

E-Commerce ROI: Get the Complete Picture

Use this e-Commerce ROI Formula to Uncover the Truth About Your Site.
Get the Complete Picture with Your Dynamics Business Central/NAV Data.



There is more than one way to measure the effectiveness of your e-commerce site to discover if programs you are investing in are paying off. The simplest ROI calculation is:

$$\text{ROI} = (\text{dollars in revenue}) / (\text{dollars spent}) - 1$$

Although this is an easy way to look at ROI, it only reveals first transaction customers.

Here is an example to illustrate the concept:

You spend \$3,500 per month posting blogs that are geared to your audience to boost organic searches. You also spend \$1,000 on Paid Search ads and want to compare the effectiveness of both methods.

NEW CUSTOMER ROI

Measures	Organic Search	Paid Search
# of Customers Aquired	10	4
AOV (Average Order Value)	\$300	\$300
Total Revenue	\$3000	\$1200
Marketing Investment	\$3500	\$1000
ROI	-14%	20%

At first glance, it looks like you are losing money on your organic efforts. So, you take the \$3,500 you are spending per month on blog posts and allocate it to Paid Search. Makes sense, right?



When we look closer, the Paid Search customers NEVER COME BACK to reorder, but the organic search is yielding repeat customers in our fictitious example.

Cited research retrieved from:

<https://blog.hubspot.com/ecommerce/how-to-calculate-the-lifetime-value-of-ecommerce-customers>

<https://blog.hubspot.com/ecommerce/how-to-ecommerce-roi-calculation>

So now you are spending an additional money to acquire one-time customers, which is not a great way to spend marketing dollars for an online distributor.

We need to look not just at the numbers of customers, but the quality.

CALCULATING ROI FOR QUALITY

CLV, or Customer Lifetime Value, is how you identify your best customers. By getting insight into repeat business from the data stored in your Business Central/NAV ERP system, which ideally should include multi-channel sales data, you can use a powerful metric to decide whether your efforts are working.

Customer Lifetime Value may be the most important measure you use to evaluate your marketing performance. Simply add up the sum of a customer's total purchases. To find this information you go back to your database.

CHALLENGES TO ADOPTING CLV STRATEGY



Inaccurate data



Inflexible
technology
or processes



Not knowing
what to include
in calculations



42%
of North American
senior executives do not
regularly calculate CLV.

Cited research retrieved from:

<https://blog.hubspot.com/sales/a-visual-introduction-to-customer-lifetime-value-infographic>



When you measure the ROI for Quality the formula is:

$$\text{ROI} = (\text{CLV}/\text{dollars spent}) - 1$$

Customer Lifetime Value ROI:

Measures	Organic Search	Paid Search
# of Customers Aquired	10	4
AOV (Average Order Value)	\$300	\$300
Total Revenue	\$15,000 CLV	\$1200
Marketing Investment	\$3500	\$1000
ROI	329%	20%

It looks like organic search is working. Now that you have a complete picture, you can make a decision about where to invest your marketing dollars. Finding and investing where your best customers come from is a powerful strategy that will pay off in annual revenue numbers.

Digital Vantage Point brings high-performing e-commerce to Microsoft Dynamics™ Business Central/NAV ERP. Now you can manage your online business from within your BC/NAV ERP for a comprehensive experience. Our e-commerce solution fully embraces ROI metrics by delivering a seamless connection to Dynamics Business Central/NAV data. Contact us today to see how.

Email: sales@dvp.net Phone: +1 905 415 8455



Gold Enterprise Resource Planning
Microsoft Dynamics NAV



DIGITAL VANTAGE POINT
www.dvp.net