

2023  
Ecommerce  
Analysis:  
People, Profits & Projections

Hampton

# How did Ecommerce brands do in 2023?

Hampton runs a private community for high-growth tech founders and CEOs.

We asked our community of Ecommerce owners how they did in 2023 and crunched the numbers to create this report.

## Here's a sneak peek of what's inside:

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- ◆ Revenue and profitability breakdowns for 35+ ecommerce brands
- ◆ Category breakdown
- ◆ FTE and contractor split by business
- ◆ Ad spend and marketing channel mix
- ◆ General sentiment for 2023, and more!

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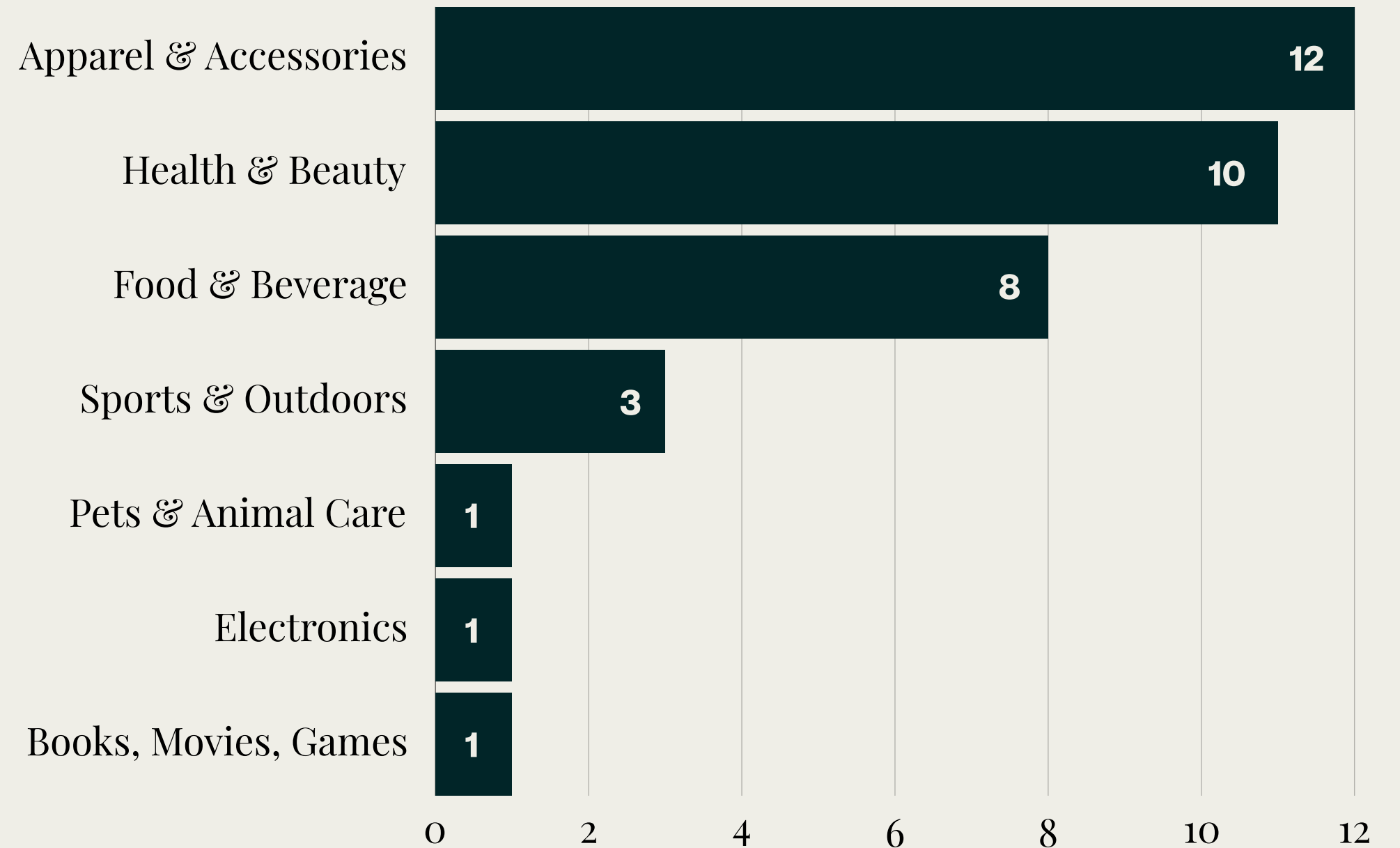
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# Category Breakdown

For this report, we surveyed 40+ Ecommerce founders and after removing outliers and bad data we selected 37 companies to analyze.

In terms of product category, Apparel/Accessories, Health/Beauty, and Food/Beverage made up the majority of our sample size.

Sports/Outdoors, Pets/Animal Care, Electronics, and Books/Movies/Games filled out the rest.

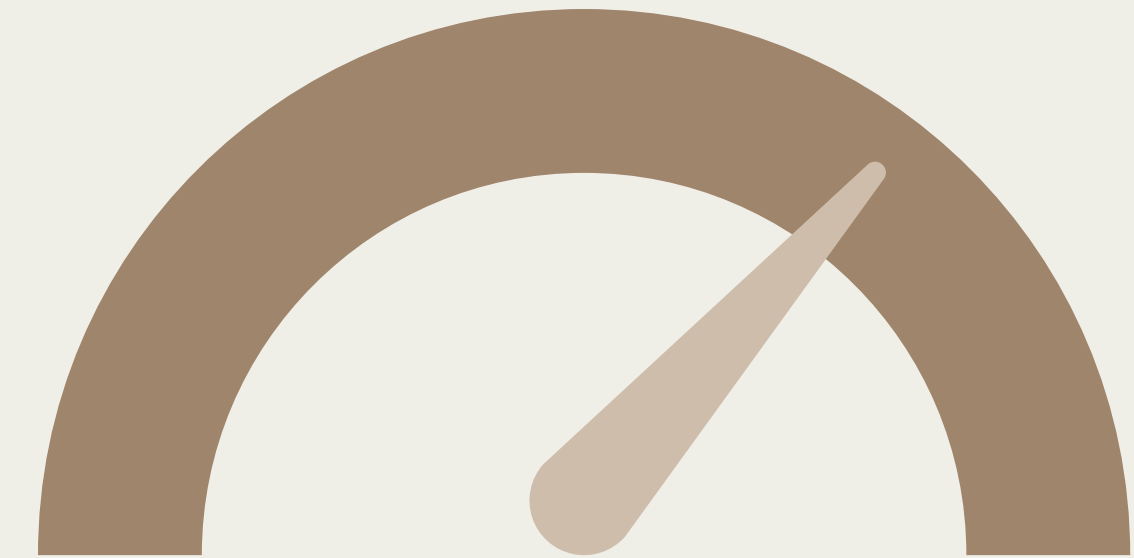


# Summary

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Here's a quick summary of what we learned after analyzing 37 ecommerce brands performance in 2023:

- 68% said that **sales were up** in 2023 over 2022.
- The **best** marketing channel in 2023 was Meta.
- The **worst** marketing channel in 2023 was TikTok.
- The channel that founders were **most excited for** in 2024 was also TikTok, pointing towards optimism around figuring out how to make it work for their brands this year.
- **The average RPE was \$1.35m.** When including contractors it dropped to \$764k.
- The average salary owners paid themselves was \$385k



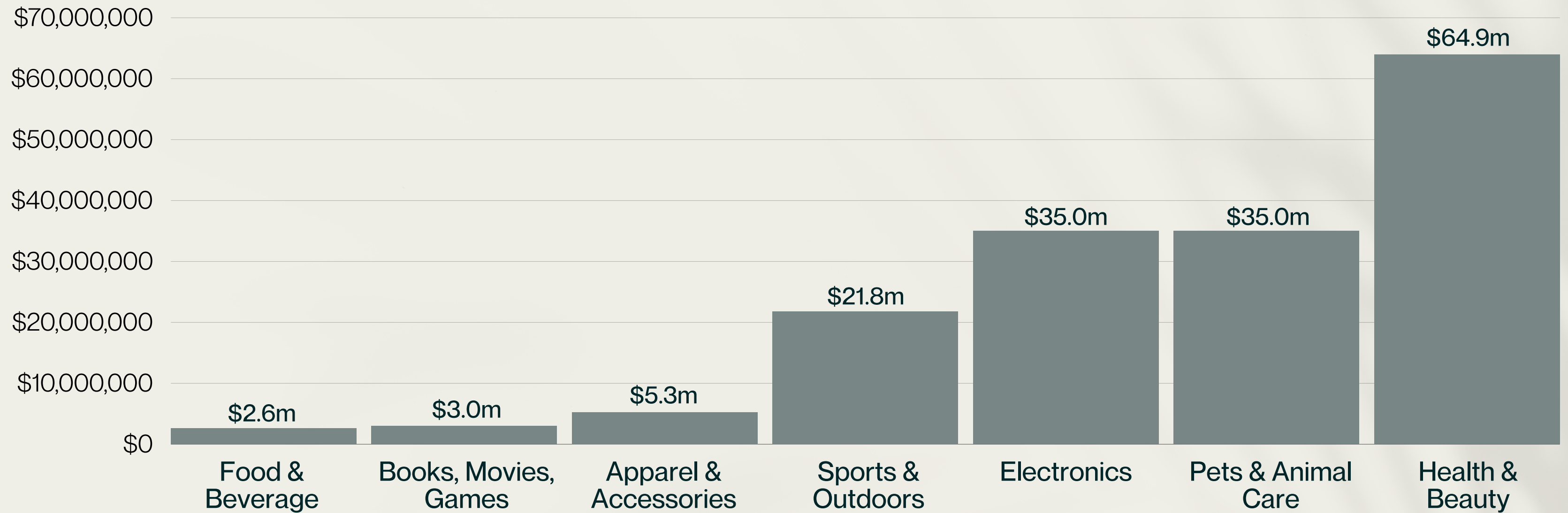
## Overall Averages

Revenue	\$25m
Team Size*	20
Gross Margin	63%
Net Margin	7.9%
<b>RPE*</b>	<b>\$1,348,991</b>

\*FTEs only

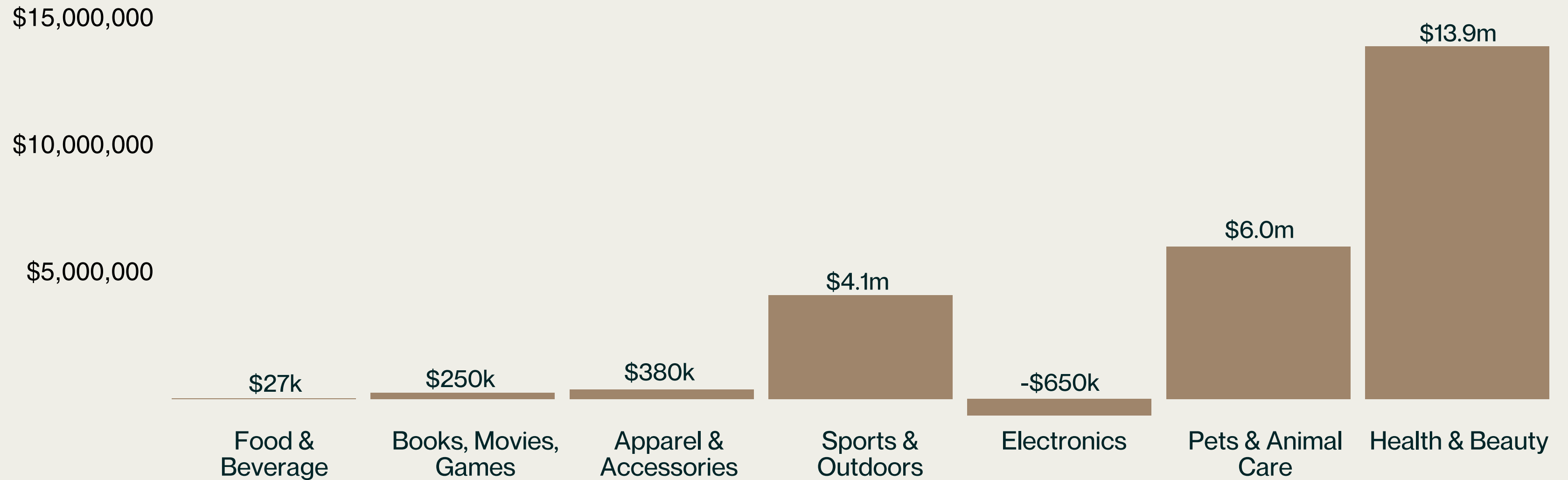
# Average Revenue Per Category

Overall average: \$25m



# Average Profit Per Category

Overall average: \$4.7m

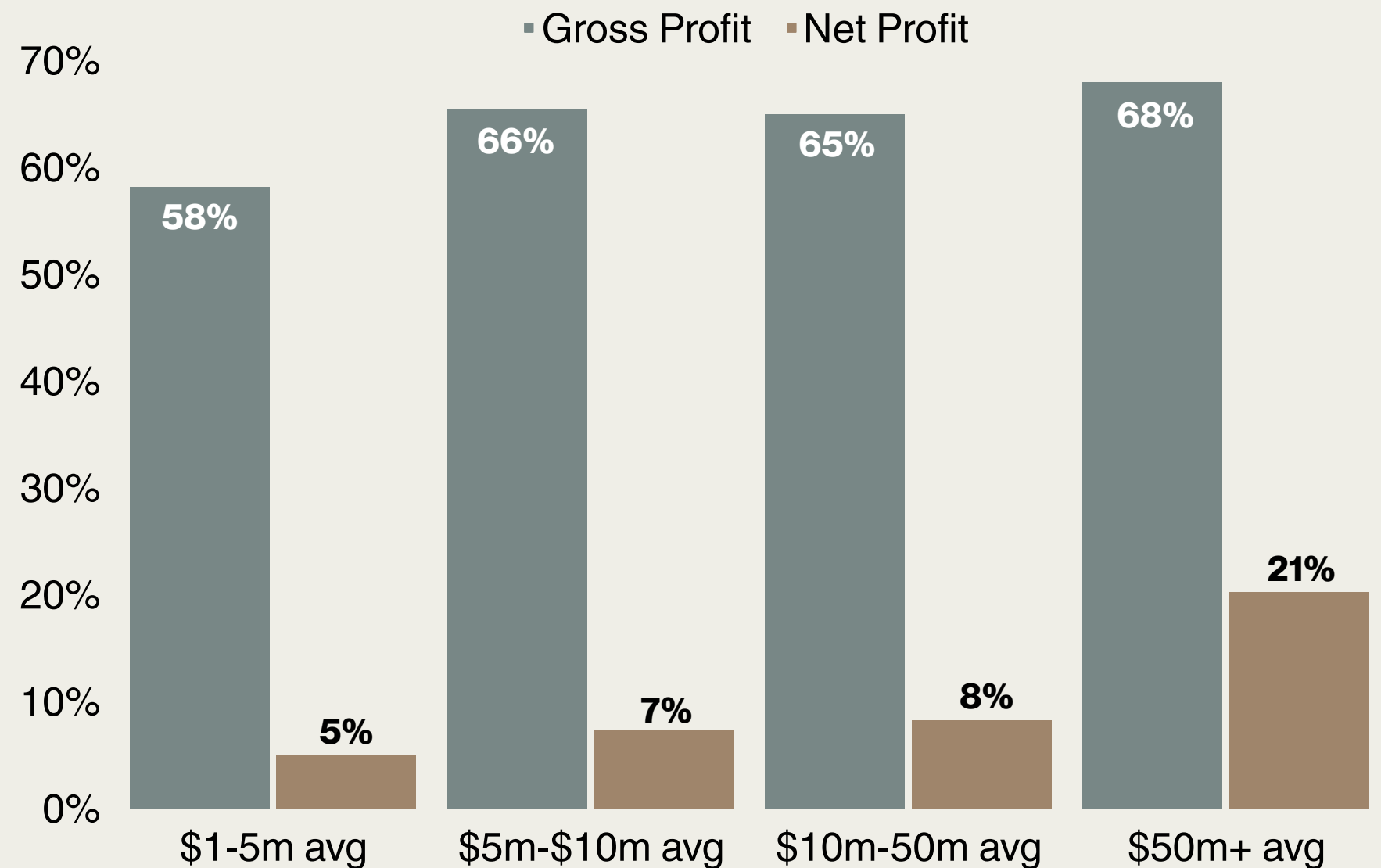


# Gross vs Net Profit Margin

Profit margins grew consistently as the business revenue increased.

The \$10-\$50m group saw a slight drop in the average gross profit margins but did go up in terms of net profit.

However, net profit jumped noticeably between the \$10-\$50m range and \$50m+ range, going from 8% to 20% on average.



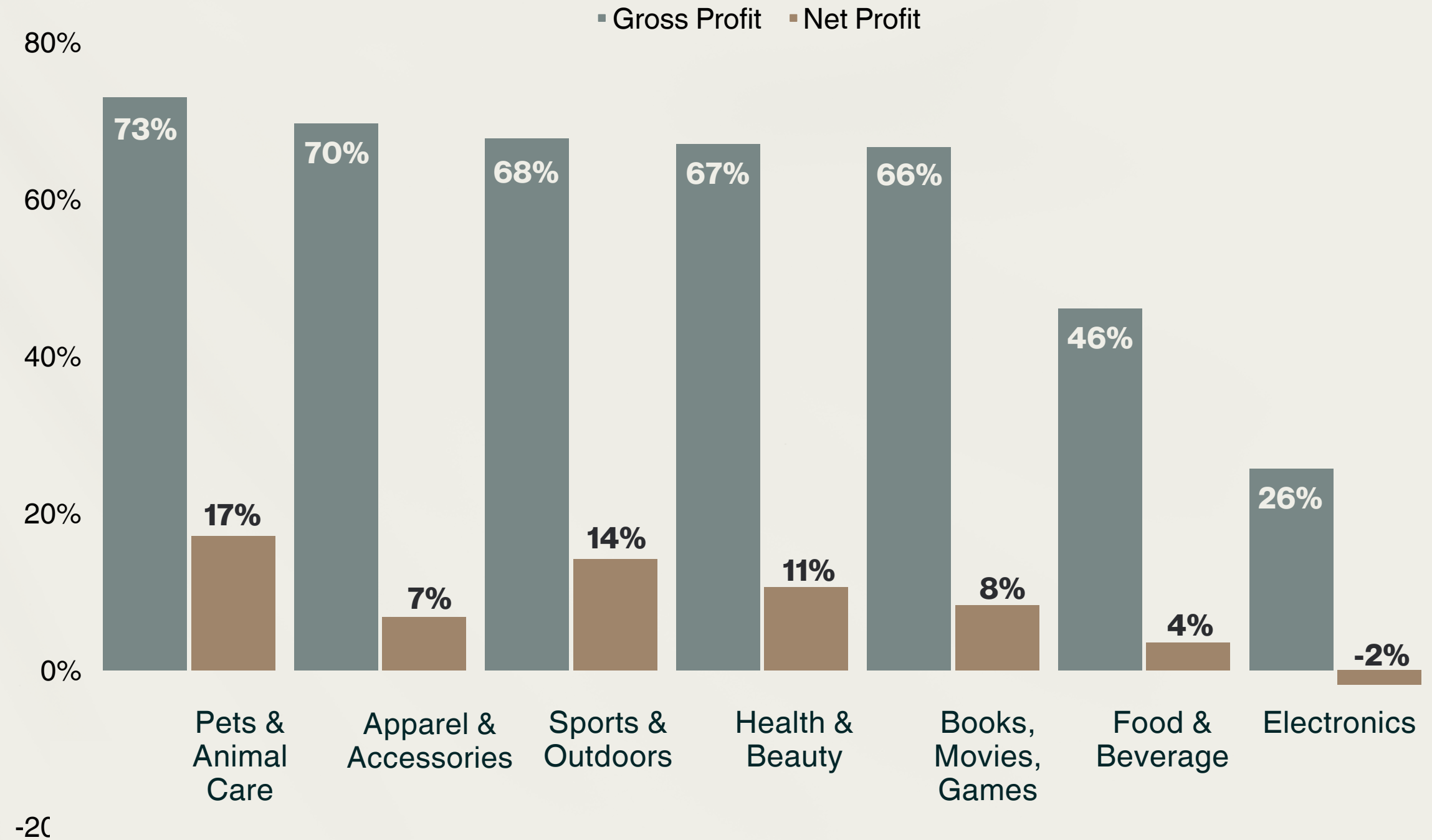


# Gross vs Net Profit Margin by Category

Apparel and Accessories had the second highest gross profit, but the 3rd lowest in net profit.

Pets and Animal Care had the highest gross to net profit margins but having data from only one company makes it hard to tell if this is a trend or a successful brand.

Health and Beauty had the highest consistent profit margin with data from 11 brands.

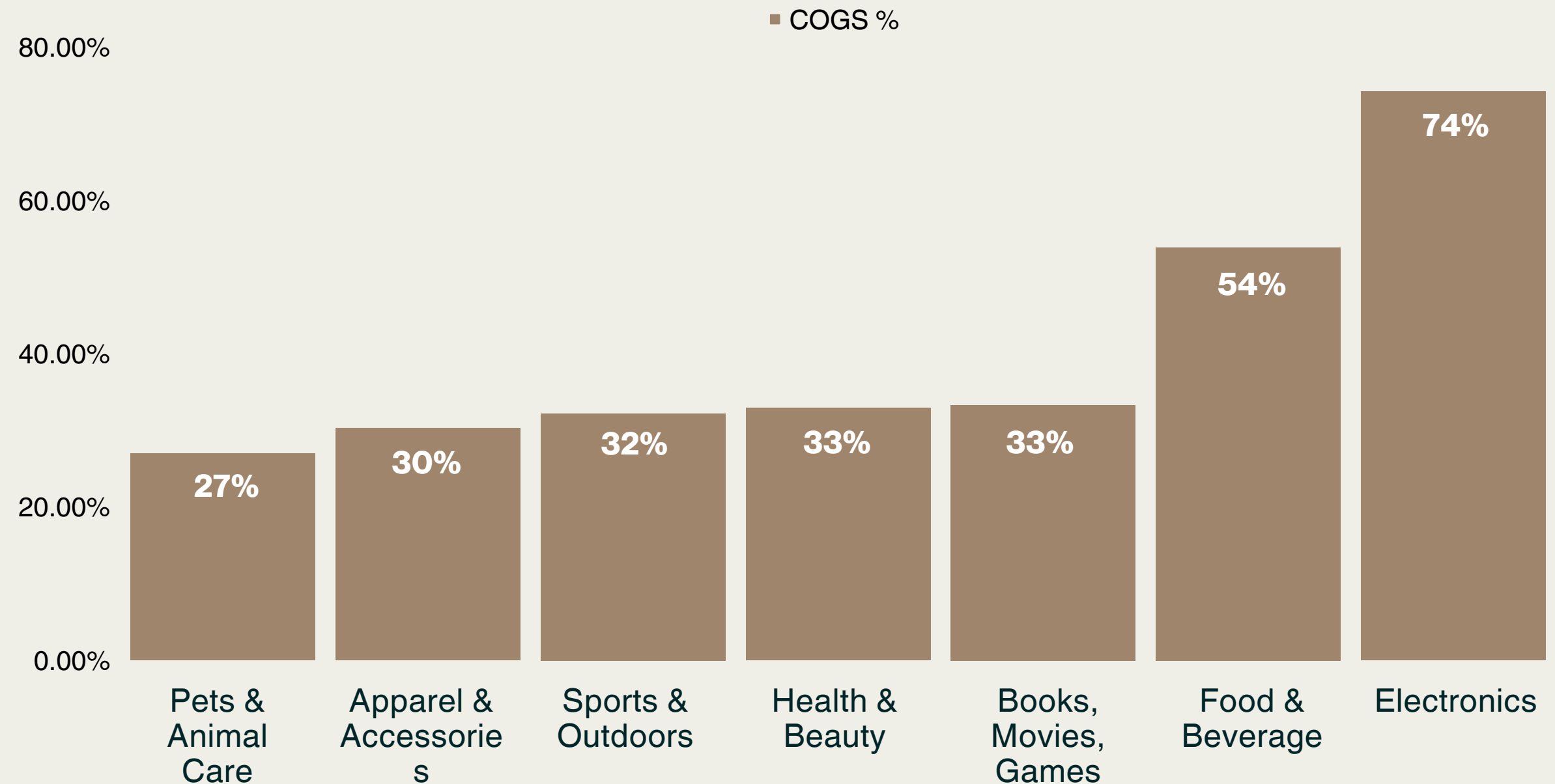


# Cost of Goods Sold (COGS) % by Category

The overall average for COGS as a % of sales was 38%.

However 5 of the 7 categories averaged between 27% and 33%.

Unsurprisingly, electronics had the highest COGS of these 7 categories at 74%.

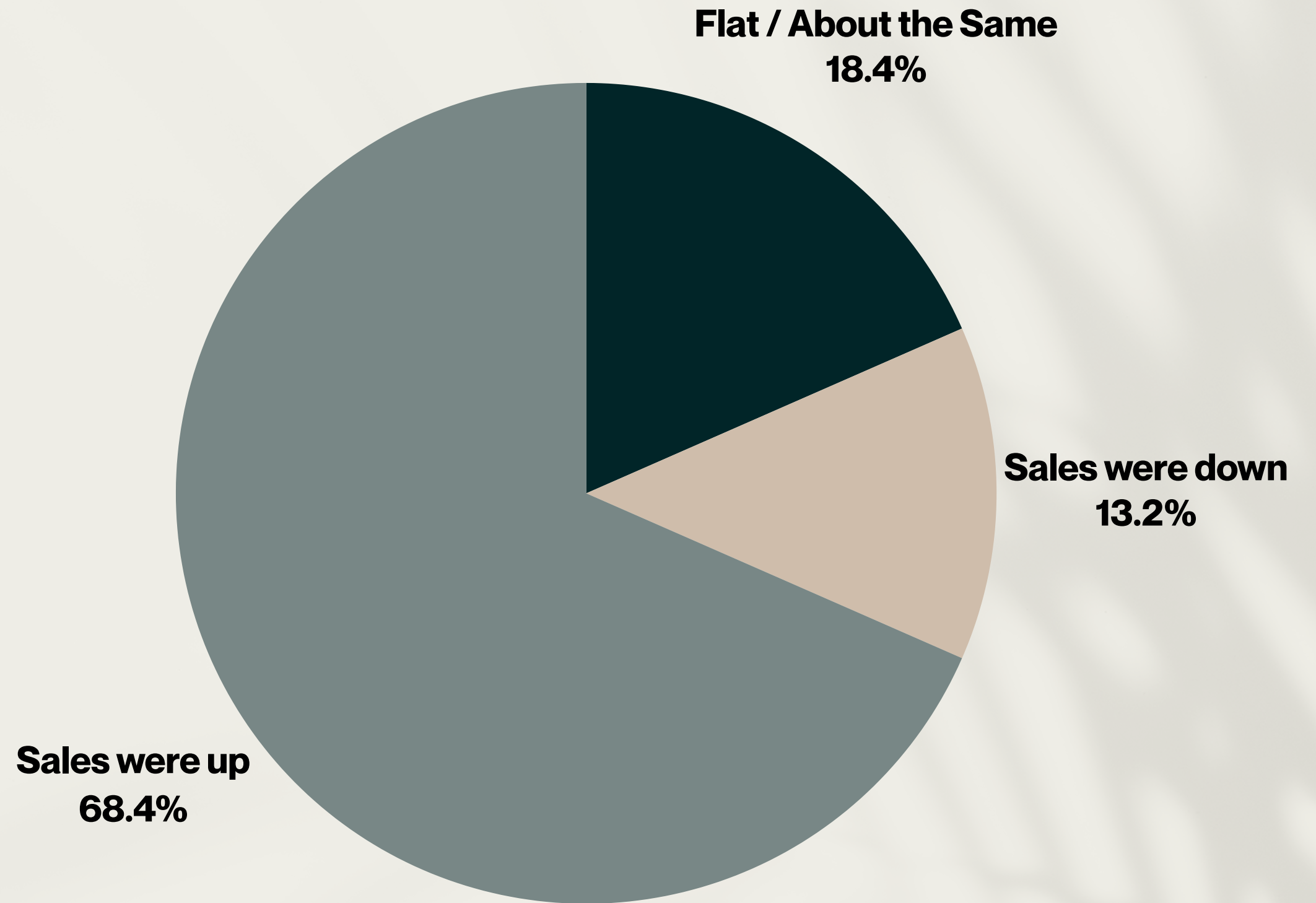


# Sales Compared to Prev Year

We asked founders how sales in 2023 compared to 2022.

68% said that sales were up, while 18% said they were flat or about the same as 2022.

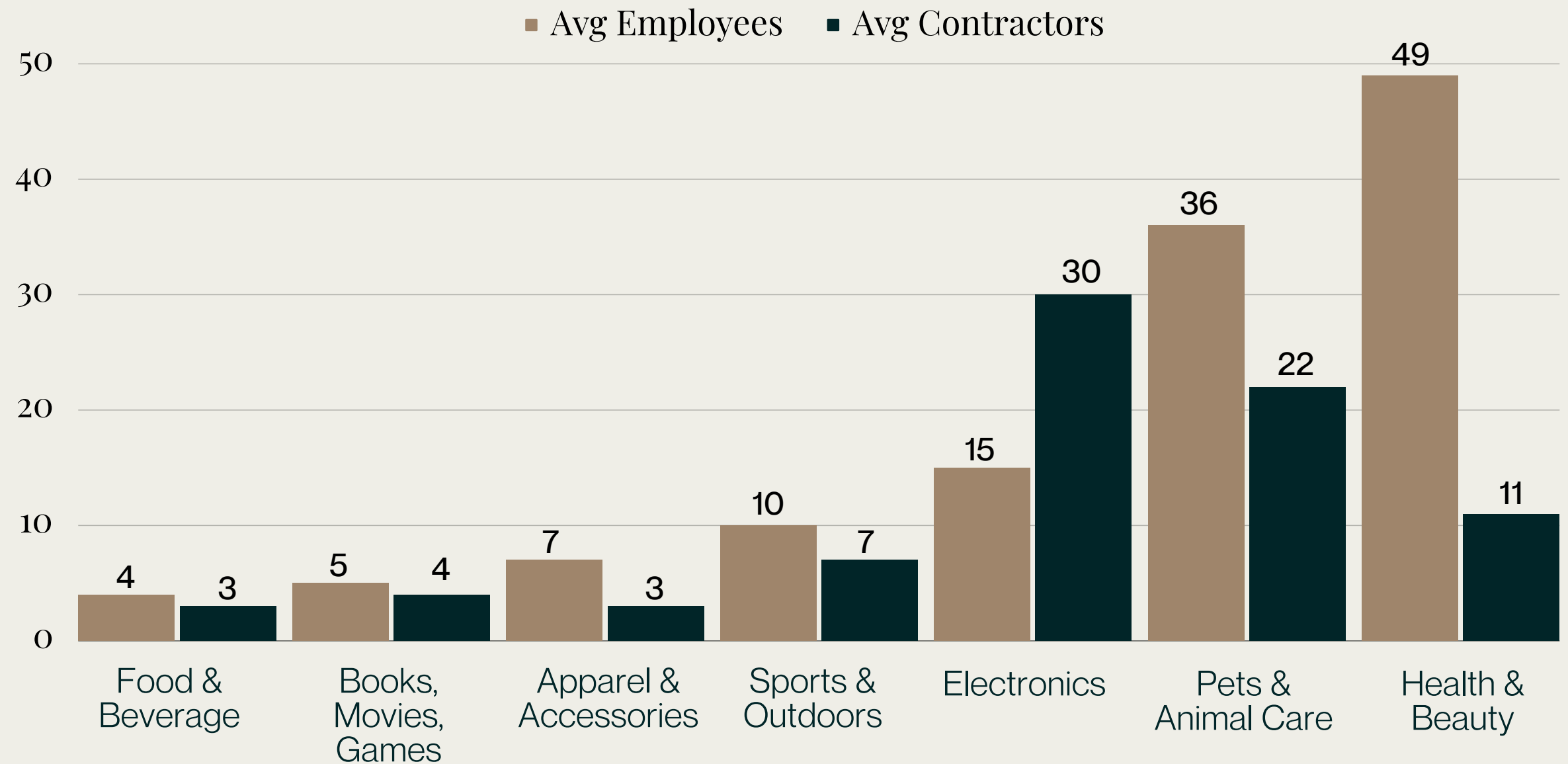
Only 13% of founders said that sales were down from the previous year.



# Employees + Contractors

Health & Beauty had the highest number of average employees at 49, and has less contractors overall with 11.

Electronics and Pets & Animal Care brands were the only other categories with more than 10 employees.



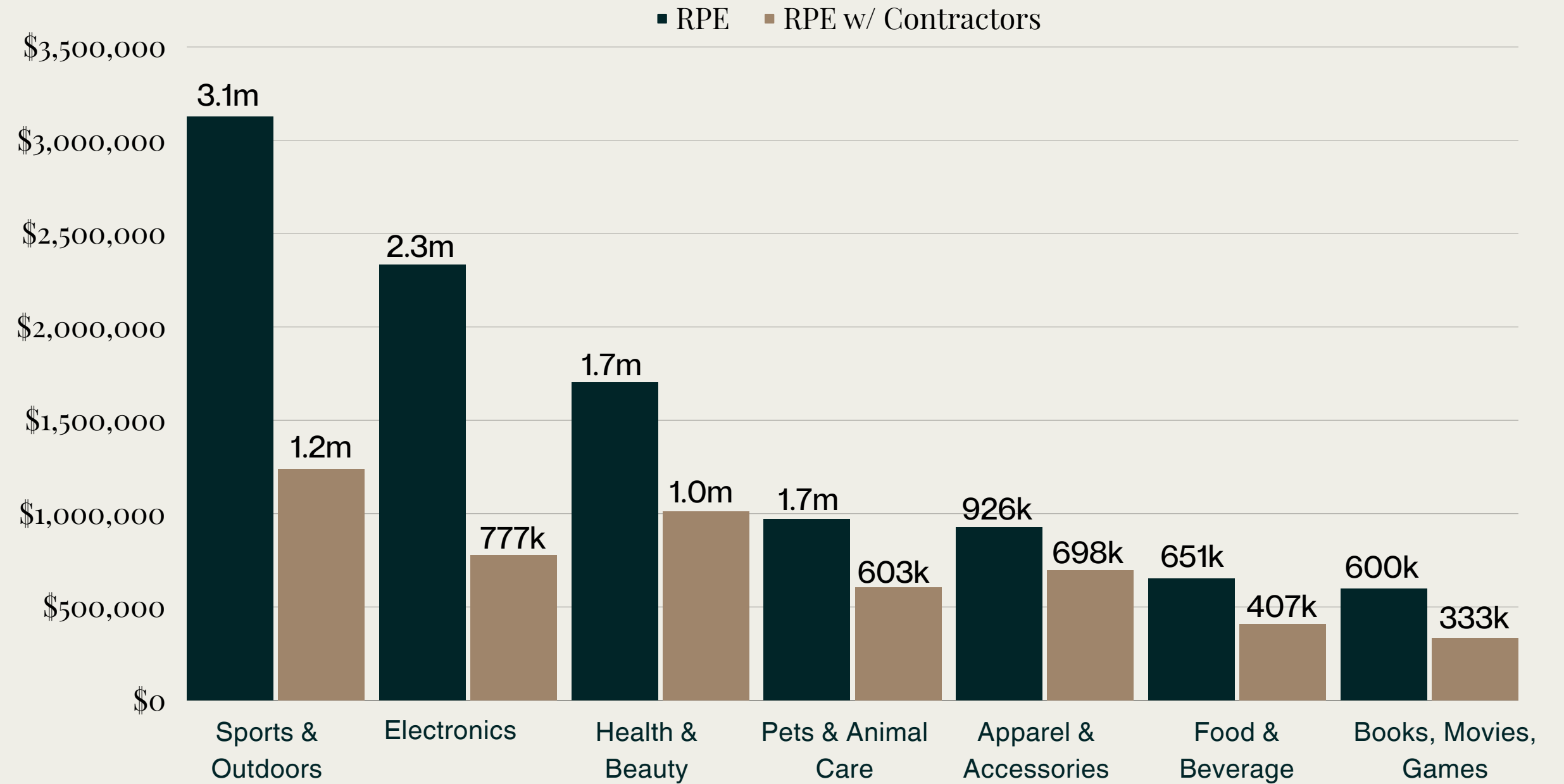
# Revenue Per Employee (RPE) by Category

The overall average RPE was \$1.35m. When including contractors it dropped to \$764k.

Sports & Outdoors brands had the overall highest RPE, as a standalone metric and after including contractors.

Electronics and Health & Beauty were the only other two categories to represent an average above \$1m in RPE.

*\*There were only 3 Sports & Outdoor brands included*

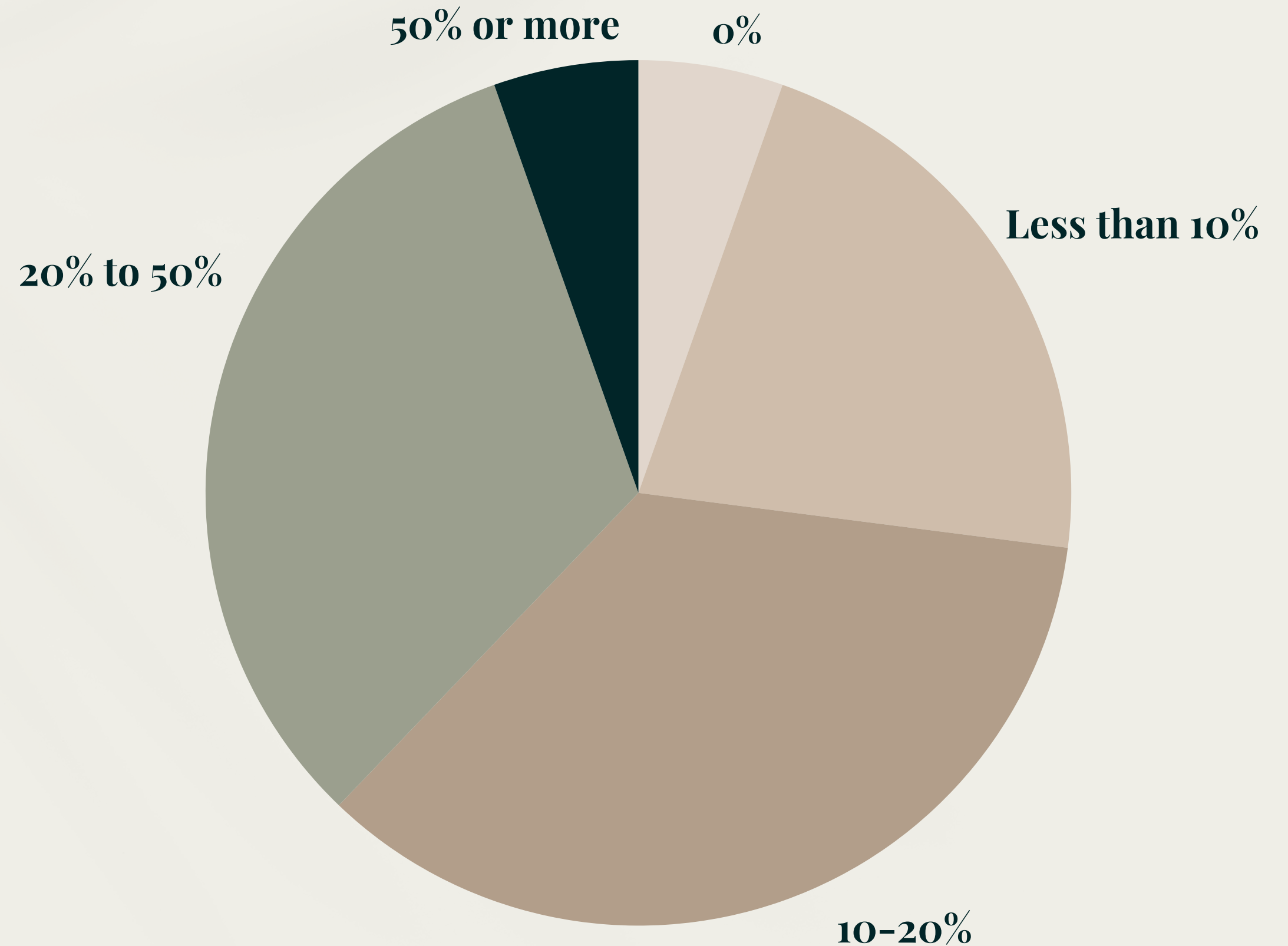


# Ad Spend as a % of Total Sales

When it comes to ad spend, here's how much ecommerce founders are spending as a % of total sales.

The majority are spending 20% or less of their sales on ad spend with 5% of founders getting by without any ad spend at all.

2 founders who said they spent 50% or more were also bringing in more than \$20m in revenue and had 15% or more net margins.

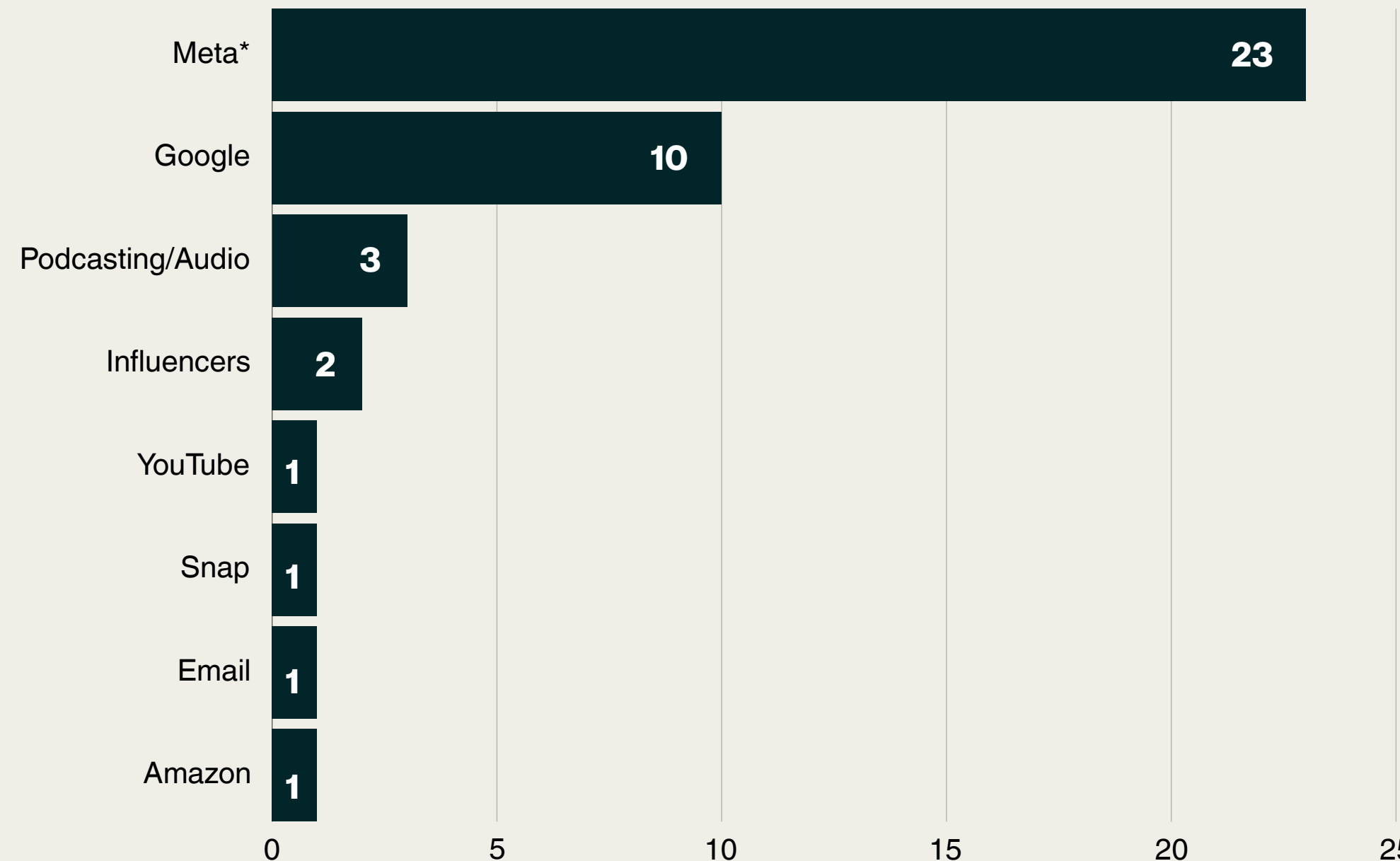


# Best Marketing Platforms

We asked founders what marketing channels served them best in 2023.

Meta was the most widely given answer, but Google was not far behind.

Podcasting and Influencers are the next best with a variety of others coming in afterwards.



\*The data received was mixed between Facebook, Instagram, and Meta. However, more founders did call out Facebook as their best marketing platform than Instagram

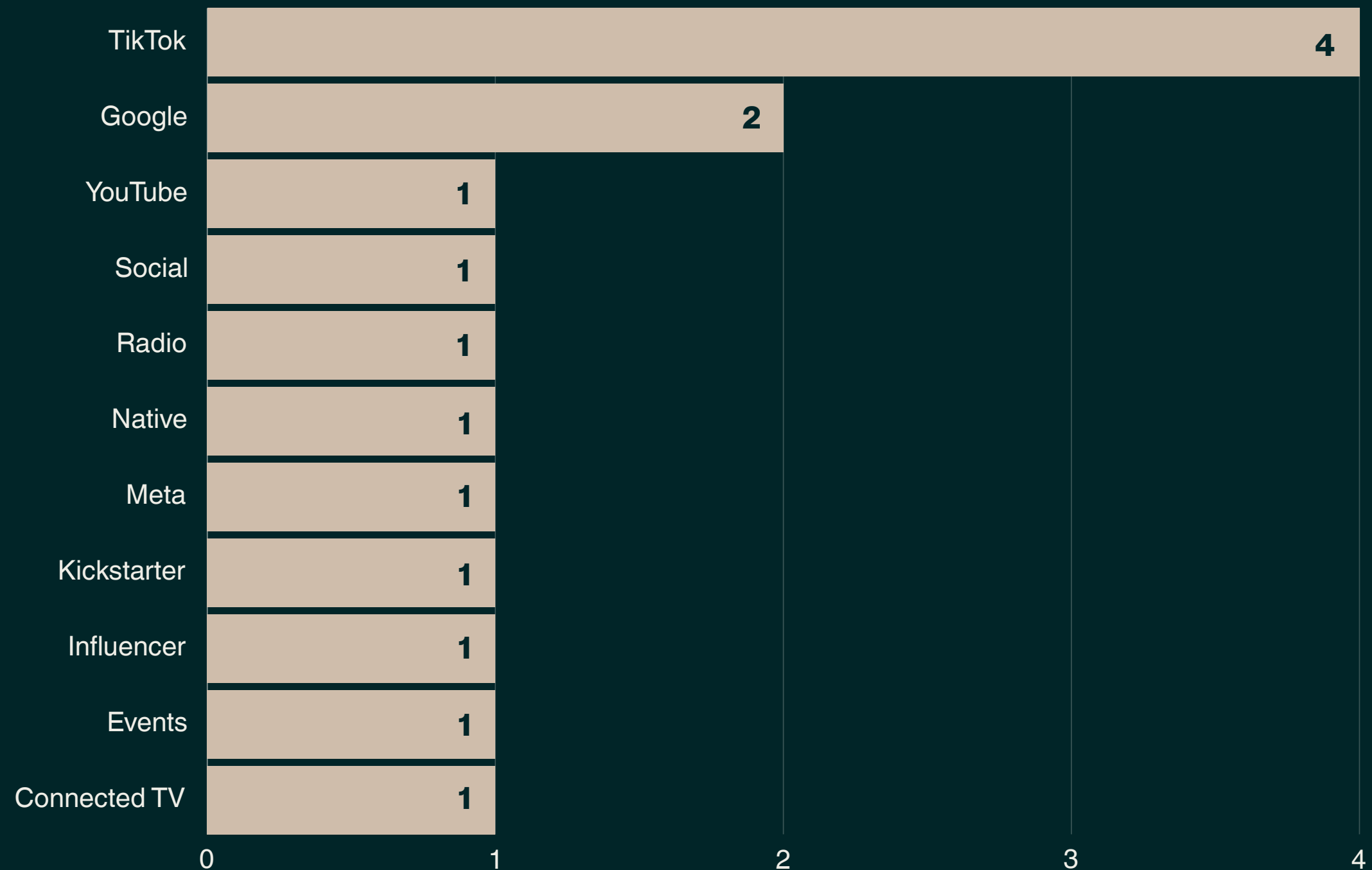
# Worst Marketing Platforms

As for the *worst* marketing platforms in 2023?

TikTok was by far the winner as the worst platform. With Google, YouTube, and a variety of others coming up next.

## It's worth noting:

While TikTok came up as one of the worst marketing platforms in 2023, it's also one of the top ones most brands are excited about in 2024 (as you'll see on the next slide).





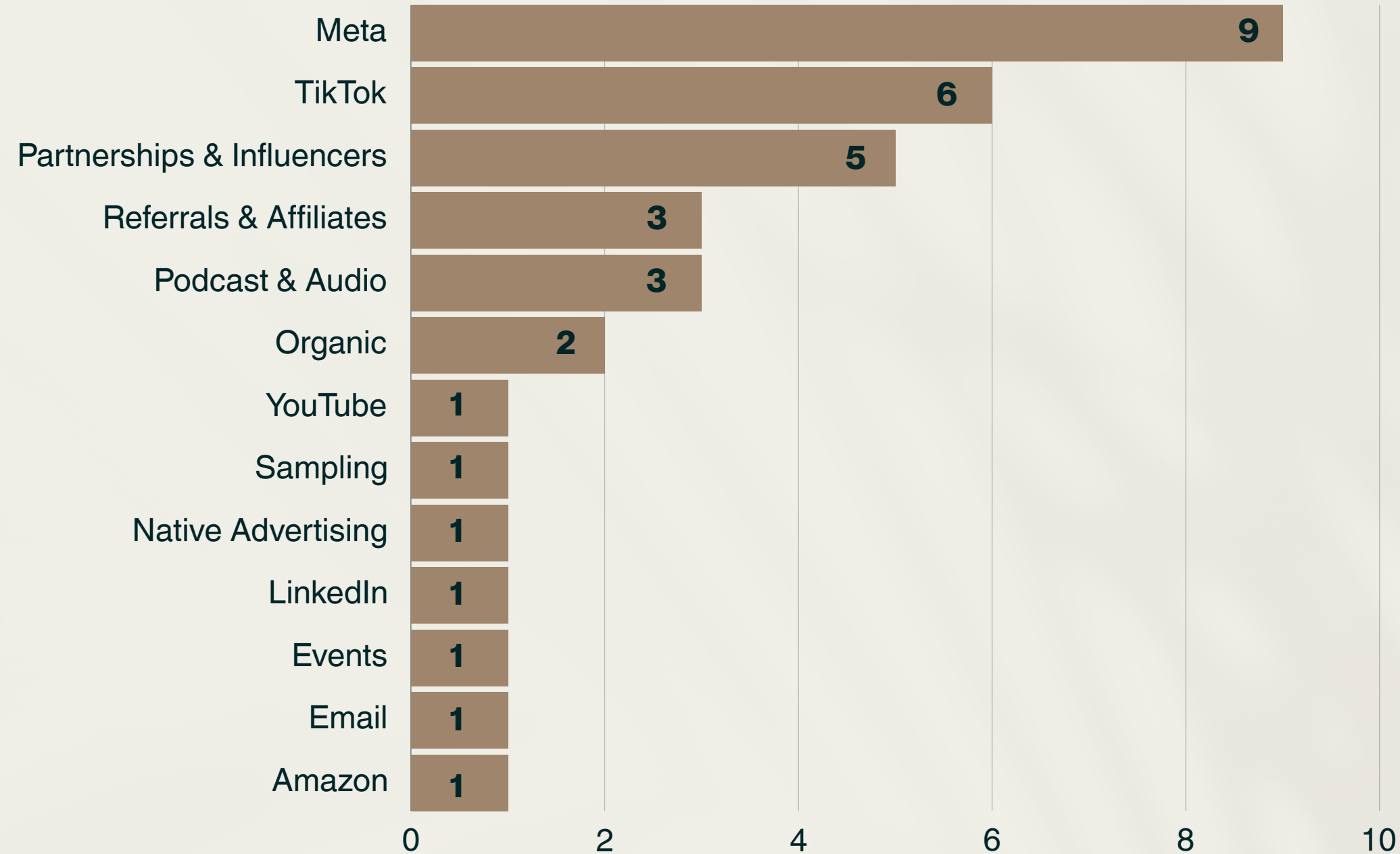
# Most Exciting Marketing Platform

We asked founders what marketing channel they are most excited about in 2024.

Meta was the most widely given answer with 9 votes, but TikTok and Partnerships/Influencers were right behind with 6 and 5 votes respectively.

**An interesting stat to consider:**

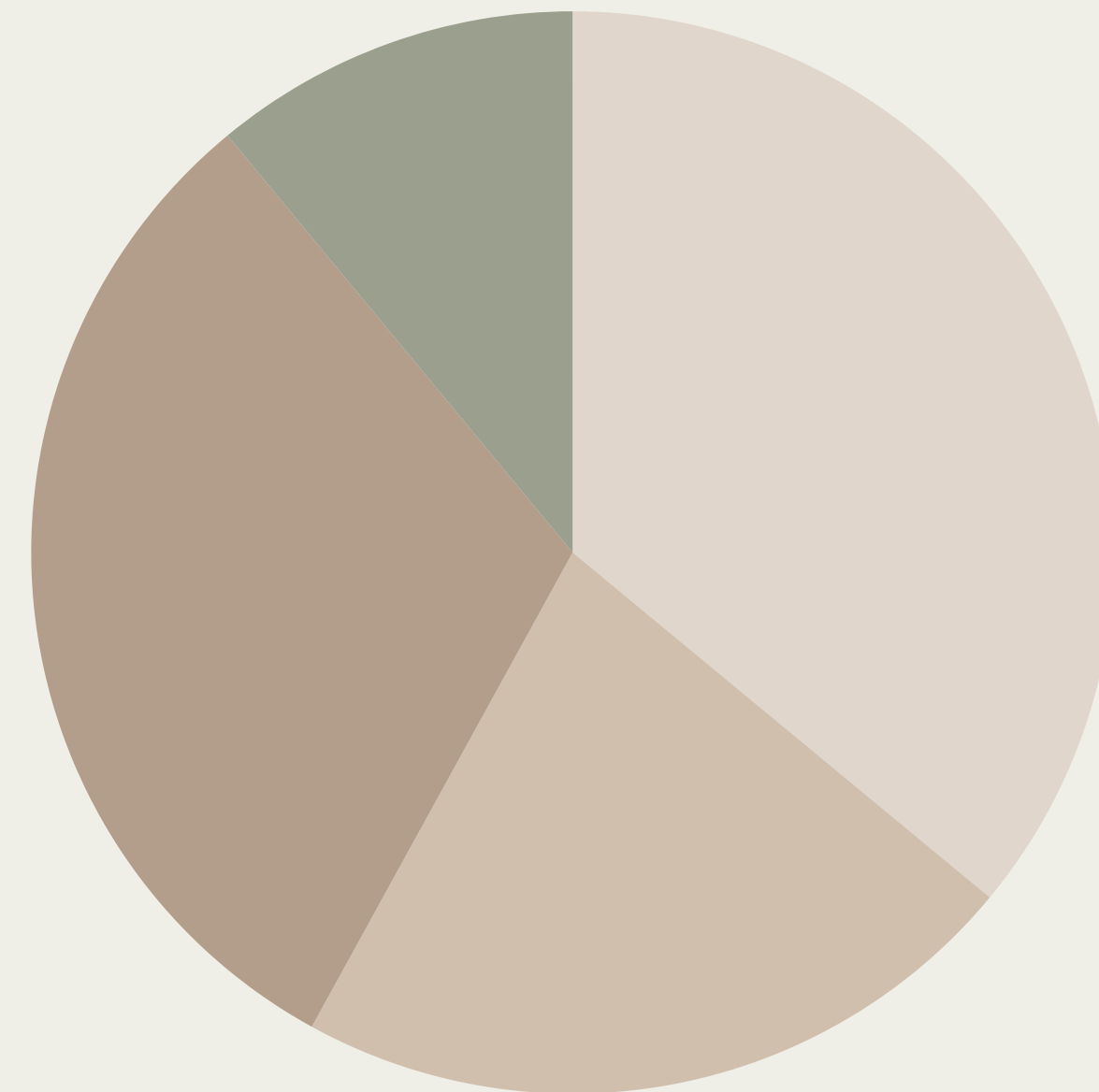
The group of businesses excited about Partnerships and Influencers category in 2024 had the highest average revenue (\$66.5m) and average profit (\$17.6m).



# How Much Owner's Pay Themselves

<\$100k	36%
\$100k-\$200k	22%
\$200k-\$650k	31%
\$1.8m-\$3m	11%
Overall Average	\$385k

■ <\$100k ■ \$100k-\$200k ■ \$200k-\$650k  
■ \$1.8m-\$3m



**It's worth noting that multiple founders mentioned paying themselves less for tax purposes.**

# Overall Sentiment

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Ecommerce owners have mixed feelings but are generally optimistic about the future. Despite facing various challenges, they're gearing up to improve in 2024 with several strategies:

## Focus on Efficiency and Profitability:

Founders mention optimizing marketing spend, reducing headcount or changing suppliers, and improving profit margins.

### ◆ Innovation & Change

Leveraging affiliate sales, PR, and exploring new sales channels beyond Amazon. The focus also extends to product development and suppliers.

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### ◆ Adapting to Changing Consumer Behavior:

With shoppers changing how they spend their money, brands are looking to market and sell more effectively.

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# PS: A little bit about Hampton

Listen, I'm going to be honest with you - our private member community is probably not for you.

There are a lot of reasons why you shouldn't join:

- ◆ It's expensive
- ◆ You'll be challenged
- ◆ It's a time investment

And that's OK, it's not for everyone (we're also very picky about who we let in). But as we can see from this report running a business is no cakewalk. Sometimes, it's nice to know that when things get tough you have a squad of experienced founders ready to go to battle with you. Again, Hampton is probably not for you... but in case you think it is, you can [apply here](#).

