# Customer Acquisition Financial Report

Name: Devesh Jadhav

Email: deveshjadhav619@mail.com

Dashboard / worksheet Link: Customer Acquisition Financial Plan & Dashboard - Google Sheets

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**Calculations:**

1. Base LTV
   a. $Base\ LVT\ = (Monthly\ Subscription\ Fee\ \times\ Gross\ Margin) \div Churn\ Rate$

   $Base\ LVT\ = (£30\ \times\ 0.6)\ \div\ 0.2$

   $Base\ LVT\ = £90$

2. Adjusted LTV
   a. Premium Customer (10 %)

   $Premium\ \ customer\ = Base\ LVT\ \ +\ (Base\ LVT\ \times\ 0.10)$

   $Premium\ \ customer\ = £99$

   b. Standar Customer (0 %)

   $Standard\ customer\ = Base\ LVT\ \ +\ (Base\ LVT\ \times\ 0)$

   $Standard\ customer\ = £90$

   c. Trial Customer (20 %)

   $Trial\ Customer\ = Base\ LVT\ \ +\ (Base\ LVT\ \times 0.20)$

   $Trial\ Customer\ = £72$

3. Estimated Ad Budget (CAC Method)
   a. $Estimated\ Ad\ Budget\ (CAC\ Method)\ = Target\ Customers\ *\ CAC$

   $Estimated\ Ad\ Budget\ (CAC\ Method)\ = 1000\ \times\ 330$

   $Estimated\ Ad\ Budget\ (CAC\ Method\ )\ = £330,000$

4. Ad Budget (CPM Method)
   a. $Total\ Clicks\ Required\ = Target\ Customer\ / Conversion\ Rate$

$$Total\ Clicks\ Required = 1000 \div 0.05$$

$$Total\ Clicks\ Required = 20,000$$

b. $Total\ Impressions\ Needed = Total\ Clicks \div CTR$

$$Total\ Impressions\ Needed = 20000 \div 0.02$$

$$Total\ Impressions\ Needed = 1,000,000$$

c. Ad budget based on CPM

$$Ad\ budget\ based\ on\ CPM = (Total\ Impressions / 1000) * CPM$$

$$Ad\ budget\ based\ on\ CPM = (1,000,000 / 1000) * 10$$

$$Ad\ budget\ based\ on\ CPM = 10,000$$

## XLookup Usage:

- Xlookup used in Adjusted LVT Table to get Adjusted LTV.

| Segment | Bonus % on Base LTV | Base LTV | Adjusted LTV |
|---|---|---|---|
| Premium | 10% | 90 | 99 |
| Standard | 0% | 90 | 90 |
| Trial | -20% | 90 | 72 |

- Xlookup was used in Revenue And Budget Table.

| Metric | Values(£) |
|---|---|
| Total Revenue | £87,000 |
| Total Cost Using CAC | £330,000 |
| Total Cost Using CPM | £10,000 |

- Xlookup was used in the Profit and Loss Table.

| Metric | Value |
|---|---|
| Profit/Loss | -£243,000 |

| | |
|---|---|
| (CAC-Based) | |
| Profit/Loss (CPM-Based) | £77,000 |

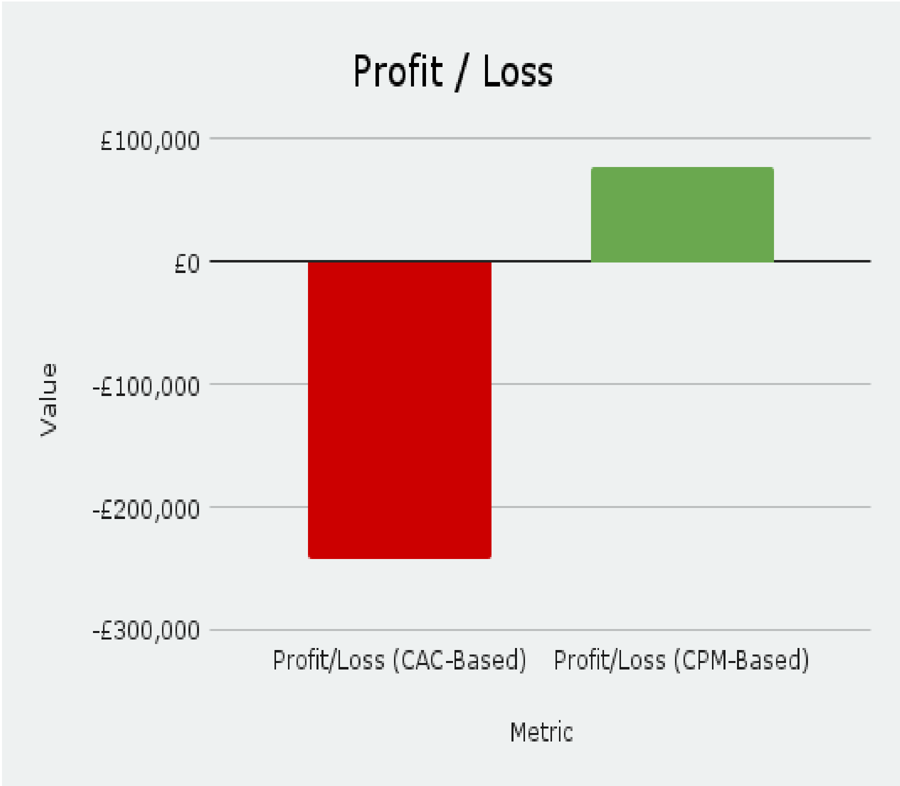
## Recommendation: Financial Viability Analysis:

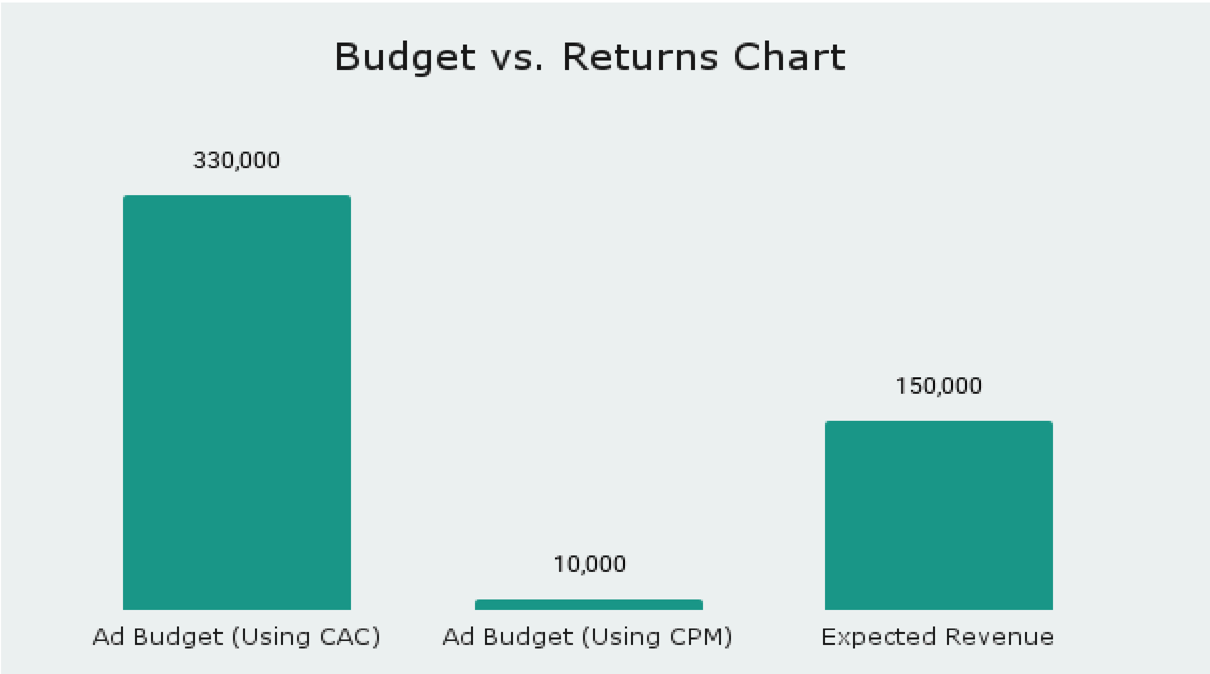
1. CAC-Based Budget Approach (❌ Not Viable):
   a. The cost per acquisition (£330 per customer) results in a **huge loss of £243,000**, as the LTV (£90) is far lower than the CAC.
   b. **Customer Lifetime Value is too low compared to acquisition cost**, making this approach unsustainable.
2. CPM-Based Budget Approach (✅ Viable & Profitable):
   a. .Advertising through impressions (CPM method) costs **only £10,000** while generating **£87,000 in revenue**.
   b. This results in a **profit of £77,000**, making it a **far better strategy**.

## Final Recommendation:

1. **Avoid High CAC Channels:** The current **Cost per Acquisition (CAC) of £330 is unsustainable** compared to the **LTV of £90**.
2. **Prioritize CPM-Based Marketing:** The **CPM method is significantly more cost-effective**, yielding **£77,000 in profit**.
3. **Improve LTV through Retention:** Reduce **churn rate** and increase **customer lifespan** to enhance overall LTV.
4. **Target Premium Customers:** Since **Premium customers have a higher LTV (£99)**, **focus marketing efforts** on acquiring them instead of trial-based users.

5. **Consider Optimizing Ad Spend:** Test different ad channels to further reduce CPM and increase ROI.



## Conclusion: Proceed with the CPM-Based Strategy

The **CPM-based approach is profitable**, while the **CAC-based approach results in heavy losses**. AcmeTech should focus on **improving retention and optimizing ad spending** to maximize returns.