CHEAT SHEET

THE 5 MARKETING METRICS HOMEBUILDERS NEED TO MEASURE

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Introduction.

As a Custom Home Builder, your organization works tirelessly to develop an effective online strategy that helps you sell more homes. Furthermore, you know the importance of measuring analytics to determine success. The problem is, there are a TON of important metrics to analyze. Important metrics include website visits, conversion rates, generated leads per channel, engagement on social media platforms, blog post shares, email click through rates, and many more.... All these metrics make it easy for marketers to get lost in the data, especially when it comes to analyzing the impact of your marketing efforts as a whole.

Luckily, we've put together a helpful list of 5 metrics that will help you visualize the big picture by measuring the tactics that are impacting your ROI the most. These metrics work with data that deals with the total cost of marketing, salaries, overhead, revenue, and customer acquisitions.

This guide will walk you through 5 Critical Metrics to analyze, and will help you discover if your current marketing efforts are driving results.

Customer Acqusition Cost (CAC)

What it is: The Customer Acquisition Cost (CAC) is a metric used to determine the total average cost your company spends to acquire a new customer.

How to Calculate It: = Take your total sales and marketing spend for a specific time period and divide by the number of new customers for that time period

Sales and Marketing Cost = Program and Advertising spend + sales + commissions and bonuses + overhead costs

New Customers = number of new customers

Formula: Total sales and marketing cost ÷ new customers = CAC

Let's Look at an Example:

Sales and Marketing Cost = $400,000

New customers in a month = 40

÷ CAC = $400,000 ÷ 40 = $10,000 per customer

What This Means and Why It Matters: The CAC illustrates how much your company is spending on average to acquire each new customer. Generally you want a lower CAC. An increase or generally high CAC means that you are spending comparatively more for each customer which can imply there's a problem with your marketing process or disconnect between marketing and sales. You want a low CAC because this means that you are getting the most value for your efforts. Need help? Talk to one of MediaTown's marketing experts today.

Free Consultation

Marketing Acquisition Cost

What it is: The marketing acquisition cost is the marketing portion of your total CAC, calculated as a percentage of the overall CAC.

How to Calculate It: Take all of your marketing costs, and divide by the total sales and marketing costs you used to calculate the CAC.

Marketing Costs = Expenses + Salaries + commissions and bonuses + overhead for the marketing department only

Sales and Marketing Cost = Program and advertising spend + salaries + commissions and bonuses + overhead in a month

Formula: Marketing Cost ÷ Sales and Marketing Costs = M%-CAC

Let's Look at an Example:

Marketing Cost = $150,000

Sales and Marketing Cost = $300,000

÷ M%-CAC = $150,000 ÷ $300,000 = 50%

What This Means and Why It Matters: The Marketing Acquisition cost is an effective metric because it can show you how your marketing team is performing and the overall impact you have on the CAC.

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Customer Lifetime Value compared to CAC

What it is: The Ratio of Customer Lifetime Value to CAC is a way for Home Builders to estimate the total value that a company receives from each new customer compared to the cost needed to acquire that new customer.

How to Calculate It: To calculate this ratio, you will need to calculate the customer lifetime value, the CAC and find the ratio of the two.

Formula: LTV:CAC

Lifetime Value (LTV) = (Revenue the customer pays in a period - gross margin) ÷ Estimated churn percentage for that customer

Let's Look at an Example:

CAC = $100,000

LTV = $500,000

LTV:CAC = $500,0000:$100,000 = 5 to 1

What This Means and Why It Matters: The higher your LTV is compared to your CAC the higher your ROI is. However, this ratio should not be too high as you want to be investing in reaching new quality customers. Spending more on marketing will allow you to find new customers increasing your profits.

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Customers Influenced by Marketing

What it is: This ratio determines how many customers interacted with your marketing efforts while they were leads.

How to Calculate It: To calculate this, take all of the new customers your company acquired during a specific period and find the percentage of them that had any form of interaction with any of your marketing efforts.

Formula: Total new customers that interacted with marketing / Total new customers = Marketing Influenced Customer %

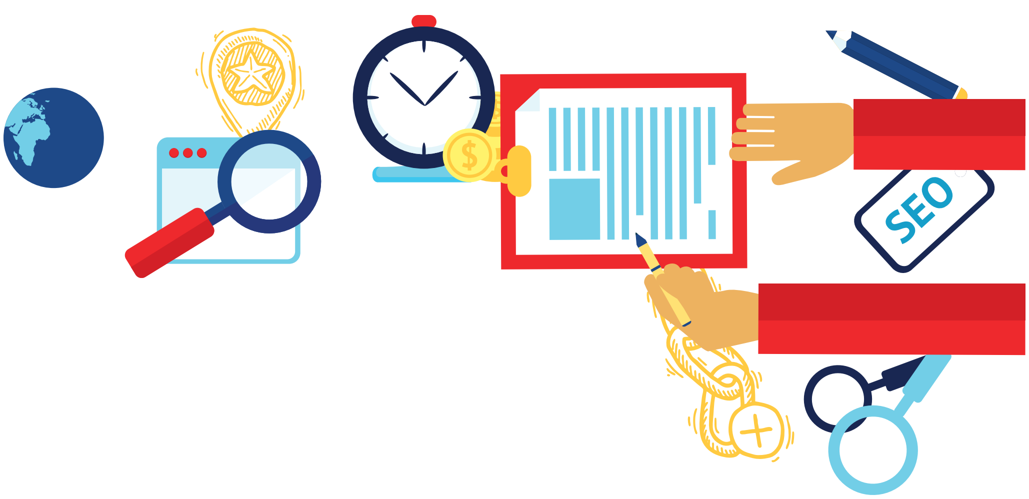
Let's Look at an Example:

Total new customers = 100

Total new customers that interacted with marketing = 50

Marketing Influenced customer % = 50 ÷ 100 = 50%

What This Means and Why It Matters: This metric takes into account the big picture. It determines the impact your marketing efforts had on the buyer's journey. It can indicate how effective marketing is at generating new leads for your company.



Customers that originated from Marketing

What it is: The Marketing Originated Customer % is a ratio that shows what new business is driven by marketing, by determining which portion of your total customer acquisitions directly originated from marketing efforts.

How to Calculate It: To calculate Marketing Originated Customer %, take all of the new customers from a period, and take out what percentage of them started with a lead generated by your marketing team.

Formula: New customers started as a marketing lead / New customers in a month = Marketing Originated Customer %

Let's Look at an Example:

- Total new customers = 10,000
- Total new customers started as a marketing lead = 5,000
- ÷ Marketing Originated Customer % = 5,000 ÷ 10,000 = 50%

What This Means and Why It Matters: This metric outlines the impact that your marketing efforts are having on lead generation. This metric is extremely important because it is outlining the effectiveness and usefulness of your marketing efforts. If you have a high ratio it was worthwhile for you to invest in marketing and you can pat yourself on the back.

Conclusion.

As Home Builders continue to allocate more marketing resources from traditional to digital marketing platforms, the number of data points to analyze will grow. It's extremely easy to get caught in the trap of "Vanity Metrics" (The Number of Twitter Followers, Facebook Fans, New Shares, Site Visits, etc). Although analyzing these Vanity Metrics are still important to measure the effectiveness of individual tactics, the real actionable insight lies in the 5 metrics above. Tracking these will help your organization better understand its overall marketing performance.

About Us

MediaTown Marketing & Design has been helping companies & organizations succeed online for more than 10 years. We are a certified HubSpot agency, highly specialized in Inbound Marketing, Growth Driven Design and remain a trusted Google Partner.

Our team believes in working tirelessly to ensure every client project exceeds expectations. We are on a mission to continually learn and improve, and have a passion for everything digital.

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