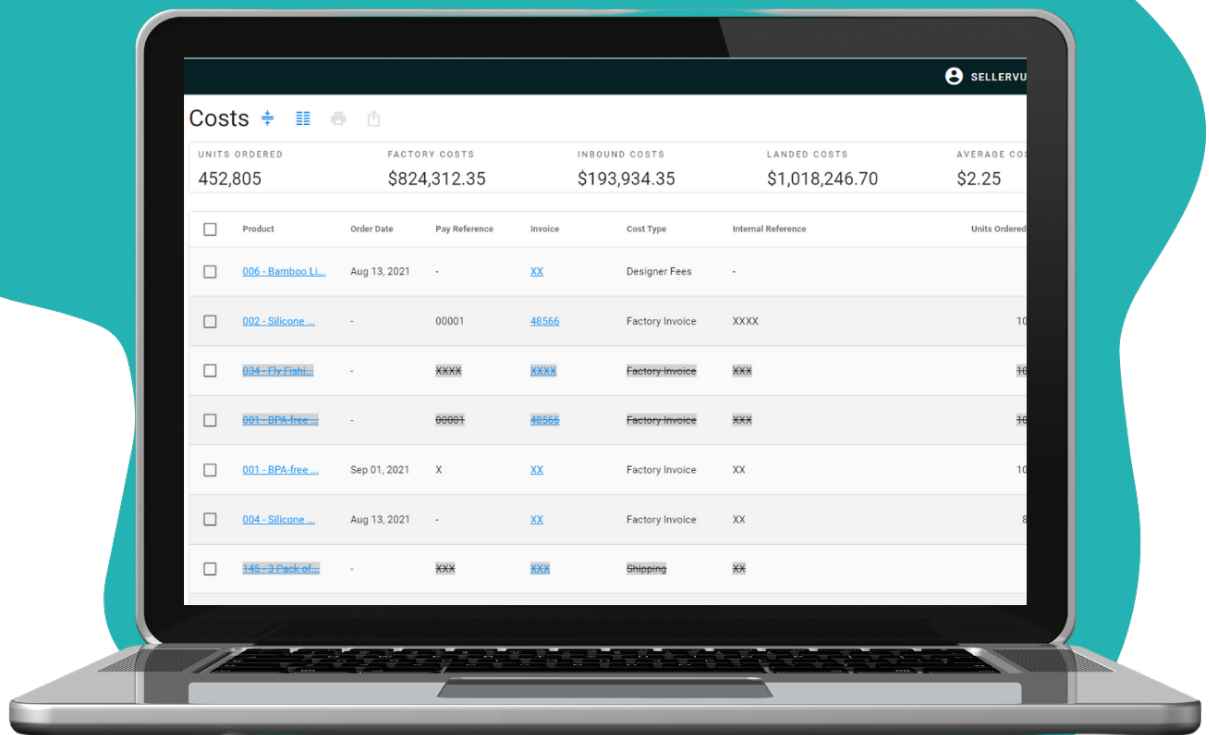

The

ULTIMATE AMAZON SELLERS GUIDE TO ACCURATE LANDED PRODUCT COSTS



LEARN HOW ONE CLIENT ADDED AN EXTRA \$78,000 IN PROFIT JUST
BY FOLLOWING THIS SINGLE STEP.



KEY TAKEAWAYS

- What is Landed Product Cost?
- Why is Landed Product Cost Important?
- Why Do Ecommerce Businesses Need to Calculate Landed Cost?
- How to Calculate Landed Cost
- Why Is Tracking Inbound Shipment Costs So Important for Accurate Product Costs?
- Which Shipping Cost Calculation Method Should You Use?
- How to Calculate Shipping Costs using CBM



When you run a business, cost of goods sold (COGS) is an essential metric. Cost of Goods Sold is the major income driver in overall profitability, so understanding the COGS is vital for any business to succeed.



Importing is a significant component for most Amazon businesses, and the cost of freight and duty on items purchased overseas can be relatively high. Therefore, in calculating a product cost that ensures substantial profit margins, your accounting department must capture every cost associated with the product.

For most businesses, the 'accounting department' is the business owner. So, they need an accurate, efficient, and successful way to manage costs to get the best possible result.

Landed Product Costs and other expenditures must be rolled into the core item cost so that values such as Cost of Goods Sold (CoGS). Processing this manually means extra work for your back office, mainly if your business still uses spreadsheets. However, automating these calculations is relatively straightforward and delivers a more accurate "landed cost" (or actual costs) for your Amazon business.

There's a chance you don't even know that your numbers are wrong. Plus, if you're guesstimating product costs because it's too stressful or time-consuming, you could be losing hundreds of thousands of dollars (if not millions).

To get an accurate picture of how much profit margin each product in your Amazon store generates, you need to figure out the cost of each unit. Not knowing this cost can impact your margins and overall business health. SellerVue comes into play here.

With SellerVue, you can easily track your TRUE product costs quickly and accurately, eliminating the error-prone spreadsheets from the equation.

You Can Now Find Your True Product Cost Faster Than Ever

With SellerVue, Amazon Sellers have ditched their time-consuming, prone-to-human-error spreadsheets and increased their profit margins by simply having accurate landed product costs. Previously, the only way to know your product cost was by manually entering your data onto a spreadsheet or a complicated Excel workbook, hoping the formulae were correct.

If you use Excel in your business, it's fatally easy for user error to creep into the process and skew the results, potentially costing your business money, reducing your margins, and making your decision process inaccurate. One study found that 88% of all spreadsheets contain one or more serious errors.

If you think that sounds high, consider the following examples of how basic spreadsheet errors led to gruesome results for some of the world's largest and most respected institutions — and what would happen if these same errors crept into your own Excel reports?

- In 2003, TransAlta lost \$24 million due to Excel copy-and-paste error.
- In 2005, Kodak suffered an \$11 million severance error due to an Excel typo.
- In 2008, Barclays Capital spent millions on worthless contracts due to Excel reformatting errors.
- In 2010, MI5 bugged the wrong phones due to a spreadsheet formatting error.
- In 2011, AstraZeneca accidentally released confidential information due to an Excel templating error.
- In 2012, the London Olympics were publicly embarrassed by a simple Excel typo.
- In 2012, JP Morgan experienced a \$6 billion trading loss due to an Excel copy-and-paste error.

Data Automation is the Solution

The better you understand your product margins, the more profit you can squeeze from each sale. What once took countless hours with error-prone spreadsheets to determine a product cost now takes seconds (literally) with our game-changing new tool called SellerVue. Here is the BIGGEST assumption most profitability tools have — THEY ASSUME YOU KNOW YOUR LANDED PRODUCT UNIT COST. We did too!

We quickly found out this wasn't true, which is why we built an internal tool to help save our private clients hundreds of thousands of dollars and time. So now, we extend this offer to you too. One of our clients increased their profit by \$78,166.81 for the year by updating the unit costs for the goods. Our tool also increased the business valuation by another \$275,000.

DATE	BEFORE	AFTER	DIFFERENCE	NET CHANGE
1 May 2020	\$165,414.11	\$172,792.34	\$7,378.23	4.27%
2 June 2020	\$106,214.37	\$110,260.95	\$4,046.58	3.67%
3 July 2020	\$86,605.09	\$90,223.03	\$3,617.94	4.01%
4 August 2020	\$78,058.72	\$81,489.43	\$3,430.71	4.21%
5 September 2020	\$146,528.98	\$152,443.80	\$5,914.82	3.88%
6 October 2020	\$76,885.79	\$80,072.68	\$3,186.89	3.98%
7 November 2020	\$108,472.15	\$112,081.16	\$3,609.01	3.22%
8 December 2020	\$329,066.04	\$347,152.70	\$18,086.66	5.21%
9 January 2021	\$234,625.76	\$246,922.50	\$12,296.74	4.98%
10 February 2021	\$217,604.51	\$226,836.77	\$9,232.26	4.07%
11 March 2021	\$98,021.88	\$101,598.13	\$3,576.25	3.52%
12 April 2021	\$111,423.75	\$115,214.47	\$3,790.72	3.29%
Totals	\$1,758,921.15	\$1,837,087.96	\$78,166.81	4.25%

Do you see why SellerVue is a Cost Tracking Software Your Business Needs?



1. What is Landed Product Cost?

The landed product cost is part of the Cost of Goods Sold family.

Cost of Goods Sold is from the factory floor to your customers' door, whereas Landed Product Cost is from the factory floor to your 'warehouse floor' (FBA, a storage unit, a warehouse, or your mom's basement.)

This is where you can maximise your profitability the most. Therefore, it is essential to note the first and only rule in Maximising Costs with your supply chain is to do it without sacrificing quality. There are several subcategories within the Landed Product Costs. Breaking down these costs into smaller categories helps identify areas to improve profitability.

Think of your landed product cost as anything from the supplier factories to your warehouse

floor. Therefore, everything and anything from the purchase initiation to the goods arriving at the warehouse (FBA, 3PL, or your own) should be considered a part of your product landed costs or at least recorded.

It's important to note that although these are all costs incurred to produce the final product, not all the prices are required or applied to the actual product unit cost.

Some costs will not be recurring expenses, such as product samples, design fees, or product testing. A tool like SellerVue is easy to include and exclude costs. These costs should be excluded from the Landed Unit Cost of the product. Your Landed Product Costs should be broken down into two subcategories; Factory Costs and Inbound Costs.

Factory Costs

These are costs related to the production or manufacturing of the final/end product.

Inbound Costs

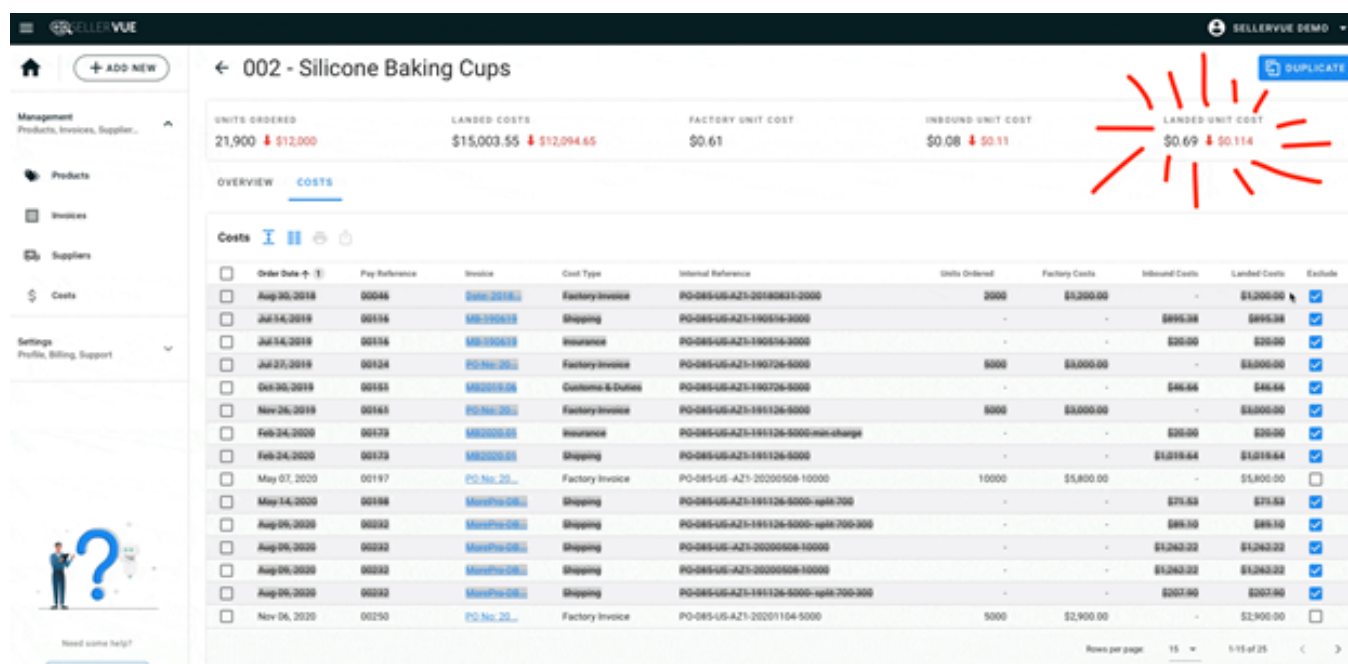
These are costs related to receiving the final/end product. Essentially everything after the product is produced, with the actual shipping of the product representing the most significant expense in the Inbound Cost category. Your inbound landed product cost is a combination of many factors, including:

- Bank Fees
- Custom Taxes, Duties, and Tariffs
- Designer Fees (Packaging, Copywriting or Design)
- Inspections
- Insurance
- Local Freight (Local Transportation and Storage Fees)
- Photography
- Product Samples
- Product Testing
- Shipping Costs
- Storage
- Other Miscellaneous costs associated with the product

This is just a partial list of the items you must consider when calculating the landed product cost of any given object or product, but each is important. For example, transportation is about how products travel and how quickly (or slowly) the products get from point A to point B. As the speed increases, so do the shipping costs.

To better understand how different aspects will affect your final product costs, let's look at a few more elements.

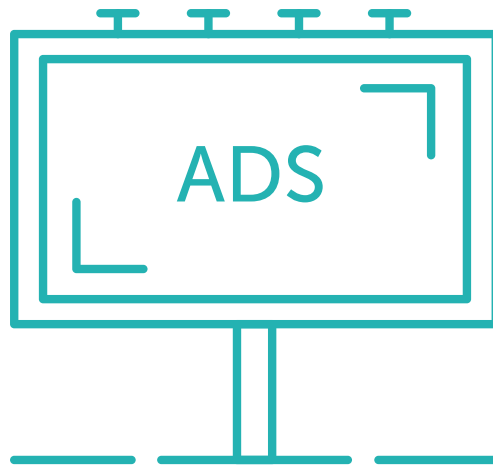
One final point to note is although these are all costs incurred to produce the final product, not all are required or applied to the actual product cost. Some expenses are not recurring, such as product samples, design fees, or product testing. With SellerVue, it is easy to include or exclude the cost, which makes getting that final accurate landed product unit cost that much easier.



The screenshot displays the SellerVue interface for a product named "002 - Silicone Baking Cups". At the top, a summary bar shows the following costs: UNITS ORDERED (21,900), LANDED COSTS (\$15,003.55), FACTORY UNIT COST (\$0.61), INBOUND UNIT COST (\$0.08), and LANDED UNIT COST (\$0.69). A red starburst graphic highlights the Landed Unit Cost. Below this, a table titled "Costs" provides a detailed breakdown of individual cost entries. The table includes columns for Order Date, Pay Reference, Invoice, Cost Type, Internal Reference, Units Ordered, Factory Costs, Inbound Costs, Landed Costs, and an Exclude checkbox. The entries list various costs such as Factory Invoice, Shipping, Insurance, and Customs & Duties, with their respective unit and total costs.

Order Date	Pay Reference	Invoice	Cost Type	Internal Reference	Units Ordered	Factory Costs	Inbound Costs	Landed Costs	Exclude
Aug 30, 2019	00046	00046-2019-08	Factory Invoice	PO-085-US-A21-20190831-2000	2000	\$1,200.00	-	\$1,200.00	<input checked="" type="checkbox"/>
Jul 14, 2019	00116	00116-2019-07	Shipping	PO-085-US-A21-190716-3000	-	-	\$895.38	\$895.38	<input checked="" type="checkbox"/>
Jul 14, 2019	00116	00116-2019-07	Insurance	PO-085-US-A21-190716-3000	-	-	\$20.00	\$20.00	<input checked="" type="checkbox"/>
Jul 27, 2019	00124	00124-2019-07	Factory Invoice	PO-085-US-A21-190726-5000	5000	\$3,000.00	-	\$3,000.00	<input checked="" type="checkbox"/>
Oct 30, 2019	00155	00155-2019-10	Customs & Duties	PO-085-US-A21-190726-5000	-	-	\$46.66	\$46.66	<input checked="" type="checkbox"/>
Nov 26, 2019	00161	00161-2019-11	Factory Invoice	PO-085-US-A21-191126-5000	5000	\$3,000.00	-	\$3,000.00	<input checked="" type="checkbox"/>
Feb 24, 2020	00173	00173-2020-02	Insurance	PO-085-US-A21-191126-5000-main charge	-	-	\$20.00	\$20.00	<input checked="" type="checkbox"/>
Feb 24, 2020	00173	00173-2020-02	Shipping	PO-085-US-A21-191126-5000	-	-	\$1,019.64	\$1,019.64	<input checked="" type="checkbox"/>
May 07, 2020	00197	00197-2020-05	Factory Invoice	PO-085-US-A21-200508-10000	10000	\$5,800.00	-	\$5,800.00	<input type="checkbox"/>
May 14, 2020	00198	00198-2020-05	Shipping	PO-085-US-A21-191126-5000-igbt-700-300	-	-	\$71.63	\$71.63	<input checked="" type="checkbox"/>
Aug 06, 2020	00232	00232-2020-08	Shipping	PO-085-US-A21-191126-5000-igbt-700-300	-	-	\$89.10	\$89.10	<input checked="" type="checkbox"/>
Aug 06, 2020	00232	00232-2020-08	Shipping	PO-085-US-A21-200508-10000	-	-	\$1,263.22	\$1,263.22	<input checked="" type="checkbox"/>
Aug 06, 2020	00232	00232-2020-08	Shipping	PO-085-US-A21-200508-10000	-	-	\$1,263.22	\$1,263.22	<input checked="" type="checkbox"/>
Aug 06, 2020	00232	00232-2020-08	Shipping	PO-085-US-A21-191126-5000-igbt-700-300	-	-	\$207.90	\$207.90	<input checked="" type="checkbox"/>
Nov 06, 2020	00250	00250-2020-11	Factory Invoice	PO-085-US-A21-20201104-5000	5000	\$2,900.00	-	\$2,900.00	<input type="checkbox"/>

Knowing how to calculate landed costs is essential to running a successful business.



2. Why is Landed Product Cost Important?

Automating landed product cost calculations is essential in today's global economy. No accounting department has time to maintain and perform the manual spreadsheet calculations, and no business owner wants to lose profits. Outside of your employees, inventory efficiency is one of the most important places your bottom line leaks away, mainly when calculating accurate landed product costs. More than likely, your Amazon business is involved in the international import of goods. Doing this should enhance your profitability, not decrease it. Getting the landed product cost right is critical to remain competitive. The good news is that technologies now support automating landed product costs.

The little things in life make a big difference, which is true in business. All costs need to be accounted for when it comes to cost calculations, whether included in your cost calculation or not.

Minor factors can influence profitability. For example, Amazon sellers who account for seemingly minute costs achieve great success.

Obvious and hidden costs are associated with getting any product to your 'warehouse floor.'

Sometimes, the actual cost of your products may seem opaque, but knowing your landed cost can bring clarity and a few percentage points on your margins. Knowing your landed cost will also allow you to assess how your business is performing, maximise your pricing, and ensure you know exactly how much you are paying for your inventory. It also allows you to analyse your supply chain and determine where you can cut costs.

Finally, this information lets you calculate whether or not you will be able to make a profit on your products – or even if your business model is sustainable.

But calculating landed costs can be difficult if you don't know your entire expenses or can't anticipate how high the additional fees will be. The key is to have the right set of tools to anticipate and estimate a value that is as close to your actual costs as possible.

As such, it is vital to know the total landed product cost of all of the goods that you receive so that you can make those crucial decisions. Our guide will help you understand how to calculate your total landed cost. No accounting degree is required!



3. Why Do Ecommerce Businesses Need to Calculate Landed Cost?

Your ecommerce business needs to be profitable in order to grow. Make sure you understand your landed product costs when handling your financials to get the following benefits:

Budget Accurately

Most Amazon and other ecommerce businesses calculate profitability by using just their shipping and manufacturing costs. This isn't an accurate profit calculation. The landed cost of a product is its Total Landed Product Cost. To make sure you are making a profit, you need to know all the associated costs.

Get Insight Into Your Supply Chain

Product Landed Costs also shed light on the supply chain efficiency and make the product sale more profitable. If you find that the shipping costs are rising, look into other freight forwarder companies to reduce your costs.

Make Profitable Business Decisions

Knowing the total Product Landed Cost will help you determine which products are worthwhile and which aren't.

As the supply chain evolves, logistical management has an even more significant

impact on the bottom line. Knowing the cost of each item listed above once it arrives at your warehouse is crucial. Miscalculating the landed unit cost through manual entry in spreadsheets can result in lost profits for your ecommerce business.

With a single data entry software like SellerVue, product landed unit cost can be recorded accurately and quickly. You can also export the costs into software or format of your choice later. In addition, automating administrative tasks such as calculating landed costs and status tracking helps avoid financial missteps that could decrease the products' profitability.

Product Landed Costs can account for up to 30 to 40 per cent or more of the total revenue generated from sales. Therefore, this is the area you have the most control over and the highest opportunity to reduce costs.

Understanding your Actual Landed Costs is crucial to knowing your profitability. If you aren't using landed costs in your profitability calculations, you might be missing out on critical information and jeopardising the future of your business.



4. How to Calculate Landed Cost

Figuring out your landed product cost can be tricky. Too often, see amazon sellers make mistakes in tracking their Landed Product Costs. Their spreadsheets show one thing, but the bank account shows another. This is why it's vital to include landed costs in your COGS to see actual margins and profitability.

Are you tracking all of the costs that go into landed product costs from the raw materials, shipping, customs, etc.?

If not, you may be setting yourself up for failure. If not accounted for, a great product with decent margins can be ruined by high shipping fees and additional costs. Therefore, accurately calculating shipping fees with CBM or DIM/ Volumetric is essential. We will get to that in a later section.

Landed Product Costs is simple:

Factory Costs + Inbound Costs = Landed Product Cost.

Factory Costs

These are costs related to the production or manufacturing of the final/end product.

Inbound Costs

These are costs related to receiving the final/end product. Essentially, these are all the costs described above, with the actual shipping of the product representing the most significant expense in the Inbound Cost category.

Once you have that, take the Landed Product Cost and divide it by the total number of units ordered. Now you have the Landed Product Unit Cost for each product.

Now take a closer look at the Landed Product Costs and ways to reduce costs;

1. **Bank Fees**

Wire transfer fees are generally between \$25 and \$30 for outgoing transfers to a bank account within the US and between \$45 and \$50 for transfers going out of the US. Whether you wire from banks or use a third-party processor such as Alipay, it is vital to track the cost of the transfers. These fees quickly add up and, over time, amass a significant amount.

2. **Custom Taxes, Duties, and Tariffs**

The calculations can get confusing and put you at risk of financial loss. Your specific product types and the countries from which you obtain them or send them will impact the taxes and tariffs. In addition to tariffs, you might have to pay customs and assessments. However, according to the International Trade Commission, the Free Trade Agreement (FTA) might qualify the specific foreign product you need for duty-free entry if your final product contains materials primarily sourced in the United States.

3. **Designer Fees (Packaging, Copywriting or Design)**

These costs are associated with packaging, copywriting, and design. Building a physical prototype also costs money because you want a fully-working model, not simply representing what the product would look like. Although this is typically a one-time

expense, it is still important to factor the costs in to ensure your ROI is met.

***NOTE:** Copywriting and Design are other areas to consider. Although these expenses are not usually recurring, there are plenty of options to reduce costs.

4. **Factory Costs**

This cost is simple to track and is essentially the purchase order turned invoice that creates this cost. Another factor is any additional expense the supplier might charge, such as set-up fees, label, or service fees. These need to be added to get an actual cost per unit.

5. **Inspections**

Product inspection is the process of checking goods for compliance with your specifications and requirements. Generally, if you import the products from overseas, the inspection will be completed by a third party.

Consider this; Inspection is a fundamental process to overlook. However, if you have been working with your supplier for some time with no issues, a spot inspection could be an alternative to checking the whole shipment. Other options could be having products reviewed at the port of departure.

6. **Local Freight (Local Transportation and Storage Fees)**

In addition to paying storage fees on foreign products you import or export, you might encounter additional transportation fees.

Examples of these include costs to shrink-wrap pallets, load and unload products, pay for tolls, endure layovers and application of fuel surcharges.

7. Photography

Product photography refers to taking pictures using specific techniques to accurately and attractively represent your product. Excellent product photography increases conversions by enticing shoppers to purchase your product. This is another example of a potential one-time expense, but again photography is costly, and this cost needs to be tracked for its return on Investment.

8. Product Samples

There is usually no way around paying for your sample product from a supplier.

9. Product Testing

Product Testing is any process by which a researcher measures a product's performance, safety, quality, and compliance with established standards. This is becoming an increasing requirement with selling certain products on Amazon or the other marketplaces. Depending on the needs and frequency, this is a high cost to track, as costly testing can chip away at your product margins.

10. Storage

Storage Costs can be incurred for shipments held up at ports or shipments going under further inspections while the goods are

in transit. While these costs might not be typical, they should also be recorded for accurate cost analysis. These expenses can be excluded from the overall Landed Unit Cost.

11. Other Miscellaneous Costs Associated With the Product

There naturally can be many varying costs associated with sourcing, manufacturing, and the shipment of the product. Adding your costs into a centralised database such as SellerVue can help maintain accurate records and track costs efficiently. Some costs to note are the processing of payments or currency conversions, as they can add up over time.

12. Shipping Costs (Inbound Freight Shipping)

This cost includes the expense of getting the product or shipment from the port of origin to its final destination. Depending on the method of shipping, your costs will likely rise if the shipment method is fast. Planning and having an efficient inventory management process for forecasting inventory needs to ensure the best rate adds a significant amount to your bottomline.



5. Why Is Tracking Inbound Shipment Costs So Important for Accurate Product Costs?

Inbound shipping & logistics charges – the fees related to delivering goods into a business – are often overlooked.

Why? Unfortunately, when a product is shipped, the inbound transportation cost can be buried in a supplier invoice, combined with the cost of goods purchased or one combined bill for all the container contents.

Combining costs may be simpler to manage expenses from an administrative perspective but be catastrophic to your product's profitability.

The bigger your inbound shipping expense grows, the more this oversight costs you. Because of this, online sellers need to become a lot more meticulous when it comes to understanding these costs.

So, what can a growing business do to improve how they manage their inbound shipping costs?

When you track and manage your inbound shipment costs, you can reduce your shipping expenses and increase your profit. For example, sellers on Amazon and other platforms which implement SellerVue's cost tracking software, in some cases, increased their profit margin by 4.25% in just the first 90 days of use.

If you are absorbing higher inbound shipping costs, this eventually gets passed on to your customers in the form of higher selling prices or worse, to remain competitive, you sell the product for a minimal return, break-even, or a loss.

You might be reading this guide because you have encountered one or more of the challenges associated with inbound shipments. Addressing these challenges and focusing on specific inbound expenses builds efficiency and saves money.



Let's take a closer look at the Cost of Goods Sold: To truly understand and to calculate this number, you'll also need to determine your per-unit price (Factory Cost + Inbound Costs)

Cost of goods sold (official definition):

The direct costs are attributable to the production of the goods sold in a company. This amount includes the cost of the materials used in creating the goods, along with the inbound costs used to deliver the goods.

In other words, it's the accumulated total of all costs relating to a product or service that has been sold, from the factory to the warehouse floor.

An accurate Landed Product Unit Cost is how your Cost of Goods Sold is calculated.

Let's say your Landed Product Unit Cost is \$1.60, and you sell 10,000 units in a given month. Your Cost of Goods Sold is \$1.60 multiplied by 10,000, which equals \$16,000.

When you look at the sum total of all these aspects of the Product Costs and related Inbound Costs, it is clear that tracking them with clarity directly impacts your expenses and profits across all products you sell. All of these costs influence the individual SKU and your overall bottom line.

Clarity on the final landed cost of your products gives much more than a competitive advantage over your competitors. Having absolute certainty on your landed costs gives your company a compass towards increased probability.

SellerVue is a comprehensive app that is constantly updating and tracking your costs. At any given time when you log in, you're seeing your TRUE landed cost per product.

You'll also be able to export this data wherever you need to, tell the app which charges to include or exclude from an invoice, and so on.

Products ☐ Collapse rows ADD A PRODUCT EXPORT PRODUCTS

<input type="checkbox"/>	Name	Status	Costs Entry Count	Units Ordered	Factory Costs	Inbound Costs
<input type="checkbox"/>	017 - Sports Scoop Ball Set	Active	4	2000	\$7,130.00	\$1,173
<input type="checkbox"/>	015 - Kitchen Meat Scissors - Heavy Duty	Active	6	4500	\$15,875.00	\$1,064
<input type="checkbox"/>	028 - Steel Cup Holder	Active	4	1008	\$1,420.48	\$1,262
<input type="checkbox"/>	145 - 3 Pack of Sports Balls	Active	4	3000	\$7,398.00	\$2,455
<input type="checkbox"/>	036 - Silicone Baking Cups (Red)	Active	3	1000	\$500.00	\$72
<input type="checkbox"/>	034 - Fly Fishing Rod	Active	8	11500	\$8,395.00	\$2,091
<input type="checkbox"/>	033 - Paper Tray	Active	4	15168	\$7,280.64	\$1,924



6. Which Shipping Cost Calculation Method Should You Use?

Your bottom line depends on applying the correct shipping calculation method. Without accurate preparation and tracking, you might find your bottomline sinking lower and lower. Estimates show that your Cost of Good Sold will account for up to 20–30% of your total net sales. When you look at the most significant expenses with selling on Amazon, an emphasis must be on the landed product costs as a way to maintain a competitive edge and to increase profitability. Accurately calculating this requires determining which shipping (freight) cost calculation best

suits the invoice. Business owners are often unsure which method should be applied.

Let's begin with setting a basic foundation. When you receive the final invoice for shipping freight, there should be a list to go along with that shipment.

Before deciding which shipping calculation method to use, you first need to understand the invoice.

Scenario #1:

- ↳ You receive an invoice from FedEx for \$2,438.98.
- ↳ The shipment contents were 25 Cases and 100 Units Per Case (2500 Units) of ONE Product SKU.
- ↳ This calculation is \$2,438.98 divided by 2500 Units = \$0.98 (the cost per unit to ship).

This is a simple calculation, but as you start to expand and have a portfolio of products, shipping products together makes sense, as it will drastically reduce shipping costs.

Let's take a look at why that would be incorrect. Using this method would result in the assumption the cost is \$0.26 vs the actual cost of \$0.01. It may not seem like much, but if you sell 10,000 units, that is \$2600 profit missed.

The example below shows the difference between calculating 'Cost Per CBM' vs the 'Cost Per Unit.'

['Cost Per CBM' vs the 'Cost Per Unit']

Scenario #2:

- ↳ You receive an invoice from XYZ Freight Forwarder for \$8,438.98.
- ↳ The shipment contents were 163 Cases for multiple Product SKUs totalling 32,163 units.
- ↳ Using the above calculation to determine your unit price per product to ship would be \$0.26.

<div> <div> <div>Total Invoice Cost = \$8,438.98</div> <div>Total CBM = 32.63</div> <div>Cost per CBM = \$258.65</div> </div> <div>VS</div> <div> <div>Total Invoice Cost = \$8,438.98</div> <div>Total Units = 32,163</div> <div>Cost per Unit = \$0.26</div> </div> </div>												
	Carton Length (CM)	Carton Height (CM)	Carton Width (CM)	Carton (CBM)	Number of Cartons	Number of Units per Carton/Case	Total of Units	CBM	Cost Per CBM	Invoice Per SKU Cost	Correct Total of Cost per Units	Incorrect Total of Cost per Units
1	0.32	0.36	0.37	0.04	12	78	930	0.51	258.65	132.30	\$0.14	\$0.26
2	0.50	0.30	0.31	0.05	10	120	1200	0.46	258.65	120.23	\$0.10	\$0.26
3	0.50	0.30	0.30	0.05	20	125	2500	0.93	258.65	240.30	\$0.10	\$0.26
4	0.50	0.91	0.65	0.30	10	200	2000	2.96	258.65	764.97	\$0.38	\$0.26
5	0.50	0.61	0.61	0.19	20	88	1750	3.72	258.65	961.19	\$0.55	\$0.26
6	0.30	0.61	0.61	0.11	10	50	500	1.13	258.65	292.97	\$0.59	\$0.26
7	0.61	0.30	0.30	0.06	30	34	1020	1.70	258.65	439.45	\$0.43	\$0.26
8	0.30	0.30	0.30	0.03	20	50	1000	0.57	258.65	146.48	\$0.15	\$0.26
9	0.50	1.22	1.22	0.74	5	750	3750	3.72	258.65	961.19	\$0.26	\$0.26
10	0.30	0.30	0.30	0.03	4	625	2500	0.11	258.65	29.30	\$0.01	\$0.26
11	0.45	0.30	0.30	0.04	22	55	1200	0.92	258.65	237.89	\$0.20	\$0.26
12	0.30	1.22	1.22	0.45	15	188	2813	6.80	258.65	1757.82	\$0.63	\$0.26
13	0.50	0.30	0.30	0.05	4	1250	5000	0.19	258.65	48.06	\$0.01	\$0.26
14	0.50	1.22	1.22	0.74	12	500	6000	8.92	258.65	2306.85	\$0.38	\$0.26
					194	4111	32163	32.63		8438.98		



7. What do you need in order to calculate the correct unit cost?

- A copy of the invoice
- A copy of the contents of the shipment (ie: a Pack List with carton dimensions, weights and number of cartons, etc.)
- Shipping Calculator Spreadsheet

If you need to read more about a shipping pack list, read our blog, [What Should Be On Your Pack List](#).

Businesses selling products often apply the shipping calculation method that provides the higher weight, otherwise known as the Weight (or Management) Rule or W/M rule. Once you have this basic information, you need to consider specific shipping formulas.

The following section will discuss Volumetric Weight and Cubic Metre (CBM) Formulas. Your business's most efficient and effective formula relies on the preceding factors. The Volumetric Weight and Cubic Metre (CBM) formulas are two standard measures for determining shipping rates. First, you need to determine which formula your specific products and shipments require.

Shipment carriers select the formula that provides the highest revenue during the shipping determination process. If you consider filling the cargo area of an aeroplane with large orders of low-density items, the carrier will not earn as much if they charge by straight volume. They

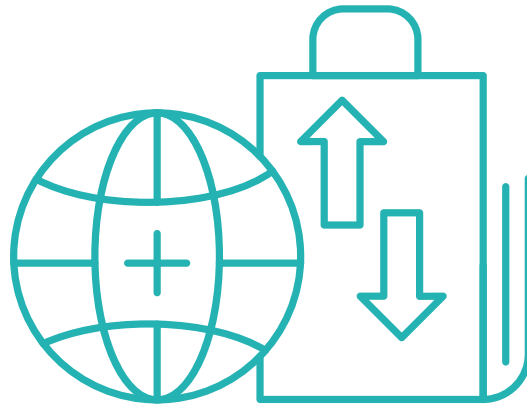
determine shipping concerning volumetric weight, which is a more arbitrary calculation to combat this.

It is common for shippers to calculate shipping by two different formulas and then charge the higher rate of the two.

Shippers might apply the formula for Volumetric Weight, otherwise known as dimensional weight (dim) when the products you are receiving cost more for their physical space than their weight during shipping. For example, if you are calculating the shipping cost of crates of fragile, decorative feathers, you would want to apply the Volumetric Weight formula because it accounts that the crates take up more space on the cargo plane when compared to their overall weight.

The Cubic Metre formula (CBM) is also a standard method of calculating shipments by marine freight. This process involves measuring the volume of the shipment. To operate this formula, you will need to know the length, width, height, and weight of your packages and the potential sizes of shipping containers.

If you are still unsure which calculation method might be best for you, the only way to know for sure is to run calculations for both. Once you do this, you can compare the gross weight of your products to the volumetric weight.



8. How to Calculate Shipping Costs using CBM

When you ship goods from one country to another through sea, road, or air, 'CBM' often comes up. CBM for cubic metres is a unit of measurement that determines how much the shipping would cost.

Therefore, when you offer worldwide shipping on your ecommerce store, you must understand everything there is to know about CBM.

a) What Is CBM?

CBM is a unit of measurement used to calculate the shipping cost of goods. Since it represents cubic metres, it shows how much space an item will take on a truck, aircraft, or ship, depending on the shipping vehicle. In cargo transport, the amount of space a package takes determines its transport cost.

b) How Do You Calculate CBM?

To calculate CBM, you'll need to know your package's length, width, and height in metres and the number of Cartons or boxes shipped. Then multiply these three measurements together with the number of boxes/cartons to get your CBM calculation.

Note that this method only works for cargo shaped like a cube or cuboid. Since these are regular shapes, they have uniform dimensions and can be easily measured. If your package is not in one of these shapes, you'll have to use different formulas, depending on the shape of the package.

The formula for measuring CBM of a cube or the cuboid-shaped carton is:

(Length x width x height) x (boxes/Cartons)

When using this formula, make sure all measurements are in metres. If they are in other measurement units, convert them to metres. Suppose a box carton is 35cm long, 42cm wide and 52 cm high. You'll simply convert these figures to metres: 0.35m long, 0.42m wide and 0.52m high. The CBM of your package will be $0.35 \times 0.42 \times 0.52 = 0.07644\text{m}^3$.

If you have 100 boxes/cartons of the same size, you can multiply 0.07644m^3 by 100 to get the CBM of your total cargo. $100 \times 0.07644\text{m}^3 = 7.644\text{m}^3$ (CBM)

But if your cargo contains cartons of different sizes, you can calculate CBM for them individually. Then, you have to add the CBM for each carton to get the final CBM for the whole cargo.

CBM Of A Cylindrical Carton or An Irregularly Shaped Package, please read the blog, What Is CBM, And How Do You Calculate It?

c) Using CBM to Calculate Freight

You can use CBM to calculate air, ship, or road transport freight. For all methods, the transport companies charge the customer based on whichever of the two weights - dimensional or gross - is greater in value.

The package's dimensions are taken in cm for air and road freight. For ocean freight, convert the values to metres. Here are the methods for all three modes of transportation.

d) Ocean Freight (FCL)

When shipping a Full Container Load (FCL) with all the content you own, calculating the shipping is much simpler. You still need the relevant pack list to calculate the CBM of the shipment. However, once you have the invoice total, you will be able to calculate the cost per cbm much easier.

Example: The invoice total was \$10,000 (not including tariffs or duties). And the total shipment cbm was 19.43m³. So the cost per cbm is \$514.67.

For a full explanation, read out the blog, [How to Accurately Calculate Shipping Costs](#).

B. Ocean Freight (LCL)

Suppose you want to send an LCL (less than a container load) shipment by sea and all three dimensions of your package are 5 metres. So the CBM will be 125m³.

The package's dimensional weight will be measured using the DIM factor, a mathematical value that indicates the volume of a carton per unit of its weight. The DIM factor, in this example, is 1:1000, and the gross weight of the carton is 200kg.

Typically, shipping lines only charge freight based on weight when the cargo weighs more than 1 ton. However, the cargo weighs 0.2 tons in this example, so the freight is calculated based on CBM.

Let's say the ocean carrier charges \$100 per CBM/ton. The freight cost will be $100 \times 125 =$

\$12,500. Meanwhile, if the gross weight of the package was 5,000 kg or 5 tons, the freight will be calculated based on the weight and not the CBM. In that case, the freight will be $100 \times 5 =$ \$500.

Air Freight

For airfreight, the dimensional weight is calculated by dividing the CBM with the DIM factor, where the DIM factor is 1:6000. Let's say that all three of the package dimensions are 200cm, and the gross weight is 200kg.

The dimensional weight will be calculated by: $200 \times 200 \times 200 / 6000 = 1,333\text{kg}$ (1.3ton)

Since the dimensional weight is greater than the gross weight, the ocean carrier will charge the customer accordingly. Assuming the ocean carrier charges \$100 per ton, the freight cost will be $1.3 \times 100 =$ \$120.

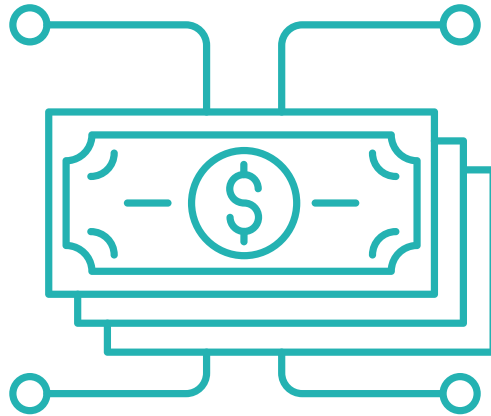
Road Freight

1. The same formula is used for road freight except that the DIM factor is 1:3000. Suppose the package dimensions are 100cm, 80cm, and 50cm. The dimensional weight will be:

$100 \times 80 \times 50 / 3000 = 133\text{kg}$ or 0.13 ton

Let's say the gross weight of the package is 100kg or 0.1 tons. Since the dimensional weight is larger, the freight will be calculated using its value. Assuming the per ton charges for air freight are \$100, the freight cost of this package will be $0.13 \times 100 =$ \$13.3. If the gross weight was larger, such as 200kg or 0.2 tons, the freight cost would be \$20.

You should know how to calculate CBM for different packages and determine the freight charges accordingly. Therefore, it's important to research the rates of different companies before making a decision. By doing some calculations beforehand, you can save a significant amount of money on your shipping.



9. Learning from Cost of Goods Sold

Think of your business in these ways to better understand your COGS and determine ways to reduce costs without sacrificing quality.

- Cost of goods sold is a major contributor to margins: Your business will never make money if the cost of goods sold is higher than your product pricing. Always track COGS to help ensure you generate an operating profit.
- Get a fine-tuned understanding of COGS: Don't just look at the high-level COGS result. Look at every underlying cost for savings opportunities.

- Strategically reduce the cost of goods sold: Even little progress on COGS leads to higher profits as a difference in COGS can make or break your business.
- Keep a long-term focus: Avoid making cuts that harm your customer experience, product quality, or employee experience, as they could turn around and harm your long-term outlook.

You don't need a solid financial background to build a more profitable long-term business strategy to use COGS. Anyone can use COGS to improve their business.

10. Using Cost of Goods Sold to Improve Profitability

Large companies hire teams of accountants and FP&A “financial planning and analysis” analysts to review every cost with a fine-tooth comb. So while you may want to seek professional help, you can do your calculations. Moreover, it likely has opportunities to improve through your own COGS analysis.

Businesses that use SellerVue have quick access to this information on the SellerVue Dashboard with analytics, costs, and other reporting tools. When you know what makes up your business costs, you can take steps to keep them under control and work toward your growth and profitability goals. Whether you’re trying to create or maintain a business to support your family or set yourself up for retirement, COGS is almost certainly part of the formula. With a good understanding of how it works, you can better control your company’s destiny.

Most sellers understand profitability from a fundamental standpoint. If sales cover your expenses, you are profitable.

Naturally, profitableness tends to be one of the primary goals of any business owner. However, I will show you why sellers like you and me should look beyond a simple profit amount. The simple profit amount doesn’t indicate the why’s and how’s that make the business profitable.

Analysing key metrics is the pulse of any business. KPIs help determine whether a company is healthy, profitable, and sustainable. By calculating and comparing metrics, sellers can identify the products that are working well and those that need attention and/or improvement.

As an online company, we will be focusing on the product-level profitability.

Let’s review these profitability metrics:

- **Return of Investment** – (ROI) is a popular profitability metric used to evaluate how well an investment has performed. It is

how much it costs to produce and develop a product versus how much profit that product generates. $ROI = \text{Net Profit} / \text{Cost of the Investment} * 100$. For instance, if your company spends \$15,000 purchasing a product that earns you a profit of \$16,000 – your ROI is 107%.

- **Profit Margin** – To find a profit margin, divide your gross profit by revenue. To make the margin a percentage, multiply your result by 100. If the margin is 30%, you keep 30% of your total revenue. eCommerce profit margins from sales can be calculated by the price you sell your product for minus your Landed Cost (COGS), your Cost per Acquisition (Advertising), and your Cost of Selling (Fees – Shipping to Customer, Referral Fees, Marketplaces Fees).
- **Per Unit Profit** – eCommerce profit per unit can be calculated by the price you sell your product for minus your Landed Cost (COGS), your Cost per Acquisition (Advertising), and your Cost of Selling (Fees – Shipping to Customer, Referral Fees, Marketplaces Fees).
- **Total Product Profit** – eCommerce/amazon Total Product Profit can be calculated by the Revenue/Sales of your product minus your Landed Cost (COGS), your Cost per Acquisition (Advertising), and your Cost of Selling (Fees – Shipping to Customer, Referral Fees, Marketplaces Fees).
- Tracking these metrics does not have to become your second full-time job. You will always know how to effectively ship, receive, and fulfil orders that contribute to a growing ROI and profit margins when you have access to this information.

Having an accurate grasp on your Profit KPIs will increase when you empower yourself and your business with this process. It is vital to track all costs attributed to the cost of the product to ensure the accuracy of the metrics.

11. How can SellerVue help eliminate the most tedious and time sucking task of managing your product costs

SellerVue Helps You:

- Have a holistic view of your invoices and costs in one spot, which will help you save time and money
- Organise your costs by SKU-by-SKU (so costs don't get lost, left out, or forgotten about)
- Easily assign any cost or any amount from your invoice to a product.
- Never wonder what a product costs again because the software analyses it for you.

Do you know your true Cost of Goods Sold? Most sellers don't realize that their unit costs are inaccurate. The main reason they are inaccurate is that sellers aren't allocating expenses/fees associated with their products to the exact product SKU. Why should this matter? Accurate

Data = Accurate Metrics. Expenses like Amazon fees, storage fees, shipping fees, insurance, office space, etc... are not being allocated properly or at all. Not allocating these expenses accurately leave sellers guestimating their true cost of goods before entering them into their store platforms like Shopify or Amazon.

SellerVue's easy-to-use software will give you a holistic view of your products, inventory, and costs per SKU. By simply uploading your invoices and allocating expenses SKU-by-SKU you will start to see your products' true unit costs. This will allow you to have a better understanding of what is truly driving profitability for your online business.

Ready to ditch your spreadsheet?

Knowing your costs is that easy now...

👉 **FREE 14 DAY TRIAL**

No obligations, no contracts, just get ready for life altering experience.

- ✓ Simple Invoice Editor!
- ✓ Quickly Assign Product Costs To SKUs!
- ✓ Smart Analytics To Keep Your Costs In Check!
- ✓ Everything organised in **ONE** simple dashboard!
- ✗ **NO MORE** Ugly spreadsheets!

SellerVue Gives You THE TOOLS You Need To Know Your Costs So You Can Be More Profitable Selling Your Products Online!

Learn more at www.sellervue.com

This the SellerVue Way...

Your path to profitability starts with productivity.

One of the most notable benefits of SellerVue is:

- Taking an unwieldy spreadsheet full of errors or a disorganised mess of invoices shattered through Google drive or in a folder in your inbox somewhere.
- Organising "EVERYTHING" in ONE Easy-to-Navigate Dashboard to keep all your Product Costs organised in the same place.
- No more guessing costs.
- Our Split Cost function, making it easy to assign product costs to a particular SKU.
- Our super-simple drag and drop Invoice Editor.

- Smart Analytics to keep your costs in check.
- Group products together to create bundled costs.
- ONE Easy-to-Navigate Dashboard to keep all your Product Costs organized in one place.

And, this is what you can expect to eliminate:

- Ugly spreadsheets.
- Inaccurate products costs.
- Complicated Excel formulas.
- Searching for invoices.
- Lost profits.

With SellerVue it's a simple 3 step process:



Step 1:
ADD AN INVOICE



Step 2:
SPLIT THE INVOICE



Step 3:
SEE YOUR COSTS



**ACCURATE, AUTOMATED
AND TRACKABLE COSTS
IN NOW THAT EASY...**

We give you the tools you need to know your Cost of Goods Sold, so you can maximise your profits!

Once you're all set up, the time you spend manually entering your invoices is still far less than you're probably spending making spreadsheet adjustments, searching for invoices, or fielding all those back-and-forth emails.

Keep All Your Product Costs Organised In One Place...
Get SellerVue Today!