The six marketing metrics your MD really cares about

Prove the ROI of your marketing efforts by presenting these six metrics.

an ebook by

splitpixel

Proving Marketing Matters

As marketers, we work hard to make an impact on so many different 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.

It's your job as a marketer to communicate with stakeholders, cutting through the noise, and it's no different here. When the time comes to present the impact of your marketing efforts to your MD, you can't present them with everything you measure.

While many MDs theoretically understand that a solid marketing team can directly impact your company's bottom line, 73% of Directors don't believe that marketers are focused enough on results to truly drive incremental customer demand. If the majority of executives think marketing programmes lack credibility, it simply doesn't make sense to bombard them with metrics that don't indicate bottom-line impact.

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

Let's get started!

73%

of directors don't believe that marketers are focused enough to truly deliver incremental customer demand

Customer Aquisition Cost

What is it?

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

Why does it matter?

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.

How do I 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

$$CAC = \frac{\text{Sales and marketing costs}}{\text{New customers}}$$

Example

Monthly sales and marketing = £10,000

Programme and advertising spend + salaries + commissions and bonuses + overheads in a month

New customers in a month = 25

£10,000 / 25 = £400

CAC = £400 per customer

Marketing % of CAC

2

What is it?

The Marketing % of Customer Acquisition Cost (M%-CAC) is the marketing portion of your total CAC, calculated as a percentage of the overall CAC.

Why does it matter?

The M%-CAC can show you 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:

- Your sales team could have underperformed (and consequently received lower commissions and/or bonuses
- Your marketing team is spending too much or has too many overheads
- You are in an investment phase, spending more on marketing to provide more high quality leads and improved your sales productivity

How do I calculate it?

Take all of your marketing costs for a month, quarter or year, and divide by the total sales and marketing costs you used to work out CAC.

Formula

$$\text{M\%-CAC} = \frac{\text{Marketing costs}}{\text{Sales and marketing costs}}$$

Example

Marketing costs = £5,000

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

Sales and marketing costs = £10,000

Programme and advertising spend + salaries + commissions and bonuses + overheads

£5,000 / £10,000 = 50%

M%-CAC = 50%

3

Ratio of Customer Lifetime Value to CAC

What is it?

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

Why does it matter?

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.

How do I calculate it?

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

Formula

LTV : CAC

LTV = (Revenue the customer pays in a period ***minus*** gross margin) ***divided by*** estimated churn % for that customer

Example

LTV = £2,000 CAC = £400

£2,000 : £400

5 : 1

Time to Payback CAC

4

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.

Why does it matter?

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 from your new customers. Generally, most businesses aim to make each new customer profitable in less than a year.

How do I 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.

Formula

$$\text{Time to Payback CAC} = \frac{\text{CAC}}{\text{Margin-adjusted revenue}}$$

Example

CAC = £400

Margin-adjusted revenue = £40

How much your customers pay on average per month

£400 / £40 = 10

Time to Payback CAC = 10 months

Marketing Originated Customer %

5

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.

Why does it matter?

This metric illustrates the direct impact that your marketing team's lead generation efforts have had 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% Margin Originated Customer %, whereas a company with an inside sales team and lead-focused marketing team might be at 40-80%.

How do I 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

$$\text{Marketing Originated Customer \%} = \frac{\text{New customers started as a marketing lead}}{\text{New customers in a month}}$$

Example

New customers started as a marketing lead = 15

Total new customers in a month = 25

15 / 25 = 0.6

Marketing Originated Customer % = 60%

Marketing Influenced Customer %

6

What is it?

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

Why does it matter?

This metric takes into account the impact that 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 finance director a big-picture look into the overall impact that marketing has on the entire sales process.

How do I 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

$$\text{Marketing Influenced Customer \%} = \frac{\text{Total new customers that interacted with marketing}}{\text{Total new customers}}$$

Example

Total new customers that interacted with marketing = 20

Total new customers = 25

20 / 25 = 0.8

Marketing Influenced Customer = 80%

When reporting your results to your directors, it's crucial to convey your performance in a way that the board can get excited about.

Conclusion

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 directors, it's crucial to convey your performance in a way that the board can get excited about.

Rather than talking about per-post Facebook engagement and other softer metrics, use the six metrics we detailed in this ebook to report on how your marketing programme has 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 positon to make the case for budgets and strategies that will benefit your marketing team now and in the future!

About Splitpixel

Splitpixel are a full-service digital solutions provider transforming the online presence of our clients.

Since 2008, we've been helping brands enhance their digital offering. We provide bespoke web design, brand development, marketing support, and consultancy to help you achieve your digital goals.

Our values

As a small digital agency based in Yorkshire, we pride ourselves in the way we approach digital solutions. Everything we do for our clients is done with accessibility, inclusivity, and sustainability in mind.

Accessibility

We are committed to meeting and exceeding AA accessibility standards, making easy-to-use websites, being easy to communicate with, and creating opportunities for people.

Inclusivity

We show up for our diverse team, we work with diverse organisations, we support charity and direct action, and we create inclusive content.

Sustainability

We offer sustainable hosting options with every web project, we pursue the most efficient structure and build the most efficient websites possible, and we operate sustainable business practices.

Let's talk!

Drop us an email on **greg@splitpixel.co.uk** or **hello@splitpixel.co.uk** if you have a project you'd like to discuss!

E: hello@splitpixel.co.uk
T: 01484 970 860

Heritage Exchange,
Wellington Mills,
Huddersfield,
Yorkshire, HD3 3HR

Follow us

/splitpixel-web-design
/splitpixelcreative
/splitpixelwebdesign
/@splitpixelcreative

www.splitpixel.co.uk

splitpixel