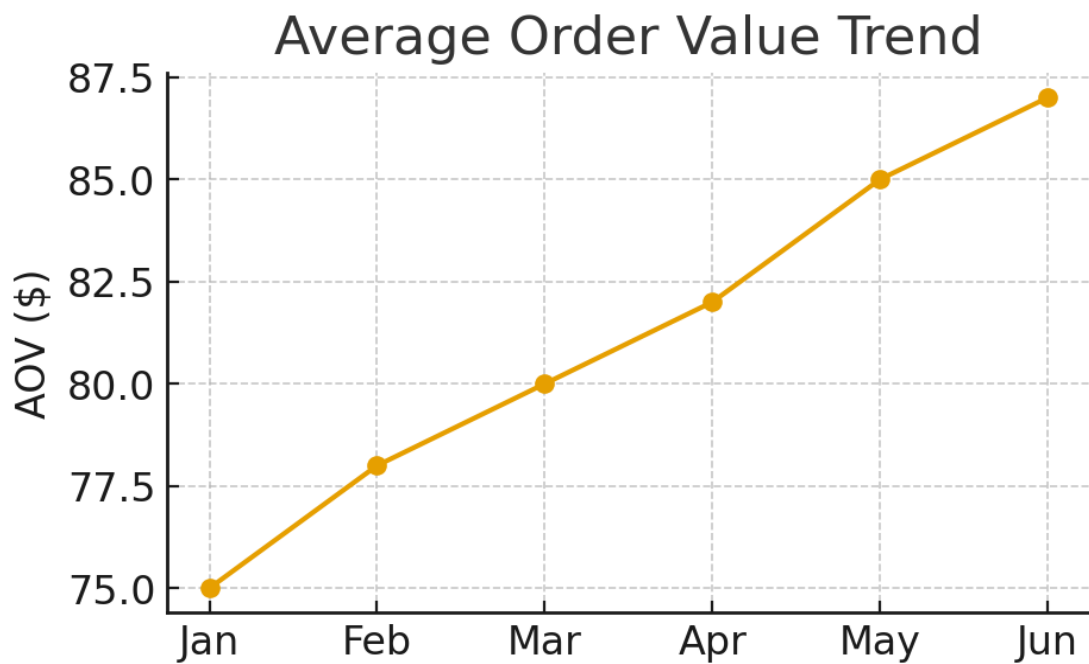
Metric	Definition	Target Benchmark
GMV	Gross Merchandise Value: total sales through the platform.	Grow steadily while maintaining healthy margins.
AOV	Average Order Value: revenue / number of orders.	\$60-\$120 typical depending on category.
CAC	Customer Acquisition Cost: marketing cost per new customer.	Aim for CAC < 20-25% of first-order revenue.
Repeat Purchase Rate	Percent of customers making 2+ purchases.	Target 30-50% depending on vertical.
Contribution Margin	Net revenue minus variable costs (COGS, shipping, payment fees).	Aim for 25-40% contribution margin.
Inventory Turns	Number of times inventory is sold and replaced over a period.	Target 4-8 turns annually depending on category.
Landed Costs	Full costs including purchase price, shipping, tariffs, handling, and insurance.	Track per-SKU to protect margins.
SKU Margins	Profitability contribution measured at the SKU level.	Identify underperforming SKUs and optimize mix.

## Appendix: Visuals

### Monthly GMV Growth



### Average Order Value Trend



## Contribution Margin Quarterly

