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The Economics of Digital Growth

Evaluating Profitability, Costs and Sustainable eCommerce Growth

WHITE PAPER · NOVEMBER 2026

A digital business can grow revenue while eroding economic value. The difference lies in the quality of revenue, the cost of serving demand and the investments required to sustain growth. This paper offers a management framework, not a universal formula.

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Executive summary

Revenue growth is necessary but insufficient. A sound economic assessment considers gross margin, channel-specific variable costs, commercial investment and incremental organizational costs.

Cross-channel comparisons require consistent definitions. Gross merchandise value, net revenue and wholesale turnover cannot be treated as interchangeable measures.

The most useful executive question is not simply where sales can grow fastest, but where incremental growth creates a sustainable economic contribution.

KEY TAKEAWAY

The ultimate question is not how fast a business can grow, but which growth it can sustain economically and operationally.

1 · Growth versus value creation

Revenue, volume, market share and customer acquisition capture different dimensions of performance. None alone establishes profitability. Growth may increase acquisition costs, operating complexity, returns and working-capital requirements.

Separate organic growth, incentive-led growth and distribution expansion. They may generate similar revenue increases but very different economics.

The starting point is incremental contribution: what actually changes in revenue and costs when a business increases investment in a channel or market?

2 · Digital channel economics

Marketplaces, direct-to-consumer eCommerce and digital wholesale have different economics. They differ in customer ownership, inventory exposure, returns, fees, payment terms and control of the experience.

Marketplaces may provide access to demand but introduce fees and media costs. Direct commerce offers greater control and first-party data, but requires technology, acquisition, service and fulfillment investment. Wholesale may simplify execution while reducing control over end-customer relationships.

There is no universally superior channel. The right mix depends on category, positioning, strategy and organizational capabilities.

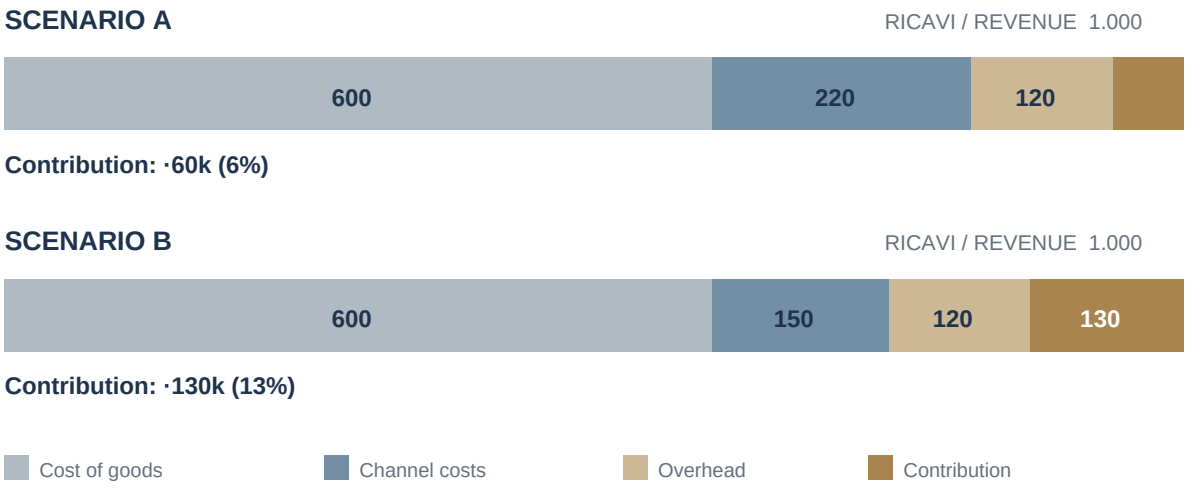
3 · The real cost of growth

A credible model separates cost of goods from fulfillment, distribution, platform fees, media investment, returns and incremental service and technology costs.

Advertising may be described as a growth investment, but incremental analysis must examine how much demand would have materialized without it and how dependent performance is on ongoing spend.

Management attention also has an opportunity cost. Artificial precision is unhelpful, but operating complexity can meaningfully constrain scalability.

ILLUSTRATIVE SCENARIO · SAME REVENUE, DIFFERENT ECONOMICS



Illustrative figures in EUR thousands. Revenue and cost of goods are equal; channel costs differ.

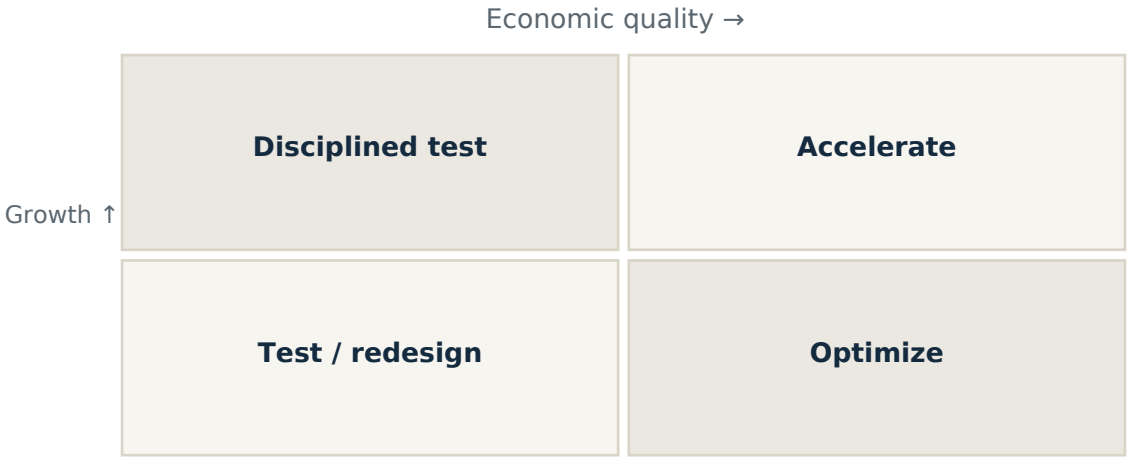
A: 1,000 · 600 · 220 · 120 = 60 | B: 1,000 · 600 · 150 · 120 = 130

costs, contribution before fixed costs, attributable incremental overhead and incremental operating contribution.

Contribution margin is not EBITDA or net profit. It is a decision-support measure requiring shared definitions and transparent cost allocation. Cash flow must be assessed separately because inventory and payment timing can diverge from accounting profit.

Choose metrics based on the decision: incremental contribution for investment choices, normalized economics for channel comparisons and liquidity measures for sustainability.

DECISION MATRIX · GROWTH AND ECONOMIC QUALITY



Illustrative decision framework; quadrant placement depends on company-specific thresholds.

5 · A practical decision framework

The framework asks four questions. (1) Is growth contribution-positive after variable costs? (2) How dependent is it on promotions and media? (3) What operational capacity does it require? (4) What risks does it introduce for pricing, distribution, brand and cash?

The growth-versus-economic-quality matrix is not a replacement for budgeting. It clarifies four management responses: accelerate, optimize, run disciplined experiments or redesign the model. Each company must define its own thresholds.

Before scaling, test sensitivity to conversion, media costs, returns, fees and average selling price. A robust strategy should remain credible under less favorable assumptions.

6 · Management implications

A CEO or General Manager does not need to select every channel personally. They should require each growth proposal to clarify revenue definitions, margin assumptions, investment, operational accountability and the conditions that would change the decision.

A useful dashboard need not include dozens of KPIs. It should separate activity, economic performance and risk. Accountability should not disappear between sales, marketing, finance and operations.

Review assumptions regularly. A channel that worked under one cost structure may become unattractive when media prices, fulfillment or commercial terms change.

Methodology, limitations and sources

This document presents a management analysis framework. All numerical examples are hypothetical and do not represent data from other companies. They are not industry benchmarks or estimates of average profitability.

For market context and comparable definitions, consult Eurostat digital economy and eCommerce enterprise statistics, the European E-commerce Report from Ecommerce Europe / EuroCommerce, and public platform documentation. Any external figures included in a final edition should be checked against the original release and statistical definitions.

Starting sources: https://ec.europa.eu/eurostat/ ; https://ecommerce-europe.eu/ ; https://www.eurocommerce.eu/ . The formulas and matrix are original analytical proposals to be adapted to each business.

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AT A GLANCE

The Economics of Digital Growth

SAME REVENUE, DIFFERENT RESULTS

Illustrative scenarios: figures in EUR thousands

SCENARIO A



Contribution: 60 (6%)

SCENARIO B



Contribution: 130 (13%)

Cost of goods · Channel costs · Overhead · Contribution

THE GROWTH QUALITY MATRIX

REASSESS Low growth / low quality	**CORRECT** High growth / low quality
OPTIMIZE Low growth / high quality	**ACCELERATE** High growth / high quality

FOUR QUESTIONS FOR MANAGEMENT

- **VALUE: what economic contribution is created?**
- COSTS: what is the true cost to serve?
- SCALABILITY: can the model sustain growth?
- RISKS: which trade-offs are we accepting?

Growth should be measured by the value it creates.

Illustrative data: not representative of other companies.