



ACHIEVING SCALE:

---

# Growth Strategies for E-Commerce Brands



Custom content for CohnReznick by studioID





While many brands can achieve impressive momentum by focusing solely on e-commerce, they often hit a growth ceiling that demands new strategies. As such, exploring the expansion to wholesale and brick-and-mortar distribution channels is the logical next step that brings obvious benefits.

However, expanding into these new channels also presents a host of challenges, including new operating models, more complex inventory management, and cost containment. Additionally, companies face the complexities of merging their digital and physical operations, as well as the need to seamlessly manage customer interactions and satisfaction across all channels.

In this playbook, we explore how brands can navigate these challenges, achieve scale while improving profitability, and position themselves for future growth, investment, and a potential exit.

# The Pros and Cons of Expansion



Expanding from a pure e-commerce model to include wholesale and brick-and-mortar channels offers numerous advantages. Achieving true growth can mean moving beyond your initial success, going national or global, and increasing revenues and profitability. This can help attract potential investment and allow companies to recoup, profit, and reinvest to realize their vision.

Moving into retail and forming wholesale partnerships allows brands to leverage established marketing power, secure larger potential revenue streams, and create immersive customer experiences essential for tactile products like beauty and apparel. According to a recent NuOrder survey report, “[Nearly 60% of respondents said retailers help in marketing a brand](#), followed by 56% who said larger orders can help scale revenue and 43% who said wholesale allows brands to expand into new markets and regions.”

However, there are notable challenges to consider. Expanding into wholesale or retail channels requires a deep understanding of different cost structures and operational complexities. With an online business, it's easier to control pricing. However, with wholesale and retail, careful

consideration is required for how prices are set and for the margins captured through these new channels.

Additionally, expanded operations incur significant expenses such as rent, labor, and inventory management, while also requiring brands to navigate potential conflicts with wholesale partners over product placement and stock levels.

Despite these challenges, the potential for growth and increased market reach makes expansion an undeniable strategy for many e-commerce brands.

**60%**

of respondents said retailers help in marketing a brand

# 5 Strategies to Effectively Achieve Scale

If you've decided to scale with retail and wholesale channels, you may already be facing the difficulties of managing these new channels. However, with the right plan, you can grow effectively and sustainably. We outline five essential strategies to achieve scale, while sidestepping common growing pains, in the following sections:

01. Inventory Management
02. Cost Analysis and Containment
03. Technology Integration
04. Continuous Performance Improvement
05. Readiness for Investment

By implementing these strategies, your brand can better navigate the complexities of growth and achieve long-term success.



01.

# Inventory Management



Efficiently managing inventory helps ensure that products are available to meet demand while minimizing excess stock that can tie up capital. As brands scale beyond pure e-commerce, the complexity of inventory management increases, necessitating robust strategies and systems to maintain balance.

Cash flow and inventory levels are incredibly important because the amount of inventory equates to the amount of cash that is tied up for brands. Cash flow projections and understanding inventory levels is critical to financing additional purchases and bringing in fresh stock.

Inventory management also requires the marketing and supply chain teams to work together. “Integrating seasonal marketing strategies — especially influencer and social media campaigns — with supply chain management is crucial to maintain optimal inventory,” mentions [Drew Illingworth](#), Managing Director, CohnReznick. By aligning order quantities with marketing promotions and seasonal demand, brands can help prevent both overstock, which may result in steep discounts, and understock, which can lead to missed sales opportunities.

How can brands in growth mode effectively meet complex inventory demands? “It’s all about data, and not just your own data,” [Marisa Garcia](#), Partner, CohnReznick, said. “By using new tools and leveraging market data

one can learn from historical buying patterns, including similar brands and products in the market, to predict purchasing trends. This will attract the right consumer in the right markets to maximize inventory levels, proper staging, and, therefore, profitability. Having the right product in the right place means both the consumer and the retailer win.”

”

It’s all about data, and not just your own data. By using new tools and leveraging market data one can learn from historical buying patterns, including similar brands and products in the market, to predict purchasing trends. This will attract the right consumer in the right markets to maximize inventory levels, proper staging, and, therefore, profitability. Having the right product in the right place means both the consumer and the retailer win.

MARISA GARCIA,  
Partner, CohnReznick



Accurate data allows brands to forecast demand, optimize supplier lead times, plan inventory levels, and make informed decisions about purchasing and production, all of which are critical to properly execute in a brick-and-mortar environment. Further, a big decision point for many brands is determining how to complement their hero product in store with other profitable items that will expand the customer basket and deepen the customer relationship. Using data and analysis to better understand costs and manage inventory can help ensure that the optimal mix of products are on the shelves to meet the customer when they want them.

Additionally, if leveraged properly, wholesale and retail can open up new fulfillment possibilities. As a brand moves from pure e-commerce to retail and wholesale, every location where there is inventory has to be considered a fulfillment center. One best practice is to look at all inventory across all distribution centers, including retail, to fulfill customer orders efficiently.

To better ensure that the right products are available at the right time, all while maintaining sustainable cash flow, efficient inventory management is essential. Fulfilling an online order from an under-performing physical location will reduce shipping time and costs. It also improves employee utilization in overstocked locations and allows them to turn through their inventory faster, increasing overall profitability.

02.

## Cost Analysis and Containment



Expanding into new sales channels, such as retail, brings various costs that must be carefully analyzed and managed. It starts with understanding your costs at the product level. “Especially for companies with multi-modal sourcing strategies for their goods with significant tariff impacts, new cost considerations are disrupting plans to enter new markets and channels,” Illingworth notes. “Having real-time visibility to the shifting dynamics will be a must for anyone considering, or already on the path to, introducing new products in the near future.” Utilizing both qualitative and quantitative models is key for balancing inventory and optimizing costs at the SKU level. These models leverage customer history, buying trends, product bundling, and segmentation to create a comprehensive cost model for each product.

One of the often-overlooked expenses is the cost of both internal and external back-office operations. Businesses need to understand that as they grow, so do the costs of their human resources, finance teams, and service providers such as legal and accounting. Failing to invest in these areas in a timely manner can cause real operational problems and disrupt the ability to obtain financing or capital investment at optimal terms.

”

**Especially for companies with multi-modal sourcing strategies for their goods with significant tariff impacts, new cost considerations are disrupting plans to enter new markets and channels. Having real-time visibility to the shifting dynamics will be a must for anyone considering, or already on the path, to introducing new products in the near future.**

**DREW ILLINGWORTH,**  
Managing Director, CohnReznick



Cost analysis also involves understanding and budgeting for the operational costs of new retail locations, including rent, labor, point of sale systems, merchandising systems, inventory, insurance, security, utilities, and more. These additional expenses can significantly impact the profitability of new retail ventures if not managed properly.

Despite this, strategic cost containment during expansion is achievable. Spending wisely and understanding the efficiencies of scale are critical, as the value a business can get from scale includes better cost containment and improved operations. This means businesses must make informed decisions about where to invest, particularly when choosing and implementing new technology solutions.

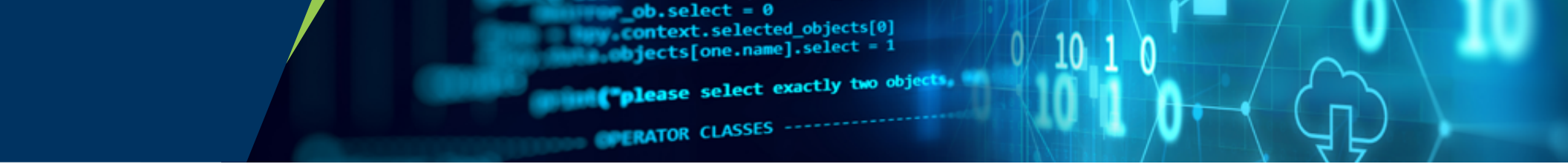
03.

## Technology Integration

Technology acts as a force multiplier for brands by automating processes, increasing efficiency, and amplifying the impact of resources. Yet, deciding where to implement technology and which systems to select is critical.

Optimizing enterprise resource planning (ERP) systems helps businesses manage their operations more effectively, from inventory to financial management, but ERP is just a piece of the overall technology landscape. Multi-channel retailers must consider a robust technology stack that fits the desired business model. In many cases, this can include marketing technologies, customer relationship management (CRM), and point of sale (POS). Thinking about a loyalty program or home delivery? This implies even more enterprise technology. Brands must carefully consider not only things like software features and cost, but also how the pieces will integrate to create an efficient operation and seamless customer experience.





Another important aspect of technology integration — especially for omnichannel brands — is understanding and leveraging customer data. Brands should deploy a modern data platform that allows for the quantitative measurement of customer feedback, net promoter scores, and buying habits, alongside the integration of syndicated and third-party data. Illingworth explains, “Integrating all data into one platform provides a single pane of glass into customers’ behaviors, which synergizes directly with forecasting and inventory optimizations.”

Yet, more customer data brings additional security concerns. “As your customer base expands, so does the volume of customer data and the number of individuals with access to it,” cautions [Cindy McLoughlin](#), Managing Partner of Consumer, Hospitality, and Manufacturing Industries at CohnReznick. “Utilizing third-party platforms like Shopify or Amazon makes safeguarding your customer data and systems a top priority. Integrating point of sale customer data through retail channels opens up new opportunities for leveraging this data, but also introduces additional risks that need to be managed.” Robust cybersecurity measures and compliance with data protection regulations are essential for maintaining customer trust and better safeguarding the business from potential breaches.

By integrating advanced technologies like AI and machine learning, businesses can improve their forecasting accuracy, optimize inventory management, and streamline operations. Investing in the right technologies not only supports current operations but also prepares

businesses for future growth. Ensuring that these technologies are scalable and adaptable to changing business needs is key to achieving long-term success. Getting professionals on board who can provide their expertise and advise on system selection, integration, and security often fast-tracks optimization and growth.

”

**Utilizing third-party platforms like Shopify or Amazon makes safeguarding your customer data and systems a top priority. Integrating point of sale customer data through retail channels opens up new opportunities for leveraging this data, but also introduces additional risks that need to be managed.**

---

CINDY MCLOUGHLIN,  
Managing Partner, Consumer, Hospitality, and  
Manufacturing Industries, CohnReznick



04.

## Continuous Performance Improvement

Achieving scale and continuing to grow requires a commitment to continuous performance improvement. Current success does not guarantee future success, so brands that have expanded into retail and wholesale channels must now focus on maintaining and enhancing their operational efficiency.

To better ensure ongoing progress, it's crucial to measure key metrics, understand them, and work to improve them. This involves using data effectively, objectively analyzing it, and incorporating insights into future decision-making (which is easier with a unified data platform and a single source of truth). By continuously refining strategies based on data, brands can sustain their growth and adapt to changing market conditions.

Brands need to be asking themselves: How efficient are we? How much time is this taking? How much money are we spending? Are we getting the ROI on the investment? Only after they evaluate these questions can they decide which issues to tackle and prioritize them.

An essential component of continuous improvement is the use of key performance indicators (KPIs). These metrics help businesses monitor their progress and identify areas for improvement. By identifying and tracking the most relevant KPIs, businesses can make sure they are on the right path to achieving their goals.





Below are the top five performance improvement KPIs that should be continuously monitored as your business expands:

**01. COST OF SELL THROUGH:** Understanding the true cost of each top customer, product, or channel, including customer/channel-specific costs buried below costs of goods sold (i.e., outbound freight, third-party storage and distribution costs, credit card processing fees, online marketplace fees, channel-specific commissions, and marketing and promotions costs) can help management develop effective pricing strategies.

**02. INVENTORY MANAGEMENT AND TURNOVER:** Real time access to detailed inventory aging by SKU or product category and turnover can provide critical information as management determines the timing and extent of product purchases to meet expanding demands as your business scales.

**03. PRODUCT CONTRIBUTION MARGIN:** Understanding product contribution margin by channel is essential when deciding how best to scale your business. This is inclusive of customer pricing, accurate costing, and contribution calculations.

**04. CUSTOMER ACQUISITION AND RETENTION COSTS:** As the nature of these costs continues to evolve to include things such as influencers and their content production and management, loyalty programs, brand community development and maintenance, pop-up shops and temporary retail, it is critical to identify and track costs to provide meaningful and actionable analysis that management and potential investors will find valuable and insightful.

**05. CASH FLOWS AND WORKING CAPITAL:** Liquidity is king. Keen focus on managing cash flows and working capital effectively by improving spend forecasting, vendor management, and real time data analysis will provide the flexibility needed when opportunities and challenges arise as you scale your business.

Incorporating continuous performance improvement practices into daily operations will help businesses maintain their competitive edge and achieve long-term success. By regularly evaluating and refining their processes, companies can adapt to changing market conditions and continue to thrive.

05.

## Readiness for Investment



Many businesses will seek investment to fuel their growth and achieve scale. Whether it's a potential investment from a bank, a venture capital firm, a strategic buyer, or a private equity investor, there are significant considerations on how to pitch the business. When considering financial information, it is critical to provide accurate and complete information that is presented in a manner that is most meaningful to potential investors. This means presenting your company in a language that investors speak and with metrics they deal with on a day to day basis. This means aligning the presentation of your business with industry standards and investor expectations.

A key aspect of readiness is comprehensive sell-side diligence, which includes creating a detailed deal report. This report should include financial statements, performance metrics, and growth projections, offering a clear and compelling narrative about the company's potential.

Operational efficiency and scalability are also crucial. Investors look for businesses that can grow without significant increases in cost. This involves showcasing streamlined operations and effective cost management.

By looking through the eyes of an investor, brands can increase their probability of investment, maximize valuations, and prepare their business operations for an eventual transaction. While this process is achievable, many brands that excel at product and marketing often struggle during this step. Relying on an experienced advisor to aid with this strategy can have a significant impact.



## The Right Team to Help You Scale

Achieving scale is certainly challenging, but with the right advice, plan, and strategies, sustained growth is attainable. Implementing these five scaling strategies will help e-commerce brands to expand, while still maintaining strong margins and operational efficiency.

CohnReznick helps brands scale by providing a range of specialized services designed to optimize operations, enhance efficiency, and drive strategic growth within the retail sector. Our digital, performance improvement, mergers and acquisitions, financial modeling, risk advisory, and other services streamline business processes and improve supply chain management.

Contact [cohnreznick.com/consumer](https://cohnreznick.com/consumer) to learn more.



“CohnReznick” is the brand name under which CohnReznick LLP and CohnReznick Advisory LLC and its respective subsidiary entities provide professional services. CohnReznick LLP and CohnReznick Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. CohnReznick LLP is a licensed independent CPA firm that provides attest services to its clients, and CohnReznick Advisory LLC provide tax and business consulting services to their clients. CohnReznick Advisory LLC and its subsidiary entities are not licensed CPA firms.

[Learn more](#)





# studio / **ID** BY INDUSTRY DIVE

studioID is Industry Dive's global content studio offering brands an ROI rich tool kit: Deep industry expertise, first-party audience insights, an editorial approach to brand storytelling, and targeted distribution capabilities. Our trusted in-house content marketers help brands power insights-fueled content programs that nurture prospects and customers from discovery through to purchase, connecting brand to demand.

[Learn more](#)