

PENHEEL MARKETING

CRACKING THE MARKETING ROI CODE



Formulas and examples to turn a poor- or low-performing campaign into a high-performing effort.

A HOW-TO GUIDE

No matter how much your marketing budget is, analyzing its return on investment (ROI) is important. You want to make sure what you've spent not only was returned, but that you also met your marketing goal.

In this booklet, I'll share a variety of formulas and examples you can use to determine ROI, but also tips on how to turn a poor- or low-performing campaign into a high-performing effort.

WHAT'S INSIDE:

8 KPIs That Keep CMOs Up at Night

- Sales revenue from inbound marketing
- Customer acquisition cost (CAC)
- Cost per lead (CPL)
- Customer lifetime value
- Customer retention rate
- Lead-to-customer ratio (sales closing ratio)
- Form conversion rate
- Marketing ROI

How to Read the Data

How to Track Website and Social Media Content

ROI Activity Worksheet

8 KPIS THAT KEEP CMOS UP AT NIGHT

No matter how much your marketing budget is, analyzing its return on investment (ROI) is important. You want to make sure what you've spent not only was returned, but that you also met your marketing goal.

In this booklet I'll share a variety of formulas and examples you can use to determine ROI. Plus tips on how to turn a poor- or low-performing campaign into a high-performing effort. I'll share formulas for:

1. Sales revenue from inbound marketing
2. Customer acquisition cost (CAC)
3. Cost per lead (CPL)
4. Customer lifetime value
5. Customer retention rate
6. Lead-to-customer ratio (sales closing ratio)
7. Form conversion rate
8. Marketing ROI

Let's take a look at each.

Sales Revenue from Inbound Marketing

This metric indicates whether repeating the same effort is the right thing to do, or if you're going down the path of insanity.

It is broken down into three sections, such as:

- Revenue per product: Is there a certain product that's performing well? If so, should your marketers be dedicating more time to promoting it?

- Revenue per territory: Is there a certain sales territory that's more willing to buy? Should you rework your marketing strategy to align with this sales territory?
- Revenue per customer: How much revenue are existing customers contributing? What about new customers?

Customer Acquisition Cost (CAC)

This metric is the total amount of money it took to convince a lead to become a customer. Below is the formula and an example.

Customer acquisition cost = expenses related to acquiring customers ÷ number of customers

Example

Let's say your company spent \$2,000 on customer acquisition and the effort resulted in 400 customers, the calculation looks like this:

$$\text{\$2,000} / 400 = \text{\$5 CAC}$$

That means the marketing team was able to acquire each new customer for just \$5.

If you've ever watched Shark Tank, Mark Cuban often asks business owners what their CAC is. If you don't know, you could be spending a lot more on acquiring customers than their lifetime value. More on that later.

Cost Per Lead (CPL)

This metrics shows your team exactly the amount you're spending to gain a new lead. Leads, remember, are not new customers. They are prospects that work their way down the marketing funnel. Below is the formula and an example.

Average CPL = total marketing cost / total new leads

Example

If the total cost of a single campaign is \$2,000 and after running its course, 400 new leads were gained, then the average CPL is \$5.

$$\text{\$2,000} / 400 = \text{\$5 CPL}$$

Customer Lifetime Value

This metrics is a prediction of the total amount of money that a customer will spend with your business during its lifetime. The formula and example follow.

Customer lifetime value = revenue x gross margin x average # of repeat purchases

Example

The average business' sale is \$500 and the average customer buys products or services from your company three times per year for two years.

$$\text{Customer lifetime value} = \text{\$500} \times 3 \times 2 = \text{\$3,000}$$

Gross margin is calculated at 20% (a common margin amount)

$$\text{Customer lifetime value} = \text{\$3,000} \times 20\% = \text{\$600.}$$

Customer Retention Rate

This metrics is an indicator that your business is providing value that your customers struggle to find elsewhere, and they're happy with the way they're being served.

Customer retention rate = (# of customers at the end of the period - # of customers acquired during the period) / number of customers at the start of the period

Example

Let's say your business started the month with 200 customers. During the month, you lost 5 customers, but also gained 10. At the end of the month, you would have 205 customers, which is a 97.5% retention rate. Here's how that's calculated.

$$(205 - 10) / 200 = 97.5\%$$

Lead-To-Customer Ratio (sales closing ratio)

This metrics is a critical number that marketing teams should measure to determine conversion effectiveness. Below is its formula and an example of how it's used.

Lead-to-customer ratio = # of qualified leads that resulted in sales / total # of qualified leads

Example

Your marketing team generates 100 qualified leads in one month. Out of those leads, 10 made a purchase, which means you had a 10% conversion rate (10 / 100 = 10%).

Form Conversion Rate

If you're like me, your website has a lot of forms to collect lead generation data. For visitors, the value might come from an eBook, a demo, a live webinar, or a checklist. For marketers looking to collect leads, value comes from contact information. Here is the formula, along with an example to demonstrate the conversion rate.

Form conversion rate = # of form submissions / # of page visitors

Example

The landing page is for a webinar registration. In its first week, there are 1,200 visitors and 360 submissions. The form's conversion rate is then 30% ($360 / 1200 = 30\%$).

Marketing ROI

Overall, companies that measure their ROI should take several factors into consideration, which makes the formula more complex. It looks simple enough, but there are many factors that make up some of the numbers. Below is the formula. Plus, there's an example.

$$(\text{Total Revenue} - \text{Total Investment}) / \text{Total Investment} = \text{ROI\%}$$

Calculate Your Total Revenue

Total Visits from Campaign = 825

Landing page conversion rate = 14%

Close rate: 45%

Lifetime customer value: \$645

Leads = 115.5 (Visits x Conversion Rate% or $825 \times 14\%$)

Sales = 51.97 (Leads x Close Rate% or $115.5 \times 45\%$)

Total Revenue = \$33,520.65

(Sales x Lifetime Value or 51.97×645)

Calculate Your Investment

There are many items that fall into expenses as it relates to investment. This graphic is just a few of the things to consider. You may have more expenses that impact your overall investment.

Total Ad Spend = \$485

Content Creation Costs = \$75

Labor Costs = \$220

Total investment = Ad Spend + Creation Costs + Labor Costs

$\$485 + \$75 + \$220 = \780

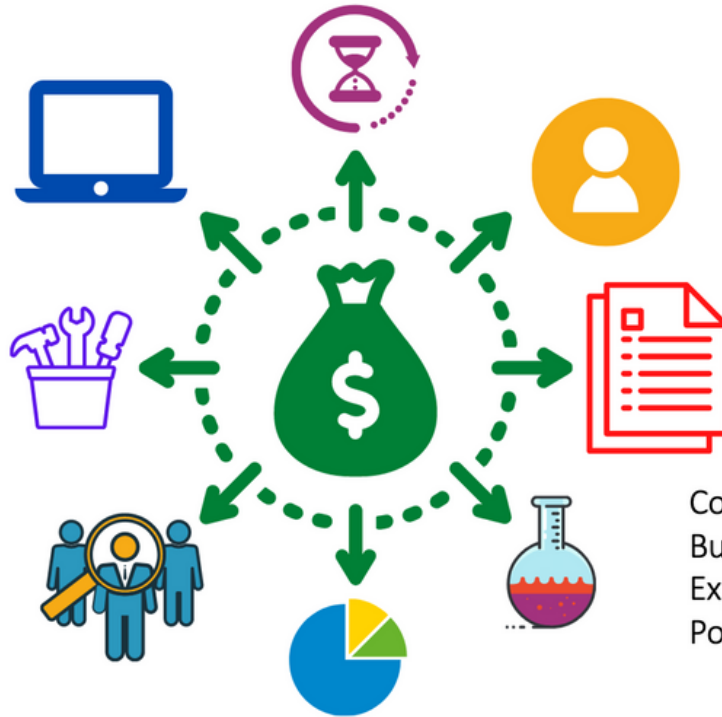
ROI Formula

$(\text{Total Revenue} - \text{Total Investment}) / \text{Total Investment} = \text{ROI\%}$

$$(\$33,520.65 - \$780) / \$780 = 41.97\%$$

Calculate

Time
Software
Tools
Competition



Contractors
Business Case
Experimental Fund
Portion of the budget

Above are several expense or investments you might include in your ROI calculation.

For those who are less mathematically inclined, there is an online, Hootsuite formula tool that might come in handy. Find that at <https://www.hootsuite.com/tools/social-roi-calculator>.

**"THE MODERN MARKETER IS AN
EXPLORER, AN EXPERIMENTER AND A
LOVER OF DATA, INSIGHTS, AND ROI."
- TIM WODA / CEO**

HOW TO READ THE DATA

When it comes to social media marketing metrics, here are some key performance indicators you should be looking at and what you can do if they are under-performing.

Also, keep in mind, if someone says you cannot track social media to the bottom line, they are misinformed. You actually CAN follow the lead to the money. Here's how.

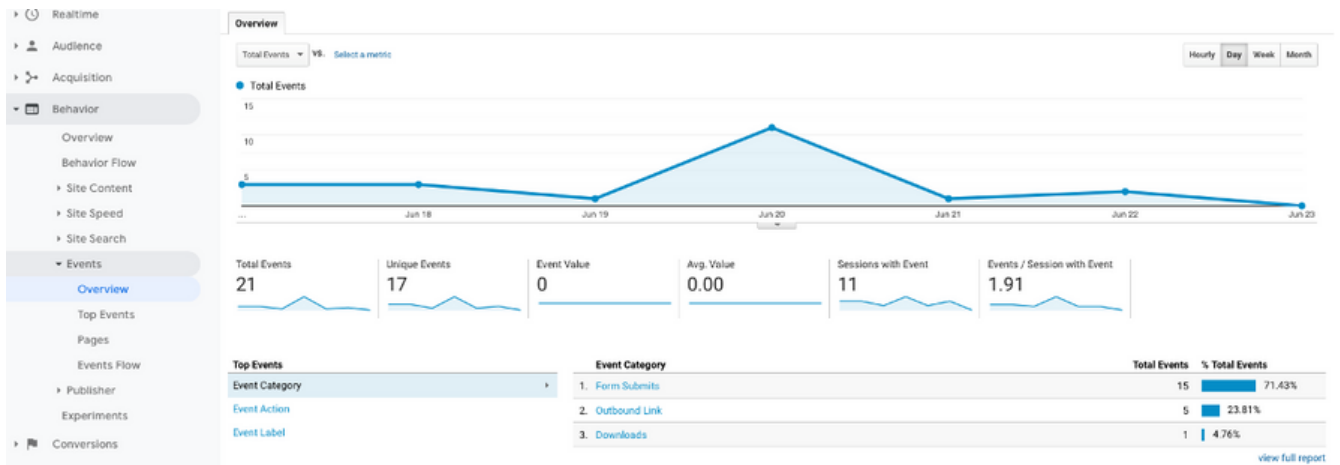
Keep track of leads and define them how you choose. For example, someone asks about your services after supplying helpful answers on LinkedIn or Twitter. Or, a fan expresses loyalty to your brand and says they plan to buy another product as a gift. Both are sales-ready leads, so count them up.

You can also count leads using your website analytics tools. If you have Google Analytics, you can view that information under [Acquisition > All Traffic > Channels > Social](#). This will show you how many people organically visited the website from social media pages.

If you are using paid campaigns on social media or other platforms, you can also view how many people came to the site from social media by viewing [Acquisition > Campaigns > All Campaigns](#).

Another tip to calculate ROI when using Google Analytics is to use Google's Tag Manager feature. That feature allows you to calculate the costs to produce content for the website, such as webinars, eBooks, whitepapers, case studies, as well as products you sell. That data is then shown under [Behavior > Events > Overview](#).

On the following, you can see the number of forms submitted, outbound links that were clicked, and the number of downloads completed. Each of those items may have a dollar amount associated with them, which you define before setting up the tracking.



For more on Google Analytics and content metrics, download our eBook “Are My Content Development Efforts Paying Off” <https://penheel.com/content-development-ebook>.

**"WITHOUT BIG DATA ANALYTICS,
COMPANIES ARE BLIND AND DEAF,
WANDERING OUT ONTO THE WEB LIKE
DEER ON A FREEWAY." – BY GEOFFREY
MOORE, AN AMERICAN MANAGEMENT
CONSULTANT AND AUTHOR**

Likes & Shares

The simplest metric you'll need to track are the number of likes and shares that your posts receive.

Both of those options give you the opportunity to immediately get a sense of how your post is doing and to widen your reach exponentially as people share your posts with their circles of followers.

Audience Growth Rate

Another obvious metric to keep an eye on is the number of followers you've gained over the last month, week, or even day. It's important to pay attention to the rate that you're obtaining followers.

If you see a slow and unreliable trickle of people following your accounts, you may want to increase your posting speed. If you're losing followers, you should examine what has been shared or posted recently and question whether you need to adjust your strategy.

Followers vs. Following Ratio

It's highly recommended that you follow other accounts that share your interests or that are related to your business or industry. But keep an eye on the balance between the number of followers you have versus the number of people you're following.

If you have 88 followers, but you're following 300 people, this might appear desperate and could deter users from engaging with you. It's always a good idea to keep the numbers within the same ballpark. Or better yet, have more people following you than you following others.

Active Fans

While it's great to watch the number of fans you have go up, not all of them are equal. Keep track of the number of fans who interact with your business — whether they comment on your Facebook posts, review your Facebook page, retweet your tweets, or otherwise talk to or about your business.

These advocates are significantly more important than fans who might not even see your business page more than once. Keep interacting with them, and watch the percentage of active fans rise.

Organic vs Paid

Organic traffic refers to the customers that you get through posting free content and the social community that you build.

Paid social, on the other hand, refers to the advertisements or sponsored messages you're using to try and reach target demographics. When running a pay-per-click campaign, it's important to keep track of the return on investment to see whether you should re-invest in new keywords.

Clicks per Post

When sharing blog posts or third-party content, it is important to measure the number of times that users have clicked on the links you've included. This helps you determine how much traffic your social media efforts are bringing in and whether you need to post even more.

It also shows you whether your content is aligned with your brand message and the target audience you're trying to reach.

Lead Generation

Ideally, your audience won't just look at your posts and never engage with your business; but will rather, look at it and engage with it.

You should be tracking the number of people that visit your site from your social media accounts, as well as which social media accounts generate the most leads.

Audience Demographics

Let's say your business has 1,000 followers on Twitter.

You can collect important data about those 1,000 followers, like age, gender, geographic location, and even their likes and interests.

Keep in mind, countries and some U.S. states have data suppression methods in place.

This information is crucial because it can help you paint a picture of your target market, understand what they are interested in, and – most importantly – what they want (which you'll give them).

Audience Mentions

Social media users can mention your business on other websites, whether it's a blog or their own personal social media accounts. Not paying attention to what is being said about your business could cause you to overlook a serious complaint, which could then lead to a ruined customer relationship.

It's never fun when your reputation gets tarnished in the eyes of potential customers. Respond to comments, questions, or criticisms whenever possible, and maintain the image of a company that cares about what its customers have to say.



HOW TO TRACK WEBSITE & SOCIAL MEDIA CONTENT

Now that you have all these metrics, how can you easily track what's happening on your site and in social media? The easiest thing you can do is use a UTM code.

A UTM code is a snippet of simple code that is added to the end of a URL to track the performance of campaign. Search for free, online UTM builders to help you build trackable links, such as Raven Tools or Google's URL builder.

There are several fields that should always be completed, plus a few optional fields, including:

- Campaign Source: The tool used to distribute the content, e.g., MailChimp, Hootsuite, Event Brite, postcard, etc.
- Campaign Medium: The method in which it's being sent, e.g., email, Facebook, video, conference, magazine, etc.
- Campaign Name: This is used to identify a specific product, promotion, or campaign.
- Campaign Term: Optional and is used for paid search campaigns. You'd include a keyword term in this field.
- Campaign Content: Optional and is good to use when A/B split testing the same source / medium / name. It assists in differentiating ads or links pointing to the same URL.

For example, the campaign source below is MailChimp (the tool used to distribute the content). The medium is email. And, the campaign name is a shortened version of the full URL.

https://penheel.com/4-crucial-components-for-every-brand?utm_source=mailchimp&utm_medium=email&utm_campaign=4-brand-components

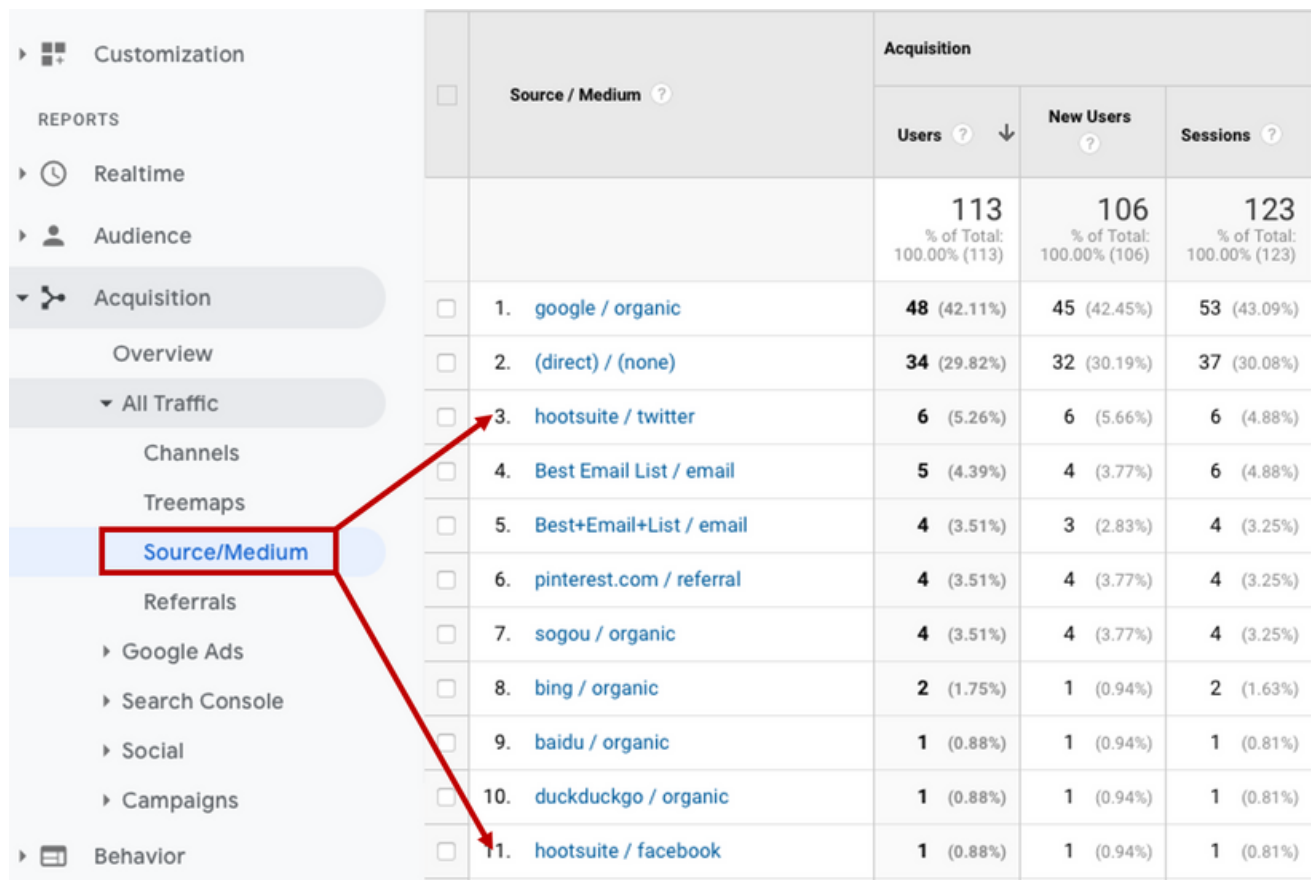
You can then track the metrics on your Google Analytics or other analytics tool. In Google Analytics, you'd view the campaigns under Acquisition > All Traffic > Source/Medium. This view shows you the source (tool used to distribute) and the medium (method content was sent).

In the following graphic, we can see what was sent via Hootsuite and in what social media platform. We can also see what email segment was used (Best Email List) and its distribution medium (email).

Conclusion

Now that you have the KPIs and their formulas, tips on reading social media and marketing data, and the ways to track social media and website content, you are armed with the tools you need to succeed.

If you need help monitoring or reading your marketing data, give Penheel Marketing a call. We're here to help you build marketing muscle.



Source / Medium ?	Acquisition		
	Users ? ↓	New Users ?	Sessions ?
	113 % of Total: 100.00% (113)	106 % of Total: 100.00% (106)	123 % of Total: 100.00% (123)
1. google / organic	48 (42.11%)	45 (42.45%)	53 (43.09%)
2. (direct) / (none)	34 (29.82%)	32 (30.19%)	37 (30.08%)
3. hootsuite / twitter	6 (5.26%)	6 (5.66%)	6 (4.88%)
4. Best Email List / email	5 (4.39%)	4 (3.77%)	6 (4.88%)
5. Best+Email+List / email	4 (3.51%)	3 (2.83%)	4 (3.25%)
6. pinterest.com / referral	4 (3.51%)	4 (3.77%)	4 (3.25%)
7. sogou / organic	4 (3.51%)	4 (3.77%)	4 (3.25%)
8. bing / organic	2 (1.75%)	1 (0.94%)	2 (1.63%)
9. baidu / organic	1 (0.88%)	1 (0.94%)	1 (0.81%)
10. duckduckgo / organic	1 (0.88%)	1 (0.94%)	1 (0.81%)
11. hootsuite / facebook	1 (0.88%)	1 (0.94%)	1 (0.81%)

Marketing ROI Activity

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Example

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(Sales x Lifetime Value or 51.97 x 645)

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$$(\$33,520.65 - \$780) / \$780 = 41.97\%$$

Your Turn

Calculate Your Return

Total Visits from Campaign = _____

Landing page conversion rate = _____%

Close rate: _____%

Lifetime customer value: \$ _____

Leads = _____ (Visits x Conversion Rate%)

Sales = _____ (Leads x Close Rate%)

Total Revenue = _____ (Sales x Lifetime Value)

Calculate Your Investment

Total Ad Spend = \$ _____

Content Creation Costs = \$ _____

Labor Costs = \$ _____

Total investment = Ad Spend + Creation Costs + Labor Costs

ROI Formula Is:

$(\text{Total Revenue} - \text{Total Investment}) / \text{Total Investment} = \text{ROI\%}$

$$(\$ \text{ } - \$ \text{ }) / \$ \text{ } = \text{ } \%$$

Who is Penheel Marketing?

Penheel Marketing helps CPAs and small business owners to build muscle -- marketing muscle.

Opened in 2011, Penheel Marketing offers a variety of services to small business owners, including:

- Marketing and social media strategy
- Online advertising
- Graphic design
- Copywriting and blogging
- Website design, development, and analytics
- SEO
- Training

Additionally, we work with several other small business owners for additional services, including video creation, promotional packaging, and more.



"When we finally decided to take a more deliberate and measured approach to social media marketing and advertising, we hit the jackpot with Becky and here's why - she listened carefully to our needs, our constraints, and our goals. Then by asking the right questions and with just the right amount of educating... she brought clarity and shaped a strategic program that proved effective in getting us where we want to be."

"She brings a depth of expertise, experience and know-how to the table....and there is more -- perhaps the best part of working with Becky - - she brings a positive, friendly and winning spirit, making everyone comfortable and in turn making our meetings and interactions all the more productive and quite frankly, fun. Regardless of technical expertise, those interpersonal qualities are not a given, yet they can make all the difference throughout an engagement. Becky's the real deal and brings the whole package." - James Cunningham, Vice President - Communication & Change Management at PCF



Blogging

We research and write blog content quickly. Our posts include SEO keywords and social media post ideas.

What's on your blogging schedule? ►



Social Media

Publish content to your social accounts, then nurture leads based on the social engagement.

Let's get social! ►



Marketing Analytics

Website analytics, online advertising analytics, and more. See which sources are generating the most leads.

What story is your data telling you? ►



Search Engine Optimization

We help you to improve your search ranking by finding and tracking your most effective keywords and more.

How do you rank? ►



Speaker and Trainer

From small to large groups, keynotes, lectures, one-on-one training, and hands-on workshops.

What topic would you like? ►



Website Design

From WordPress to Squarespace, we can help you to make your website pop.

Does your site need a face lift? ►