

How to calculate unit economics for platform businesses

[Dr. Patrick Flesner](#) [Dr. Richard Meyer-Forsting](#)

Click [here](#) to read the full article

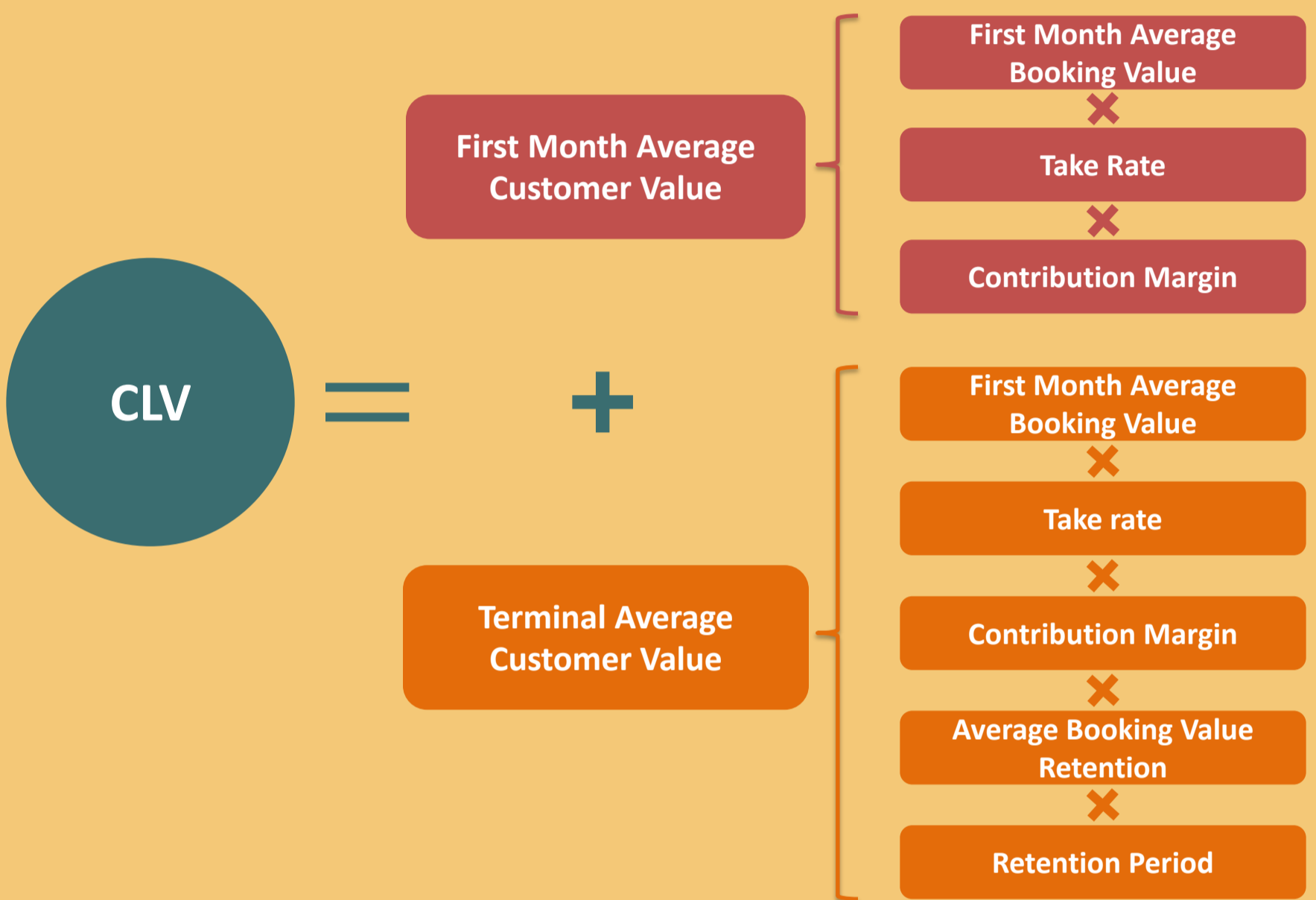


Analysing unit economics is a powerful way to assess the viability and the long-term profitability of a business model. A major KPI is the relation between Customer Lifetime Value (CLV) and Customer Acquisition Costs (CAC).

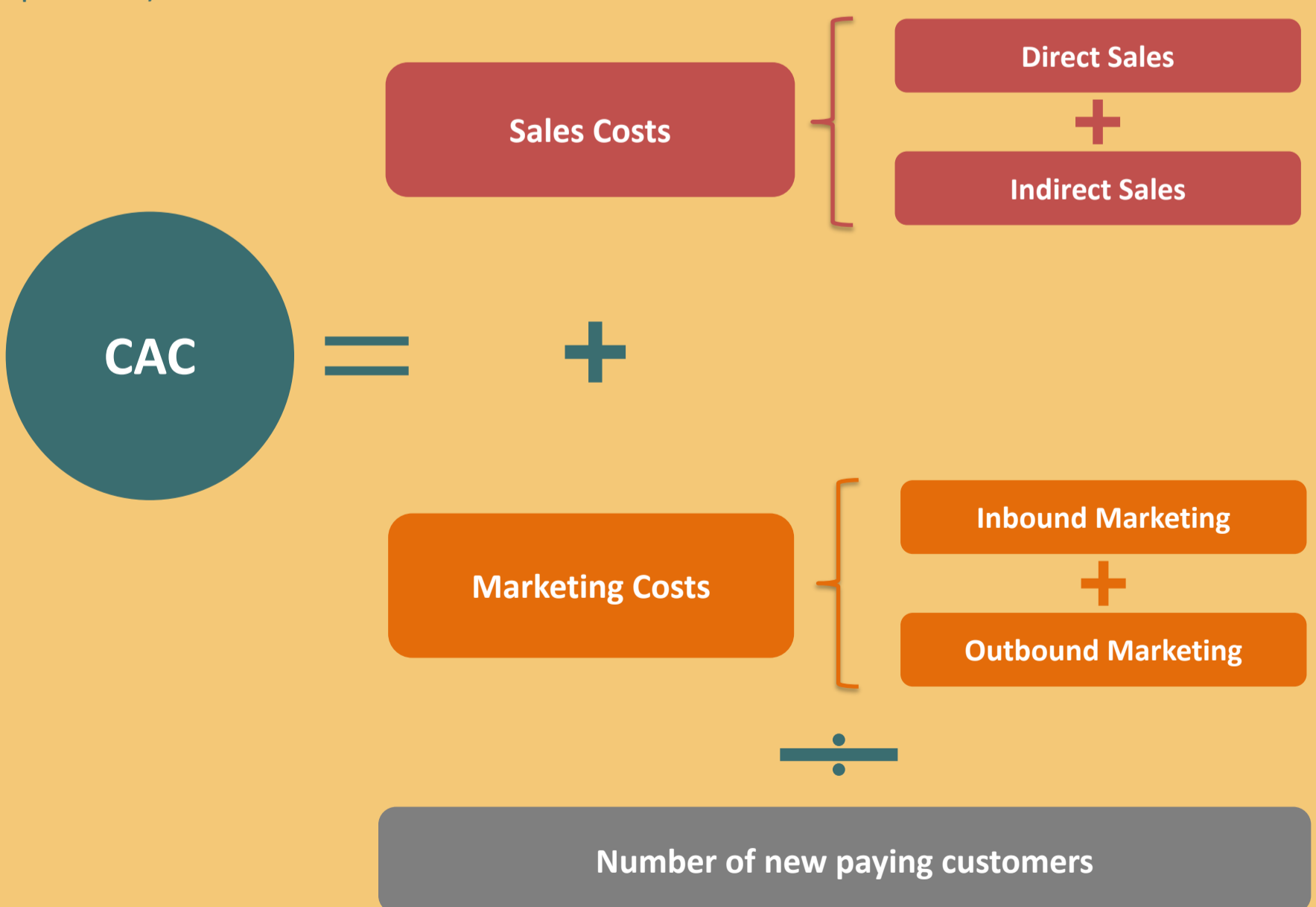
CLV / CAC



For a platform business model, it is important to consider the costs associated with acquiring the non-paying side of the platform in the customer lifetime value calculation for the paying customer. The costs should be reflected in the contribution margin.



Fully-loaded CAC include all marketing and sales costs (including brand marketing but excluding costs for acquiring the non-paying side of the platform).



Platform performance can be improved by

- Increasing the First Month Average Customer Booking Value
- Increasing the Take Rate
- Improving the Contribution Margin by reducing CoGS and/or other direct costs (often by reducing touchpoints per transaction) and costs incurred for acquiring the non-paying side of the platform
- Improving Average Booking Value Retention Rate
- Extending the Retention Period
- Reducing Customer Acquisition Costs