

HOW-TO GUIDE

How to Calculate Customer Acquisition Cost: Step-by-Step Guide [2026]

Key insights and actionable frameworks



Overview

What is the quick formula for calculating customer acquisition cost

Customer acquisition cost measures how much you spend (in marketing and sales) to acquire one new paying customer. Formula: $CAC = \frac{\text{Total Marketing and Sales Spend}}{\text{New Customers Acquired}}$ Example: SaaS company (March 2026) Total marketing spend (Google Ads, content, events): Rs 5,00,000 Total sales

STEPS 1 - 2

S1 What is customer acquisition cost and why is it cr

Customer acquisition cost reveals the unit economics of your growth. It answers: "For every rupee I spend on marketing and sales, how much customer value do I get back?" Why CAC matters: Profitability: If your CAC exceeds CLV, you lose money on every customer. If your CAC is 30% of CLV, you're extra

S2 How do you calculate customer acquisition cost ste

Step 1: Define the time period and customer cohort Choose a consistent measurement window: Monthly: Most common; easy to compare month-over-month Quarterly: Standard for business reviews and forecasting Annual: Best for strategic planning Define "new customer": First purchase or signup date Exclude

S3 How to calculate CAC by channel and cohort?

Channel-level CAC reveals which marketing channels are profitable. CAC by channel (paid search vs. organic) Formula: CAC by Channel = Channel Marketing Spend / Customers from That Channel Example (March 2026):

Channel	Spend	New Customers	CAC
Google Ads	Rs 2,00,000	60	Rs 3,333
Facebook Ads	Rs 1,50,00		

S4 How to reduce CAC while maintaining quality?

Strategy 1: Improve organic and content marketing Organic channels (SEO, content, word-of-mouth) have a lower CAC than paid channels. Actions: Invest in SEO-optimized content (ROI compounds over months) Build referral programs (referred customers have 20-30% lower CAC) Optimize onboarding (happy cus

S5 Which tools help calculate CAC?

Platforms with built-in CAC or attribution tracking: Analytics: Google Analytics 4, Mixpanel, Amplitude (track customer source and revenue) CRM: Salesforce, HubSpot, Zoho (track sales spend and customers closed) Marketing Automation: HubSpot, Marketo, Klaviyo (track marketing spend and conversions)

S6 What are common mistakes in CAC calculation?

Mistake 1: Not including all costs Many companies calculate "marketing CAC" (ad spend only / new customers) and ignore sales spend, overhead, and tooling. Incorrect: $\text{Rs } 5,00,000 \text{ ad spend} / 200 \text{ customers} = \text{Rs } 2,500 \text{ CAC}$
Correct: $(\text{Rs } 5,00,000 \text{ ads} + \text{Rs } 3,00,000 \text{ sales} + \text{Rs } 1,00,000 \text{ tools}) / 200 = \text{Rs } 4,50$

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What are the CAC benchmarks and payback period tar

These benchmarks reflect typical CAC and CAC payback periods for Indian startups and companies as of March 2026: By business model Model Typical CAC Payback (Months) CAC as % of CLV Status Interpretation SaaS (B2B) 12-18 30-50% <12mo excellent, 18+ at risk SaaS (B2C) 6-12 30-40% <6mo excellent

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Conclusion

Customer acquisition cost (CAC) is calculated by dividing total marketing and sales spend by the new customers acquired. Include all costs (advertising, content, tools, sales salaries, commissions) and exclude retention spending. Calculate CAC payback period (CAC / Monthly ARPU) and maintain CAC at

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