

Mission Briefing: **Your Guide to Return on Investment**

The Marketing Specialist

Marketing and Sales Support for Growing Business

Predicting ROI

All businesses must look to obtain a financial return on any investment made and marketing is often asked to guarantee ROI. Just as a salesman cannot guarantee a sale, marketers encounter a plethora of influencing factors that can prohibit a guaranteed return.

It is therefore important to be aware of the many variable factors involved in creating the ROI.

Common Marketing Variables

There are many internal and external factors that will influence the outcome and delivery of ROI, these cannot always be controlled or measured. It has also been identified that prospects alone require between 7-11 touches before being sales ready. Below are a few examples of factors that can influence ROI;

Data – Is it good quality? Are the messages hitting qualified decision makers?

Industry – What is happening in the industry? What are the trends and do they need your solution?

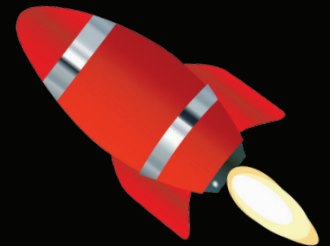
Economics – Global and local economics influence sales and purchasing timeframes

Sales Performance – Are sales followed up and closed? – What is the length of the cycle?

Brand – Is your company known or trusted? Have they seen your logo or heard about your company?

Content – Does it talk the right language? Is it valuable and informative?

Timing – Are there periods/trends within industries that influence purchasing decisions?



How to Look at ROI

One of the most effective ways to look at ROI is based on the investment made against the life time spend the customer will make with your organisation. This document aims to provide a simplistic overview of how Life Time Value (LTV) works and what this could look like for a business similar to yours.

Revenue Generated From New Customers

It is important to remember that when marketing delivers a new customer the ROI isn't just about the first purchase, but the spend over the life time of the relationship.

Below is an example of a typical SME **Life Time Value (LTV)**



Year 1



Year 2



Year 3

Number of New Customers (YOY- Retention Rate @75%)	6	5	4
Annual Spend Per Customer (Increasing+25% YOY)	£10,000	£12,500	£15,000
Annual Revenue Generated	£60,000	£31,250	£60,000
Lifetime Value of Customer	£10,000	£22,500	£47,500
Total Revenue Generated	£60,000	£91,250	£151,250

What Can Return on Investment Look Like?

Below is a typical example of how ROI can be generated and what this looks like.

Average Customer Spend £10,000 per Annum

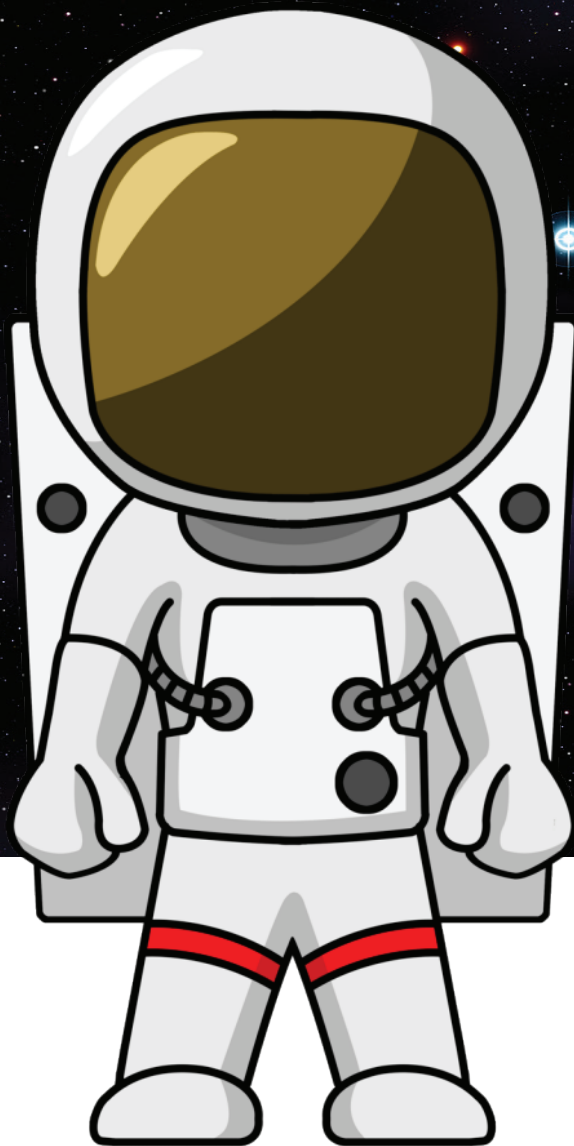
Marketing Qualified Leads Generated (MQL Leads)	18
% of MQL Leads that Move to Sales Readiness	50%

Sales Leads Generated from MQL	9
Closure Rate of Sales Opportunities	70%
Sales Conversions	6

Summary

Sales Conversions/New Customers	6
Life Time Value of Each Customer (on 3 year retention)	£47,500
Total Revenue Generated (3 Years)	£151,250
Total Annual Marketing Spend (based on Interstellar Package)	£23,988
Return on Investment	x6.3 (+630%)





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