

# Unit Economics & Profitability

**Q: What does Contribution Margin mean?**

A: Revenue per unit minus variable cost per unit — the profit generated from each unit before fixed costs.

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**Q: What is Customer Acquisition Cost (CAC)?**

A: Total sales and marketing cost divided by the number of new customers acquired.

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**Q: What is Customer Lifetime Value (LTV)?**

A: The total revenue (or profit) expected from a customer over their lifetime.

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**Q: What does LTV:CAC ratio mean?**

A: The ratio of customer lifetime value to acquisition cost — indicates business sustainability (ideal ~3:1).

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**Q: What is Gross Margin per Unit?**

A: Revenue per unit minus cost of goods sold (COGS), expressed per unit or percentage.

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**Q: What is Burn Rate?**

A: The rate at which a company is spending cash, typically measured monthly.

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**Q: What is Runway?**

A: The amount of time a company can operate before running out of cash (cash ÷ burn rate).

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**Q: What does Payback Period mean?**

A: The time required to recover CAC from the revenue generated by a customer.

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**Q: What is Variable Cost?**

A: Costs that increase or decrease directly with production or customer volume (e.g., hosting, delivery).

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**Q: What is Fixed Cost?**

A: Costs that remain constant regardless of output (e.g., salaries, rent, infrastructure baseline).