BOARD ECOMMERCE HEALTH CHECK

A PE Board Diagnostic for Ecommerce Economics, Risk, Governance and Exit Readiness

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Purpose

Use this document to evaluate whether ecommerce is creating durable enterprise value or quietly accumulating risks that will surface in margins, cash flow, operating complexity or buyer diligence.

Executive Summary

Ecommerce can be one of the strongest engines of value creation in a consumer business. It can also make a company look healthier than it is. Revenue may grow while contribution deteriorates. Marketplace dependence may increase without appearing in customer-concentration reporting. Inventory can absorb cash faster than the board understands. Unauthorized sellers can weaken pricing and advertising economics. And operating practices that seem manageable today can become expensive diligence issues at exit.

The **Board Ecommerce Health Check** is designed for PE sponsors, operating partners, portfolio-company CEOs and directors who need a board-level view of these issues without turning the board into an ecommerce operating committee.

The governing question

Is ecommerce making this business more valuable, more resilient and easier for a future owner to understand - or merely larger?

The six dimensions

Dimension	Board-level objective
1. Economics	Whether digital growth produces attractive contribution after channel-specific costs.
2. Channel Control	Whether the company controls who sells its products, how inventory moves and where economic leakage occurs.
3. Concentration	Whether value depends excessively on a platform, customer, SKU, traffic source, fulfillment system or key person.
4. Inventory	Whether inventory supports growth efficiently or quietly destroys cash, margin and operating flexibility.
5. Governance	Whether decision rights, incentives, reporting and accountability align functions around enterprise economics.
6. Exit Readiness	Whether a sophisticated buyer could understand, verify and transfer the ecommerce operating system.

How PE firms should use it

- Pre-close: identify ecommerce dependencies that may deserve further diligence, pricing, protection or a post-close remediation plan.
- First 100 days: convert diligence findings into a prioritized governance agenda with owners, milestones and board visibility.
- Quarterly board oversight: monitor changes in economic quality, concentration, inventory, channel control and operating resilience.
- Annual planning: test whether incremental ecommerce investment creates enough contribution and strategic value to justify the capital.

- Exit preparation: identify issues that a sophisticated buyer is likely to discover before the transaction clock starts.

Scoring model

Each dimension is scored from 1 to 5. The score is not intended to create false precision. It is a disciplined way to force explicit discussion of where the operating system is fragile and what the board should expect management to improve.

Dimension	1 - Fragile	2 - Reactive	3 - Managed	4 - Governed	5 - Diligence-ready
Economics	Channel P&L not trusted	Costs partly understood	Contribution tracked	Economics drive decisions	Economics reconcile and transfer
Channel Control	Unknown seller/inventory flows	Problems handled case by case	Policies and ownership defined	Leakage measured and governed	Controls evidenced and buyer-ready
Concentration	Dependencies unknown	Known after incidents	Major concentrations reported	Scenarios and mitigations tested	Dependencies priced and transferable
Inventory	Little channel visibility	Reactive stockout/excess response	Aging and supply tracked	Inventory linked to contribution/cash	Controls and history buyer-ready
Governance	No clear owner	Functional firefighting	Roles and metrics defined	Cross-functional decisions aligned	Governance documented and repeatable
Exit Readiness	Diligence would be disruptive	Major gaps known	Core documents available	Risks actively remediated	Buyer can verify the system quickly

Interpreting the Score

Average	Interpretation	Board posture	Typical action
4.3-5.0	Diligence-ready	Monitor exceptions	Protect the system; document evidence; avoid complacency
3.5-4.2	Governed	Selective improvement	Focus on the one or two weak dimensions that could impair the thesis
2.7-3.4	Managed	Active oversight	Create a 6-12 month remediation plan and board milestones
1.8-2.6	Reactive	High attention	Name accountable executives; stabilize economics and controls
1.0-1.7	Fragile	Potential thesis risk	Consider immediate operating intervention and deeper diligence

Important

Do not average away a serious problem. A company with five dimensions scored 4 and one dimension scored 1 does not have a healthy ecommerce system. The weakest dimension may be the one a buyer, marketplace or liquidity event exposes.

Board-level output

After completing the Health Check, the board should be able to name:

1. The three ecommerce conditions that most strongly support the investment thesis.
2. The three ecommerce risks that could most materially impair enterprise value.
3. The two dimensions requiring board-level remediation milestones.
4. The operating owner accountable for each remediation priority.
5. The evidence the board expects to see before the score can improve.

1. Economics

Board thesis

Ecommerce should be governed on contribution and cash economics, not revenue alone.

Why this matters to a PE board

Channel revenue is not economically fungible. Amazon 1P, Amazon 3P, DTC, Walmart Marketplace and wholesale can have very different fee structures, fulfillment costs, advertising requirements, return rates, working-capital demands and customer economics.

A board that sees only consolidated revenue and gross margin can therefore miss a deterioration in the quality of growth.

The governing objective is not to force every channel to have the same margin. It is to understand what the company is buying when it invests in growth.

Metrics worth seeing

Metric	What it tells the board	Useful cut	Watch for
Net revenue by channel	Scale and mix	Amazon 1P / 3P / DTC / wholesale	Mix shift that hides weaker economics
Contribution margin by channel	Economic quality	After fees, fulfillment, media, returns	Revenue growth with falling contribution
Incremental contribution	Quality of new growth	New spend / new channels / new SKUs	Growth requiring disproportionate spend
Advertising dependency	How much demand is rented	Paid vs organic; CAC/ROAS trend	Media inflation absorbing contribution

Metric	What it tells the board	Useful cut	Watch for
Returns/refunds	Gap between demand and realized value	By channel/category/SKU	Rising returns masked by gross sales
Cash conversion	Working-capital burden	Inventory + receivables + payables	Growth that consumes cash faster than EBITDA improves

Questions directors should ask

- What is the contribution definition used by management, and does finance agree with it?
- Which channel creates the most absolute contribution, not merely the highest margin percentage?
- Where is revenue growing faster than contribution?
- What portion of incremental growth depends on paid media becoming more efficient than it is today?
- Which channel would we invest in if capital were scarce?
- What would happen to EBITDA if marketplace fees or advertising costs rose materially?

Red flags

- Management uses revenue or ROAS as the primary proof that ecommerce is healthy.
- Channel-specific costs are scattered across functions and cannot be reconciled.
- Gross margin is used as a proxy for channel profitability.
- Annual plans assume improving advertising efficiency without a clear operating basis.
- Low-margin growth is defended primarily because it increases market share or topline.

Useful diligence / evidence requests

- Channel P&Ls and contribution definitions
- Marketplace fee and fulfillment reports
- Advertising spend and efficiency history
- Return/refund data by material channel
- Reconciliation from marketplace reports to the general ledger
- Annual plan sensitivity analysis

2. Channel Control

Board thesis

If the company cannot control how inventory reaches the market, it does not fully control channel economics.

Why this matters to a PE board

Unauthorized sellers, distributor leakage and pricing inconsistencies are often treated as ecommerce nuisances. They are usually symptoms of a broader distribution design problem.

Leakage can reduce price integrity, win the marketplace Buy Box, weaken legitimate advertising economics, create retailer conflict and make the company's channel strategy difficult to explain to a buyer.

Enforcement may be necessary, but durable control usually requires changes to incentives, authorization, inventory flow and commercial policy.

I explore this problem in greater depth in *Controlling Your Brand in the Age of Amazon*, particularly the need to treat unauthorized selling and channel leakage as distribution-system issues rather than isolated marketplace enforcement events.

Metrics worth seeing

Metric	What it tells the board	Useful cut	Watch for
Unauthorized seller count	Visibility of leakage	Top ASINs / marketplaces	Persistent or rising sellers
Buy Box ownership	Who captures marketplace economics	Brand/authorized vs third party	Loss on high-contribution SKUs
Price integrity	Channel consistency	MAP/retail/reference pricing	Chronic discounting
Distributor leakage	Source of unintended supply	By account/region	Repeat supply from known partners
Excess inventory	Economic fuel for leakage	Aging and liquidation volumes	Inventory leaving intended channels
Advertising leakage	Spend benefiting third parties	Ad clicks vs owned offer	Paid demand captured by unauthorized sellers

Questions directors should ask

- Do we know where unauthorized sellers obtain inventory?
- Which distributors or resellers have incentives that conflict with our marketplace strategy?
- Can management quantify the economic effect of leakage?
- Who owns channel governance across sales, ecommerce, legal, operations and finance?
- Are our authorization and commercial policies enforceable in practice?
- Is excess inventory creating the very problem we are trying to enforce away?

Red flags

- Seller takedowns are the primary strategy.
- Sales incentives reward shipment volume regardless of downstream channel behavior.
- No one can explain how unauthorized inventory reaches the market.
- Marketplace pricing routinely forces retailer price matching.
- Channel-control issues are discussed without quantifying contribution or retailer impact.

Useful diligence / evidence requests

- Authorized reseller/distributor lists and contracts
- Marketplace seller monitoring history
- MAP/authorization policies where applicable
- Inventory liquidation and closeout practices
- Top distributor sell-in/sell-through information
- Buy Box and pricing history on key SKUs

3. Concentration

Board thesis

The board should understand every dependency that could materially alter the investment thesis if it changed.

Why this matters to a PE board

Platform concentration is broader than revenue concentration. A brand may depend on Amazon for demand generation, reviews, pricing reference points, inventory velocity, fulfillment economics or cash conversion even when Amazon's revenue share appears manageable.

Concentration can be rational. The governance failure is accepting a dependency that is poorly measured, poorly priced or assumed to be permanent.

The board should distinguish concentration that creates economic advantage from concentration that removes strategic options.

The *Amazon Marketplace Dilemma* provides additional context for this tradeoff: marketplaces can create exceptional reach and efficiency while simultaneously shifting bargaining power, customer access and operating dependence toward the platform. For boards, the issue is not whether Amazon is good or bad; it is whether the company understands the dependency it is accepting.

Metrics worth seeing

Metric	What it tells the board	Useful cut	Watch for
Platform revenue concentration	Sales dependency	Top marketplace/customer	Rising share without mitigation
Contribution concentration	Profit dependency	By platform/channel	High EBITDA dependence on one channel
SKU/ASIN concentration	Product dependency	Top 5 / top 10 SKUs	Few products drive majority of contribution
Traffic concentration	Demand dependency	Paid/organic/platform sources	Single traffic source dominates
Fulfillment concentration	Operational dependency	FBA/3PL/vendor	No practical alternative
Key-person concentration	Knowledge dependency	Critical roles/processes	One person controls accounts or know-how

Questions directors should ask

- What percentage of contribution would disappear if our largest platform deteriorated materially?
- Which five products matter most to ecommerce EBITDA?
- What operating capability would fail if one key employee left?
- Which platform policies, fees or algorithms have outsized influence on the thesis?
- Do we have realistic alternatives, or only theoretical ones?
- Which concentration are we deliberately accepting because the economics justify it?

Red flags

- Board reporting shows customer concentration but not platform or contribution concentration.
- Management cannot quantify the effect of a marketplace disruption.
- Critical accounts are tied to individual employees or agency credentials.
- The company calls diversification a strategy but has no economic case for alternative channels.
- A small group of SKUs carries a disproportionate share of contribution without explicit board visibility.

Useful diligence / evidence requests

- Revenue and contribution concentration tables
- Top SKU/ASIN economics
- Marketplace account ownership and permissions
- Traffic/acquisition source mix
- Fulfillment dependency map
- Key-person/process dependency assessment

4. Inventory

Board thesis

Inventory is both a growth asset and a balance-sheet risk; boards need to see the tradeoff.

Why this matters to a PE board

Ecommerce growth can consume cash quickly. Stockouts suppress demand, but excess inventory creates aging, markdowns, storage fees, liquidation pressure and channel leakage.

Inventory decisions can also distort channel economics. A business may keep an unprofitable channel growing simply to move stock, or starve a more attractive channel because planning is organized around historical volume rather than contribution.

The board should therefore connect inventory productivity to growth quality and cash conversion.

Metrics worth seeing

Metric	What it tells the board	Useful cut	Watch for
Weeks/days of supply	Coverage and capital intensity	By channel/SKU tier	Excess and chronic shortages
Inventory aging	Future markdown/write-down risk	90/180/365+ days	Aging increasing while sales grow
Stockout frequency	Lost demand / execution quality	Top contribution SKUs	Stockouts on highest-value products
Inventory turns	Capital efficiency	By category/channel	Slowing turns hidden by growth
Storage/placement costs	Hidden marketplace burden	FBA/3PL/channel	Fees rising faster than revenue
Liquidation/markdown rate	Cost of planning error	Annualized / by channel	Increasing reliance on clearance

Questions directors should ask

- Which inventory is economically healthy versus merely sellable?
- Are we allocating scarce inventory to the channels with the best contribution?
- What inventory assumptions are embedded in the growth plan?
- How much cash is trapped in slow-moving ecommerce inventory?
- Are storage fees, markdowns and liquidation reflected in channel economics?
- Could inventory pressure be contributing to distributor or marketplace leakage?

Red flags

- Inventory is discussed mainly as an operations issue.
- Board reporting uses total turns but hides channel/SKU aging.
- Large growth plans are approved without a working-capital bridge.
- Liquidation and closeout decisions are disconnected from channel-control policy.
- Stockouts persist on high-contribution SKUs while low-productivity inventory accumulates.

Useful diligence / evidence requests

- Inventory aging by SKU/channel/location
- Historical stockout data
- FBA and 3PL storage/placement fees
- Markdown/liquidation history
- Demand-planning methodology
- Working-capital requirements in the operating plan

5. Governance

Board thesis

Ecommerce becomes a board problem when functions can individually hit their KPIs while enterprise economics deteriorate.

Why this matters to a PE board

Marketplace performance crosses sales, marketing, finance, operations, legal and ecommerce. Without clear decision rights, each function can optimize locally: sales maximizes sell-in, marketing maximizes ROAS, operations minimizes unit cost, and ecommerce maximizes marketplace revenue.

The result can still be economically poor for the enterprise.

That cross-functional tension is a recurring theme in both *The Amazon Marketplace Dilemma* and *Controlling Your Brand in the Age of Amazon*: marketplace outcomes are often created by decisions made across sales, distribution, marketing, operations and finance rather than by the ecommerce team alone.

Strong governance makes ownership explicit, aligns incentives and creates a reporting system that escalates the right issues without pulling directors into operating detail.

Metrics worth seeing

Metric	What it tells the board	Useful cut	Watch for
Decision-right clarity	Who owns cross-functional choices	Pricing/inventory/channel/ads	Repeated escalation or conflicting decisions
Metric alignment	Whether teams optimize enterprise value	Shared contribution measures	Functions rewarded for incompatible outcomes
Exception cadence	Speed of issue escalation	Material risk dashboard	Board learns after problem is acute
Account/control ownership	Operational resilience	Named company owners	Agency/employee owns critical asset
Documentation coverage	Transferability	SOPs/permissions/processes	Key processes undocumented
Board reporting quality	Governance usefulness	Trend + plan + decision	Large decks with little decision value

Questions directors should ask

- Who owns total marketplace economics?
- Which decisions require coordination across sales, finance, operations and ecommerce?
- Can one function improve its KPI while harming enterprise contribution?
- What issues automatically escalate to the board?
- Are critical marketplace accounts and data controlled by the company?
- Does the board receive information designed for governance or an operating dashboard repackaged for directors?

Red flags

- Multiple executives claim partial ownership but no one owns the total economics.
- Board discussions repeatedly descend into tactics because the reporting does not frame enterprise implications.
- Agency partners control critical credentials or data.
- Cross-functional disputes are resolved case by case rather than through established decision rights.
- Compensation rewards revenue without regard to contribution or working capital.

Useful diligence / evidence requests

- Organization chart and RACI/decision-right documents
- Executive and sales incentive plans
- Board ecommerce reporting
- Marketplace account ownership/permissions
- Agency agreements and data rights
- Key SOPs and escalation processes

6. Exit Readiness

Board thesis

The best time to discover what a buyer will dislike is years before there is a buyer.

Why this matters to a PE board

Exit readiness is not the ability to populate a data room. It is the ability to explain and evidence how the ecommerce operating system works.

A sophisticated buyer will test channel economics, account ownership, concentration, inventory quality, paid-media dependency, seller authorization, data access, process transferability and the integrity of management reporting.

Problems are easier to remediate while the company still has time. Once a transaction begins, every weakness becomes more visible and every fix looks more expensive.

Metrics worth seeing

Metric	What it tells the board	Useful cut	Watch for
Data reconciliation	Trust in reporting	Marketplace to GL	Manual/unexplained differences
Documentation completeness	Transferability	Accounts/contracts/SOPs	Important items missing or outdated
Key-person dependency	Continuity risk	Critical processes/roles	Founder or one employee is indispensable
Open platform/compliance issues	Transaction uncertainty	Material claims/suspensions	Unresolved high-impact issues
Contract/control quality	Asset transferability	Agencies/distributors/platforms	Rights unclear or non-transferable
Remediation backlog	Diligence debt	Known issues + owners	Repeatedly deferred fixes

Questions directors should ask

- If diligence began next month, what would be hardest to explain?
- Can we reconcile marketplace operating data to finance quickly?
- Who owns every critical account, dataset and credential?
- Which processes depend on undocumented institutional knowledge?
- What known issue are we hoping a buyer will not focus on?
- Which improvements would most increase buyer confidence over the next 12 months?

Red flags

- Exit readiness starts when a banker is hired.
- Marketplace accounts, data or advertising assets sit in personal or agency-controlled structures.
- Channel profitability cannot be reconciled cleanly.

- Known seller, compliance or inventory issues have no remediation owner.
- Management relies on heroic explanations rather than documented systems.

Useful diligence / evidence requests

- Data-room readiness checklist
- Marketplace/account ownership evidence
- Channel P&L reconciliation
- Key contracts and data-rights review
- SOP inventory and key-person map
- Open issue/remediation log

Cross-Dimensional Patterns the Board Should Recognize

Pattern	What it may mean	Dimensions to investigate
Revenue up, contribution down, inventory up	Growth may be consuming capital and masking weaker channel economics.	Economics + Inventory
Unauthorized sellers up, excess inventory up	Leakage may be a consequence of inventory/distribution design rather than enforcement failure.	Channel Control + Inventory
Amazon share up, paid media up, top-ASIN concentration up	The company may be compounding several forms of marketplace dependency at once.	Concentration + Economics
Good operating results, poor documentation	The business may be healthy today but difficult for a buyer to verify or transfer.	Governance + Exit Readiness
Strong channel P&L, weak cross-functional ownership	Economics are visible, but the operating system may not sustain them as complexity rises.	Economics + Governance
High growth, rising key-person dependency	Scale may be creating organizational fragility that a future owner will discount.	Concentration + Exit Readiness

Board discipline

A weak ecommerce system rarely fails in only one dimension. The most important board insight is often the connection between two seemingly separate issues.

Using the Health Check in PE Due Diligence

The Health Check should not replace financial, legal, tax, commercial or technology diligence. It is a governance lens for identifying ecommerce operating dependencies that can alter the quality, transferability or risk of the investment thesis.

Pre-close workflow

Step	What to do
1. Baseline score	Management or the deal team scores the six dimensions using available diligence material.
2. Evidence challenge	For every score of 4 or 5, ask what evidence supports it. Confidence without evidence should not receive a high score.
3. Thesis linkage	Identify which weak dimensions could impair the value-creation plan, debt service, working capital, major retailer relationships or exit.
4. Decision	Classify findings as: price/protection issue; pre-close diligence issue; 100-day remediation; or ordinary operating improvement.
5. Board handoff	Carry the material findings into the first board meeting rather than leaving them in the diligence archive.

Questions for the investment committee

- Which ecommerce dependency is the deal team most comfortable accepting, and why?
- Which weakness could change our underwriting if it proves worse than management believes?
- Which remediation requires capital beyond the base case?
- Which ecommerce issue could create an exit multiple discount even if EBITDA targets are met?
- What evidence will the board expect by the end of the first 100 days?

Using the Health Check in the First 100 Days

The first 100 days should convert deal-team observations into a governed operating agenda. The objective is not to launch dozens of ecommerce initiatives. It is to establish a reliable economic baseline, identify dependencies and clarify ownership.

Period	Primary objective	Key Health Check work	Board output
Days 1-30	Establish economic truth	Channel contribution, inventory, advertising, reconciliation	Baseline score + unresolved data gaps
Days 31-60	Map dependencies	Platform/SKU/key-person/channel-control/fulfillment concentration	Risk map + material scenarios
Days 61-100	Establish governance	Decision rights, incentives, board metrics, remediation owners	Board scorecard + 6-12 month priorities

The board should leave day 100 with

1. A mutually understood contribution definition and channel-level economic baseline.
2. A clear view of the few ecommerce dependencies that could impair the investment thesis.
3. Named owners for material channel-control, inventory, governance and exit-readiness gaps.
4. An agreed board dashboard with no more than 8-12 recurring ecommerce measures.
5. Specific evidence required to improve any Health Check dimension scored below 3.

Recommended Quarterly Board Dashboard

The board should not receive the ecommerce team's operating dashboard. It should receive a compact governance dashboard showing economic quality, major dependencies, exceptions and decisions.

Metric	What it tells the board	Useful cut	Watch for
Revenue by major channel	Trend vs plan and prior year	Context only; never interpret without contribution	
Contribution by major channel	Trend vs plan and prior year	Primary quality-of-growth measure	
Platform/customer concentration	Revenue + contribution share	Show material changes	
Top SKU concentration	Top 5 / top 10 contribution share	Expose product fragility	
Inventory health	Aging, stockouts, working-capital exceptions	Connect to cash and channel decisions	
Paid demand dependency	Media spend + efficiency trend	Highlight structural change, not weekly volatility	
Channel-control exceptions	Material seller/leakage/pricing issues	Only economically significant exceptions	
Health Check score	Six dimension scores + change	Explain any score movement	
Remediation milestones	Status of 2-4 board-level priorities	Owner, due date, evidence	
Decisions required	Capital allocation / strategy / risk acceptance	Make board role explicit	

Keep the appendix large and the board dashboard small

Operating teams should have much more data than directors. Good board reporting compresses complexity into economic implications and decisions.

Using the Health Check in Annual Planning

Annual planning is where revenue ambition should be translated into capital requirements, contribution expectations and changes in risk. The board should ask whether the plan improves the six dimensions or knowingly trades one dimension for another.

Seven questions before approving a larger ecommerce investment

1. What incremental contribution does the investment create after all channel-specific costs?
2. Which assumption is doing most of the work in the forecast?
3. How much additional inventory and working capital are required?
4. Which platform, SKU, traffic or partner concentration does the plan increase?
5. What happens if performance is 20% worse than plan?
6. How quickly can the company stop or redirect the investment?
7. What durable capability, data or operating advantage remains if the direct revenue case disappoints?

Planning trade-offs the board should make explicit

Trade-off	Board question
Faster growth vs contribution	Is lower near-term margin buying durable scale or merely expensive revenue?
More inventory vs availability	What level of stockout risk is economically rational?
Amazon concentration vs channel diversification	Are alternatives economically attractive or diversification for its own sake?
Paid acquisition vs organic demand	What portion of growth is durable if media economics normalize?
Distribution breadth vs channel control	Does broader sell-in increase leakage and pricing risk?

Using the Health Check 18-36 Months Before Exit

The highest-return exit-readiness work is usually done before anyone is actively preparing a sale process. The Health Check gives the board a way to identify 'diligence debt' early enough to fix it through normal operating discipline.

What a buyer is likely to test

Dimension	Likely buyer question
Economics	Can reported channel contribution be reconciled and normalized?
Channel Control	Does the company actually control distribution and seller authorization?
Concentration	What revenue, contribution, SKU, platform and key-person dependencies exist?
Inventory	How much inventory is aged, channel-specific or economically impaired?
Governance	Are accounts, data, contracts and decision rights controlled by the company?
Exit Readiness	Can the operating system transfer without heroic explanations from management?

Semiannual exit-readiness question

If a sophisticated buyer started diligence next month, what would be hardest for us to explain?

Board Ecommerce Health Check Worksheet

Score each dimension 1-5 and record the evidence, principal risk and next board milestone.

Dimension	Score 1-5	Evidence supporting score	Principal risk	90-180 day action	Board evidence / milestone
1. Economics					
2. Channel Control					
3. Concentration					
4. Inventory					
5. Governance					
6. Exit Readiness					

Overall assessment

Average score	
Lowest-scoring dimension	
Top three ecommerce risks to the investment thesis	
Top two remediation priorities	
Next formal Health Check date	

Management Pre-Read: Evidence Request

For a formal board review, management should prepare the following information in advance. The objective is not to create a new diligence exercise every quarter. Much of this should already exist in normal operating systems.

Economics

- Trailing 12-month revenue and contribution by material channel
- Definition of contribution and reconciliation to finance
- Marketplace fees, fulfillment, advertising and returns trends
- Annual plan and sensitivity assumptions

Channel Control

- Authorized seller/distributor structure
- Material unauthorized-seller and Buy Box history
- Pricing and leakage exceptions
- Excess inventory / liquidation practices

Concentration

- Revenue and contribution by platform/customer
- Top SKU/ASIN contribution concentration
- Traffic/acquisition mix
- Key-person and critical partner dependencies

Inventory

- Aging by SKU/channel/location
- Stockout and availability history
- Storage/placement/markdown costs
- Working-capital plan

Governance

- Decision-right / ownership map
- Relevant incentive structures
- Critical account and data ownership
- Current board dashboard and exception process

Exit Readiness

- Known data-reconciliation gaps
- Account/contract ownership documentation
- Key SOP inventory
- Open compliance / platform / seller issues and remediation log

About the Framework

The **Board Ecommerce Health Check** was developed by James Thomson through Equity Value Advisors to help PE sponsors and portfolio-company boards govern ecommerce as an enterprise-value issue rather than a collection of channel tactics.

The framework builds on operating lessons developed further in James' two books, *The Amazon Marketplace Dilemma* and *Controlling Your Brand in the Age of Amazon*, which examine marketplace incentives, brand control, distribution economics and the strategic consequences of platform dependence.

James is a former Amazon executive, entrepreneur, investor and independent board member. He led Amazon Services and served as Amazon's first Fulfillment by Amazon account manager. He later co-founded and built Buy Box Experts into a 300+ person ecommerce agency supporting brand clients representing more than $3 billion in marketplace GMV. He has been involved in four successful exits across ecommerce services, software, marketplace technology and events.

Best use

Use the Health Check as a structured board conversation. The value is not the numeric score. The value is forcing the sponsor, management team and directors to agree on what is economically true, where the system is fragile and what evidence will demonstrate improvement.

Suggested cadence

- During diligence for ecommerce-heavy acquisitions.
- Within the first 100 days after closing.
- Quarterly for dimensions scored below 3.
- Semiannually for stable portfolio companies.
- At least annually as part of strategic planning.
- Every six months beginning 18-36 months before a likely exit.

Important note

This framework is intended as a governance and operating diagnostic. It does not replace legal, accounting, tax, commercial, cybersecurity or other specialist diligence. Thresholds should be tailored to the company's category, business model, channel mix, ownership structure and investment thesis.

Contact

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