TrueRadar

Detecting eCommerce Motions

Q1 2024

By TRUEPROFIT

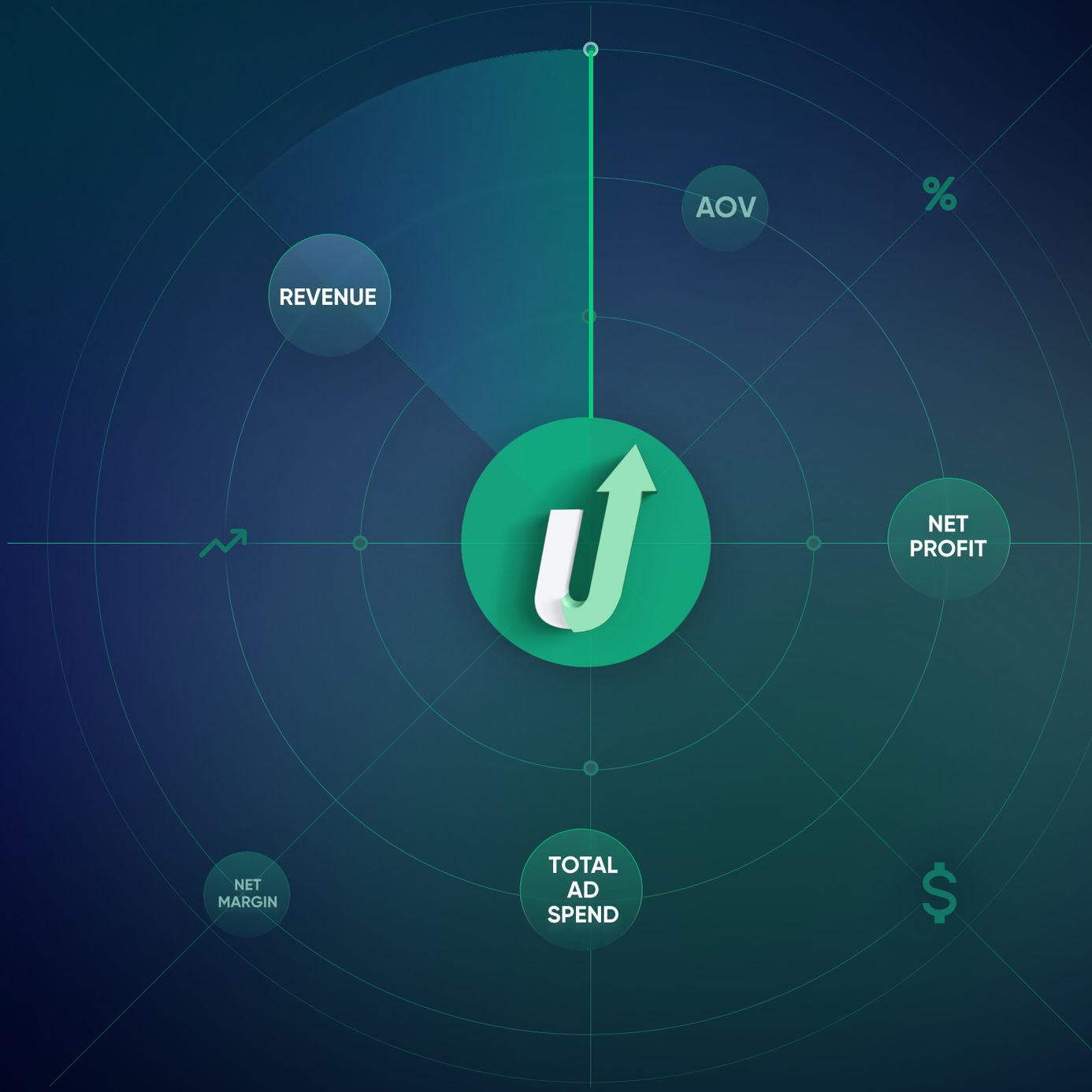


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Why we created this report?

”2024 is still our year, the first quarter doesn’t determine our final score”.

It’s a common belief among ecommerce enthusiast & store owners that Quarter 1 is never a perfect time to start or scale your online business because consumers have a tendency to cut down on their shopping spending during the first months of year after the hectic year-end sales season.

Hence, it’s a perfect opportunity for store owners to slow down, look at what your peers are doing and work on your strategies for the next quarters, especially Q2 & Q3.

At the time of publishing this report, Q1 is already over. Is the above statement true?

Interesting enough, our data tells a “quite” different story. Even though it's the start of the year, consumers seems to be not holding back. They're spending just like they did in the holiday season.

Backing this up, a study by Jungle Scout shows that a bit more than half (52%) of consumers are spending about the same in Q1 2024 as they did at the end of last year. This is a twist from the last three years when fewer people kept up their spending from Q4 to Q1.

That's why we've put together the TrueRadar report every quarter exclusively for you - our beloved ProfitTribe members.

This handy quarterly report gives you the scoop on current market trends and changes in consumer behavior over the past months. On top of that, it's designed to give you some insights on your peers, helping you gear up for the journey ahead and make smart decisions for your business.

No matter if you're a beginner or a seasoned merchant, reading this report will equip you with:

- **Industry Performance Benchmarks:** We break down important numbers like net profit, net profit margin, average order values, ad spending, and revenue growth to give you a snapshot of Q1 for Shopify sellers.
- **Market Trends:** Get insights into where advertising money is going, predictions for the future, and practical advice based on real data.
- **Smart Data Utilization:** Leverage the insights provided in this report to sharpen your strategy for future quarters, ensuring your business not only stays on course, but also readily adapts to evolving market conditions.

Our methodology

Data Usage

Our report analyzes the performance of Shopify stores in Q1 2024.
We leverage anonymized data from **2,000+ Shopify merchants worldwide** who utilize the TrueProfit platform.

The data we gathered pinpoints crucial performance markers for Shopify store owners throughout Q1 2024. This includes key metrics such as net earnings, average transaction value, advertising expenditure, revenue increase, and more.

To guarantee the accuracy and relevancy of our data, we filter to only include merchants that recorded **positive revenue (rev>0).**

Segmentation

For a more in-depth analysis, we've segmented the data into 4 distinct revenue tiers.

- **Tier 1** **$0 - $2,000** in revenue
- **Tier 2** **$2,000 - $15,000** in revenue
- **Tier 3** **$15,000 - $60,000** in revenue
- **Tier 4** **$60,000 - $150,000** in revenue

In analyzing all financial data in this report, we use the **median** as our central tendency measure. This choice enhances the accuracy of the benchmark data by mitigating the impact of outliers (e.g., abnormal low or high values).



Revenu

01 Revenue Rundown

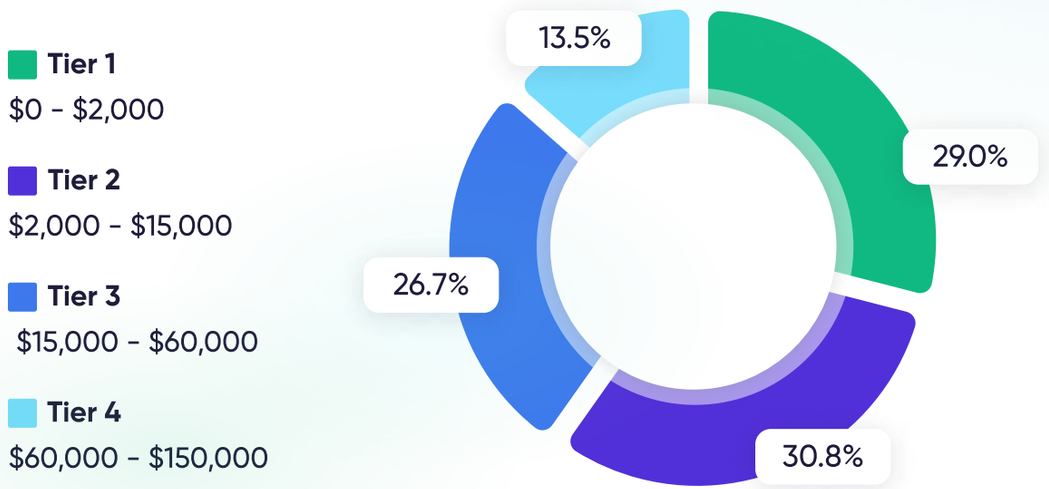
Insights Into Your Peers' Earnings

AOV

Revenue tier distribution across Shopify stores

To gain a better understanding of where you're at compared to your peers when it comes to revenue, let's look at the pie chart of distribution of eCommerce stores by revenue range below.

Distribution of Shopify stores based on revenue tiers Q1 2024



Insights from the charts

1. It's a fairly competitive market

Around 60% of stores earn below $15,000 per month, while only 13.5% achieve monthly revenue between $60,000 to $150,000 per month.

This highlights the intense competition at the lower end and underscores the tough challenge to become among the top earning tier.

2. There's still room for growth in mid-tier

Over one-quarter (26.7%) of stores generate revenue in the range of $15,000 to $60,000 per month in Q1 2024.

This sizable mid-tier segment indicates a significant opportunity for businesses to scale and expand into this revenue bracket. This can be done by implementing strategic growth initiatives, such as product diversification, targeted marketing campaigns, or operational optimizations.

Revenue

Average monthly revenue per store

'Average revenue per store' is a key number that shows us an average of how much money ecommerce businesses are making each month. It's a good way to see how your shop stacks up against your peers.

By looking at this number over time, we can spot important trends in how well the eCom business world is doing overall.

Looking at the numbers from Q1, we see that the average monthly earnings are steady at just over $13,000. This tells us that things in the eCom world have been pretty stable, with no significant changes throughout this period.



Average Order Value

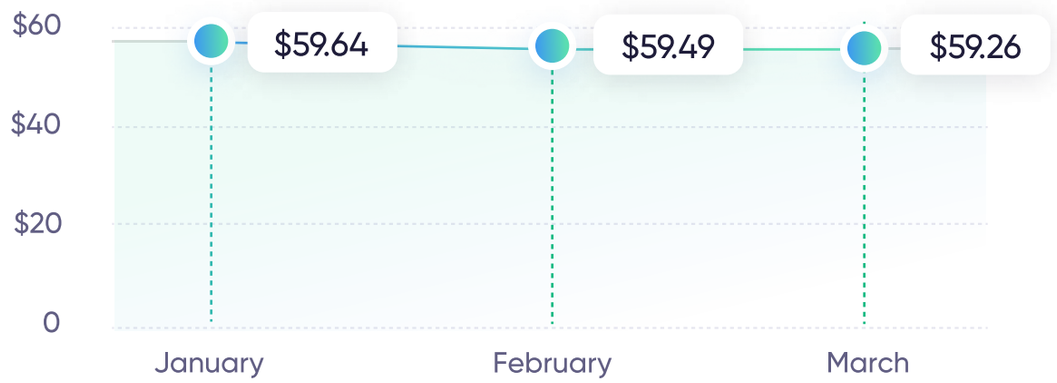
HIGHLIGHTS

$59.46 is the average order value for all shops in Q1

$59.46

The average order value (AOV) for all shops sees minor fluctuations over the quarter. January and February maintain a relatively stable AOV, averaging around **$59.64,** while March experiences a slight decline to **$59.26** per order.

Monthly average order values for all shops in Q1 2024



Average Order Value Divided by Revenue Tiers



The dataset reveals a common trend: larger stores generally boast higher average order values than smaller ones. This points to a correlation between revenue tiers and average order values.

Taking our customer base into account, we explore why this happens.

- Stores in Tier 3 and Tier 4, making over $60,000, often **offer a wide range of products.** This diverse product portfolio helps them attract more customers which leads to higher average order values.
- Also, these bigger stores have been around for a while, **building a loyal customer base that trusts their brand.** This means more repeat customers making larger purchases, boosting the average order value.
- Moreover, the effective implementation of sales strategies such as **upselling, cross-selling, and offering discounts for buying in bulk** all contribute to higher average order values by encouraging customers to buy more items in one go.

Bonus tips:

As a lower-tier merchant, how can you boost your average order value?

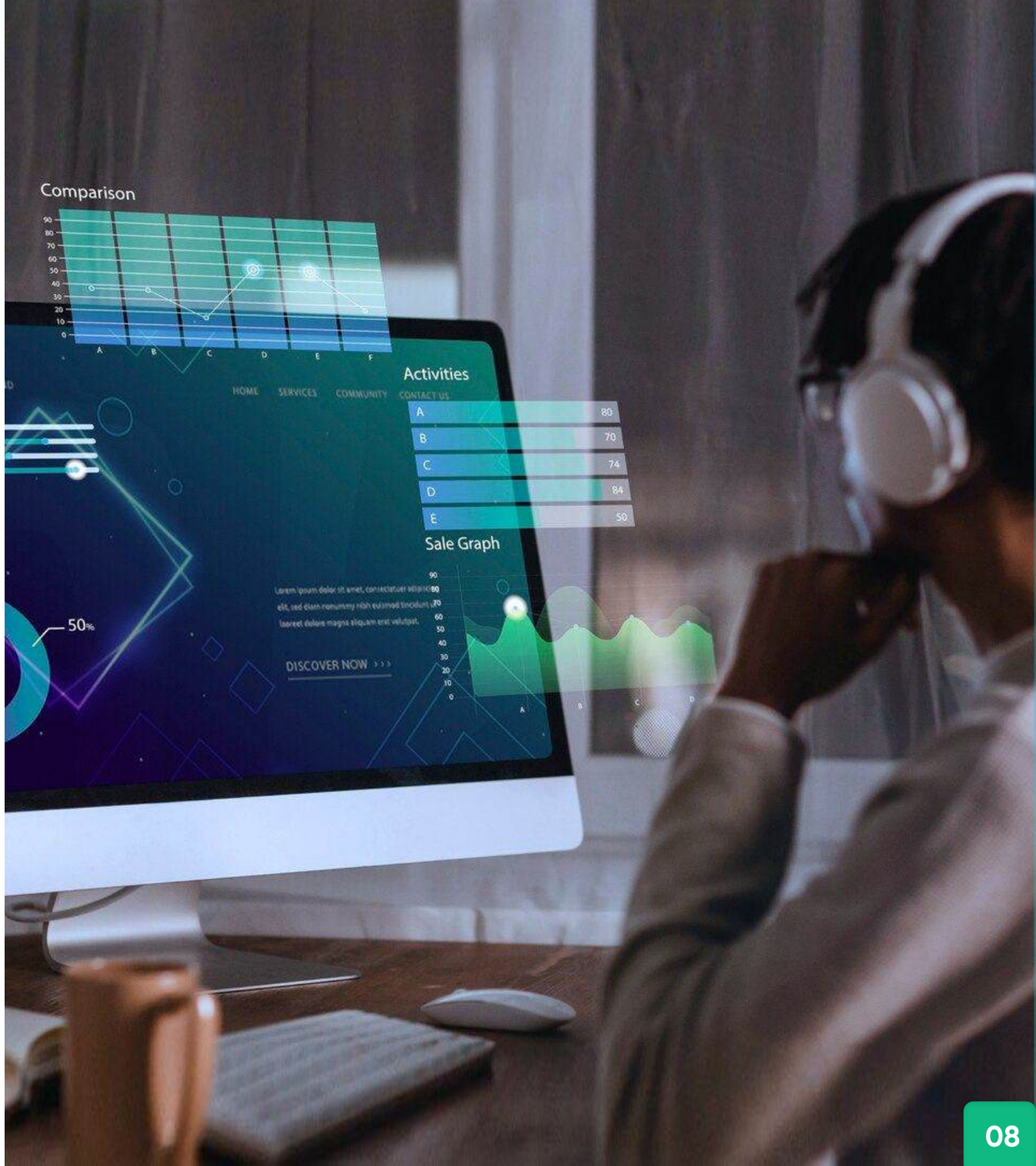
Here are five strategies to boost the average order value for your Shopify store:

1. Set a **'Free Shipping'** minimum to nudge shoppers to spend more.
2. **Bundle related items** lower than their total individual price.
3. **Upsell or cross-sell add-ons** or better versions of customers' main buys.
4. **Start a loyalty program** to reward repeat business.
5. Use **live chat support** to boost buyer confidence and foster repeat sales.

Ready to unlock the secrets of Shopify success?
Join the exclusive ProfitTribe Discord community!

Get winning strategies, insider tips, and
support from top Shopify owners every day.

JOIN NOW



02 Tracking 'Net' Profit Trends:

A Sneak Peek

AOP

Net Profit

Net Profit Margin

Net Profit

HIGHLIGHTS

The average quarterly net profit for our studied Shopify stores stands at $5,204.

$5,204

As of our study shows that the average net profit of Shopify stores in Q1 2024 is approximately $5,204, this is a pretty good range of "net profit" for a small to medium-sized Shopify business.

To give you a closer look at the industry, we also breakdown average net profit divided by revenue tiers.

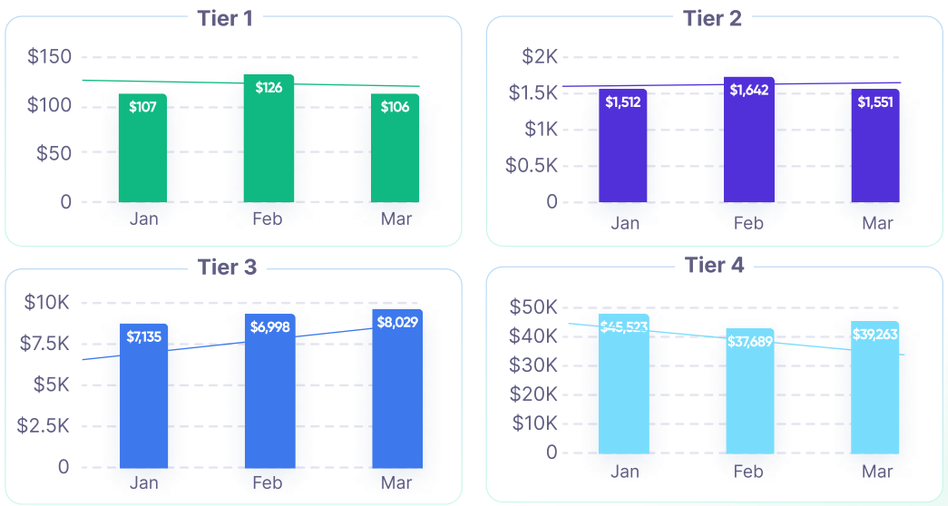
Average Net Profit Divided by Revenue Tiers

Tier 1	$0 - $2K	$113.00
Tier 2	$2K - $15K	$1,568.33
Tier 3	$15K - $60K	$7,387.33
Tier 4	$60K - $150K	$40,828.33

Higher revenue tiers show higher average order values and profits, which is pretty obvious. Tier 4 demonstrates the most efficient conversion to profit. Tier 1 and 2 have lower profits, suggesting optimization opportunities. Tier 3 and 4 have higher profits but may require increased investment or face higher operating costs for growth.

Looking at the charts below, net profit rose across tiers from January to March. Notably, Tier 1 and 2's profits dipped in March, while Tier 3 and 4 saw a slight uptick.

Net Profit by Revenue Tier in Q1 2024 (MoM)



The underlying reasons for this pattern could be:

Marketing Strategies: Tier 3 and Tier 4 merchants may have implemented effective marketing campaigns or promotions during February to attract more customers and drive higher sales, resulting in increased net profit.

Seasonal Trends: Certain products or industries represented in Tier 3 and Tier 4 may experience seasonal fluctuations, with February being a stronger month for sales compared to Tier 1 and Tier 2.

Margin

Average net profit margin

HIGHLIGHTS

25% is the average net profit margin for all shops in Q1 2024

25%

According to the Corporate Finance Institute, a 10% net profit margin is considered average, while a 20% margin is regarded as high.

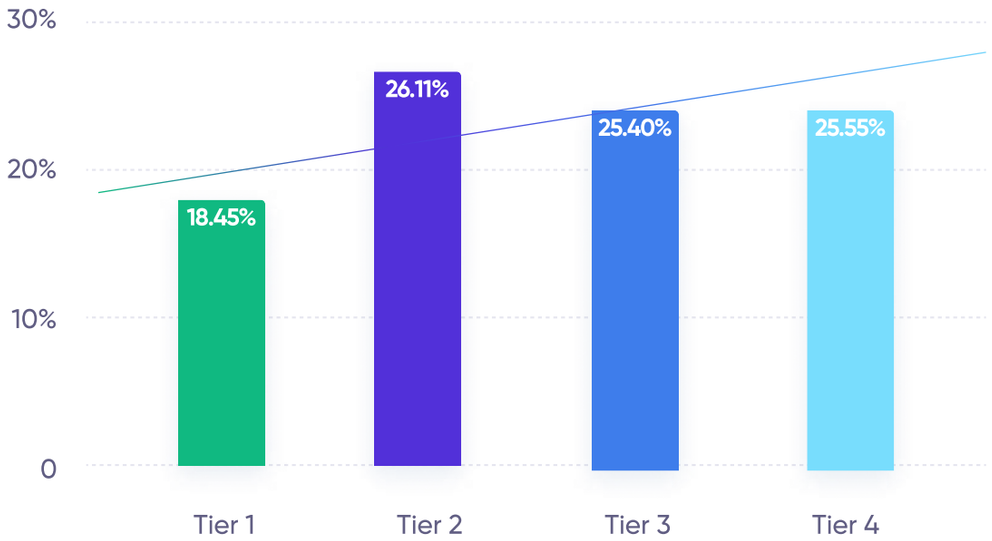


Our first-quarter results indicate that our merchants have performed exceptionally well, with most achieving a net profit margin of 25%, which seems to be significantly above average.

However, a deeper analysis reveals a more nuanced picture when broken down by tier:

- **Tier 1:** This group has an average net profit margin of 18.45%, which is the lowest among the four tiers but still above the industry average and considered strong.
- **Tiers 2, 3, and 4:** These groups demonstrate an impressive performance with average net profit margins ranging from 25.40% to 26.11%, far exceeding industry benchmarks.

Average Net Profit Margin for Each Tier in Q1 2024



Remember:
A high net profit margin signifies cost efficiency relative to revenue but does not necessarily indicate the overall size of a company's revenues or total profits.

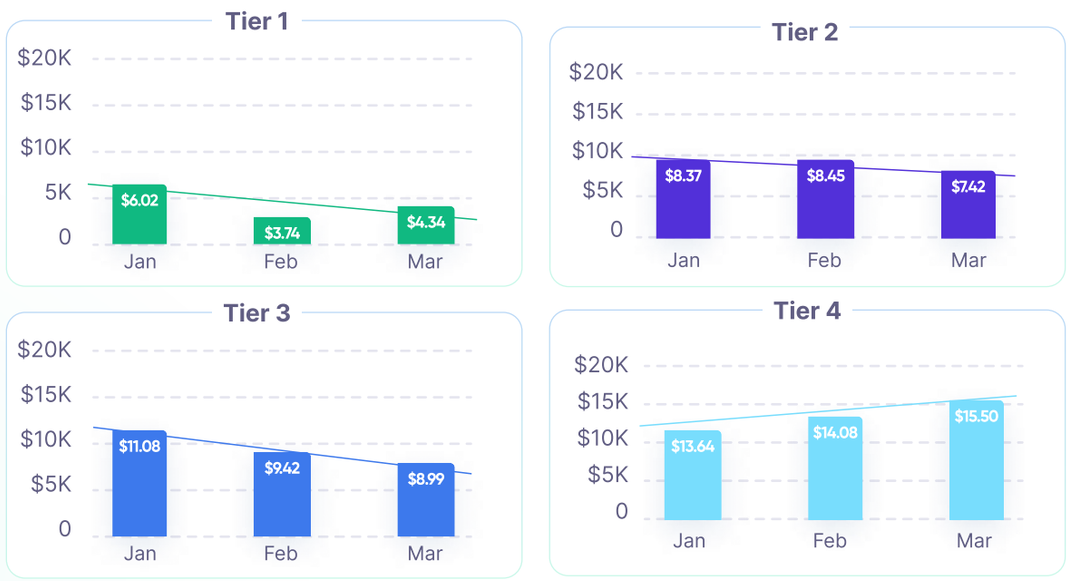
Average order profit

HIGHLIGHTS

$9.67 is the average order profit for all Shopify stores in Q1

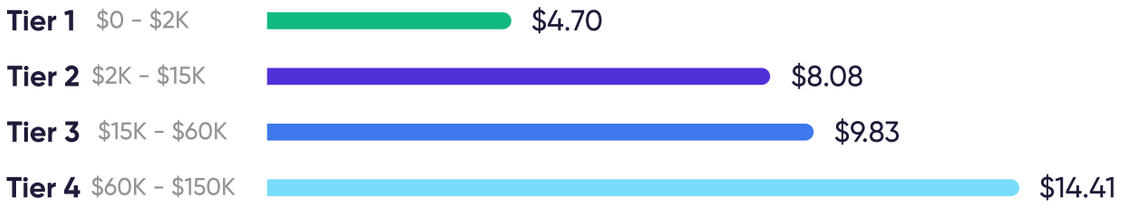
$9.67

Monthly average order profit of Shopify stores in Q1 2024 divided by tiers



Across Q1, while average order profits for tiers 1, 2, and 3 declined, Tier 4 experienced an increase.

Average Order Profit Divided by Revenue Tiers



Here are some of our hypotheses for this difference:

1. Engage in discounts or promotions

- Tiers 1-3: Discounts or promotions in January to attract new customers might have lowered the average order profit in those tiers. These promotions might have ended in February or March, leading to a decrease in average order profit.
- Tier 4: Tier 4 might not have offered similar promotions and more precisely targeted ads, resulting in a steadier average order profit.

2. Varying product mix approaches

- Tiers 1-3: A shift towards lower-margin items, possibly due to changes in customer preferences or strategic decisions, explains the decreasing average order profit.
- Tier 4: Tier 4 might have maintained a product mix with consistent margins throughout the quarter.

Actionable tips on how to improve profit-oriented metrics:

A timeless tip for enhancing your profit-oriented metrics is to focus on two key aspects: minimizing costs and maximizing sales.

How to minimize costs:

1. **Cut Product Returns:** Accurate product descriptions and extended return times could lower return rates.
2. **Bargain with Suppliers:** Bulk orders might get a discount. Waive freight fees for large orders and teamed up with private suppliers for better deals.
3. **Lower Credit Card Processing Fees:** Push for lower fees from your payment processor. Enable other payment methods like PayPal or Stripe for lower credit card transactions.
4. **Reduce Inventory Costs:** Use promotions to sell less popular items and free up warehouse space.
5. **Automate Your Business:** Save time & increase efficiency by automating cost tracking, ad spend tracking or profit tracking. Check out tools like TrueProfit for this.

How to maximize sales:

1. **Offering 'Free Shipping':** Customers tend to buy more when shipping is free. Offer it across all products or set a purchase amount threshold for free shipping.
2. **Running Regular Promotions:** Use promotions to engage inactive leads and previous customers. Also, have quarterly themed events to drive big sales.
3. **A/B Testing Campaigns:** Continually test and tweak your ad campaigns for better conversion rates.
4. **Utilizing Data Analysis**: Use your sales data to refine your strategy. Removing unprofitable items from your catalog or adjusting prices can significantly increase profits.



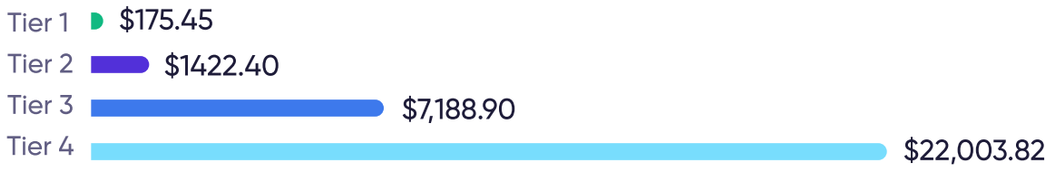


03 Ad Insights Unveiled:
Behind The Numbers

Total Ad Spend*

Examining the total ad spend data across revenue tiers not only reveals the advertising budgets that businesses of different sizes are willing to allocate, but also hint at online sellers' favorable marketing approaches.

Total Quarterly Ad Spend divided by Revenue Tiers in Q1



Tier 1

$0 to $2,000

This tier has the most modest marketing budget on advertising.

These store owners are reluctant to push more advertising efforts after the holiday season, the low ad spend is primarily due to limited budgets as newcomers in the eCommerce space.

They are more likely to rely heavily on organic marketing (e.g. social media marketing), word-of-mouth or other low-cost advertising channels.

Tier 2

$2,000 to $15,000

There is a noticeable jump in ad spend in this tier compared to Tier 1 ($1422.4 vs $175.45), indicating that businesses in this tier have more resources to allocate towards advertising and marketing efforts.

This level of ad spend suggests an emphasis on customer acquisition, brand awareness, and reaching a broader audience.

Businesses in this tier may be actively investing in various marketing channels to maximize sales beyond through paid advertising, such as influencer marketing or SEO.

Tier 3

$15,000 to $60,000

The ad spend has become far more significant in this tier, reflecting the high willingness to spend money on ad of businesses in this tier.

For this level of ad spend ($7,188.90 per quarter), it is likely that they aim at running more extensive campaigns or targeted advertising across multiple platforms, and focus on both customer acquisition and retention.

Tier 4

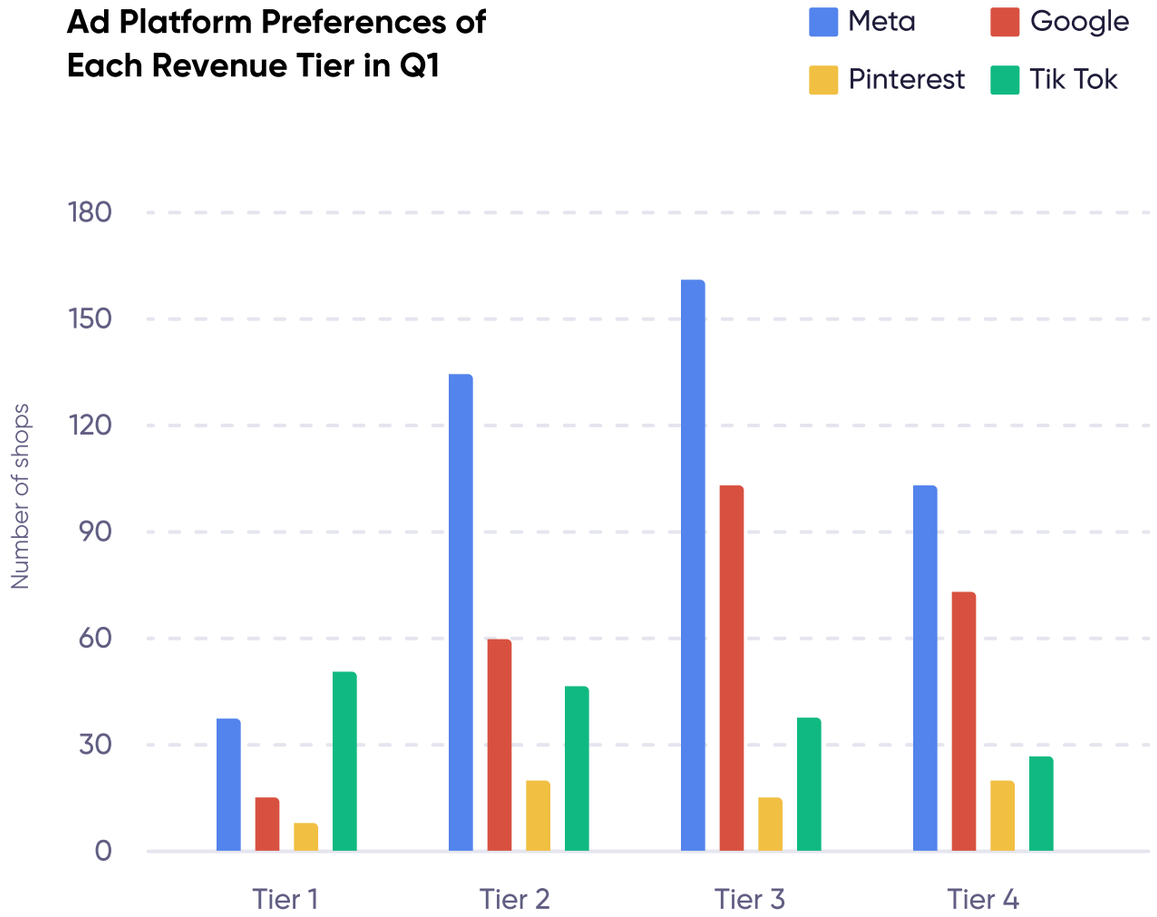
$60,000 to $150,000

This tier was willing to pay 3 times more money then tier 3 when it comes to advertising.

Businesses in this tier may be pursuing aggressive growth strategies, expanding into new markets, and focusing on maintaining or increasing their market share through extensive advertising efforts.

(*) To ensure the most representative data, inssufficient ad data about other less used ad platforms (e.g. Microsoft, Snapchat, etc.) and data about merchants who do not utilize ad channels are filtered out from our calculations for this section.

Top advertising platforms



Ad Spend

Determining which ad platforms to invest in is challenging. One effective approach is examining how your peers allocate their ad budgets across platforms.

Insights from the data

1. Meta's dominance over TikTok:

While Meta and TikTok ads both help with demand generation, Meta dominates over TikTok across most business tiers except for tier 1.

This can be attributed to Meta's far more advanced targeting algorithms. Besides, the looming TikTok ban in the US may also contribute to this preference.

That said, a number of businesses, especially the smaller ones still opt for TikTok (as well as Pinterest) for a generally cheaper CPM.

2. Businesses in higher tiers are more likely to utilize Google Ads

For bigger businesses, their target customers generally have a high level of awareness of their problems and the existing products.

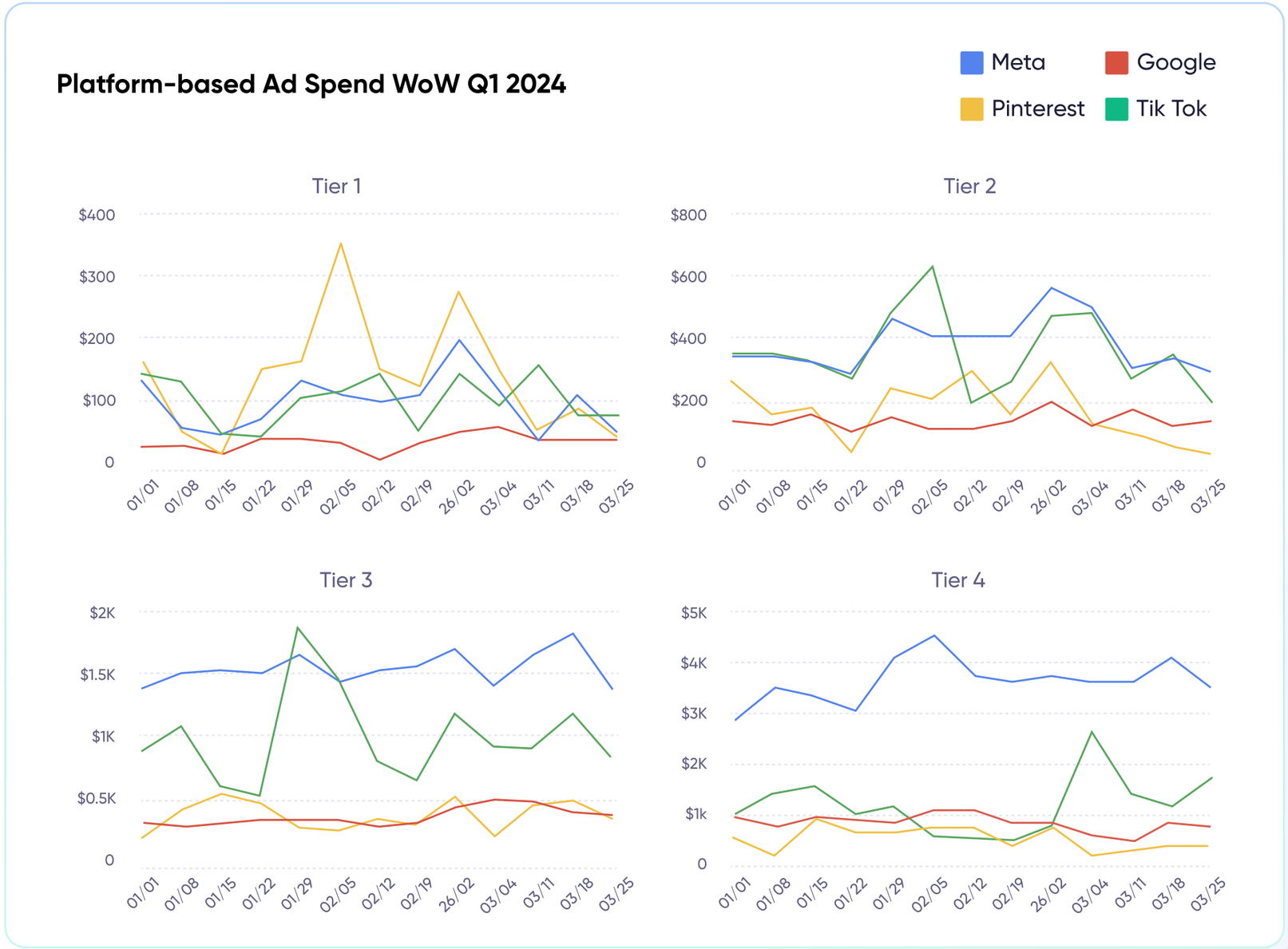
Google Ads allows targeting users based on their search intent, perfectly catering to these businesses' need to capture existing customer demand.

Weekly Ad spend data

Tracking your peers' ad spend over time can give you an unfair advantage to master ad strategy.

By looking at these charts about the weekly ad spend of each revenue tier, you can:

- Spot the ad spend patterns to capitalize on emerging opportunities or mitigate risks in the future.
- Accurately forecast your own advertising budgets and allocate resources across platforms on a weekly or monthly basis.



Insights from the charts

1. Huge spike starting from the last week of January

The period between 29/01 and 05/02 observes a huge spike in ad spend across all revenue tiers and across different ad platforms.
We presume that these events that took place during this period are the most likely reasons behind the spike:

- **Valentine's Day:**

Valentine's Day is one of the most special occasions for multiple eCom niches to capitalize on (e.g. chocolate, flowers, etc.) through running ad campaigns to promote special discount offers.

- **NFL Super Bowl:**

The Super Bowl is one of the most-watched and highly anticipated events in the US. During this time, consumer engagement about it on social media tends to surge. This presents an opportunity for businesses to capitalize on this heightened engagement and reach their target audiences more effectively.

2. Ad spend can experience dramatic changes over a short period of time

As can be seen from the charts, ad spend across different platforms can experience dramatic fluctuations within a short period of time unlike other metrics.

For instance, Tier 3's ad spend on TikTok goes from $505.83 to $1866.27 within just one week (22/01 to 29/01).

Not tracking ad data regularly in this case can lead to costly mistakes. A business in this tier may either misses out on profitable opportunities or continue to waste their advertising budgets in the wrong place.



Ad performance

Key ad performance metrics

Net Profit on Ad Spend vs ROAS

When it comes to gauging the success of your advertising campaigns across different platforms, Blended ROAS (calculated by dividing your total revenue by your total ad spend) is one of the metrics you often seek to.

However, relying solely on ROAS paints an **incomplete** picture.

While it reveals how well your advertising generates revenue, since it doesn't factor in all business expenses, it doesn't tell whether your ad campaigns are profitable.

This is where Net Profit on Ad Spend – a metric only achievable with TrueProfit - comes in.

The key difference lies in what they tell you about your advertising's success:

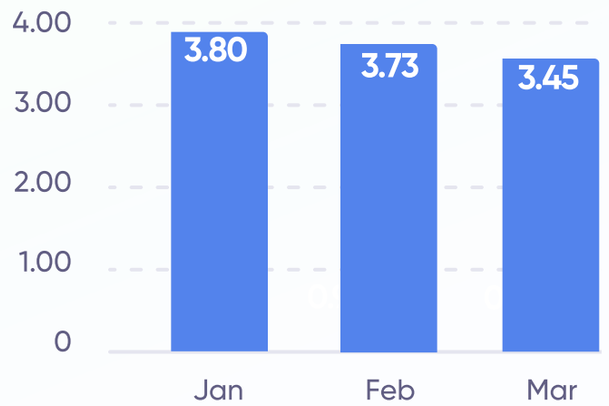
ROAS focuses on campaign efficiency:

A ROAS > 1 indicates your campaigns are generating more revenue than the ad spend itself. This is a positive sign, but it doesn't guarantee the profitability of your advertising.

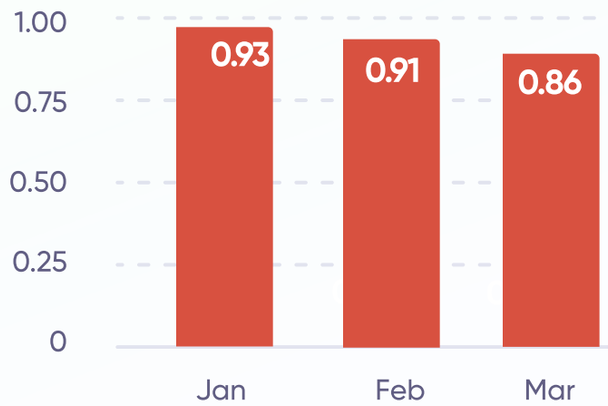
Net Profit on Ad Spend considers all factors:

A Net Profit on Ad Spend > 0 signifies your advertising efforts are truly driving profit. It reveals the ***actual return on ad spend*** by taking into account all expenses.

Blended ROAS across all tiers in Q1 (MoM)



Blended Net Profit on Ad Spend across all tiers in Q1 (MoM)



Now that we've unpacked these two metrics, let's explore how these metrics can be used to evaluate the ad performance of Shopify businesses across all tiers in Q1.

Insights from the charts

1. Advertising remains a profitable powerhouse

The ad data from Q1 paints a positive picture about ad performance.

Looking at the Blended ROAS, businesses across all tiers were able to generate well above $3 in revenue for every $1 on ad spend every month of the quarter.

Bottom line: By examining Blended Net Profit on Ad Spend, it also becomes evident that their advertising efforts are profitable, delivering around $0.9 in Net Profit (after accounting for all costs, including ad spend) for every $1 invested in ads.

2. Slight decrease in ad performance over the months

Both **Net Profit on Ad Spend** and **ROAS** experience a slight decline throughout the quarter, suggesting a potential decrease in the effectiveness of ad campaigns.

One potential explanation could be the glitches that plagued the Meta ad system during the February-March timeframe.

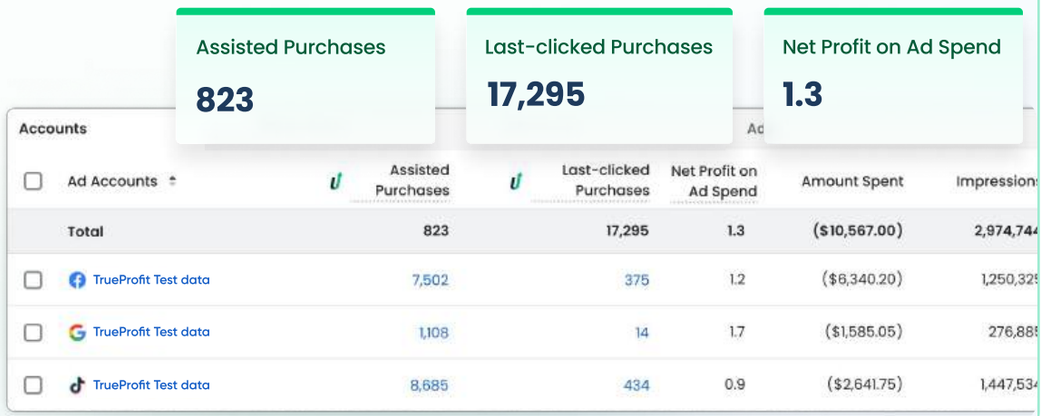
From what we gather, since the beginning of March, it's been a bit of a nightmare for businesses that rely on Meta to drive their revenue: CPMs are up 5-50%, CPAs are up, and conversions are down.

Given the slight decline in the overall ad performance, here's what we think might have happened:

- Different businesses were affected by the Meta issues differently. And for most of businesses, the impact is minimal.
- Most businesses do not solely rely on Meta for running their ads and get better returns for their advertising efforts elsewhere.

Tired of vanity ad data?

Gain unprecedented visibility into your ad performance and maximize the profitability of your ads with **TrueProfit Marketing Attribution** today!



Key takeaways from ad data

Out of a handful of ad data that we've unpacked, here are the most crucial points worth taking note of:

1. Business size affects ad spend allocation

Since revenue directly affects the budget a business would spend on advertising, businesses of different sizes will apply different advertising strategies in accordance to their overall growth stages.

From what we observe, smaller businesses tends to opt for cost-effective advertising and marketing strategies, such as promoting their products on ad platforms with cheaper CPM like TikTok or leverage organic marketing in the beginning phase.

2. Special events can lead to dramatic changes in ad spend

Ad spend and other ad metrics are sensitive to factors that happen inside or outside of the ad platforms.

These events can affect the ad spend and advertising effectiveness in both positive and negative way, which requires extensive effort to track and spot anomalies in your ad report on a regular basis.

Pro tips to winning the ad game

Keep a close track to ad metrics:

Actively monitoring your metrics is essential for detecting anomalies and assessing the effectiveness of your advertising efforts.

For accurate ad data tracking, consider TrueProfit Marketing Attribution to get a clear, accurate picture of your ad performance.

Stay abreast with the latest trends and events:

Staying on top of the latest news and trends can help you make the most out of new opportunities and improve your ad results.

The best ways to do this include following the social accounts of reputable industry influencers, or join a hyper active eCom community.

One solid option you can consider is eCom ProfitTribe—a Discord community of our own. Here, you'll get the latest news affecting the eCom world and actionable advices from your peers and 6-, 7-figure entrepreneurs.

Never put all your eggs into one basket

The mentioned Meta ad error might not have crippled eCom businesses as a whole, but it highlights a crucial point: Relying on a single ad channel is risky.

By diversifying across channels, you lessen this dependence and ensure your marketing efforts aren't disrupted by fluctuations on any one channel.

Make sure to include at least one channel where you have a high degree of control, namely email marketing.

Shipping cost

04 Unraveling Costs:
Cost Structure Breakdown

COGS

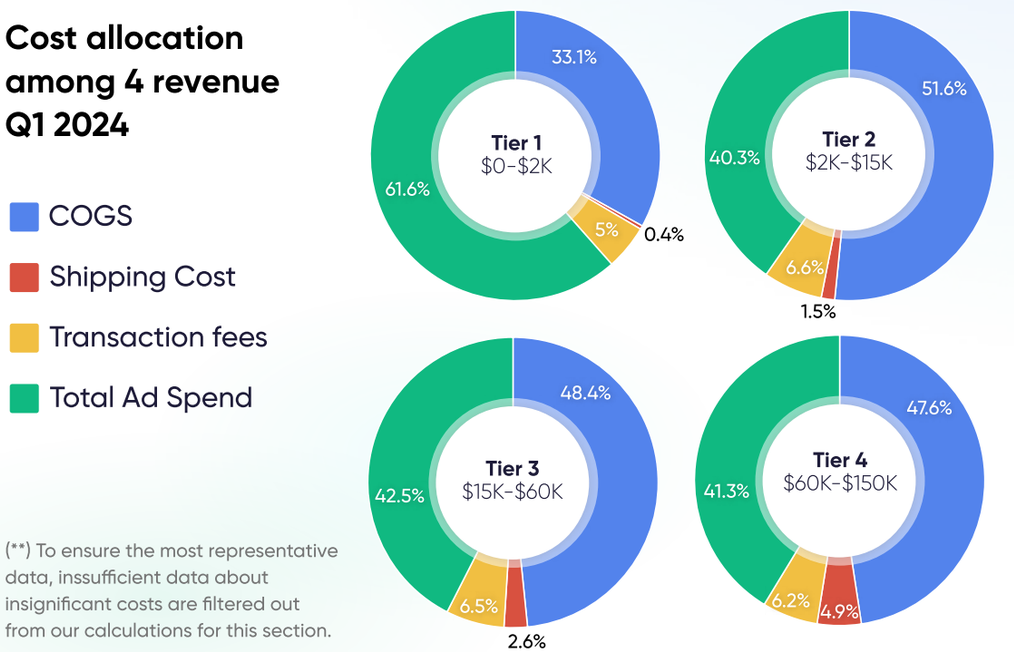
Total ad spend

Shopify store cost structure breakdown**

Since running an eCommerce business comes with numerous expenses, knowing how to allocate your costs is crucial for optimizing expenses and managing your finances effectively.

Below are the cost breakdowns across 4 revenue tiers, providing a clear view of how each revenue group allocates their spending for the main expenses.

Cost allocation among 4 revenue Q1 2024



(**) To ensure the most representative data, inssufficient data about insignificant costs are filtered out from our calculations for this section.

Insights from the charts

1. Strong branding is essential when your business grow

While COGS and ad spend remain the 2 biggest expenses, their relative importance shifts across all revenue tiers.

Smaller businesses allocate a larger portion of their budget to ad spend, reflecting the need to attract new customers in a competitive market (i.e. 61.6% in Tier 1 as opposed to 41.3% in Tier 4). Meanwhile, the lower ad spend percentage of bigger businesses indicates more loyal customer base & stronger brand recognition.

Conversely, bigger businesses allocate a bigger share of their budget to COGS and shipping costs, reflecting their commitment to enhancing customer experience.

Higher sales volume aside, their bigger portion of COGS could stem from their emphasis on product quality (i.e. 33.1% in Tier 1 as opposed to 47.6% in Tier 4).

As for their bigger budget for shipping costs, the focus is on offering faster shipping time to enhance customer satisfaction (i.e. 0.4% in Tier 1 compared to 4.9% in Tier 4).

2. Advertising spend grows with business expansion

The fact that higher revenue tiers allocate a smaller percentage of budget to advertising shouldn't mislead you into thinking that bigger businesses do not spend significantly on it.

The data about Total Ad Spend that we shared earlier reveals a whopping 28.8x increase from the lowest to the highest revenue tier.

This gap highlights the critical role of advertising in market expansion, segment diversification, and brand reinforcement, etc. as eCommerce businesses scale up.

Key Insights
Suggested Strategies

Key findings derived from our data sets

1. Revenue-centric data

Approximately 60% of stores earn up to $15,000 monthly, with just 13.5% reaching $60,000 to $150,000, emphasizing tough competition. Yet, over a quarter (26.7%) of stores fall within the $15,000 to $60,000 range, hinting at growth potential in this mid-tier segment.

The average order value (AOV) remains stable during Q1, around $59.64 in January and February, dipping slightly to $59.26 in March. Larger stores typically boast higher AOV, indicating a correlation between revenue tiers and AOV.

2. Profit-centric data

In Q1, the average net profit across all shops is $5,204. Higher tiers (3 and 4) consistently outperform lower tiers (1 and 2), indicating a direct correlation between tier level and profitability, likely due to higher profit margins or greater sales volume.

The average net profit margin for all shops in Q1 is 25%, maintaining steady profitability despite sales fluctuations.

The average order profit is $9.67. All 4 tiers show a slight fluctuation between Jan, Feb & Mar. All in all, this is a good sign of the industry when on average, each order brought in in almost $10 in profit for merchants in Q1 2024.

From our data, it's clear that as consumer spending habits evolve, all tiers have flexibly adapted their marketing strategies. This adjustment has contributed to a positive performance across all tiers during Q1.

3. Ad data

Our analysis of Q1 ad data reveals a fascinating trend: The size of a business and its advertising budget significantly impact its advertising strategies and ad platform choices.

What else? Despite the recent Meta ad glitches, advertising remains an effective revenue generator for the majority of businesses.

Word of advice: Don't put all your eggs in one basket! By spreading your ad budget across different platforms, you can mitigate risk and ensure consistent revenue stream.

4. Cost breakdown

Here's the key takeaway from this part: The spending priorities shift as the business size increases.

Notably, bigger businesses are willing to spend more budget to enhance customer experience. This should be a lesson for smaller businesses to follow if they want to level up their business and achieve long-term success.

TRUEPROFIT

Who are we?

Hi! We are **TrueProfit**, a leading Net Profit Analytics Platform for Shopify.

START FREE →

We empower eCom entrepreneurs like you with a powerful suite of tools for tracking net profit and analyzing profitability.
By leveraging our insights, you can make smart spending decisions and maximize your bottom line to scale up your business.
Start your 14-day free trial with TrueProfit!

Join our community

Hitting a roadblock on your eCom path? Ask away in our **ProfitTribe Discord community.**
Our ProfitTribe is a growth-driven community that aims at helping TrueProfit users and other thriving entrepreneurs achieve even more. Here's what you can expect:

- eCom secret sauce from entrepreneurs who have built 6, 7-figure eCom businesses
- Can't miss news & trends in the eCom world
- eCom finance report that provides actionable insights every quarter



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