Terms and Formulas to

Measure Your Marketing Goals

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Advertising KPIs: ROAS, ROI, CPR, CAC

Formula Name	What does this formula calculate?	What is the formula?	Formula Example Problem	Formula in Action
ROAS (Return on Ad Spend)	ROAS, or Return on Ad Spend, calculates how much revenue you made on your advertising, versus what you spent on your campaign.	Revenue ÷ Ad Cost = ROAS	If you spent $1 on advertising and made $10 off of that advertising, your ROAS is 10. It can also be expressed as 10:1, or 10x. That means that this advertising made ten times what was spent on it.	$10 ÷ $1 = 10 **Your ROAS is 10.**
ROI (Return on Investment)	Your ROI calculates your bigger-picture spending of revenues, investments, and advertising, versus the profits you make.	(Revenue – Investments) ÷ Investments = ROI	Let's say you're a company that made a revenue of $10,000 from a product. You invested $2800 into that product. This means your ROI was 2.57, and that you made 2.57 times what you invested in the product.	Total Revnue = $10,000 Investment = $2,800 ROI= ($10,000-$2,800) ÷ $2,800 = 2.57 **Your ROI is 2.57.**
CPR (Cost Per Result)	Your cost per result looks at how much you paid for a specific result. This could be a link click, a lead, an app install, a customer buying a product, engagement with a post, an impression, or any number of other actions you wanted to happen.	Total spent ÷ # of Results = CPR	Let's say you spend $200 on a reach campaign, and get 1000 impressions. Your cost per results would be 20 cents/ impression.	$200 ÷ 1000 impressions = .20 **Your cost per result is $0.20 per impression.**
CAC (Customer Acquisition Cost)	Your customer acquisition cost is the total marketing cost you spend to get one new customer. It's actually a type of ROI, that measures conversions among new customers.	Total cost of sales ÷ Number of customers acquired = CAC* *This only applies in conversion campaigns that target new customers.	Let's say you spend a sum total of $19,000 targeting new customers, and make 1000 sales to 1000 new customers. This means your CAC is $19.	$19,000 ÷ 1,000 = $19 **Your CAC is $19.**

Customer Value KPIs: ACV, ACL, LTV

Formula Name	Formula Description	Formula	Formula Example Problem	Formula in Action
ACV (Average Customer's Value)	The ACV, or **Average Customer's Value**, is how much a customer spends in a set amount of time. This is done by multiplying the **Average Purchase Value**, or the average amount a customer spends per purchase, by the **Average Purchase Frequency Rate,** which is how many purchases you would typically get from one customer.	**Average Customer's Value =** (Average Purchase Value) x (Average Purchase Frequency Rate) To determine the **Average Purchase Value**, we solve for: Total Revenue ÷ Total Purchases = APV And to determine the **Average Purchase Frequency Rate**, we solve for: Number of Purchases ÷ Number of Customers = APFR Thus, the **Average Customer's Value** formula can also be written as: ACV= (Total Revenue/Total Purchases) x (# of Purchases/#of Customers)	Let's say we have a company that makes $1000 in revenue, and has 50 customers. The customers have bought 100 items, combined in one month. How do we calculate our ACV?	ACV= ($1000/ 100 purchases) x (100 purchases in one month / 50 customers) Our **Average Customer's Valu**e is $20/month.
ACL (Average Customer Lifespan)	The **Average Customer Lifespan** is how long a customer relationship typically lasts with your company. You may know this data from experience, or by looking at your churn rate, or, if you're a younger company, by forecasting.	There's no formula for this. You'll have to rely on company data or a forecasting tool.	For our exercise, we'll say the Average Customer Lifespan is 5 years, or 60 months.	N/A
LTV (Customer Lifetime Value)	Your LTV both estimates and measures how much your customer will spend with your business over the span of their relationship with you.	LTV= (Average Customer's Value) x (Average Customer Lifespan)	Now we know our Average Customer Value is $40/month, and a customer's lifespan, or relationship with our company typically lasts 60 months. This means our Customer Lifetime Value is $2400.	LTV= ($20/month) x (60 months) **Our Customer Lifetime Value is $1,200.**


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