

The Money of Sales

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revenue generating investments
and planning for profitability



Breakout 1.

How does each product/brand combination influence your purchasing behaviors and reactions?

**You're purchasing
a new product/service from
a new brand**

**You're purchasing
a new product/service from
a familiar brand**

**You're purchasing
a familiar product/service from
a familiar brand**

Regroup.

What are your key takeaways?

Any key differences between these scenarios?

One Key Takeaway.

Repeat customers are often more profitable than first-time customers

...LOW...

**What investments should
you make to attract and
retain customers?**

Sales (Revenue) Generating Investments

Sales (Revenue) Generating Investments

Social Media Ads, Amazon Ads, Google Ads, Influencer Partnerships, Affiliate Marketing, Email Automations, Text Messaging, PR, Point of Purchase (POP) Assets, Price Reductions (TPRs and EDLPs), Coupons, Print Advertising, Retail Partner Platforms, etc...

Quantifying Revenue from Sales Investments

1. How many customers will the investment generate?
2. What's the expected value of each customers' order?
3. Will these customers purchase again? If so...
 - When will they order again?
 - Will the value of their future orders change?
4. When will we receive payment from customers?

The Cost of Sales

The Cost of Sales

Cost per Thousand Impressions (CPM), Cost of Goods Contributed (COGC), Shipping Costs, Email and Text Platform Costs, Photography and Design Charges, Placement Charges, Retail Chargebacks, etc...

Quantifying Expenses from Sales Investments

1. What fixed expenses exist?
2. What variable expenses exist?
3. When will we make these payments?

Fixed vs Variable Expenses

A **Fixed Expense** does not change with volume.

A **Variable Expense** changes with volume.

Example: Facebook Ads

Cost to Create the Ad... Fixed or Variable?

Cost to Deliver the Ad... Fixed or Variable?

Example: Facebook Ads

Cost to Create the Ad... Fixed

The single charge for hiring a designer to create the visual asset.

Cost to Deliver the Ad... Variable

The ongoing charges for generating impressions on Facebook.

Example: Retailer Coupon

Cost to Publish the Coupon... Fixed or Variable?

Cost to Redeem the Coupon... Fixed or Variable?

Example: Retailer Coupon

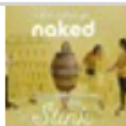
Cost to Publish the Coupon... Fixed

The single charge for the retailer to feature your offer.

Cost to Redeem the Coupon... Variable

The ongoing chargeback for every coupon scanned at checkout.

Facebook reporting historical variable costs (CPM and Cost per Result)

Ad Name	Impressions	CPM (Cost per 1,000 Impressions)	Cost per Result	Website Purchase ROAS (Return...
 Full Length Original Baseline	10,300	\$23.60	\$10.25 Per Purchase	2.85

Retailer explaining expected variable costs

REQUIREMENTS & COST

YOUR OFFER (INMAR COUPON)*:

- ✓ Must begin on the 1st of the month
- ✓ Minimum 30 days, Maximum 90 days
- ✓ Must be a FREE offer

COST TO PARTICIPATE:

- 8 ¢ per clip
- + coupon value (retail price of product)
- + any clearing-house fees

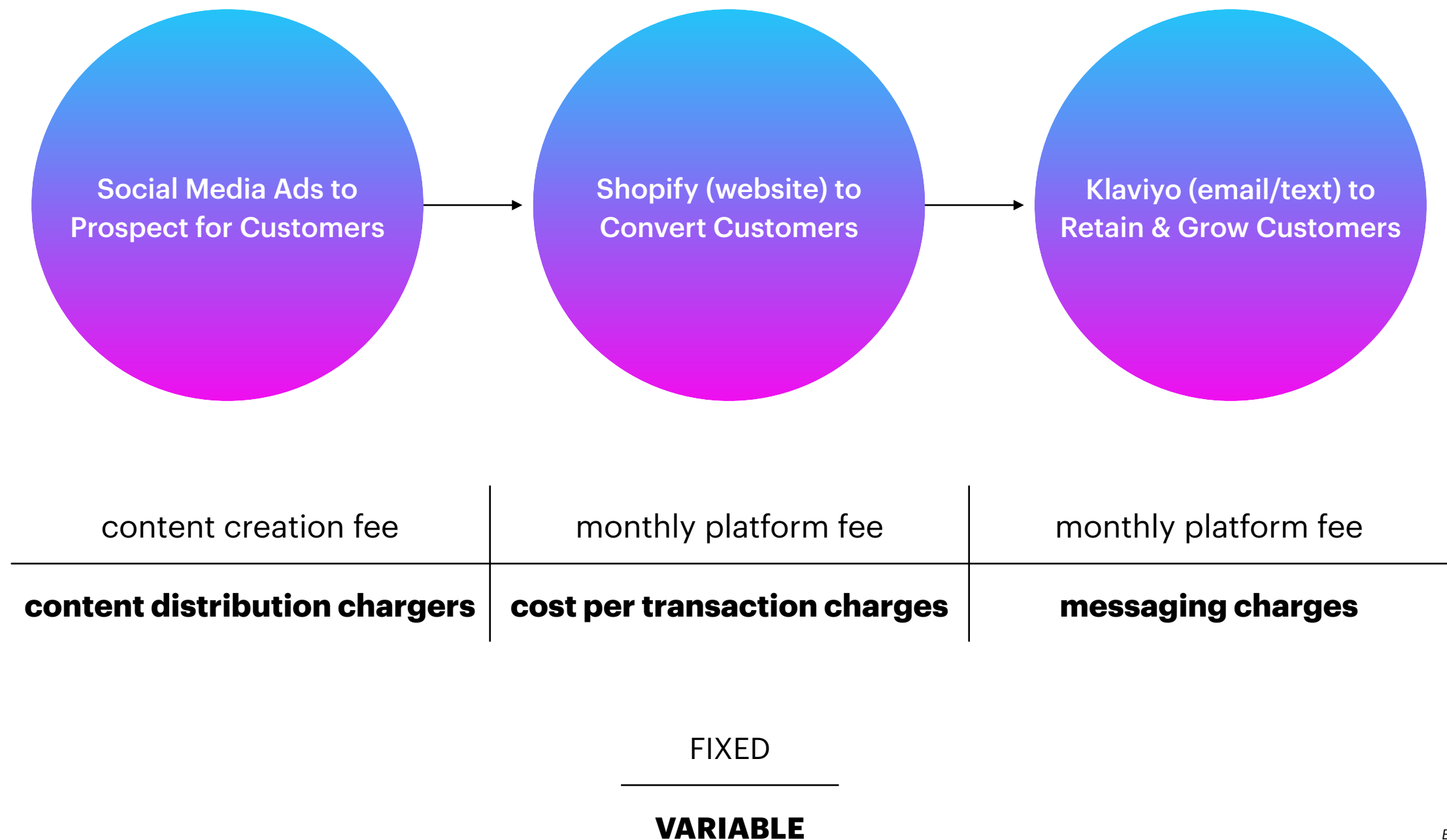


SPROUTS PARTNERS:
FREE The Jersey Tomato Company Pasta Sauce 25 oz.
Get ONE (1) FREE The Jersey Tomato Company Pasta Sauce, 25 oz. any flavor

AVERAGE 80 CLIPS / MONTH		AVERAGE 50 REDEMPTIONS / MONTH	
8 ¢ PER CLIP			
*ADD CLEARING-HOUSE FEES (IF APPLICABLE)			
COUPON VALUE			
Average 80 clips/month x 8 ¢ per clip 80 x \$.08 =		Average Redemptions/month (50) x Coupon value (\$2.99) \$2.99 x 50 =	
\$2.99	\$6.40	\$149.50	= \$155.90
Average 80 clips/month x 8 ¢ per clip 80 x \$.08 =		Average Redemptions/month (50) x Coupon value (\$9.99) \$9.99 x 50 =	
\$9.99	\$6.40	\$499.50	= \$505.90
Average 80 clips/month x 8 ¢ per clip 80 x \$.08 =		Average Redemptions/month (50) x Coupon value (\$24.99) \$24.99 x 50 =	
\$24.99	\$6.40	\$1249.50	= \$1255.90

Tying the Revenue & Expenses Together

Tying the Revenue & Expenses Together



Tying the Revenue & Expenses Together



Data analysis across these platforms lets us understand Conversion Rates, Average Order Values (AOV), Repeat Purchase Frequencies (and many other KPIs) + all the costs of using each investment to grow our businesses. With all of this data, we can optimize our revenue generating investments, and fund growth that is more profitable and predictable.

Key Performance Indicators (KPIs)

(some) KPIs

Ad Click Through Rate (CTR)	Impressions / Clicks
Website Conversion Rate (CR)	Website Sessions / Website Orders
Average Order Value (AOV)	Total Value of Orders / Total Number of Orders
Repeat Customer Rate	Orders from Repeat Customers / Total Orders
Repeat Order Frequencies	Average duration between orders from repeat customers
Customer Lifetime Value (CLV)	Projected value of customers over time
Customer Acquisition Cost (CAC)	Marketing Spend to Acquire Customers / Number of Customers Acquired
Return on Ad Spend (ROAS)	Revenue Generated from Ad / Ad Spend
Velocity	Units Sold / Number of Stores Selling / Week

[see 67 KPIs that matter](#)

Breakout 2.

For the next 3-months, your sales strategy is using a Facebook advertising campaign to prospect for new customers and Shopify (your website) to convert customers.

Using the anticipated Facebook/Shopify KPIs & the known sales expenses, calculate the missing results to forecast performance.

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Hint, start with the 300,000 impressions you’re aiming to generate.

Anticipate Facebook & Shopify KPIs	
Cost Per Thousand Impressions (CPM)	\$15.00
Facebook Ad Click Through Rate (CTR)	4.00%
Website Conversion Rate (CR)	3.75%
Website Average Order Value (AOV)	\$50.00

Targeted Quarterly FB Ad Impressions	300,000
Total Cost of Impressions (Ad Spend)	?
Website Visitors Generated	?
Website Orders Generated	?
Website Revenue Generated	?
Website Transaction Fees	?
Total Expenses from Investment	?
Net Cash from Investment*	?
Return on Ad Spend (ROAS)	?

Known Sales Expenses	
Content Creation Cost	\$2,000
Quarterly Website Platform Fee	\$150
Cost per Transaction Charges	2.00%

*For this example, Net Cash from Investment does not include Cost of Goods Sold (COGS)

Regroup.

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Website Conversion Rate (CR)	3.75%
Website Average Order Value (AOV)	\$50.00

Targeted Quarterly FB Ad Impressions	300,000
Total Cost of Impressions (Ad Spend)	\$4,500
Website Visitors Generated	12,000
Website Orders Generated	450
Website Revenue Generated	\$22,500
Website Transaction Fees	\$450
Total Expenses from Investment	\$7,100
Net Cash from Investment*	\$15,400
Return on Ad Spend (ROAS)	5.0

Known Sales Expenses	
Content Creation Cost	\$2,000
Quarterly Website Platform Fee	\$150
Cost per Transaction Charges	2.00%

**For this example, Net Cash from Investment does not include Cost of Goods Sold (COGS)*

Two Key Takeaways.

1. What ROAS do you need to fuel your business and cover all other company expenses?
2. How will repeat customers generated from this campaign impact your company?

- 1. SET ROAS TARGETS**
- 2. UNDERSTAND CLV**
- 3. FORECAST WITH AVAILABLE DATA**
- 4. TRACK KPIS**
- 5. LEARN**
- 6. OPTIMIZE**
- 7. REPEAT**

Wrapping Up

What's one takeaway from today that you can apply to you running your business?

What lingering questions do you have?

Epic Books on Customer Acquisition and Retention

The Compass and the Nail – An investigative approach to understand who your customer love groups are.

Building A Brand Story – A messaging methodology to attract the best customers.

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