BUSINESS · FREE GUIDE 11

E-commerce Unit Economics, Decoded

The one-page P&L; every D2C founder should be able to draw from memory — plus the 8 leaks that quietly eat contribution margin.

The waterfall, per order

- AOV (■) — start here, everything else is a subtraction
- – COGS → gross margin
- – Marketplace commission / payment gateway fees
- – Shipping (forward) + packaging
- – Returns cost: reverse shipping + refurb + write-offs, spread per order
- – Marketing CAC amortised per order
- = Contribution margin. Negative here means you scale losses.

The 8 silent leaks

- RTO (return-to-origin) on COD orders — model it per pincode band
- Weight-slab misdeclaration penalties from couriers
- Free-shipping thresholds set below the maths, not the market
- Discount stacking: coupon + bank offer + loyalty on the same order
- Packaging over-spec for the damage rate you actually have
- Exchange logistics booked as 'customer service', unmeasured
- Storage fees on slow movers at 3PL/marketplace warehouses
- GST input credits left unclaimed on logistics invoices

Industry example — For many Indian D2C brands, cutting COD RTO by a few points via pincode gating and confirmation calls beats a much larger ad-spend on top-line.

Benchmarks to sanity-check against

- Fulfilment cost 8–15% of AOV is workable; above that, redesign
- Return rate: fashion runs high-20s%+, FMCG single digits — know your category
- CAC payback within 2 orders for repeat-purchase categories
- Contribution margin ≥ 15% before you call it a business, not a hobby

Your homework tonight

- Build the waterfall for your top 5 SKUs separately — averages lie
- Kill or re-price any SKU negative at contribution level
- Re-run the maths at your NEXT scale of shipping rates, not today's
- Book a call if the sheet fights back — this is a 60-minute fix with data

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