# Calculating Marketing ROI

| | |
|---|---|
| | **Formulas** |
| **Cost per Lead** | Marketing Investment/Total New Leads |
| **Average Client Lifetime Value (LTV)** | ((Average Annual Revenue per Customer * Gross Margin per Customer)/Annual Churn Rate)*Average Client Lifetime |
| **Inbound Marketing ROI** | (Gross Revenue - Annual Marketing Investment)/Annual Marketing Investment |
| | |
| | Hypotectical Numbers - Input Your Own! |
| **Annual Marketing Investment** | $100,000 |
| **Total Annual New Leads (All Sources)** | 24 |
| **Average Annual Revenue per Customer** | $14,183 |
| **Gross Margin per Customer** | 25% |
| **Annual Churn Rate** | 1 |
| **Average Client Lifetime** | 10 |
| **Gross Annual Revenue** | $1,000,000 |
| **Annual Marketing Investment** | $100,000 |
| | |
| **Cost per Lead** | **$4,167** |
| **Customer Lifetime Value (LTV)** | **$35,457.50** |
| **Inbound Marketing ROI** | **9.00** |
| | |
| **What Is A Good Marketing ROI?** | **A good marketing ROI is 5:1.** |
| | |
| | A 5:1 ratio is middle of the bell curve. A ratio over 5:1 is considered strong for most businesses, and a 10:1 ratio is exceptional. Achieving a ratio higher than 10:1 ratio is possible, but it shouldn’t be the expectation. |
| | |
| | Your target ratio is largely dependent on your cost structure and will vary depending on your industry. |