



**MuseMinded**

**Arranged by**

Jeff DeBolt, CPA

Bookkeeping Team

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# **2023 Annual Benchmark Report for E-Commerce Sellers**

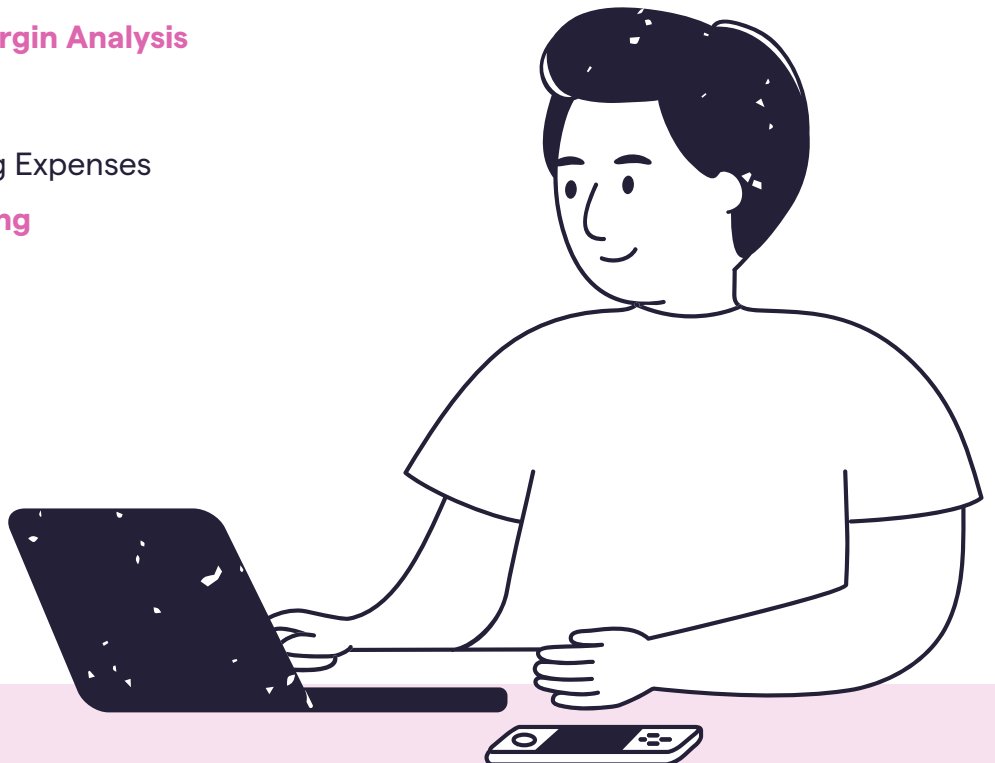


2023

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# Welcome!

Welcome to MuseMinded's 2023 E-Commerce Benchmark Report, an analytical odyssey sculpted through the precision of our proprietary tool, Coral: Benchmarking. In the quest to transcend beyond traditional financial narratives, MuseMinded leverages Coral to illuminate the path to profitability and operational excellence. This report is just the tip of the iceberg of MuseMinded's holistic approach to business health, considering not just profit and loss, but the robustness of liquidity, the dynamics of cash flow, and the management of business risk.

The purpose of this report is to provide sellers with a comparative financial perspective, showcasing how median and elite performers stand in relation to their revenue. By presenting benchmark figures as percentages of revenue, it enables sellers of any size to gauge their performance accurately. This guide aims to offer insights into what aspects of your business may be excelling or require attention, facilitating informed decisions towards improvement.

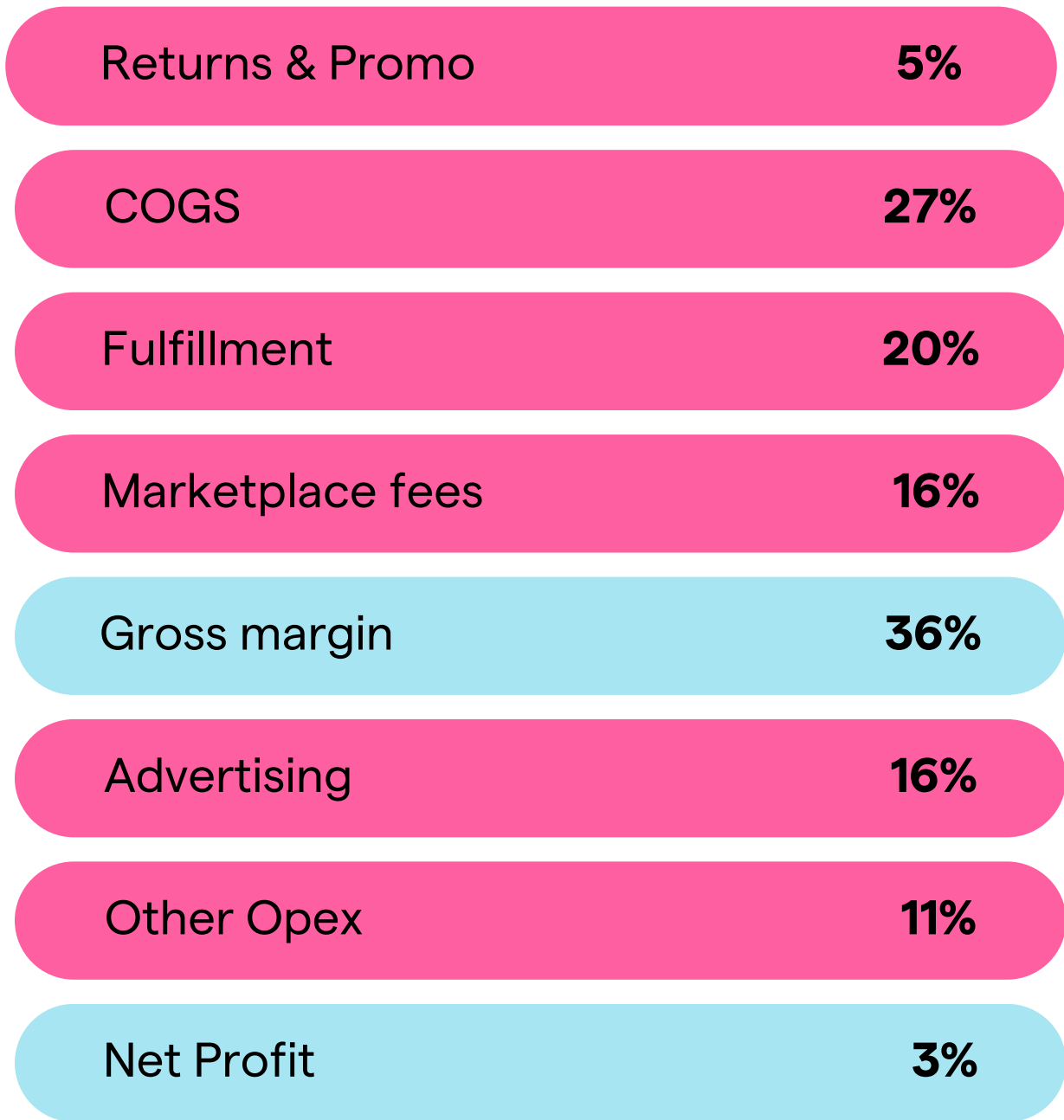
# How to read this report?

Let's dive deeper into understanding the metrics and terms used throughout this report to benchmark your business's performance effectively:

1. **Elite:** Represents the top 10 percentile within the report, highlighting those with the most efficient expense metrics.
2. **Median:** The middle point of data, offering a general benchmark for comparison.
3. **High:** Indicates above-average figures in expense categories, based on our expertise in e-commerce bookkeeping.
4. **IBO (Improve to Benchmark Opportunity)** illustrates potential profit gains by aligning a single metric with its benchmark, assuming all other metrics remain constant.
5. **Calculating Your IBO:** To estimate potential bottom-line improvements, subtract your figure from the benchmark and multiply by your sales. This calculation reveals the profit increase achievable by meeting the benchmark standard.
6. **Lets Go!**

# 2023 At A Glance

Benchmarked 2023 P&L Results



# Sales Returns and Discounts

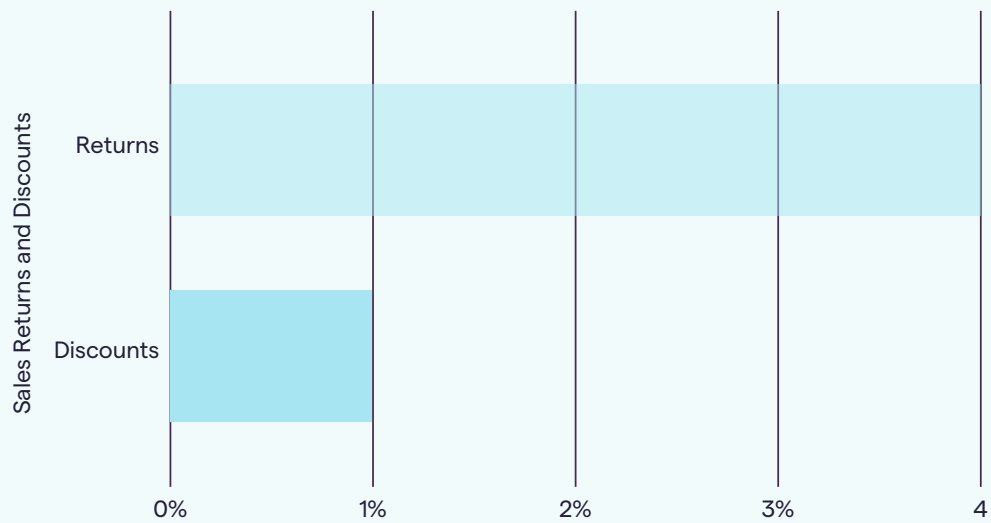
Gross Margin

## 5%

### 2023 Impact

Sales returns and discounts reflect consumer satisfaction and pricing strategy effectiveness. Our analysis indicates a consistent 4% return rate over the past three years, with discounts holding steady at 1%.

Sales Returns and Discounts - Bench Mark 2023



# Sales Returns and Discounts

Gross Margin

## Elite to High Analysis

### Elite to High

In our analysis, we found that sales returns vary significantly among sellers, with the top 10% maintaining a low 1% return rate. The median seller experiences a 4% return rate, highlighting a benchmark for average performance. High-end sellers see return rates around 7-8%, indicating areas for improvement. Discounts, used strategically for inventory clearance, don't have a standardized high rate due to their discretionary nature.

	Elite	Median	High
<b>Returns</b>	1%	4%	7%
<b>Discounts</b>	0%	1%	N/A

### Improve to Benchmark Opportunity (IBO)

For sellers experiencing higher return rates, a granular analysis by month can reveal underlying issues, be it consistent patterns or isolated incidents related to specific product problems. Reading customer reviews offers invaluable feedback for improvement. Collaborating with suppliers to address product quality concerns and ensuring that product descriptions accurately represent the items can significantly reduce return rates, moving your performance closer to the benchmark.

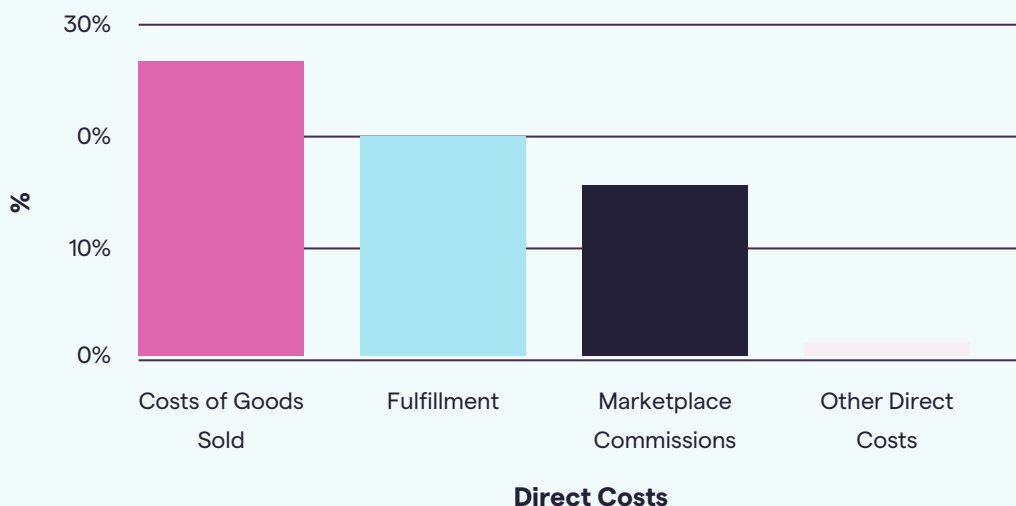
# Direct / Variable Costs:

Gross Margin

# 63%

Direct costs encompass the variable expenses associated with sales, such as COGS, Fulfillment Fees, and Marketplace Commissions. While these have remained static as a percentage of revenue, we've noted an upward trend in fulfillment fees by 1-2 percentage points annually. This is particularly concerning with Amazon's recent sizing category changes, suggesting a continued increase.

Direct Costs by Category - Bench Mark 2023





# Direct / Variable Costs:

Gross Margin

## Elite to High Analysis

### Elite to High

Variable costs are pivotal in preserving the margins necessary for covering operating expenses. For elite sellers, we often see COGS maintained at an impressively low rate, underscoring the importance of efficient cost management. On the higher end, costs can escalate, impacting profitability.

	Elite	Median	High
<b>Costs of Goods Sold</b>	19%	27%	33%
<b>Fulfillment</b>	15%	20%	30%
<b>Marketplace Commissions</b>	15%	15%	17%
<b>Other Direct Costs</b>	0%	1%	4%

### Improve to Benchmark Opportunity (IBO)

Achieving COGS of 30% or lower is essential for e-commerce success, especially with rising freight costs. Consider strategic bulk ordering or increased frequency to mitigate air freight expenses, while carefully managing storage fees. Regular negotiations with suppliers for better rates are crucial. As fulfillment costs rise, optimizing packaging size and evaluating pricing strategies become imperative for maintaining profitability. These steps require a balanced approach to ensure financial health and market competitiveness.

# Gross Margin Analysis

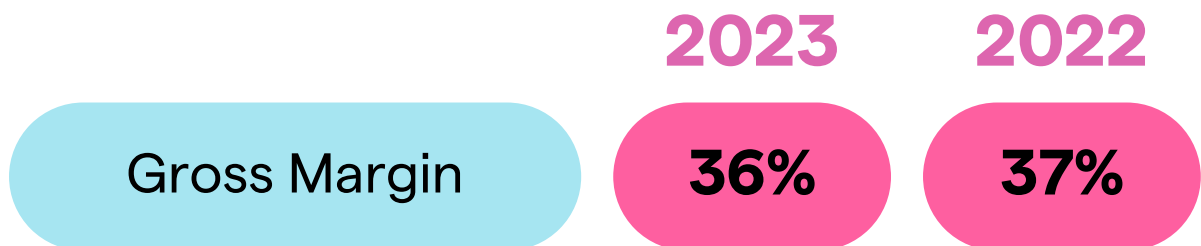
Gross Margin

# 63%

Gross Margin is the cornerstone of profitability, marking a critical measure of financial health for any e-commerce business. With an annual median hovering around 36%, it plays a pivotal role in determining a company's fiscal strength. A slight shift in Gross Margin, as little as 2%, can disproportionately impact net profit by up to 20%.

This underscores the importance of vigilantly managing Cost of Goods Sold (COGS) and fulfillment expenses to maintain, if not enhance, profitability.

To keep your Margins healthy review this number monthly and stay on top of your direct costs (see above) and always investigate if you start seeing those margins creep down

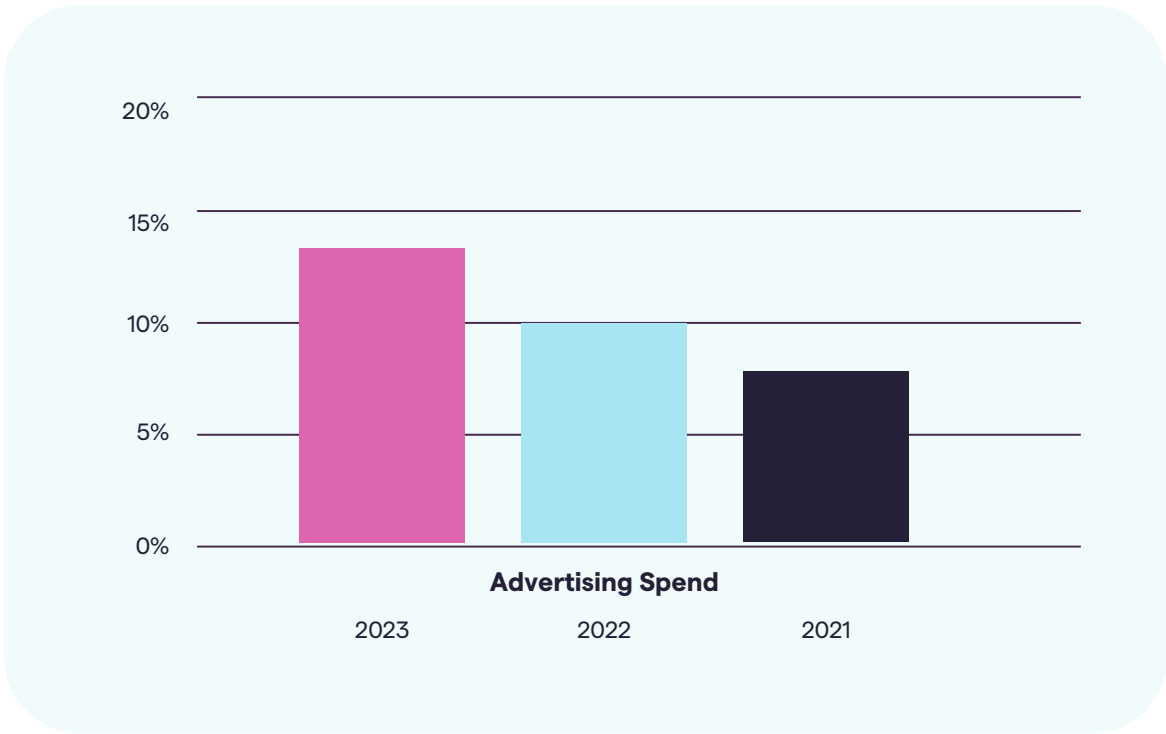


# Advertising

Opex

# 16%

Advertising is the most dynamic category for our clients, noticeably affected by seasonality and market strategy. It's considered a variable expense, though it doesn't neatly translate into per-unit costs on the P&L. The trend has been upward, from 14% of revenue in 2021 to 16% in 2023, underscoring the competitive push for brand visibility and sales growth.



# Advertising

Opex

## Elite to High Analysis

### Elite to High

Advertising in e-commerce is not just about spending; it's about strategic investment. The excitement of a sales spike, such as a 20% increase, underscores the need for careful planning. Ensuring each dollar spent on marketing smartly impacts your P&L is crucial. The fluctuation between exhilaration over growth and the reality of its costs highlights the complex nature of advertising spend.

	Elite	Median	High
Advertising Spend	5%	16%	30%

### Improve to Benchmark Opportunity (IBO)

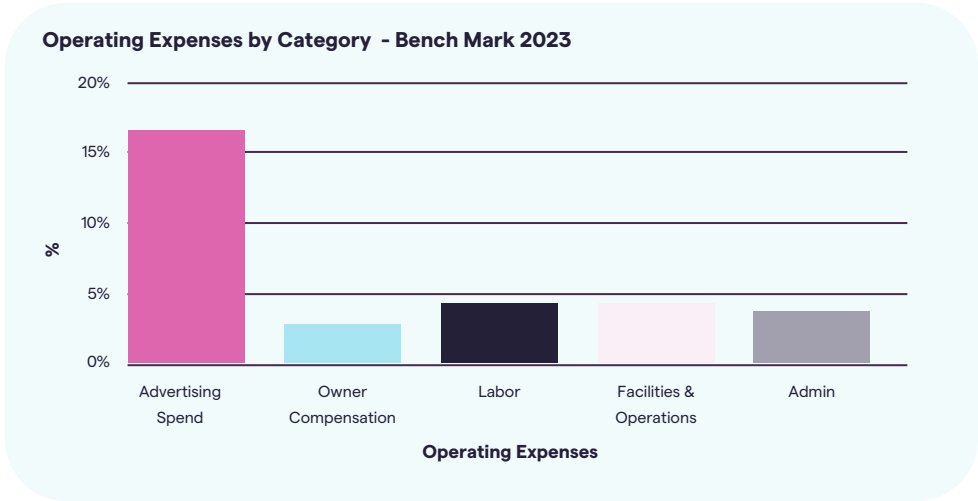
In advertising, context dictates strategy. Successful sellers invest wisely in marketing to reach their objectives. The key lies in maintaining a vigilant balance—meticulously tracking and analyzing each campaign's performance. By quantifying the effectiveness of advertising endeavors, sellers can pinpoint what enhances their outreach and what doesn't, optimizing their investment to align with both immediate gains and long-term profitability. Simply said, be reasonable here, if your Gross Margin is too low then investing in advertising is not likely going to do you any good, meanwhile if your margins are great but your sales are stagnating, considering a well thought out marketing and advertising plan would make sense.

# Operating Expenses

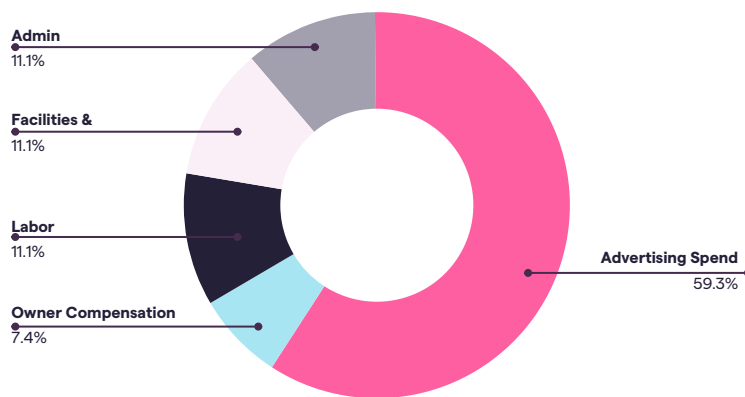
Opex

# 16%

Operating expenses, with advertising spend at the forefront (16% of revenue), are key drivers in gaining a competitive edge. However, this spending leaves a thin margin for other operational costs, which remain minimal in comparison.



### Operating Expenses Mix - Bench Mark 2023



# Operating Expenses

Opex

## Elite to High Analysis

### Elite to High

Operating expenses often fall under fixed costs, covering essential but non-sales-related activities such as contractual services, analytics tools, owner compensation, rent, and general administrative expenses. These are typically the first areas to consider for cost reductions to enhance profitability.

	Elite	Median	High
<b>Advertising Spend</b>	5%	16%	30%
<b>Owner Compensation</b>	7%	2%	1%
<b>Labor</b>	6%	3%	1%
<b>Facilities &amp; Operations</b>	7%	3%	1%
<b>Admin</b>	8%	3%	1%

### Improve to Benchmark Opportunity (IBO)

Benchmarking operating expenses can be complex due to varying business practices. Whether it's office rent or home-based operations, comparing your expenses to industry benchmarks is crucial. This comparison can reveal potential savings, helping validate or adjust your operational spending to align more closely with successful benchmarks, optimizing profitability.

# Conclusion

## 2023 and Beyond

In conclusion, this report has charted the financial currents and winds that shape the landscape of Amazon-focused e-commerce. We've navigated through various metrics, from the steadiness of returns and discounts to the rising tides of fulfillment fees. The gradual swell in advertising spend reflects a collective push for visibility and growth amidst the waves of market competition.

At MuseMinded, we are more than bookkeepers; we are financial strategists attuned to the rhythms of e-commerce. This report, born from the depths of data and analysis, is a beacon for sellers seeking to chart a course toward profitability and success. It underscores the necessity of balancing aggressive growth tactics with prudent financial stewardship. As the e-commerce seas continue to evolve, we stand ready to steer sellers through both calm and choppy waters, ensuring they not only stay afloat but sail ahead.

If you have any questions about this report or are interested in working with us further please reach out to [discovery@museminded.com](mailto:discovery@museminded.com) to schedule a call with us!

Cheers!

Jeff DeBolt, CPA  
Museminded.com



# MuseMinded

## Question & Information



[Discovery@museminded.com](mailto:Discovery@museminded.com)



[museminded.com](http://museminded.com)

