
TSL Marketing
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# Introduction

As a subset of inbound marketing, content marketing has proven its effectiveness. By creating useful, information-rich content, businesses draw potential customers to them. This is an alternative strategy to actively pursuing customers, who are often already bombarded with marketing messages.

Because content marketing tactics differ from those of traditional marketing, some of the relevant metrics are also different. The broad categories for content marketing metrics are consumption (site/landing page visits and email open rates), sharing (retweets, repins, and reblogs), lead (measured in leads generated), and sales (i.e., closed deals).

Where metrics converge, regardless of marketing strategy, is in bottom-line figures, such as customer acquisition cost. These financial metrics allow you to determine the relative effectiveness of different strategies, even when those strategies incorporate completely different tactics.

This guide will walk you through six marketing metrics that allow you to perform an apples-to-apples comparison and assessment of the effectiveness of widely different marketing strategies. With these figures in hand, you can conclusively demonstrate the value that marketing delivers to the business. Let's get started.

# Customer Acquisition Cost (CAC)

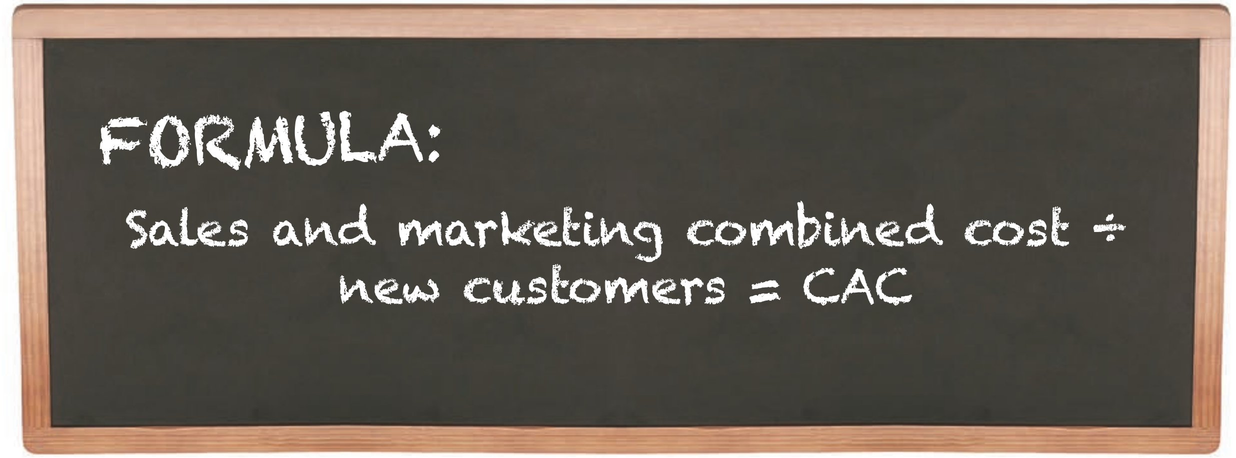
The Customer Acquisition Cost (CAC) is a metric used to determine the total average cost your company spends to acquire a new customer.

To determine CAC, divide your total sales and marketing cost for a specific time period by the number of new customers for that same time period.

Although this may vary depending on your business's specific model, sales and marketing combined cost is typically the sum of all program and advertising spend plus marketing and sales staff salaries, sales commissions and bonuses, and overhead in a specific period.

Number of new customers refers to the number of net-new customers acquired during the specified period.

***CAC shows you how much your company is spending per new customer acquired. The goal, of course, is to continuously drive down the CAC. Increases in CAC mean that you are spending comparatively more for each new customer, which may point to a problem with your sales or marketing efficiency.***




**$300,000** ÷ **30**

*Sales and marketing combined cost for a selected quarter*

*New customers in the selected quarter*

**= $10,000/per customer**

*CAC for the selected quarter*

# Marketing Percentage of Customer Acquisition Cost

Having determined the CAC for a given period, the next step is to determine the marketing percentage of that customer acquisition cost for the selected time period. This is simply the marketing portion of your business's total CAC given as a percentage.

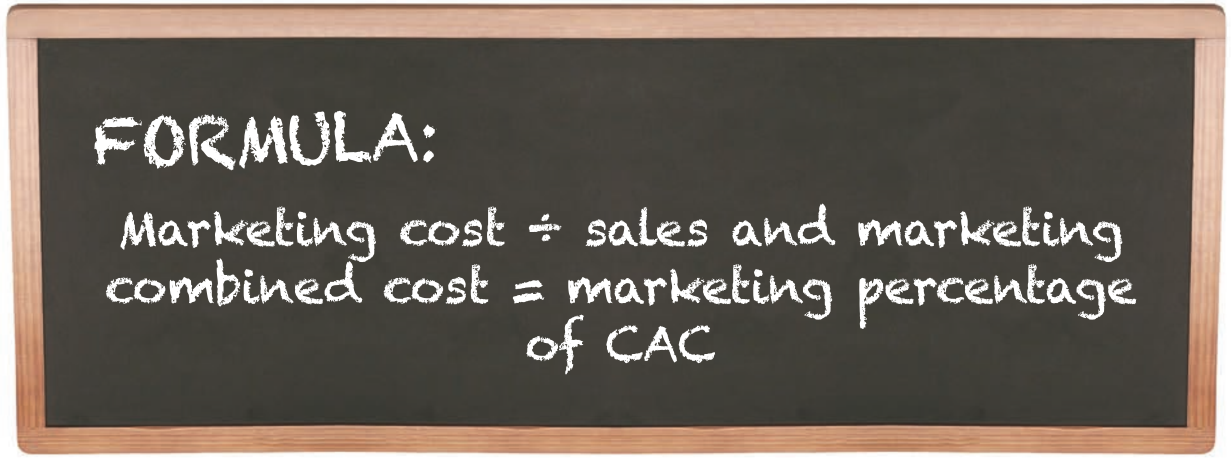
To calculate this figure, divide marketing cost by the total sales and marketing combined cost you used to compute CAC.

Marketing cost includes expenses, salaries, and commissions and bonuses for marketing (if any) plus the cost of overhead for the marketing department for a selected period.

As with the CAC formula, sales and marketing cost is the sum of program and advertising spend, overhead and salaries, and commissions and bonuses for a selected period.

***The marketing percentage of CAC shows how your marketing team's performance and spending impact your business's overall customer acquisition cost. An increase in marketing percentage of CAC can mean a number of things:***

1. ***Your sales team may have underperformed and, consequently, received lower commissions and/or bonuses.***
2. ***Your marketing team may be spending too much or have too much overhead.***
3. ***Your business may be in an investment phase, spending more on marketing to provide more high-quality leads and improve your sales productivity.***




**$150,000 ÷ $300,000**

*Marketing cost* — *Sales and marketing combined cost*

**= 50%**

*CAC for the selected quarter*

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

With knowledge of how much it costs to acquire a new customer in a given period and how much of that cost is attributable to marketing, you will now want to determine the ratio of customer lifetime value to CAC. This is the total value that your company derives from each newly acquired customer compared with the cost of acquiring those new customers.

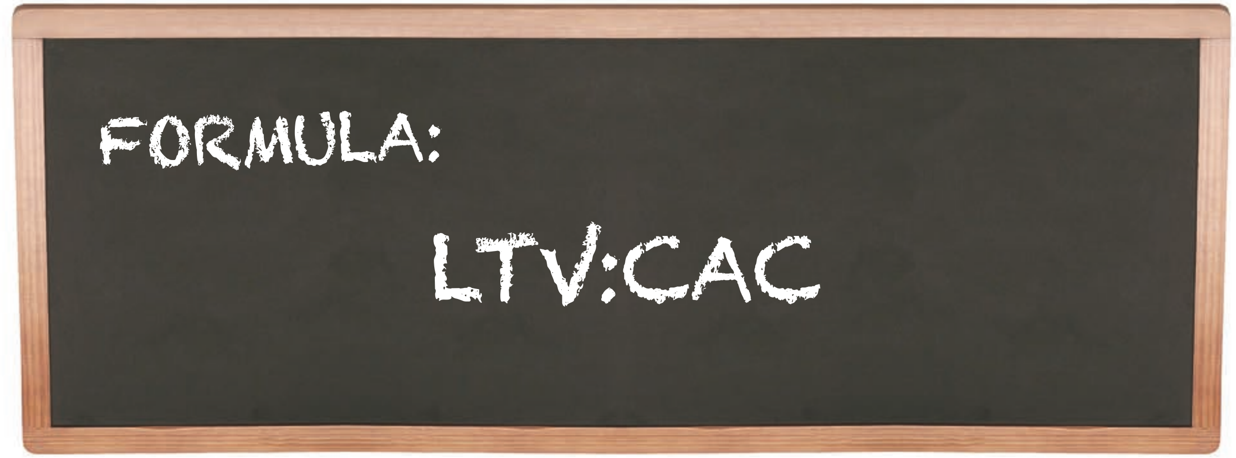
Calculating LTV:CAC requires computing the customer lifetime value and the CAC and then finding the ratio of the two.

Lifetime value (LTV) is the revenue a customer generates during a specified period minus gross margin and divided by estimated churn percentage for that customer.

Recall that CAC is the total sales and marketing cost for a specific time period divided by the number of new customers for that same time period.

In this example, therefore, every dollar you spent on acquiring new customers during a specified period will be returned fourfold over the lifetime of those customers.

***The higher the LTV:CAC ratio, the more ROI your sales and marketing team is delivering to your business's bottom line. Spending more on sales and marketing will reduce your LTV:CAC ratio but could help accelerate company growth.***




**$437,000 : $100,000**

*LTV* *CAC*

**= 4.4 to 1**

# Time to Payback of CAC

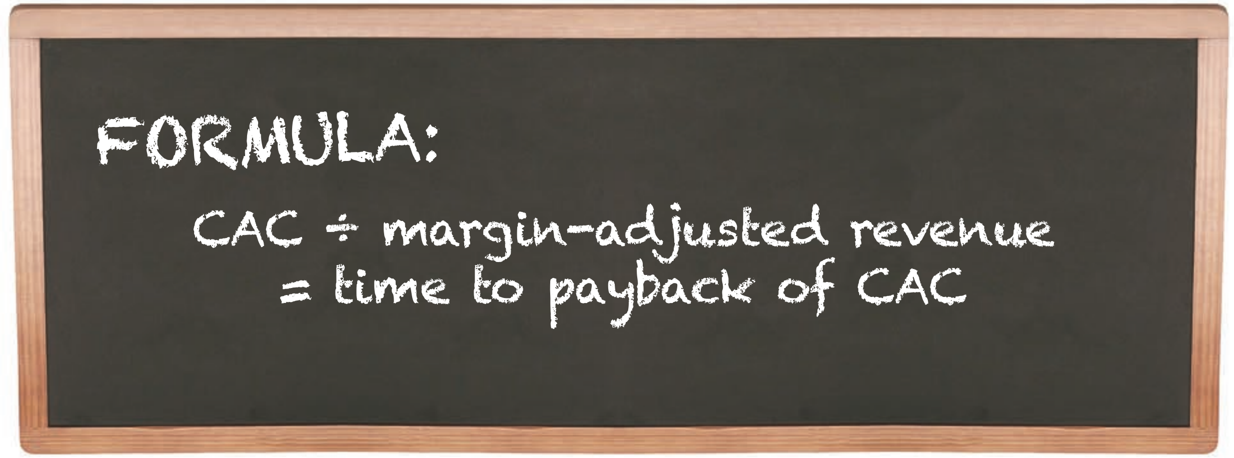
Whereas the ratio of customer lifetime value to CAC takes a long-term view, the time to payback of CAC takes a shorter-term view, indicating the number of months it takes for your company to recoup the cost of acquiring new customers.

You calculate the time to payback of CAC by dividing the CAC by margin-adjusted revenue per customer.

Margin-adjusted revenue is the average revenue per customer per month minus gross margin.

As before, CAC is the total sales and marketing cost for a specific time period divided by the number of new customers for that same time period.

***The less time it takes to pay back your CAC, the sooner the customer becomes profitable. Generally, businesses aim to make each new customer profitable in less than a year.***




**10 months =**

*Time to payback of CAC*

**$1,000 ÷ $10,000**

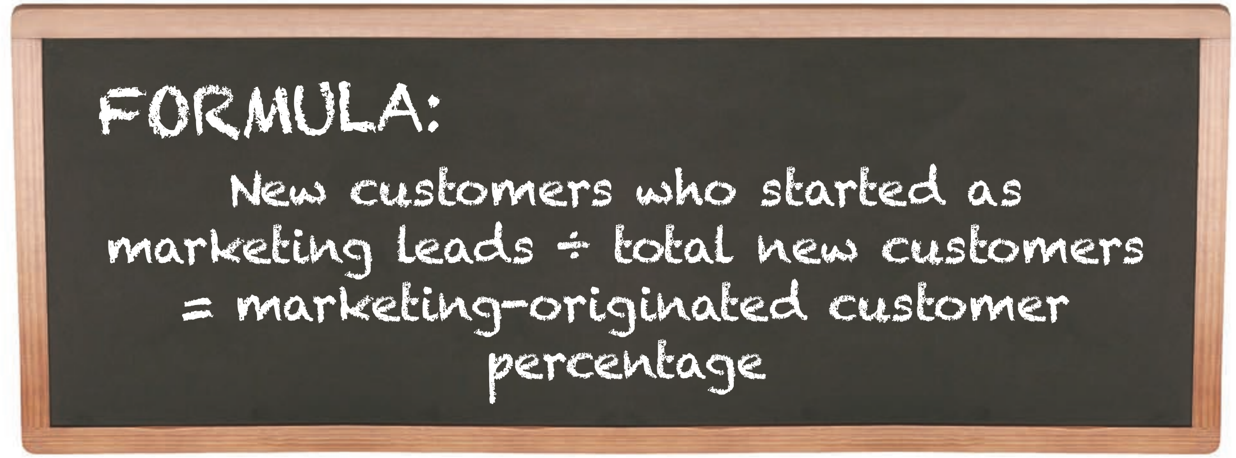
*Margin-adjusted revenue* *CAC*

# Marketing-Originated Customer Percentage

The marketing-originated customer percentage shows the portion of your total customer acquisitions that directly originated from marketing efforts.

You calculate the marketing-originated customer percentage by dividing the total of all new customers for a specified period by the number of customers acquired as a result of marketing activities.

***This metric quantifies the impact that your marketing team's lead-generation efforts have on acquiring new customers. This percentage will vary based on your sales and marketing relationship and structure, so the ideal ratio will vary also. A company with an outside sales team and inside sales support may be looking at a 20-40% marketing-originated customer percentage, whereas a company with an inside sales team and lead-focused marketing team might be at 40-80%.***




**10,000** ÷ **5,000**

*Total new customers in a specified period*

*Total new customers who started as a marketing lead during the specified period*

**= 50%**

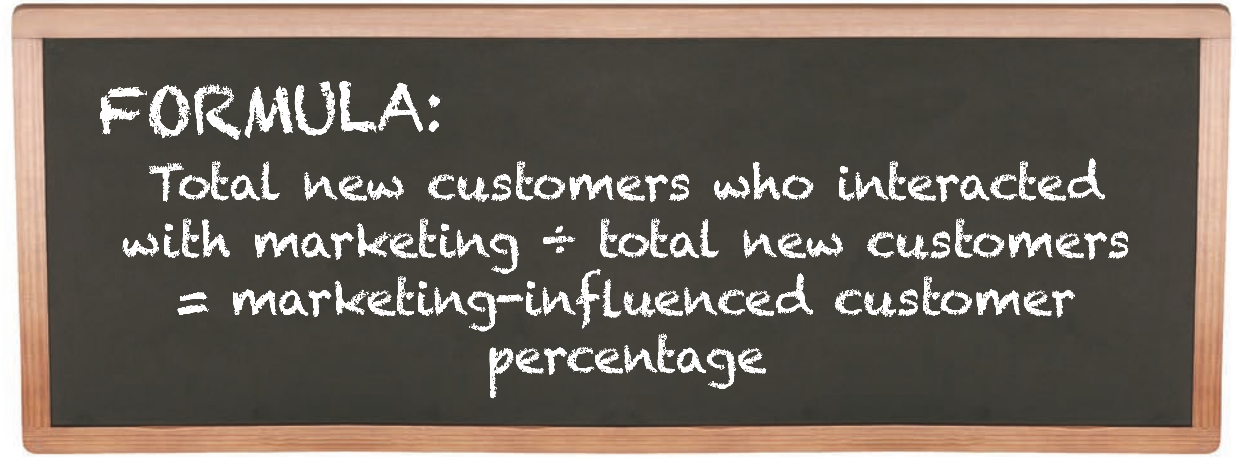
*Marketing-originated customer percentage*

# Marketing-Influenced Customer Percentage

Whereas the marketing-originated customer percentage focuses solely on customers who originated as marketing leads, the marketing-influenced customer percentage takes a wider view, encompassing all new customers with whom marketing interacted during the sales process.

To determine marketing-influenced customer percentage, divide the total number of new customers your company accrued during a given period by the number of those customers with whom marketing interacted during the sales process.

***This metric can indicate how effective marketing is at generating new leads, nurturing existing ones, and helping sales close deals. It gives business leaders a big-picture look into the overall impact that marketing has on the entire sales process.***




**10,000** ÷ **7,000**

*Total new customers* — *Total new customers who interacted with marketing*

**= 70%**

*marketing-influenced customer percentage*

# Conclusion

Marketing strategies change as technologies change and as consumer buying behaviors change. As your marketing team adapts, you may find that specific metrics grow in importance, or slip off the radar.

However, some metrics remain relevant and important no matter which marketing strategies and tactics you choose. When reporting marketing results to executives, it's crucial to convey performance in a way that excites your C-suite.

Rather than talking about per-post Facebook engagement and other "softer" metrics, use the six metrics we detailed in this document to show 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.

# ABOUT US

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Interested in learning how you can tip the odds in your favor and deliver remarkable marketing ROI? Speak with a TSL professional today

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