



RETURN ON MARKETING INVESTMENT



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WHAT IS THE RETURN ON MARKETING INVESTMENT (ROMI)?

ROMI is a formula that you can use to calculate the return on your marketing activities. The formula itself doesn't look very complicated, but making sure you have the information you need often takes more effort.

WHAT DOES THE RETURN ON MARKETING INVESTMENT (ROMI) FORMULA LOOK LIKE?

$$\text{ROMI} = \frac{(\text{income from marketing activities} * \text{margin on sales}) - \text{total marketing costs}}{\text{total marketing costs}}$$

The math seems very simple in itself, but finding all the information is often a big challenge. Because to do this calculation you need the information below:

- % of deals where marketing is the origin of the lead
- Total income
- Margin sales (profit margin)
- Marketing costs incurred
- Personnel costs (optional)



WHAT INFORMATION DO YOU NEED TO CALCULATE THE **ROMI**?

OVER WHAT TIME SPAN DO YOU CALCULATE THE ROMI?

That very much depends on how long a purchase process takes for your solution. With a short process, you can get a good idea of the ROMI within a much shorter period than if it can take up to two years before someone finally decides to purchase your solution. It is therefore advisable in any case to calculate the ROMI over different time periods, for example:

- Per month
- Quarterly
- Per half year
- Per year
- Per 2 years
- Per 5 years

USE THE ROMI TO CALCULATE THE ROI OF YOUR CAMPAIGNS

That is also possible with the ROMI. Only then you have to use variables to calculate this for that specific campaign. In fact, the formula will look like this:

$$\text{ROMI campaign X} = \frac{(\text{Income from marketing activities campaign X} + \text{margin on sales campaign X}) - \text{total marketing costs campaign X}}{\text{total marketing costs}}$$

As you may already have realized, you can also apply this to gain insight into the ROI of all kinds of other marketing activities or the purchase of tools, such as marketing automation. Instead of campaign X you use the variables that go with it.



WHERE DO I GET THE INFORMATION FOR CALCULATING ROMI?

One of the challenges in obtaining this information is the fact that much of this information comes from other systems (CRM & financial system) than what you as a marketer work with. So you do not always have direct access to the information you need to calculate the ROI. The table below shows which information source you can use to retrieve the information. Sometimes you can also perform a check to see if the data is correct. As an example in the CRM, sales is the origin of the deal, but if you look into your marketing automation, you can demonstrate that the origin actually lies with the download of a whitepaper. This way you can also look at the reliability of your data.

information	Source	Control
% of deals where marketing is the origin of the lead	CRM	Marketing automation
Total income	CRM	Financial system
Margin sales (profit margin)	Financial system	
Marketing costs incurred	Financial system	Marketing budget
Personnel costs	Financial system	



THE CRM TELLS YOU WHAT CONTRIBUTION MARKETING MAKES TO REVENUE

All marketing activities that result in turnover can always be traced back to the CRM. After all, if you look at the marketing & sales funnel, the buyer journey starts with marketing and ends with sales that ensure the close of the deal. When we look at the CRM, it contains crucial information about the contribution of your marketing activities to sales.

1. Share of marketing in sales
2. Turnover in euros to which marketing makes a contribution.

Do you already have this information insightful? Great, well done! If not, it is time you could get this insight from your CRM. How can you do that? Make sure you keep track of where it comes from for every order. Ideally, you do this at the beginning of the process when a lead is created in your CRM. But you could also do this retroactively. That is probably time consuming, but then start with the new customers or with this year.

If you know which deals are the source of marketing, you also want to know the total order value of these deals. This gives you insight into the total income resulting from marketing activities.



COSTS AND MARGINS CAN BE CALCULATED WITH FINANCIAL DATA

You can use your financial system to calculate costs and margins. You could get the following information from that to calculate the ROMI:

1. Margin of profit
2. Marketing costs incurred

HOW DO YOU CALCULATE THE PROFIT MARGIN?

To start with, you ideally calculate your profit margin over the period over which you also calculate the ROMI. Then you can use the formula below:

$$\text{Margin of profit} = \frac{\text{turnover} - \text{costs}}{\text{turnover}} * 100\%$$

MARKETING COSTS MADE

The final information you need to calculate the ROMI is the marketing costs incurred. You may have your own overview for this, but you can also get this information from the financial system. It will not have a positive effect on your ROMI, but you could also include the personnel costs that you incur for your marketing department in these costs. The most important thing is to always or never to include personnel costs and not sometimes and not the next time. Because in the latter case you can never compare the figures with each other.



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