

THE 6 MARKETING METRICS YOUR BOSS ACTUALLY CARES ABOUT

Prove your worth by showing the ROI of your marketing efforts
eBook & Marketing Report Template



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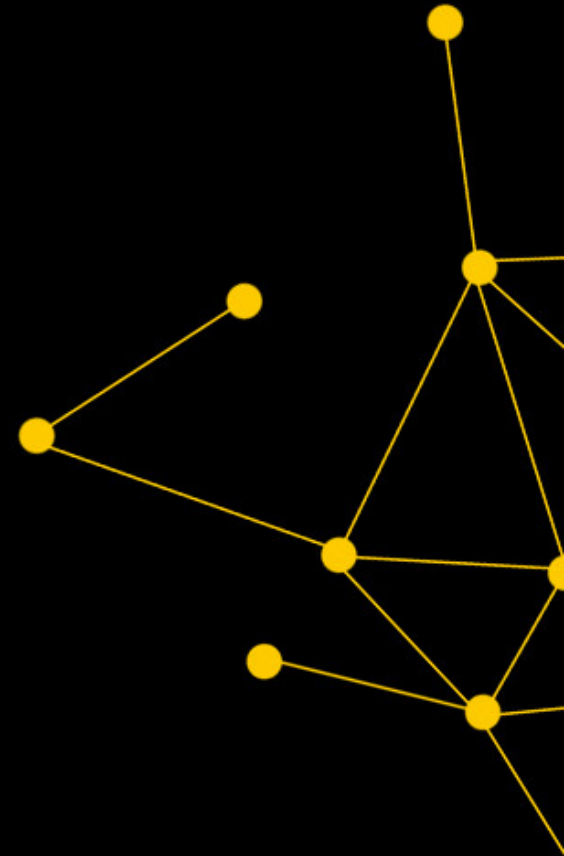
Introduction

As marketers, 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 to your boss, you can't present him or her with everything you measure.

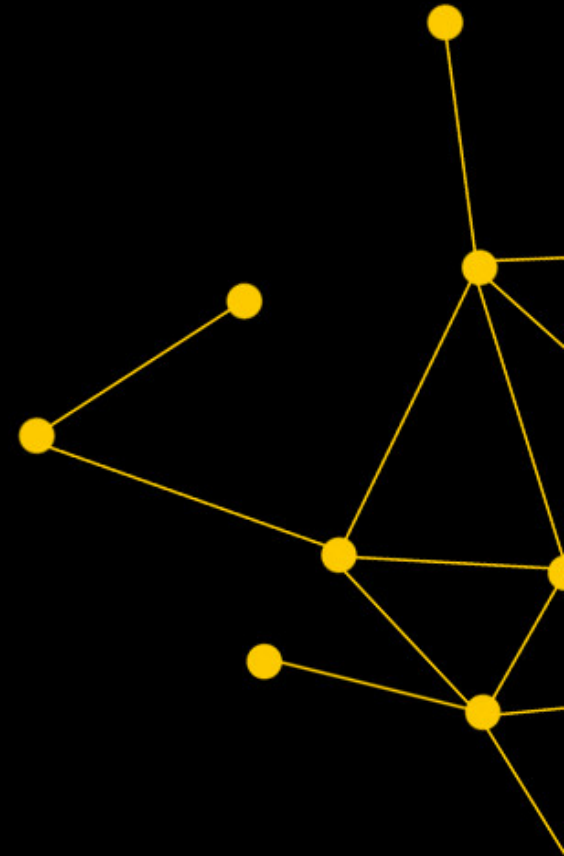
While many bosses theoretically understand that a solid marketing team can directly impact your company's bottom line, **73% of executives don't believe that marketers are focused enough on results to truly drive incremental customer demand.**

When it comes to marketing metrics that matter to your 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 your boss actually wants to know.

Let's get started.



Customer Acquisition Cost (CAC)



Customer Acquisition Cost (CAC)

WHAT IS IT

The Customer Acquisition Cost (CAC) 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.




FORMULA

$$\text{CAC} = \text{sales and marketing cost} \div \text{new customers}$$

Sales & Marketing Cost	=	Program and advertising spend	New Customers	=	Number of new customers in a month, quarter, or year
		+ salaries			
		+ commissions and bonuses			
		+ overhead in a month, quarter or year			

LET'S LOOK AT AN EXAMPLE

Sales & Marketing Cost	=		New Customers	=	30 
		\$300,000			

$$\text{CAC} = \$300,000 \div 30 = \$10,000 \text{ per customer}$$



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



Marketing % of Customer Acquisitions Cost

WHAT IS IT

The Marketing % of Customer Acquisition Cost 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**



FORMULA

$$\text{M\% of CAC} = \frac{\text{Marketing Cost}}{\text{Sales and Marketing Cost}}$$

$$\begin{aligned} \text{Sales \& Marketing Cost} = & \text{Program and advertising spend} \\ & + \text{salaries} \\ & + \text{commissions and bonuses} \\ & + \text{overhead in a month, quarter or year} \end{aligned}$$

$$\begin{aligned} \text{Marketing Cost} = & \text{Expense} \\ & + \text{salaries} \\ & + \text{commissions and bonuses} \\ & + \text{overhead for marketing department only} \end{aligned}$$

LET'S LOOK AT AN EXAMPLE

$$\begin{aligned} \text{Sales \& Marketing Cost} = & \text{\$300,000} \end{aligned}$$

$$\begin{aligned} \text{Marketing Cost} = & \text{\$150,000} \end{aligned}$$

$$\text{M\% of CAC} = \frac{\$150,000}{\$300,000} = 50\%$$



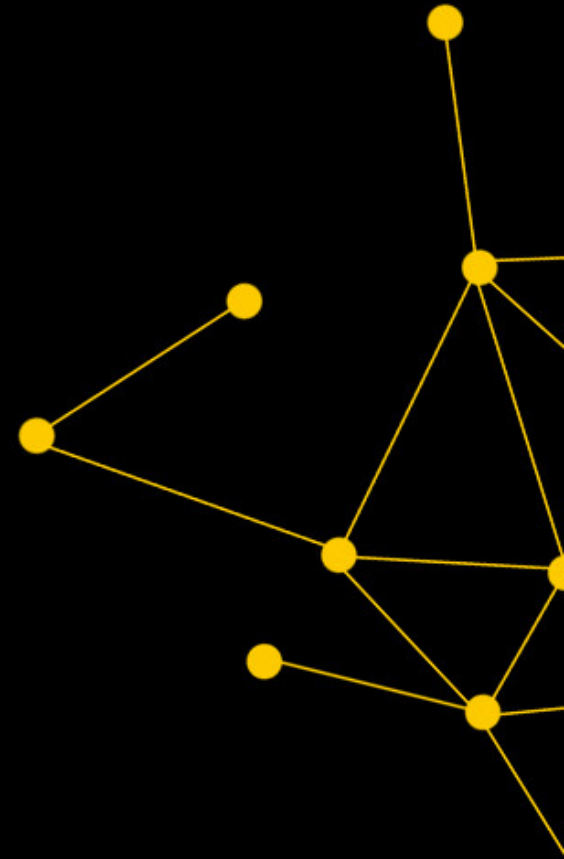
WHAT M% CAC MEANS AND WHY IT MATTERS

Marketing % of CAC can show how your marketing team's performance and 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 and/or 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)



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

WHAT IS IT

The Ratio of Customer Lifetime Value to CAC is a way for companies 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

Compute **the Customer's Lifetime Value** and your **CAC**. Then get the **ratio of Customer's Lifetime Value over CAC**.



FORMULA

$$\text{LTV: CAC} = \text{Lifetime Value} \div \text{CAC}$$

$$\text{Lifetime Value} = \frac{\text{(Revenue customer pays in a period - Gross margin)}}{\text{Estimated churn percentage for that customer}}$$

$$\text{CAC} = \frac{\text{Total Sales \& Marketing Cost}}{\text{New Customers}}$$

LET'S LOOK AT AN EXAMPLE

$$\text{Lifetime Value} = \$437,000 \quad \text{CAC} = \$100,000$$

$$\text{LTV: CAC} = \$437,000 : \$100,000 = 4.4 : 1$$



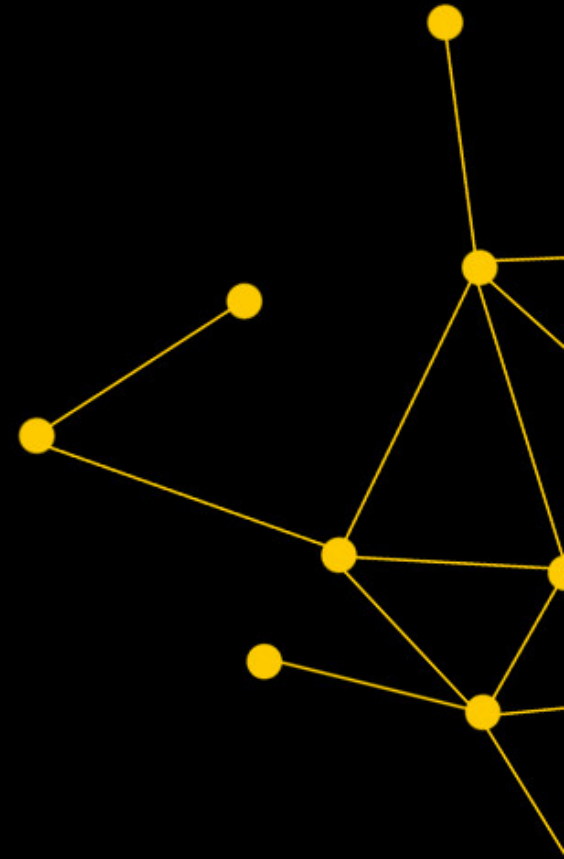
WHAT LTV:CAC MEANS AND WHY IT MATTERS

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



Time to Payback CAC

WHAT IS IT

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

Take **your CAC** and divide by your **margin-adjusted revenue per month** for your average new customer



FORMULA

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

Margin-Adjusted Revenue

=

How much your customers pay on average per month

CAC


=

Total Sales & Marketing Cost
÷
New Customers

LET'S LOOK AT AN EXAMPLE


Margin-Adjusted Revenue

=


\$1,000

CAC

=


\$10,000

$$\text{Time to payback CAC} = \$10,000 \div \$1,000 = 10 \text{ months}$$



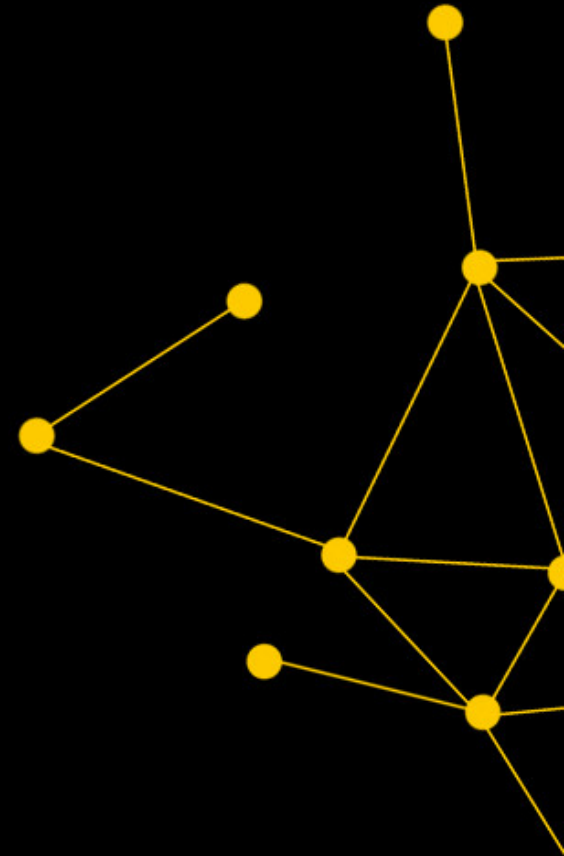
WHAT TIME TO PAYBACK CAC MEANS AND WHY IT MATTERS

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 %



Marketing Originated Customer %

WHAT IS IT

The Marketing Originated Customer % 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

Take all of the **new customers from a period**, and tease out the **percentage of them started as a lead** generated by your marketing team.



FORMULA

$$\frac{\text{Marketing Originated Customer \%}}{\text{New Customers started as a Marketing Lead}} = \frac{\text{New Customers in a Month}}$$

Margin-
Adjusted
Revenue

=

How much your
customers pay
on average per
month

CAC

=

Total Sales &
Marketing Cost
÷
New Customers

LET'S LOOK AT AN EXAMPLE


New
Customers
in a Month

=


10,000

Total New
Customers
Started as a
Marketing Lead

=


5,000

$$\text{Marketing Originated Customer \%} = \frac{5,000}{10,000} = 50\%$$



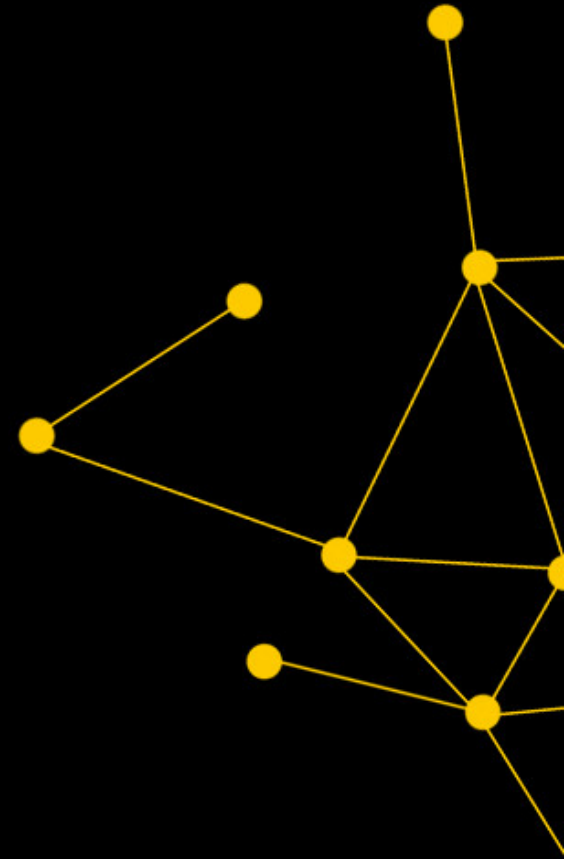
WHAT MARKETING ORIGINATED CUSTOMER % MEANS AND WHY IT MATTERS

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 %



Marketing Influenced Customer %

WHAT IS IT

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

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

$$\text{Marketing Influenced Customer \%} = \frac{\text{Total New Customers that interacted with Marketing}}{\text{Total New Customers}}$$

Total New Customers = New Customers in a month

Total New Customers that Interacted with Marketing =

Include Customers who clicked-through on your eDMs, social media posts, blogs etc

LET'S LOOK AT AN EXAMPLE

Total New Customers = 10,000

Total New Customers that Interacted with Marketing = 7,000

$$\text{Marketing Influenced Customer \%} = \frac{7,000}{10,000} = 70\%$$



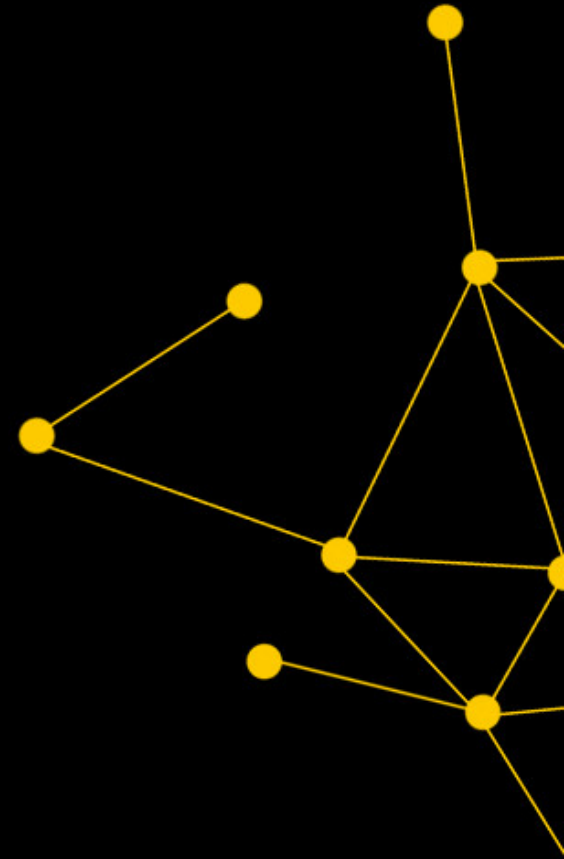
WHAT MARKETING ORIGINATED CUSTOMER % MEANS AND WHY IT MATTERS

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 your CEO or CFO a big-picture look into the overall impact that marketing has on the entire sales process.



Your Reporting Template



How to use this Marketing & ROI Report Template

C-Level management is increasing their demand for marketing measurements that impact their business. However marketers don't quite feel prepared for it.

Yet the truth is that marketers need to communicate their impact on bottom-line metrics to show their worth. This gets budgets approved, job promotions, and recognition for a job well done.

That's why we believe that marketers need to report the right things and metrics.

To help you get started, we've created this monthly marketing report template that incorporates marketing and ROI metrics into 1 easy-to-use document.

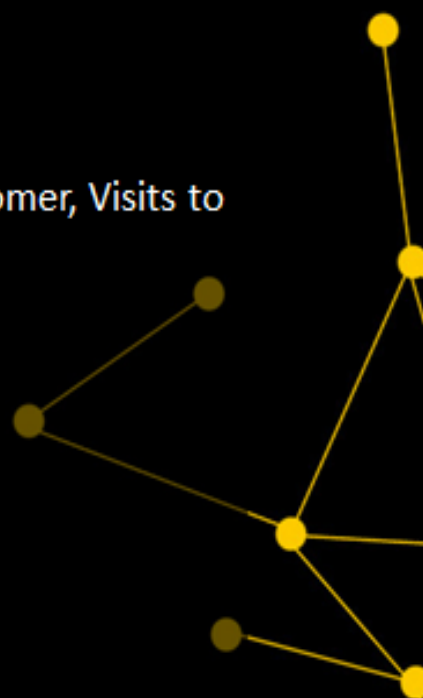
Just plug in your company's data into the excel spreadsheet. And the graphs will automatically update themselves. You can then use these graphs in your report presentations.



You'll Get

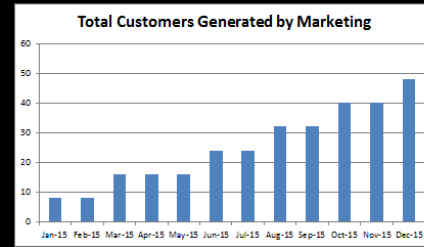
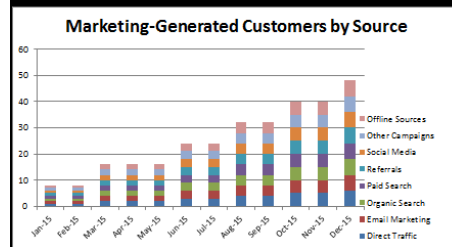
1. Total Visits
2. Website Visits by Source
3. Total Leads Generated
4. Leads Generated by Source
5. Total Customers driven by Marketing
6. Marketing-Generated Customers by Source
7. Conversion Rates: Visit to Lead, Lead to Customer, Visits to Customer
8. Customer Acquisition Costs (CAC)
9. Marketing % of CAC

Source: Hubspot monthly marketing reporting template



Screenshots

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	MoM Growth
Direct Traffic	1	1	2	2	2	3	3	4	4	5	5	6	20%
Email Marketing	1	1	2	2	2	3	3	4	4	5	5	6	20%
Organic Search	1	1	2	2	2	3	3	4	4	5	5	6	20%
Paid Search	1	1	2	2	2	3	3	4	4	5	5	6	20%
Referrals	1	1	2	2	2	3	3	4	4	5	5	6	20%
Social Media	1	1	2	2	2	3	3	4	4	5	5	6	20%
Other Campaigns	1	1	2	2	2	3	3	4	4	5	5	6	20%
Offline Sources	1	1	2	2	2	3	3	4	4	5	5	6	n/a
Total	8	8	16	16	16	24	24	32	32	40	40	48	20%
Total Online	7	7	14	14	14	21	21	28	28	35	35	42	20%
Grand Total	20	20	30	30	30	35	35	40	40	40	45	50	11%
% Customers from Marke	40%	40%	53%	53%	53%	63%	63%	80%	80%	100%	83%	96%	8%



Customers

The way to your boss's heart is via the customer. Communicate your direct impact on customer generation will certainly get him to notice you now. That's why you should track campaigns that yield the most customer acquisition.

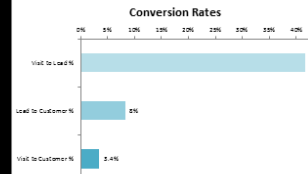
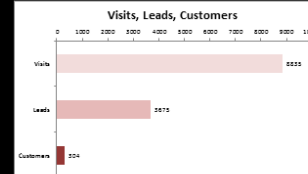
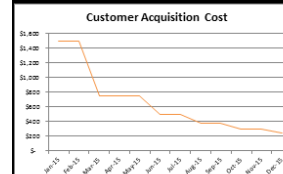
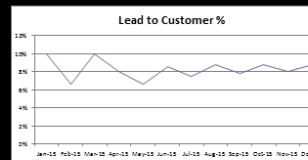
Total Customers Driven by Marketing

The number of customers teed up by marketing is just as important as the number of leads closed. After all, how can sales close the lead if marketing didn't give it to them?

Marketing-Generated Customers by Source

Know where the majority of your customers come from to optimise your marketing campaigns for them.

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total	MoM Growth
Visits	350	420	430	560	650	700	770	840	910	360	1055	1150	8535	7%
Leads	80	120	160	200	240	280	320	360	410	435	500	545	3615	3%
Customers	9	9	16	16	16	24	24	32	32	40	40	48	304	20%
Visit to Lead %	23%	28%	37%	36%	36%	40%	43%	43%	45%	46%	41%	48%	42%	2%
Lead to Customer %	10%	7%	10%	8%	7%	8%	8%	8%	8%	9%	8%	9%	8%	10%
Visit to Customer %	2.3%	1.9%	3.7%	2.9%	2.5%	3.2%	3.6%	3.6%	3.5%	4.1%	3.6%	4.3%	3.4%	12%
ROI Metrics													Total	
Total Sales & Marketing Cost	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$144,000	0%
Marketing Cost	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$72,000	0%
Customer Acquisition Cost	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,800	-17%
Marketing % of CAC	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	0%
Marketing Cost per Visit	\$17.14	\$14.29	\$12.24	\$10.71	\$9.52	\$8.57	\$7.75	\$7.14	\$6.53	\$6.12	\$5.69	\$5.31	\$6.15	-7%
Marketing Cost per Lead	\$75.00	\$50.00	\$37.50	\$30.00	\$25.00	\$21.43	\$18.75	\$16.67	\$14.63	\$13.79	\$12.00	\$10.00	\$13.53	-6%
Marketing Cost per Customer	\$750.00	\$500.00	\$375.00	\$375.00	\$375.00	\$250.00	\$250.00	\$187.50	\$187.50	\$150.00	\$150.00	\$125.00	\$236.84	-17%



Conversion Rates & ROI

These rates measure the percentage of people who move from one marketing stage to the next. An increase in your conversion rates implies that the quality of content, campaigns, and traffic is improving.

We also want to show your marketing team's ROI by calculating the cost of getting a new customer. Unlike previous metrics, the lower the cost, the more efficient your campaigns.

Visit-to-Lead Conversion Rate

How many of your website visits are becoming new leads for your sales? You can improve this metric with better guidance to your landing pages via calls-to-action.

Lead-to-Customer Conversion Rate

Are you generating sales-ready leads? If you can improve this metric, you can improve customer generation without needing additional leads.

Visit-to-Customer Conversion Rate

This metric is a health check on your funnel (visit, lead, customers). Are you getting better at converting visits to customers over time? If so, excellent!

Customer Acquisition Cost

Your Report Template for Marketing & ROI Metrics

WHAT IS IT

An easy-to-use Reporting Template to help you communicate your impact on bottom-line metrics to communicate your worth to get budgets approved, advance in your positions, and get recognition for a job well done.

Download it from

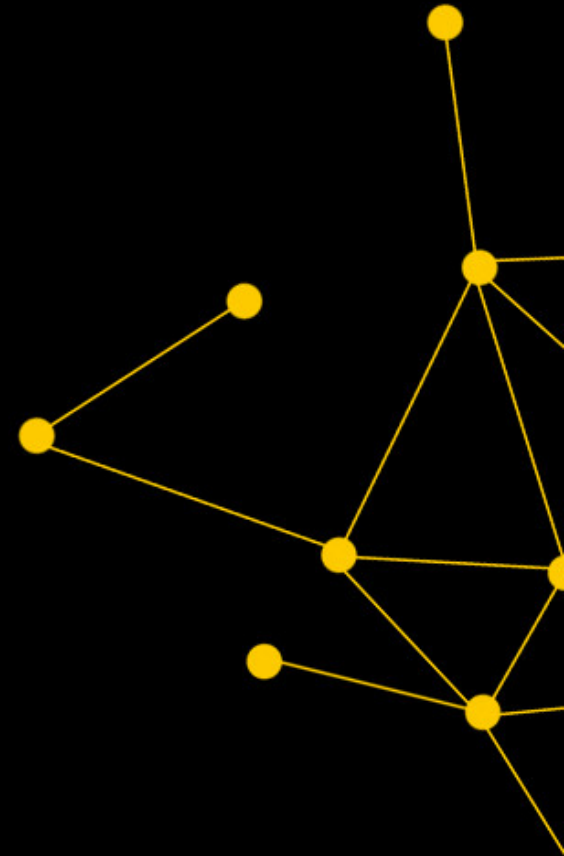
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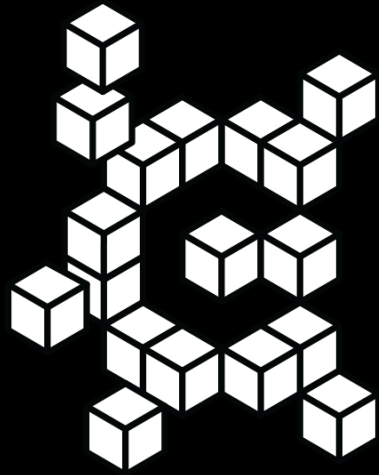


Last Words

As marketers, 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 to your executives, it's crucial to convey your performance in a way that your C-suite 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 your decision-makers, you'll be in a much better position to make the case for budgets and strategies that will benefit your marketing team now and in the future.





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