

# AI Sparks

Cutting through the AI hype with one clear insight each week

## Your LTV/CAC Is Lying to You

Most eCommerce leaders rely on one number to judge marketing efficiency, LTV/CAC. It looks precise. It feels reliable. It gets reported in every boardroom.

But here's the uncomfortable truth: a portion of what you call "acquired revenue" would have happened anyway. Repeat customers, brand demand, organic intent, yet all of it gets credited to marketing. This is hard to see because modern customer journeys are messy. Customers move across channels, AI influences decisions before the click, and attribution models fill the gaps. The result. CAC looks accurate. But it is often inflated.

**A simple fix: Do not replace LTV/CAC, refine it.**

- Adjusted Efficiency Index =  $LTV / aCAC$
- Where:  $aCAC = CAC \div \text{Incrementality Factor}$

Not what marketing was credited for, but what marketing actually caused.

What this looks like (example):  $LTV = 120$  |  $CAC = 40$  |  $LTV/CAC = 3.0$  |  $\text{Incrementality Factor} = 0.7$

- $aCAC = 57$  ( $40/0.7$ )
- Adjusted Efficiency Index =  $2.1$  ( $120/57$ )

The insight: on paper, performance looks strong. In reality, a meaningful portion of spend is capturing demand that already existed.

This is not about a new metric. It is about telling the truth. Because in an AI first world, growth will not come from optimizing reported performance. It will come from identifying and scaling what is truly incremental.



**Your spark for the week:**

LTV/CAC tells you how you performed.

Adjusted Efficiency Index tells you what actually worked.

NetElixir is an AI-First digital marketing agency helping leading eCommerce brands unlock profitable growth through data, experimentation, and innovation.