



## Marketing Effectiveness Calculator - User notes

### Adding Data

- 1 Select the time period to be reviewed and enter this at the top of the sheet
- 2 Select the first activity on the list that you have run in your business
- 3 In the 'Spend' columns add the cost of the activity within the selected time period as indicated below (notes 4 - 6)
- 4 In the 'activity' column show the direct cost of the activity e.g. for newspaper advertising, show the cost agreed with the publisher
- 5 In the 'Fees' column show any 3rd party fees incurred as a result of the activity. Examples of fees relating to activities include photography, graphic design, website hosting or consultancy
- 6 In the 'Time' column enter the cost of your staff time spent on organising, managing and reviewing the activity. The cost can be based on either the direct employee cost to your business or the 'charge-out' rate of the person concerned.
- 7 In the 'Total' column add the 'Activity', 'Fees' and 'Time' cost for each activity to establish the full cost to your business
- 8 In the 'Leads Value' column add the estimated value of all leads that resulted from the activity. These could be enquiries by phone, e-mail, letter or website. You may need to set up a simple system to record all enquiries and leads and the marketing activity that generated them.
- 9 In the 'Sales Value' column add the actual value of all sales that resulted from the activity.
- 10 In the 'Gross Profit (£)' column, record the profit associated with the sales value shown in the previous column
- 11 In the 'Gross Profit (%)' column, calculate the Gross Profit (£) as a percentage of the Sales Value
- 12 In the 'Leads to Sales Conversion rate' column calculate the Sales Value as a percentage of the Leads Value.
- 13 In the 'Return on Investment' column, calculate the Gross Profit Value as a percentage of the 'Spend Total' (activity cost)
- 14 In the 'total' rows add the data from the rows above to give a sum for that type of marketing activity. For example in the 'Total Advertising' row add the rows starting with 'Newspaper advertising' down to 'Other advertising'
- 15 In the 'Total Marketing Activity' row at the bottom of the sheet, add up all the individual activities from the sheet to give total marketing spend; leads, sales and profit that your marketing generates and an overall conversion rate (leads to sales) and return on marketing investment

### Analysis - items to review

- 1 How much do you spend in total on marketing? Is this more or less than you previously believed?
- 2 Fees - is the cost of fees too high relative to the cost of the activity?
- 3 Time - what share of total activity cost is staff time? Could this be done more efficiently?
- 4 Quantity of leads - do some activities generate more leads per £ than others?
- 5 Quality of leads - do some activities generate a better conversion rate from enquiries to sales? This makes better use of sales resources
- 6 Effectiveness (1) - what is the total return on investment for all your marketing activity. If this is below 100%, your marketing activity is not covering its own cost and needs urgent review.
- 7 Effectiveness (2) - are there any activities that don't generate enough leads to cover the cost of the activity? If so, these should be investigated for opportunities to reduce cost or generate more enquiries
- 8 Effectiveness (3) - are there activities that deliver 200% return on investment or higher? Can you do more of them, perhaps diverting money from other activities?
- 9 What is the balance of spend between different types of marketing - how much of your total spend is allocated to advertising; PR; Literature etc.? Is this appropriate to the marketing challenges facing your business?
- 10 Are there activities on the list which you are not undertaking but which could be appropriate to your business needs?