

## START

The business spends  
\$75 to acquire a  
new customer



1

The new customer makes her  
first purchase. The business  
loses money.

PURCHASE #1	\$
Sales Revenue	\$100
Customer Acquisition Cost	(\$75)
Fixed & O/H Expenses	(\$85)
Profit (Loss)	(\$60)

2

The customer is no longer “new,”  
and makes her second purchase.  
Costs are lower. The business  
loses money.

PURCHASE #2	\$
Sales Revenue	\$100
Customer Acquisition Cost	\$0
Fixed & O/H Expenses	(\$75)
Loss Carry-Forward	(\$60)
Profit (Loss)	(\$35)

3

The customer makes her third  
purchase. The business still  
loses money on the customer.

PURCHASE #3	\$
Sales Revenue	\$100
Customer Acquisition Cost	\$0
Fixed & O/H Expenses	(\$75)
Loss Carry-Forward	(\$35)
Profit (Loss)	(\$10)

4

The new customer makes her  
fourth purchase. The business  
MAKES money on the customer.

PURCHASE #4	\$
Sales Revenue	\$100
Customer Acquisition Cost	\$0
Fixed & O/H Expenses	(\$75)
Loss Carry-Forward	(\$10)
Profit (Loss)	\$15

THE IMPORTANCE OF CLIENT RETENTION FOR PROFITABILITY

## THE NEW CUSTOMER DILEMMA

It's great and necessary to attract new customers, but ...

**New customers must typically make four (4) purchases from a business before that customer is a “profitable” one.**

If a business loses that customer before the fourth purchase, the business would lose money on having **gained** a new customer.