

Return-Adjusted SKU Economics

Which products still make money after returns and delivery costs are assigned?

WHAT THIS GIVES YOU

Turn a bestseller list into a profit-ranked assortment using return rate, contribution per sold unit and total contribution.

01 Find loss-making heroes

02 Separate demand from leakage

03 Prioritise the right product fixes

WORKED EXAMPLE - THE GBP 100K BESTSELLER THAT CONTRIBUTES GBP 16.3K

LINE	VALUE	WHAT IT MEANS
Units sold	1,000	The apparent winner
Units returned	180	18.0% return rate
Gross sales	GBP 100,000	Before leakage
Discounts + refunds	- GBP 23,000	Net sales = GBP 77,000
COGS	- GBP 35,000	Product cost
Outbound fulfilment	- GBP 8,000	Delivery cost
Return handling	- GBP 2,700	Reverse logistics
Allocated media	- GBP 15,000	Acquisition cost
Contribution	GBP 16,300	GBP 16.30 per sold unit

TURN THE RESULT INTO A DECISION

PROTECT

High total contribution, strong per-unit economics and manageable returns.

FIX

Demand is real, but one return cause or fulfilment cost erodes contribution.

STOP AND INSPECT

A high-sales SKU with negative contribution after returns and media.

Return-Adjusted SKU Economics

Run it on your brand

Use one consistent cut-off. The workbook performs the calculations; this page keeps the review disciplined.

1. COLLECT ONE COMPLETE PERIOD

PERIOD	SKU OR RANGE	UNITS SOLD
UNITS RETURNED	GROSS SALES	DISCOUNTS
REFUNDS	COGS	FULFILMENT
RETURN HANDLING	MEDIA	

2. CALCULATE THE DECISION NUMBERS

- 01 Return rate = units returned / units sold
- 02 Net sales = gross sales - discounts - refunds
- 03 Contribution = net sales - COGS - fulfilment - return handling - media
- 04 Contribution / sold unit = contribution / units sold

3. APPLY A DECISION RULE

High returns, positive contribution	Identify size, fit, quality or expectation causes before cutting demand.
Low returns, weak contribution	Check pricing, discounting, COGS and media allocation.
High sales, negative contribution	Do not call it a hero SKU. Correct the economics or reduce priority.
Range average looks healthy	Inspect variants; blended reporting can hide a loss-making colour or size.

BEFORE YOU ACT

- ☐ Returns are linked to the original SKU
- ☐ Handling and shipping costs are included
- ☐ Media allocation method is explicit
- ☐ Refund timing does not mix reporting periods