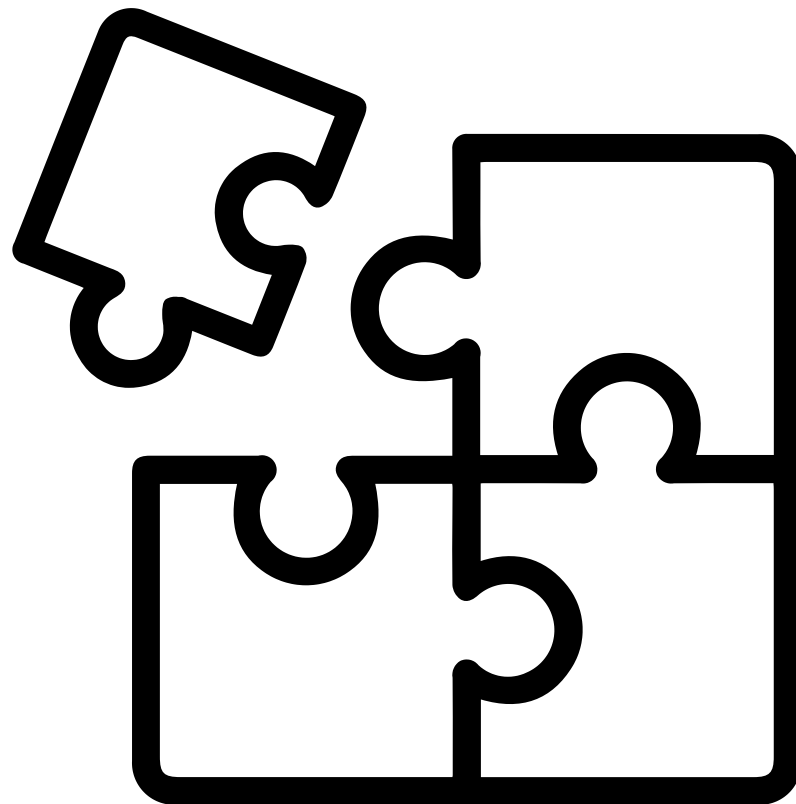


Unit Economics

Unit Economics refers to the direct revenues and costs associated with a single unit of a product or service. It breaks down the financials of a business to the level of an individual unit, helping to understand how profitable each unit is on its own.



Unit Economics

Empowers the micro and small business leader to ask, “How should the business perform?”

**Profitability
Analysis**

**Pricing
Strategy**

**Cost Structure
and Management**



**Investment
Decisions**

**Scalability
Insights**

**Resource
Allocation**

Unit Economics

Provides Operational Insight

- **Benchmark Analysis** - Compare actual unit economics to your benchmark unit economics. Insight to the effectiveness of your operations, procedures, and systems.
- **Profitability Analysis** - Know how much each item contributes to the bottom line.
- **Pricing Decisions** - Make intentional pricing decisions - important targeting customers in a competitive market.
- **Cost Management** - Identify options to control variable costs, e.g., negotiate better raw material prices or improve operational efficiency by reducing waste
- **Scaling Decisions** - Identify the minimum unit volumes needed to be profitable and find operational improvements to increase the margin.

Unit Economics

The Essential Math

Sale Price per Unit

Total Cost per Unit = Total Variable Costs

**Contribution Margin per Unit = Sale Price -
Total Variable Costs**

**Contribution Margin % per Unit =
Contribution Margin / Sale Price * 100%**

**Break-even Point (Units) = Total Fixed Costs /
Contribution Margin**

Unit Economics

Observations

What drives micro- or small-enterprise leaders to success is their product (or service) experience, hands-on operational knowledge, and entrepreneurial spirit. While SaaS accounting software effectively automates booking and core financial accounting reporting, providing the necessary insight to connect operations to financial outcomes is essential. This insight, rooted in managerial (or cost) accounting, is critical for understanding profitability and evaluating customer growth opportunities.

Without a clear understanding of operational metrics, ownership is left to rely on instinct rather than facts in their decision-making processes.