CHEAT SHEET

THE 6 MARKETING METRICS YOUR CLIENTS ACTUALLY CARE ABOUT.

Prove the ROI of your marketing efforts by presenting these six metrics.

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Introduction.

As marketers, we work tirelessly to move the needle on what often seems like a laundry list of metrics. We look at website visits, conversion rates, generated leads per channel, engagement on social media platforms, blog post shares, email click-through rates… and the list goes on and on. When the time comes to present the impact of your marketing efforts to your clients, you can't present them with everything you measure.

While many client executives theoretically understand that marketing can directly impact their company's bottom line, 73% of executives don't believe that marketers are focused enough on results to truly drive incremental customer demand. If the majority of executives think marketing programs lack credibility, it simply doesn't make sense to bombard them with metrics that don't indicate bottom-line impact.

When it comes to marketing metrics that matter to your clients, expect to report on data that deals with the total cost of marketing, salaries, overhead, revenue, and customer acquisitions. This guide will walk you through the six critical marketing metrics your clients actually want to know. If they really want to illustrate how their investment in your agency resulted in revenue, they'll be willing to provide your agency with certain numbers to finish the calculations.

Let's get started.

Customer Acquisition Cost (CAC)

What It Is: The Customer Acquisition Cost (CAC) is a metric used to determine the total average cost your client spends to aquire a new customer.

How to Calculate It: Work with your client to get 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 + commissions 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

Let's Look at an Example:

Sales and Marketing Cost = $300,000

New customers in a month = 30

÷ **CAC** = $300,000 ÷ 30 = $10,000 per customer

What This Means and Why It Matters: CAC illustrates how much your client is spending per new customer acquired. They want a low average CAC. An increase in CAC means that your client is spending comparatively more for each new customer, which can imply there's a problem with their sales or marketing efficiency.

Agency % of Customer Acquisition Cost

What It Is: The Agency % of Customer Acquisition Cost is your marketing agency's portion of your client's total CAC, calculated as a percentage of the overall CAC.

How to Calculate It: Take your client's total marketing dollars allocated to your agency and divide by their total sales and marketing costs.

Agency Marketing Spend = Total agency program and advertising spend in a month, quarter or year

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

Formula: Marketing Cost ÷ Sales and Marketing Costs = A%-CAC

Let's Look at an Example:

Agency Marketing Spend = $150,000

Sales and Marketing Cost = $300,000

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

What This Means and Why It Matters: The A%-CAC can show you how your marketing team's performance impacts your client's Customer Acquisition cost. An increase in A%-CAC can mean a number of things: Your client's sales team could have underperformed (and consequently received) lower commissions and/or bonuses; your client's marketing spend could be too high; or perhaps your client is in an investment phase, spending more on marketing to generate higher quality leads to improve sales productivity.

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 client derives from each customer compared with what they 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

Let's Look at an Example:

LTV = $437,500

CAC = $100,000

LTV:CAC = $437,5000:$100,000 = 4.4 to 1

What This Means and Why It Matters: The higher the LTV:CAC, the more ROI your client's sales and marketing team is delivering to their bottom line. However, you don't want this ratio to be too high, as your client should always be investing in reaching new customers. Spendng more on sales and marketing will reduce the LTV:CAC ratio, but could help speed up your client's total company growth.

Time to Payback CAC

What It Is: The Time to Payback CAC shows you the number of months it takes for your client to earn back the CAC it spent acquiring new customers.

How to Calculate It: You calculate the Time to Payback CAC by taking the CAC and dividing by your client's margin-adjusted revenue per month for an average new customer.

Margin-Adjusted Revenue = How much your client's customers pay on average per month

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

Let's Look at an 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 end customers pay a monthly or annual fee, clients normally want their Payback Time to be under 12 months. The less time it takes to pay back the CAC, the sooner your client can start making money from new customers. Generally, most businesses aim to make each new customer profitable in less than a year.

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 client's total customer acquisitions directly originated from your agency's 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 agency's marketing team.

Formula: New customers started as a marketing lead ÷ New customers in a month = Marketing Originated Customer %

Let's Look at an Example:

- **Total new customers in a month** = 10,000
- **Total new customers started as a marketing lead** = 5,000
- **Marketing Originated Customer %** = 10,000 ÷ 5,000 = 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 with your client, so your ideal ratio will vary depending on the client's 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%.

Marketing Influenced Customer %

What It Is: The Marketing Influenced Customer % takes into account all of the new customers that your marketing team 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 client accrued in a given period, and find out what % of them had any interaction with your team while they were a lead.

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

Let's Look at an Example:

- **Total new customers** = 10,000
- **Total new customers that interacted with marketing** = 7,000
- ÷ **Marketing Originated Customer %** = 10,000 ÷ 7,000 = 70%

What This Means and Why It Matters: This metric takes into account the impact agency marketing has on a lead during their entire buying lifecycle. It can indicate how effective your marketing team is at generating new leads, nurturing existing ones, and helping your client's sales team close the deal. It gives your client's CEO or CFO a big-picture look into the overall impact marketing has on the sales process.

Conclusion.

As marketers, we 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. Reporting on bottom-line business impact doesn't mean your agency should no longer pay attention to site traffic, social shares, and conversion rates. It simply means that when reporting your results to your client, it's crucial to convey your performance in a way that their C-suite can get excited about.

Rather than talking about per-post Facebook engagement and other "softer" metrics, use the six metrics we detailed in this cheat sheet to report on how your marketing program led to new customers, lower customer acquisition costs, or higher customer lifetime values. When you can present marketing metrics that resonate with your client and their decision-makers, you'll be in a much better positon to make the case for budgets and strategies that will benefit your agency now and in the future.

PROVE THE VALUE OF YOUR MARKETING WITH HUBSPOT.

Since 73% of executives don't believe marketers are focused enough on metrics that matter, proving the return on investment of your marketing is more important than ever before. Sign up for a free demo of the HubSpot marketing software to learn how you can more effectively measure bottom-line impact.

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