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## **Insightful Scalable Growth**

### **Understanding How To Apply Customer Acquisition Costs**

Discover Best Strategic Practices For  
Wiser Marketing Spending and  
Performance

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# Customer Acquisition Costs (CAC) = Smarter Spending for Scalable Growth

## Workshop Goals

1. Understand CAC fundamentals as a business health indicator.
  - We'll define LTV, ROI, and RFM fundamentals too
2. Discover useful scorecards & tools
  - Practical ways to calculate CAC and LTV for effective ROI
3. Identify relevant key benchmarks and KPI's
  - Learn how to use benchmarks to assess performance, not guess at it.
4. Evaluate channel efficiencies for budgeting and strategic planning.
  - Live Demonstration with audience examples
5. Action items to take away

# What is CAC & Why It Matters

$CAC = \text{Total Cost of Marketing \& Sales} \div \text{New Customers Acquired}$

## Why it matters:

- CAC insights are crucial for decisions to plan your budget, build effective strategies and refine customer targeting.
- It uncovers unnecessary and inefficient channel spending, allowing you to better align LTV with CAC, restoring business health.
- Provides data-driven insights necessary for strategic planning.
- It guides budget resource decisions in channel allocation to more accurately project growth revenue.
- Is essential for nearly every businesses working with a limited budget.

# Essential Metrics to Know

## CAC vs LTV vs ROI

- *CAC* is the amount you spend to gain one new customer.
- *LTV* is the revenue potential of that new customer before they churn. It's a companion metric to *CAC* and the simplest to track via POS systems.
  - Comparing *LTV* against *CAC* can offer clearer strategic insights than customer acquisition cost alone.
- $ROI = (LTV - CAC) \div CAC$  answers, was it worth it?

## RULE OF THUMB

- *Cut*: High *CAC*, Low *ROI*
- *Scale*: Low *CAC*, High *ROI*
- *Keep*: Efficient and Scalable

# What's In Your Channel Toolbox?

- Tasting Room
- Email
- Facebook
- Instagram
- Trade / Retail
- Events
- Sponsorships
- Partnerships
- Traditional Media (print, radio, TV)
- PR
- Digital Media
- SMS–RedChirp
- Tic Tok
- Influencers (vetted)
- Guerilla Marketing
- Alt Media: Podcast, CTV/ OTT, Reddit, Slack
- SEO, SEM, SSM, AEO

# Channel Media: Plan By Reach and Frequency

**Reach** is the number of exposures to your qualified target audience

**Frequency** is how often you need the exposure/ ad to reach that target audience

**The Trade-off:** You can't maximize both reach and frequency simultaneously with a fixed budget.

- A small winery targeting wine enthusiasts within 50 miles might aim for 35% reach at 8 frequency over 4 weeks.
- A larger brand doing a regional launch might target 65% reach at 4-5 frequency
- For niche/premium products (like wine): 30-50% reach is often sufficient with proper frequency and qualified targeting.

## Rule of Thumb

- **High reach, lower frequency:** Good for broad awareness, new product launches.
- **Lower reach, higher frequency:** Better for conversion, reinforcing message to qualified audiences.

# Effective Reach and Frequency By Channel

Media Channel	Effective Frequency	Recommended Reach (Wine Industry)	Time Period	Notes
Social Media	7–12 exposures	25–40%	Per week	Wine audiences are niche and engaged. Focus on quality reach over broad scale.
Digital Display	7–10 exposures	30–50%	Per week	Retargeting can achieve higher frequency with 20–30% reach; prospecting needs broader reach.
TV / OTT (Connected TV)	4–7 exposures	40–60%	Per 4–6 week flight	Premium format for wine storytelling. Geo-targeting keeps reach efficient.

# Case Study: CTV/OTT Advertising Campaign

**Scenario:** Winery XYZ invested \$15,345 in a CTV/OTT advertising campaign targeting weekly wine drinkers. The campaign ran for 4 weeks with 8 impressions per viewer per week, generating awareness and driving direct sign-ups.

## CAMPAIGN INVESTMENT

**\$15,345**

Creative \$5K + Media \$10.3K

## NEW MEMBERS

**11**

8,900 viewers reached (15% of market)

## CUSTOMER ACQ. COST

**\$1,395**

$\$15,345 \div 11$  members

## Campaign Metrics

CPM: \$35 • Impressions: 285K

**8X weekly**

## Conversion Rate

11 members from 8,900 reached

**0.12%**

## Lifetime Value Estimate

Avg. shipment:  $\$350 \times 4/\text{year} \times 2.5$  years

**LTV: \$3,500**

## Return on Investment

$\$1,395$  invested :  $\$3,500$  returned

**ROI: 1:2.51**

## Payback Period

$\$1,395 \div (\$350 \times 4)$

**1.0 years**

**Key Insight:** The CTV/OTT campaign delivered a 2.5X return with 55% lower CAC than the event strategy. Lower conversion rate (0.12% vs 14.3%) is offset by dramatically lower cost per prospect reached. Scalability and attribution tracking make this a more sustainable acquisition channel.

# Benchmarks – Why They Matter

1. Gives context to how your brand is performing to the industry, your competitors, and to internal metrics.
2. Reveals blind spots to underperforming channels.
3. Manage expectations to what is achievable, especially useful for small businesses on limited budgets.
4. Reduces arbitrary goals that aren't tied to achievable results.
5. They help demonstrate thought leadership, minimizing mediocrity.

## How to use them

- Compare your CAC by channel to industry averages.
- Identify red flags: “Why is my Meta CAC 3x the norm?”
- Optimize spend toward low-CAC, high-LTV channels

# Turn Benchmark Data into Insights

Without Benchmarks	With Wine Industry Benchmarks
<b>Email Open Rate:</b> <i>"Our open rate is 32%"</i>	"We're 11% below wine industry average (36%)"
<b>Email Click Rate:</b> <i>"Our click rate is 5.2%"</i>	"We're 8% above wine industry average (4.8%)"
<b>Website Conversion:</b> <i>"We convert at 2.1%"</i>	"We're performing well—wine e-commerce averages 1.5-2.5%"
<b>Tasting Room Conv.:</b> <i>"15% of guests join wine club"</i>	"We're in the top quartile (industry avg: 8-12%)"
<b>Email Frequency:</b> <i>"We send 2 emails per month"</i>	"We're slightly below average (industry sends 3-4/month)"
<b>SMS Engagement:</b> <i>"We get 18% click rate on texts"</i>	"We're crushing it—wine SMS avg is 35% open, but clicks vary widely"

# Case Study: Wine Club Event ROI Analysis

**Scenario:** Winery XYZ hosted an exclusive vineyard event for wine club members, allowing non-members to attend as guests. The goal was to convert guests into new club members.

## EVENT INVESTMENT

**\$15,345**

Catering, venue, entertainment, marketing materials

## NEW MEMBERS

**5**

35 non-member guests attended

## CUSTOMER ACQ. COST

**\$3,069**

$\$15,345 \div 5$  members

## Lifetime Value Estimate

Avg. shipment:  $\$350 \times 4/\text{year} \times 2.5$  years

**LTV: \$3,500**

## Return on Investment

$\$3,069$  invested :  $\$3,500$  returned

**ROI: 1:1.14**

## Payback Period

$\$3,069 \div (\$350 \times 4)$

**2.2 years**

**Key Insight:** While this event generated new members, the high CAC of \$3,069 creates a barely profitable scenario with minimal margin for error. A 14.3% conversion rate suggests the event attracted qualified prospects, but the cost structure needs optimization.

# Build Your CAC Strategy

- Define strategic planning goals with realistic KPIs per channel.
- Choose channels to match your target audience, reach, and frequency objectives.
- Determine your LTV and channel benchmarks
- Track CAC monthly, no less than quarterly.
- Run A/B test campaigns, track and iterate to improve performance.
- Maintain a Lessons Learned file for the future.

# How to Evaluate Channel Efficiency

## What to Track

- Budget per channel tactic by campaign for CAC, LTV, ROI
- Conversions (new customers, signups, first purchases)
- Segment by target audiences and geography, if possible

## Ways to Track

- Unique tracking codes, promo codes, affiliate referral links, by engagement quality, new vs existing customers, wine clubs

## How to Evaluate

- Build a spreadsheet to easily populate after each campaign.
- Compare with internal and industry benchmarks, KPIs, and strategic objectives.
- Add insights and lessons learned for future reference and planning.

# Sample CAC Worksheet

Channel	Budget	New Customers	CAC	Est. LTV	ROI	Insights
Dec Meta Geo Ads	\$5,000	30	\$167	\$800	3.8	Solid performance, consider new geographies, monitor.
Email Campaign	\$800	30	\$27	\$800	29	Tell a friend new member campaign cost efficient
Dec TR Gift Sets	\$2,500	15	\$167	\$125	-0.3	Too expensive for GR. Monitor repeat to > LTV
Holiday Influencers	\$5,000	5	\$1,000	\$800	-0.2	Not working, reevaluate or cut loose
Monthly Total	\$13,300	80	\$166	\$800	3.8	For 80 new customers, at est LTV, effective overall

# Common Pitfalls to Avoid

- Spending money and not knowing if it's effective, then doing it again.
- Assuming because it's always been done, it works.
- Relying on one channel or the same handful of tactics without tracking their effectiveness.
- Investing in influencers without clear KPIs and verifiable tracking to sales.
- Misaligning CAC with LTV.
- Not adopting down-funnel tracking or CRM integration
- Asking for a bigger budget when you can't validate how the existing funding is working.

# Real Time Audience Example

# Action Items – Next Steps

**Is business as usual benefitting your growth objectives?**

## **Self-Assessment**

- “What are my top 3-5 most effective channels by CAC?”
- “Which channels have the highest ROI?”
- “Am I spending based on performance or habit?”

## **Begin a 30-60-90 Evaluation Plan**

30 Days: Audit current CAC per channel and refine

60 Days: Test reallocations and track impact

90 Days: Apply benchmarks, adjust strategies, repeat process

# Q&A

## Thank You!

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