E-COMMERCE AND ONLINE BRANDS

A playbook for selling physical products online: sourcing, margins, fulfillment, advertising and building a brand customers return to.

TYPE: PLAYBOOK REVIEWED: NOVEMBER 2026 TIME: 13 MINUTES LEVEL: INTERMEDIATE

AT A GLANCE

- Online brands can reach customers anywhere, but **advertising costs, shipping and returns** can quietly eat your profit.
- Healthy online brands usually need **strong gross margins** so there's room to pay for marketing.
- **Repeat customers and email lists** are how online brands become profitable over time.

WATCH OUT

Figures are general, illustrative ranges as of the review date. Product rules (for cosmetics, food, supplements, children's products) and sales tax obligations apply online too.

How products get made

Approach	How it works	Trade-offs
Make it yourself	You produce by hand or in small batches	Control and quality; limited scale
Contract manufacturer	A factory makes your design	Larger orders and quality checks needed
Private label	Your brand on an existing product	Faster; harder to stand out
Wholesale reselling	Buy products and resell	Lower margins
Print-on-demand or dropshipping	Supplier makes and ships each order	Low risk; low margins and less control

How the money works (illustrative)

Line	Share of revenue
Revenue	100%
Product cost	20% to 40%
Shipping, packaging and fulfillment	10% to 20%
Payment and platform fees	3% to 6%
Returns and discounts	2% to 10%
Advertising and marketing	15% to 30%
Other (software, staff, office)	5% to 15%
Profit before owner pay	**Often 0% to 15%, higher with strong repeat sales**

EXAMPLE

Amara's skincare brand spends about **$28** in ads to win a new customer. Her first order earns about **$14** after product, shipping and fees, so she loses money on the first sale. But 45% of customers reorder within 3 months, and loyal customers buy about 4 times a year. Her email and text list drives those repeat orders almost for free, which makes the business profitable. See **M-09 Unit Economics: What Each Customer Is Worth**.

Numbers to track

KPI	What it tells you
Conversion rate	Share of visitors who buy
Average order value	How much each order brings in
Customer acquisition cost	Ad spending per new customer
Repeat purchase rate	Loyalty
Lifetime value	Total profit per customer over time
Return rate	Product quality and fit
Contribution margin per order	Profit after product, shipping, fees and ads

Fulfillment

- **Ship yourself** at first to learn and control costs.
- **Use a fulfillment service** when volume grows.
- **Set free-shipping thresholds** to raise order size.
- **Clear return policies** reduce disputes.

Funding

- Pre-orders and rewards crowdfunding. See **R-09 Crowdfunding: Rewards and Investment**.
- Revenue-based financing for inventory and ads, carefully. See **R-08 Revenue-Based Financing**.
- Inventory financing and lines of credit. See **R-07 Equipment Financing and Lines of Credit**.
- Angel investors for brands with strong growth. See **R-10 Angel Investors**.

Ways to grow

- Wholesale to stores. See **G-07 Landing Big Customers and Partners**.
- Marketplaces alongside your own store
- New products for existing customers. See **G-06 Adding New Products and New Markets**.
- International shipping. See **G-12 Expanding to Other Countries**.

Common mistakes

- **Pricing without counting shipping, returns and ads**
- **Buying too much inventory before demand is proven**
- **Depending on one ad platform or marketplace**
- **Ignoring repeat customers and email**
- **Breaking product labeling or claims rules**

Launch checklist

- ☐ Calculate the full cost of one order, including ads
- ☐ Test demand with pre-orders or small batches
- ☐ Check product, labeling and sales tax rules
- ☐ Set up an online store and an email list
- ☐ Track customer acquisition cost and repeat rate from day one

Where to go next

- **L-10 Selling Online: E-commerce Basics**
- **M-09 Unit Economics: What Each Customer Is Worth**
- **O-09 Inventory Management**

IMPORTANT
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