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The Ecommerce Glossary: 21 terms that decide if your store makes money

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Most store owners nod along when someone says AOV or contribution margin, then quietly google it later. This glossary fixes that. Every term from the reel is here in plain words, with how to calculate it, where to find it in Shopify, and why it matters when you're paying for ads. Read the money terms first, then use the worked example to find your own numbers this week.

HOW TO USE THIS GLOSSARY

The 21 terms are grouped the way money actually moves through a store: **traffic and sales** first, then **the store page**, then **the offer**, then **profit and operations**. Each group builds on the one before it.

Don't try to memorize all of it. Find your own number for each money term instead. A term you've calculated for your own store sticks forever, a term you've only read about is gone by tomorrow.

Note: when a term has a formula, it's written out in words so you can plug in your numbers directly.

TRAFFIC AND SALES TERMS

TERM	WHAT IT MEANS	HOW TO CALCULATE	WHERE TO FIND IT IN SHOPIFY	WHY IT MATTERS FOR ADS
AOV (average order value)	How much a customer spends per order, on average	Total revenue divided by number of orders	Analytics dashboard, Average order value	A higher AOV means you can afford to pay more per customer and still profit
LTV (lifetime value)	Total money a customer spends with you over time	AOV times how many times they buy	Customer reports, plus Returning customer rate on the dashboard	Tells you how much you can spend to get a customer if they come back again
CAC (customer acquisition cost)	What you pay in ads to get one new customer	Ad spend divided by new customers	Not in Shopify alone. Ads Manager spend divided by Shopify first time customers	If CAC is higher than what a customer is worth, every sale loses money
Conversion rate	The share of visitors who buy	Orders divided by sessions, times 100	Analytics dashboard, Online store conversion rate	Doubling conversion rate halves what each sale costs you in ads
Add to cart rate	The share of visitors who add something to cart	Sessions with an add to cart divided by total sessions	Conversion rate breakdown, Added to cart	Low add to cart usually means the product page, price or offer isn't convincing
Cart abandonment	People who add to cart but never finish buying	1 minus (orders divided by carts created)	Conversion breakdown, plus Abandoned checkouts under Orders	You already paid for these visitors. Recovery emails bring some back for free

STORE PAGE TERMS

TERM	WHAT IT MEANS	WHERE YOU SEE IT	WHY IT MATTERS FOR ADS
PDP (product detail page)	The page for a single product with photos, price and the buy button	Every product page on your store	Most ads should send people here, not to your homepage
Hero section	The first thing a visitor sees at the top of a page, before scrolling	Top banner of your homepage or product page	If it doesn't match the ad they just clicked, people leave in seconds
Social proof	Signs that other people bought and liked it: reviews, star ratings, customer counts	Review widgets, star ratings, testimonials	It answers "can I trust this store?" before the visitor asks
UGC (user generated content)	Photos and videos made by real customers, or creators who look like customers	Review photos, customer videos, creator ads	UGC style ads often feel more trustworthy than polished studio ads

OFFER TERMS

TERM	WHAT IT MEANS	EXAMPLE	WHY IT MATTERS FOR ADS
Upsell	Offering a bigger or better version of what they're buying	Upgrade from the 1 month supply to the 3 month supply	Raises AOV, so each ad dollar brings back more
Cross sell	Offering a related product that goes with it	Socks with sneakers, a case with a phone	Raises AOV without discounting the main product
Bundle	Several products sold together, usually at a small discount	Starter kit with 3 products	One of the easiest ways to raise AOV right on the product page
Post purchase offer	A one click offer shown right after checkout	"Add a second one for 20 percent off" on the thank you page	The card is already out, so take rates are high and no extra ad spend is needed
Subscribe and save	A discount for buying on a repeating schedule	10 percent off every month, cancel anytime	Turns one ad paid sale into many sales, which raises LTV
Repeat purchase rate	The share of customers who buy more than once	Returning customer rate on the Shopify dashboard	High repeat rates let you break even on the first order and profit later

PROFIT AND OPERATIONS TERMS

TERM	WHAT IT MEANS	HOW TO CALCULATE OR FIND IT	WHY IT MATTERS FOR ADS
COGS (cost of goods sold)	What it costs you to make or buy the product	Add it in each product's Cost per item field so Shopify reports can use it	You can't know your real profit per sale without it
Gross margin	The share of the price left after product cost	(Price minus COGS) divided by price	Sets the ceiling on what you can spend to win a sale
Contribution margin	What's left from an order after product cost, shipping, fees and ad spend	Revenue minus COGS, shipping, payment fees and ad spend	The truest number for whether your ads are actually making money
3PL (third party logistics)	A company that stores, packs and ships your orders for you	Their fees show up as a cost per order	Frees your time, but their fees come out of contribution margin
Return rate	The share of orders that come back	Returned orders divided by total orders	High returns quietly erase the profit your ads seemed to make

WORKED EXAMPLE: HOW THE NUMBERS CONNECT

A made up store, simple math. Swap in your own numbers as you read.

- 1 AOV is \$60.** Customers spend \$60 per order on average.
- 2 COGS is \$24, so gross margin is 60 percent:** (\$60 minus \$24) divided by \$60.
- 3** Subtract shipping (\$6) and payment fees (about \$2). That leaves **\$28 per order before ads.**
- 4** That \$28 is your **break even CAC on the first order.** Pay more than \$28 in ads per new customer and the first sale loses money.
- 5** If customers buy **2 times on average**, the second order has no ad cost, so that customer brings in about **\$56** before ads over their lifetime. Now paying \$35 to get them still works.
- 6** Add a **bundle** that lifts AOV to \$75 and the math moves again: more room to spend on ads, and more ads you can afford to test.

RULES OF THUMB TO START FROM

NUMBER	COMMON STARTING POINT	NOTE
Conversion rate	Roughly 1 to 3 percent for many on-line stores	Varies a lot by price and traffic source
Cart abandonment	Around 70 percent	Per Baymard Institute research , so recovery emails matter
LTV to CAC	About 3 to 1 is a common healthy target	Lower means growth is expensive, higher can mean you're under-spending
Gross margin	Higher is better for ads	Low margin products leave very little room to pay for customers

FIND YOUR NUMBERS THIS WEEK

Twenty minutes in Shopify and Ads Manager. Write each number down.

- ☐ Look up your AOV on the Shopify Analytics dashboard
- ☐ Look up your online store conversion rate
- ☐ Look up your returning customer rate
- ☐ Add Cost per item to your top 5 products so Shopify can show real margins
- ☐ Calculate your gross margin on your best seller
- ☐ Calculate your break even CAC: AOV minus COGS, shipping and fees
- ☐ Divide last month's ad spend by first time customers to get your real CAC
- ☐ Check your abandoned checkouts and confirm a recovery email is turned on

PROMPTS TO PUT THE GLOSSARY TO WORK

Copy a prompt, replace the brackets, paste into ChatGPT or Claude.

CALCULATE MY STORE'S KEY NUMBERS

You are an ecommerce analyst helping a Shopify store owner.

My numbers from last month:

- Revenue: [amount]
- Orders: [number]
- Sessions: [number]
- New customers: [number]
- Ad spend: [amount]
- Average product cost (COGS): [amount]
- Average shipping cost per order: [amount]

Task:

1. Calculate AOV, conversion rate, CAC, gross margin and contribution margin per order.
2. Tell me my break even CAC.
3. Point out the one number that's hurting profit the most and why.

Output format:

A short table of the numbers, then 3 bullet points of advice.

RAISE MY AOV

You are a Shopify offer strategist.

My store sells: [products]

Best seller: [product and price]

Current AOV: [amount]

Task:

Give me 3 bundle ideas, 3 cross sell pairings and 2 post purchase offers that could raise my AOV without big discounts. For each, explain why a customer would say yes.

AUDIT MY PRODUCT PAGE (PDP)

You are a conversion expert reviewing a Shopify product page.

Here's what my page shows, top to bottom:

[describe the hero section, photos, price, reviews, shipping info, buy button, anything below]

Task:

List the 5 biggest reasons a visitor from an ad might not add to cart, ranked by impact, with one specific fix each. Mention social proof and the hero section if they're weak.

EXPLAIN A TERM WITH MY OWN DATA

Explain [term, for example contribution margin] to me like I'm a busy store owner, in 3 short sentences.

Then calculate it for my store using these numbers:

[paste the numbers you have]

Finish with one action I can take this week to improve it.

QUICK LINKS

Shopify reports: [Shopify Help Center, analytics and reports](#)

Cart abandonment research: [Baymard Institute](#)

See what competitors run: [Meta Ad Library](#)

WANT SOMEONE TO RUN THE NUMBERS WITH YOU?

Knowing the terms is step one. Using them to decide which ads to run, what to test and how much you can spend to win a customer is where stores actually grow. That's what I build for Shopify brands.

If you want me to look at your store's numbers with you, [book a free call here](#).

WORK WITH ME

Business owner looking to automate?

hexgarcia.com/free-call

Questions? Reply to the newsletter or reach out via email.

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