QuickCart Commerce: “Revenue Is Growing, But Profit Is Disappearing”

Finance Simulation Case Study

Finance Domain	Tools Required
Profitability Analysis, Margin Analysis, Cost Control, Unit Economics, Pricing Strategy	Excel / Google Sheets / Power BI optional

Executive Context

India’s e-commerce and quick commerce industry has grown rapidly over the last few years. Customers now expect faster delivery, multiple product choices, attractive discounts, easy returns, and smooth digital shopping experiences.

Because of this, many online commerce companies focus heavily on increasing revenue, order volume, customer acquisition, and market share. They spend aggressively on advertising, discounts, delivery operations, technology, and warehouse expansion.

But revenue growth alone does not guarantee business success. A company may show strong sales growth every month, but still lose money if its costs are increasing faster than revenue. This is one of the biggest challenges in commerce businesses.

QuickCart Commerce is facing the same issue. The company’s revenue has increased from ₹85 lakh per month to ₹1.45 crore per month within one year. Order volume has also grown strongly. However, the company’s net profit has reduced sharply, and in some months, the company is close to making losses.

Key Management Question: How can a company grow revenue but still lose profit?

Company Background

QuickCart Commerce Pvt. Ltd. is a fast-growing online commerce company founded in 2021. The company sells groceries, personal care items, household essentials, packaged food, stationery, and lifestyle products through its mobile app and website.

The company currently operates in five cities: Chennai, Bangalore, Hyderabad, Coimbatore, and Kochi.

QuickCart started as a small online delivery business and quickly expanded by offering fast delivery, heavy discounts, and referral offers. Customers liked the convenience, and the company’s sales started growing month after month.

The company’s annual revenue is approximately ₹15 crore. However, despite revenue growth, the management is worried because profit is not growing at the same speed. In fact, margins are shrinking.

Business Model and Operational Structure

QuickCart purchases products from distributors, wholesalers, and brands. These products are stored in city-level warehouses and dark stores. Customers place orders through the app or website, and delivery partners deliver products to customers.

Revenue Sources

- Product sales
- Delivery charges
- Platform convenience fees
- Brand promotional income
- Subscription membership fees

Major Cost Heads

- Product purchase cost
- Discounts and coupons
- Delivery partner payouts
- Warehouse rent
- Packaging cost
- Payment gateway charges
- Return and refund losses
- Marketing and advertisement expenses
- Technology and app maintenance cost
- Customer support cost
- Employee salaries

The problem is that QuickCart's top-line revenue is increasing, but its cost structure is becoming heavier.

Current Business Situation

By the end of March 2025, QuickCart's finance team noticed the following issues:

- Revenue is increasing every month
- Order volume is growing
- Average order value is improving slightly
- Discount expenses are very high
- Delivery cost per order is increasing
- Customer acquisition cost is rising
- Return and refund losses are increasing
- Warehouse operating cost is high
- Gross margin is reducing
- Net profit is almost disappearing

The company is celebrating revenue growth, but the finance team is warning that the business may become unsustainable if margins are not controlled. This creates a profitability crisis.

Core Business Problem

QuickCart Commerce does not have a revenue problem. It has a profitability and margin management problem.

The company is selling more, but it is not keeping enough profit from each order.

Every order generates revenue, but after deducting product cost, discounts, delivery cost, packaging cost, payment charges, returns, marketing cost, and operating expenses, very little profit remains.

In some product categories, QuickCart may even be losing money on every order.

The management needs to identify:

- Which categories are profitable
- Which cities are losing money
- Which customer segments are discount-dependent
- Which products have weak margins
- Which cost heads are damaging profitability
- Whether growth is happening at the cost of profit

Financial Snapshot

Particulars	Amount
Annual Revenue	₹15 crore
Current Monthly Revenue	₹1.45 crore
Previous Year Monthly Revenue	₹85 lakh
Monthly Order Volume	42,000 orders
Average Order Value	₹345
Gross Margin	24%
Previous Gross Margin	32%
Monthly Discount Expense	₹18 lakh
Monthly Delivery Cost	₹21 lakh
Monthly Marketing Spend	₹16 lakh
Monthly Warehouse Cost	₹9 lakh
Monthly Employee Cost	₹14 lakh
Payment Gateway Charges	₹2.8 lakh
Return & Refund Loss	₹5.5 lakh
Net Profit Margin	2.5%
Previous Net Profit Margin	8.5%

Category-Wise Revenue and Margin Position

Product Category	Monthly Revenue	Gross Margin	Cost Risk	Profitability Status
Grocery Essentials	₹42 lakh	14%	High	Low Profit
Personal Care	₹28 lakh	31%	Moderate	Profitable
Packaged Food	₹24 lakh	22%	Moderate	Average
Household Essentials	₹19 lakh	18%	High	Weak Profit
Lifestyle Products	₹17 lakh	38%	Low	Highly Profitable
Stationery	₹15 lakh	27%	Low	Profitable

City-Wise Performance

City	Monthly Revenue	Orders	Delivery Cost	Net Margin
Chennai	₹42 lakh	12,500	₹5.8 lakh	4.2%
Bangalore	₹38 lakh	10,800	₹6.4 lakh	2.1%
Hyderabad	₹31 lakh	8,700	₹4.9 lakh	3.0%
Coimbatore	₹20 lakh	5,800	₹2.7 lakh	5.6%
Kochi	₹14 lakh	4,200	₹1.9 lakh	1.4%

Problem Breakdown

1. Revenue Growth Is Not Converting Into Profit

QuickCart's monthly revenue increased, but net profit margin reduced from 8.5% to 2.5%.

This means the company is growing in size but becoming weaker in profitability.

The key issue is not sales volume. The key issue is cost leakage.

2. Discount Dependency Is Increasing

QuickCart uses coupons, festival offers, referral offers, and first-order discounts to attract customers.

Discounts helped increase order volume, but many customers are now buying only when offers are available.

This creates three problems: customers become price-sensitive, profit per order reduces, and the brand becomes dependent on discounts for growth.

3. Delivery Cost Is Eating the Margin

Quick commerce depends heavily on delivery speed. But fast delivery is expensive.

Delivery cost increases because of low order density, small basket size, fuel cost, multiple delivery attempts, delivery partner incentives, and low route productivity.

If the average order value is ₹345 and delivery cost per order is ₹50, delivery alone consumes a large portion of the margin.

4. Low-Margin Categories Are Driving High Revenue

Grocery essentials generate the highest revenue, but the gross margin is only 14%.

This category brings sales volume but not enough profit.

Lifestyle products have a 38% margin but lower revenue. The company may be focusing too much on high-volume, low-margin products instead of building a balanced product mix.

5. Customer Acquisition Cost Is Rising

QuickCart spends heavily on digital ads, influencer promotions, referral credits, and app install campaigns.

Initially, customer acquisition cost was low. But as competition increased, ad costs became higher.

If the company spends ₹250 to acquire a customer, but the customer places only one or two low-margin orders, the company may not recover the acquisition cost.

6. Returns and Refunds Are Reducing Real Profit

The company is seeing increased returns in lifestyle products, personal care bundles, and packaged food items.

Reasons include wrong product delivery, damaged packaging, near-expiry items, customer dissatisfaction, duplicate orders, and cancellation after dispatch.

Returns create additional cost because the company loses money on delivery, reverse logistics, refund handling, and damaged goods.

7. Warehouse Cost Is Not Fully Optimized

QuickCart expanded warehouses to improve delivery speed. But some dark stores are underutilized.

A warehouse with low order volume creates fixed cost pressure.

Even if sales are low in that area, rent, staff, electricity, and maintenance costs continue. This reduces city-level profitability.

Finance Concepts Covered

Finance Area	Concept Covered
Profitability Analysis	Revenue, gross profit, operating profit, net profit
Margin Analysis	Gross margin, contribution margin, net margin
Cost Control	Fixed cost, variable cost, operating cost
Unit Economics	Profit or loss per order
Pricing Strategy	Discount impact and margin recovery
Customer Economics	CAC, repeat purchase, customer lifetime value
Operational Finance	Delivery cost, warehouse cost, return cost
Decision Making	Category-level and city-level profitability

Key Questions for Students

1. Why is QuickCart's revenue increasing but profit reducing?
2. Which product categories are damaging overall profitability?
3. Which cities are generating weak margins?
4. What is the delivery cost per order?
5. What is the discount cost as a percentage of revenue?
6. What is the gross profit by category?
7. What is the contribution margin per order?
8. Is QuickCart spending too much on customer acquisition?
9. Which category should the company promote more?
10. Which cost should the CFO control first?
11. Should QuickCart reduce discounts immediately?
12. Should the company increase delivery charges?
13. Should the company close or merge low-performing dark stores?
14. How can QuickCart improve profit without reducing revenue too much?
15. What should be the 90-day profitability recovery plan?

Student Tasks

Task No.	Task
1	Prepare category-wise revenue and gross profit analysis
2	Calculate gross margin percentage by category
3	Calculate city-wise profitability
4	Calculate discount cost as a percentage of revenue
5	Calculate delivery cost per order
6	Identify low-margin and high-margin categories
7	Prepare customer acquisition cost analysis
8	Calculate return and refund loss percentage
9	Prepare contribution margin per order

10	Build a profitability dashboard
11	Identify top 10 profit-leaking products
12	Prepare a 90-day cost control plan
13	Recommend pricing and discount strategy
14	Suggest city-wise operational improvements
15	Present CFO-level recommendations

Dashboard Requirements

Students can create a dashboard in Excel or Power BI. The dashboard should include:

- Revenue trend
- Gross profit trend
- Net profit margin trend
- Category-wise revenue
- Category-wise margin
- City-wise profitability
- Discount cost analysis
- Delivery cost per order
- Return loss analysis
- Marketing spend vs revenue
- Top profitable products
- Top loss-making products
- Customer segment profitability
- Monthly cost breakdown
- Final CFO recommendation summary

Analysis Framework

Step 1: Revenue Analysis

Identify revenue by month, city, category, product, and customer segment. Main question: Where is revenue coming from?

Step 2: Gross Margin Analysis

Calculate product-level and category-level gross margin. Formula: Gross Profit = Revenue - Cost of Goods Sold. Gross Margin % = Gross Profit / Revenue × 100. Main question: Which sales are actually profitable?

Step 3: Discount Impact Analysis

Calculate total discount given and discount percentage. Formula: Discount % = Discount Amount / Gross Sales × 100. Main question: Are discounts increasing sales but destroying profit?

Step 4: Delivery Cost Analysis

Calculate delivery cost per order and delivery cost as percentage of revenue. Formula: Delivery Cost Per Order = Total Delivery Cost / Number of Orders. Main question: Is fast delivery affordable at the current order value?

Step 5: Contribution Margin Analysis

Calculate how much money remains after variable costs. Variable costs include COGS, discounts, delivery cost, packaging cost, payment gateway charges, and return cost. Main question: Is every order contributing profit or creating loss?

Step 6: City-Level Profitability

Compare revenue, order volume, delivery cost, warehouse cost, and net margin by city. Main question: Which cities are profitable and which cities need restructuring?

Step 7: Customer Profitability Analysis

Compare new customers, repeat customers, premium customers, and discount users. Main question: Are we acquiring profitable customers or only discount seekers?

Expected Learning Outcome

By completing this case, students will understand that revenue growth is not equal to business success.

They will learn how to study profit from different angles: product profitability, category profitability, customer profitability, city profitability, order-level profitability, cost structure, discount strategy, and contribution margin.

Students will also understand that in real businesses, the finance team must look beyond sales numbers.

A company can grow revenue and still become financially weak if cost control, pricing, margins, and unit economics are not managed properly.

Final CFO Decision Challenge

QuickCart's CFO has five immediate choices:

Option	Decision
Option 1	Reduce discounts on low-margin products
Option 2	Increase delivery charges for small orders
Option 3	Promote high-margin categories more aggressively
Option 4	Close or merge low-performing dark stores
Option 5	Reduce marketing spend on low-repeat customers

Students must analyze the raw data and recommend the best combination of actions for the next 90 days.

Final Question

What should QuickCart Commerce do first to protect profit without stopping revenue growth?

The answer should not be only "increase sales." Students must recommend a clear finance-backed action plan based on margin, cost, category, city, and customer analysis.

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