



Measure & Optimize Your Marketing Performance


SIX METRICS THE SAVVIEST MARKETERS ARE USING TO WIN

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As modern marketers, we track many different data points to better understand what's working and what's not. Now more than ever it's crucial to convey your performance in a way that your C-suite can get excited about.

Use these six metrics to report on how your marketing program led to new customers, lower customer acquisition costs, or higher customer lifetime values.

As you present marketing metrics that resonate with your decision-makers, you'll be prepared to make the case for budgets and strategies that will benefit your marketing team now and in the future.



Interested in improving your marketing performance?
Contact us today for a free inbound marketing review.

CUSTOMER ACQUISITION COST (CAC)

The Customer Acquisition Cost (CAC) is a metric used to determine the total average cost to acquire a new customer.

SALES AND MARKETING SPEND

Program and advertising spend + salaries + commissions and bonuses + overhead per month

\$

NEW CUSTOMERS

Number of new customers per month

÷

RESULT

Sales and marketing cost ÷ new customers

= \$

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 ACQUISITION COST

The Marketing Percent of Customer Acquisition Cost is the marketing portion of the total CAC, calculated as a percentage of overall CAC.

MARKETING SPEND

Expenses + salaries + commissions and bonuses + overhead for the marketing department only per month

\$

÷

SALES AND MARKETING SPEND

Program and advertising spend + salaries + commissions and bonuses + overhead per month

RESULT

Marketing spend ÷ sales and marketing spend

=

%

This metric shows how marketing performance and spending impact overall CAC. An increase in M% of CAC can mean a number of things: 1. Sales may have underperformed resulting in lower commissions. 2. Marketing investment is too high. 3. You are in an investment phase, spending more on marketing to drive higher quality leads and improve overall sales productivity.

CUSTOMER LIFETIME VALUE TO CAC

The Customer Lifetime Value to CAC ratio allows marketers to estimate the total value derived from each customer compared to the spend to acquire a new customer.

LIFETIME VALUE (LTV)

(Revenue the customer pays in a period - gross margin) ÷ estimated churn percentage for that customer

CUSTOMER ACQUISITION COST

Sales and marketing cost ÷ new customers

RESULT

LTV : CAC

\$

÷

=

: 1

The higher the LTV:CAC, the more ROI your sales and marketing team is delivering to your bottom line. 1:1 – You're losing money from every acquisition. **3:1 – The ideal level, your business is thriving with a solid business model.** 4:1 – You're likely under investing and could be growing faster. Start more aggressive campaigns to acquire customers and bring your ratio closer to 3:1.

TIME TO COVER CAC

The Time to Cover CAC shows you the number of months it takes for your company to earn back the CAC it spent acquiring new customers.

CUSTOMER ACQUISITION COST

Sales and marketing cost ÷ new customers

\$

MARGIN-ADJUSTED REVENUE

Average revenue per month

÷

RESULT

CAC ÷ Margin-adjusted revenue

=

In industries where your customers pay a monthly or annual fee, you normally want your Cover Time to be under 12 months. The less time it takes to cover 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 %

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.

MARKETING LEADS

Total new customers started as a marketing lead per month

\$

NEW CUSTOMERS

Total new customers per month

÷

RESULT

New customers started as a marketing lead ÷ new customers

=

%

This metric illustrates the impact that your marketing team's lead generation efforts have on acquiring new customers. Your ideal ratio will vary by 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 %

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

MARKETING INTERACTIONS

Total new customers that interacted with marketing per month

\$

NEW CUSTOMERS

Total new customers per month

÷

RESULT

New customers that interacted with marketing ÷ new customers

=

%

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 MARKETING EFFECTIVENESS

Use this summary report revealing the total cost of marketing, salaries, overhead, revenue, and customer acquisitions to gauge overall marketing effectiveness and identify opportunities for improvement.

CUSTOMER ACQUISITION COST

\$

**MARKETING PERCENT OF
CUSTOMER ACQUISITION COST**

%

**CUSTOMER LIFETIME VALUE TO
CUSTOMER ACQUISITION COST**

%

**TIME TO COVER CUSTOMER
ACQUISITION COST**

/MO

**MARKETING ORIGINATED
CUSTOMER PERCENTAGE**

%

**MARKETING INFLUENCED
CUSTOMER PERCENTAGE**

%

WE HELP BRANDS CREATE CUSTOMERS

By consistently measuring and optimizing your marketing efforts, you can prove marketing's value to your boss and improve ROI. Once you've started measuring these foundational metrics, take it to the next level by analyzing how individual marketing activities (for example blogging vs. email vs. social media) are performing.

How are you faring in terms of marketing effectiveness? Sign up today for our free marketing review and together we'll uncover some sure fire ideas on how to make your marketing dollars work harder.