Unit Economics Calculator

Team

1 Selling price ($/time unit)

- How much does the customer pay for 1 unit of our product or service?

2 Gross Profit margin (%)

- For each unit of our product or service, what is the cost of materials and direct labor used to produce that unit (COGS)?
- So what is our final gross profit margin in percentage (gross profit = [selling price - COGS] / Selling price)?

3 Lifetime (# time units)

- How many times does a user buy, and pay the selling price, for your product or service before leaving the relationship with your company?

Lifetime value (LTV)

4 Customer Acquisition Cost (CAC/CoCA/CoA)

- How much do you spend on acquiring a customer?
- Annual sales and marketing expenses/gross yearly customer add
- If you are not operation yet and have no expenses, estimate or benchmark from the market

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5 LTV/CAC

- 1 indicates we capture as much value from a customer as we spend on producing the product/service for him and acquiring him.
- As this formula does not take into account fixed costs, a 1 would still not be profitable.
- The higher the number, the bigger our contribution to the fixed costs of our business.
- As common rule of thumb we need a 3 or higher.

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About this tool
The "Unit Economics Calculator" template is designed to help you make a quick guesstimate regarding the profitability of your business model. While you might not have concrete numbers at this point, this simple tool forces you to agree on a couple of key assumptions that will test the profitability of your business model. Keep adjusting the numbers as you (in)validate the assumptions.

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