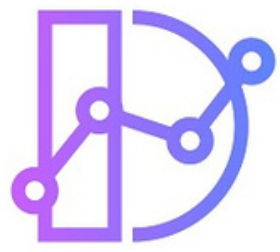


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METRIC FACTS

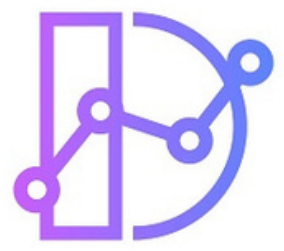
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CUSTOMER ACQUISITION COST (CAC)

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CAC

The average sales and marketing cost a business incurs to acquire a new customer over a period of time.



CAC CALCULATION

$$\text{CAC} = \frac{\text{Total Customer Acquisition cost}}{\text{New customers acquired}}$$



Components of CAC

● **MARKETING COSTS**

Costs for digital marketing, traditional marketing, and event marketing

● **TECHNOLOGY COSTS**

Costs for CRM software, marketing automation tools, analytics platforms, customer acquisition software etc

● **SALARIES**

Salaries and associated benefits (commission, bonus etc) for the sales and marketing staff

● **OUTSOURCING COST**

Cost for contractors or consultants you use, like freelance copywriters, graphic designers, photographers, influencers etc



CAC FACTS

● A high CAC makes it difficult for businesses to be profitable. A high CAC might indicate:

- In-effective sales & marketing
- Targetting customer segments that are expensive
- High competition in the market
- Ineffective marketing channels

● A lower CAC makes it easier for businesses to be profitable. A low CAC denotes:

- Effective sales & marketing
- Edge over competitors
- Scalability potential



Benefits of tracking CAC

● **PROFITABILITY ASSESSMENT**

CAC:LTV(CustomerLifetimeValue) ratio enables businesses to assess their profitability. If CAC is lower than LTV, it indicates sustainable profitability.

● **PERFORMANCE EVALUATION**

Helps identify the effectiveness of marketing and sales efforts in acquiring new customers. This data-driven analysis allows for refining and improving those strategies over time.

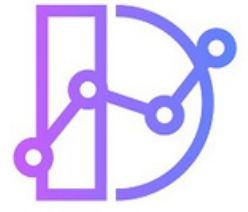
● **COST OPTIMIZATION**

Tracking CAC helps identify cost-effective acquisition channels, enabling businesses to allocate resources efficiently and optimize their marketing budgets.



HOW TO IMPROVE CAC

- **Optimize Marketing Channels**
Identify most effective channels that yield the highest return on investment. Reduce investment on less performing ones
- **Improve Conversion Rates**
Optimize landing page design, call-to-action placement & UX, to encourage more conversions. Which will lead to lower CAC.
- **Referral Programs:**
Incentivize existing customers to refer new customers which is a highly cost-effective way to acquire new customers and lower CAC



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