

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

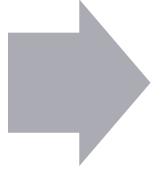
Costs include COGS, marketing, labor,
overhead, interest, and amortization

Objective: Identify causes of profit stagnation
and propose improvements

Agenda

Company Financials

- Overview
- By Month
- EBIT and EBITDA



Product Performance

- Units Sold
- Peak Single Day Sales
- Average Daily Profits
- Average Daily Profit Trends (Monthly)



Recommendations for 2026

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)

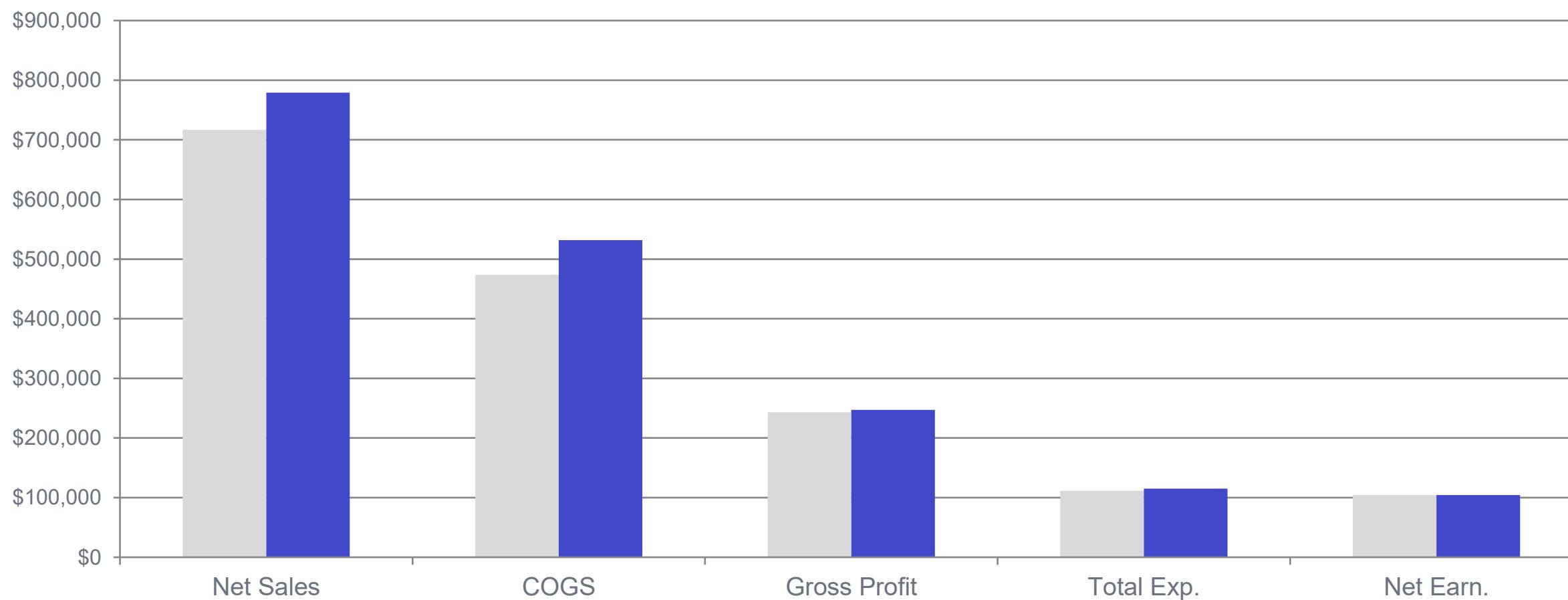
+\$275 YoY

Marketing Spend

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

+\$3,885 YoY

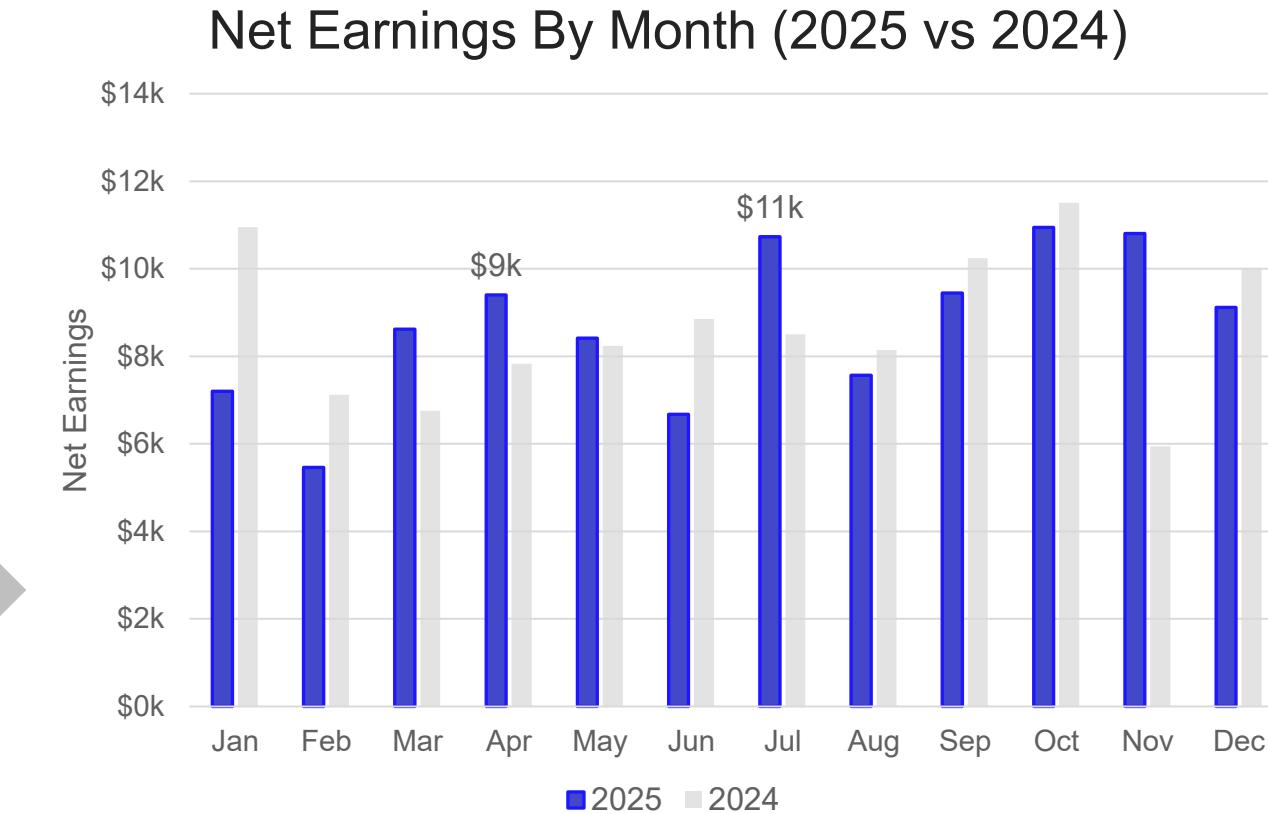
■ 2024 ■ 2025



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)

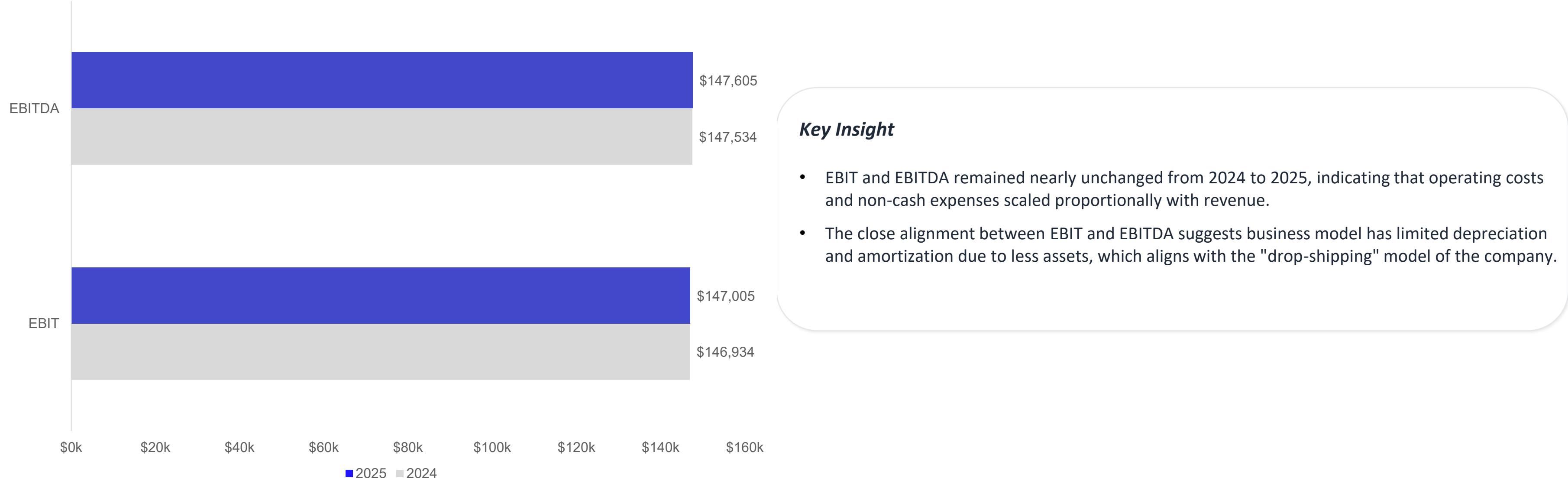


Key Insight

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

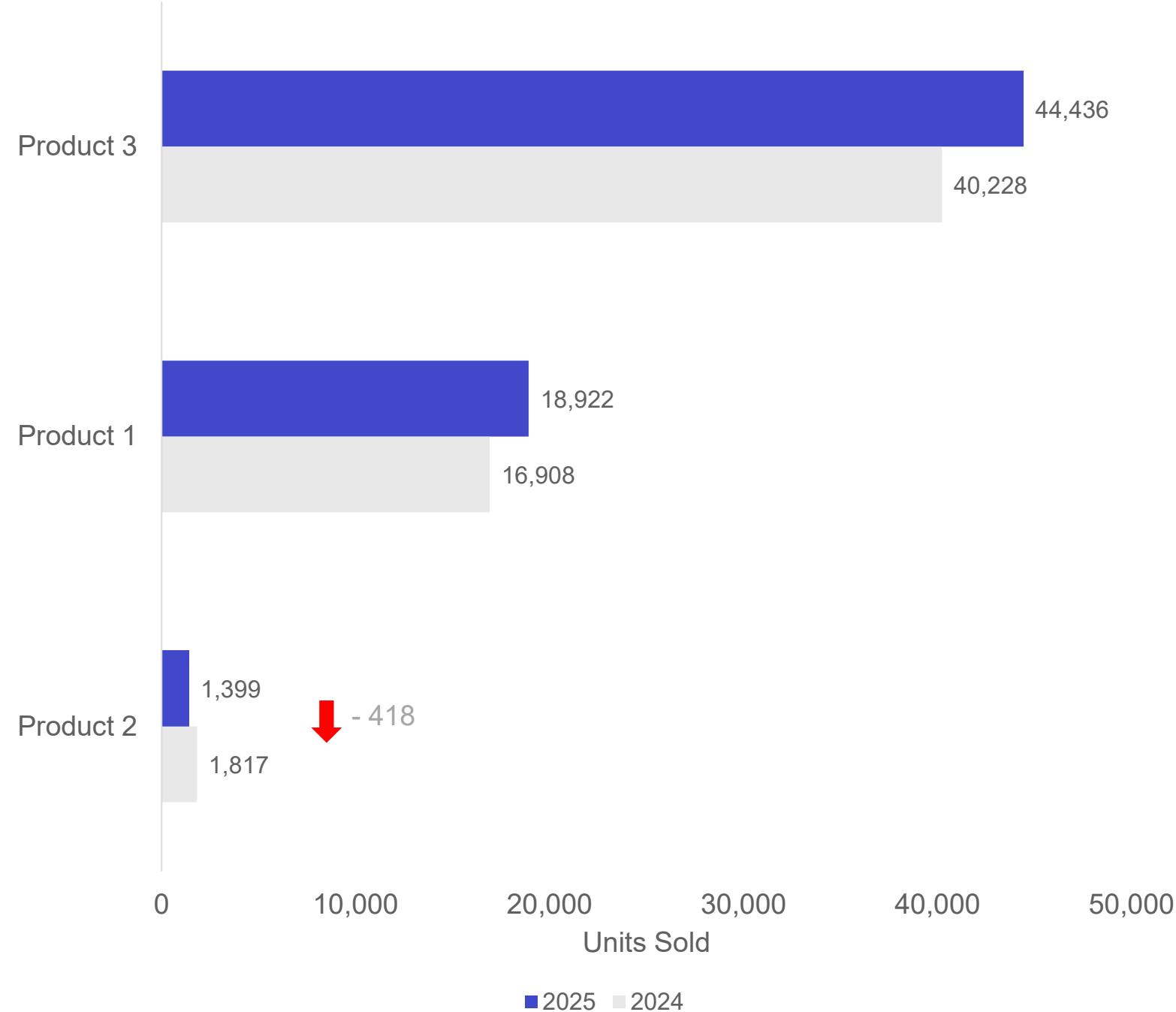
Company Financials - EBIT and EBITDA

EBIT and EBITDA Comparison (2025 vs 2024)

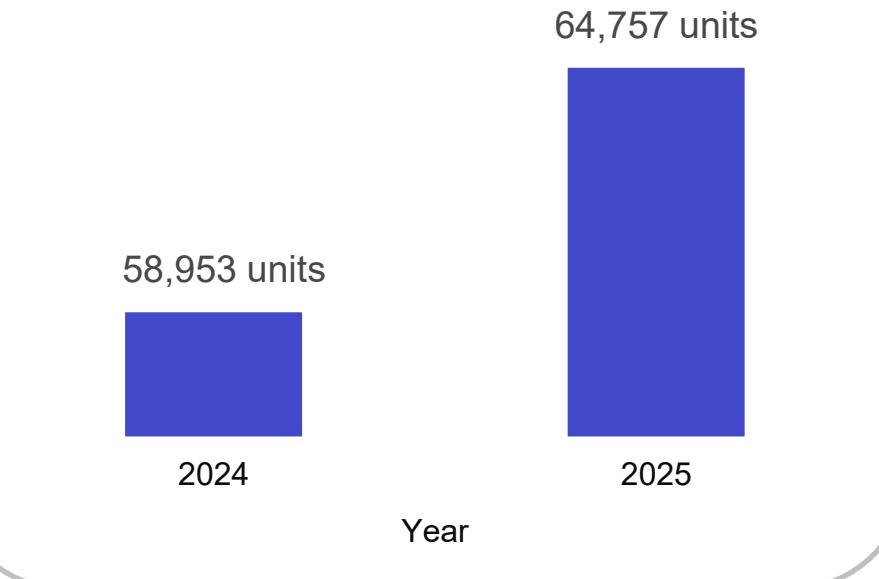


Product Performance - Units Sold

Units Sold By Product (2025 vs 2024)



Cumulative Unit Sold (2025 vs 2024)

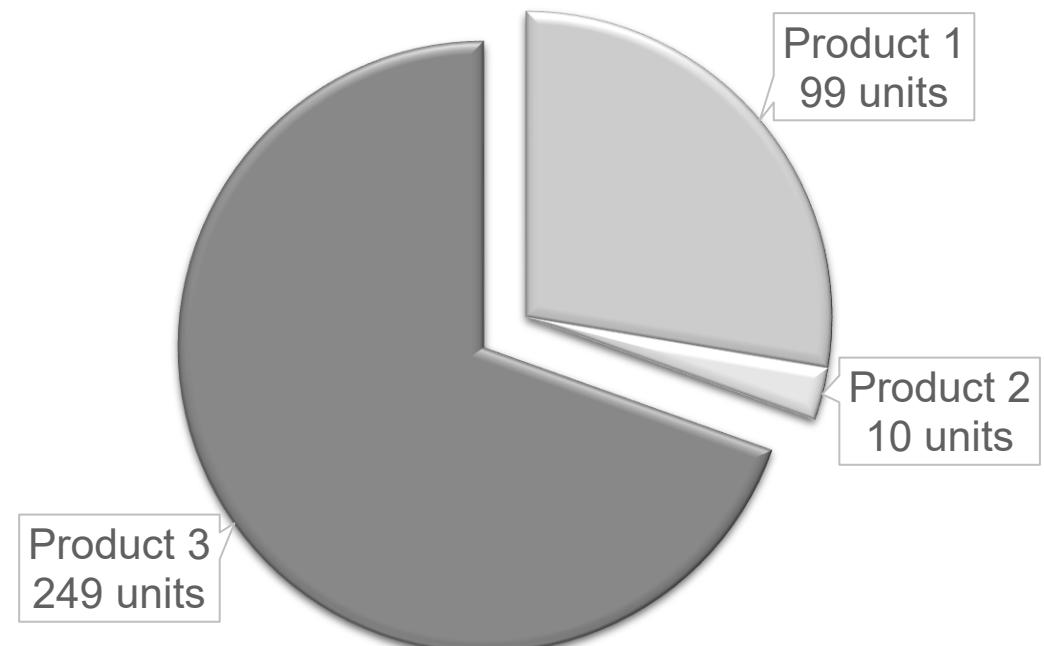


Key Insight

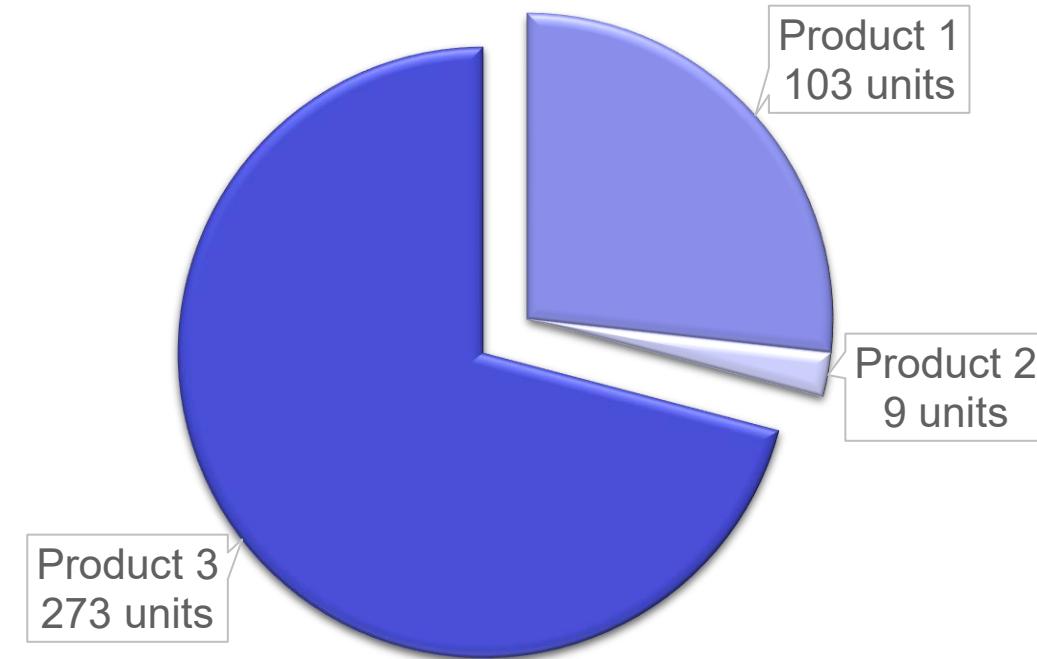
- Total unit sales increased overall from 2024 to 2025, driven primarily by strong growth in Product 3 and moderate growth in Product 1, while Product 2 experienced a decline in volume.

Product Performance - Peak Single-Day Sales

Peak Single-Day Units Sold by Product (2024)



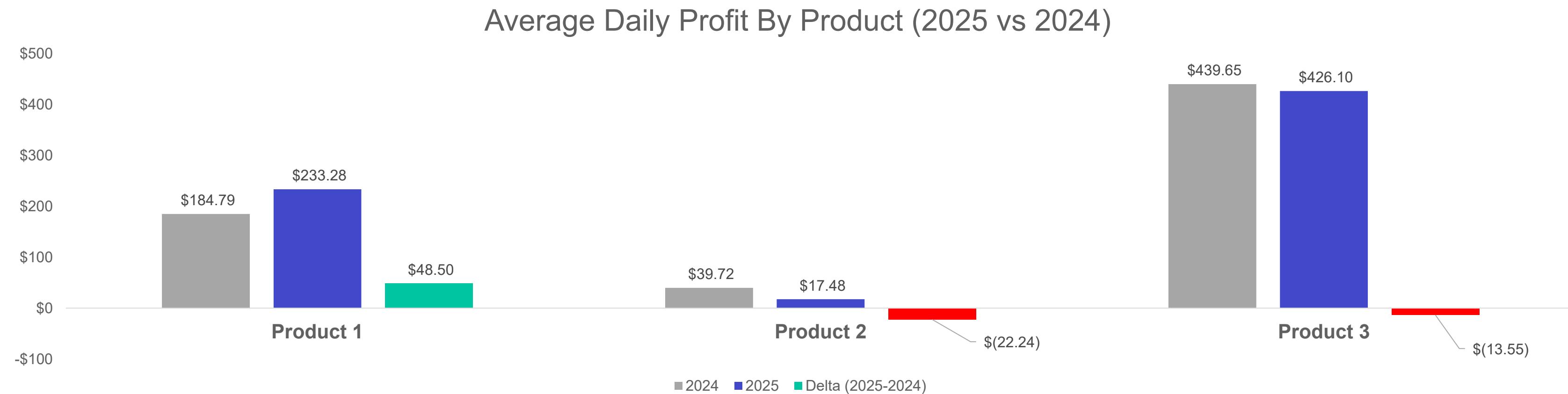
Peak Single-Day Units Sold by Product (2025)



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

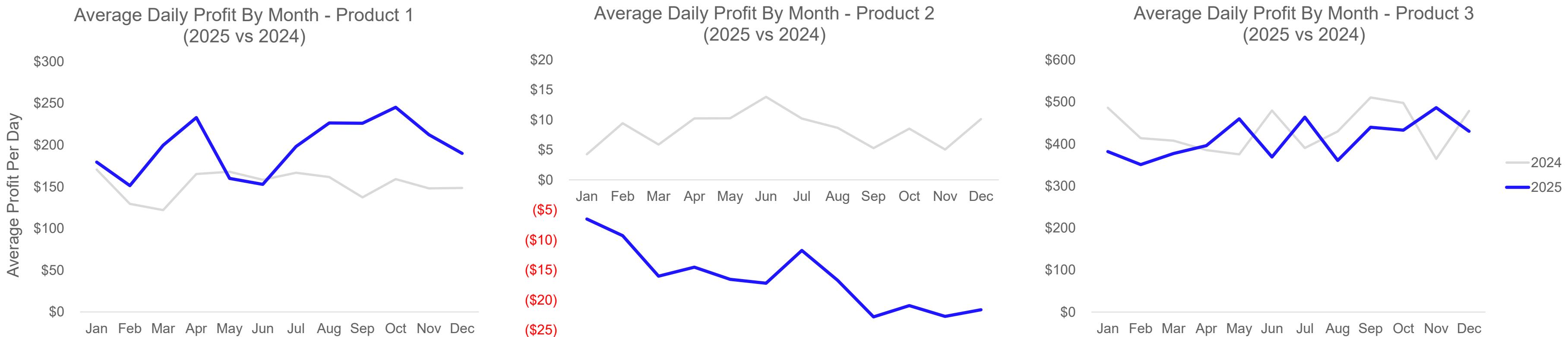


Key Insight

- 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 $(\text{Annual Net Sales} - \text{Annual COGS}) \div 365$.

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.

Key Considerations

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

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