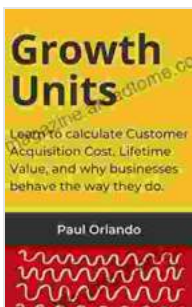


# Learn to Calculate Customer Acquisition Cost and Lifetime Value and Why Businesses Should Care

Customer acquisition cost (CAC) and lifetime value (LTV) are two of the most important metrics for businesses to track. CAC tells you how much it costs to acquire a new customer, while LTV tells you how much revenue you can expect to generate from that customer over their lifetime. By understanding these metrics, businesses can make better decisions about how to allocate their marketing and sales resources.

There are a few different ways to calculate CAC, but the most common method is to divide your total marketing and sales expenses by the number of new customers you acquired during that period. For example, if you spent \$100,000 on marketing and sales in a given month and acquired 1,000 new customers, your CAC would be \$100.

Here is the formula for calculating CAC:



## Growth Units: Learn to Calculate Customer Acquisition Cost, Lifetime Value, and Why Businesses Behave the Way They Do. by Paul Orlando

★★★★☆ 4.7 out of 5

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**CAC = Marketing and sales expenses / Number of new customers**

LTV is a bit more difficult to calculate than CAC, but there are a few different methods that you can use. One common method is to multiply your average customer lifetime by your average customer revenue. For example, if your average customer lifetime is 10 years and your average customer revenue is \$1,000, your LTV would be \$10,000.

Here is the formula for calculating LTV:

**LTV = Average customer lifetime \* Average customer revenue**

CAC and LTV are two of the most important metrics for businesses to track because they can help you to:

- Understand the profitability of your marketing and sales efforts
- Make better decisions about how to allocate your resources
- Identify areas where you can improve your customer acquisition and retention strategies

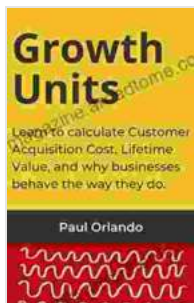
By understanding CAC and LTV, businesses can make more informed decisions about how to grow their customer base and increase their profits.

CAC and LTV are two essential metrics for businesses to track. By understanding these metrics, businesses can make better decisions about

how to allocate their marketing and sales resources and improve their overall profitability.

If you're not currently tracking CAC and LTV, I encourage you to start ng so today. These metrics can provide you with valuable insights into your business and help you to make better decisions about how to grow your company.

- [How to Calculate Customer Acquisition Cost and Lifetime Value](#)
- [The Ultimate Guide to Customer Lifetime Value](#)
- [Why Customer Lifetime Value is the Most Important Metric for Your Business](#)



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