THE 6 MARKETING METRICS IMPORTANT TO HEALTH CARE CEOS.

Prove the ROI of your health care marketing efforts by presenting these six metrics.

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Introduction

As health care marketers, we work tirelessly to move the needle on what often seems like a laundry list of metrics. We look at website visits, conversion rates, generated leads per channel, engagement on social media platforms, blog post shares, email click-through rates… and the list goes on and on. When the time comes to present the impact of your marketing efforts to your boss, you can't present him or her with everything you measure.

While many bosses theoretically understand that a solid marketing team can directly impact your company's bottom line, 73% of executives don't believe that marketers are focused enough on results to truly drive incremental new patient demand. If the majority of executives think marketing programs lack credibility, it simply doesn't make sense to bombard them with metrics that don't indicate bottom-line impact.

When it comes to marketing metrics that matter to your execs, expect to report on data that deals with the total cost of marketing, salaries, overhead, revenue, and patient acquisitions. This guide will walk you through the six critical marketing metrics your boss actually wants to know.

Let's get started.

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Patient Acqusition Cost (PAC)

What It Is: The Patient Acquisition Cost (PAC) is a metric used to determine the total average cost your company spends to aquire a new patient.

How to Calculate It: Take your total sales and marketing spend for a specific time period and divide by the number of new patients for that time period.

Sales and Marketing Cost = Program and advertising spend + salaries + commissoins and bonuses + overhead in a month, quarter or year

New Patients = Number of new patients in a month, quarter, or year

Formula: sales and marketing cost ÷ new patients = PAC

Let's Look at an Example:

Sales and Marketing Cost = $300,000

New patients in a month = 30

÷ PAC = $300,000 ÷30 = $10,000 per patient

What This Means and Why It Matters: PAC illustrates how much your company is spending per new patient acquired. You want a low average PAC. An increase in PAC means that you are spending comparatively more for each new patient, which can imply there's a problem with your sales or marketing efficiency.

Marketing % of Patient Acquisitions Cost

What It Is: The Marketing % of Patient Acquisition Cost is the marketing portion of your total PAC, calculated as a percentage of the overall PAC.

How to Calculate It: Take all of your marketing costs, and divide by the total sales and marketing costs you used to compute PAC.

Marketing Costs = Expenses + salaries + commissions and bonuses + overhead for the marketing department only

Sales and Marketing Cost = Program and advertising spend + salaries + commissoins and bonuses + overhead in a month, quarter or year

Formula: Marketing Cost ÷ Sales and Marketing Costs = M%-PAC

Let's Look at an Example:

Marketing Cost = $150,000

Sales and Marketing Cost = $300,000

÷ M%-PAC = $150,000 ÷ $300,000 = 50%

What This Means and Why It Matters: The M%-PAC can show you how your marketing teams performance and spending impact your overall Patient Acquisition cost. An increase in M%-PAC can mean a number of things:

1. Your sales team could have underperformed (and consequently received) lower commissions and/or bonuses.

2. Your marketing team is spending too much or has too much overhead.

3. You are in an investment phase, spending more on marketing and providing high quality leads and improving your sales productivity.

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Ratio of Patient Lifetime Value to PAC (LTV:PAC)

What It Is: The Ratio of Patient Lifetime Value to PAC is a way for companies to estimate the total value that your company derives from each patient compared with what you spend to acquire that new patient.

How to Calculate It: To calculate the LTV:PAC you'll need to compute the Lifetime Value, the PAC and find the ratio of the two.

Lifetime Value (LTV) = (Revenue the patient pays in a period - gross margin) ÷ Estimated churn percentage for that patient

Formula: LTV:PAC

Let's Look at an Example:

LTV = $437,500

PAC = $100,000

LTV:PAC = $437,5000:$100,000 = 4.4 to 1

What This Means and Why It Matters: The higher the LTV:PAC, the more ROI your sales and marketing team is delivering to your bottom line. However, you don't want this ratio to be too high, as you should always be investing in reaching new patients. Spendng more on sales and marketing will reduce your LTV:PAC ratio, but could help speed up your total company growth.

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Time to Payback PAC

What It Is: The Time to Payback PAC shows you the number of months it takes for your company to earn back the PAC it spent acquiring new patients.

How to Calculate It: You calculate the Time to Payback PAC by taking your PAC and dividing by your margin-adjusted revenue per month for your average new patient.

Margin-Adjusted Revenue = How much your patients pay on average per month

Formula: PAC ÷ Margin-Adjusted Revenue = Time to Payback PAC

Let's Look at an Example:

Margin-Adjusted Revenue = $1,000

PAC = $10,000

÷ Time to Payback PAC = $10,000 ÷ $1,000 = 10 Months

What This Means and Why It Matters: In industries where your patients pay a monthly or annual fee, you normally want your Payback Time to be under 12 months. The less time it takes to payback your PAC, the sooner you can start making money off of your new patients. Generally, most businesses aim to make each new patient profitable in less than a year.

Marketing Originated Patient %

What It Is: The Marketing Originated Patient % is a ratio that shows what new business is driven by marketing, by determining which portion of your total patient acquisitions directly originated from marketing efforts.

How to Calculate It: To calculate Marketing Originated Patient %, take all of the new patients from a period, and tease out what percentage of them started with a lead generated by your marketing team.

Formula: New patients started as a marketing lead ÷ New patients in a month = Marketing Originated Patient %

Let's Look at an Example:

- Total new patients in a month = 10,000
- Total new patients started as a marketing lead = 5,000
- Marketing Originated Patient % = 10,000 ÷ 5,000 = 50% Months

What This Means and Why It Matters: This metric illustrates the impact that your marketing team's lead generation efforts have on acquiring new patients. This percentage is based on your sales and marketing relationship and structure, so your ideal ratio will vary depending on your business model. A company with an outside sales team and inside sales support may be looking at 20-40% Margin Originated Patient %, whereas a company with an inside sales team and lead focused marketing team might be at 40-80%.

Marketing Influenced Patient %

What It Is: The Marketing Influenced Patient % takes into account all of the new patients that marketing interacted with while they were leads, anytime during the sales process.

How to Calculate It: to determine overall influence, take all of the new patients your company accrued in a given period, and find out what % of them had any interaction with marketing while they were a lead.

Formula: Total new patients that interacted with marketing ÷ Total new patients = Marketing Influenced Patient %

Let's Look at an Example:

Total new patients = 10,000

Total new patients that interacted with marketing = 7,000

÷ Marketing Originated Patient % = 10,000 ÷ 7,000 = 70% Months

What This Means and Why It Matters: This metric takes into account the impact marketing has on a lead during their entire buying lifecycle. It can indicate how effective marketing is at generating new leads, nurturing existing ones, and helping sales close the deal. It gives your CEO or CFO a big-picture look into the overall impact that marketing has on the entire patient acquisition process.

Conclusion.

As marketers, we track so many different data points to better understand what's working and what's not that it can become easy to lose sight of what's most important. Reporting on your health care organizational impact doesn't mean you should no longer pay attention to site traffic, social shares, and conversion rates. It simply means that when reporting your results to your executives, it's crucial to convey your performance in a way that your C-suite can get excited about.

Rather than talking about per-post Facebook engagement and other "softer" metrics, use the six metrics we detailed in this cheat sheet to report on how your marketing program led to new patients, lower patient acquisition costs, or higher patient lifetime values. When you can present marketing metrics that resonate with your decision-makers, you'll be in a much better positon to make the case for budgets and strategies that will benefit your marketing team now and in the future.

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ABOUT US

Red Crow Marketing is a holistic strategic marketing management firm.
We help health care organizations:

- Create and align your marketing to your health care organization's strategic plans and objectives.

- Establish a unique and valued brand which separates and elevates your marketing position from the competition.

- Provide strategically-aligned creative services and media placement.
    - Websites
    - Graphic design
    - Online marketing
    - Advertising and collateral production
    - Audio/visual services for commercials or online
    - Media analysis and placement

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