

What Are Unit Economics and Why Should Every CEO Care

Revenue is not the story. Unit economics is.

I have worked with companies that were growing quickly and losing ground on every sale. I have also worked with companies that looked modest on the surface but were building extraordinary long-term value, because their unit economics were strong.

Unit economics answers one question: are you making money on each unit of business at the transaction level, before scale?

For a SaaS company, the unit is typically a customer. For a retailer, it may be a transaction or a product line. For a service firm, it may be a project or an engagement.

The Two Metrics That Matter Most

Customer Acquisition Cost (CAC): What does it actually cost to bring in one new customer, fully loaded, including sales, marketing, time, and overhead?

Customer Lifetime Value (LTV): What is the total net revenue you expect from a customer over the life of the relationship?

The ratio of LTV to CAC tells you whether your growth engine is creating value or destroying it. Most investors want to see LTV at least three times CAC. A ratio below one means you are paying more to acquire customers than you will ever earn back.

Understanding your unit economics does not require a complex model. It requires honest accounting of what growth actually costs, and what it returns.

Want to understand what your numbers say about your growth model? Upfront Clarity helps CEOs see the economics behind every sale. Start with a free conversation at www.upfrontclarity.com or call (203) 530-1180.