

# **7 metrics that show the value of your marketing**



**73% of executives don't believe...**

**...that marketers are focused enough  
on results to drive customer demand**

# #1. Customer Acquisition Cost (CAC)

The total average cost your company spends to acquire a new customer.

**Sales spend + marketing spend for specific period / number of new customers for same 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

**Example:**

 Sales and Marketing monthly cost = £300,000

 New customers in a month = 30

 ÷  CAC = £300,000 ÷ 30 = £10,000 per customer

**Why It Matters:** An increase in CAC can imply a problem with your sales or marketing efficiency.

## #2. Marketing % of Customer Acquisitions Cost


The marketing portion as a percentage of total CAC.

**Marketing costs / total sales + marketing costs used to compute CAC.**

**Sales and Marketing Cost** = Program and advertising spend + salaries + commissions and bonuses + overhead in a month, quarter or year

**Marketing Costs** = Expenses + salaries + commissions and bonuses + overhead for the marketing department only

**Example:**


$$\begin{array}{l} \text{Marketing Cost} = \text{£}150,000 \\ \text{Sales + Marketing Cost} = \text{£}300,000 \\ \text{M} \div \text{CAC} = \text{£}150,000 \div \text{£}300,000 = 50\% \end{array}$$

**Why It Matters:** An increase in M%-CAC can mean:

1. Reducing sales team performances which resulted in lower commissions
2. Overspend or too much overhead in the marketing team
3. Investment – spending more on leads which has not yet translated into new business

### #3. Customer Lifetime Value (LTV)

Total value derived from a customer over the time the lifetime of its association with your company

$$\text{Gross margin} * (\text{Retention rate} / [1 + \text{Rate of discount} - \text{Retention rate}])$$

**LTV:** There are different ways to calculate LTV – this is just one of them

**Example:**



**Margin = £1,500**



**Discount rate = 10%**



**Retention rate = 80%**



**LTV = £4,000**

$$£1,500 * \frac{0.80}{(1 + 0.1 - 0.80)}$$

**Why It Matters:** The higher your retention rate the bigger your profits (it's cheaper to retain than to acquire customers.) If your LTV is falling over time, look at your client support and service.







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

Total value derived from each customer compared to cost to acquire that new customer.

**LTV / CAC**

**Lifetime Value (LTV)** = Gross margin \* (Retention rate / [1 + Rate of discount – Retention rate])

**Example:**

 LTV = £437,000  
  CAC = £100,000  
 :   LTV:CAC = £437,000:£100,000 = 4.4 to 1

**Why It Matters:** The higher the LTV:CAC, the more ROI your sales and marketing team is delivering to your bottom line.

If the ratio is too high, (above 3:1) you may be under-investing in customer acquisition

## #5. Time to Payback CAC

The number of months it takes to earn back the money spent on acquiring new customers.

**CAC / revenue per month for your average new customer**

**Example:**



**Ave monthly revenue / client = £1,000**



**CAC = £10,000**



**Time to Payback CAC = £10,000 ÷ £1,000 = 10 months**

**Why It Matters:** 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.

## #6. Marketing Originated Customer %

Percentage of total customer acquisitions directly originated from marketing efforts.

**New customers originated as marketing lead / new customers in a month**

**Marketing Originated Customer Percentage:** Shows contribution of marketing lead generation efforts to customer acquisition.

**Example:**



**Total new customers in a month = 10,000**



**Total new customers started as a marketing lead = 5,000**



**Marketing Originated Customer % =  $5,000 / 10,000 = 50\%$  Months**

**Why It Matters:**

Ideal ratio will vary depending on business model:

- External sales team with internal sales support: 20-40%
- Internal sales team and lead-focused marketing team: 40-80%



## #7. Marketing-Influenced Customer %

Impact that marketing has on a lead during buying lifecycle

**Total new customers that interacted with marketing / Total new customers**

**Marketing-Influenced Customer Percentage:** A big-picture look at the overall impact that marketing has on the overall sales process.

**Example:**



**Total new customers = 10,000**



**Total new customers that interacted with marketing = 7,000**



**Marketing Originated Customers % = 7,000 / 10,000 = 70%**

**Why It Matters:** Shows how effective marketing is at generating leads, nurturing them, and giving quality MQLs to sales



## Conclusion

Marketers 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.

You still need to pay attention to site traffic, social shares, and conversion rates, but, as with any audience, it's essential to report your results to your executives in ways that are relevant and meaningful to them.

Use the 7 metrics in this booklet to show how your marketing program led to new customers, lower customer acquisition costs, or higher customer lifetime values.

Presenting marketing metrics that resonate with your decision-makers will put you in a much better position to make the case for budgets and strategies to further improve your company's business performance.

# About Us

Flagship Marketing was founded in 2018 to partner with FinTech firms that want to grow more.



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