

# E-Commerce FMCG Financial Metrics Explanation

## Gross Profit Margin

Description: Indicates the percentage of revenue that exceeds the cost of goods sold.

Formula:  $\text{Gross Profit Margin} = (\text{Gross Profit} / \text{Total Revenue}) \times 100$

Example:  $\$40\text{M} / \$100\text{M} \times 100 = 40\%$

## Net Profit Margin

Description: Shows the percentage of revenue that remains as profit after all expenses and taxes.

Formula:  $\text{Net Profit Margin} = (\text{Net Profit} / \text{Total Revenue}) \times 100$

Example:  $\$14\text{M} / \$100\text{M} \times 100 = 14\%$

## Operating Expenses

Description: Total of SG&A, interest, and other expenses directly tied to operations.

Formula:  $\text{Total OPEX} = \text{SG\&A} + \text{Operating Interest} + \text{Other OPEX}$

Example:  $\$15\text{M} + \$2\text{M} + \$8\text{M} = \$25\text{M}$

## EBIT (Operating Income)

Description: Earnings before interest and taxes.

Formula:  $\text{EBIT} = \text{Gross Profit} - \text{Total Operating Expenses}$

Example:  $\$40\text{M} - \$25\text{M} = \$15\text{M}$

## Customer Acquisition Cost (CAC)

Description: Average cost spent to acquire one new customer.

Formula:  $\text{CAC} = \text{Total Marketing Spend} / \text{Number of New Customers}$

Example:  $\$1\text{M} / 100,000 = \$10$

## Customer Lifetime Value (CLV)

Description: Total revenue expected from a customer over the life of their relationship with the brand.

Formula:  $\text{CLV} = \text{Avg Order Value} \times \text{Purchase Frequency} \times \text{Customer Lifespan}$

Example:  $\$50 \times 5 \times 2 = \$500$