

*Establishing Key Performance Indicators  
& Return on Investment*

**KP** | ■  
**RO** | ■

## DEFINING MARKETING SUCCESS



This workbook begins with defining the elements that make marketing endeavors successful. It then provides a step-by-step process for you to set goals, identify key performance indicators, establish tracking mechanisms and determine your return on investment.

# DEFINING MARKETING SUCCESS

MARKETING SUCCESS

*The success of a marketing strategy is not simply measured by the total sales of the products or services promoted. It is about the opportunity to improve overall sales, profits and market share for your business.*



- ❑ Sales, Profits and Market Share
- ❑ Callers, Shoppers or Visitors ~ New or Repeat
- ❑ Conversion Rate (Shopper or Leads to Buyers)
- ❑ Average Sale and Number of Transactions
- ❑ Frequency of Purchases
- ❑ Web Traffic ~ Leads, Time Spent and Number of Pages Viewed
- ❑ Social Media Fan Base
- ❑ Number of Customers in Database
- ❑ Customer Referrals

## ▲ CALLERS, SHOPPERS OR VISITORS

Proactive advertising invites people to shop, call or visit your website. Include a compelling message or enticing offer in your promotional campaigns to increase interest and action.

## ▲ AVERAGE TICKET & NUMBER OF TRANSACTIONS

Encourage your associates to upsell customers by recommending complementing products and services. Feature advertised items with point-of-purchase displays that include supplementary products. Plus, create packages of products and services that increase the average sale.

## ▲ FREQUENCY OF PURCHASES

At each point of sale, provide a coupon, frequent purchasing program or other incentives to encourage repeat purchases. Include expiration dates to create urgency.

## ▲ CUSTOMER REFERRALS

Offer incentive programs to inspire customers to recommend your business to others. Also, encourage satisfied clients to provide online reviews.

## ▲ CUSTOMER DATABASE

Capture phone numbers, email and street addresses, as well as encourage shoppers to sign up for digital promotions. Build a database to track information and preferences to better serve your customers.

## ▲ WEB TRAFFIC

People research and compare companies online before they buy. Even if you do not offer online purchasing options, you can measure leads, as well as the amount of time spent on your website and the number of pages viewed during each marketing campaign. This will identify if your message and offer are stimulating interest.

## ▲ CONVERSION RATE

When shoppers call, visit your business or review your website, share information about new merchandise, services and special offers. Also, when people visit your company, direct them to where they can locate advertised items and accompanying products.

*Savvy marketers know measuring the success of each marketing campaign is vital to guiding strategies and ensuring a return on their investment.*

## ACTIONS CUSTOMERS TAKE AFTER BEING EXPOSED TO YOUR AD MESSAGE

<b>1</b>	<b>Click on the ad (digital)</b>	Some customers will click on your ad to learn more; however, this number is only one minor measurement of your advertising's success. Your ad may be achieving incredible success with very few clicks.
<b>2</b>	<b>Call your business</b>	Many customers are intrigued and want to inquire about your products and services. These people will call your business to speak directly to one of your representatives to order your services or set appointments.
<b>3</b>	<b>Visit your business</b>	Many customers want to touch and feel the merchandise you offer or speak to one of your salespeople about your services. These shoppers visit your business to make their purchases.
<b>4</b>	<b>Go directly to your website</b>	Many customers are interested in learning more about your product and service offerings. These people go directly to your website to learn about what makes your products and services superior in the market and why they should purchase from your company and not the competition.
<b>5</b>	<b>Conduct a brand search</b>	Your advertising message will encourage some customers to learn more about the options you are offering. These interested shoppers conduct searches to review companies that offer similar products and services, compare choices and determine where they will purchase.
<b>6</b>	<b>Do nothing until there is a need in the future and then proceed to #s 2-5</b>	Many customers do not have an immediate need for your products or services. Therefore, they may review your message; however, they do not take immediate action. This does not mean the ad did not perform. A few months later, when these people need your merchandise or offerings, they will remember your message. At this time, they either will conduct online searches or visit your website to decide where to buy, or they will call or visit your business.

## ESTABLISHING MARKETING

## KPIs

## KEY PERFORMANCE INDICATORS

KPIs are quantifiable measurements that help businesses assess how effectively they are achieving strategic goals.

### **Benefits of Establishing KPIs**

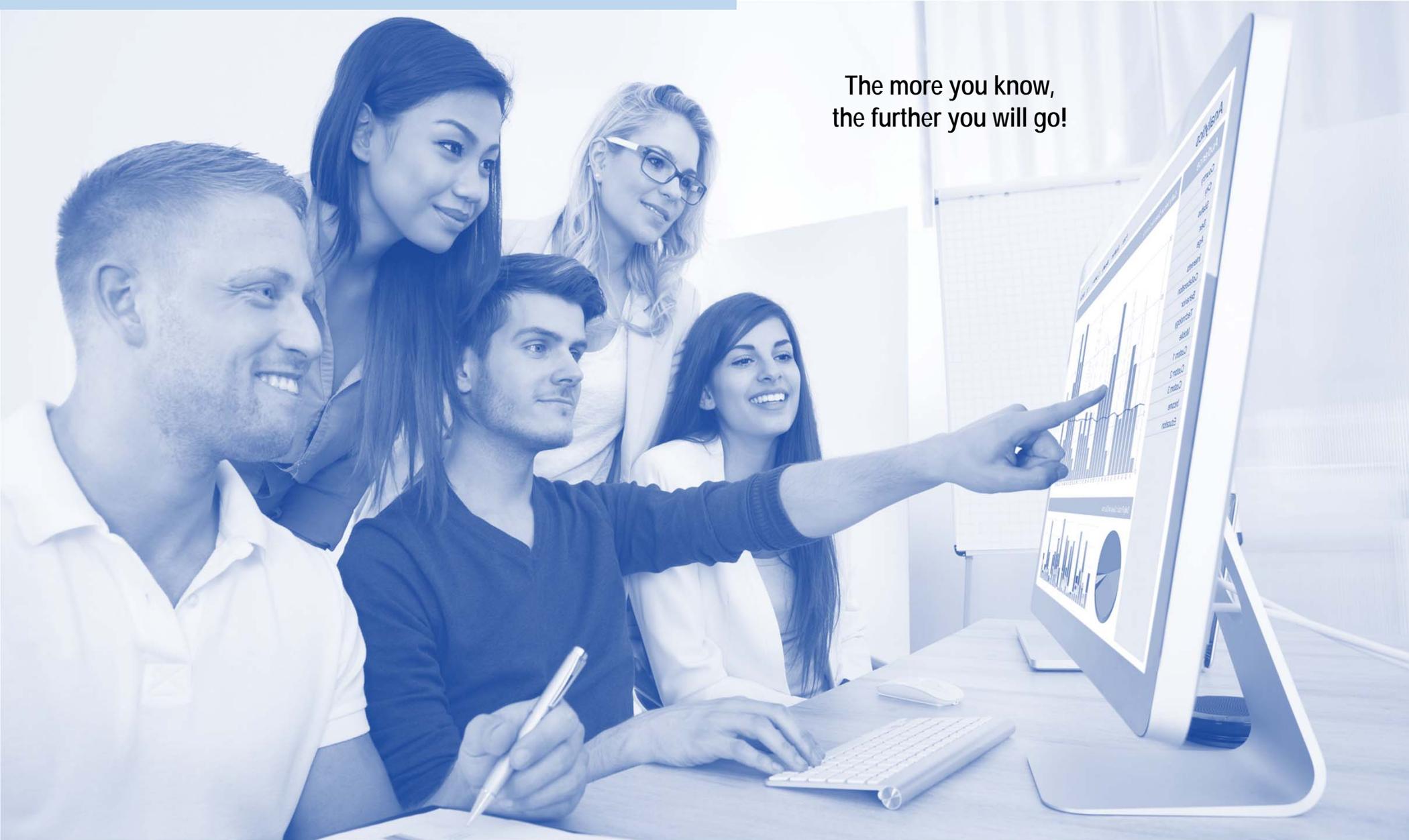
Marketing KPIs track trends and performance over time and provide data to help achieve optimal success. Because each business is unique, leaders must determine the most beneficial elements to evaluate. Once precise goals are set, specific tracking mechanisms are necessary to reveal the most useful insights. KPIs must be regularly reviewed and adjusted continually to align with business needs and goals.

STEPS TO ESTABLISHING KPIs		EXPLANATION	YOUR KPI GOALS	ADDITIONAL GOALS & NOTES
1	<p><b>Establish your performance goals.</b></p> <p>Set a time frame to accomplish your goals and define your accomplishments in weeks, months, quarters or annually.</p>	<p>While the ultimate goal may be to increase sales, it is vital to determine the specifics. For example, are you looking to increase sales by a certain number of units per month, add new customers or advance sales by a year-over-year percentage. Are you seeking a percent increase in a specific category or your overall business revenue?</p>	<p>Increase:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Sales revenue (by category, department or overall profits)</li> <li><input type="checkbox"/> Market share</li> <li><input type="checkbox"/> Customer base</li> <li><input type="checkbox"/> Annual or lifetime value of customers</li> <li><input type="checkbox"/> Other:</li> </ul>	
2	<p><b>Determine your best conversion opportunity.</b></p>	<p>There are numerous actions a customer can take after being exposed to your advertising message. It is essential to determine each campaign's ideal outcome. This will help guide your creative message and/or offer.</p>	<p>Increase:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Calls to your business</li> <li><input type="checkbox"/> Shoppers and buyers at your business</li> <li><input type="checkbox"/> Website lead generation forms completed</li> <li><input type="checkbox"/> Website views, conversions or purchases</li> <li><input type="checkbox"/> Other:</li> </ul>	
3	<p><b>Consider which KPIs are most important in propelling your company towards your goals.</b></p>	<p>Determine the necessary customer actions that drive overall sales and profits. While there may be numerous methods of achieving your goals, select only the most important for your marketing efforts.</p>	<p>Increase:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Average sale or number of transactions</li> <li><input type="checkbox"/> Frequency of purchases</li> <li><input type="checkbox"/> Customer referrals</li> <li><input type="checkbox"/> Web or mobile traffic / Blog post visits</li> <li><input type="checkbox"/> Sales conversion rates (web leads, in-store or calls)</li> <li><input type="checkbox"/> Organization's search ranking</li> <li><input type="checkbox"/> Social media reach and engagement</li> <li><input type="checkbox"/> Email marketing performance (people reached or those that unsubscribe, open, click-through, purchase, forward or share)</li> </ul> <p>Decrease:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Cost of customer acquisition / cost per lead</li> <li><input type="checkbox"/> Other:</li> </ul>	
4	<p><b>Establish tracking mechanisms to measure results and adjust plans as needed.</b></p>	<p>Regularly evaluate your progress. During reviews, calculate the return on your marketing investment. (See next section for additional information.)</p>	<ul style="list-style-type: none"> <li>▶ Mechanisms in place or needed</li> <li>▶ Team members involved</li> </ul>	

# ESTABLISHING TRACKING MECHANISMS

To evaluate the media and messages that are producing the greatest results, it is critical to establish tracking tools to measure the performance of your campaigns.

**The more you know,  
the further you will go!**



# ESTABLISHING

# TRACKING MECHANISMS

DATA TO EVALUATE	NOTES	YOUR TRACKING PLANS
<p><b>Mechanisms already in place to measure sales statistics and transaction data</b></p>	<p>Most point-of-sales systems track the number of total sales, the average sale and the number of transactions sold. There may be numerous other metrics available to you as well through your system. Review these to determine the most valuable tracking options for your business.</p>	
<p><b>Analytics available from your website provider, Google Analytics, or similar sources</b></p>	<p>Digital analytics provide valuable data about your audience and the channels that drive traffic to your website. Ask your website provider for information, explore Google Analytics or speak to your media advisor about data available to your business.</p>	
<p><b>Mechanisms needed to track data and team members that must be involved in these efforts</b></p>	<p>Often members of your team will need to be included in tracking the results of your marketing endeavors. For example, if customers often call or visit your business, to determine conversion rates, team members may need to keep a manual record of each customer call or visit, as well as how often these shoppers made a purchase.</p>	
<p><b>The time frame for tracking results</b></p>	<p>Begin measuring your KPIs as soon as possible to benchmark your current performance. Continue evaluating results throughout the campaign, as well as a few months after it is completed. This is because many people will not react immediately to your message or offer.</p>	<p>Start Date:</p> <p>Stop Date:</p>

## ESTABLISHING MARKETING

## ROI

## RETURN ON INVESTMENT

Advertising, implemented correctly, is not an expense; it is an investment that produces additional revenue. While challenging to measure, it is critical to validate each media, message and campaign's success.

Cross-reference this workbook with the NPG TOOLKIT and seek further guidance from your local media advisor on measuring ROI.



# FORMULAS FOR MEASURING

# ROI

# RETURN ON INVESTMENT

MONTHLY ROI CALCULATOR								
\$ Monthly Ad Investment	÷	\$ Average Sale or Gross Profit Per Sale	=	# Monthly Transactions Needed to Begin Turning Profit	÷	4 or 5 (# weeks in month)	=	# Weekly Transactions Needed to Begin Turning Profit
\$	÷	\$	=		÷		=	

GOAL ROI CALCULATOR								
Desired # New Buyers	X	\$ Average Sale or Gross Profit Per Sale	=	Increased Additional \$ Per Month	-	\$ Monthly Ad Investment	=	Increased Additional \$ Monthly Profit
	X	\$	=	\$	-	\$	=	\$



Complete one of these charts to determine the ROI for each marketing campaign. You may choose to complete the calculations for your entire media plan or copy this page and complete it for each medium you employ.

ANNUAL & LIFETIME VALUE OF EACH NEW CUSTOMER								
\$ Average Sale or Gross Profit Per Sale	X	# Average Times Customer Buys Per Year	=	\$ Average Annual Value of New Customer	X	Average # of Years Customer Buys	=	\$ Average Lifetime Value of a Customer
\$	X		=	\$	X		=	\$

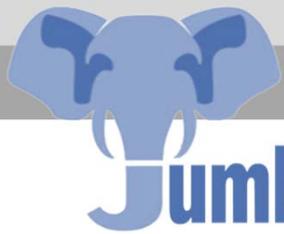
When evaluating the success of each marketing campaign, review the value of each new customer. These new clients will also be referring your business to others, creating even more value.

CONVERSION TO SALES CALCULATOR												
# New Shoppers, Callers or Visitors	X	% Conversion Rate*	=	# New Buyers	X	\$ Average Sale or Gross Profit Per Sale	=	Increased Additional \$ Per Month	-	\$ Monthly Ad Investment	=	Increased Additional \$ Monthly Profit
	X	%	=		X	\$	=	\$	-	\$	=	\$

Complete this chart if you are measuring customer conversions. You may wish to complete separate charts for in-store, call and web conversions.

<p>*Caller / Shopper Conversion Rate                  % of callers / shoppers at your business that become customers = Customers ÷ Shoppers or Callers</p>	<p>*Digital Visitor to Lead Conversion Rate                  % of leads resulting from website visits = Leads ÷ Visits</p>	<p>*Digital Lead to Customer Conversion Rate                  % of customers resulting from leads = Customers ÷ Leads</p>
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# Jumbo's CARPET CLEANING

## EXAMPLE

STEPS TO ESTABLISHING KPIS	EXPLANATION	YOUR KPI GOALS	ADDITIONAL GOALS & NOTES
<p>1 <b>Establish your performance goals.</b></p> <p>Set a time frame to accomplish your goals and define your accomplishments in weeks, months, quarters or annually.</p>	<p>While the ultimate goal may be to increase sales, it is vital to determine the specifics. For example, are you looking to increase sales by a certain number of units per month, add new customers or advance sales by a year-over-year percentage. Are you seeking a percent increase in a specific category or your overall business revenue?</p>	<p>Increase:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Sales revenue (by category, department or overall profits)</li> <li><input type="checkbox"/> Market share</li> <li><input checked="" type="checkbox"/> Customer base</li> <li><input type="checkbox"/> Annual or lifetime value of customers</li> <li><input type="checkbox"/> Other:</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase customers from 100 to 110 per month</li> <li>✓ Increase profit from each sale from \$150 to \$175</li> <li>✓ Increase revenue from \$15,000 to \$19,250 per month</li> <li>✓ Total sales goal: \$115,500</li> <li>✓ Time frame January to June</li> </ul>
<p>2 <b>Determine your best conversion opportunity.</b></p>	<p>There are numerous actions a customer can take after being exposed to your advertising message. It is essential to determine each campaign's ideal outcome. This will help guide your creative message and/or offer.</p>	<p>Increase:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Calls to your business</li> <li><input type="checkbox"/> Shoppers and buyers at your business</li> <li><input type="checkbox"/> Website lead generation forms completed</li> <li><input checked="" type="checkbox"/> Website views, conversions or purchases</li> <li><input checked="" type="checkbox"/> Other: <b>▲ Email addresses</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase the number of customers setting appointments on website</li> <li>✓ Collect emails to add to the database and offer additional specials</li> <li>✓ Three rooms for the price of two</li> </ul>
<p>3 <b>Consider which KPIS are most important in propelling your company towards your goals.</b></p>	<p>Determine the necessary customer actions that drive overall sales and profits. While there may be numerous methods of achieving your goals, select only the most important for your marketing efforts.</p>	<p>Increase:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Average sale or number of transactions</li> <li><input type="checkbox"/> Frequency of purchases</li> <li><input type="checkbox"/> Customer referrals</li> <li><input checked="" type="checkbox"/> Web or mobile traffic / Blog post visits</li> <li><input checked="" type="checkbox"/> Sales conversion rates (web leads, in-store or calls)</li> <li><input type="checkbox"/> Organization's search ranking</li> <li><input type="checkbox"/> Social media reach and engagement</li> <li><input checked="" type="checkbox"/> Email marketing performance (people reached or those that unsubscribe, open, click-through, purchase, forward or share)</li> </ul> <p>Decrease:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Cost of customer acquisition / cost per lead</li> <li><input type="checkbox"/> Other:</li> </ul>	<ul style="list-style-type: none"> <li>✓ Email additional specials once a month to the customer database and encourage a referral bonus for new customers</li> <li>✓ Offer each customer additional specials (add traffic areas, rugs, upholstery, extra rooms and self-cleaning products, as well as pay in advance for a second cleaning in a year)</li> </ul>
<p>4 <b>Establish tracking mechanisms to measure results and adjust plans as needed.</b></p>	<p><b>Regularly evaluate your progress.</b> During reviews, calculate the return on your marketing investment. (See next section for additional information.)</p>	<ul style="list-style-type: none"> <li>▶ Mechanisms in place or needed</li> <li>▶ Average sale – computer system</li> <li>▶ Website traffic – digital analytics</li> <li>▶ Team members involved – receptionist</li> </ul>	<ul style="list-style-type: none"> <li>✓ Create simple form for the receptionist to capture the number of callers and sales</li> </ul>

# EXAMPLE



MONTHLY ROI CALCULATOR								
\$ Monthly Ad Investment	÷	\$ Average Sale or Gross Profit Per Sale	=	# Monthly Transactions Needed to Begin Turning Profit	÷	4 or 5 (# weeks in month)	=	# Weekly Transactions Needed to Begin Turning Profit
\$2,500	÷	\$175	=	14	÷	4	=	3.5

ANNUAL & LIFETIME VALUE OF EACH NEW CUSTOMER								
\$ Average Sale or Gross Profit Per Sale	X	# Average Times Customer Buys Per Year	=	\$ Average Annual Value of New Customer	X	Average # of Years Customer Buys	=	\$ Average Lifetime Value of a Customer
\$175	X	2	=	\$350	X	5	=	\$1,750

### GOALS

- ✓ Increase customers from 100 to 110 per month
- ✓ Increase profit from each sale from \$150 to \$175
- ✓ Increase revenue from \$15,000 to \$19,250 per month
- ✓ Total sales goal: \$115,500
- ✓ Time frame January to June

**Note:** Goal Calculator was not included in this example.

← Retain only two customers (\$3,500) for five years, and the advertising is delivering results.

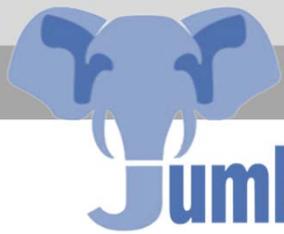
CONVERSION TO SALES CALCULATOR - <u>PHONE CALLS</u>												
# New Shoppers, Callers or Visitors	X	% Conversion Rate*	=	# New Buyers	X	\$ Average Sale or Gross Profit Per Sale	=	Increased Additional \$ Per Month	-	\$ Monthly Ad Investment*	=	Increased Additional \$ Monthly Profit
200	X	25%	=	50	X	\$175	=	\$8,750	-	\$1,250	=	\$7,500

\*In this example, for simplicity, the ad investment has been evenly split in the conversion calculators.

CONVERSION TO SALES CALCULATOR - <u>WEB VISITS</u>												
# New Shoppers, Callers or Visitors	X	% Conversion Rate*	=	# New Buyers	X	\$ Average Sale or Gross Profit Per Sale	=	Increased Additional \$ Per Month	-	\$ Monthly Ad Investment*	=	Increased Additional \$ Monthly Profit
200	X	10%	=	20	X	\$175	=	\$3,500	-	\$1,250	=	\$2,250

While the conversion charts show more results when phone calls are received, there will be many customers that visit the website first to review the company and offerings and then call the client to purchase.

*Caller / Shopper Conversion Rate % of callers / shoppers at your business that become customers = Customers ÷ Shoppers or Callers	*Digital Visitor to Lead Conversion Rate % of leads resulting from website visits = Leads ÷ Visits	*Digital Lead to Customer Conversion Rate % of customers resulting from leads = Customers ÷ Leads
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### EVALUATING YOUR MARKETING SUCCESS

Month	# Total Shoppers	# Total Buyers	% Conversion (# Buyers ÷ # Shoppers)	Average # Items Purchased	\$ Average Sale or Gross Profit Per Sale	\$ Total Sales	Media Used and Promotional Message or Offer
JAN	300	105	35%	4	\$220	\$23,100	<ul style="list-style-type: none"> <li>3 rooms for the price of two</li> <li>Discount to add cleaning of traffic areas, one additional room and spot cleaner</li> <li>Traditional media, digital, email</li> </ul>
FEB	350	115	33%	3	\$175	\$20,125	
MAR	375	150	40%	2	\$135	\$20,250	<p>↓</p> <p><b>GOALS</b></p> <ul style="list-style-type: none"> <li>✓ Increase customers from 100 to 110 per month</li> <li>✓ Increase profit from each sale from \$150 to \$175</li> <li>✓ Increase revenue from \$15,000 to \$19,250 per month</li> <li>✓ Total sales goal: \$115,500</li> <li>✓ Time frame January to June</li> </ul>
APR	400	108	27%	3	\$165	\$17,820	
MAY	425	85	20%	3	\$255	\$21,675	
JUNE	500	90	18%	3	\$215	\$19,350	
<b>6 MONTH TOTAL</b>	2,350	653				<b>\$122,320</b>	
<b>6 MONTH AVG</b>	391	<b>109</b>	28%	3	<b>\$194</b>	<b>\$20,386</b>	

#### CALCULATE YOUR MARKET SHARE

\$ Gross Sales	÷	\$ Total Market Sales in Industry	=	% Market Share
\$230,000	÷	\$3,500,000	=	7%

- ▶ Each year, evaluate your market share to determine your company's success compared to your competitors.
- ▶ Ask your media advisor for your industry's total sales in the market.



OUR GOAL IS YOUR SUCCESS

*Contact your media advisor about  
establishing goals and measuring  
the success of your marketing campaigns.*

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