Financial Planning for AcmeTech Digital Marketing Campaign

CALCULATIONS

AVERAGE CUSTOMER LIFETIME VALUE (LTV)

LTV = (30 × 60%) / 20%

Formula: LTV = (Monthly Fee × Gross Margin) / Churn Rate

LTV = (18) / (0.2) = 90

ESTIMATED AD BUDGET (BASED ON CAC)

Formula: Total Ad Budget = Target Customers × CAC

Total Ad Budget = 1,000 × 330 = 330,000

REQUIRED IMPRESSIONS AND AD BUDGET (BASED ON CPM)

Clicks = Target Customers / Conversion Rate

Clicks = 1,000 / 5% = 20,000

Impressions = Clicks / CTR

Impressions = 20,000 / 2% = 1,000,000

Ad Budget = (Impressions / 1,000) × CPM

Ad Budget = (1,000,000 / 1,000) × 10 = 10,000

MINI DASHBOARD SUMMARY

Metric	Value
Base LTV	£90
Adjusted LTV (Segment-based)	XLOOKUP Implemented
Customer Acquisition Cost (CAC)	£330
Ad Budget (CAC method)	£330,000
Ad Budget (CPM method)	£10,000

XLOOKUP USAGE

Segment Table[Bonus % on LTV]) Steps for Adjusting LTV:

1. Start with your Base LTV amount.

2. Use the XLOOKUP formula to find the bonus percentage for your specific segment. This is done by matching "Segment" with the "Segment" column in the Segment Table.

3. Once you have the bonus percentage, adjust your Base LTV by doing this calculation: - Multiply Base LTV by (1 + Bonus % on LTV from the XLOOKUP result).

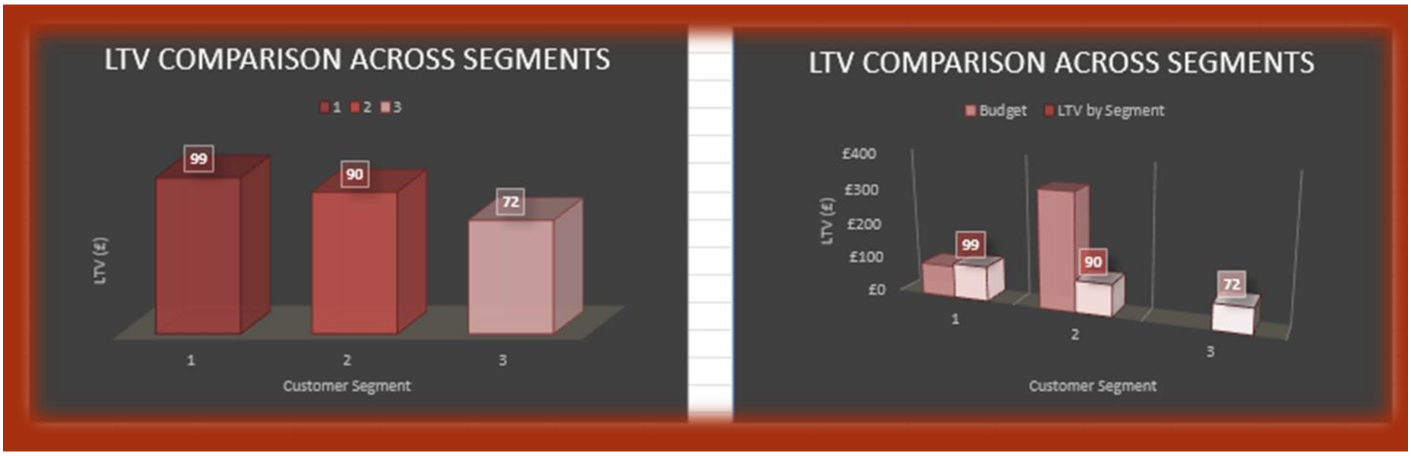
4. This will give you the adjusted LTV value, factoring in the bonus percentage specific to your segment. Following these steps will help you adjust the LTV accurately based on the segment's bonus percentage.

BUSINESS STORY & EXPLANATION

AcmeTech aims to acquire 1,000 paid customers through digital marketing. However, acquiring customers is costly, and we must determine if this investment is profitable.

Key Financial Terms Explained:

- LTV (Lifetime Value): The revenue a customer generates before they leave.
- CAC (Customer Acquisition Cost): The cost to acquire one customer.
- CPM (Cost per 1,000 Impressions): The cost of showing ads to potential customers.
- CTR (Click-Through Rate): The percentage of people clicking the ad.
- Conversion Rate: The percentage of clicks converting into paid users.



RECOMMENDATION

The success of the campaign hinges on comparing Lifetime Value (LTV) to Customer Acquisition Cost (CAC): - Each customer brings in £90 on average (LTV), but it costs £330 to acquire one (CAC). This results in a £240 loss with each customer. - Even when looking at different customer groups, the LTV remains below CAC, making the campaign unprofitable.

- The budget for a campaign based on Cost Per Mille (CPM) is much cheaper compared to one based on CAC (£10,000 vs. £330,000), showing a more cost-effective option. Here are some ways to improve the situation:

- Try to bring down the CAC by improving how you attract new customers.
- Work on keeping customers longer to raise the LTV.
- Focus on customer groups that bring in more money to make the campaign profitable.
- Consider switching to a CPM-based approach for acquiring new customers instead of using a CAC-based one.