

# **Unit Economics Audit Framework**

The complete guide to understanding your CAC, LTV, and true acquisition profitability

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# 1. Executive Summary

Most B2B SaaS companies don't actually know if their customer acquisition is profitable. They track CAC (Customer Acquisition Cost) but forget the full cost of sales and marketing. They track revenue but don't measure against customer lifespan. They run ads, hire sales teams, attend conferences — but can't connect any of it to actual profitability per customer.

**This framework exists to fix that.**

Unit economics measure the profitability of a single customer. Three metrics matter:

**CAC (Customer Acquisition Cost)** — How much you spend to acquire one customer (includes ads, sales labor, tools)

**LTV (Lifetime Value)** — Total profit you extract from a customer over their entire lifecycle

**LTV:CAC Ratio** — The north star metric. If it's not at least 3:1, your business isn't sustainable.

## Why This Matters for Your Business

If you don't measure unit economics, you're flying blind. You might be running profitable channels while burning money on others. You might be spending \$10,000/month to acquire \$8,000 of annual revenue. You might have customers who churn so fast that you never recover your CAC.

The companies winning in B2B SaaS right now don't have bigger budgets — they have clarity. They know exactly which channels work, which customers are worth acquiring, and at what CAC they stop growing. That clarity comes from understanding unit economics.

## 2. The Three Core Metrics

### CAC: Customer Acquisition Cost

The total cost to acquire one customer across all channels.

**Formula:**  $\text{Total Go-to-Market Spend} \div \text{New Customers Acquired}$

**Important:** True CAC includes:

- Paid ads (LinkedIn, Google, Meta, Bing)
- Sales team salary (loaded cost, allocated %)
- Marketing team salary & contractors
- Tools & infrastructure (CRM, email, automation)
- Events, conferences, content creation
- Agency fees, consultants, freelancers

### LTV: Lifetime Value

The total profit a customer generates before they churn.

**Formula:**  $(\text{ARPA} \times \text{Gross Margin}) \times \text{Lifespan}$

**Where Lifespan =**  $1 \div \text{Monthly Churn Rate}$

**Example:** If you have \$5,000 ARPA, 75% gross margin, and 3% monthly churn:

Lifespan =  $1 \div 0.03 = 33.3$  months

LTV =  $(\$5,000 \times 0.75) \times 33.3 = \mathbf{\$124,875}$

### Payback Period

How many months it takes to recoup your CAC from customer revenue.

**Formula:**  $\text{CAC} \div (\text{ARPA} \times \text{Gross Margin})$

**Rule of thumb:** Aim for <12 months. Anything longer suggests your CAC is too high or revenue too low.

### 3. Calculating True CAC

Most companies calculate CAC wrong. They divide total ad spend by new customers. But that ignores the massive cost of sales and marketing infrastructure that doesn't scale linearly with customer volume.

#### The True CAC Breakdown Template

Cost Category	Monthly Cost	% of Total
Paid ads (all channels)	\$15,000	45%
Sales team (loaded)	\$12,000	36%
Marketing team & contractors	\$3,500	11%
Tools & infrastructure	\$2,000	6%
Events, content, misc.	\$1,000	3%
<b>TOTAL GO-TO-MARKET SPEND</b>	<b>\$33,500</b>	<b>100%</b>
<b>New customers acquired</b>	<b>35</b>	
<b>CAC per customer</b>	<b>\$957</b>	

**Key insight: In this example, true CAC (\$957) is much higher than ad spend alone (\$428). That's the reality for most B2B SaaS. If you only measure ad CAC, you'll massively overestimate profitability.**

## 4. Calculating LTV

LTV is where most founders get confused. They use different formulas, ignore churn, or forget to account for cost of goods sold. Here's the right way.

### The LTV Calculation (With Example)

Metric	Your Number	Formula/Notes
Annual Contract Value (ACV)	\$60,000	Total annual revenue per customer
Monthly ARPA	\$5,000	$ACV \div 12$
Gross Margin %	75%	Revenue – COGS (hosting, support, payment fees)
Monthly Gross Profit	\$3,750	$ARPA \times \text{Gross Margin}$
Monthly Churn Rate	3%	% of customers who cancel each month
Customer Lifespan (months)	33.3	$1 \div \text{Churn Rate}$
LTV (Gross Margin Adjusted)	\$124,875	$\text{Monthly Gross Profit} \times \text{Lifespan}$

**Critical detail: Use gross margin (revenue minus COGS), NOT net profit. Net profit includes all your salaries, overhead, and capex — which aren't customer-specific and scale differently.**

## 5. The LTV:CAC Ratio

### The Most Important Number in Your Business

The LTV:CAC ratio tells you how many dollars of profit you generate for every dollar spent on customer acquisition. It's the single metric that determines if your business is sustainable.

Ratio	Status	Action
>6:1	Exceptional	Scale aggressively. You can spend more on acquisition.
3-5:1	Healthy	Sustainable growth. Continue optimizing channels.
2-3:1	Caution	Watch churn closely. Begin margin expansion plan.
<2:1	Broken	Stop. Fix messaging, pricing, or reduce CAC immediately.

Example: If your CAC is \$957 and LTV is \$124,875, your ratio is 130:1. You can acquire customers all day and remain profitable.

## 6. Channel-by-Channel Audit

Most companies waste 30-40% of ad spend on low-efficiency channels. You find these by calculating CAC and LTV:CAC by channel, then ruthlessly cutting the bottom performers.

### Channel Audit Template

Channel	Monthly Spend	New Customers	CAC	LTV:CAC	Action
LinkedIn Ads	\$6,000	10	\$600	208:1	■ Scale
Google Search	\$4,000	8	\$500	250:1	■ Scale
Meta Ads	\$2,000	2	\$1,000	125:1	■ Test
Webinars	\$1,500	1	\$1,500	83:1	■ Kill
Content/Organic	\$0	4	\$0	∞	■ Scale

### Channel Decision Framework:

■ **Scale (LTV:CAC > 5:1)** — Double the budget. Spend aggressively. These are your profit centers.

■ **Test (LTV:CAC 3-5:1)** — Run 90-day optimization tests. Improve creative, targeting, messaging. Increase only if metrics improve.

■ **Kill (LTV:CAC < 2:1)** — Stop immediately. Cut spend. Redeploy to green channels. This is burning cash.

## 7. Building Your Dashboard

A dashboard forces discipline. You can't optimize what you don't measure. Your dashboard should refresh weekly and answer: 'Are we becoming more or less profitable at acquiring customers?'

### Core Dashboard Metrics

#### Top section:

- Blended CAC (total spend ÷ new customers)
- Blended LTV
- LTV:CAC ratio
- Payback period

#### Middle section (by channel):

- Spend, new customers, CAC per channel
- Channel LTV:CAC vs. target
- Month-over-month CAC trend

#### Bottom section (health metrics):

- Monthly churn rate
- Win rate (demos → customers)
- Average customer lifespan

**Use the Unit Economics Calculator at [mindfulclicks.com.au/unit-economics-calculator-v2/](https://mindfulclicks.com.au/unit-economics-calculator-v2/) to build this automatically.**

## 8. The 8-Week Action Plan

### Week 1-2: Audit Your Numbers

- Export all go-to-market spend from last 12 months
- Count new customers closed per month
- Calculate blended CAC and churn
- Calculate LTV based on actual gross margin
- Document your current LTV:CAC ratio

### Week 3: Analyze by Channel

- Break down spend by channel (ads, outbound, events, etc.)
- Calculate CAC per channel
- Calculate LTV:CAC per channel
- Survey customers from each channel (why did they buy?)
- Identify top 3 channels and bottom 2 channels

### Week 4-5: Build Dashboard

- Create Google Sheet or Tableau dashboard
- Set up automated data import from HubSpot/Salesforce
- Create weekly CAC and LTV:CAC tracking
- Set channel KPI targets (e.g., 'LinkedIn must hit 4:1 ratio')
- Share dashboard with team

### Week 6-7: Implement Changes

- Double budget on green channels (LTV:CAC > 5:1)
- Launch optimization tests on yellow channels
- Kill red channels (LTV:CAC < 2:1) — cut spend this week

- Brief sales team: 'Here are your most profitable customer profiles'
- Update messaging to target high-LTV customer profiles

## **Week 8: Measure & Iterate**

- Calculate new blended CAC from changes made
- Review channel-level CAC vs. target
- Schedule weekly 30-min CAC sync with team
- Plan next optimization cycle
- Document what worked and what didn't

## 9. Common Mistakes to Avoid

### ■ Only measuring ad CAC, not total CAC

You'll think you're profitable when you're not. Always include sales, marketing, and infrastructure costs.

### ■ Using net income instead of gross margin for LTV

Net income includes company overhead that doesn't scale with customer count. Use gross margin only.

### ■ Ignoring churn in LTV calculations

A customer who churns after 6 months has LTV of \$30k. One who stays 3 years has LTV of \$150k. Churn kills profitability.

### ■ Measuring ROAS instead of LTV:CAC

ROAS (Return on Ad Spend) is backwards. A 3:1 ROAS might still be unprofitable if CAC is \$2k and customer lifespan is 1 year.

### ■ Running all channels equally

Your best channel might be 10x more efficient than your worst. Concentrate spend on winners. Kill losers.

### ■ Not updating your dashboard monthly

Unit economics change monthly. If you're not tracking weekly, you'll be optimizing for data that's 3 months old.

## The Next Step

Unit economics form the foundation of sustainable growth. But the audit is just the start. The real win is execution: knowing exactly which channels to scale, how to improve your messaging for high-LTV customers, when to hire, and how to reinvest profits.

If you want to take this deeper with a specialist review, MindfulClicks offers a free 30-minute Unit Economics Audit call. We'll review your specific numbers, identify your #1 growth constraint, and give you a concrete 90-day action plan tailored to your business.

**Ready to turn unit economics into your competitive advantage?**

**Use the calculator: [mindfulclicks.com.au/unit-economics-calculator-v2/](https://mindfulclicks.com.au/unit-economics-calculator-v2/)**

**Book your free audit: <https://meetings-ap1.hubspot.com/limon-mindfulclicks>**

**Questions? Email: [contact@mindfulclicks.com.au](mailto:contact@mindfulclicks.com.au)**

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