



# *Your guide to* **Marketing ROI**







# What is Marketing ROI (return on investment)?

In simple terms, your return on investment, or ROI, is a performance measurement used to evaluate if your marketing is working. When you spend money on marketing, you need to know the value that it is bringing to your company.

Companies do not always see the value in marketing campaigns. Marketing efforts can be hard to quantify, but once you know your ROI and what is working for your company, you can continue to develop and grow your marketing efforts.

*The proper use of marketing ROI measurements is capable of comparing investment options as diverse as a direct marketing campaign, a dedicated sales force, a retail distribution channel and an Internet marketing campaign. Marketing ROI analysis can scale from the incremental value of a tagline on an envelope to the implementation of a multimillion-dollar enterprise CRM marketing initiative.*

**Jim Lenskold** *President and Founder, Lenskold Group*

**Making  
more sales**

Map chart





# How do you measure ROI?

There are two different ways to approach (and measure) ROI.

The first is simple ROI. This is the most basic way to calculate the ROI of a marketing campaign. In this measurement, marketing is integrated into the overall business calculations with the formula below.

$$\frac{(\text{Sales Growth} - \text{Marketing Cost})}{\text{Marketing Cost}} = \text{ROI}$$

Simple ROI makes the assumption that all sales growth is directly related to marketing campaigns.

The second ROI is calculated based on campaign attribution. This calculation factors in organic sales data. Look at the last 12 months before you run a campaign to figure out if there is organic growth in place. Once you have this data, you can adjust your ROI calculations to more accurately reflect the marketing campaign.

$$\frac{(\text{Sales Growth} - \text{Average Organic Sales Growth} - \text{Marketing Cost})}{\text{Marketing Cost}} = \text{ROI}$$







# Why do I need to know my ROI?

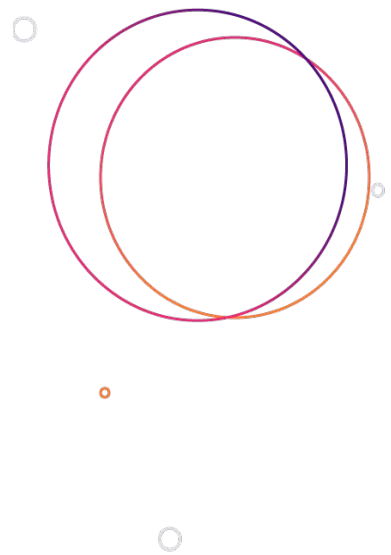
Calculating marketing return can help guide your business decisions and help you get more bang for your buck when it comes to marketing. Here are some ways your ROI will help your business.

## **Optimize marketing budget**

Whether you are part of a large corporation or a small business, you have a marketing budget. Being able to accurately calculate your ROI will let you know what marketing performs best, how to allocate your spending, and when to increase your marketing budget.

## **Measure success**

You want to improve and build on your success. Without baseline measurements of your marketing campaigns, you will never understand the impact of your marketing efforts. Once you understand the impact of individual campaigns, you'll be able to determine what campaigns and platforms are performing the best for your company.



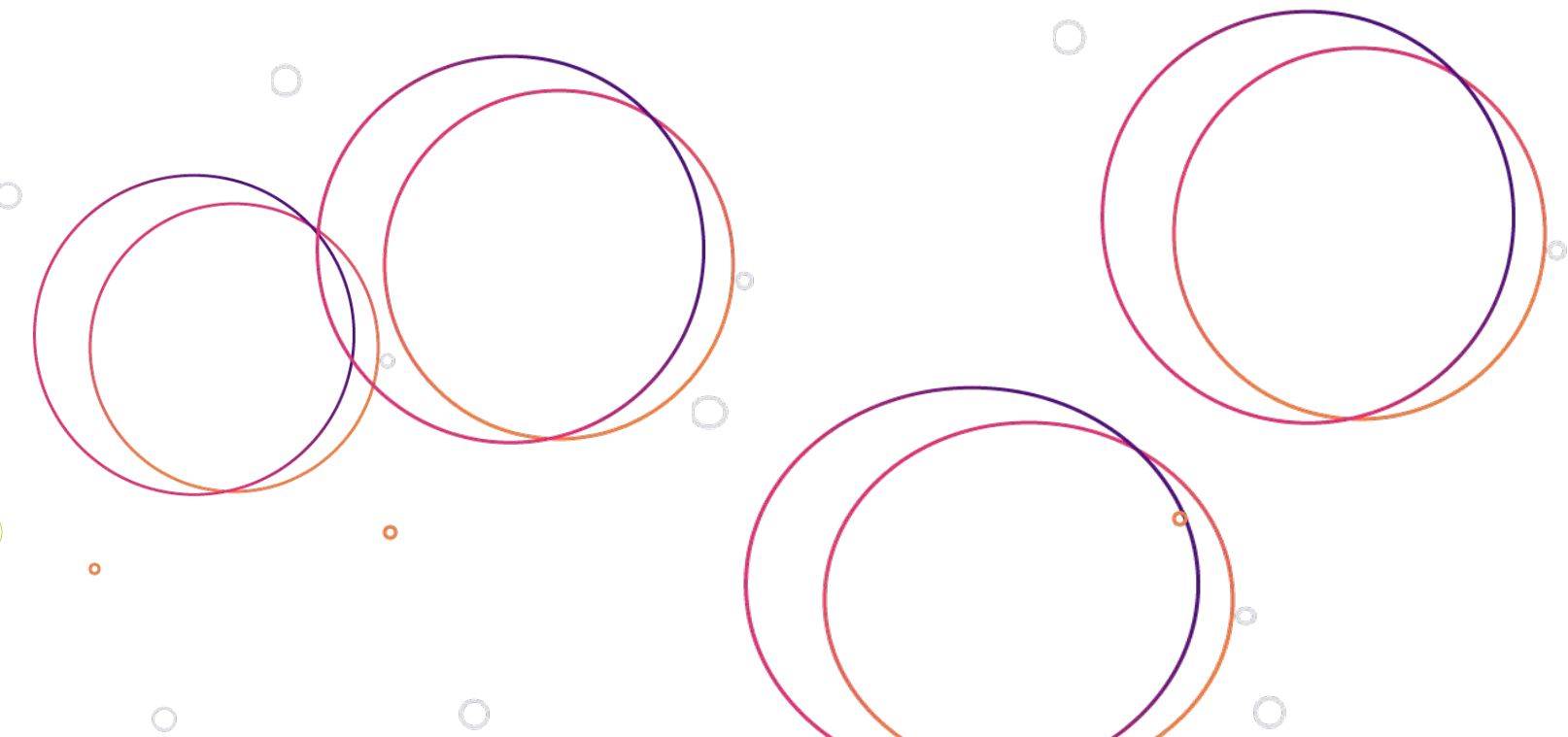


# What is a good marketing ROI?

Marketing ROI is going to vary for every business and industry. Every organization is different, and there will be unique factors that apply to your company and industry.

In general, the average marketing ROI is typically a 5:1 ratio. Exceptional ROI being around a 10:1 ratio. ROI below a 2:1 ratio considered not profitable.

Your ROI isn't only going to be measured by your calculations and sales performance. Your marketing plan should have clear goals, and achieving those goals will be a measure of your success. Goals that traditional ROI won't measure are things like brand awareness, social engagement, community growth, and becoming a thought leader in your industry. These can be measured in other ways to ensure your marketing goals are on track and your marketing strategy is successful.













# How can I increase my ROI?

Before you try to increase your ROI, make sure you know what your baselines are. You can't measure progress if you don't know where you are starting from. Track your ROI with every change you make, and use that data to continuously improve.

## **The message**

This should be obvious, but the message and design of your marketing has a considerable influence on its effectiveness.

## **The audience**

Make sure to get the right message to the right audience. Certain people will be more receptive to certain messages. Getting the right message to the right audience can have a significant impact on effectiveness.

## **The frequency**

Your marketing has the most impact the first time a customer sees it, but repetitive exposure will reinforce your brand and message.

# Great! What are the next steps?

Getting started may seem like a big step, but don't get overwhelmed. Marketing goals are not always defined by sales and numbers, and your needs will be unique to your business.

There will be a learning curve, but the benefit is fine-tuned metrics that work for your company. Start small, tracking the performance you can, and build on the data for future campaigns.

Once you have a plan of action for tracking your marketing ROI, you're in a great position for future success. Your data will allow you to optimize your overall marketing strategy and identify and implement top-performing marketing campaigns.

*"At its core, digital marketing is all about communication. However, you can't listen with your ears. You have to listen with your data. ... With Internet marketing, you have to set up experiments to find the right combination of message, timing, tone, and look."*

**April Wilson**, CEO/President of Digital Analytics 101



An aerial photograph of a large, circular park. The park features multiple concentric rings of green grass separated by light-colored gravel paths. In the center, there is a circular area with a large, white, abstract sculpture that resembles a stylized 'M' or a spiral. Several people are visible walking on the paths. A red circular graphic with two overlapping circles is positioned in the upper left quadrant, containing the text 'Track your performance'. The bottom of the image shows a multi-lane road with several cars driving.

*Track your  
performance*



# Congrats!

You've just learned  
**a whole lot** about  
ROI!





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expert guidance?

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for you!*





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