

A man with a beard and glasses, wearing a blue polo shirt, is pointing with a black marker at a wall covered in various marketing metrics and charts. A woman with glasses and a brown top is standing behind him, looking at the wall. The wall features a bar chart with yellow and black bars, a pie chart, and several photographs of people in business settings. The text 'The six marketing metrics your MD really cares about' is written in white, cursive font across the top of the image.

*The six  
marketing metrics  
your MD really  
cares about*

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

# Proving Marketing Matters

**As marketers, we work hard to make an impact on so many different 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.**

It's your job as a marketer to communicate with stakeholders, cutting through the noise, and it's no different here. When the time comes to present the impact of your marketing efforts to your MD, you can't present him or her with everything you measure.

While many MDs theoretically understand that a solid marketing team can directly impact your company's bottom line, 73% of Directors don't believe that marketers are focused enough on results to truly drive incremental customer demand. If the majority of executives think marketing programmes 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 MD, 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 MD actually wants to know.

**Let's get started!**

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**of directors don't believe that marketers are focused enough on results to truly drive incremental customer demand.**

# Customer Acquisition Cost

## What is it?

The Customer Acquisition Cost (CAC) is a metric used to determine the total average cost your company spends to acquire a new customer.

## Why does it matter?

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.

## How do I 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.

### Formula

Sales & Marketing Costs  $\div$  New Customers = CAC

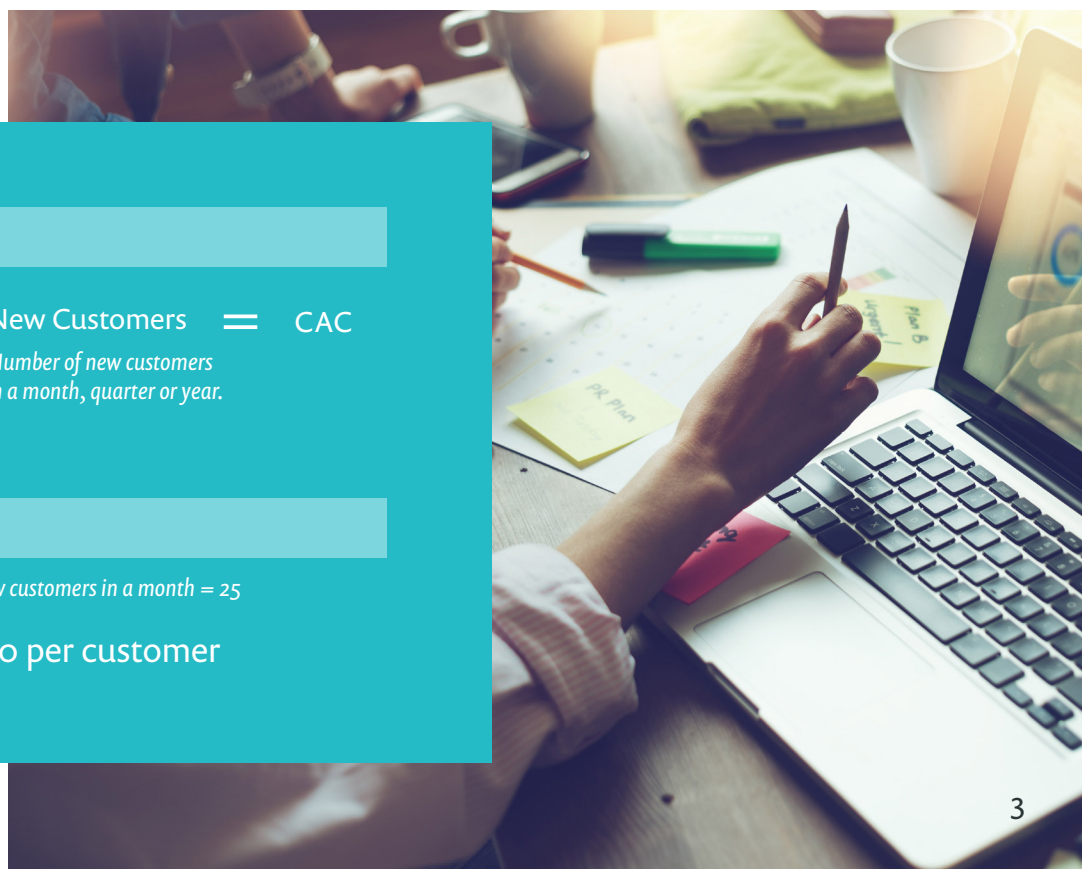
*Programme and advertising spend + salaries + commissions and bonuses + overhead in a month, quarter or year.*

*Number of new customers in a month, quarter or year.*

### Example

Monthly Sales & Marketing = £10,000      New customers in a month = 25

£10,000  $\div$  25 = £400 per customer



# Marketing % of CAC



## What is it?

The Marketing % of Customer Acquisition Cost (M%-CAC) is the marketing portion of your total CAC, calculated as a percentage of the overall CAC.

## Why does it matter?

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:

- Your sales team could have underperformed (and consequently received lower commissions and/or bonuses).
- Your marketing team is spending too much or has too many overheads.
- You are in an investment phase, spending more on marketing to provide more high quality leads and improve your sales productivity.

## How do I calculate it?

Take all of your marketing costs for a month, quarter or year, and divide by the total sales and marketing costs you used to work out CAC.

### Formula

$$\begin{array}{l} \text{Marketing Cost} \\ \text{Expenses + salaries + commissions and} \\ \text{bonuses + overhead for the marketing} \\ \text{department only.} \end{array} \div \begin{array}{l} \text{Sales \& Marketing Costs} \\ \text{Programme and advertising spend +} \\ \text{salaries + commissions and bonuses +} \\ \text{overheads.} \end{array} = \text{M\%-CAC}$$

### Example

Marketing Cost = £5,000      Sales & Marketing Costs = £10,000

$$£5,000 \div £10,000 = 50\%$$

# Ratio of Customer Lifetime Value to CAC

## What is it?

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

## Why does it matter?

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.

## How do I calculate it?

To calculate the LTV:CAC you'll need to compute the Lifetime Value, the CAC and find the ratio of the two.



### Formula

LTV : CAC

*LTV = (Revenue the customer pays in a period — gross margin) / Estimated churn % for that customer.*

### Example

LTV = £2,000    CAC = £400

£2,000 : £400 = 5 to 1

# Time to Payback CAC

## What is it?

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.

## Why does it matter?

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 from your new customers. Generally, most businesses aim to make each new customer profitable in less than a year.

## How do I 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.

### Formula

$$\text{CAC} \div \text{Margin-adjusted Revenue} = \text{Time to Payback CAC}$$

*How much your customers pay on average per month.*

### Example

$$\text{CAC} = \text{£400} \quad \text{Margin-adjusted Revenue} = \text{£40}$$

$$\text{£400} \div \text{£40} = 10 \text{ Months}$$



# Marketing Originated Customer %



## What is it?

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.

## Why does it matter?

This metric illustrates the direct impact that your marketing team's lead generation efforts have had 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% Marketing Originated Customer %, whereas a company with an inside sales team and lead- focused marketing team might be at 40-80%.

## How do I 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

$$\text{New customers started as a marketing lead} \div \text{New customers in a month} = \text{Marketing Originated Customer \%}$$

### Example

*Total new customers started as a marketing lead = 15*    *Total new customers in a month = 25*

$$15 \div 25 = 60\%$$

# Marketing Influenced Customer %

## What is it?

The Marketing Influenced Customer % takes into account all of the new customers that marketing interacted with while they were leads, any time during the sales process.

## Why does it matter?

This metric takes into account the impact that 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 finance director a big-picture look into the overall impact that marketing has on the entire sales process.

## How do I 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

$$\frac{\text{Total new customers that interacted with marketing}}{\text{Total new customers}} = \text{Marketing Influenced Customer \%}$$

### Example

Total new customers that interacted with marketing = 20  
Total new customers = 25

$$20 \div 25 = 80\%$$



# 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 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 your directors, it's crucial to convey your performance in a way that the board can get excited about.

Rather than talking about per-post Facebook engagement and other softer metrics, use the six metrics we detailed in this ebook to report on how your marketing programme has 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!

**When reporting your results to your directors, it's crucial to convey your performance in a way that the board can get excited about.**



# About Splitpixel

Founded in Yorkshire in 2008 as a team of three making websites, Splitpixel has grown over the past decade into a full-service digital agency that specialises in design, development and digital marketing.

We focus on creativity, customer service, and achieving good results for our clients. Honesty, good value, and helpful advice that's accessible to everyone has always been what we're about, right from the very start.

We're very proud to have worked with such a diverse range of businesses not just in Yorkshire, but across the whole of the UK. From SMEs to national blue-chip companies, we still aim to give everyone that same accessible service that we've provided all along.

So drop us a line - let's see what we can work on with you. We can't wait to get started!

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