crown jewel marketing

CAC & LTV

Compare the cost to win a customer with the value of the relationship.

CAC

Customer Acquisition Cost

Acquisition sales & marketing cost
÷ New customers acquired

Use costs and customers from the same period.

$10,000 ÷ 10 = $1,000

LTV

Customer Lifetime Value

Avg. lifetime revenue per customer
× Gross margin

Simplified gross-profit estimate; before acquisition cost.

$5,000 × 60% = $3,000

ILLUSTRATIVE COMPARISON / PER CUSTOMER



LTV : CAC

3:1

In this example

LTV here estimates gross profit before CAC; it is not net profit.
Use comparable customer groups and review payback time as well as the ratio.

Illustrative figures. The 3:1 ratio is an example, not a universal target.

References: Stripe - customer lifetime value / CAC payback. CJM teaching example.