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THE PROFIT WORKBOOK SERIES · NO. 05

Shopify Profit Planning Guide

How to build a Shopify store that generates consistent profit — section by section, lever by lever.

Understanding Profit · Revenue vs Profit · Profit Leaks · Pricing · Shipping · Conversion · Email · Advertising · Monthly & Quarterly Planning

A premium guide for **beginner & intermediate** Shopify owners
10 sections · worksheets · templates · 90-day plan · checklist

Worked examples throughout

CONTENTS

What’s inside

A complete, beginner-friendly system for building a Shopify store that generates **consistent** profit — ten short sections, fill-in worksheets and templates, a monthly review framework, a 90-day plan, and a printable checklist. Read it in order, or jump to the lever you need.

THE GUIDE

PLANS & TOOLS

How to use this guide

Keep one month of your own numbers nearby. Each section ends with a worksheet or template — fill them in as you go. The worked examples all follow one store (Meadow & Maple Candle Co.) so you can see every idea in action before applying it to yours.

THE FOUNDATION

1 Understanding Shopify Profit

Before you can grow profit, you have to be able to **see** it. Shopify's dashboard shows sales by default — but sales are just the money coming in the front door. Profit is what's left after everything goes out the back. This guide is built around one idea: **track profit, not just sales.**

The three profit numbers

Healthy stores watch three layers of profit, not one. Each strips away a different set of costs and answers a different question.

PROFIT LAYER	WHAT YOU SUBTRACT	QUESTION IT ANSWERS
Gross Profit	Product cost (COGS)	Do my products make money on their own?
Contribution Margin	+ Shipping, payment fees, ads	Does each order make money after variable costs?
Net Profit	**+ Apps, subscriptions, fixed costs, your pay**	**Does the whole business make money?**

Why this matters

A product can have a healthy gross margin and still lose money once shipping, fees, and ad spend are counted. Looking only at gross profit is the most common reason stores feel busy but never feel rich.

The profit equation

CORE Net Profit = Net Revenue − COGS − Shipping − Payment Fees − Advertising − Apps & Fixed Costs

Everything in this guide is a way to push one part of that equation in your favor — raise revenue quality, lower a cost, or both. Throughout, we'll follow one example store so the numbers stay concrete.

Meet our example store

Meadow & Maple Candle Co. — a small soy-candle brand doing about $12,500 in monthly net revenue across 300 orders. We'll track its numbers in every section and improve them in the 90-day plan.

Worksheet 1.1 — Find your three profit numbers

LAST MONTH · ONE DATE RANGE FOR ALL		
Net Revenue Sales after discounts & refunds		$
Product cost (COGS)	–	$
= Gross Profit	**=**	$
Shipping + fees + ads Variable order costs	–	$
= Contribution Margin	**=**	$
Apps, subscriptions, fixed, owner pay	–	$
= Net Profit	**=**	$

MINDSET SHIFT

2 Revenue vs Profit

"We did $50k last month!" tells you nothing about whether the business is healthy. Two stores with identical revenue can have wildly different outcomes — one owner takes home a salary, the other quietly funds their store with a credit card. The difference is **profit per order** and **margin**.

> Revenue is vanity. Profit is sanity. Cash in the bank is reality.

Same revenue, very different stores

Both stores below did $20,000 in net revenue last month. Watch what happens on the way down.

Store A — "Busy but broke"	
Net revenue	**$20,000**
Product cost (45%)	**– $9,000**
Shipping (12%)	**– $2,400**
Payment fees (3%)	**– $600**
Advertising (30%)	**– $6,000**
Apps & fixed	**– $1,400**
Net profit	**$600 · 3%**

Store B — "Quietly profitable"	
Net revenue	**$20,000**
Product cost (32%)	**– $6,400**
Shipping (8%)	**– $1,600**
Payment fees (3%)	**– $600**
Advertising (18%)	**– $3,600**
Apps & fixed	**– $1,000**
Net profit	**$6,800 · 34%**

! The trap

Store A's owner is tempted to 'grow out of it' by spending more on ads — but at 3% margin, doubling revenue barely moves take-home pay and multiplies the risk. You cannot scale your way out of a broken margin. Fix the percentages first.

The number to fall in love with: profit per order

Revenue hides inside it. Profit per order does not. It tells you exactly how much you keep each time the bell rings — and it's the figure every improvement in this guide is designed to raise.

KEY Profit Per Order = Net Profit ÷ Number of Orders | Meadow & Maple: $3,509 ÷ 300 = $11.70

Worksheet 2.1 — Your revenue-vs-profit reality check

RUN YOUR REAL NUMBERS		
Net revenue		$
Total of all costs	–	$
= Net profit	**=**	$
Number of orders		#
= Profit per order	**=**	$
Net profit margin (profit ÷ revenue)		%

FIND THE MONEY

3 Common Profit Leaks

Most stores don't have a sales problem — they have a **leak** problem. Money is already flowing through the business; it's just escaping through small holes that are invisible on the sales dashboard. Here are the eight most common, and how to plug each one.

1 Over-discounting

Standing 15–20% codes train customers to never pay full price and quietly halve your margin. **Plug:** use time-boxed offers, raise free-shipping thresholds instead, and protect a no-discount hero product.

2 Underpriced or "free" shipping

Absorbing carrier costs with no plan is the single biggest silent leak. **Plug:** price shipping into the product or set a threshold above your true cost (Section 5).

3 Ignored payment fees

2.9% + 30¢ on every order adds up to thousands a year. **Plug:** account for fees in pricing; review your Shopify plan tier as volume grows.

4 Returns & refunds

Each return costs you the product, the shipping both ways, and the fee. **Plug:** improve sizing/info, photos, and packaging to cut the return rate.

5 App subscription creep

Five "cheap" apps at $20 is $1,200/year, often for tools you forgot you installed. **Plug:** audit your app bill quarterly; cut anything not earning its keep.

6 Inefficient ad spend

Scaling campaigns below break-even ROAS buys revenue at a loss. **Plug:** know your break-even ROAS and cut underperformers fast (Section 8).

7 Low average order value

Every order carries fixed shipping and fee costs; tiny orders barely clear them. **Plug:** bundles, upsells, and thresholds lift AOV and spread those costs.

8 Dead inventory & overstock

Cash tied up in slow stock is cash not working. **Plug:** track sell-through, clear slow movers, and reorder to demand.

i The leak audit

Add up just three leaks — a 5% over-discount, 4% excess shipping, and $300 of unused apps on a $20k month — and you've found roughly $2,100 of monthly profit hiding in plain sight. That's often more than a month of ad optimization would yield.

Worksheet 3.1 — Plug-the-leak audit

ESTIMATE THE MONTHLY COST OF EACH LEAK		
Excess discounting Above a sensible baseline		$
Shipping cost not recovered	+	$
Unused / duplicate apps	+	$
Avoidable returns	+	$
Below break-even ad spend	+	$
= Monthly profit to reclaim	**=**	$

PRICE FOR PROFIT

4 Product Pricing

Pricing is the most powerful profit lever you own — a price change flows straight to the bottom line with no extra cost. Yet most owners set prices once, by gut, and never revisit them. Let's fix that.

The markup vs margin trap

These are not the same number, and confusing them is a classic, expensive mistake. Markup is added on top of cost; margin is the share of the selling price you keep.

IF YOUR MARKUP IS...	YOUR MARGIN IS ACTUALLY...	ON A $10 COST, YOU SELL AT...
50%	33%	$15.00
100% ("keystone")	50%	$20.00
150%	60%	$25.00
200%	**67%**	**$30.00**

CONVERT Margin % = Markup ÷ (100% + Markup) | Selling Price = Cost ÷ (1 − Target Margin)

Three ways to set a price

METHOD	HOW IT WORKS	BEST FOR
Cost-plus	Add a target margin to landed cost	A safe floor — never price below this
Market-based	Anchor to competitors' prices	Commodity or comparable products
Value-based	Price to the outcome/feeling delivered	Brands, premium & differentiated goods

Use all three
Set your cost-plus floor first so you never sell at a loss, check the market ceiling, then push toward value-based pricing with strong photos, copy, and brand. The gap between floor and value is your margin opportunity.

Worked example · repricing a candle

Meadow & Maple sells its signature candle at $28 on a $7.50 landed cost (73% margin). A confident **7% increase to $29.95** — barely noticeable to buyers — adds nearly $2 of pure profit per unit. Across 450 units that's **+$877 in monthly profit** from one edit, with no added cost.

$7.50	$28 → $29.95	+$877
Landed cost	New price (+7%)	Added monthly profit

Worksheet 4.1 — Price-setting worksheet

PER PRODUCT		
Landed cost per unit Goods + freight + packaging		$
Target margin		%
= Cost-plus floor price	=	$
Competitor price (market check)		$
Your chosen selling price		$
Profit per unit at chosen price		$

PROTECT THE MARGIN

5 Shipping Strategy

Shipping is where good margins go to die. "Free shipping" converts well — but only if you've priced it in. The goal isn't to avoid offering it; it's to make sure **someone other than your profit** is paying for it.

Four shipping models

MODEL	MARGIN EFFECT	WHEN TO USE
Real-time carrier rates	Safe — customer pays exact cost	Heavy/variable items; lower cart abandonment risk if costs are fair
Flat-rate shipping	Predictable; simple to price in	Consistent product sizes
Free over a threshold	Lifts AOV; protects margin	**The sweet spot for most stores**
Always free	Highest risk — must be in price	High-margin or premium brands only

The free-shipping threshold math

Set your threshold so the extra margin from a larger order more than covers the shipping you give away. A good rule: set it **30–50% above your current average order value** to nudge customers to add one more item.

RULE Free-Shipping Threshold ≈ Average Order Value × 1.3 to 1.5

Why thresholds work

Meadow & Maple's AOV is $45. A free-shipping threshold of $60 pushes many one-candle buyers to add a second item. The added product margin (~$20) easily covers the ~$5 shipping — so the 'free' shipping actually increases profit per order.

Worksheet 5.1 — Shipping model planner

DECIDE AND PRICE YOUR SHIPPING		
Average shipping cost per order Label + supplies		$
Current average order value (AOV)		$
Free-shipping threshold (AOV × 1.4)		$
Amount of shipping built into price		$
= Net shipping cost to absorb	=	$

FREE PROFIT

6 Conversion Rate Impact

Conversion rate is the most underrated profit lever in e-commerce. You've already paid to bring visitors to your store — turning more of them into buyers adds revenue with **no extra ad spend**. That makes converted traffic some of the most profitable revenue you can earn.

Small lift, big profit

Meadow & Maple gets 15,000 visits a month. At a 2.0% conversion rate that's 300 orders. Watch what modest improvements do — on the same traffic and ad budget:

The compounding effect

Going from 2.0% to 2.8% adds 120 orders a month with zero extra traffic cost. At $11.70 profit per order that's ~$1,400/month — and because ad and fixed costs barely move, much of it is incremental profit.

The highest-impact conversion levers

LEVER	WHY IT MOVES THE NEEDLE
Fast, mobile-first pages	Most traffic is mobile; every second of load time costs conversions
Clear product photos & reviews	Reduces uncertainty — the #1 reason carts are abandoned
Simplified checkout	Fewer fields and steps; offer express/wallet payments
Trust signals	Reviews, guarantees, returns policy, secure-checkout badges
Abandoned-cart recovery	Recaptures buyers who were one nudge away (see Section 7)

Worksheet 6.1 — Conversion profit calculator

PROJECT THE IMPACT OF A CR LIFT		
Monthly visits		#
Current conversion rate		%
= Current orders	=	#
Target conversion rate		%
= Target orders	=	#
Extra orders × profit per order	=	$

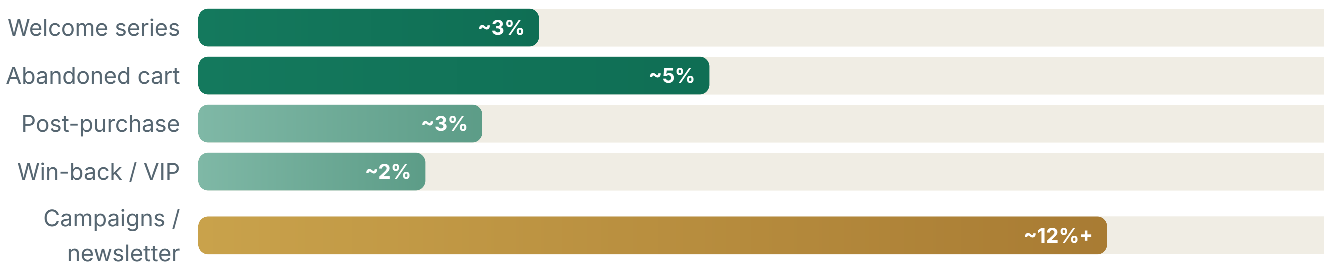
HIGHEST MARGIN

7 Email Marketing Impact

Paid ads rent an audience; email **owns** one. Because it costs almost nothing per send and targets people who already know you, email is consistently the highest-margin channel in e-commerce. A healthy store earns **25–35% of revenue** from email — most beginners are under 10%.

The four flows that print profit

You don't need daily newsletters. The bulk of email profit comes from a handful of automated flows that run 24/7 once set up:



Illustrative share of total revenue once flows are mature.

The opportunity

If Meadow & Maple lifts email from 8% to 25% of its $12,500 revenue, that's about **+$2,125 in monthly revenue** at very high margin — no extra ad spend, no new products. The abandoned-cart flow alone often pays for the entire email tool.

Setup priority order

#	FLOW	WHAT IT DOES
1	Abandoned cart / checkout	Recovers buyers who left at the last step — fastest ROI
2	Welcome series	Converts new subscribers; sets brand story & first offer
3	Post-purchase	Drives reviews, referrals, and the second order
4	Win-back	Re-engages lapsed customers before they're gone for good

Worksheet 7.1 — Email opportunity calculator

SIZE YOUR EMAIL UPSIDE		
Monthly revenue		$
Current % of revenue from email		%
= Email revenue today	=	$
Target % from email (aim 25%)		%
= Email revenue at target	=	$
Monthly upside (target – today)	=	$

SPEND WITH DISCIPLINE

8 Advertising Profitability

Advertising can scale a profitable store fast — or drain a fragile one even faster. The difference is knowing your numbers **before** you spend. The single most important one is your break-even ROAS.

Break-even ROAS — your floor

Break-even ROAS is the return on ad spend at which an extra sale adds zero profit. Below it you lose money on every ad-driven order; above it you make money. It's set by the margin left after product, shipping, and fees — not by what feels good.

KEY Break-even ROAS = 1 ÷ Contribution Margin % | Margin 55% → 1 ÷ 0.55 = 1.8×

55%
Margin after product, shipping & fees

1.8×
Break-even ROAS

4.2×
Meadow & Maple actual ROAS

Reading the gap
Meadow & Maple runs at 4.2× against a 1.8× break-even — a healthy cushion that means there's room to scale spend, as long as ROAS stays comfortably above 1.8×. A store at 2.0× against the same floor is one cost increase away from losing money.

ROAS vs MER vs CAC — know the difference

METRIC	WHAT IT MEASURES	USE IT TO...
ROAS	Revenue per $1 on a specific campaign	Judge individual ads
MER (blended)	Total revenue ÷ total ad spend	See the whole picture across channels
CAC	Cost to acquire one new customer	Compare against customer lifetime value (LTV)

The scaling rule
Scale budgets in small steps (15–20%) while ROAS stays above break-even with margin to spare. Pause anything below break-even for several days. Never raise spend to 'hit a revenue goal' if it pushes ROAS under your floor.

Worksheet 8.1 — Break-even ROAS & budget planner

SET YOUR AD FLOOR		
Selling price (AOV)		$
Product + shipping + fees per order	–	$
= Contribution margin per order	=	$
Contribution margin %		%
= Break-even ROAS	=	x
Target ROAS (with safety margin)		x

MAKE IT A HABIT

9 Monthly Planning System

Profit isn't improved in a burst — it's improved by a **rhythm**. The owners who win treat the first week of each month as a non-negotiable profit review: look back honestly, pick one thing to fix, set targets, and move. This section gives you that ritual.

The monthly profit review framework

Work these five questions in order. They take about 30 minutes once your numbers are in front of you.

STEP	ASK YOURSELF
1. Measure	What were revenue, net profit, margin, and profit per order last month?
2. Compare	Up or down vs the prior month? Which line moved the most?
3. Diagnose	What drove the change — pricing, costs, conversion, ads, or email?
4. Decide	What is the one highest-impact lever to pull this month?
5. Target	What specific number am I aiming for next month, and how will I measure it?

One lever at a time

The temptation is to change five things at once — then you can't tell what worked. Pick one lever per month (a price test, an email flow, a shipping threshold). Measure it. Keep it or kill it. Move on.

Template 9.1 — Monthly profit review

MONTH: ____________	
Net revenue	$
Net profit	$
Net profit margin	%
Profit per order	$
Email % of revenue	%
Blended ROAS / MER	x

Template 9.2 — This month's focus

SET ONE LEVER & ONE TARGET	
The one lever I'm pulling e.g. raise free-ship threshold	
Target number e.g. AOV $45 → $54	
How I'll measure it Which report / metric	
Review date	

ZOOM OUT

10 Quarterly Profit Planning

Monthly reviews keep you honest; quarterly planning keeps you **aimed**. Every 90 days, step back from the weeds and choose a single profit theme to build the next three months around. Big levers — repricing your catalog, rebuilding email, renegotiating supplier costs — need a quarter to land.

Pick one theme per quarter

QUARTERLY THEME	PRIMARY LEVER	TYPICAL MARGIN IMPACT
Margin foundation	Repricing + landed-cost cleanup	High
Order economics	Shipping threshold + AOV (bundles/upsells)	High
Owned channels	Email flows + conversion rate	Medium–High
Acquisition efficiency	Ad structure, creative, break-even discipline	Medium

Why one theme wins

A scattered quarter touches everything and improves nothing. A focused quarter — 'this is our margin-foundation quarter' — compounds. Most stores can lift net margin 5–10 points in a single well-chosen theme.

The quarterly cadence

WHEN	DO THIS
Quarter start	Review last quarter's numbers; choose this quarter's theme and one headline target
Each month	Run the monthly review (Section 9); keep actions pointed at the theme
Quarter end	Measure against the target; bank what worked; set the next theme

Template 10.1 — Quarterly profit plan

QUARTER: ________ THEME: ____________	
Starting net margin	%
Target net margin	%
Headline target e.g. margin 28% → 35%	
Month 1 focus	
Month 2 focus	
Month 3 focus	

THE ROADMAP

90-Day Profit Improvement Plan

This is the guide put into motion — a focused 90-day sprint to move your net margin up by a meaningful margin (we'll target Meadow & Maple from **28% to 35%+**). Work one month at a time. Don't skip Month 1: you can't improve what you haven't measured.

MONTH 1 Measure & stop the leaks

Goal: full visibility + reclaim hidden profit

WEEK 1 — BASELINE

- [ ] Calculate your **three profit numbers** and profit per order (Section 1–2).
- [ ] Record net margin and find your benchmark band.
- [ ] Set up a simple monthly profit tracker.

WEEK 2–3 — PLUG LEAKS

- [ ] Run the **plug-the-leak audit** (Section 3).
- [ ] Audit and cancel unused **apps**; review your Shopify plan tier.
- [ ] Tighten discount policy; remove always-on codes.

WEEK 4 — LOCK IT IN

- [ ] Confirm **payment rates** and shipping costs are accurate.
- [ ] Document your reclaimed monthly profit.

MONTH 2 Fix the unit economics

Goal: every order more profitable

WEEK 5–6 — PRICING

- [ ] Recalculate **landed cost** on every product; flag anything under 50% margin.
- [ ] Test a **3–7% price increase** on bestsellers (Section 4).
- [ ] Set cost-plus floor prices so nothing sells at a loss.

WEEK 7–8 — ORDERS

- [ ] Set a **free-shipping threshold** at ~1.4× AOV (Section 5).
- [ ] Add one **bundle or upsell** to lift average order value.
- [ ] Re-price shipping into products where needed.

MONTH 3

Grow the high-margin channels

Goal: more profit without more ad spend

WEEK 9–10 — EMAIL

- [ ] Turn on the **abandoned-cart** and **welcome** flows (Section 7).
- [ ] Add post-purchase and win-back flows.
- [ ] Target email at 20–25% of revenue.

WEEK 11 — CONVERSION

- [ ] Improve page speed, photos, reviews, and checkout (Section 6).
- [ ] Add trust signals across product pages.

WEEK 12 — ADS & REVIEW

- [ ] Calculate **break-even ROAS**; cut campaigns below it (Section 8).
- [ ] Re-run all numbers and **compare margin to Day 1**.
- [ ] Choose next quarter's theme (Section 10).

What good looks like at Day 90

Reclaimed leaks (~2–3 pts), a modest price lift (~2–3 pts), a higher AOV and email share (~2–4 pts) routinely combine to move net margin from the high-20s into the mid-30s — without a single extra dollar of ad spend.

KEEP IT HANDY

Profit Growth Checklist

Every lever in this guide, in one printable list. Work top to bottom, or jump to the area you're focused on this month. Re-run it each quarter — a profitable store is never 'finished.'

1 Foundation

- [ ] I track net profit, not just sales
- [ ] I know my profit per order
- [ ] I know my net profit margin & band
- [ ] I run a monthly profit review

2 Pricing

- [ ] Every product has a landed cost
- [ ] Nothing sells below its cost-plus floor
- [ ] I've tested a price increase this quarter
- [ ] Margin (not markup) is ≥ 50% where possible

3 Shipping

- [ ] I know my true cost to ship an order
- [ ] Shipping is priced into products
- [ ] A free-ship threshold sits above my cost
- [ ] Threshold is set near 1.4× AOV

4 Conversion

- [ ] Mobile pages load fast
- [ ] Products have strong photos & reviews
- [ ] Checkout is short with express pay
- [ ] Trust signals are visible

5 Email

- [ ] Abandoned-cart flow is live
- [ ] Welcome series is live
- [ ] Post-purchase & win-back flows are live
- [ ] Email is ≥ 20% of revenue

6 Advertising

- [ ] I know my break-even ROAS
- [ ] I scale only above break-even
- [ ] I track blended MER, not just ROAS
- [ ] CAC is below customer lifetime value

7 Costs & leaks

- [ ] App subscriptions audited this quarter
- [ ] Discounting is controlled
- [ ] Return rate is monitored
- [ ] No cash trapped in dead stock

8 Rhythm

- [ ] Monthly review is on the calendar
- [ ] One lever chosen per month
- [ ] Quarterly theme chosen
- [ ] Targets written down & measured

Profit is a practice, not an event

The stores that thrive aren't the ones with the biggest launches — they're the ones that measure, adjust, and protect their margin month after month. Print this checklist, keep it by your desk, and run the 90-day plan again whenever growth stalls.

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Examples (such as 2.9% + $0.30 processing fees, plan prices, and benchmark percentages) are illustrative and vary by region, plan, and over time. Always confirm your own current numbers in your Shopify admin and ad accounts before making decisions. This guide is educational and not financial advice.