What matters in e-com

U.S retail giant Walmart is said to be keen on a stake in e-tailer Flipkart to take on rival Amazon. So which metrics do investors track in e-commerce firms?

Gross merchandise value

Gross merchandise value is the value of goods sold in a period. The price charged to the customer is multiplied by the number of products sold. Chinese e-commerce giant Alibaba had GMV of $768 billion for the year ended March.

Customer acquisition cost

It is the cost related to persuading a consumer to buy a product or service. Includes research, marketing and advertising costs. It should be reasoned along with other insights, such as the value of the customer to the firm and the resulting return on investment, according to TechTarget.

Online marketplace and inventory models

A marketplace model is an information technology platform run by an e-commerce entity on a digital network to act as a facilitator between buyer and seller. For example, eBay is an online marketplace.

The Centre had permitted 100% foreign direct investment in the marketplace model to attract foreign investments. In an inventory model, the inventory of goods and services is owned by the e-commerce entity and is sold to the consumers directly. FDI is not permitted in this model of e-commerce.

Cash-on-delivery

Cash-on-delivery is a type of purchase where the buyer makes a payment for a product at the time of the delivery. Amazon calls it ‘Pay on Delivery’ which includes COD as well as digital payment facilities like cards and Internet banking.

Fulfilment centres

These enable e-commerce merchants to outsource warehousing and shipping, according to tech firm BigCommerce. This relieves the online business of the physical space to store products, which is beneficial for merchants without the capacity to directly manage inventory. Sellers send merchandise to the centre and the outsourced provider ships it to customers for them

Dropshipping

It is a retail fulfilment method where a store doesn't keep the products it sells in stock, according to e-commerce firm Shopify. Instead, when a store sells a product, it purchases the item from a third party and has it shipped directly to the customer. The difference between dropshipping and the standard model is the selling merchant doesn't stock or own inventory in the former.

Repeat order rates, returns

Repeat orders refer to the percentage of customers who buy again. Returns or items sent back have been a big challenge for online retailers. A returned item not only impacts the supply chain

cost of the e-tailer but also devalues the product.

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