

Deconstructing Unit Economics to Uncover the True COGS Floor

An analytical teardown of current per-order costs and the strategic operational levers required to reach peak margin efficiency.



Three strategic levers will drive our true marginal cost down to the targeted COGS floor

Current True Marginal Cost

\$78.50 per order



1. Procurement & Sourcing Restructuring

Target COGS Floor

\$52.00 per order



2. Fulfillment & Logistics Optimization

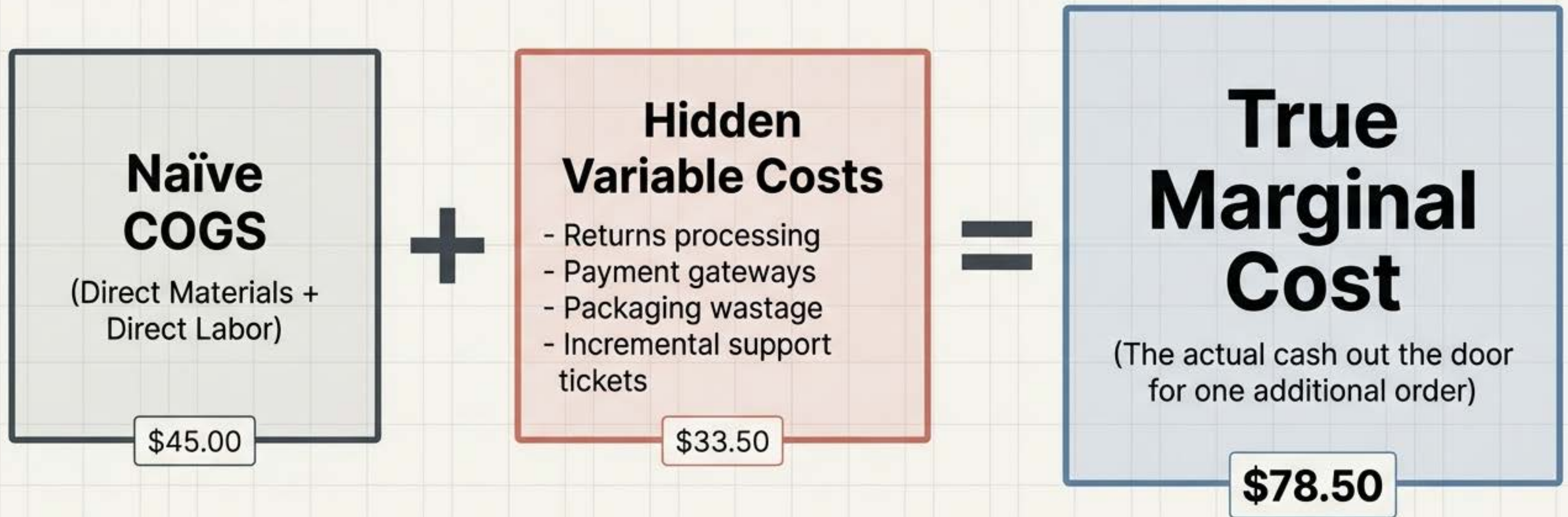
Total Margin Recapture

\$26.50 per order



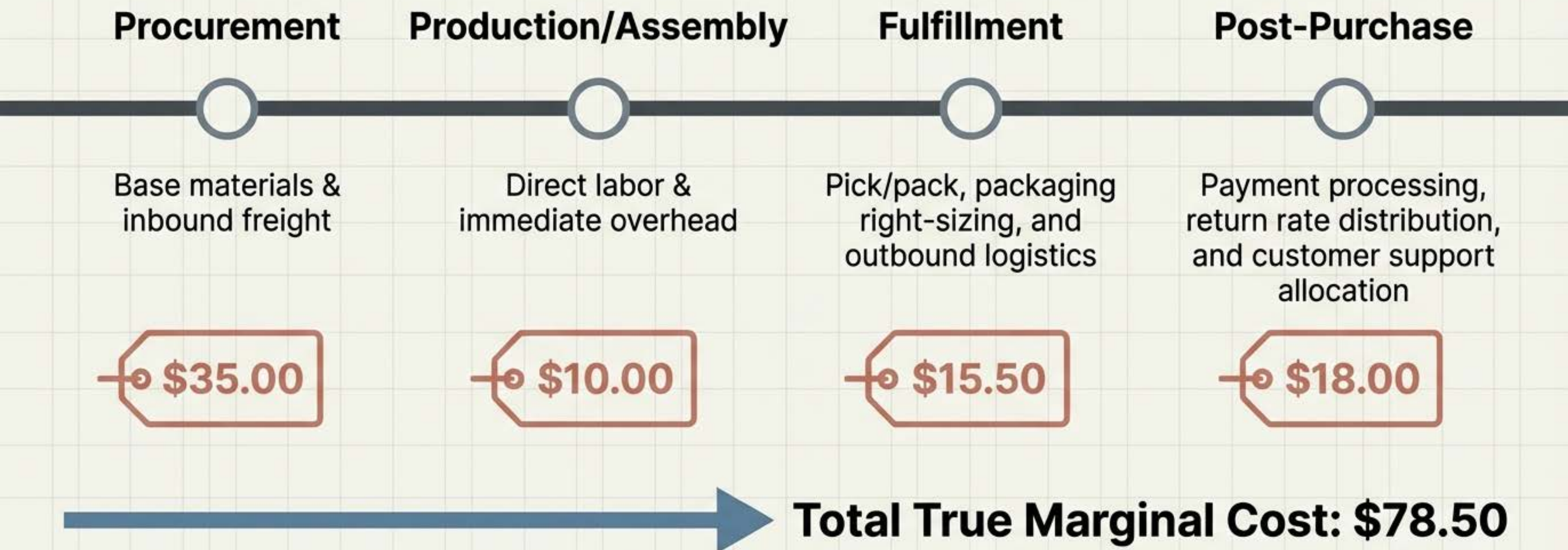
3. Targeted Automation & Waste Reduction

Standard accounting models obscure the hidden variable costs that erode per-order margins

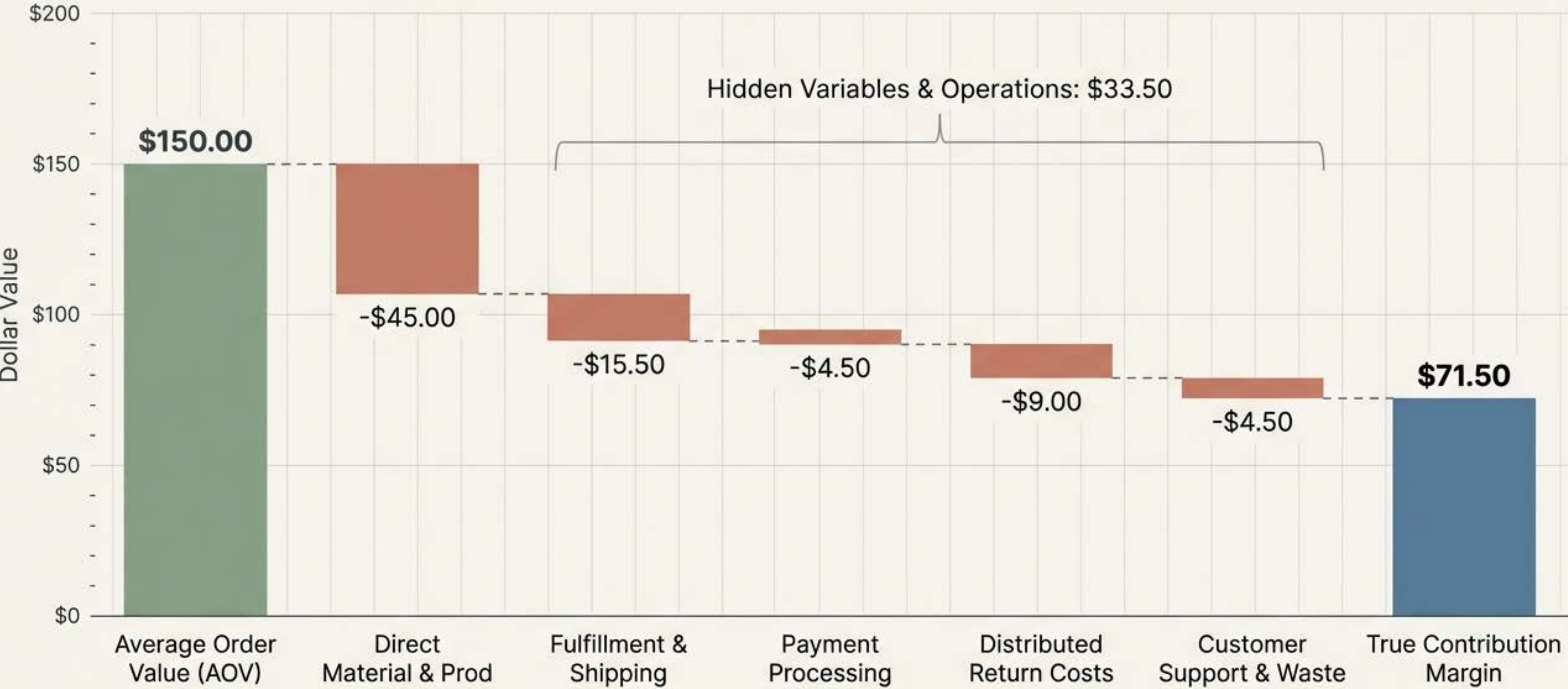


By isolating the hidden variables from allocated fixed costs, we define the exact baseline required for operational optimization.

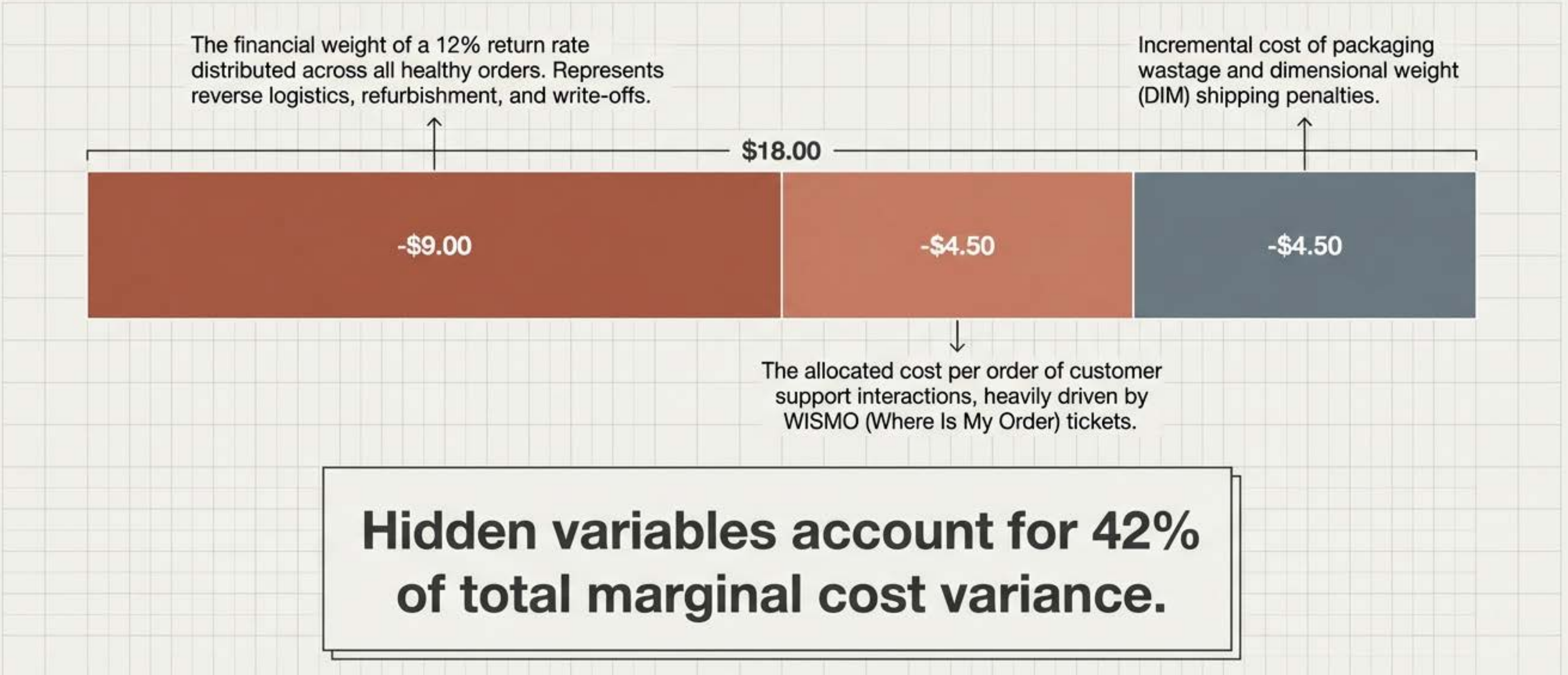
Every node in the order lifecycle accumulates specific, identifiable costs



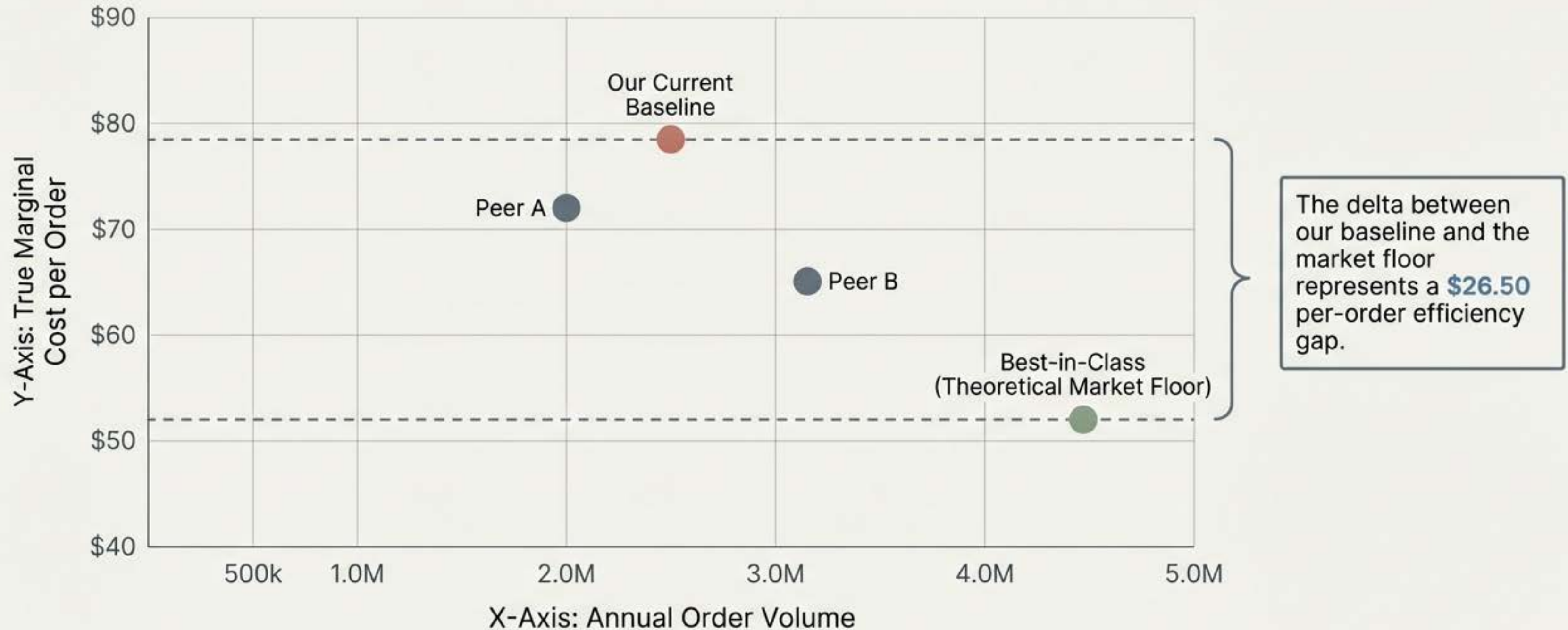
The current margin waterfall reveals exact leakage points from top-line revenue to true contribution



High-volatility operational costs represent the most significant opportunity for immediate recapture



Industry benchmarking establishes a theoretical floor significantly lower than our current baseline



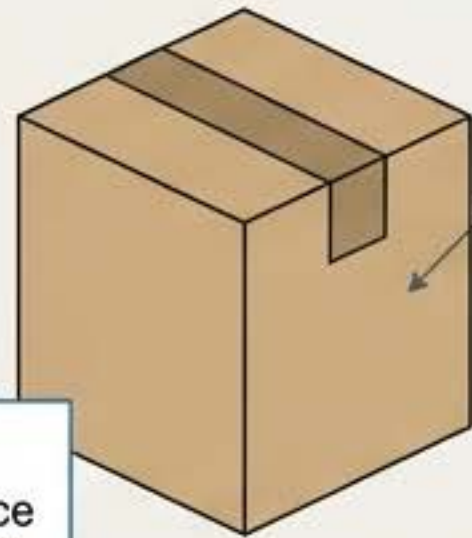
Aggressive procurement restructuring will push down base material costs at the source

Supplier Renegotiation	Volume Tiering	Alternative Sourcing
Leveraging historical purchase data to drive 15% reductions on our top 10 core SKUs. Restructuring payment terms to net-60.	Committing to strategic 12-month bulk intervals, bypassing premium unit pricing and shielding operations from spot-market volatility.	Qualifying secondary and tertiary tier-2 vendors to break single-supplier monopolies and create competitive bidding tension.

Targeted Savings: -\$6.50 per order

Optimizing fulfillment and logistics physically shrinks the footprint and transit cost of every order

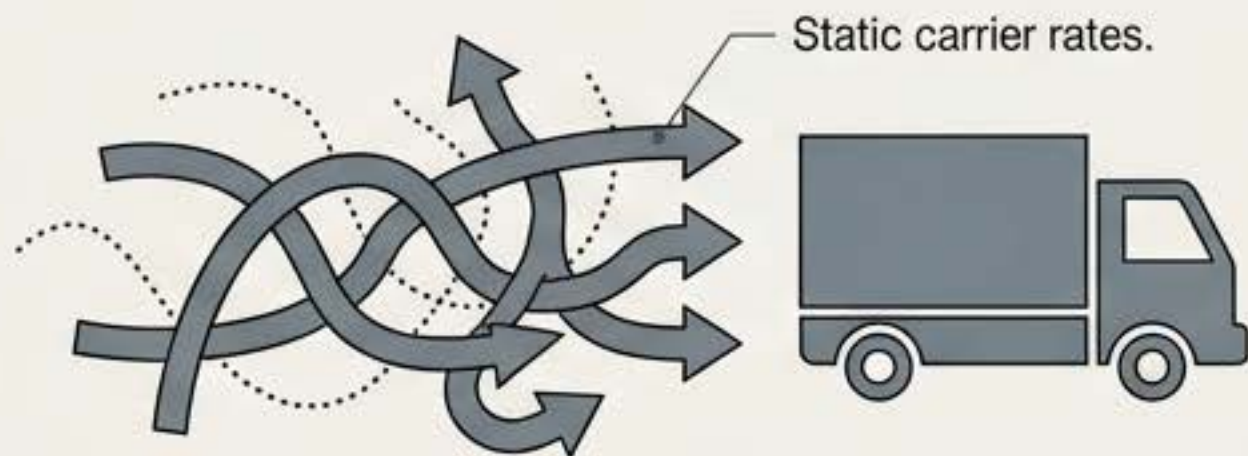
Current State (Inefficient)



Dead air incurs DIM weight penalties.

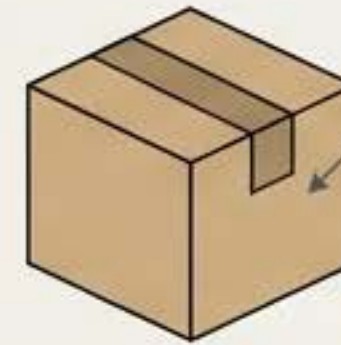
Packaging Right-Sizing:
Eliminating dead air to reduce DIM weight penalties (-\$2.50).

Routing Software Optimization:
Dynamic carrier selection based on real-time transit rates (-\$3.00).



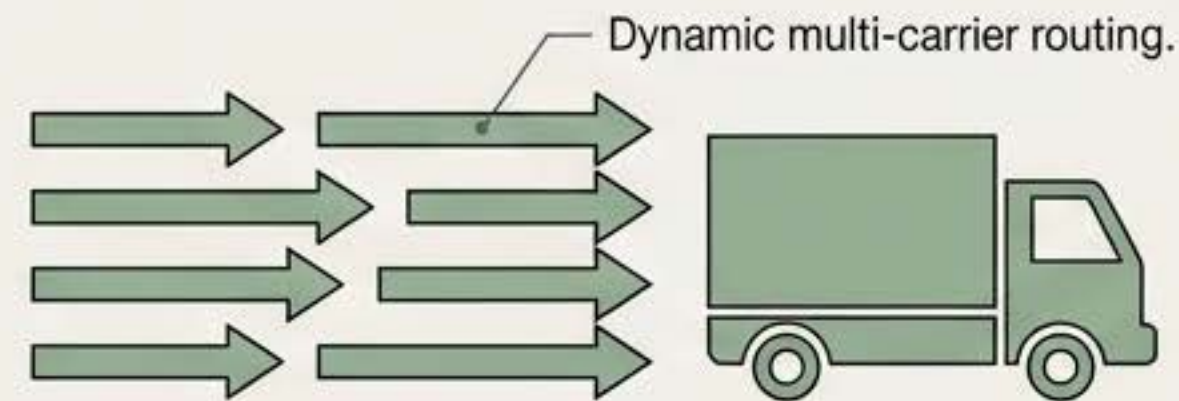
Static carrier rates.

Optimized Flow (Future State)



Optimized volume reduces DIM impact.

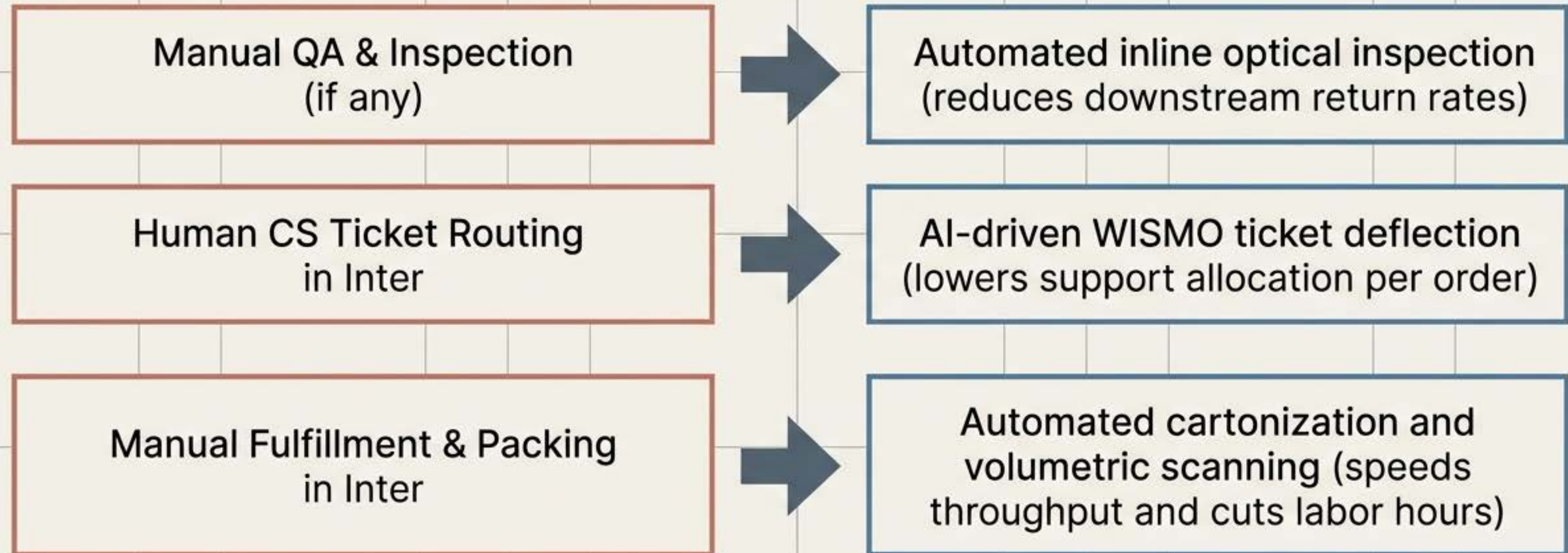
3PL Rate Negotiation:
Restructuring zone-skipping and base pick/pack fees (-\$3.00).



Dynamic multi-carrier routing.

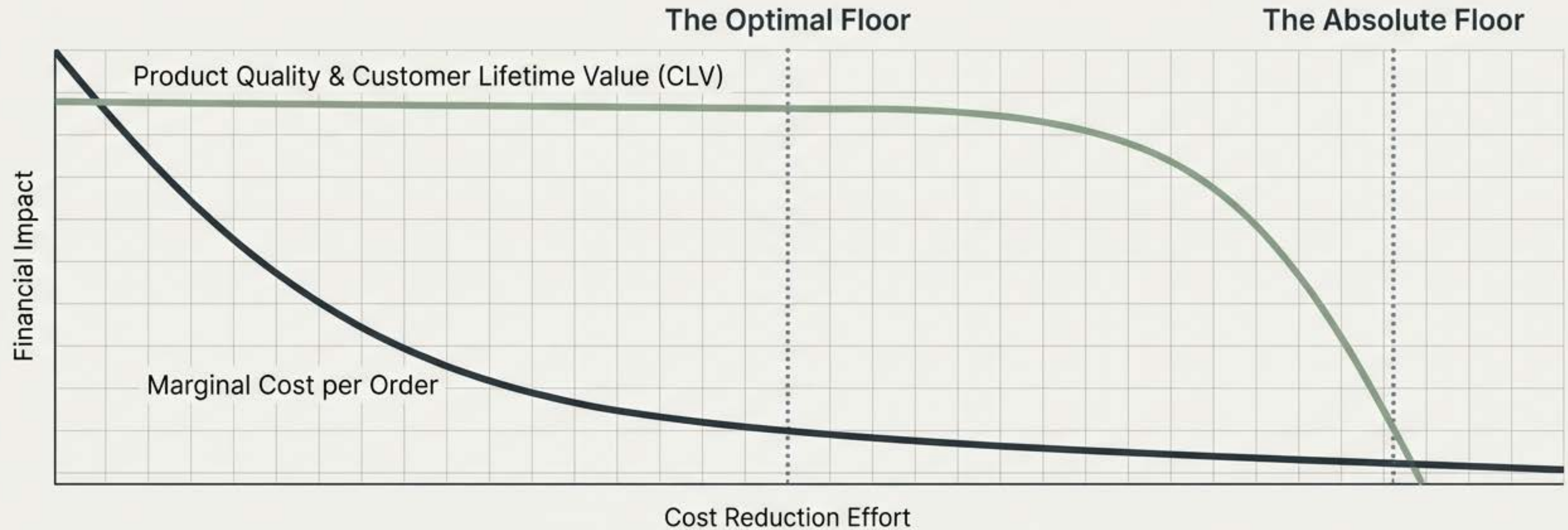
Targeted Savings: -\$8.50 per order

Targeted automation investments permanently shift volatile variable expenses into predictable fixed costs



Targeted Savings: -\$11.50 per order

The optimal COGS floor balances aggressive cost reduction against customer lifetime value



We are targeting the Optimal Floor. Pushing past this point yields negative unit economics over a 12-month customer lifecycle by actively degrading the customer experience and destroying LTV.

Executing these operational levers fundamentally restructures our per-order unit economics

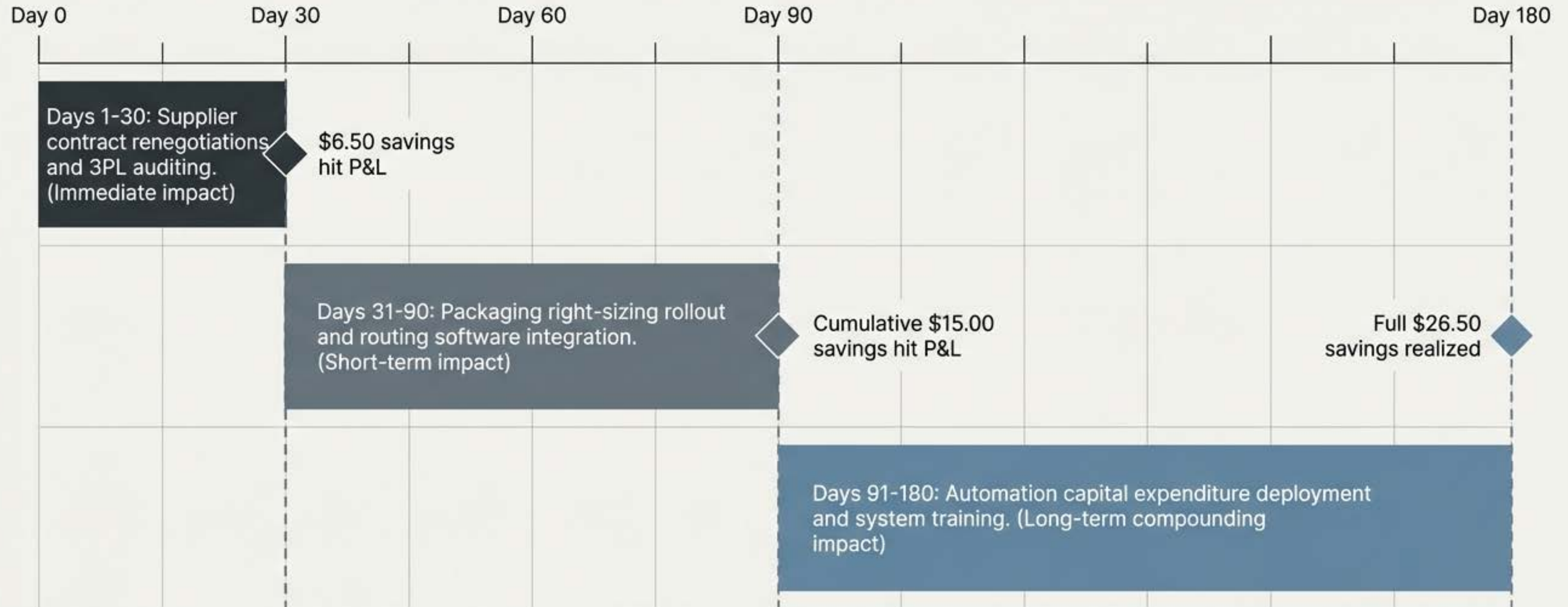


Modeled scenarios demonstrate robust margin expansion even under conservative execution assumptions



Even in our most conservative modeling, executing the fulfillment optimizations alone guarantees a minimum \$13.50 per order margin lift.

The execution roadmap sequences these initiatives over 180 days to realize compounding savings



Fractional savings at the unit level compound into massive aggregate profitability

Targeted Per-Order Savings

Projected Annual Order Volume

Annualized EBITDA Impact

$$\mathbf{\$26.50} \times \mathbf{2,500,000} = \mathbf{\$66,250,000}$$

Pushing COGS to the optimal floor unlocks the capital required to self-fund future growth and structurally defends our valuation.