

# Business Metrics Lesson: Terminology and Formulas

Metric	Formula	Commonly Used Alternate Terms
<i>Marketing</i>		
<b>Click through rate (CTR)</b>	(Clicks/ Impressions) * 100	
<b>Cost Per Click (CPC)</b>	Cost of advertising on the source platform / Number of people who clicked on that ad	
<b>Cost Per Lead (CPL)</b>	Cost of advertising on the source platform / Total number of leads	
<b>Customer Acquisition Cost (CAC)</b>	(Total marketing expenses + total sales expenses and salaries)/ # of customers acquired	
<i>Marketing &amp; Financial</i>		
<b>Cost Per Acquisition (CPA)</b>	(Marketing and Sales Cost)/ number of new leads customers	
<b>Life Time Value (LTV)</b>	Average Sale Revenue x Number of Repeat Sales x Expected Retention Time x Profit Margin	
<b>Average Sale Revenue</b>	(Total customer revenue/ Number of purchases in the cycle)	
<b>Total Sale Revenue Per Cycle</b>	Revenue earned from customer per purchase cycle	
<b>Number of Sales Per Purchase Cycle</b>	Number of times customer buys during the purchase cycle	

<b>Cost Per Acquisition</b>	(Cost of marketing and sales)/ number of new leadsk	
<b>Expected Retention Time</b>	Amount of time (measured in purchasing cycles) you expect to retain the customer.	
<b>Average Sale Revenue</b>	(Total customer revenue/ Number of purchases in the cycle)	
<b>Profit Margin (%) Per Customer</b>	((Average Sale - Average Cost of Sale) / Average Sale) x 100	
<i>Growth</i>		
<b>Stickiness</b>	Daily Active Users/ Monthly Active Users	
<b>Churn rate</b>	(Customers beginning of month - Customers end of month) / Customers beginning of month	
<i>Financial</i>		
<b>Revenue</b>	Money that a company makes from the sales of its products and services	
<b>Cost of Goods Sold</b>	Direct costs the company incurs to develop and product the product or service being sold	Cost of Sales Cost of Revenue
<b>Gross Profit</b>	Revenue - Cost of Goods Sold	
<b>Selling, General and Administrative expenses</b>	Selling, General and Administrative expenses Marketing, sale commissions and salaries for office staff, supplies, computers, legal expenses, rent, utilities, taxes and interests on any loans). SG&A typically exclude research and development expenses.	Operating Expenses

<b>Total Operating Expenses</b>	Expenses incurred outside of direct manufacturing costs	
<b>Operating Profit</b>	Gross Profit - Total Operating Expenses	Operating Income, Earnings Before Interest and Tax (EBIT)
<b>Net Profit</b>	Operating Profit - (Interest + Taxes)	Net Income
<b>Gross Margin</b>	(Total Sales Revenue – Cost of Goods Sold) / Total Sales Revenue	
<b>Contribution Margin</b>	(Revenue - Variable Costs) / Total units sold	

Revenue Growth (in %) = (Current Year's Revenue / Previous year's revenue) - 1

Gross Margin = 1 - (Current Year's Cost of COGS / Current Year's Total Operating Margin = Current Year's Operating Income / Current Year's Total Revenue