

eCommerce Marketing



CHAPTER 12 E-COMMERCE FINANCE

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AGENDA

Finance 101

Product Pricing

AOV



TYPES OF PROFIT MARGINS

Gross profit margin

Net profit margin

GROSS PROFIT MARGIN

Percentage of profit retained
after paying the cost of goods
sold



$$\text{Gross profit margin} = \frac{(\text{Revenue} - \text{Cost of goods sold})}{\text{Revenue}} * 100$$



NET PROFIT MARGIN

Net profit margin is a calculation that expresses the profitability of an entire company, not just a single product or service. It is also expressed in a percentage; the higher the number, the more profitable the company

Cost of Goods Sold (COGS)

The direct costs associated
with the production of goods

COST OF GOODS SOLD

- Production
- Freight shipping
- Picking and Packing
- Storage
- Transaction and Bank fees
- Software
- Staff
- Branding and Design
- Product Inspection
- Legal Fees
- Product Samples



COST OF GOODS SOLD

PRODUCTION COST

The cost of producing the actual physical product.

FREIGHT SHIPPING COSTS

The cost to move your goods to either fulfillment or where you will be fulfilling orders from. (depending on if you're producing locally or globally)

PICKING AND PACKING COSTS

The cost for your 3PL company to pack an order and ship it out. (depending on if you're producing locally or globally)



COST OF GOODS SOLD

TRANSACTION AND BANK FEES

The fees involved for doing any business online.

STORAGE FEES

If you're using a 3PL or multiple 3PL centres you will have to pay a storage fee for holding your stock in the company's warehouse.

SOFTWARE COSTS

These are hard costs in order for you to host your online store, have an email mailbox, host your website etc.

PRODUCT SAMPLES

You will want to allocate some money if you have to pay for samples.



COST OF GOODS SOLD

STAFF COSTS

These are costs if you are hiring any staff to help you with customer support or operations.

BRANDING AND GRAPHIC DESIGN

This includes your brand identity and 3d renders of your product.

PRODUCT INSPECTIONS

The cost if you pay for an agency to inspect your product overseas.

LEGAL ADVICE

Any legal and consulting advice to ensure you aren't breaking any laws and you are fully compliant

Goal:

Gross Profit Margin \geq 30%

Low Profit Margin:

- Cut Production Costs
- Raise Prices
- Discontinue Products

High Profit Margin:

- Increase Marketing Efforts

Product pricing influences
brand perception

Source: foundr.com/start-and-scale



Pricing Hacks

- Offer a single product
- Keep variations to a minimum



SkinnyMe Teatox - 28 Day Pack
\$46.00 USD

QUANTITY

ABOUT THE TEATOX:
 Our most popular product!
 Our simple 2-Step Teatox:
 A cup of our Morning Cleanse tea with breakfast // Antioxidants Energy Cleanse
 A cup of our Evening Cleanse tea every second night before bed // Digestion Detox Sleep
 Est. 2012 | Made in Australia | Drunk by over 350k customers worldwide

MORNING CLEANSE
 EVENING CLEANSE
 INGREDIENTS
 DIRECTIONS
 ✓ NUTRITIONAL INFORMATION

CUSTOMER REVIEWS
 ★★★★★ Based on 300 reviews
 a review - Tell us about your SMT experience :)

SkinnyMe Teatox - 14 Day Pack
\$28.00 USD

QUANTITY

ABOUT
 Our most popular product!
 Our simple 2-Step Teatox:
 A cup of our Morning Cleanse tea with breakfast // Antioxidants Energy Cleanse
 A cup of our Evening Cleanse tea every second night before bed // Digestion Detox Sleep
 Est. 2012 | Made in Australia | Drunk by over 350k customers worldwide

MORNING CLEANSE
 EVENING CLEANSE
 ✓ INGREDIENTS
 DIRECTIONS
 NUTRITIONAL INFORMATION

CUSTOMER REVIEWS
 ★★★★★ Based on 314 reviews
 a review - Tell us about your SMT experience :)

Pricing Hacks

- Offer a single product
- Keep variations to a minimum
- Round to whole numbers





Easy Shave Butter

Butter up for an effortlessly gentle, delightfully smooth shave.

6 oz

ADD | \$8

★★★★★ (6,965)



Pillowly Shave Lather

6 oz

ADD | \$8

★★★★★ (148)

Pricing Hacks

- Offer a single product
- Keep variations to a minimum
- Round to whole numbers
- Including an offer into the product price



Wrap yourself in tranquility.

Calm blanket is designed to naturally reduce stress, soothe aches and pains, and increase relaxation.

[Shop Calm Blanket](#)

Pro Tip:

Price your product **2.5x more**
than it costs to make






Luxury markups can exceed
10-20x the cost of production



Oversize washed T-shirt with Gucci logo

\$ 480

Style 440103 X3F05 9045

 white washed cott... ▼

Select Size ▼

Size guide

ADD TO SHOPPING BAG

 FIND IN STORE





[Everyday Objects](#)

18k Gold Paper Clip Bookmark



Quantity

1 +

\$1,500

Add to Bag

[Find in store](#)

Description & Details

Tiffany artisans transform utilitarian items into handcrafted works of art. An oversized paper...

- 18k gold
- 2.5" long

[Read More](#) ▼

PRICING STRATEGIES

- Cost-plus pricing
- Competition-based pricing
- Value-based pricing
- Price skimming
- Loss-leader pricing
- Dynamic pricing
- Premium pricing
- Anchor pricing



Average Order Value (AOV)

$$\frac{\text{Sales}}{\text{\# of Transactions}}$$

Average Order Value (AOV)

$$\frac{\$1,000}{20} = \mathbf{\$50 \text{ AOV}}$$

Average Order Value (AOV)

$$\frac{\$1,100}{20} = \$55 \text{ AOV}$$

“

The more money that you can afford
to **profitably** acquire a customer,
the easier your growth is going to be

MAXIMIZING AOV

- Bulk discounts



Complete Wellness Pack

\$40.00 USD

~~\$80.00 USD~~

QUANTITY

[ADD TO CART](#)

WHAT IS IN THE PACK?

Our Complete Wellness Pack contains all of your favourite Wellness tea blends which will help you on your journey to a happier and healthier you!

1. Acai Tea - \$20
2. ComplexionMe Tea - \$15
3. Zen Tea - \$15
4. HealthyMe Tea - \$30
5. Immunita - \$15
6. Flower Bomb Tea - \$15
7. Strawberry Tea Strainer - \$5
8. White Backpack

Total Value of \$115

[ABOUT THE ACAI TEA](#)

[ABOUT THE COMPLEXIONME TEA](#)

[ABOUT THE ZEN TEA](#)

[ABOUT THE HEALTHYME TEA](#)

[ABOUT THE IMMUNITEA](#)

[ABOUT THE FLOWER BOMB TEA](#)



Healthish WB-1 Bottle with Free Shipping

★★★★★ (216)

~~\$30.00~~ \$25.00

Interest-free installments by [afterpay](#) available
between **\$35.00 USD - \$1000.00 USD** [Learn more](#)

Quantity:

1

♥ 19 people are viewing this item

BUY NOW

BUY AT DISCOUNTED PRICES

MINIMUM QTY	DISCOUNT
2+	5% off
3+	10% off
4+	15% off

DISCOUNTED PRICES

Buy 2 - Use code **TAKE5** for 5% off
Buy 3 - Use code **TAKE10** for 10% off
Buy 4+ - Use code **TAKE15** for 15% off

Source: healthish.com

MAXIMIZING AOV

- Bulk discounts
- Themed Kits. Packs. Bundles

CONGRATULATIONS



@CHARLIEPALLETT



Source: [instagram.com/smtofficial](https://www.instagram.com/smtofficial)



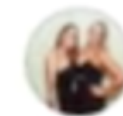
detoxtips • Follow



detoxtips Congratulations to the winner of my @SMTOFFICIAL #teatoxtogether comp @charliepallett ☕🍌😍 Charlie you have won you & your friend an @SMTOFFICIAL 'Teatox Together' pack containing x2 28 day SkinnyMe teatoxes! #howexciting

Thank you to all who entered. A new comp soon I think ☺ DT x

278w



lucydelll Do more giveaways please! 😍 @smtofficial @detoxtips



278w Reply



1,530 likes

JANUARY 22, 2014

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176w

 the5th     ♡
176w Reply

 olivercoen Love this photo! ♡
175w Reply

   🔖

33 likes

JANUARY 1, 2016

Add a comment... Post

Source: [instagram.com/the5th](https://www.instagram.com/the5th)

MAXIMIZING AOV

- Bulk discounts
- Themed Kits. Packs. Bundles
- Upsells

Receive a FREE SkinnyMe Detox Program (valued at \$59) with all Teatox Purchase

Home › Strawberry Tea Strainer



Strawberry Tea Strainer

\$4.00 USD

QUANTITY

- 1 +

ADD TO CART

DESCRIPTION

Get more out of your cup of tea with our cute Strawberry Tea strainer. Great for infusing all of our loose leaf teas blends.

CUSTOMER REVIEWS

★★★★☆ Based on 15 reviews

Write a review - Tell us about your SMT experience :)

MAXIMIZING AOV

- Bulk discounts
- Themed Kits. Packs. Bundles
- Upsells
- Conditional free shipping