CPA Practice Advisor

Calculate it by tracking campaign lead source, campaign cost, lead and customer tracking.

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You should work to define your marketing budget annually. It may sound like a simple task, but to do it justice, you must take the past into account and identify future goals for a period of time, such as the one, three, and even five years. That alone can help identify:

- How to allocate your marketing budget;

Calculating marketing ROI uses a simple formula but a complex set of elements. Calculate it by tracking campaign lead source, campaign cost, lead and customer tracking, customer lifetime value, sales cycle length, and customer journey.

A CRM like Salesforce Pardot or HubSpot helps track and calculate ROI, with cost, ROI, opportunities, and prospects from built-in reports.

ROI = (Generated Sales – Marketing Cost) / Marketing Cost * 100

Lead Source Types

Beforehand, consider the lead source from your CRM, such as an awareness, conversion, or retention campaign.

Awareness: Tricky to track, these campaigns align with how you retain clients and protect the brand from the competition. Examples include printed editorial, billboards, awards, SEO strategies, and more.

Conversion: Most often tracked through a CRM sales funnel, these campaigns track leads that become clients. Examples include ads, tracked social media campaigns, events, and tradeshows. They are easy to track because they have specified costs and ROI associated with them.

Retention: Costing less than campaigns used to gain clients, retention campaigns focus on nurturing clients and keeping them loyal to the brand. Examples include VIP events, email campaigns, phone calls, account reviews, and more. It is also difficult to track unless you have a mechanism in place through a CRM.

Assigning Lead Source Values

Classify new CRM campaigns as a lead source campaign. For retention activities,

Simple Example

- Service/Topic: Risk Management
- Lead Source: Risk Management Google Ad Campaign
- Supporting Efforts and Retention Efforts: Landing page, form, email drip series, blogs, webinar
- Ad Budget: $1,000 for eight weeks
- Marketing Costs: costs to develop content + time to launch campaign + expenses + ad budget

1566% = ($25,000 – $1,500) / $1,500 * 100

Complex Example

To optimize marketing ROI, benchmark customer lifetime value, sales cycle length, and customer journey. Customer lifetime value helps calculate the value of the campaign investment, sales cycle length helps to know when to calculate the ROI, and customer journey uncovers weak spots in the process where prospects or leads may be lost.

- Service/Topic: Risk Management
- Lead Source: Risk Management Google Ad Campaign
- Spend: $1,000 for eight weeks

Results

- Clicks: 45
- Leads Generated: 6

- Sales Cycle: Of those six, two will close in one month; two will close this week; and

Results Clicks: Leads:	**Spend** 45 6	**Cost Per** $22.22 $133.33	
Revenues Lead 1 Lead 2 Lead 3 (Nurture at 10%)	**This Year** $1,500 $1,400 $100	**Future** $25,000 $10,000 $2,000	**Lifetime** $26,500 $11,400 $2,100
ROI With Nurture Without Nurture	**This Year** 200% 190%		**Lifetime Value** 3900% 3690%

Based on this example, the ROI is positive for this year and for its lifetime value. But say the ROI this year was closer to 10%. It produced a profit, but the campaign was less effective. That is why defining what marketing success means for your firm and identifying the metrics that correlate to it are so important.

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