



IV

The Numbers.

CHOOSE THE ONE. CALCULATE THE REST.

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FIELD GUIDE

16 PAGES

FREE

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HOW TO USE

Read once. Then do the worksheet on page 9 with a pen. Use last month's real numbers. The whole thing takes about an hour.

I Why *one* number.

A small company with one number it watches every day will out-think a bigger one with twelve dashboards. Focus is the cheapest competitive advantage in the world.

What "one number" means

Pick the single number that, if it goes up, the company is healthier. Not three. One. Pin it to the home screen of every founder's phone. Read it before email.

This is sometimes called the "north star metric". The point is not the name. The point is the discipline of choosing.

What it is not

- It is not revenue (too lagging, too noisy).
- It is not "users" (too vain, can grow with junk).
- It is not three numbers held together with "and".

What it is

The number that combines volume and value into one signal. A number that goes up when customers get what they came for. A number that, by definition, your team cannot fake.

If you cannot say your one number out loud while standing on one foot, you do not know it yet.

Examples that work

BUSINESS	ONE NUMBER
Subscription SaaS	Active paying customers (count, end of week)
Ecommerce	Net orders shipped (count, last 7 days)
Marketplace	Completed transactions (count, last 7 days)
Services	New paid engagements (count, last 30 days)
Content / media	Weekly active readers who returned (count, this week)

II

How to pick it.

Three filters. If your candidate metric fails any one of them, drop it and try another.

Filter 1: it must move only when value is delivered

If a customer gets nothing of value, the number must not move. "Sign-ups" fails this filter (you can buy bots). "Active paying customers this week" passes (someone has to pay and use it).

Filter 2: it must be measurable today

If you cannot calculate it from data you already have, it is not your one number yet. Pick something you can pull from your CRM, your billing system, or your analytics in under five minutes.

Filter 3: every team can affect it

Marketing should be able to make it go up. Sales should. Product should. Support should. If only one team can move it, it is not the company's number; it is that team's number.

Pick yours

EXERCISE / 15 MINUTES

WRITE THREE CANDIDATES

Write three candidate numbers. For each, ask the three filters above. Cross out any that fail. The last one standing is your starting choice. You can change it in three months. You cannot change it weekly.

Candidate A:

Candidate B:

Candidate C:

Winner (locked for 90 days):

THE "ONE NUMBER" IS NOT THE ONLY NUMBER

You will still track other metrics. The one number is the headline. The others are diagnostics that explain why the headline moved.

III

*LTV the **simple** way.*

LTV stands for "lifetime value". It is how much money a typical customer pays you over their whole life with you, minus the cost of serving them. Most LTV calculations are too complicated. Yours does not have to be.

The simplest formula that works

LTV, SIMPLEST VERSION

$$\text{LTV} = \text{ARPU} \times \text{GROSS MARGIN} \times \text{EXPECTED LIFETIME}$$

| | |
 | | months they stay (or transactions)
 | percent left after direct costs
 average revenue per customer per month

What each piece is, in plain English

ARPU (average revenue per user)

Take last month's revenue. Divide by the number of paying customers that month. That is your ARPU. If you have 50 paying customers and made 5,000 EUR, your ARPU is 100 EUR.

Gross margin

The percentage of revenue you keep after the direct cost of serving the customer. For software, this is usually 70-90 percent (servers, payment fees, support). For physical products, it can be 20-50 percent. For services, it depends on labour cost.

Expected lifetime

Roughly, how many months the average customer stays. If 5 percent of customers leave each month, the average lifetime is $1 / 0.05 = 20$ months. If you do not have data yet, take a guess between 12 and 36 months and mark it as "estimated".

A worked example

A small SaaS:

- ARPU = 50 EUR / month

- Gross margin = 80 percent (0.8)
- Expected lifetime = 24 months
- $LTV = 50 \times 0.8 \times 24 = \mathbf{960\ EUR}$

What "good" looks like

There is no universal good LTV. The number only matters relative to your CAC (next chapter). For a SaaS, expect LTV in the range of hundreds to thousands of EUR per customer. For a one-off service, LTV can equal your average sale price if customers do not return.

IV *CAC the **honest** way.*

CAC stands for "customer acquisition cost". It is how much you spent to get one new paying customer. Most CACs are wrong because they leave out costs. Yours will not.

The honest formula

CAC, HONEST VERSION

$$\text{CAC} = (\text{ALL marketing costs} + \text{ALL sales costs}) / \text{NEW PAYING customers in the same period}$$

What "all costs" means

- Ad spend (Google, Meta, LinkedIn, anything else).
- Tools used for sales and marketing (CRM, email, SEO tools).
- Salaries (or fractions of salaries) of anyone whose job is to bring in customers.
- Agency or freelancer fees.
- Events, sponsorships, content production.

What "new paying customers" means

Only count customers who started paying for the first time in the period. Renewals do not count. Returning customers do not count.

A worked example

- Last month: 2,000 EUR Meta ads + 800 EUR Google ads + 1,500 EUR salary of one part-time sales person + 200 EUR HubSpot = **4,500 EUR total**.
- New paying customers last month: 30.
- $\text{CAC} = 4,500 / 30 = \mathbf{150 \text{ EUR per customer}}$.

The "blended" trap

Blended CAC is the total above. It is the right number to look at first. But once you have a few channels, calculate paid-only CAC separately. Organic and referral customers do not have an ad cost, so they hide a high paid CAC.

- **Blended CAC** = total cost / total new customers.
- **Paid CAC** = ad spend only / customers who came from ads only.

Blended CAC is comforting. Paid CAC is the truth.

V

*The **ratio** that decides.*

LTV alone is meaningless. CAC alone is meaningless. The ratio LTV / CAC is the single most useful number a young company can compute.

The rule

LTV / CAC	WHAT IT MEANS
Below 1.0	You lose money on every customer. Stop spending.
1.0 to 2.0	You break even. Survival, not growth.
2.0 to 3.0	You can grow, but slowly. Be careful with paid spend.
Above 3.0	Healthy. Spend more on the channels that are working.
Above 5.0	You may be under-investing. You can afford to spend more.

The two-thirds rule of thumb

A common heuristic in SaaS: aim for LTV / CAC of at least 3 and a "payback period" of under 12 months. Payback period is CAC divided by monthly margin per customer. In our worked example, $\text{payback} = 150 / (50 \times 0.8) = 3.75$ months. That is healthy.

Why "rough" beats "exact"

A rough LTV/CAC you compute every month is more useful than a precise one you compute once a year. Use the simplest version of both formulas. Update it every month. Watch the trend.

A GROWN-UP ADJUSTMENT

If your customer life is uncertain (new company, no churn data yet), cap "expected lifetime" at 18 months even if your formula suggests longer. Optimistic LTV is the most common cause of fatal CAC decisions.

HUBSPOT ACADEMY / FREE

FREE CAC AND LTV COURSE MATERIAL

- [academy.hubspot.com / sales-management-training](https://academy.hubspot.com/sales-management-training)
- [blog.hubspot.com / what-does-ltv-cac-ratio-mean](https://blog.hubspot.com/what-does-ltv-cac-ratio-mean)



SCAN

VI

The worksheet.

Fill this in with last month's real numbers. Use the calculator on your phone. Round generously.

A. YOUR ONE NUMBER

THE SINGLE WEEKLY METRIC

One sentence. Plain English. Includes a unit and a time window.

Today's value: _____

Target in 90 days: _____

B. LTV (SIMPLE)

ROUGHLY, HOW MUCH YOU MAKE PER CUSTOMER

ARPU per month: _____ EUR

Gross margin (0 to 1): _____

Expected lifetime in months: _____

LTV = ARPU x margin x lifetime = _____ EUR

C. CAC (HONEST)

WHAT IT COSTS TO WIN ONE CUSTOMER

Total marketing + sales cost last month: _____ EUR

New paying customers last month: _____

Blended CAC = cost / customers = _____ EUR

Paid CAC (ads only / paid-channel customers): _____ EUR

D. RATIO & VERDICT

THE DECISION

LTV / CAC ratio (blended): _____

Payback period (CAC / monthly margin per customer): _____ months

Verdict (circle one): **BELOW 1** · **1-2** · **2-3** · **3-5** · **OVER 5**

What I will change this week:

VII Common *mistakes*.

1. *Picking a vanity metric*

"Total signups", "page views", "downloads". They go up when nothing of value happens. The one number must require a customer to actually win something.

2. *Calculating LTV with no churn data*

If you have not been operating long enough to know how long customers stay, do not pretend. Cap lifetime at 18 months. Mark the LTV as "estimated" and revisit every quarter.

3. *Forgetting salaries in CAC*

The most common reason CAC looks great. If a part-time salesperson is closing your customers, their pay is part of CAC. Otherwise you are flattering yourself.

4. *Mixing blended and paid CAC*

Always look at both. Blended hides paid-channel pain. Paid hides organic strength.

5. *Comparing your LTV/CAC to a competitor's*

You do not know how they calculate theirs. Use ratios as internal targets, not benchmarks against companies you do not have full data on.

6. *Reading LTV/CAC weekly*

The numerator (LTV) is structural. It does not move in a week. Calculate the ratio monthly, not weekly. The one number is your weekly metric.

7. *Letting the ratio justify reckless spend*

A 5x LTV/CAC ratio at small scale does not mean you should suddenly spend 10x more. Channels saturate. New money on the same channel often performs worse than the first money. Scale spend gradually, watch CAC monthly, stop when the ratio drops below 3.

VIII *Official resources.*

HUBSPOT / FREE ARTICLES + COURSE

CAC, LTV, AND RATIOS

- [blog.hubspot.com / what does LTV/CAC mean](https://blog.hubspot.com/what-does-LTV-CAC-mean)
- [blog.hubspot.com / how to calculate LTV](https://blog.hubspot.com/how-to-calculate-LTV)
- [academy.hubspot.com / sales-management-training](https://academy.hubspot.com/sales-management-training)



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STRIPE / FREE GUIDES

FINANCE AND PRICING FUNDAMENTALS

- [stripe.com / resources / customer-lifetime-value](https://stripe.com/resources/customer-lifetime-value)
- [stripe.com / resources / customer-acquisition-cost](https://stripe.com/resources/customer-acquisition-cost)



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Y COMBINATOR LIBRARY / FREE

FOUNDER ESSAYS ON METRICS

- [ycombinator.com / library](https://ycombinator.com/library)



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GOOGLE / FREE TOOL

LOOKER STUDIO TEMPLATES CONNECTED TO GA4

- [lookerstudio.google.com / gallery](https://lookerstudio.google.com/gallery)



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*What you should **not** read*

Twitter threads with "the only metrics that matter" graphics. Medium articles selling a "growth framework". The two pieces of math in this guide are enough to steer a small company for two years.

One number. Two formulas.

Pin the one number to your phone. Update LTV and CAC on the first of every month. Once both are real, every spend decision becomes a calculation, not an opinion.

NEXT / HANDBOOK 05 / THE LOOP

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