

CPL VS CAC WORKBOOK

If you run ads, you will be shown a cost per click. It is the easiest number to see, and it is the least useful one to steer by. What you actually care about is what it costs to get a paying customer, and there are two numbers between the click and the customer that decide that.

THE THREE NUMBERS

Cost per click (CPC). What you pay each time someone clicks your ad. The ad platform reports this one for you.

Cost per lead (CPL). What you pay to get someone to raise their hand: a phone call, a form, a booked estimate. It is your ad spend divided by the number of leads.

Customer acquisition cost (CAC). What you pay to get someone to actually buy. It is your spend divided by the number of new customers, and it is the number that tells you whether the ads are worth running.

> **CPL** ad spend ÷ leads

> **CAC** ad spend ÷ new customers or CPL ÷ close rate

> **CLOSE RATE** new customers ÷ leads

Close rate is the piece most people never measure. A lead is not a customer. If half of your leads turn into customers, your CAC is twice your CPL. If one in four does, it is four times.

All numbers in this workbook are examples to show the math. Use your own on the worksheet pages.



A WORKED EXAMPLE

Say a business spends $1,000 on ads. It gets 10 leads, and 5 of them become customers.

STEP	MATH	RESULT
Cost per lead	$1,000 ÷ 10 leads	$100
Close rate	5 customers ÷ 10 leads	50%
Customer acquisition cost	**$1,000 ÷ 5 customers**	**$200**

It costs $100 to get someone to call and $200 to get someone to buy. Now the owner wants to grow, so the budget goes up. This is what tends to happen.

WHAT HAPPENS WHEN YOU SCALE

	SPEND	LEADS	CPL	CLOSE RATE	CUSTOMERS	CAC
Where you started	$1,000	10	$100	50%	5	$200
Tripled the budget	$3,000	20	$150	50%	10	$300
Tripled it, and the close rate slips	**$3,000**	**20**	**$150**	**40%**	**8**	**$375**

Look at what changed. The cost per lead went up 50%, from $100 to $150. Even with the same close rate, the cost to get a customer went up 50% too. When the close rate also slipped from 50% to 40%, the cost per customer went up by almost 90%.

That is the trap. Scaling usually pushes the cost per lead up, because you are reaching further into people who are less likely to act, and it can push the close rate down at the same time. The two effects stack, so your CAC climbs faster than the number you were watching.

This is why "the click only costs $X" is the wrong question. Ask what a customer costs.



WHY YOU HAVE TO TRACK CONVERSIONS

You cannot calculate CPL or CAC from a hunch. You need a count of leads and a count of customers, and you need to know which ads they came from. Without that, you are steering by the one number that is easy to see.

WHAT TO TRACK

- [ ] **Every phone call from the ads.**
  Use a tracking number or your ad platform's call tracking, so a call can be tied back to the ad that caused it.
- [ ] **Every form and message.**
  Set up conversion tracking so each form submission counts as a lead, and check it works by submitting one yourself.
- [ ] **Which leads were real.**
  A wrong number, a vendor pitch or someone outside your service area is not a lead. Mark them, so they stop flattering your numbers.
- [ ] **Which leads became customers, and what they paid.**
  This is the step people skip. Ask new customers how they found you, and record it next to the lead.
- [ ] **The conversation itself.**
  Listen to a handful of calls each month. You will learn why leads do not close: slow callbacks, unanswered phones, wrong expectations on price.

THREE THINGS THIS TELLS YOU

Whether the ads work. A campaign with a $150 CPL can be better than one with a $60 CPL if its leads close twice as often.

Where the problem is. If leads are cheap and customers are few, the ads may be fine and the follow-up is the problem. If leads are expensive, the targeting or the offer needs work.

When to stop scaling. If CAC rises as the budget rises, you can see the exact point where the next dollar stops paying for itself.



YOUR NUMBERS MONTH BY MONTH

Business: _____ Campaign or channel: _____

MONTH	AD SPEND	CLICKS	LEADS	CUSTOMERS	CPL	CLOSE RATE	CAC

CPL spend ÷ leads **CLOSE RATE** customers ÷ leads **CAC** spend ÷ customers

Fill in a new row every month. Add your cost per click if you like (spend ÷ clicks), but let CPL and CAC be the numbers you act on. Watch the direction they move as your budget changes.

WHAT DID YOU NOTICE?

_____

_____

_____



IS IT WORTH SCALING?

CAC on its own is not good or bad. It only means something next to what a customer is worth to you. Work out your ceiling first, and then check whether your CAC stays under it as you spend more.

STEP 1: WHAT IS A CUSTOMER WORTH?

	EXAMPLE	YOURS
Average sale	$1,500	
Minus what it costs you to deliver it (materials, labor, fees)	− $600	
Profit per customer, before ad costs	**$900**	

STEP 2: COMPARE YOUR CAC

IF YOUR CAC IS…	EXAMPLE	…YOU KEEP
Where you started	$200	$700 per customer
After tripling the budget	$300	$600 per customer
Tripled, and close rate slips	$375	$525 per customer

In this example it is still worth it, because every customer is profitable. But you now make $525 on a customer that used to give you $700, and it will keep sliding if the trend continues. If the average job only made $400 in profit, the same $375 CAC would leave you with almost nothing, and you would be working for the ad platform.

Also count what a customer is worth over time. Repeat business and referrals are real, so a higher CAC can be fine when customers come back. Be honest about it, and use the number you have seen, not the number you hope for.

THE RULE OF THUMB

Scale in steps. Raise the budget, wait a few weeks, recalculate CPL, close rate and CAC, and only go up again if CAC is still under your ceiling.



WHERE THE NUMBERS COME FROM

Every number in this workbook depends on one thing: a record of each lead, where it came from and what happened to it. A CRM (customer relationship management system) is where that record lives. It can be a paid tool, a free one, or a spreadsheet when you are just starting. What matters is that every lead goes in, every time.

WHAT EACH LEAD SHOULD HAVE

- [ ] **Name and contact details**
  Phone, email, and the date they first reached you.
- [ ] **Where they came from**
  Which ad, page, call tracking number or referral. This is the field that makes CPL possible.
- [ ] **What they asked for**
  The service or product, in their words.
- [ ] **Where they are now**
  New, Contacted, Quote sent, Won or Lost.
- [ ] **What they paid**
  The sale amount when the lead is Won. This is what turns leads into your CAC and your profit.
- [ ] **Why you lost them**
  Price, timing, no answer, went elsewhere. A few months of this tells you what to fix.

SET IT UP IN AN AFTERNOON

1. Decide your stages and keep them plain.
2. Add a “source” field and fill it in every time.
3. Connect your website forms and your business phone number so leads land in it by themselves.
4. Set up one automatic reply so every new lead hears from you within minutes.
5. Once a month, count spend, leads and customers, and fill in the month-by-month page.

More leads into a leaky process only makes the leak more expensive. Get the record keeping right before you raise the ad budget. The free lesson “Why You Need a CRM Before You Spend on Ads” at MarketingMastermindClub.com goes deeper.



BEFORE YOU SPEND ANOTHER DOLLAR

- [ ] **Can I count every lead from this campaign?**
  Calls, forms and messages, tied back to the ad that caused them, and kept in one place.
- [ ] **Do I know how many leads became customers?**
  Not a feeling. An actual count each month.
- [ ] **Do I know my CPL, close rate and CAC?**
  Written down, with last month next to this month.
- [ ] **Do I know what a customer is worth to me?**
  Profit per customer, so I know my ceiling.
- [ ] **Am I answering the leads I already pay for?**
  Fast callbacks and answered phones raise your close rate, which lowers CAC without spending more.
- [ ] **If I raise the budget, what number will tell me to stop?**
  Decide it now, before the money is moving.

MY CEILING FOR CAC

WHAT I WILL CHANGE FIRST

Reviewed on:

Next review: