

Unit Economics of a Gig Marketplace:

1. LTV:

Lifetime Value (LTV) is the total value (in \$) an average user of the service generates for the company.

It can be calculated on either the seller or the buyer but shouldn't be done for both — since the value generated on the platform is based on completed transactions with both a buyer and a seller. We have the customer (buyer) information and hence we'll go with that:

$$\begin{aligned}\text{LTV} &= \text{Average order value} * \text{Average order per customer (lifetime)} \\ &= 75 * 1.75 = 131.25 \text{ USD}\end{aligned}$$

2. CAC

Interestingly, for the Gig marketplace, we have to account for both of the Sellers and Buyers

Here for the sake of simplicity I have assumed, there are 80 freelancers against the 410 customers (given), maintaining the standard marketplace liquidity ratio of 1:5

$$\text{Two-sided CAC} = \text{Buyer CAC} + \text{Marketplace ratio} * \text{Freelancer's CAC}$$

Buyer/Client CAC:

Major cost component: Advertising costs + Cost of the in-house marketing team.

Paid marketing cost = Cost per Click * Number of Clicks = 10000\$ (through Google, Facebook, and LinkedIn), to acquire 300 customers with a total of 4000 clicks and conversion rates of 8%, 4%, and 10%, through FB, Google, and LinkedIn, respectively.

Marketing Payroll = 2000, to bring the additional 100 customers, and 10 came through naturally.
 $410 = 300 + 100 + 10$

$$\text{Total Cost} = 10000 + 2000 = 12000\$$$

$$\text{CAC of Buyer} = 12000/4000 = 30\$$$

Seller/Freelancers CAC:

Assumption: On a similar manner out of 80, 60 freelancers have been onboarded through paid advertising and marketing, and the remaining 20 have joined the platform naturally.

Paid marketing cost = Cost per Click * Number of Clicks = 4800\$(through Google, Facebook, and LinkedIn), to acquire the 40 customers with a total of 2000 clicks and conversion rates of 2%, 1%, and 2.5%, through FB, Google, and LinkedIn, respectively.

Assumption: Freelancers are generally more expensive to acquire because of significantly more targeted digital acquisition strategies, and hence they have one-fourth of the conversion rate of the customers.

Marketing Payroll = 400, to bring the additional 20 customers, and 20 came through naturally.

Total Cost = 4800 + 400 = \$5200

CAC of Seller = 5200/60 = \$86.67

Two-sided CAC = Buyer CAC + Marketplace ratio * Freelancer CAC = 30 + (1/5)(86.67) = 47.33

Therefore, LTV/CAC = 131.25/47.33= 2.77 ~ 3