What Is ROI Math?

Whenever you dive into the depths of marketing, you start hearing a lot of terms like LCV, CPL, CPC, and on and on the marketing jargon goes. Now, I don't like digging too much into jargon, but there are a few that are a must to get grips on your marketing budget.

In other words. These terms help increase your Return on Investment (ROI).

If you don't get into all of this then you might be finding yourself throwing money down the drain or not knowing how much you're getting back based on how much your putting in. How much does a lead cost (CPL)? How much is a client worth over their time with you, in other words, their Lifetime Customer Value (LCV). How much does a lead cost you just for having them click (CPC)?

We are going to get into some formulas that will help you get a grasp on these values which can really change how you look at your marketing. The overall goal of understanding these numbers is to create a positive ROI with your marketing goals.

Each of the following sections is going to break down a section to bite sized pieces to help you fully understand and implement these into your goals. Just remember, understanding is just one piece of the puzzle. The other part is actually implementing this and doing the math.

Let's go figure out some marketing!

Thanks,

Adam

Figure The Cost Per Lead (CPL)

Knowing your cost per lead (CPL) is crucial. By knowing this metric you will understand how much it costs just to get someone to raise their hand and say, "I'm interested."

That's right. Just interested, not buying yet.

We have a easy formula for this but you'll have to pay attention because it's got three parts to it. Once you've been running ads for any length of time, you'll find your **Cost Per Click (CPC)**, which is anyone who has clicked on your advertisement or link.

Landing Page Viewers/Clicks: This ratio represents the conversion rate of clicks to viewers of the landing page. It indicates how effective the ad or marketing link is at leading potential customers to visit the landing page.

Number of People Taking Action/Landing Page Viewers: This ratio measures the effectiveness of the landing page in prompting action, whether that's signing up for a newsletter, making a purchase, or any other targeted action that qualifies them as a lead.

Leads/Number of People Taking Action: This final ratio isn't fully explained in the slide, but typically, it would compare the number of qualified leads to the total number of people who took the desired action. It's a measure of lead qualification effectiveness.

See, not too bad, right? Now, let's get this going for yourself so we can start to get a good idea of how your marketing campaign is doing.

Cost Per Lead (CPL) Cont.

Take a look at Figure 1a to see the formula an how this all breaks down to see how to figure the Cost Per Lead.

To get a better idea of how this works, in Figure 1b we've added some values from one of our live campaigns. Each campaign is different depending on how the market responds to messaging, the industry, and so many other variables where there are too many to list.

Take the formula, plug in your numbers and find your Cost Per Lead (CPL).

FIGURE 1A

FIGURE 1B

$$\$0.37 \; / \; \$0.85 \; / \; \$0.08 \; / \; \$0.178 \; = \; \$30.56 \text{ COST PER LEAD}$$

Cost Per New Customer

Okay, now we've got the CPL, and that's great, but now it's time to use that information to further your marketing campaign. For this next part, we now want to know how much it costs to get a new customer.

The graphic below is going to start with the cost per lead, then we are going to introduce the elements to figure out the cost of a new customer.

Cost Per Lead: This is the value we just figured out, let's plug it into the formula.

Appointments Kept/Appointments Scheduled: This is the conversion rate of scheduled appointments that result in the lead actually keeping the appointment. It's a measure of how effective your engagement is with leads. A higher rate means a larger proportion of leads are interested enough to move through your sales funnel.

Number of New Customers/Appointments Kept: This is the conversion rate of leads that have kept an appointment to the number that becomes new customers. This measures the effectiveness of the appointments themselves in converting leads into customers.

Again, that wasn't too bad.

Now we've got all these metrics, let's start looking at the formula on the next page and how this translates when we plug in some of our numbers.

Cost Per New Customer Cont.

Okay, now we've got the CPL, and that's great, but now it's time to use that information to further your marketing campaign. For this next part, we now want to know how much it costs to get a new customer.

The graphic below is going to start with the next formula where we plug in the cost per lead from before, then the appointments ration, then the new customers to appointments kept. That gives us the cost of a new customer.
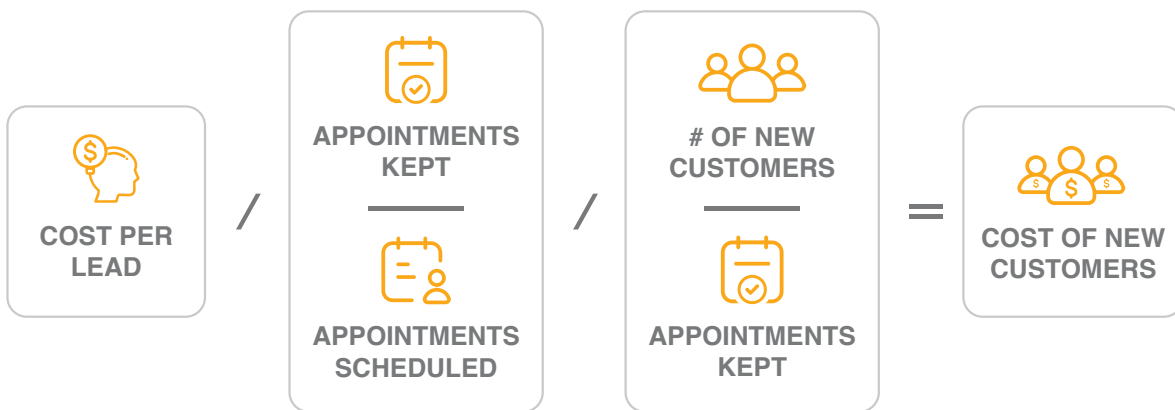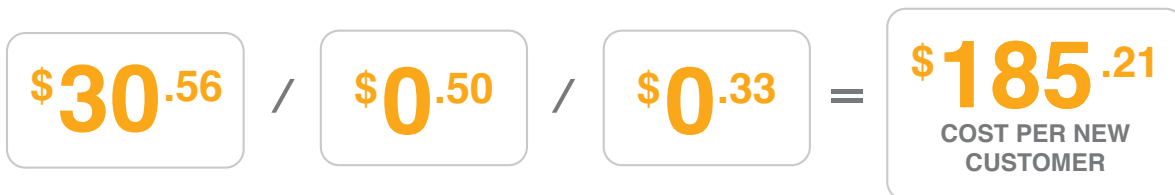
FIGURE 2A

COST PER LEAD / APPOINTMENTS KEPT / APPOINTMENTS SCHEDULED / # OF NEW CUSTOMERS / APPOINTMENTS KEPT = COST OF NEW CUSTOMERS

FIGURE 2B

$30.56 / $0.50 / $0.33 = $185.21 COST PER NEW CUSTOMER

Putting It Together

Understanding marketing math in theory is one thing; applying it is quite another. It's like the difference between learning to swim by reading a book versus actually getting in the water. If you're ready to dive in but want a lifeguard by your side, I'm here to guide you through the waves of numbers and formulas.

Feeling overwhelmed or simply prefer a video based learning experience? We've crafted a video lesson where we'll explore each metric step-by-step.

In this comprehensive video, we don't just scratch the surface; we really get into the subject. We'll dissect each formula, giving you a clear picture of how they relate and the impact they have on your marketing endeavors.

Just go to the link to find the video to get working on the marketing math together and change the way you do marketing forever.

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