

VOLO

Adventures in ecommerce

The Three Big Questions in eCommerce

And How Your Analysis and Reporting Can Answer Them



Introduction

TLDR: Glamorous or not, analysis and reporting are the hum drum places you have to visit for success.

'Analysis' and 'reporting': two words almost guaranteed to glaze the eyes of many a business owner and send them scurrying for the back button. But wait! You need to replace them with three other words: profit, cash and growth.

More specifically, these are the three of the most important questions for your business:

- What margin are we making on each order?
- When and how much should we reorder of what for the best cash flow?
- How are we doing against plan?

In this ebook we're going to outline why it's important to ask these three questions and how we at Volo address them.

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Why is order margin analysis important?

Gross margin is the difference between the cost of goods sold (COGS) and the selling price. Here are seven reasons why understanding actual margins is important.

- **Maximising your profits.** By understanding order profitability you can optimise your product mix, pricing strategy and marketing to focus on higher-margin products
- **Refining your pricing.** In a dynamic trading environment you'll benefit from data that helps you stay competitive yet also profitable
- **Controlling your costs.** Knowing all the cost components of an order provides opportunity to negotiate confidently with suppliers and make your operations more effective
- **Managing your inventory.** Too much, too little or no inventory is bad, but continually knowing the right levels of inventory you should keep across all your products is the financial key
- **Measuring performance.** Tracking key metrics and data shows you where the market is moving and where is best to invest
- **Securing advantage.** Analysing order margins gives you the power to offer unique product bundles and develop stand-out features or add-ons
- **Planning your future.** Armed with your historical order margin history, you can better anticipate opportunities to grow or bumps in the road

It's easy to say that understanding profitability is important, but how do you do it down to the level of detail you need, such as on each specific order? The key point is this: your overall margin might appear healthy but sometimes you need to look deeper as it could be that some orders are actually losing you money, meaning you're having to work harder elsewhere.

A lot of companies have an end-of-the-month slog, importing and collating information, doing lots of calculations, when it's too late to influence the period in question. At Volo, we help our customers tackle this with a series of automated reports, some configurable, that they can use for analysis and action.

With Volo Vision, our reporting and analysis suite, we automatically bring in all your channel and order fees and allow you to set up rules so that Vision can compute your 'per order' courier fees, for example. There's a dozen reports in the Margin Analysis section of Vision, so rather than detailing them all, it's more useful to give an insight into how the typical Volo customer might run their business using Vision.

- Start with the Margin Breakdown report, which gives you your sales net of tax, your margin after order/fulfilment costs, and your margin percentage, across channels, suppliers, countries and products, for any time period you specify
- Go to the Margin Performance report, to see how the margin is tracking over time. How are you trending? How are all your different fees trending over time? Keep your finger on the pulse every day
- Go to the Order Margin detail. Everyone has the occasional negative margin order. Here you can see all costs related to specific orders, line-by-line, for the chosen time period
- Finish with the Net Margin report, which layers on another level of costs, all the operational non-fulfilment costs like fixed overheads, utilities, staff refreshments, as many as you like, to get to your true net profit before tax

Why should you believe all this? Because the biggest users of Vision are our most successful customers.

In conclusion, if you're not close to your margin data, or it's not your core competence, we advise you to find someone for whom it is. Your wallet, your accountant and your staff will thank you.

The vital role of understanding stock outages and forecasting

You don't want stock outages, which can mean lost sales and let-down customers. You also don't want too much inventory which ties up your money and drives up storage costs. Furthermore, missed opportunities due to stock outages also directly impact margins. Here are seven pretty obvious reasons for getting to that happy place in the middle.

- **Meet your customers' demand.** If you have the right products in stock at the right time, you can satisfy your customer requirements and keep them happy
- **Maximise your sales.** Forecasting your stock effectively helps you anticipate demand patterns and increase your sales of your popular products
- **Minimise your costs.** Accurately forecasting demand and the required stock levels benefits your cash flow and profitability
- **Improve your operations.** Getting your stock right reduces customer enquiries and the resources you need to service those enquiries

- **Enhance relationships with your suppliers.** Working closely with your suppliers on their side of the stock forecasting should help you improve stock availability and get better terms
- **Learn from your data.** Better understanding demand and seasonality trends means getting your inventory levels right, which is good for growth and profitability
- **Get a handle on the future.** Using the past and present enables you to look forward and avoid getting caught out by changing behaviours and preferences

All pretty straightforward then, in theory, but what about in practice? How do we tackle it for our customers? In the Inventory section of Volo Vision, our reporting and analysis suite, we provide them with a dozen reports all related to stock. Here's how a typical Volo user might understand their stock position and balance their stock on an ongoing basis.

- Start with the Inventory to Sales Ratio report, an industry-standard ratio of your average inventory value divided by your net sales, to make sure you're within recommended best practice ranges. Do this overall or by supplier
- Then go to the Dead Stock report to see what stock is languishing, forgotten about and tying up your cash. This will give you suggestions for where you can do promotions, discounts or bundles to free up cash
- Next, go to the Stock Outages report to see all products that have recorded sales and also experienced a stock outage during the selected period, resulting in the detailed loss of potential sales. Dig into individual SKUs, over any time period, then also look at your product run rate and suggested replenishment numbers so you can re-order for full stocking and reduce those lost sales
- If you don't want to or can't go in regularly, set up email notifications with a CSV attachment telling you what to re-order
- If you like, have the system automatically generate the re-order PO for you

For all of this, you can do your analysis at a 'purchase pack' level as well as an individual SKU level.

Our leading customers regularly push us to improve existing reports or create new reports to help them squeeze every possible advantage from their stock strategy.

You can do this work yourself, or you can get someone to build it for you, or you can talk to us to put it in place as soon as you're ready.

Why constantly tracking sales performance is important

Stuff happens really quickly in ecommerce. On the plus side, you can also measure it quickly and adjust accordingly. Here are seven reasons why you should be monitoring your sales performance early and often.

- **Getting real-time insights.** You can see revenue trends, product popularity and customer behaviour as they happen, allowing you to make quick, informed decisions
- **Correcting your course.** Good sales monitoring gives you leading indicators of success – or lack of it – rather than lagging indicators which you can't do anything about
- **Evaluating performance.** Analysing the KPI data – sales, average order value, conversion rates, product bundles, order margins – helps you optimise where you're investing time and money
- **Benchmarking your competitors.** Identifying competitor performance in the places where you sell helps you adjust your pricing and promotions to capitalise on your insights
- **Getting insights into your customers.** Who's buying what, where, what are they bundling, and so on? The more you understand what's going on, the more you can tailor your offerings
- **Staying agile.** Staying close to sales performance means reacting quickly to trends, opportunities and challenges
- **Planning for success.** Adopting planning processes is arguably more important than making the actual plan. Analysing sales performance data helps you stay on plan, or perhaps even change your plan

How do we approach sales performance reporting so our customers know if they're on plan or not? Volo Vision, our reporting and analysis suite, has a dashboard and over a dozen detailed reports which cover sales, orders, supplier performance and cross-border sales across your various ecommerce channels. Here's what a typical Volo customer would do on a daily basis to stay close to their sales.

- Start with the main Dashboard. Having imported your sales targets, you can see your actual business performance against plan for where you are in the month. You get a current daily pace, and a weighted daily pace which takes into account year-on-year performance. The dashboard also gives you at-a-glance daily sales figures, a pie chart of channel sales, annual sales graphs and top suppliers

- Go to the Performance to Target report within Vision's Sales Performance section and see your metrics on previous months, your daily, month-to-date and year-to-date performance against plan, together with sales projections for the year, so that you can course correct if necessary
- Then go to the Performance Comparison report to easily compare any two periods such as month-on-month or year-on-year, either by headline figure or by channel, supplier, product sales, or product volumes to get the bigger picture on your progress

Doing this daily, rather than when the month has closed for example, means you can make changes before it's too late. Our most successful customers are regularly looking at their performance and checking their KPI emails to make sure they're not missing anything important.

To make sure you're not missing anything important, now's the time to check your sales performance or ask us for help.

Next steps

The three biggest questions are about the three most important things in pretty much any business: what margin are we making on each order is about **profit**; when and how much should we reorder of what is about **cash flow**; how are we doing against plan is about **growth**.

There's one answer to all three questions: **automated analysis and reporting**, which does the work for you and gives you the direction you need, quickly and easily.

To discuss how you can more successfully address these three big questions and scale your business profitably, please [get in touch](#).



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Volo provides an ecommerce platform, a reporting platform and services for online multichannel sellers.

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