
First, the summary explanation

If you haven't been asked what the ROI (or expected ROI) is for a campaign or program yet, you will. It's a standard question. At the heart of the question is the concept that that marketer's know all too well:

What's In It For Me.

At it's core, the ROI, Return on Investment, is a value assessment, a net profit statement. Since marketing is still often viewed as a cost-based department (versus a revenue generating one), marketing bears the brunt of justification of expenditures. (This is not a bad thing. It's always good to ask the question: it is worth it?)

Easy ROI

The most basic way to calculate the [ROI](#) of a marketing campaign is to integrate it into the overall business line calculation.

You take the sales growth from that business or [product line](#), subtract the marketing costs, and then divide by the marketing cost.

$(\text{Sales Growth} - \text{Marketing Cost}) / \text{Marketing Cost} = \text{ROI}$

So, if sales grew by \$1,000 and the marketing campaign cost \$100, then the simple ROI is 900%.

$((\$1000 - \$100) / \$100) = \mathbf{900\%}$.

Read more: [How to calculate the return on investment \(ROI\) of a marketing campaign |](#)

[Investopedia https://www.investopedia.com/articles/personal-finance/053015/how-calculate-roi-marketing-campaign.asp#ixzz5St06FmZD](https://www.investopedia.com/articles/personal-finance/053015/how-calculate-roi-marketing-campaign.asp#ixzz5St06FmZD)

Easy enough, right? That makes sense. We're done, right? Nope. Marketing ROI isn't that straight forward. EVER.

Not So Easy ROI

- What is the TOTAL Investment, what is the Assigned Return.
- Every element in the process needs an assigned value or cost.

In a nutshell, to determine ROI you will need to account for all the costs (investment), including man hours, supplies, advertising or media costs, and licensing costs (as in the case of email marketing.). You will need to assign a dollar value to the deliverables (leads, attendees, responses, likes, etc.).

Then follow the above formula.

And now for the more detailed explanation

So What exactly IS ROI?

So now that we have the overall theoretical concept of ROI, Return on Investment, we need to understand what actually makes up the components of it.

- What is your R (return)?
- What is your I (investment)?

Not all marketing initiatives have an obvious cost, or an obvious return. In that case, we often miss whether an initiative is potentially worth it, or if the outcomes were of more value than originally anticipated., Because Marketing is not synonymous with Advertising.

Determining the R in ROI

When dealing with a specific advertising promotion, calculating the return is often straight forward. If a customer used the promo code, coupon, or clicked directly through a link to make a purchase, the Return is tracked and recorded, and assigned a dollar value by default. There's no question what the return is (there is, but that's a larger college class.)

What if your efforts do not directly impact sales, as most marketing does not.

- Content marketing
- Social media marketing,
- Brand awareness
- Print advertising
- Event marketing
- Lead generation
- etc.

And what if the campaign is part of a larger initiative? How do you define the impact, the return of a piece of the program?

- How to Identify the Return

To track any return a value needs to be assigned to the deliverable. The deliverable being the results. Sales are always the high level objective, yes, but they are not necessarily the driver for each initiative. This is important in developing and planning ANY marketing initiative or campaign.

- What are your objectives?
- How will you measure success?

- **How to Assign the Value**

This can be simple or excruciatingly in depth. This should often be a group decision, and one that determined in advance. In the initial example, the value is determined by the increase in sales, but what if the initiative is lead generation, event attendance, part of account-based marketing and sales efforts? In a nutshell, what is the value of a non-transactional outcome?

You likely already know the LTV (Lifetime Value of a customer), or the value of a lead, which helps determine the range to spend on acquisition of new leads and customers. Do you know the value of the move to a qualifying stage in the sales funnel?

Using an example of an event attendee, you will need to set a value based on the lead acquisition (if it's a new customer acquisition event), the customer nurturing value (if the lead is more qualified and already in the sales funnel), or the value based on an existing customer (upsell, WOM value, etc.).

The value of the attendee would then be calculated based on the specific attendee type based on where (s)he falls within the sales funnel, or as an average of all the types of attendees.

The point is, there needs to be a dollar value to the outcome to assess the return.

[\(see file: Valuation of a Customer/Lead\)](#)

- **How to Track the Return**

The short answer is to not track too tightly. It sounds counter-intuitive, but the ROI should be calculated on the larger, related initiative. (Collect the data on the other components of the campaign, but do assign an ROI. You will want to know what is effective in obtaining the individual results of the elements, tactics, but overall, those represent a mere portion of the larger initiative with a combined goal.) This is also a reminder of the importance of setting the goals and how you will measure success BEFORE the initiative begins!

Determining the I in ROI

Investment is always cost. What is the total cost of the initiative? If it's in the marketing department budget, it needs to be included in the cost. If you have an initiative budget, you likely have the specifics of the cost pre-determined, but not always. You need to account for all the "hidden" costs, as noted above (man hours, software or SaaS licenses, supplies, etc.)

Using an event as an example, you already know there are a wealth of costs involved, from recruitment to attendance to travel to entertainment, not to mention the collateral and design. But what about recruiting for the event attendance?

Be sure to include the costs for the different phases: the # of hours to create the invitations (email AND/OR print), printing costs, reporting costs, mailing costs, follow up costs, etc. Those all need to be included to get the full

Investment amount. If you have phrased or triggered follow ups based on behavior, you need to track those, too, even if the time is minimal based on a previously existing design. Agencies use both Rate Cards (different hourly rates for different personnel requirements on projects) and Blended Rates (the average hourly rate based on an average project mix of skill levels required.) Calculating man hours is best done as a blended rate (unless you require the level of detail for your company). HR or accounting can likely provide an hourly rate to default to (and it's best to request it from them since they are likely the ones scrutinizing the ROI!).

Expenses are often clear and specific to the initiative, vendors, unless they're shared expenses, such as email sending licenses or monthly shipping fees.

In these instances you have a choice. Work with your accounting department to get a blended rate to include overhead (it might already) or calculate them specifically for the initiative, depending on how detailed reporting is required. You can calculate the estimated cost per email send (average # of sends per month x 12, then divided by the annual licensing, times the number of emails sent for the initiative.) If you have unlimited email sends per month, you'll still want to calculate the per-email send rate to get the number! The same goes for software licenses (IF and ONLY IF they are part of the overall marketing department!) In those instances you'll want to calculate the % of the month spend using those programs in the development of the initiative, and multiply the monthly fee (or annual/12) by that %.

Determining ROI

So now that you have the TOTAL Investment value and the TOTAL Return value, you can calculate the ROI using the above formula.

- ROI Percentage: $((R-I)/I)$
- ROI Total \$: $(R-I)$

(And you can track even more information, such as the total cost of an attendee for an event, $(ROI \text{ Total}/\# \text{Attendees})$).

ROI BASICS

Don't Market by the Numbers
Chart Your Own Course



Example

We have been tracking the ROI for the RECRUITMENT Campaign for the upcoming an event. Note, this is JUST for the recruitment, so the ROI is based solely on the number of registrants, not on the number of attendees. For the purpose of this exercise, we have ESTIMATED the value of the registrants based on the type of registrant. 2 day registrants are valued higher as they are existing customers, while 1 day registrants are valued lower. We have also pulled the data from last year to compare.

- 2018

2018 Literacy Leaders Email Recruitment Program									
Audience: ARC CORE Champs (2 day)									
Element	Date Sent	Audience Size (sent to)	Registered	value (registrant)	Man hours	Assigned Cost	Cost per Registrant	ROI \$	ROI
Total Audience Size		129		\$ 200.00					
Save the Date Email	8/28/2018	129	-		3.00	\$ 106.29			
Save the Date Email (OG)	8/31/2018	62	14		0.25	\$ 9.37			
Invitation Email	9/6/2018	129	-		3.00	\$ 106.29			
Invitation Email 2	9/7/2018	127	1		1.00	\$ 36.27			
Invitation Email 2 (OG)	9/13/2018	71	3		0.25	\$ 9.46			
Invitation Email 3	9/26/2018	127	2		0.25	\$ 10.02			
Registrant Update Email					1.00	\$ 35.00			
Hotel Reminder Email					1.00	\$ 35.00			
Registrant Auto Reminder Email (Pic a Tic)					-	\$ -			
Registrant Looking Forward to Seeing You Email					1.00	\$ 35.00			
Registrant Auto Reminder Email (Pic a Tic)					-	\$ -			
Total		645	20	\$ 4,000.00	10.75	\$ 382.70	\$ 10.45	\$ 3,617.30	945.21%
Audience: DECISION MAKERS (1 day)									
Element	Date Sent	Audience Size (sent to)	Registered	value (registrant)	Man hours	Assigned Cost	Cost per Registrant	ROI \$	ROI
Total Audience Size		8,585		\$ 100.00					
Save the Date Email	8/28/2018	8,585	12		3.00	\$ 190.85			
Save the Date Email (OG)	8/31/2018	5,651	8		0.25	\$ 65.26			
Invitation Email	9/6/2018	8,420	-		3.00	\$ 189.20			
Invitation Email 2	9/7/2018	8,386	6		1.00	\$ 118.86			
Invitation Email 2 (OG)	9/13/2018	5,842	8		0.25	\$ 67.17			
Invitation Email 3	9/26/2018	8,316	6		0.25	\$ 91.91			
Registrant Update Email					1.00	\$ 35.00			
Hotel Reminder Email					1.00	\$ 35.00			
Registrant Auto Reminder Email (Pic a Tic)					-	\$ -			
Registrant Looking Forward to Seeing You Email					1.00	\$ 35.00			
Registrant Auto Reminder Email (Pic a Tic)					-	\$ -			
Total		45,200	40	\$ 4,000.00	10.75	\$ 828.25	\$ 4.83	\$ 3,171.75	382.95%
TOTAL		45,845	60	\$ 6,000.00	22	\$ 1,210.95	\$ 4.95	\$ 4,789.05	395.48%

ROI BASICS

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- 2017

For 2017 we did not have the number of registrants by email, but that is merely additional data, we were still able to add in the data for TOTAL registrants to calculate the cost. We used a different value for the registrants since it included a mix of both existing customers and new ones.

2017 Literacy Leaders Email Recruitment Program									
Audience: All	Audience Size		Assigned value		Cost per				
Element	Date Sent	(sent to)	Registered	(registrant)	Man hours	Assigned Cost	Registrant	ROI \$	ROI
Total Audience Size		34162		\$ 150.00					
Literacy Leaders 2017 10/24-25 #1	9/17/2017	9,707			3.00	\$ 202.07			
Literacy Leaders 2017 10/24-25 #2	9/24/2017	9,656			0.25	\$ 105.31			
Literacy Leaders 2017 10/24-25 #3	10/1/2017	9,619			0.25	\$ 104.94			
Literacy Leaders 2017 Accepted	10/2/2017	21			0.25	\$ 8.96			
Literacy Leaders 17 Hotel Info to Registrants	10/10/2017	12			2.00	\$ 70.12			
Literacy Leaders 2017 10/24-25 #4	10/11/2017	9,562			0.25	\$ 104.37			
Literacy Leaders 2017 10/24-25 #4	10/18/2017	24,455			-	\$ 244.55			
Literacy Leaders 2017 Accepted #2	10/18/2017	14			0.25	\$ 8.89			
Literacy Leaders 2017 REMINDER	10/20/2017	25			1.00	\$ 35.25			
Literacy Leaders 2017 REMINDER 2	10/24/2017	24			0.25	\$ 8.99			
Literacy Leaders 17 Thank you	11/3/2017	68			3.00	\$ 105.68			
Total		63,163	22	\$ 3,300.00	10.5	\$ 999.13	\$ 3.30	\$ 2,300.87	230.29%

We are able to compare the outcomes of this years event RECRUITMENT ROI vs Last Years (reminder, this is recruitment ROI only, not the EVENT ROI, that would require different valuations, costs and tracking).

- Explanation

Steps (Showing the Work)

- Calculate costs: time, robly fees, pic a tic fees
- Calculate value: TBD

Cost Calculations

Robly

- Estimated annual cost: \$ 3,600.00
- 2018 estimated costs per individual email (not campaign) sent: 473,773
- Total Sent through August: 59,222
- Monthly Estimate: 710,660
- Annual Estimate: \$ 0.01
- Cost Per: \$ -

PicATic

- Estimated Hourly Cost per Employee (guesstimate): \$ 35.00

Estimated Assigned Registrant Value (guesstimate): \$ 100.00

Notes:

- Reminder, this is a tracking of ONLY the EMAIL RECRUITMENT process.
- The VALUE of a REGISTRANT is NOT the value of an ATTENDEE.
- The COST of a REGISTRANT is NOT the cost of an ATTENDEE.
- For placeholders, man hours, cost per man hour, and value of registrant have been included as guesstimates.

To calculate Cost of Registrant:

Cost: Cost of labor (man hours), resources (mail chimp costs)

Cost: (man hours x average hourly rate) + (total number of emails sent x cost per email send)

To calculate ROI:

Return: What is the total value of the effort

Investment: What is the total cost?

ROI (\$): Total value - the total cost, for every dollar invested, this is the return
(Total Cost of Registrant - Total Value of Registrant)

ROI (%): Total value - the total cost, presented as a percentage
(Total Cost of Registrant - Total Value of Registrant) / Total Cost of Registrants

Program Name → 2018 Literacy Leaders Email Recruitment Program

Total # Targeted →

Emails → Data pulled from Robly

Element	Date Sent	Audience Size (sent to)	Delivered	Opened (unique)	Clicked	Spam	Bounced	Registered	Assigned value (registrant)	Man hours	Assigned Cost	Cost per Registrant	ROI \$	ROI
Total Audience Size		129							\$ 100.00					
Save the Date Email	8/28/2018	129	126	66	20	-	-	14		3.00	\$ 106.29			
Save the Date Email (OG)	8/31/2018	62	61	15	4	-	-	1		0.25	\$ 9.37			
Invitation Email	9/6/2018	129	128	48	7	-	-	3		3.00	\$ 106.29			
Invitation Email 2	9/7/2018	127	126	55	5	-	-	1		1.00	\$ 36.27			
Invitation Email 2 (OG)	9/13/2018	71	70	13	2	-	-	3		0.25	\$ 9.46			
Invitation Email 3	9/26/2018	127	126	29	6	-	-	1		0.25	\$ 10.02			
Registrant Update Email										1.00	\$ 35.00			
Hotel Reminder Email										1.00	\$ 35.00			
Registrant Auto Reminder Email (Pic a Tic)											\$ -			
Registrant Looking Forward to Seeing You Email										1.00	\$ 35.00			
Registrant Auto Reminder Email (Pic a Tic)											\$ -			
Total		645	637	225	46	-	0	19	\$ 1,900.00	10.75	\$ 382.70	\$ 4.96	\$ 1,517.30	396.47%

← Calculated