

Business Metrics Lesson: Terminology and Formulas

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

Cost Per Acquisition	(Cost of marketing and sales)/ number of new leads	
Expected Retention Time	Amount of time (measured in purchasing cycles) you expect to retain the customer.	
Average Sale Revenue	(Total customer revenue/ Number of purchases in the cycle)	
Profit Margin (%) Per Customer	$((\text{Average Sale} - \text{Average Cost of Sale}) / \text{Average Sale}) \times 100$	
<i>Growth</i>		
Stickiness	Daily Active Users/ Monthly Active Users	
Churn rate	$(\text{Customers beginning of month} - \text{Customers end of month}) / \text{Customers beginning of month}$	
<i>Financial</i>		
Revenue	Money that a company makes from the sales of its products and services	
Cost of Goods Sold	Direct costs the company incurs to develop and produce the product or service being sold	Cost of Sales Cost of Revenue
Gross Profit	Revenue - Cost of Goods Sold	
Selling, General and Administrative expenses	Selling, General and Administrative expenses Marketing, sales 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

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

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

Gross Margin = $1 - (\text{Current Year's Cost of COGS} / \text{Current Year's Total Revenue})$
Operating Margin = Current Year's Operating Income / Current Year's Total Revenue