**6 Marketing Metrics That Founders and Executives Actually Care About**

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 sheet aims to walk you through the critical marketing metrics founders actually want to know.

**Metric #1: Customer Acquisition Cost (CAC)**

**What It Is:**

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 + commission and bonuses + overhead in a month, quarter or year

**New Customers =** Number of new customers in a month, quarter, or year

**Formula: Sales and Marketing Cost ÷ New Customers = CAC**

***Example:***

**Sales and Marketing Cost per month= $ 300,000**

**New Customers per month = 30**

**CAC = $ 300,000/30 = $10,000 per customer per month**

**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.

**Metric #2: Marketing % of Customer Acquisitions Cost (M%-CAC)**

**What It Is:**

The Marketing % of Customer Acquisition Cost 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.

**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

**Formula: Marketing Costs ÷ Sales and Marketing Costs = M%-CAC**

***Example:***

**Marketing Costs = $150,000**

**Sales and Marketing Costs = $300,000**

**M%-CAC = $150,000/$300,000 = 50%**

**What This Means and Why It Matters:**

The M%-CAC can show you how your marketing team’s 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.

**Metric #3: Ratio of Customer Lifetime Value to CAC (LTV:CAC)**

**What It Is:**

The Ratio of Customer Lifetime Value to 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

**Formula: LTV:CAC**

***Example:***

**LTV = $400,000**

**CSC = $100,000**

**LTV:CAC = $400,000 : $100,000 = 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.

**Metric #4: Time to Payback CAC**

# What It Is:

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.

**Margin-Adjusted Revenue** = How much your customers pay on average per month

**Formula: CAC ÷ Margin-Adjusted Revenue = Time to Payback CAC**

***Example:***

**Margin-Adjusted Revenue = $1,000**

**CAC = $10,000**

**Time to Payback CAC = $10,000/$1,000 = 10 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.

**Metric #5: Marketing Originated Customer %**

**What It Is:**

The Marketing Originated Customer % 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 %, 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.

**Formula:**

**Total new customers started as a marketing lead ÷ Total new customers = Marketing Originated Customer %**

***Example:***

**Total new customers = 10,000**

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

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

**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% Margin Originated Customer %, whereas a company with an inside sales team and lead focused marketing team might be at 40–80%.

# Metric #6: Marketing Influenced Customer %

# What It Is:

The Marketing Influenced Customer % 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.

**Formula:**

**Total new customers that interacted with marketing ÷ Total new customers = Marketing Influenced Customer %**

***Example:***

# Total new customers = 10,000

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

# Marketing Influenced Customer % = 7,000/10,000 = 70%

**What This Means and Why It Matters:**

This metric takes into account the impact marketing has on a lead during their entire buying lifecycle. 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 to look into the overall impact that marketing has on the entire sales process.

**Summary**

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 the right audience, it’s crucial to convey your performance in a way that leaders can get excited about.

Rather than talking about per-post Facebook engagement and other “softer” metrics, use the six metrics detailed in this sheet to report on how your marketing programs 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.