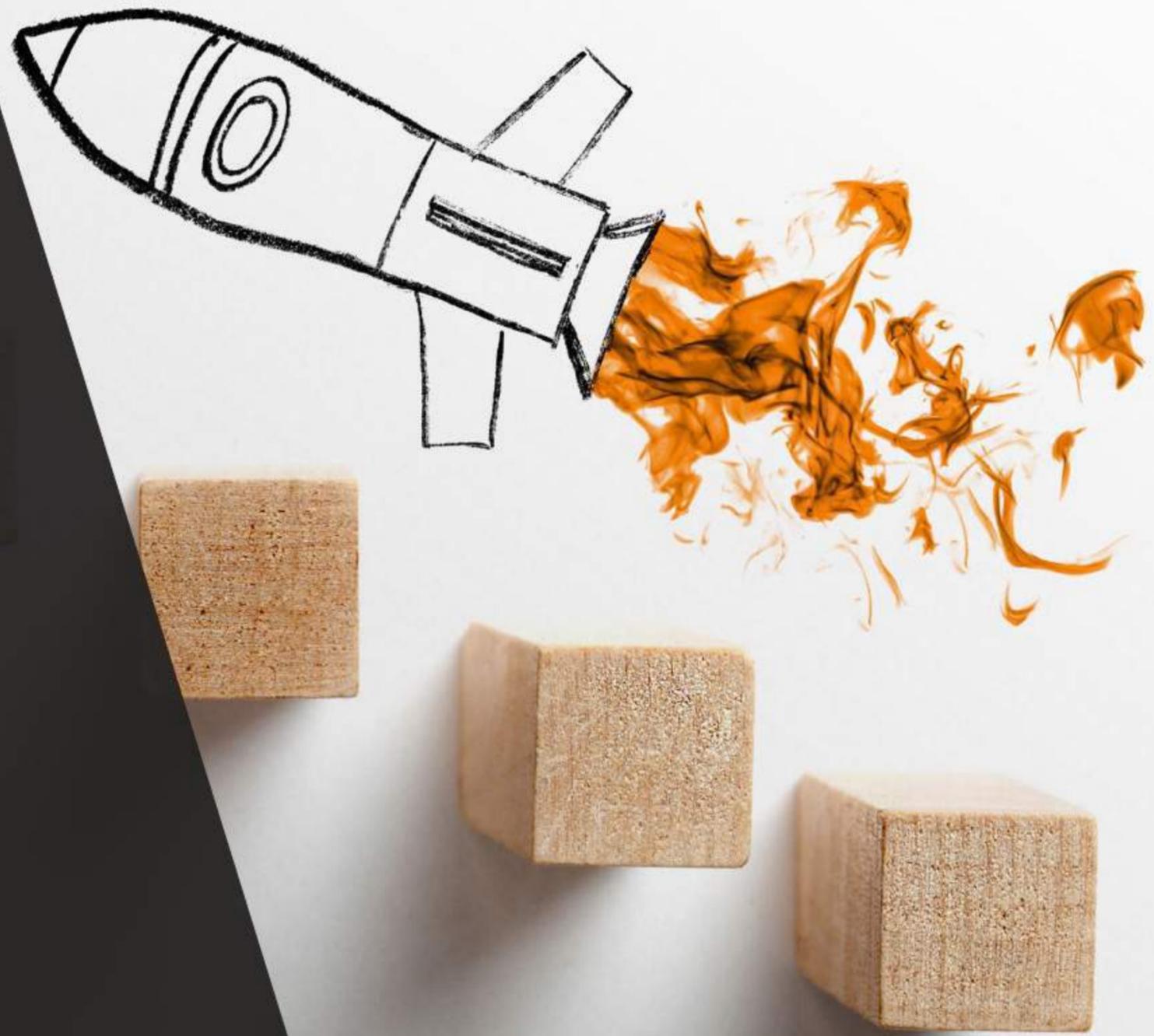# METRICS FOR GROWTH:

Mastering the data that drives marketing success

Sharp Thinking

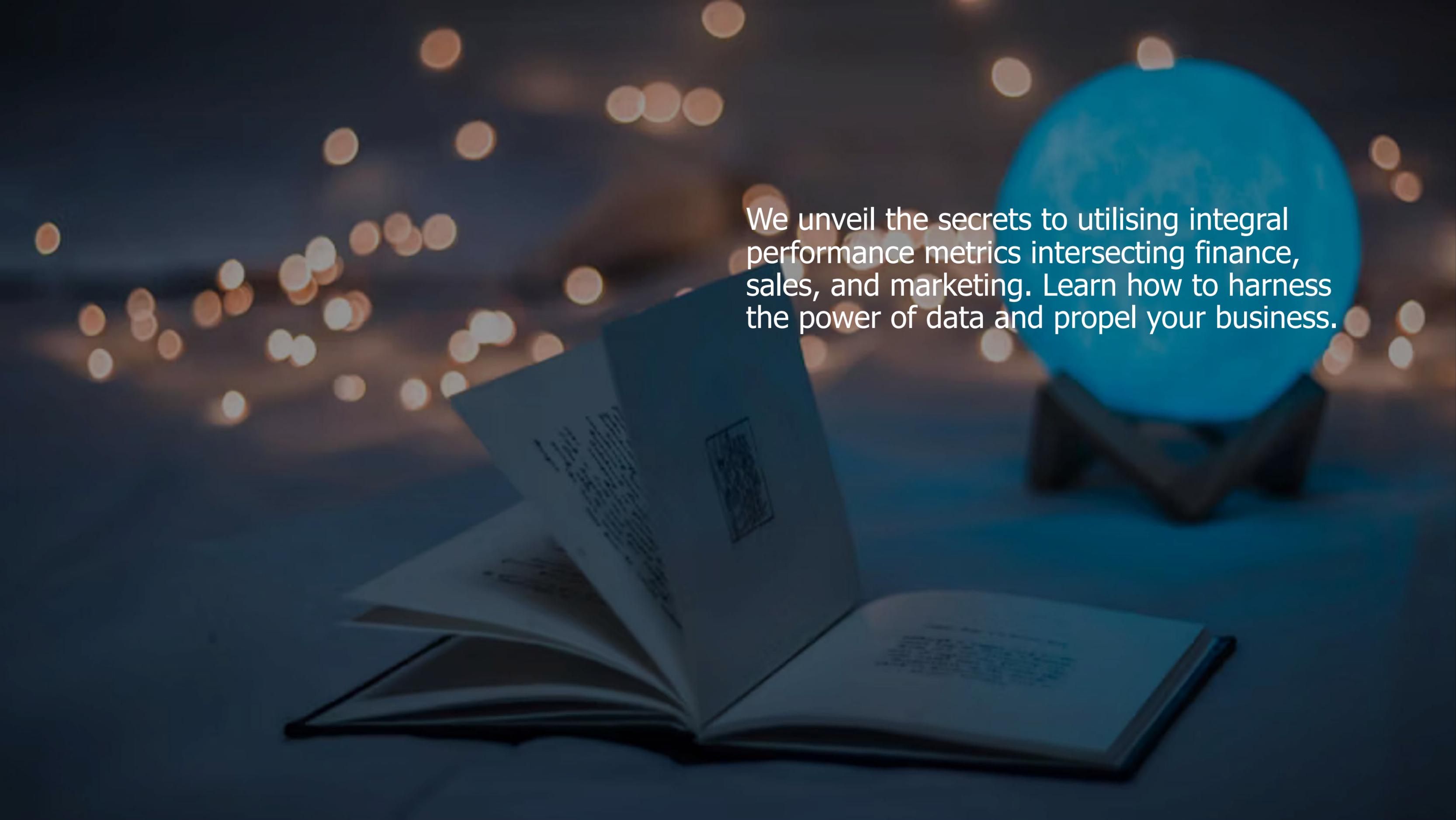A4G CHARTERED ACCOUNTANTS

Luke
McCarthy

Accountant

Nat
Sharp

Marketing
consultant

We unveil the secrets to utilising integral performance metrics intersecting finance, sales, and marketing. Learn how to harness the power of data and propel your business.

Agenda

- Warm up

- Financial success blueprint

- How to measure marketing

- Summary

- Questions

Warm up exercises

How happy are you with the way you measure your marketing on a scale of 1-5?

On a scale of 1-5 how confident are you that your marketing is performing and contributing towards you business goals?

Financial success blueprint

"Numbers speak louder than words, but **it's the advice around the numbers** that have the greatest impact "

CHARTERED ACCOUNTANTS

1. Importance of basic financials in driving KPIs

2. Understanding Basic Financial Statements

3. Linking Financial Data to KPIs

4. Case study demonstrating the correlation between financial metrics and KPIs

Importance of basic financials in driving KPIs

- Understanding basic financial statements
- Linking financial data to KPIs
- Real-world applications and benefits

CHARTERED ACCOUNTANTS

Understanding Basic Financial Statements

- Profit & Loss
  - ➤ Do you know what your real breakeven as a business owner is?

- Balance sheet

Balance Sheet

Balance Sheet
As at 31 March 2023

Account	31 Mar 2023	31 Mar 2022	31 Mar 2021
Fixed Assets			
Tangible Assets			
Total Tangible Assets	34,760.75	37,392.30	17,435.63
Total Fixed Assets	34,760.75	37,392.30	17,435.63
Current Assets			
Cash at bank and in hand			
Bank – NatWest Office	252,830.04	222,492.57	875,816.58
Total Cash at bank and in hand	252,830.04	222,492.57	875,816.58
Debtors	25,943.66	25,178.59	43,301.30
Work in Progress	149,850.00	158,250.00	155,775.00
Prepayments	160,838.48	136,291.73	84,023.20
		0.00	0.00
Total Current Assets	589,462.18	542,212.89	1,158,916.08
Creditors: amounts falling due within one year			
C-bills Loan	86,000.00	110,000.00	120,000.00
Creditors Control Account	149,867.00	114,897.77	350,205.31
HMRC Payment Plan	0.00	0.00	261,184.57
P.A.Y.E.	25,472.79	20,518.42	21,803.96
VAT Liability	66,616.77	55,420.55	99,316.64
Corporation Tax	28,766.59	16,654.66	33,005.66
Total HMRC	120,856.15	92,593.63	415,310.83
Staff			
Pension Fund	4,766.30	4,734.10	3,048.58
Staff Loans	315.65	631.30	631.30
Total Staff	5,081.95	5,365.40	3,679.88
Credit Card	7,195.55	3,757.16	3,236.52
Accruals	24,710.39	11,594.68	9,975.26
Deferred tax timing difference	5,810.20	5,434.00	0.00
Total Creditors: amounts falling due within o	399,521.24	343,642.64	902,407.80
Net Current Assets (Liabilities)	189,940.94	198,570.25	256,508.28
Total Assets less Current Liabilities	224,701.69	235,962.55	273,943.91

Capital and Reserves	31 Mar 2023	31 Mar 2022	31 Mar 2021
Current Year Earnings	121,321.76	98,236.29	378,331.35
Directors Loan Accounts (MG – CY)	(566.54)	(1,190.54)	0.00
Ordinary Shares	100.00	100.00	100.00
Profit and Loss Account	0.00	0.00	0.00
Retained Earnings	103,846.47	270,816.79	(104,487.44)
Senior Partner Consultancy (Dividends)	0.00	(132,000.00)	0.00
Total Capital and Reserves	224,701.69	235,962.54	273,943.91

Profit & Loss

For the year ended 31 March 2023

Account	2023	2022	2021
Turnover			
Total Turnover	3,546,427.82	3,251,077.55	3,010,080.54
Cost of Sales			
Total Cost of Sales	2,153,310.39	1,661,107.96	1,230,868.71
Gross Profit	1,393,117.43	1,589,969.59	1,779,211.83
Administrative Costs			
Total Administrative Costs	1,319,330.49	1,481,335.36	1,380,306.12
Operating Profit	73,786.94	108,634.23	398,905.71
Other Income			
Total Other Income	79,760.57	14,758.89	70,924.07
Profit on Ordinary Activities Before Taxation	153,547.51	123,393.12	469,829.78
Taxation	32,225.75	25,156.83	91,498.43
Profit after Taxation	121,321.76	98,236.29	378,331.35

CHARTERED ACCOUNTANTS

Linking Financial Data to KPIs

- They provide insights into financial health and performance, for example:
  - ➤ Maybe mention some examples, like profitable areas of business, areas more management needed, if on target to meet goals etc.

CHARTERED ACCOUNTANTS

KPI = specific metrics that help gauge how effectively a company is achieving its key objectives and targets

Think of them as the vital signs that indicate the overall health and performance of a business

Financial KPIs you should be tracking

Revenue growth rate

Gross margin

Net Profit

CHARTERED ACCOUNTANTS

CHARTERED ACCOUNTANTS

Company overview

- Example Law is a conveyancing solicitor firm that approached us in 2020
- Faced financial struggles and were trading as insolvent
- 30 staff members across two offices
- Facing serious losses, largely due to mismanagement of finances and inefficient business practices
- Reliant on spreadsheets for management accounts
- Failed to pay referral fees

CHARTERED ACCOUNTANTS

Challenges they faced

01
Insolvency: Total liabilities exceeded assets, indicating unsustainable financial operations

02
Inaccurate Financial Reporting: Reliance on spreadsheets for management accounts led to unawareness of actual financial performance

03
High Cost of Sales: A significant portion of revenue was allocated towards referral and commission fees for marketing, impacting profitability

04
Unsustainable Business Model: Reliance on third-party panels for lead generation led to high commission fees and inefficiencies in case management

CHARTERED ACCOUNTANTS

Our solutions

1

2

Financial Clarity: Transitioned Example Law to Xero for real-time financial insights, enabling accurate assessment of profitability

Cost Analysis: Identified the root causes of profitability issues, particularly focusing on the surge in referral and commission fees

Rolling turnover:

3.9 million

Rolling turnover:

4.2 million

Cost of sale increased from:

18% to **27%**

Our solutions

1 **Financial Clarity:** Transitioned Example Law to Xero for real-time financial insights, enabling accurate assessment of profitability

2 **Cost Analysis:** Identified the root causes of profitability issues, particularly focusing on the surge in referral and commission fees

3 **Performance Metrics:** Developed KPIs to assess the performance of referral sources and individual case managers, enabling targeted improvements

4 **Strategic Shift:** Encouraged a shift towards organic lead generation and reducing reliance on high-commission third-party panels

1 **Staff Incentives:** Implemented performance-based incentives to reward high-performing staff and boost productivity

CHARTERED ACCOUNTANTS

Results

Metric	March 2020	March 2021	March 2022
Turnover	£4.2 Million	£3.02 Million	£3.25 Million
Net Profit/Loss	(£346,646)	£210,854	£95,730

So, what happened in 2022?

- Leads generated internally from the stamp duty dried up
- Went back to generating leads via third parties
- BUT they were aware of it, managing their staff base and much more significantly aware of what the factors that were profit generating

Do you want to increase your profits?

Do you need to reduce your overheads?
Or maybe your cost of sales?
Or do you just need to **invest in marketing...**

How to measure marketing

What is marketing?

"Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably".
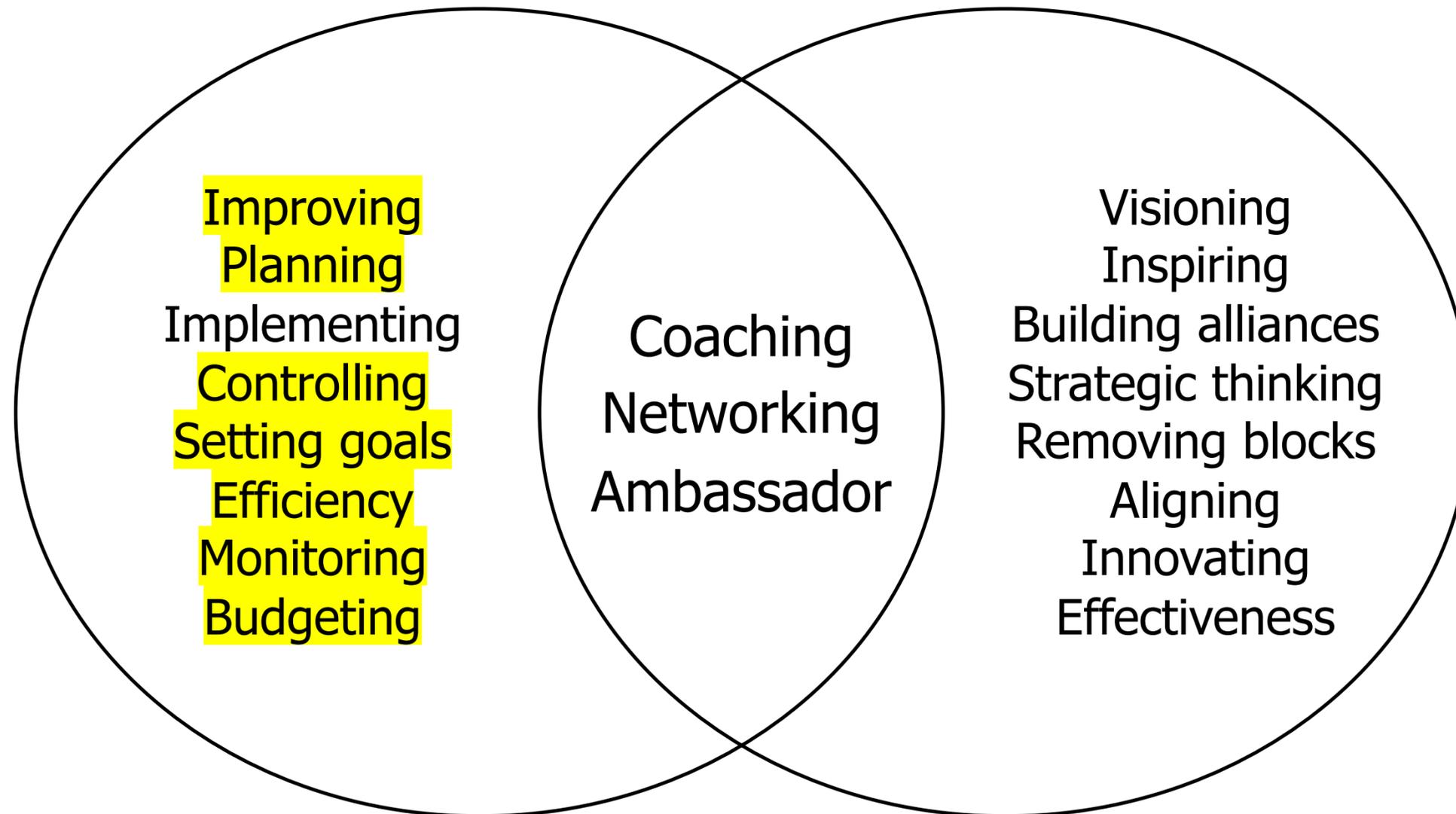
The Chartered Institute of Marketing

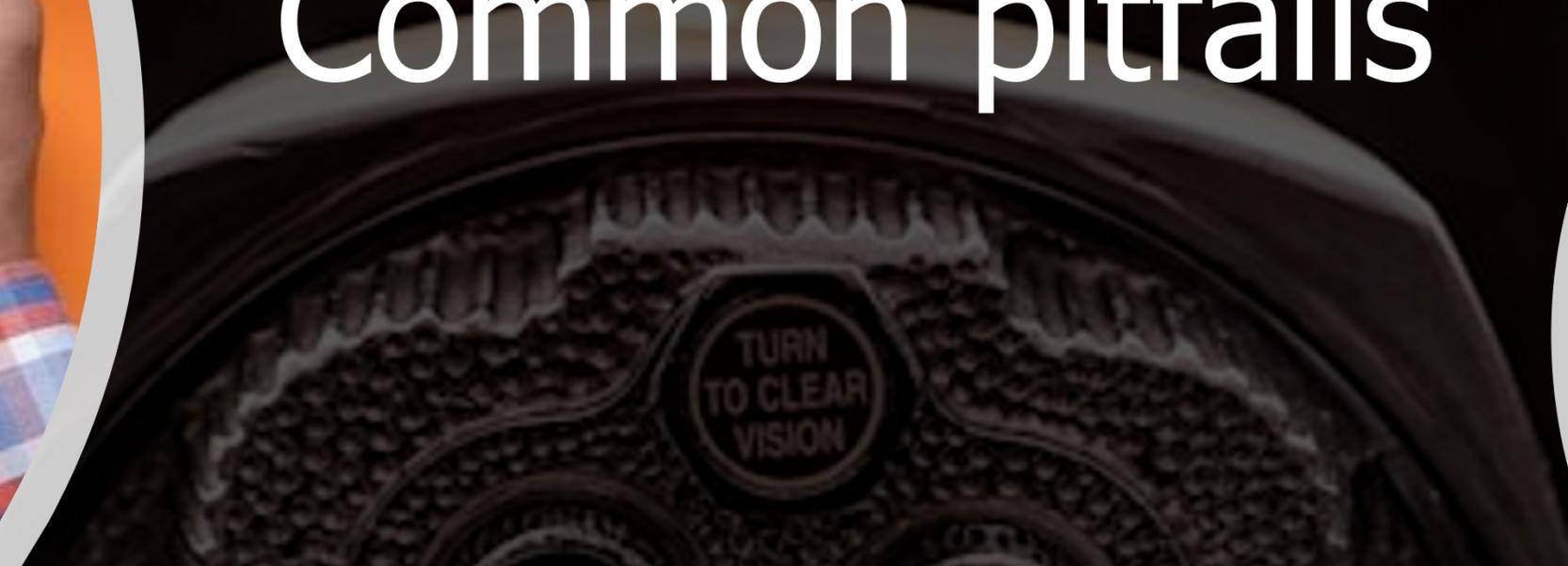# What is marketing about?

MANAGING   LEADING

Improving
Planning
Implementing
Controlling
Setting goals
Efficiency
Monitoring
Budgeting

Coaching
Networking
Ambassador

Visioning
Inspiring
Building alliances
Strategic thinking
Removing blocks
Aligning
Innovating
Effectiveness

Problems
with marketing

Common pitfalls

Marketing and finance: unlikely allies

The solution

"Marketing without data is like driving with your eyes closed"

Dan Zarella

More in common than you think

In truth, both disciplines are about the same thing:

• How a business sustainably earns, grows, and increases in value

• Marketing is one of the main drivers of earnings, growth and valuation

"Marketing have to stop reporting on activities and start reporting on business outcomes"

Allen Gannett

Getting to know your KPIs from your marketing metrics

KPI
fundamentals

- Pulse points of business health
- Cross department
- Long term
- 5-7 KPIs

What are they
used for?

KPIs beyond finance

SALES:
REVENUE, AOV, MARKET SHARE, CONVERSION RATE

CUSTOMER SERVICE:
RETENTION RATE/CHURN, NPS

MARKETING:
MQL, MARKETING ROI, NPS

What are marketing metrics?

- Data points that are collected and analyzed to understand how well marketing is performing
- KPIs can be turned into marketing metrics
- Could have 100+ marketing metrics

Benefits of tracking marketing metrics

Identify areas for improvement

Allocate resources effectively

Measure success

What are the most important metrics in marketing?

- CAC
- LTV
- ROI
- NPS

- Conversion rate
- AOV
- MQL

Definitions

- CAC = customer acquisition cost
- LTV = lifetime value
- ROI = return on investment
- NPS = net promoter score

- Conversion rate – % of leads that have converted to sale
- AOV = average order value
- MQL = marketing qualified lead

CAC

CAC is the cost of acquiring a new customer, including all marketing and sales costs

To calculate you divide your total marketing and sales costs by the number of new customers acquired over a specified period of time

A CAC shouldn't be more than a third of LTV

How to reduce CAC

Prioritise organic marketing

Focus on AOV

Increase retention

Reduce costs

But CAC doesn't give you the whole picture...

LTV

LTV is the total value a customer will bring to a business over their lifetime

To calculate you multiply the average value of a sale by the number of times a customer makes a purchase per year and then multiply that by the average length of the relationship

It includes all revenue generated by the customer, including referrals

A good CAC:LTV ratio is 3:1

How to increase LTV

Customer surveys

Automation

Upselling

Cross selling

Loyalty schemes

Marketing ROI

ROI measures the projected return on investment for marketing campaigns and tactics

ROI = Sales – marketing cost / marketing cost

Marketing should generate a minimum ROI of 5:1

Critical success factors

- Accurate marketing budget & reconciling
- Track conversions – sales are more important than leads
- Track the source of the lead and sale
- Drill down on a granular level ensuring consistent terminology
- Use campaign URLs & QR codes

Measuring customer loyalty and satisfaction

NPS

- Global measure of customer satisfaction and loyalty
- The average score globally is +32
- Companies that achieve long-term profitable growth have a NPS two times higher than the average company and grow at over twice the rate of competitors

How to measure NPS

How likely is it you would recommend our company to a friend or colleague?

0 1 2 3 4 5 6 7 8 9 10
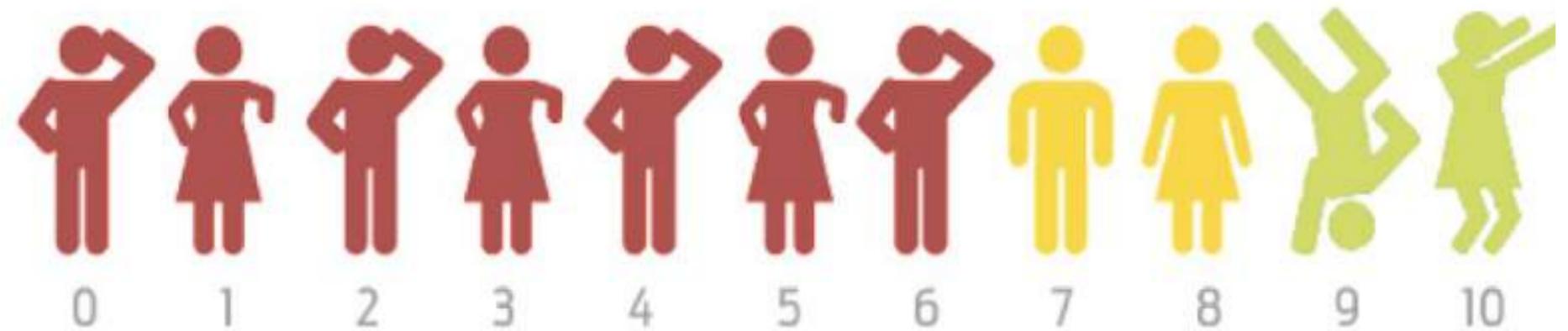
- You segment responses into 3 groups, based on rating: Promoters (9 or 10 rating), Passives (7 or 8 rating), and Detractors (0 through 6 rating).

- NPS= % of Promoters — % of Detractors

Crucial data points

ACCOUNTING SYSTEM

CRM

GOOGLE ANALYTICS

Use the funnel to set marketing metrics and KPIs

METRIC/KPI

FOR EXAMPLE...

AWARENESS

- Web visits
- Number of social media impressions
- Number of event attendees

Social media, events

ENGAGEMENT

- Number of subscribers
- Number of blog views
- Number of downloads

Email marketing, lead magnet

CONVERSIONS

- Promotion/campaign response rate
- Conversion rate from lead to sale
- CAC
- AOV
- ROI

Case studies, promotions

LOYALTY

- Retention rate
- Number of referrals
- NPS
  LTV

Loyalty programme, customer survey

*marketing qualified lead **sales qualified lead

Caution using vanity metrics

Example KPIs & metrics

SALES	AS AT MARCH 2024	AFTER 12 MONTHS OF LIVE MARKETING TARGET
New revenue secured from marketing	£0	£75,000k
Average number of new customers per year	50	100
Average contract value	£1,000	£2,000
Conversion rate from qualified leads to opportunity Conversion rate from opportunity to sale	10% 5%	15% 10%
Average number of days of sales cycle for inbound leads	40 days	30 days
Number of cross sell and upsell sales	0	20%
Revenue from cross sell and upsell sales	0	£10k
Customer lifetime value	£2,500	£10,000
CUSTOMER SERVICE		
Churn	40%	20%
Turnaround time of quotes	5 days	Within 24 hours
No. of Google reviews	5	30
NPS	30	40

Example KPIs & metrics

MARKETING	AS AT MARCH 2024	AFTER 12 MONTHS OF LIVE MARKETING TARGET
No. of MQL	100 per year (45% PPC, 31% organic, 13% direct)	600 leads
Website traffic	1000 per month	30% uplift
Website enquiries	50 per month, 0.4% of website traffic	4% of traffic
Social media traffic	38 visits per month (current 1.4% of traffic)	10% of traffic
Lead magnet downloads	0	5% of visitors
Number of subscribers	500	1,000
Website bounce rate	65%	40%
Email open & click through rates	18% open rate, 2% CTR	30% open rate, 7% CTR, 0.5% unsubscribe
No. of case studies views	50 per year	500 per year
Google position for 5 keywords & more strategic terms	3rd page	1st page
% of SEO traffic	25% of website visitors	50% uplift

Summary

Going back to the warm up…

How happy are you with the way you measure your marketing on a scale of 1-5?

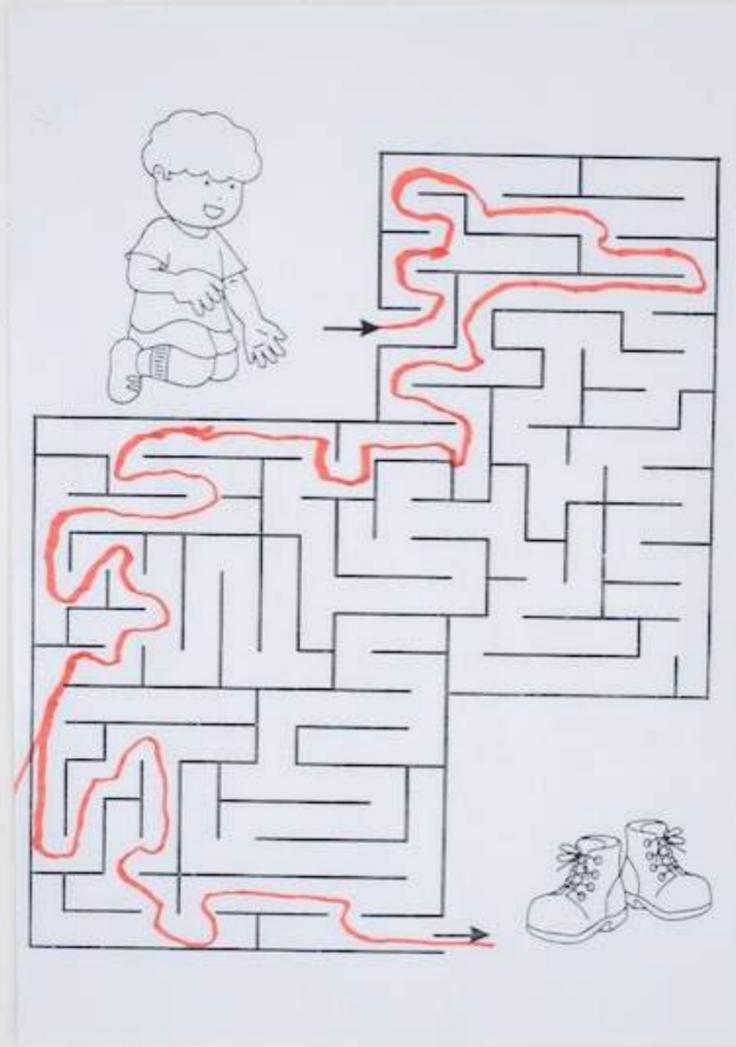On a scale of 1-5 how confident are you that your marketing is performing and contributing towards you business goals?

BUILD MEASURE EARN

Visit www.userfocus.co.uk

What 3 learnings are you taking away from today?

Summary

- Uniting marketing & finance: Partnership essential for transparency and growth

- Refine reconciliation processes: Streamline your approach to obtain accurate financial insights

- Customised reporting tools: Develop reporting practices tailored to your business's cost structures, enhancing clarity and informed decision-making

- Monitor KPIs strategically: Employ targeted strategies to track KPIs, fuelling data-driven growth initiatives

- Cohesive cross-departmental KPIs

- Monthly marketing reviews: Discuss marketing outcomes in the context of overarching business objectives

- Precision in budget management

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