

**What is the
true cost and margin
profile for each product
category?**

Fully burdened costs reveal a radically different profitability landscape



The Core Finding

Standard gross margins are overstating actual portfolio health by an average of 36%.



The Major Discrepancy

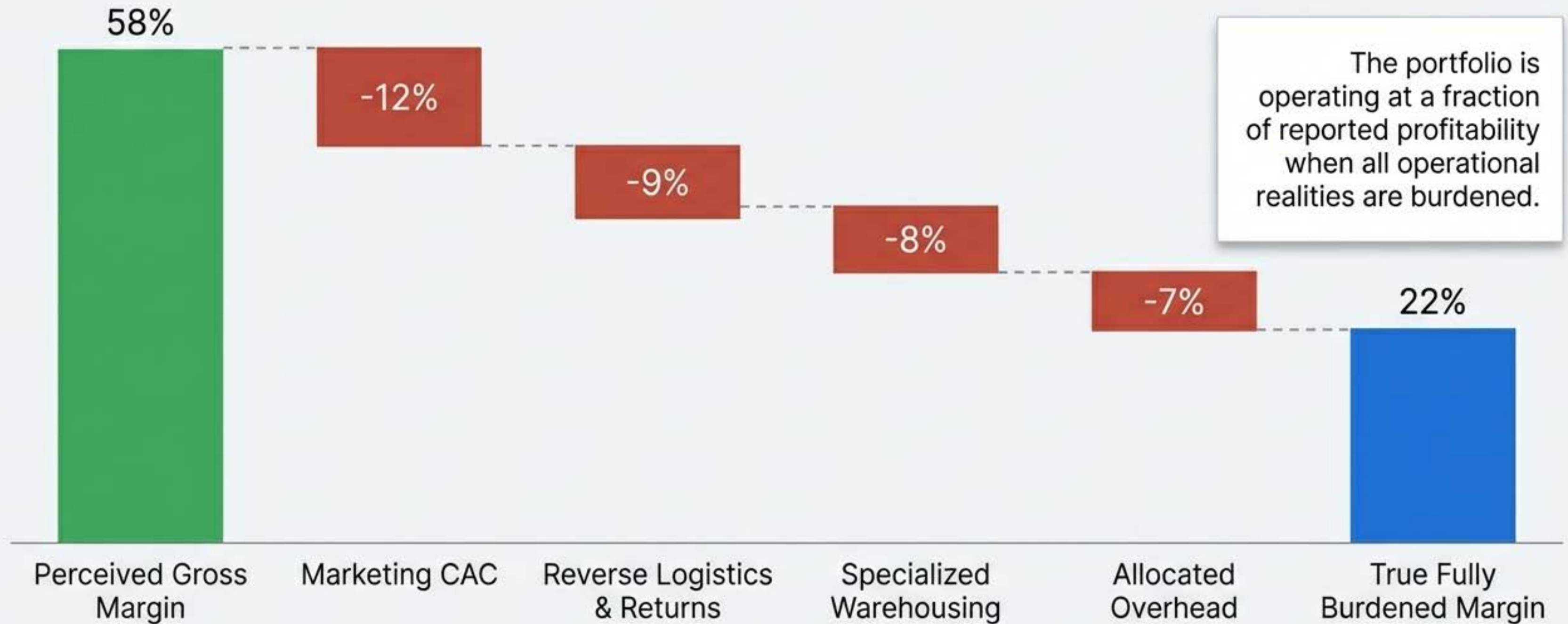
While Category B appears to be our revenue leader, hidden logistics and return costs render its true margin negligible.



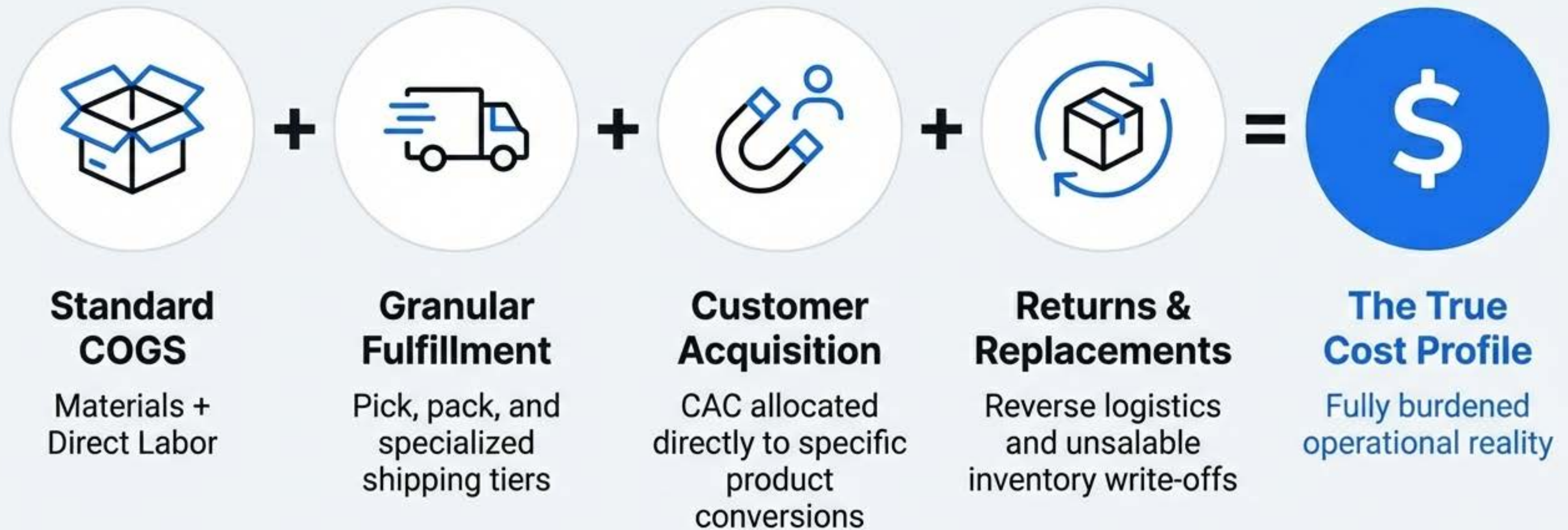
The Mandate

Reallocating marketing spend from Category D to Category C and optimizing Category B supply chain will immediately recover 14% in net profit.

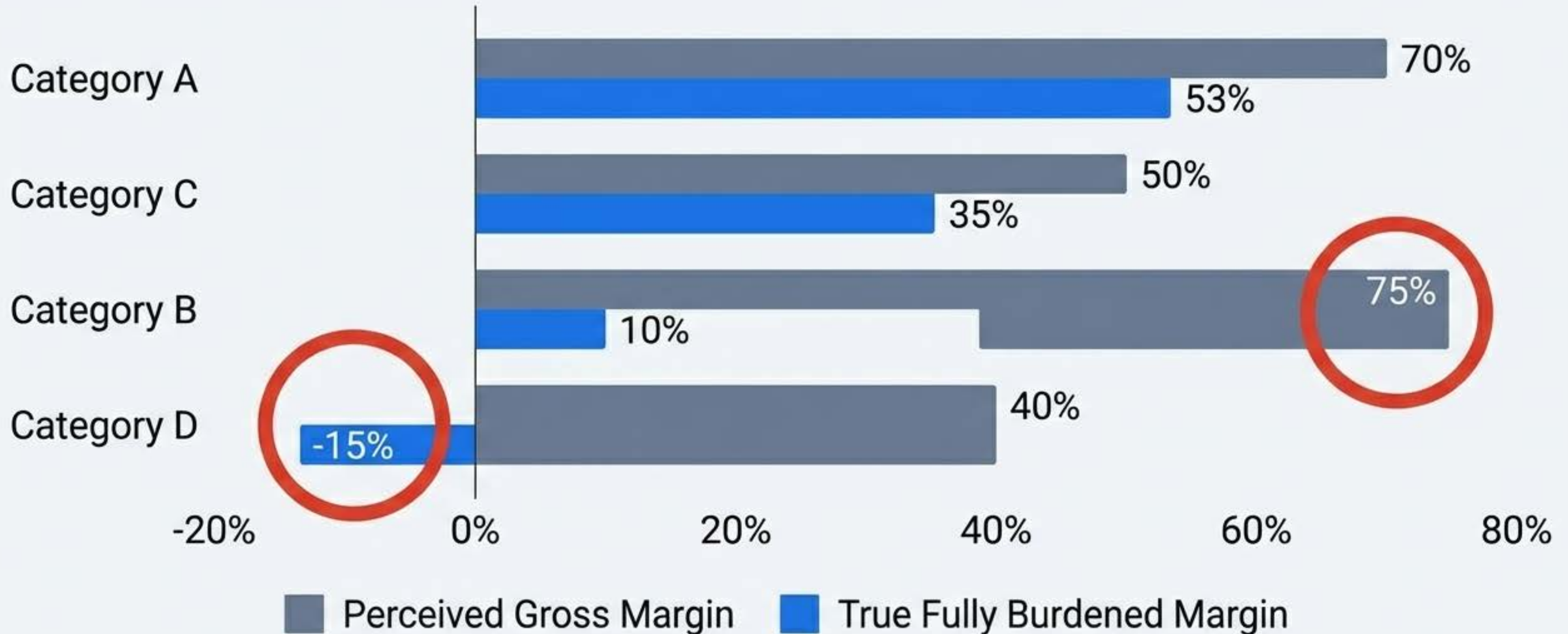
Standard gross margin reporting severely masks underlying operational drag



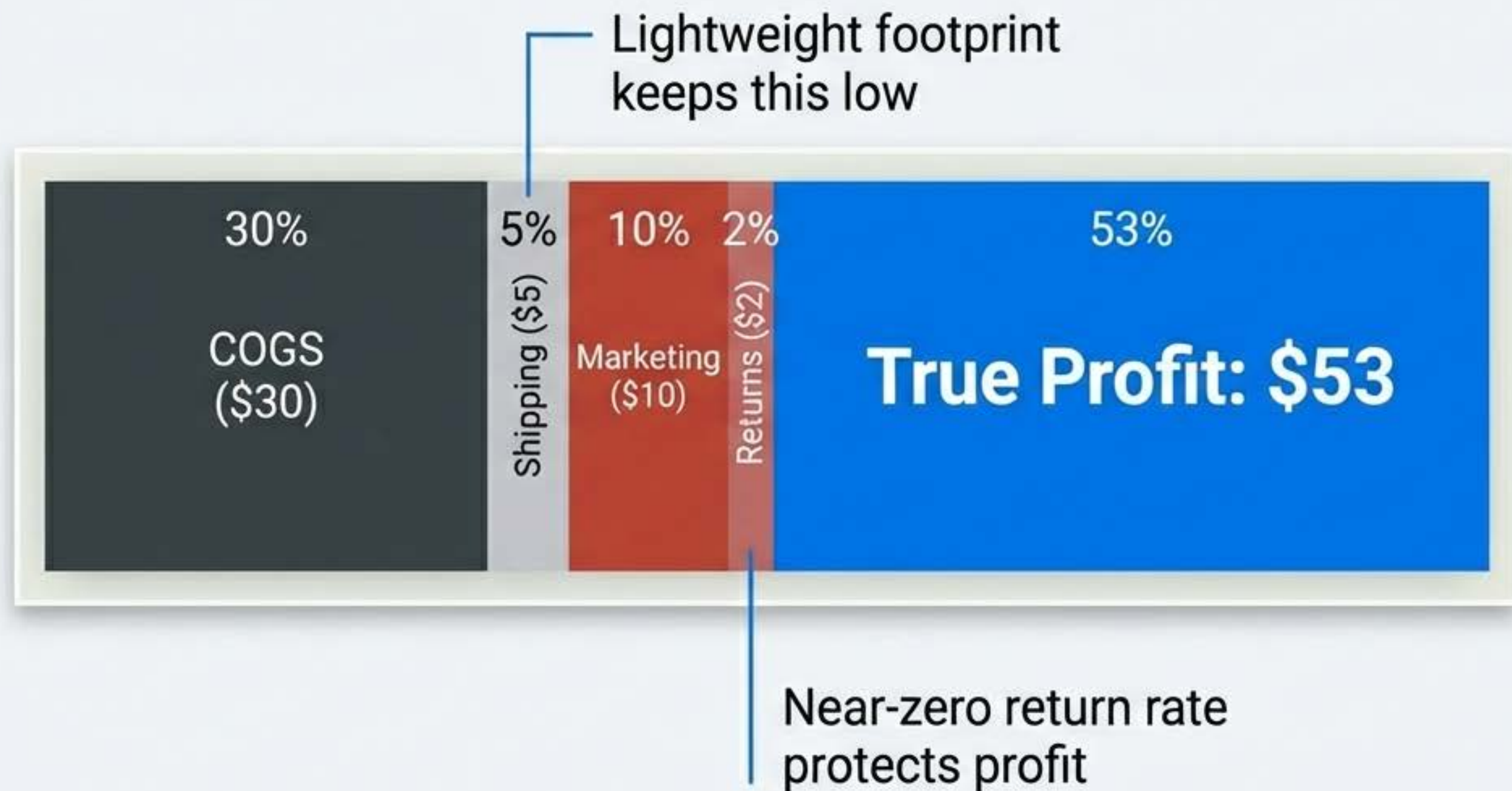
Moving from standard COGS to fully burdened unit economics



Ranking the portfolio reveals severe structural profitability disparities



Category A sustains high actual margins due to negligible fulfillment and return costs



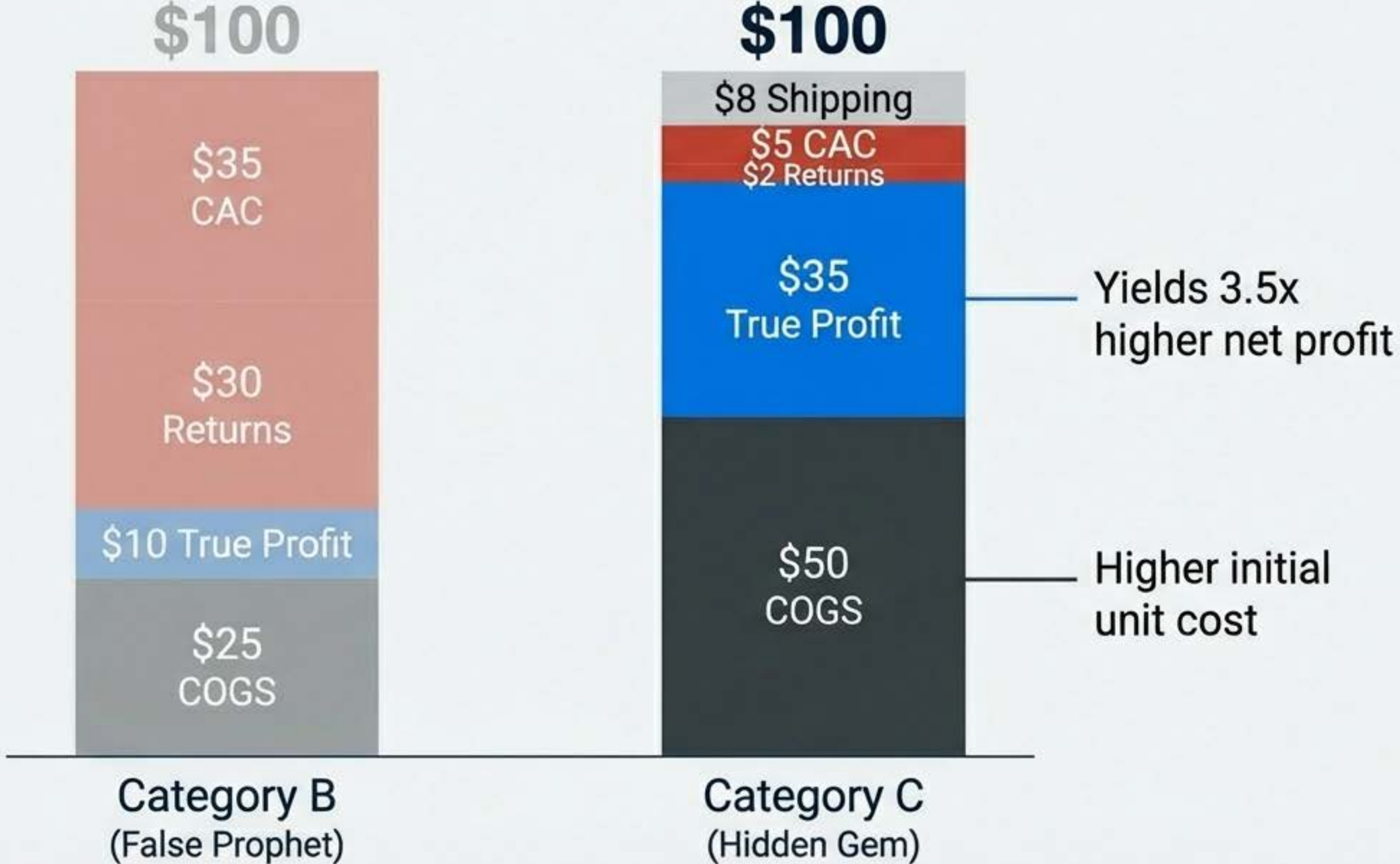
Strategic Takeaway:

Protect and scale. This category requires minimal operational intervention and generates outsized cash flow.

Customer acquisition and reverse logistics erase Category B's massive gross margin advantage

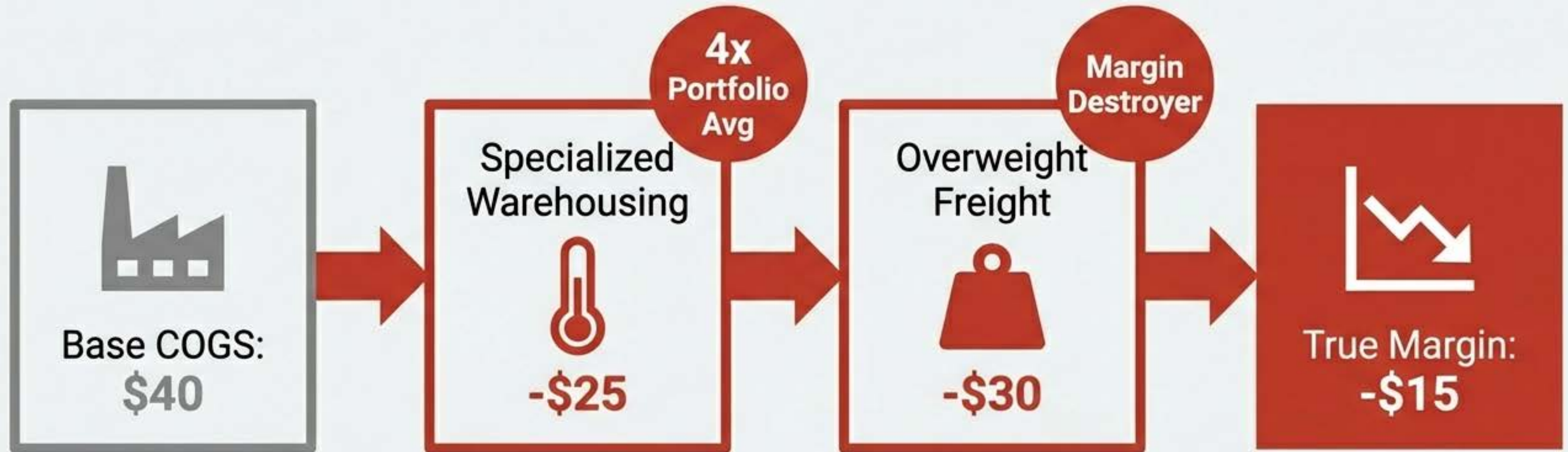


Operational efficiency transforms Category C into a highly profitable growth engine



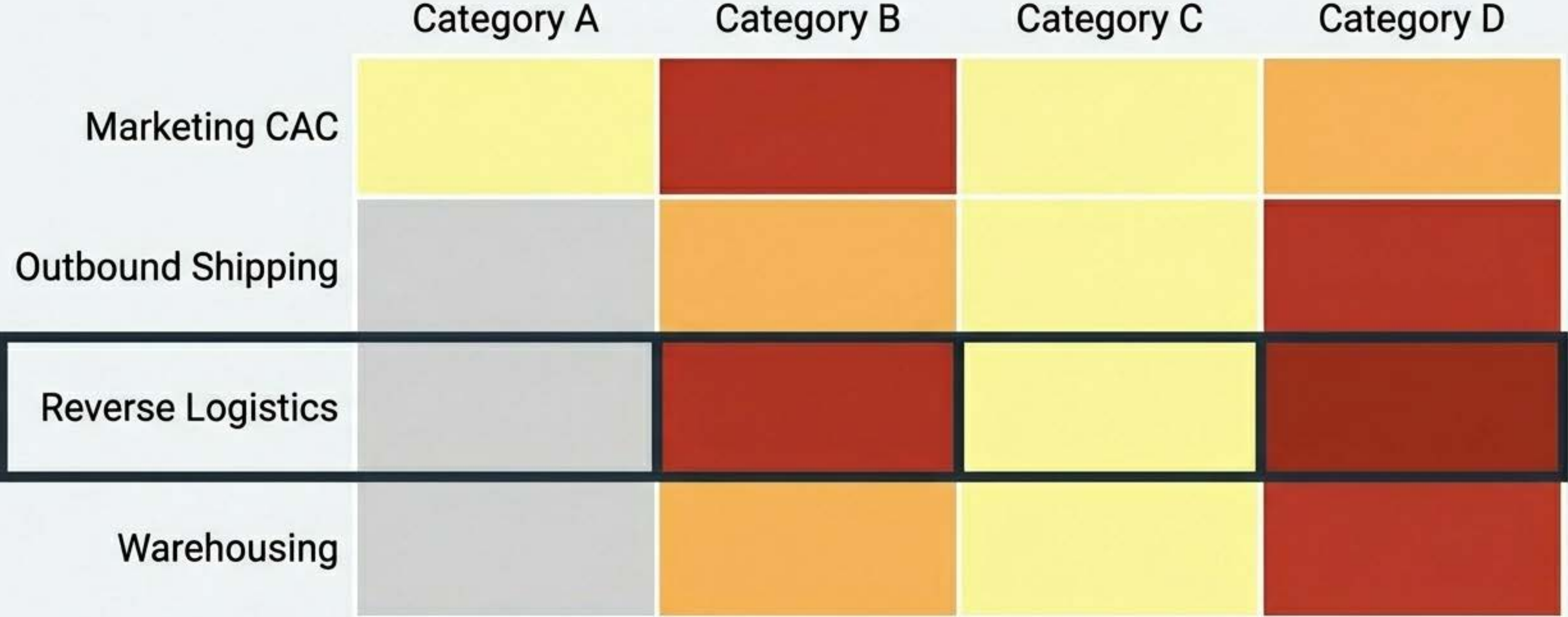
Because it essentially sells itself and ships efficiently, Category C converts 70% of its gross margin directly to the bottom line.

Specialized handling requirements make Category D inherently loss-making

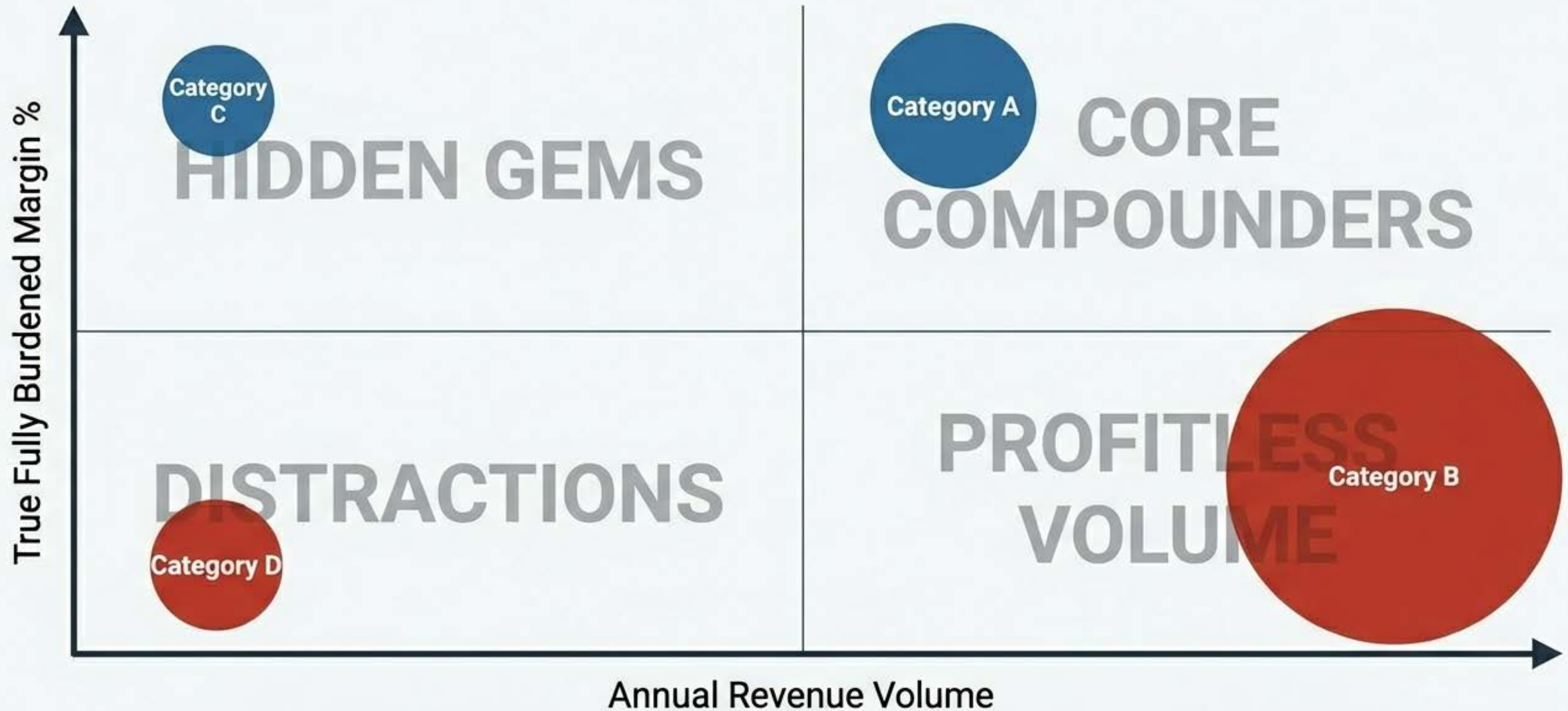


Every unit sold actively destroys margin. Without a fundamental redesign of the supply chain or a massive price increase, volume growth accelerates capital burn.

Reverse logistics and specialized warehousing drive the majority of margin erosion



Mapping the portfolio dictates distinct strategic mandates for each category



Immediate operational directives based on true portfolio economics

Prune & Reprice (Defensive)

- ✓ Initiate an immediate 15% price increase on Category D to offset specialized freight costs.
- ✓ If margin remains negative post-hike, discontinue Category D entirely within 2 quarters.

Supply Chain Intervention (Operational)

- ✓ Launch an aggressive returns-reduction initiative for Category B, tightening sizing guides and return windows.
- ✓ Renegotiate 3PL contracts specifically optimizing for Category B handling.

Reallocate Capital (Offensive)

- ✓ Shift 40% of the performance marketing budget away from Category B and push it entirely into scaling Category C, our highest true-margin converter.