FINANCIAL DIAGNOSTIC

Gross Margin Diagnostic™

Gross margin is the first economic gate. It determines how much room remains to pay for acquisition, fulfilment, returns, service, technology and overhead.

Gross margin % = (Net revenue - product cost) / Net revenue

Use net revenue after discounts, taxes and cancellations. Product cost should include every cost required to produce a saleable unit, not only the formula or finished-goods invoice.

ENTER YOUR CURRENT ECONOMICS

Net revenue per order ₹

Product cost per order ₹

Gross profit per order ₹

Gross margin %

DECISION TEST

- [ ] Do you calculate gross margin using realized net revenue rather than MRP?
- [ ] Does product cost include manufacturing loss, inward freight and quality failure?
- [ ] Can you see gross margin by SKU, channel, bundle and promotion?
- [ ] Is margin sufficient to fund acquisition without relying on future repeat orders?

LEAKAGE MAP

Gross Margin Leakage Map™

The product-cost line is often a bundle of avoidable leaks. Diagnose the components before negotiating only the finished-goods price.

1	Formula and materials	High-cost actives, inefficient dosage and supplier fragmentation
2	Manufacturing	Conversion charge, poor line utilization, setup and cleaning losses
3	Yield and quality	Batch rejection, overfill, leakage, rework and expiry
4	Packaging	Primary pack, decoration, inserts, cartons and protection
5	MOQ and complexity	Small batches, too many variants and slow components

Leak quantification worksheet

Current annual product cost		
Target annual product cost		
Annual addressable saving		top two leaks, not all six.

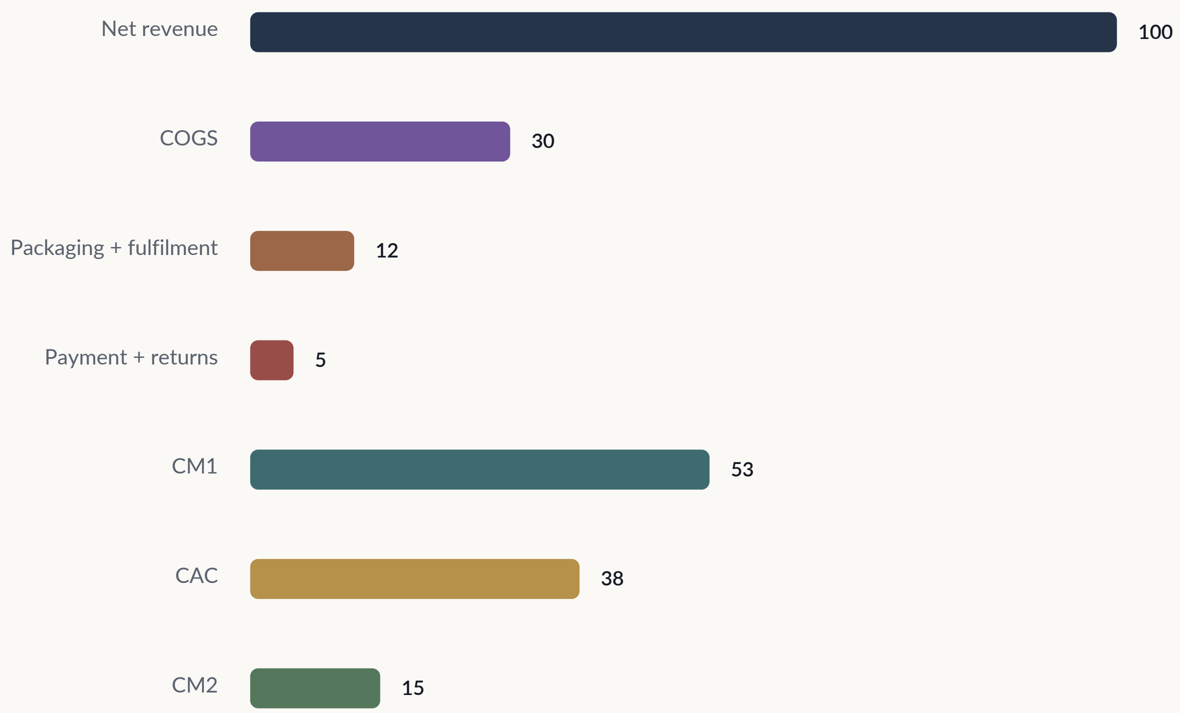
FINANCIAL DIAGNOSTIC

Contribution Margin Diagnostic™

Contribution margin shows whether each order creates cash before fixed overhead. It is the economic truth that revenue and ROAS can conceal.

CM1 = Net revenue - COGS - fulfilment - payment fees - returns

CM2 subtracts customer acquisition cost from CM1. Track first-order CM2 separately from repeat-order contribution because the economics are structurally different.



YOUR ORDER ECONOMICS

CM1 per first order		CAC per new customer	
CM2 per first order		CM2 per repeat order	

OPERATING BANDS

Contribution Margin Decision Bands™

These are diagnostic operating bands, not universal industry benchmarks. Validate them against category, return rate, price point, channel and growth stage.

Band	Assessment	Implication
CM2 above 15%	Positive and scalable	Acquisition can fund growth while preserving reinvestment capacity.
CM2 from 5% to 15%	Positive but fragile	Small cost or CAC shifts can erase contribution. Tight control is required.
CM2 from 0% to 5%	Break-even zone	Growth may consume cash once overhead, tax and working capital are included.
	Loss-making acquisition	

Channel contribution comparison

Channel	CM1	CAC / fee	CM2	Decision
Shopify				
Amazon				
Quick commerce				

ACQUISITION ECONOMICS

Customer Acquisition Cost Diagnostic™

CAC should be measured as a business outcome, not only as an ad-platform metric. Include every cost required to create a new paying customer.

Blended CAC = Total acquisition cost / New paying customers

Include media, agency and creator fees, affiliate commissions, production, acquisition-led discounts and other directly attributable acquisition costs.

1	**Platform CAC**	Media spend divided by attributed new customers
2	**Marketing CAC**	Media plus agency, creative and campaign production
3	**Fully loaded CAC**	Marketing CAC plus acquisition discounts and commissions

CAC WORKSHEET

Monthly acquisition spend		New paying customers	
Blended CAC		First-order CM1	
First-order payback		Target CAC ceiling	

RECOVERY FRAMEWORK

CAC Recovery Ladder™

Do not respond to rising CAC by reducing media alone. Repair the system in the order that protects demand quality and contribution.

1	**Measurement integrity**	Separate new and returning customers. Reconcile attribution with orders and CRM.
2	**Creative relevance**	Improve problem clarity, proof, demonstration and audience-message fit.
3	**Landing conversion**	Repair mobile speed, trust, hierarchy, checkout and payment friction.
4	**Offer economics**	Use bundles, thresholds and value architecture instead of deep discounting.
5	**Retention loop**	Shorten time to second order through onboarding, replenishment and service.
6	**Earned acquisition**	Build referral, advocacy, organic search, community and partnerships.

Select the first recovery intervention

Choose one intervention with a measurable 30-day outcome.

RETENTION ECONOMICS

Customer Lifetime Value Diagnostic™

Use contribution-based cohort LTV, not projected revenue multiplied by optimistic repeat assumptions.

Contribution LTV = Cohort contribution generated over a defined period

State the time horizon explicitly, such as 90, 180 or 365 days. Use realized behavior and subtract variable costs, service costs, returns and retention incentives.

COHORT WORKSHEET

Cohort	Customers	90-day revenue	90-day contribution	LTV:CAC
Month 1				
Month 2				
Month 3				

LTV INTEGRITY CHECKS

- [ ] Repeat rate is measured by cohort, not blended customer count.
- [ ] LTV uses net revenue after refunds, discounts and taxes.
- [ ] LTV subtracts fulfilment, payment, returns and retention costs.
- [ ] The time horizon matches the CAC payback decision.
- [ ] Best customers are not used to represent the average cohort.

EXPANSION FRAMEWORK

LTV Expansion Engine™

Increase LTV by improving customer outcomes and reducing time to the next valuable purchase, not by increasing message frequency.

EXPANSION CHOICE

Primary LTV lever		**Expected 90-day effect**	
Customer outcome that must improve			

ORDER ECONOMICS

Average Order Value Diagnostic™

AOV should improve contribution and customer value. A larger basket that depends on deep discounts or low-margin add-ons can reduce profit.

AOV = Net revenue / Completed orders

Track net AOV after discounts, cancellations and refunds. Compare AOV with gross profit per order, fulfilment cost per order and CAC.

Hero single

Simple conversion, but may carry the full acquisition cost.

Outcome bundle

Combines products around one outcome with better contribution.

Threshold incentive

Uses free shipping or a gift above a viable cart value.

Premium system

Creates a higher-value regimen with proof, guidance and service.

AOV ECONOMICS WORKSHEET

Current net AOV		Gross profit per order	
Fulfilment cost per order		Target net AOV	
Bundle attach rate		Free-shipping threshold	

EXECUTIVE SCORECARD

Executive Financial Dashboard™

Concentrate on the weakest economic link. The objective is not to improve every metric simultaneously, but to remove the constraint preventing profitable growth.

Gross margin
Score / 10

Contribution
Score / 10

CAC
Score / 10

LTV
Score / 10

AOV
Score / 10

PRIORITY MATRIX

Leak	Annual value	Effort	Owner	90-day action

Turn the diagnostic into a margin recovery plan.

Book a focused executive diagnostic to identify the highest-value leaks, quantify the recovery opportunity and define a 90-day action sequence.

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