Business Metrics Lesson: Terminology and Formulas

Metric	Formula	Commonly Used Alternate Terms
Marketing		
Click through rate (CTR)	(Clicks/ Impressions) * 100	
Cost Per Click (CPC)	Cost of advertising on the source platform / Number of people who clicked on that ad	
Cost Per Lead (CPL)	Cost of advertising on the source platform / Total number of leads	
Customer Acquisition Cost (CAC)	(Total marketing expenses + total sales expenses and salaries)/ # of customers acquired	
Marketing & Financial		
Cost Per Acquisition (CPA)	(Marketing and Sales Cost)/ number of new leads customers	
Life Time Value (LTV)	Average Sale Revenue x Number of Repeat Sales x Expected Retention Time x Profit Margin	
Average Sale Revenue	(Total customer revenue/ Number of purchases in the cycle)	
Total Sale Revenue Per Cycle	Revenue earned from customer per purchase cycle	
Number of Sales Per Purchase Cycle	Number of times customer buys during the purchase cycle	

Cost Per Acquisition	(Cost of marketing and sales)/ number of new leadsk	
Expected Retention Time	Amount of time (measured in purchasing cycles) you expect to retain the customer.	
Average Sale Revenue	(Total customer revenue/ Number of purchases in the cycle)	
Profit Margin (%) Per Customer	((Average Sale - Average Cost of Sale) / Average Sale) x 100	
Sales		
Bookings	Total Number of Bookings x Average Sale value of Transaction	Sales Bookings
Average Size of Deal in Pipeline	Total ($) Sale Value of Deals or Orders / (#) of Orders over a Specific Period = ($) Average Deal Size	Average Purchase Value
Average Time to Close Deal	Total number of days for all sales combined / Number of deals	Deal Velocity
Growth		
Stickiness	Daily Active Users/ Monthly Active Users	
Churn rate	(Customers beginning of usage interval - Customers end of usage interval) / Customers beginning of usage interval	
Financial		
Revenue	Money that a company makes from the sales of its products and services	

Cost of Goods Sold	Direct costs the company incurs to develop and product the product or service being sold	Cost of Sales Cost of Revenue
Gross Profit	Revenue - Cost of Goods Sold	
Selling, General and Administrative expenses	Selling, General and Administrative expenses Marketing, sale commissions and salaries for office staff, supplies, computers, legal expenses, rent, utilities, taxes and interests on any loans). SG&A typically exclude research and development expenses.	Operating Expenses
Total Operating Expenses	Expenses incurred outside of direct manufacturing costs	
Operating Profit	Gross Profit - Total Operating Expenses	Operating Income, Earnings Before Interest and Tax (EBIT)
Net Profit	Operating Profit - (Interest + Taxes)	Net Income
Gross Margin	(Total Sales Revenue – Cost of Goods Sold) / Total Sales Revenue	
Contribution Margin	(Revenue - Variable Costs) / Total units sold	