SAVAVO™

Gross Margin & Customer Acquisition Cost (CAC)

Gross Revenue	$500,000		
Cost of Goods Sold	($250,000)	Gross Margin	50% (0.50)

Gross Profit	($250,000)	
CAC (@ 30%)	*($75,000)*	*CAC=* ***(M.E. + S.E.) / # of Customers Generated***
Overhead (@ 10%)	($25,000)	
Net Margin	**$150,000 (30%)**	

The only 2 things on a CEO's mind…

What is Gross Margin?

A company's total sales revenue minus its cost of goods sold, divided by the total sales revenue, expressed as a percentage. The gross margin represents the percent of total revenue retained after incurring the direct costs associated with producing goods/services sold. The more the company retains on each dollar to service its other costs and obligations.
(Investopedia)

Why is CAC so important?

Gross revenue is CAC's job. Because gross margin is largely innate for most companies and because operations have economies of scale, the primary influencer to gross profit is how well CAC does the job (gross revenue produced).

The only things left are overhead & CAC itself. Overhead is whatever you want it to be. Operate as lean as you choose. CAC comes out of gross margin. CAC is the beginning and the end of the process. It is the ONLY metric you have the most control of and it is the one you know the least about how to affect.

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