

Calculate Your ROI

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Note – This is one from a sequence of exercises from the Return On Investment subject outlined in the Strategic Marketing Process eBook. Download the free e-book www.growthpanel.com/marketing-tools/index.html and subscribe to this subject at www.growthpanel.com/versions/get-started.html to download from Growth Panel’s Intelligent Marketing Platform.

Some of the graphics in this PDF might not display properly.

When you’re ready to start calculating ROI, use **169-F** to calculate it for a specific campaign. If you’ve confirmed your formulas with your finance department, you may need to modify the sheets to meet your needs; once you’ve done so, you’ll have an excellent tool to guide you moving forward.

You can choose between three calculations– here’s the data you’ll need:

Campaign	
Date calculated	

CALCULATION OPTION	DATA NEEDED	VALUE
(all)	Marketing investment (the money you spent on the campaign)	
	Overhead % (IF USING, PER YOUR FINANCE DEPT): a % of each revenue dollar to allocate to overhead	
	Incremental expenses per unit (IF USING, PER YOUR FINANCE DEPT): additional expenses that aren’t included in overhead or your marketing investment	
Basic calculation with COGS	Revenue (or units sold & cost per unit): the gross revenue that the campaign produced.	
	Cost of Goods (or COGS per unit): You’ll need to know the cost of goods for all the units sold via the campaign.	

CALCULATION OPTION	DATA NEEDED	VALUE
Basic calculation with Gross Margin	Revenue (or units sold and cost per unit): The gross revenue that the campaign produced.	
	Gross Profit %: The percentage in your ROI calculation.	

CALCULATION OPTION	DATA NEEDED	VALUE
Using Customer Lifetime Value	# of new customers: It may be more appropriate to use number of customers versus units sold	
	Customer lifetime value (CLV): CLV is today's value of the amount of profit a particular customer or group of customers will deliver to your company during their lifetime. [Customer Lifetime Value can help]	

If you have a lengthy sales process that makes it too difficult to calculate ROI on a single campaign using these measurements, use **169-G** and **169-J** instead.

If you need to collect and document your exact cost of goods and gross profit data, here's a process to do so:

STEP	NOTES	STATUS
Confirm Cost of Goods COGs calculation for each product/ service you offer	169-A & 169-B will help you get started, but you should talk with your finance team to understand how your company estimates that figure. If you're a startup company, gain agreement as to how you will calculate that figure moving forward.	<input type="checkbox"/> Complete
Enter the COGs for each product / service into 169-C for future reference.	Also document the next date you'll review/ recalculate the figure; COGs fluctuates based on labor prices, material prices, etc.	<input type="checkbox"/> Complete

Now you can plug the data into the appropriate ROI Calculator in the worksheet.

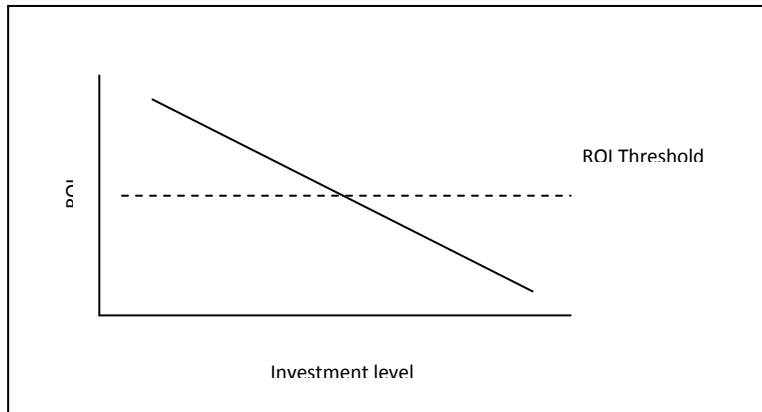
SAMPLE: Basic ROI Calculation

Marketing investment	\$10,000	A
Gross revenue	\$17,475	B
Cost of goods for the items sold	<u>\$3,125</u>	C
Gross profit (B-C)	\$14,350	D
Overhead allocation	\$1,398	E (if using)
Incremental expenses	<u>\$500</u>	F (if using)
Profit for ROI calculation (D-E-F)	\$12,452	G
ROI: (G-A)/A	25%	

INCREMENTAL ROI

When you've invested in a campaign and it's producing great results, you'll probably want to invest more money in the program.

However, as a rule of thumb, your ROI will decline as you widen your reach to a larger and less targeted audience:



Therefore, when you evaluate whether to increase your budget on a particular campaign, don't assume that your current ROI will continue; statistically, it will probably decline.

To measure your incremental ROI, determine the results of your ROI analysis for your current campaign. Enter these figures into **169-H**:

FIGURE	VALUE
Marketing investment	
# of impressions	
Expected response rate	
% of responses that will become customers	
Value of each new customer (CLV)	

Then enter your projections for the additional investment; the sheet will tell you your incremental ROI. If your incremental ROI is greater than your hurdle rate, continue investing in the campaign.