

# Marketing Metrics

METRIC NAME	HOW TO COMPUTE	WHAT IT MEANS	NORMS
<b>CAC</b> Customer Acquisition Cost	All sales & marketing expenses including overhead $\frac{\text{Total Sales \& Marketing Expenses}}{\text{Number of new customers added for the period}}$	A certain level of marketing spend is expected for each new customer added. It may lend understanding of marketing's impact on new sales, the lifeblood of many businesses.	Differ by industry
<b>M% of CAC</b> Marketing % of Customer Acquisition Cost	Marketing costs only $\frac{\text{Marketing Costs}}{\text{CAC}}$	If lower % than industry norms, you may be the fortunate exception, or you may have much to gain by investing more in Marketing.	<b>For companies with:</b> <ul style="list-style-type: none"> <li>• Outside sales primarily 10-30%</li> <li>• Inside sales primarily 50%</li> <li>• Very small sales team/cost 60-90%</li> </ul>
<b>LTV:CAC</b> Ratio of Customer Lifetime Value to CAC	Total lifetime sales to a typical customer (adjusted by gross margin) $\frac{\text{Total Lifetime Sales}}{\text{CAC}}$	High ratio indicates higher ROI for sales and marketing.	<b>3:1</b> or better would be a good target  <b>4:1</b> or better might suggest that you are under-investing in sales and marketing
<b>Time to Payback from CAC</b>	$\frac{\text{CAC}}{\text{Sales per customer per month}}$	Shorter time frames are best.	<b>&lt;6 months</b> For many businesses, this quick payback would indicate that you have much to gain by increasing marketing and sales efforts  <b>&gt;18 months</b> Not sustainable. Reduce or change the plan.
<b>Marketing Originated Customers Percentage</b>	Total number of customers added that started with a marketing touch $\frac{\text{Marketing Originated Customers}}{\text{All customers added}}$ Express as a percentage (%)	Marketing or sales may be leading customer acquisition, depending upon this %.	<b>For companies with:</b> <ul style="list-style-type: none"> <li>• Outside sales primarily 20-40%</li> <li>• Inside sales primarily 40-80%</li> <li>• Very small sales team/cost 70-95%</li> </ul>