

The 6 Marketing Metrics A Boss Actually Cares About

Prove the ROI of Your Marketing Efforts by Utilizing These Six Metrics



Introduction.

As a business, we work tirelessly to move the needle on what often seems like a laundry list of metrics. We look at website visits, conversion rates, generated leads per channel, engagement on social media platforms, blog post shares, email click-through rates... and the list goes on and on. When the time comes to present the impact of your marketing efforts, you can't present everything you measure.

While many businesses theoretically understand that a solid marketing team can directly impact your company's bottom line, 73% of executives don't believe that marketers are focused enough on results to truly drive incremental customer demand.

When it comes to marketing metrics that matter to execs, expect to report on data that deals with the total cost of marketing, salaries, overhead, revenue, and customer acquisitions. This guide will walk you through the six critical marketing metrics a boss actually wants to know.

– Let's get started.

Customer Acquisition Cost (CAC)

WHAT IT IS: A metric used to determine the total average cost your company spends to acquire a new customer.

How to Calculate It: Take your total sales and marketing spend for a specific time period and divide by the number of new customers for that time period.



Sales and Marketing Cost = Program and advertising spend + salaries + commissions and bonuses + overhead in a month, quarter or year.



New Customers = Number of new customers in a month, quarter, or year.

Formula: sales and marketing cost ÷ new customers = CAC

Example:

$$\begin{array}{ccc} \text{\$} & \text{\$10,000} & \div \\ \text{MARKETING} & & \\ \text{\& SALES COST} & & \\ & & \text{NEW} \\ & & \text{CUSTOMERS} \\ & & = \\ & & \text{\$500} \\ & & \text{PER CUSTOMER} \\ & & \text{ACQUISITION COST} \end{array}$$

What This Means and Why It Matters: CAC illustrates how much your company is spending per new customer acquired. You want a low average CAC. An increase in CAC means that you are spending comparatively more for each new customer, which can imply there's a problem with your sales or marketing efficiency.

Marketing % of Customer Acquisitions Cost (M%-CAC)

WHAT IT IS: The marketing portion of your total CAC, calculated as a percentage of the overall CAC.

How to Calculate It: Take all of your marketing costs, and divide by the total sales and marketing costs you used to compute CAC.



Sales and Marketing Cost = Program and advertising spend + salaries + commissions and bonuses + overhead in a month, quarter or year.

Marketing Costs = Expenses + salaries + commissions and bonuses + overhead for the marketing department only

Example:

$$\begin{array}{c} \text{\$} \\ \text{MARKETING} \\ \text{COST} \end{array} \quad \div \quad \begin{array}{c} \text{\$} \\ \text{MARKETING} \\ \text{\& SALES COST} \end{array} = 50\% \\ \text{M\%-CAC}$$


What This Means and Why It Matters: It shows you how your marketing teams performance & spending impact your overall Customer Acquisition cost. An increase in M%-CAC can mean a number of things:

1. Your sales team could have underperformed (and consequently received) lower commissions/bonuses.
2. Your marketing team is spending too much or has too much overhead.
3. You are in an investment phase, spending more on marketing to provide more high quality leads and improve your sales productivity.

Ratio of Customer Lifetime Value to CAC (LTV:CAC)

WHAT IT IS: A way for you to estimate the total value that your company derives from each customer compared with what you spend to acquire that new customer.

How to Calculate It: To calculate the LTV:CAC you'll need to compute the Lifetime Value, the CAC and find the ratio of the two.

 **Lifetime Value (LTV)** = (Revenue the customer pays in a period - gross margin) ÷ Estimated churn percentage for that customer.

Formula: Lifetime Value (LTV) ÷ Customer Acquisition Cost (CAC)

Example:  **\$5,000**
LIFETIME VALUE ÷  **\$500**
PER CUSTOMER ACQUISITION COST = **\$10 to 1**
LTV:CAC ROI

What This Means and Why It Matters: The higher the LTV:CAC, the more ROI your sales and marketing team is delivering to your bottom line. However, you don't want this ratio to be too high, as you should always be investing in reaching new customers. Spending more on sales and marketing will reduce your LTV:CAC ratio, but could help speed up your total company growth.

Time to Payback CAC

WHAT IT IS: The Time to Payback CAC shows you the number of months it takes for your company to earn back the CAC it spent acquiring new customers.

How to Calculate It: You calculate the Time to Payback CAC by taking your CAC and dividing by your margin-adjusted revenue per month for your average new customer.



Margin-Adjusted Revenue = How much your customers pay on average per month

Formula: $CAC \div \text{Margin-Adjusted Revenue} = \text{Time to Payback CAC}$

Example:

$$\begin{array}{ccc} \begin{array}{c} \img alt="Revenue icon" data-bbox="170 520 215 580"/> \\ \mathbf{\$1,000} \\ \text{MARGIN-ADJUSTED} \\ \text{REVENUE} \end{array} & \div & \begin{array}{c} \img alt="Person icon" data-bbox="460 520 515 580"/> \\ \mathbf{\$500} \\ \text{PER CUSTOMER} \\ \text{ACQUISITION COST} \end{array} = \begin{array}{c} \mathbf{2 \text{ Months}} \\ \text{TIME TO} \\ \text{PAYBACK CAC} \end{array} \end{array}$$

What This Means and Why It Matters: In industries where your customers pay a monthly or annual fee, you normally want your Payback Time to be under 12 months. The less time it takes to payback your CAC, the sooner you can start making money off of your new customers. Generally, most businesses aim to make each new customer profitable in less than a year.

Marketing Originated Customer %

WHAT IT IS: A ratio that shows what new business is driven by marketing, by determining which portion of your total customer acquisitions directly originated from marketing efforts.

How to Calculate It: To calculate Marketing Originated Customer %, take all of the new customers from a period, and tease out what percentage of them started with a lead generated by your marketing team.

Formula: New customers started as a marketing lead / New customers in a month = Marketing Originated Customer %

Example:

$$\begin{array}{ccccc} \mathbf{10} & \div & \mathbf{20} & = & \mathbf{50\%} \\ \text{NEW CUSTOMERS STARTED} & & \text{TOTAL NEW} & & \text{MARKETING ORIGINATED} \\ \text{AS A MARKETING LEAD} & & \text{CUSTOMERS IN A MONTH} & & \text{CUSTOMER \%} \end{array}$$

What This Means and Why It Matters: This metric illustrates the impact that your marketing team's lead generation efforts have on acquiring new customers. This percentage is based on your sales and marketing relationship and structure, so your ideal ratio will vary depending on your business model. A company with an outside sales team and inside sales support may be looking at 20-40% Marketing Originated Customer %, whereas a company with an inside sales team and lead focused marketing team might be at 40-80%.

Marketing Influenced Customer %

WHAT IT IS: The Marketing Influenced Customer % takes into account all of the new customers that marketing interacted with while they were leads, anytime during the sales process.

How to Calculate It: To determine overall influence, take all of the new customers your company accrued in a given period, and find out what % of them had any interaction with marketing while they were a lead.

Formula: Total new customers that interacted with marketing / Total new customers = Marketing Influenced Customer %

Example:

$$\begin{array}{ccccc} \mathbf{15} & \div & \mathbf{20} & = & \mathbf{75\%} \\ \text{CUSTOMERS INTERACTED} & & \text{TOTAL NEW} & & \text{MARKETING INFLUENCED} \\ \text{WITH MARKETING} & & \text{CUSTOMERS IN A MONTH} & & \text{CUSTOMER \%} \end{array}$$

What This Means and Why It Matters: This metric takes into account the impact marketing has on a lead during their entire buying lifecycle. It can indicate how effective marketing is at generating new leads, nurturing existing ones, and helping sales close the deal. It gives a CEO or CFO a big-picture look into the overall impact that marketing has on the entire sales process.

Conclusion.

As a business, we track so many different data points to better understand what's working and what's not, that it can become easy to lose sight of what's most important. Reporting on your business impact doesn't mean you should no longer pay attention to site traffic, social shares, and conversion rates. It simply means that when reporting your results, it's crucial to convey your performance in a way that a C-level exec can get excited about.

Rather than talking about per-post Facebook engagement and other "softer" metrics, use the six metrics we detailed in this cheat sheet to report on how your marketing program led to new customers, lower customer acquisition costs, or higher customer lifetime values. When you can present marketing metrics that resonate with decision-makers in your company, you'll be in a much better position to make the case for budgets and strategies that will benefit your company now and in the future.

The Right Partner.

We partner with local B2B companies that want to unlock their potential & accelerate their growth with simple, creative, growth-driven inbound marketing strategies. Our clients come to us dazed and confused about the transparency of marketing their business, gaining new customers, nurturing their current customers, and increasing their revenue. Most are lost as to what converts, and not quite sure if the money they're spending is an expense or investment. Sound familiar?

We help tie marketing strategies to our clients' goals, and bridge that gap. Our success is built in direct relationship to our clients' success.

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