



Top 15 Marketing ROI Measurements

Research conducted by Accenture indicates that 68% of marketing executives in the US and UK report having difficulty in measuring their marketing campaign ROI (Return On Investment) effectively. Here are some suggested measures for you to consider using to define Marketing ROI for your company.

1. Common Market Share Measurements

A simple definition of the measure can be defined as:

Market Share = Total Company Sales (units or \$) ÷ Total Industry Sales (units or dollars). It can also be useful to create a more dynamic measure based on multiple share factors such as:

- A. Customer Penetration: % of all customers in the market who buy from this company
- B. Customer Loyalty: purchases from this company by its customers expressed as a % of their total purchases from all suppliers of the same products.
- C. Customer selectivity: size of the avg. customer purchase from the company expressed as a % of the average customer purchase from an average company.
- D. Price selectivity: avg. price charged by this company expressed as a % of the avg. price charged by all companies.

Overall Market Share (X) can be calculated by the formula: $X = a \times b \times c \times d$.

Benefit: Change in Market Share can occur by tracking factors a - d over time and ***is useful in diagnosing the underlying cause of the change.***

2. Common Marketing Expense-to-Sales Measurements

- a. Salesforce-to-Sales: cost of salesforce to total sales, expressed as a %.
- b. Advertising-to-Sales: cost of advertising to total sales, expressed as a %
- c. Sales promotion-to-Sales: cost of promotion to total sales, expressed as a %
- d. Marketing research-to-Sales: cost of mkt. research to total sales, expressed as a %
- e. Sales Administration-to-Sales: cost of Sales Admin. to total sales, expressed as a %

Typically, an Overall Marketing Expense-to-Sales measure will be a combination of multiple expense factors, many different than a - e, depending on the Marketing/Sales model of the company. Whatever the factors, Marketing Expense-to-Sales can be calculated as the sum total of a - e, expressed as a %.

Benefit: These measures, when monitored, can *help a company to insure it is not overspending to achieve its sales goals.*

3. Common Marketing Performance Measurements

- a. Return on Marketing: $\text{Net Profit (or Net Earnings)} \div \text{Total Marketing Expenditure} \times 100 = \text{ROM}$
- b. Marketing Cost per Customer: $\text{Total Marketing Expenditure} \div \text{Total \# of customers} = \text{MPC}$
- c. Customer Lifetime Value: $\text{Annual Customer Revenue} \times \text{Avg. \# of Loyal Years} \times \text{Profit Margin} = \text{CLV}$
- d. Customer Acquisition Cost: $\text{Cost of Sales Call} \times \text{\# of Sales Call to Convert to a Customer} = \text{CAC}$
- e. Annual Customer Retention Rate: $\text{\# of same customers Yr. 2} \div \text{\# of same customers Yr. 1} \times 100 = \text{ACRR}$
- f. Target Audience Awareness: $\text{\# of Target Audience who indicate Awareness of Your Company} \div \text{Total Target Audience} \times 100 = \text{TAA}$

Benefit: Measuring Marketing Performance *is key to achieving consistent returns and improvements in your marketing efforts.*

As noted in these examples, there are a variety of measures to be used to indicate how effective a company's marketing efforts are. The point is to put the appropriate measurements in place, integrate them into the marketing plan, and implement creative solutions to meet the plan objectives.

WMW can define your own, unique Marketing ROI program to: 1) create the specific formulas for your company's measurements, 2) develop ways to integrate the measurements into your marketing campaigns, and 3) create marketing strategies and creative solutions to meet and improve your Marketing ROI goals.