

Case Study – Phase 1

ArgoMetrix helps **an online retailer to jump start Revenues**, achieve sustainable growth and become a **top seller** on Amazon Marketplace.

CATEGORY

Health & Beauty – Online Retail

CHALLENGES

A startup with no technology infrastructure and a limited marketing budget for revenue generation. No pick/pack/ship or customer service operations or appropriate policies and procedures.

ACTIONS

Developed a systems strategy to jump start revenues without having to carry inventory. Built the technology infrastructure to fully automate the entire company operations with all the required policies and procedures.

RESULTS

Full implementation of the intended E-commerce strategy. More than 2,000 orders daily with annual sales exceeding \$10 Million in Year 3 from startup and a growth rate of over 30% per year.

Tuccini was a startup located in Long Island, New York and had strengths in sourcing health and beauty products with focus on designer fragrances, skin care and professional hair care. They had access to a vast amount of inventory through strong supplier relationships and were seeking an Ecommerce strategy to jump start their online retail business. The Company had limited funding and needed to ramp up its revenues swiftly.

Challenges

The Company's vendors offered a vast choice of products at highly competitive prices, initially in the Designer fragrances category. Since Tuccini was a startup, there were no systems in place to process the pricing and availability data provided. It later became apparent that every vendor was using their own product records, also known as SKUs. This made it impossible to compare the various cost prices available across several vendors for the same item, which is vital in selecting the appropriate vendor.

As a startup, generating revenues was essential, but the research showed that driving traffic to a website would come at a high customer acquisition cost per order. A quick study ruled out paid advertising campaigns as it would render a net loss on every order received. Also, the Company's website was not yet fully optimized for a large scale paid advertising campaign.

Due to the nature of the industry, items Tuccini had to source were highly volatile in their availability from the vendors. This applied to their pricing as well, where something

that was available one day may well become either unavailable or simply would cost more in a few days. Achieving profitability depended on having a steady supply of inventory sourced at the most competitive price.

Even though Tuccini was a startup, the team was process oriented and everyone was hungry for learning. While each team member was a quick study, they came with no prior experience in managing large scale operations.

The Company had previously hired a marketing agency that specialized in data feed marketing. This opened the possibilities to go beyond the website to generate revenues and sell on other online marketplaces. This was financially viable as each marketplace would charge a percentage of the sale rather than a cost per click. However, all the marketplaces required a technology platform, with which they would need to integrate to pass data back and forth. This included order information, shipping information, payments, refunds and others. Naturally there was no technology infrastructure at Tuccini and it had to be built from scratch.

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Actions

First order of business was to put in place a system that would process the pricing and availability data provided by the Company's vendors. After implementing such a system, we added our proprietary method to assign the vendor from whom an item could be sourced at the most competitive cost. Our algorithm took several factors into account rather than just pick the vendor with the cheapest price for a SKU. In addition, we incorporated a process to create new SKUs when the vendors' data included new items that were not yet in Tuccini's catalog. Available quantity for each item was also assigned to the product record.

This feature provided visibility into the vendors' stock with reasonable accuracy. Such capability uncovered an opportunity, where Tuccini would take orders for items without stocking them. This business model allowed the Company to reduce cash outlay for inventory purchases and

allocate more resources to invest in developing the badly needed IT infrastructure.

We identified Amazon Marketplace as the initial sales channel due to its market share in online retail. This strategy would allow the Company to focus on building Amazon sales and thereby avoid a budget for promoting sales thru other channels. Equally, the cost of acquisition per order would be revenue share with Amazon rather than a pay per click cost. However, the Company would still have to handle its own fulfillment as Amazon did not offer Fulfillment Service for fragrances. So we created a system to track saleable available inventory dynamically as orders were received and fulfilled.

Finally, we established the policies and procedures to operate the Company's Seller account, which would avoid suspension by Amazon.

By Year Three (3) from launch more than 2,000 orders a day was achieved, with annual sales exceeding \$10 Million at 30% annual growth and expanding product lines, from Fragrances to Hair, Skincare and others.

Results

Our actions ultimately resulted in:

- Full implementation of the Ecommerce strategy (entirely automated for all company operations) and rapidly scaling revenues.
- More than 2,000 orders daily with annual sales exceeding \$10 Million in Year 3 from startup, and a growth rate of over 30% per year.
- A robust technology infrastructure to scale the product lines across multiple categories

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