

# Analysis of Profits

Ecommerce Company

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# Business Overview

Drop-shipping model with three products  
(Product 1, 2, and 3)

Revenue generated through product sales

Costs include COGS, marketing, labor,  
overhead, interest, and amortization

*Objective:* Identify causes of profit stagnation  
and propose improvements

# Agenda



# Company Financials Overview (2025 vs 2024)

Net Sales

**\$778,997 (was \$716,765)**

+\$62,232 YoY

Gross Margin

**31.7% (was 33.9%)**

-6.5% YoY

Net Earnings

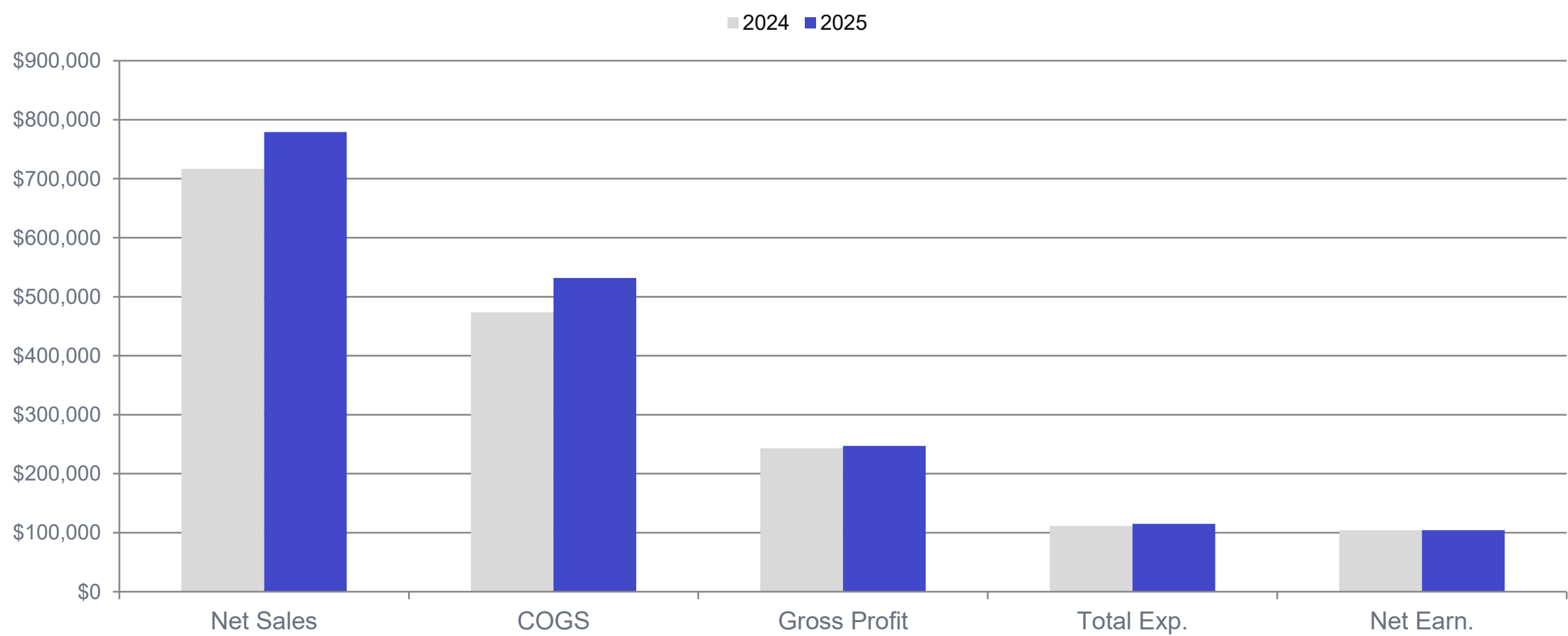
**\$104,374 (was \$104,099)**

+\$275 YoY

Marketing Spend

**\$40,484 (was \$36,599)**

+\$3,885 YoY



## Key takeaways

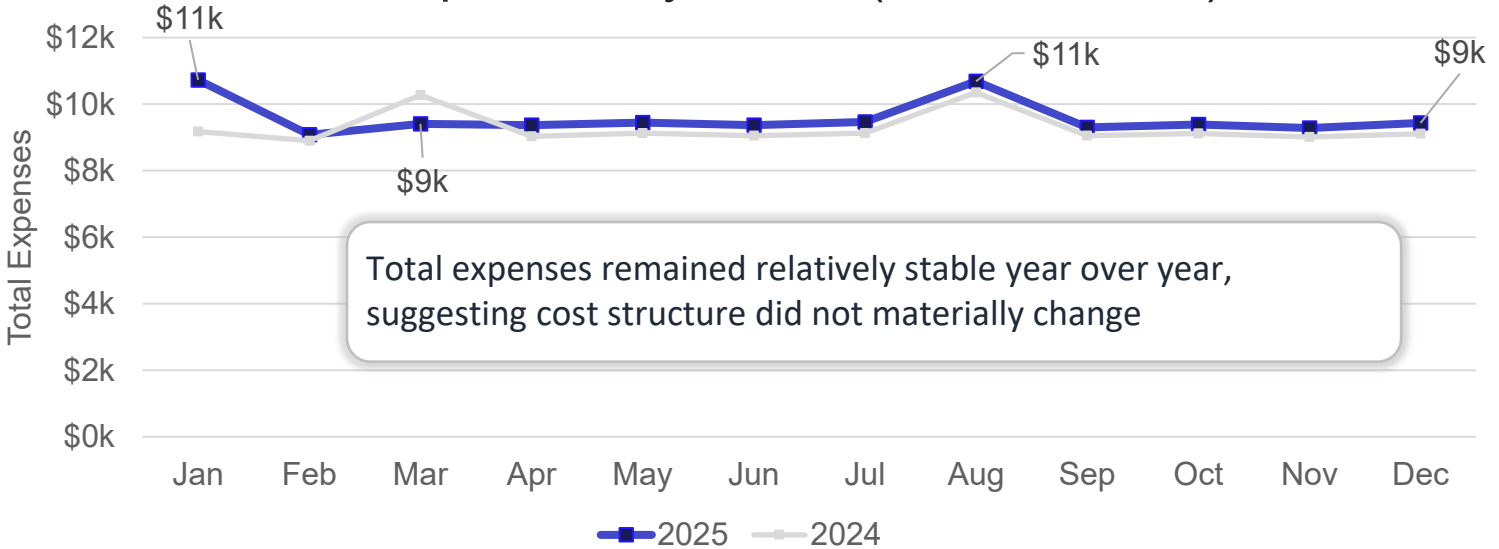
- Sales grew ~8.7% YoY in 2025, but COGS grew faster (~12.3%).
- Gross margin fell from 33.9% to 31.7% (pricing / cost issues).
- Marketing spend rose 10.6% while net earnings stayed roughly flat (~\$104,374).

# Company Financials By Month (2025 vs 2024)

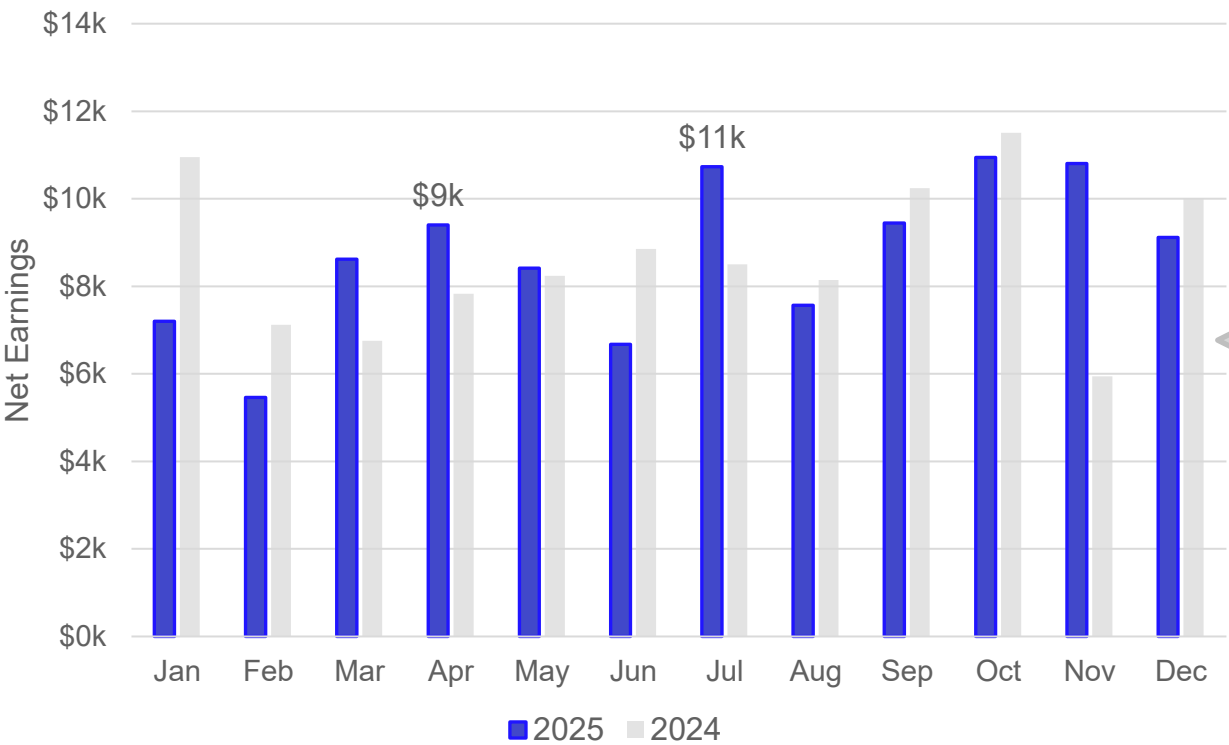
Gross Profit By Month (2025 vs 2024)



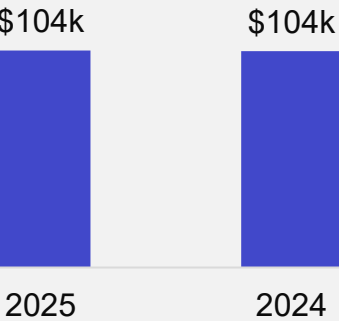
Total Expenses By Month (2025 vs 2024)



Net Earnings By Month (2025 vs 2024)



Cumulative Net Earnings (2025 vs 2024)



## Key Insight

While 2025 net earnings underperformed in several months compared to 2024, cumulative net earnings by year-end were comparable to 2024.

# Company Financials - EBIT and EBITDA

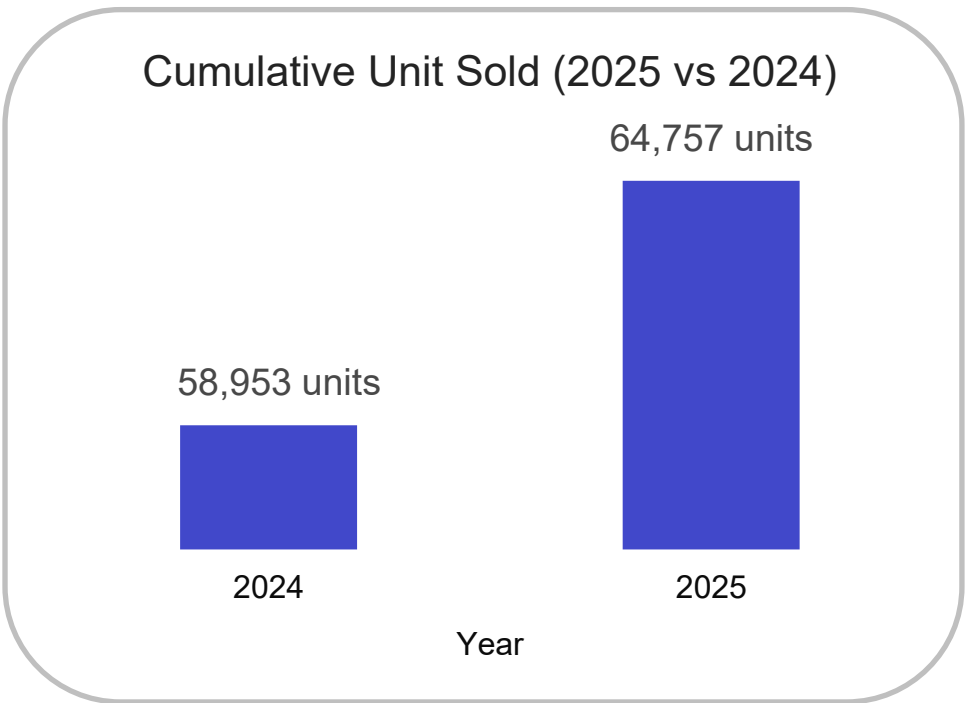
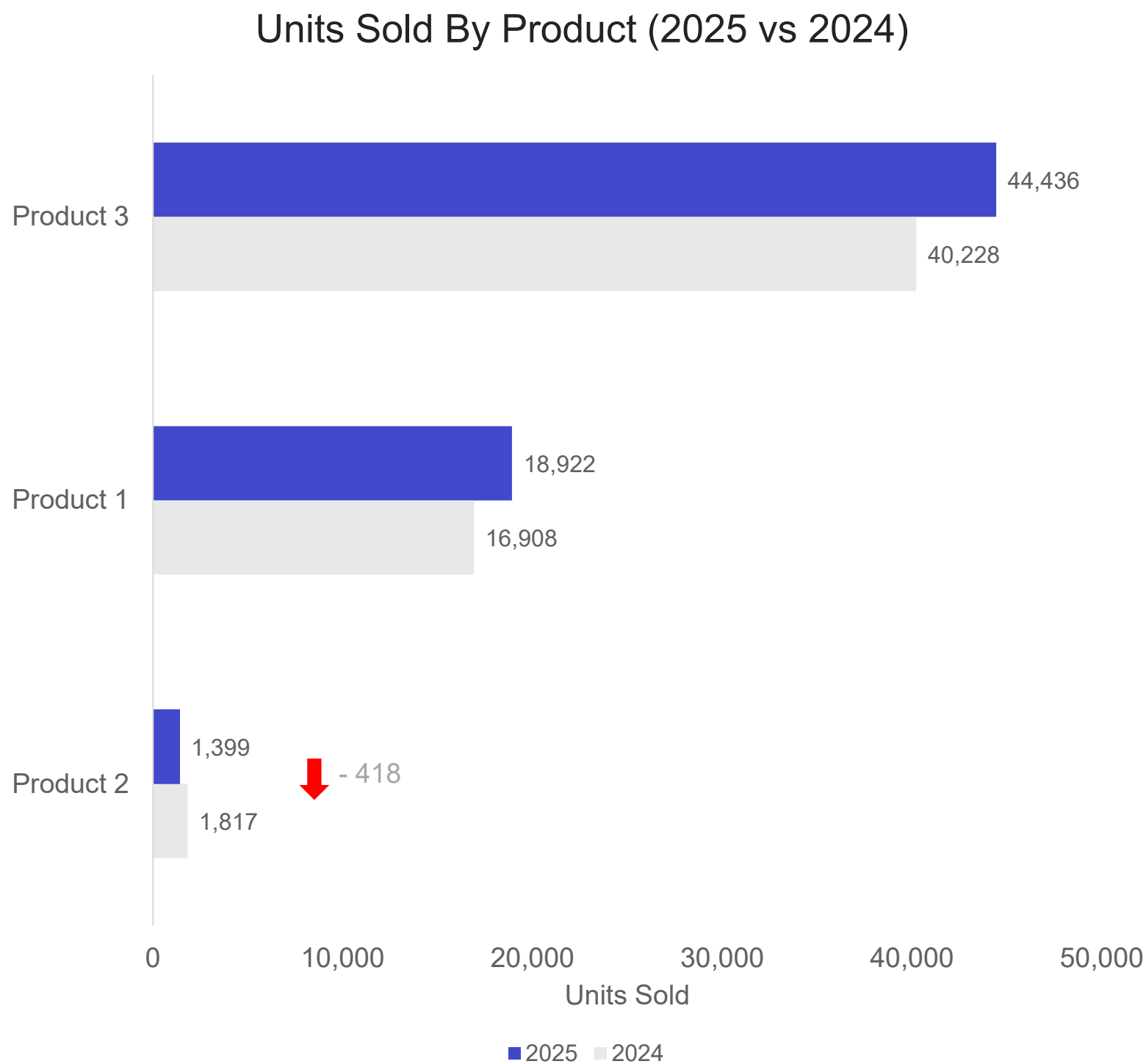
EBIT and EBITDA Comparison (2025 vs 2024)



## ***Key Insight***

- EBIT and EBITDA remained nearly unchanged from 2024 to 2025, indicating that operating costs and non-cash expenses scaled proportionally with revenue.
- The close alignment between EBIT and EBITDA suggests business model has limited depreciation and amortization due to less assets, which aligns with the "drop-shipping" model of the company.

# Product Performance - Units Sold

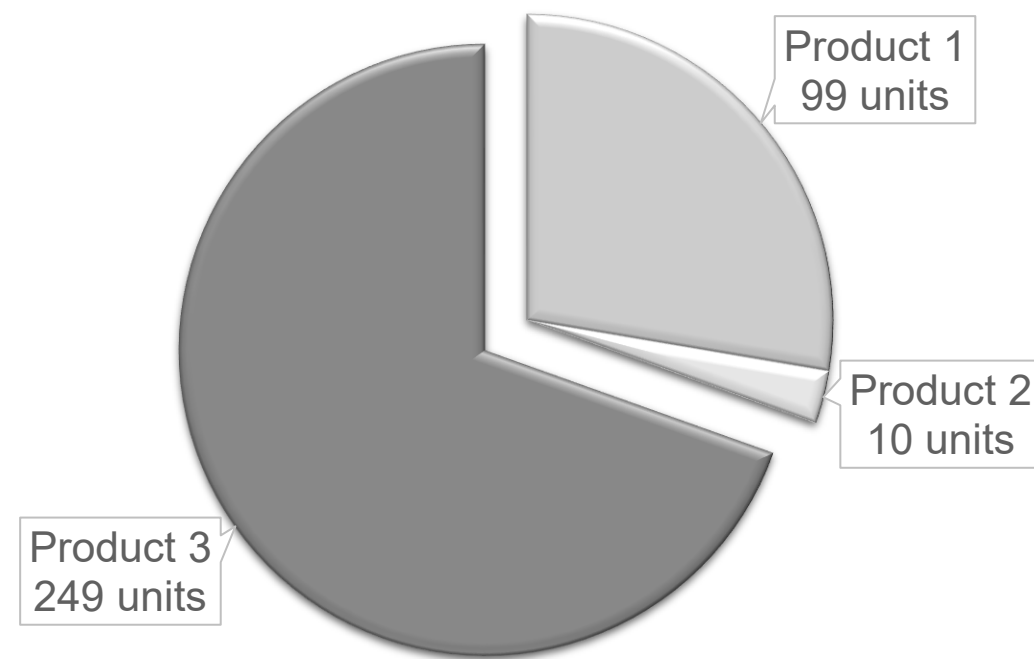


## Key Insight

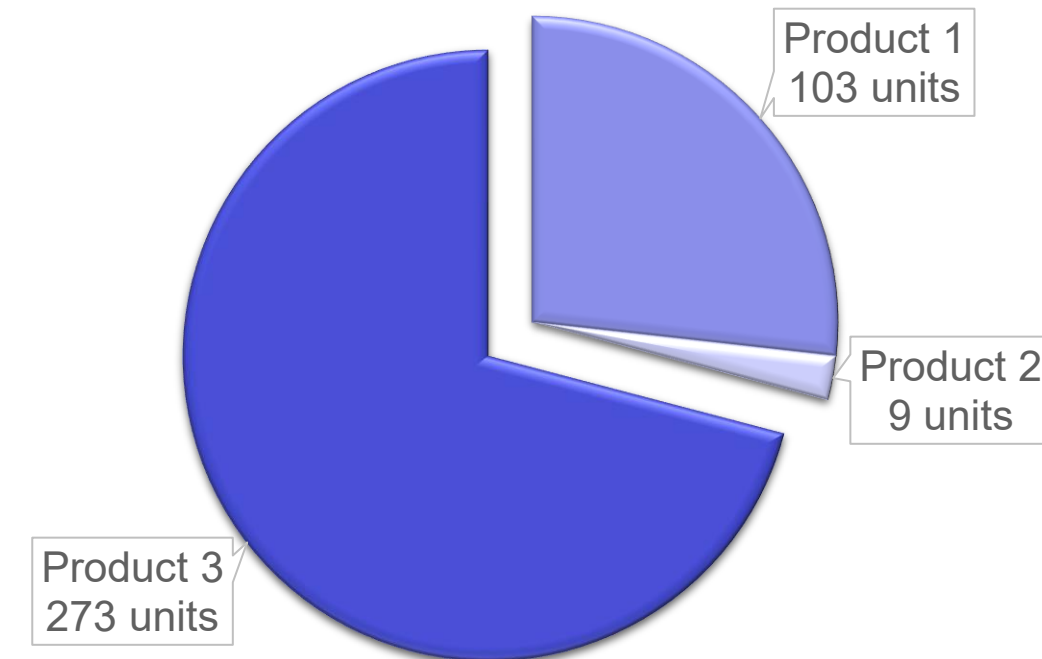
- Total unit sales increased overall from 2024 to 2025, driven primarily by strong growth in Product 3 and moderate growth in Product 1, while Product 2 experienced a decline in volume.

# Product Performance - Peak Single-Day Sales

Peak Single-Day Units Sold by Product (2024)



Peak Single-Day Units Sold by Product (2025)



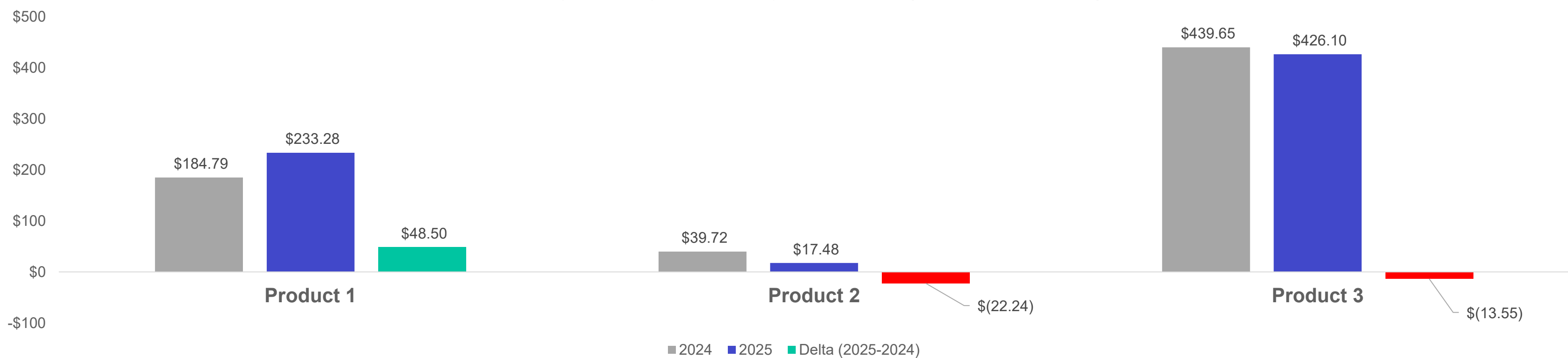
## Key Insight

- Product 3 recorded the highest single-day unit sales in both 2024 and 2025, indicating that peak demand consistently occurred for the same product across years.
- This aligns with the earlier analysis showing Product 3 as the highest-volume product overall, suggesting that its strong annual performance is driven not only by steady sales but also by higher demand spikes.
- The consistency across years showcases stable customer demand for Product 3.



# Product Performance - Average Daily Profits

Average Daily Profit By Product (2025 vs 2024)

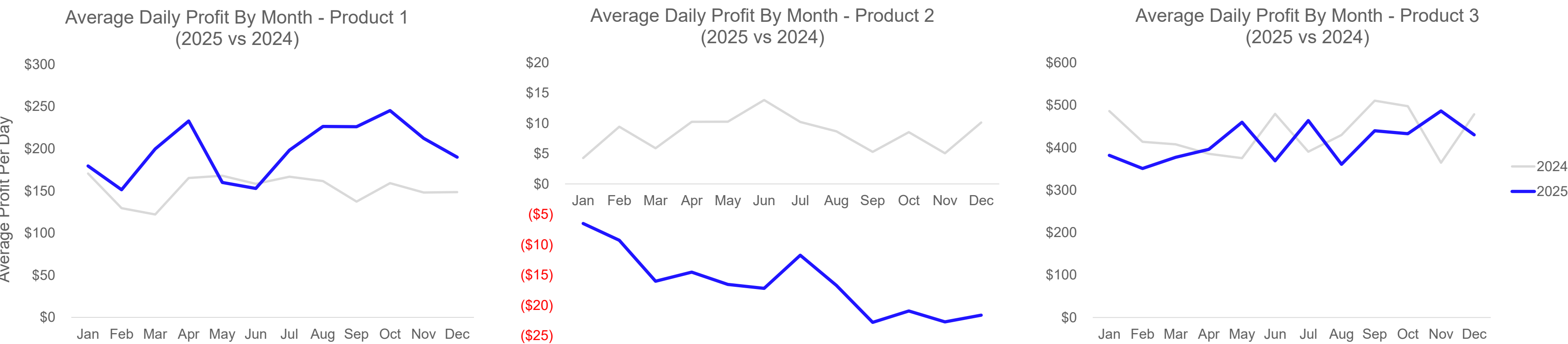


**Key Insight**

- Product 1 profitability improved in 2025 (+\$48.50/day).
- Product 2 profitability deteriorated strongly in 2025 (−\$22.24/day).
- Product 3 remained strong but slightly declined.

**Note:** Average daily profit for each product is calculated as (Annual Net Sales – Annual COGS) ÷ 365.

# Product Performance - Average Daily Profit Trends (Monthly)



**Key Insight**

- Average daily profit trends varied by product. Product 1 consistently outperformed in 2025 (except slight dip in May-Jun), indicating stronger margins.
- Product 2 experienced declining and frequently negative average daily profit in 2025, suggesting ongoing cost or revenue challenges.
- Product 3 remained the most profitable product overall daily, though it exhibited fluctuating demand or variable expenses.
- Overall, profitability trends varied meaningfully by product, indicating that performance changes were driven by product-specific dynamics rather than company-wide factors.

**Note:** Average Daily Profit Trends computed accounts for COGS and Marketing costs and is calculated by averaging profits per day by month for the year.

# Recommendations For 2026

## Recommendation 1: Fix Gross Margins

### *Insight*

- Sales grew, but gross margin fell from **33.9% → 31.7%**, indicating COGS pressure
- Product 3 had highest sales and Product 1 had highest profitability growth

### *Recommendations*

- Renegotiate supplier pricing for Product 3 and Product 1 to protect margins as scale increases
- Evaluate selective price increases on high-demand SKUs (esp. Product 3), to offset rising COGS without materially impacting volume.

## Recommendation 2: Re-assess Product Focus

### *Insight*

- Product 1 shows strongest increase in avg daily profitability
- Product 2 shows declining units and negative average daily profit in 2025
- Product 3 leads in Total units sold, Peak single-day demand, Average monthly profits (despite volatility)

### *Recommendations*

- Reduce or pause paid marketing for Product 2
- Consider price increase, repositioning, or discontinuation for Product 2
- Do comprehensive cost analysis breakdown for Product 2
- Allocate incremental marketing spend toward Product 3
- Test bundling Product 3 with Product 1 to lift margins

## Recommendation 3: Improve Marketing Spend Efficiency

### *Insight*

- Marketing spend increased 10.6% YoY, but net earnings did not improve

### *Recommendations*

- Prioritize marketing spend on Product 1 (highest profitability growth) and Product 3 (highest demand and volume), while reducing spend on Product 2
- Run AB tests on offering Product 1 as a premium offering
- Reduce spend during low-margin months

### *Key Considerations*

- Supplier renegotiations may impact fulfillment speed or quality
- Price increases may impact conversion rates
- Reducing Product 2 marketing can affect branding perception