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Marketing Metrics Your Boss Actually Cares About

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Proving Your Worth, Simplified

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.

73% of executives don't believe that marketers are focused enough on results to truly drive incremental customer demand.

CAC Customer Acquisition Cost

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.



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

= CAC

HERE'S AN EXAMPLE

 SALES AND MARKETING COST = \$300,000

 NEW CUSTOMERS IN A MONTH = 30

$(\text{Money bag} \div \text{Person}) = \text{Money bag} \$300,000 \div \text{Person} 30 = \$10,000 \text{ PER CUSTOMER}$

CAC = \$10,000

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.

M%-CAC Marketing Percentage of CAC

What is it?

The Marketing Percentage of Customer Acquisition Cost (M%-CAC) 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.

$$\frac{\text{M\$} \text{ MARKETING COSTS = EXPENSES + SALARIES + COMMISSIONS AND BONUSES + OVERHEAD FOR THE MARKETING DEPARTMENT ONLY}}{\text{SM\$} \text{ SALES AND MARKETING COST = PROGRAM AND ADVERTISING SPEND + SALARIES + COMMISSIONS AND BONUSES + OVERHEAD IN A MONTH, QUARTER OR YEAR}} = \text{M\%-CAC}$$

HERE'S AN EXAMPLE

 MARKETING COST = \$150,000

 SALES AND MARKETING COST = \$300,000

$\$150,000 \div \$300,000 = 50\% \text{ OF CAC}$

What this Means and Why it Matters

The M%-CAC can show you how your marketing teams 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.

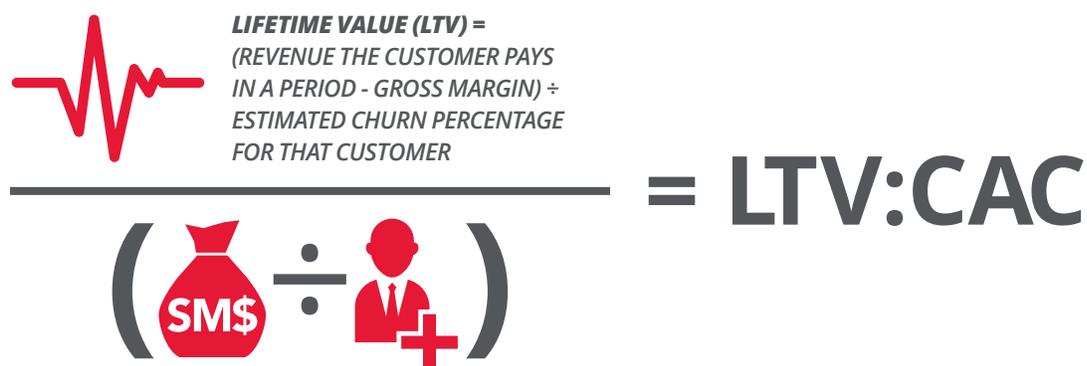
LTV:CAC Ratio of Customer Lifetime Value to CAC

What is it?

The Ratio of Customer Lifetime Value 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.

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

= LTV:CAC

(SM\$ ÷ (Person +))

HERE'S AN EXAMPLE

- ECG LTV = \$437,000

(SM\$ ÷ (Person +)) CAC = \$100,000

- ECG (SM\$ ÷ (Person +)) = \$437,000:\$100,000 = 4.4:1

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 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:

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.



HERE'S AN EXAMPLE

MARGIN-ADJUSTED REVENUE = \$1,000

$(\text{SM\$} \div \text{Person}) = \$10,000$

$\text{Person} \div (\text{SM\$} \div \text{Person}) = \$10,000 / \$1,000 = 10 \text{ MONTHS}$

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.

MOC% Marketing Originated Customer Percentage

What is it?

The Marketing Originated Customer Percentage (MOC%) 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 Percentage, 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.



NEW CUSTOMERS = NUMBER OF NEW CUSTOMERS IN A MONTH, QUARTER, OR YEAR



MARKETING ORIGINATED NEW CUSTOMERS
= TOTAL NEW CUSTOMERS IN A PERIOD THAT STARTED AS A MARKETING LEAD

= MOC%

HERE'S AN EXAMPLE

 TOTAL NEW CUSTOMERS IN A MONTH = 10,000

 TOTAL NEW CUSTOMERS STARTED AS A MARKETING LEAD = 5,000

 \div  = 10,000/5,000 = 50% MOC

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%.

MIC% Marketing Influenced Customer Percentage

What is it?

The Marketing Influenced Customer Percentage (MIC%) 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.



NEW CUSTOMERS = NUMBER OF NEW CUSTOMERS IN A MONTH, QUARTER, OR YEAR



MARKETING INFLUENCED CUSTOMERS = TOTAL NEW CUSTOMERS IN A PERIOD THAT INTERACTED WITH MARKETING

= MIC%

HERE'S AN EXAMPLE

 TOTAL NEW CUSTOMERS IN A MONTH = 10,000

 TOTAL NEW CUSTOMERS THAT INTERACTED WITH MARKETING = 7,000

$(\frac{7,000}{10,000}) = 70\%$ MIC

What this Means and Why it Matters:

This metric takes into account the impact marketing has on a lead during their entire buying life cycle. 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.

Conclusion

Don't Lose Sight of What's Important

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.

It's crucial to convey your performance in a way that your C-suite can get excited about

About Us

V2Works specializes in Brandgineering by Design™, their proven brand development process, that integrates innovative design and targeted strategy to achieve Brand Victory.

We were founded on the idea that client partnership and passion for brand innovation would make the difference in a more effective and efficient agency experience. Today, that idea holds true. Our creative team works directly with you, the client, to streamline the communication process and create great work — on time, on budget, and on strategy.

V2Works' methods have been used successfully to establish over 140 victorious brands — nationally and internationally. That's why we claim, with the greatest confidence, that our unique Brandgineering by Design™ Process leads to sustainable brand equity and compelling brand communication. That's the V2Works promise, and that's Brandgineering by Design.



Contact Us for a Free Consultation

www.v2works.com

Address: 17605 80th Court NE, Kenmore WA 98028

Web: www.V2Works.com

Phone: 425-398-1710

Email: troy@V2Works.com

Social: @v2works

