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MARKETING INVESTMENT PERFORMANCE METRICS: FROM ROAS TO NPV

МЕТРИКИ ЕФЕКТИВНОСТІ ІНВЕСТИЦІЙ У МАРКЕТИНГ: ВІД ROAS ДО NPV

The article examines the essence of investment and develops methodological recommendations for the use of indicators for measuring the effectiveness of investments in marketing activities. Based on the use of existing scientific and methodological approaches, including the method of analysis and synthesis for generalizing approaches to assessing investments in marketing, and a comparative method for analyzing the differences between marketing and financial indicators of investment effectiveness, improved methods for assessing marketing investments were proposed. Such tools will help companies establish long-term relationships with customers and increase investment volumes and improve the effectiveness of business strategies. The proposed combined approach to assessing marketing investments allows you to combine quick marketing indicators with long-term financial indicators.

Keywords: *marketing, investments, metrics, KPI, ROAS, ROMI, ROI, NPV, IRR, DPP.*

У процесі реалізації даного дослідження було здійснено глибокий аналіз теоретичних положень та практичних аспектів, пов'язаних з методами оцінки інвестицій у маркетинг. Метою дослідження було розвиток теоретичних положень та розробка методичних рекомендацій щодо визначення основних метрик ефективності інвестицій у маркетинг. У роботі використано метод аналізу та синтезу для узагальнення підходів до оцінки інвестицій у маркетинг, зокрема, під час систематизації фінансових і маркетингових показників (ROAS, ROMI, ROI, NPV, IRR, DPP); порівняльний метод – для аналізу відмінностей між маркетинговими та фінансовими показниками ефективності інвестицій. Інвестиційний маркетинг відіграє важливу роль у забезпеченні конкурентоспроможності бізнесу, залученні клієнтів і формуванні вартості бренду. Водночас проблема ефективності маркетингових інвестицій набуває дедалі більшої актуальності, оскільки компанії прагнуть максимізувати рентабельність вкладень та оцінити реальний вплив маркетингової діяльності на фінансові результати. Основною проблемою є складність вимірювання ефективності маркетингових інвестицій. Традиційні методи, такі як ROI (Return on Investment), не враховують довгострокові ефекти, зокрема вплив на впізнаваність бренду, лояльність клієнтів і формування конкурентних переваг. Окрім того, цифрова трансформація змінює маркетингові канали, вимагаючи адаптації традиційних підходів до оцінки інвестицій. Визначено, що маркетингові показники (трафік сайту, кількість підписників у соцмережах, CPC, open rate) є важливими, але не стратегічними. Водночас KPI (ROI, CAC, LTV, конверсія у продажі) безпосередньо пов'язані з бізнес-цілями компанії. Досліджено основні фінансові показники інвестиційного аналізу, що доповнюють маркетингові метрики та дозволяють оцінювати доцільність інвестування в маркетинг. Наукова новизна дослідження полягає у комплексному аналізі інвестиційного маркетингу як ключового фактора підвищення ефективності бізнес-стратегій. Запропоновано комбінований підхід до оцінки маркетингових інвестицій, що поєднує оперативні маркетингові показники з довгостроковими фінансовими критеріями. Зроблено висновок, що інвестиційний маркетинг сприяє формуванню довгострокових конкурентних переваг компаній, адаптації до цифрового ринку та підвищенню рівня залучення інвесторів.

Ключові слова: *маркетинг, інвестиції, метрики, KPI, ROAS, ROMI, ROI, NPV, IRR, DPP.*

Problem statement. Marketing plays a key role in ensuring business competitiveness, attracting customers and building brand value. At the same time, the issue of investments in marketing and their effectiveness is becoming increasingly relevant as companies seek to maximize the return on investment and determine the real impact of marketing activities on financial results.

One of the main challenges in investing in marketing is the difficulty of measuring its effectiveness. Many traditional methods of evaluating investments, such as ROI (Return on Investment), do not take into account the long-term effects of marketing strategies, including the impact on brand awareness, customer loyalty, and the formation of long-term competitive advantages. In addition, the digital transformation of the market is leading to changes in marketing channels and the emergence of new tools that require the adaptation of traditional approaches to investment evaluation.

Another problem is uncertainty in choosing the optimal allocation of the marketing budget. Businesses face a dilemma: invest in traditional means of promotion or invest in digital marketing, analytics, and automation of marketing processes. At the same time, failure to take into account key performance indicators or the wrong choice of strategy can lead to inefficient use of financial resources.

Analysis of recent research and publications. Investment marketing is an important area of research for both scientists and practitioners. Thus, F. Kotler and K.L. Keller devoted their works to the principles and strategies of marketing, which include aspects of investment and evaluation of the effectiveness of marketing activities [1]. Baz M., Domasheva E. actualized the issue of investment marketing as a determinant of the competitiveness of enterprises [2]. Zhovnovach R., Vyshnevska V., Shevchuk M. studied the prerequisites for the use and development of investment marketing as a form of communication between enterprises and investors to realize the interests of both parties [3]. However, many issues remain controversial. In particular, there is a need to develop clear methods for assessing the effectiveness of investments in marketing, which will allow companies to make informed financial decisions, increase the profitability of marketing activities and form long-term competitive advantages.

Formulating the purposes of the article. The aim of the study is to develop theoretical provisions and develop methodological recommendations for determining the main metrics of efficiency of investments in marketing.

Methodology. The paper uses the method of analysis and synthesis to summarize approaches to evaluating investments in marketing, in particular, to systematize financial and marketing indicators (ROAS, ROMI, ROI, NPV, IRR, DPP); the comparative method to analyze the differences between marketing and financial indicators of investment efficiency.

Presentation of the main research material. Investment marketing is an important strategic discipline that combines marketing and investment techniques to attract investors and promote investment products and services. Thanks to investment marketing, companies can effectively raise capital and manage their investment portfolios, which contributes to their growth and development in the market [4].

Investment marketing is a subdivision of financial marketing, which includes a set of measures aimed at implementing investment decisions that best meet the needs of consumers targeted by the investment decision. The main goal of investment marketing is to increase the long-term value of the business [5].

A well-known American marketing researcher Mark Jeffrey in his book “Data-Driven Marketing: 15 Metrics Everyone Should Know” identified common areas of investment in marketing for businesses [6]:

1. Sales promotion. It is aimed at increasing revenues in the short term after the marketing campaign. Examples of such activities include sales, coupons, events, and promotions. On average, this category accounts for 52% of all expenses.

2. Creating a market niche. This type of marketing activity is designed to prepare the market for the perception of a product or service, often with the help of independent third-party recommendations. Examples of activities in this area include relationships with analysts from B2B companies, as well as blog posts that influence the perception of end users. This type of activity accounts for 12% of the budget.

3. Customer relations. Marketing work in this area is focused on creating personal connections with customers. This helps to increase customer loyalty and engagement. Examples include thank-you letters after a purchase and loyalty programs, such as support. The cost of working with the customer base is 12%.

4. Branding and awareness. These types of marketing activities help to increase brand awareness and may include general sponsorship of sports events, title sponsorship of events or real estate (construction) projects, as well as advertising (TV, print, online and email) designed to increase awareness rather than to announce a sale or discount season. Branding and awareness-raising expenses account for 10% of the total.

5. Infrastructure. Funds are allocated for technology development and marketing training. Examples: investments in analytical tools and marketing resource management programs. Another 14% of the budget is spent on the development of infrastructure, facilities, technology, and training.

Today, companies use various investment marketing strategies to attract investors, strengthen their image, and expand market opportunities. The main areas of investment marketing strategies are as follows:

– attracting new investors. One of the main strategies of investment marketing is active work with potential investors. For this purpose, companies use a wide range of marketing tools, including advertising, content marketing, affiliate programs and seminars. Effective communication with investors includes providing detailed information about investment opportunities, expected returns, and potential risks. This helps to build trust and increase interest in the company;

– managing the company’s image. Building a positive image and maintaining a high reputation are important factors in attracting long-term investors. Companies are actively working on a communication strategy that includes creating a high-quality website, publishing press releases, maintaining social media, and participating in professional events. Feedback from customers and partners also plays an important role, helping to increase trust in the company and ensure the stability of investments;

– market research. Analyzing the market, competitive environment, and investment preferences of potential clients is an integral part of effective investment marketing. Research allows companies to better understand the needs of investors, identify target audiences, and develop personalized offers. The data collected helps to optimize marketing strategies and improve investment products;

– creating effective investment products. An important aspect of investment marketing is the development of investment products that meet investors’ expectations. Companies offer a wide range of financial instruments, such as stocks, bonds, investment fund units, and other assets. These products are effectively promoted through marketing campaigns, digital marketing, and network marketing, which helps to attract new investors and maintain interest in existing offerings.

There are many examples of companies that have successfully used investment marketing. Some of them include large investment banks, investment funds, and startups. These companies develop innovative marketing strategies, pay attention to digital technologies, and ensure a high level of customer trust and satisfaction.

For example, foreign B2B companies that demonstrate growth in content support during the year spend from $4000 to $8000 on marketing. The work of these companies consists of constant publishing based on keyword research, as well as profiling the client base, management, and partner staff. In order to build subscribers, organizations invest in the most effective content so that platforms display it as advertising [7].

If you ask what share of revenue should be spent on marketing, in most cases the answer is 10%. However, according to the Ukrainian marketing agency Fish Digital, it is 10% of revenue: a formula that does not always work [8].

But no matter what numbers we get, the main point is that a business that invests in marketing should measure and control the effectiveness of the use of invested funds. Analyzing marketing metrics and KPIs allows you to decide which strategy is more effective, which channels are more appropriate, and how much you should invest in marketing.

Returning to M. Jeffrey, his statement: "finance is the language of business, and marketers who know how to speak it deserve the respect of management [6].

It is difficult to objectively evaluate the success of a marketing campaign, so it is important to track key metrics and KPIs (Key Performance Indicators). How do they differ? This is a debatable question. After all, metrics are the measurement of performance. However, according to the authors, these concepts should be distinguished.

Marketing metrics are general indicators that reflect the results of marketing activities. They are used to measure the effectiveness of various processes, but they are not always strategically important. For example: website traffic, number of social media followers, cost per click (CPC), email open rate.

Marketing KPIs (Key Performance Indicators) are key performance indicators that are directly related to the company's business goals. They help to measure the success of a marketing strategy in the context of financial results. For example: ROI (return on investment in marketing), cost of customer acquisition (CAC), customer lifetime value (LTV), conversion to sales.

The main difference is that marketing metrics give a general idea of the effectiveness of marketing activities, while marketing KPIs are specific business-oriented indicators that help make strategic decisions.

What are the most important indicators of the effectiveness of marketing investments? In marketing, there are several indicators that can be used to calculate how well the chosen strategy is working [4]:

1. ROAS (Return on Advertising Spend) – return on investment for advertising or a specific advertising campaign, calculated by the formula:

$$ROAS = \frac{\text{advertising revenue}}{\text{advertising costs}} \times 100\% . \quad (1)$$

The ROAS calculation helps to understand whether a brand is making a profit from the advertising tools involved in a campaign and what percentage of revenue this profit is. However, ROAS calculation has a number of problems that can affect the accuracy of the effectiveness of advertising campaigns, in particular:

– it does not take into account profitability. ROAS estimates only advertising revenue, but does not take into account net profit. If production, logistics, or operating costs are high, even a good ROAS does not guarantee financial benefit;

– does not cover all marketing costs. ROAS includes only direct advertising costs, but it does not take into account other marketing costs (analytics, content, marketing staff), which can create a distorted picture of efficiency;

– lack of long-term effect. Advertising campaigns can influence brand awareness and long-term customer loyalty, but ROAS only measures immediate revenue without taking into account future sales from the same customers;

– problems with attribution. It is difficult to determine exactly how much revenue is generated by a particular advertising campaign. For example, customers can view an ad but make a purchase through another channel (SEO, email marketing);

– lack of a standard threshold. The definition of a "good" ROAS depends on the industry, business margins, and marketing strategy. In some cases, an ROAS of > 1 (or 100%) may be acceptable, while in others, a value of > 5 (or 500%) is required;

– instability of the indicator due to external factors. ROAS may vary depending on seasonality, competitive environment, changes in advertising platform algorithms, which makes it difficult to use for long-term planning.

2. ROMI (Return on Marketing Investment) – return on investment in marketing, calculated by the formula:

$$ROMI = \frac{\text{marketing income} - \text{marketing expenses}}{\text{marketing expenses}} \times 100\%. \quad (2)$$

The ROMI helps to find out which marketing campaigns are working well or, on the contrary, are not generating profit. After calculating the ROMI, you can reallocate your advertising budget and direct funds to more profitable marketing campaigns. ROMI is a broader indicator that allows you to evaluate the payback of all marketing activities of the company.

3. ROI (Return on Investment) – is the return on investment or the payback of financial investments in a business. It is calculated by the formula:

$$\boldsymbol{ROI} = \frac{\text{net profit}}{\text{investments in business}} \times 100\% . \quad (3)$$

To calculate ROI, you need to obtain data on all the costs associated with the implementation of the campaign (e.g., employee salaries, rent, purchase of goods and technical support, etc.). ROI helps to accurately assess how well the business is developing and what strategy to follow. The main advantages include the following:

– understanding the profitability of projects;

– avoiding large-scale and costly mistakes;

– identification of the main directions and goals of the business;

– the ability to make management decisions.

These indicators are not definitive in determining the effectiveness of marketing investments. In addition to traditional marketing metrics, it is important to consider financial indicators used in investment analysis to assess the feasibility of investments in marketing. The main ones are:

– NPV – Net Present Value;
– IRR – Internal Rate of Return;
– DPP – Discounted Payback Period.

The essence of all valuation methods is based on the following simple scheme: initial investments in the implementation of a project generate cash flow, and investments are recognized as effective if this flow is sufficient to return the initial amount of capital investment and ensure the required return on investment [9].

For example, there is a prize of USD 1 million, but the prize coupon offers two options: 1) the winnings can be collected over a period of 10 years; 2) the winnings can be collected today in the amount of 520 thousand dollars. Knowing the discount rate of 10%, you can calculate the entire amount over 10 years. To do this, use the present value formula (PV):

$$PV = \sum_{t=1}^{n} \frac{CF_t}{(1+r)^t}, \tag{4}$$

де CF_t – net cash flow for the period t; r – discount rate.

Calculate the example by the formula (4):

$$PV = \sum_{t=1}^{10} \frac{100000_t}{(1+0,1)^t} = 614000.$$

That is, according to the calculation, the amount of net income will be higher. But if the situation were related to deposits, you could use the formula:

$$NPV = INV - \sum_{t=1}^{n} \frac{CF_t}{(1+r)^t}, \qquad (5),$$

де INV – initial investment; CF_t – net cash flow for the period t; r – discount rate.

NPV allows you to assess whether it is worth investing in marketing, taking into account future cash flows. A positive NPV value means that the investment is profitable.

The next important performance indicator is the internal rate of return (IRR), which is the discount rate at which the equation:

$$IRR : NPV = INV - \sum_{t=1}^{n} \frac{CF_t}{(1+r)^t} = 0, \qquad (6),$$

де IRR – internal rate of return; INV – initial investment; CF_t – net cash flow for the period t; r – discount rate.

If IRR is higher than r, then investing makes sense, and if lower, it is better to refuse investments.

And one more indicator, the discounted payback period of investments (DPP) – the calculation period for which the NPV takes a stable positive value:

$$INV = \sum_{t=1}^{DPP} \frac{CF_t}{(1+r)^t}, \qquad (7),$$

де DPB – discounted payback period; INV – initial investment; CF_t – net cash flow for the period t; r – discount rate.

DPP determines the time period over which the investment will be returned, taking into account discounting. The shorter the DPP, the sooner the marketing campaign will start to generate net profit.

These indicators help not only to assess the short-term effectiveness of marketing investments (such as ROAS or ROMI), but also to analyze the long-term financial consequences of marketing investments.

An example of calculating the effectiveness of marketing investments is given in Table 1.

Table 1

Example of calculating the effectiveness of marketing investments

A	Year 0	Year 1	Year 2	Year 3
Marketing and other expenses	(100)	(250)	(250)	(250)
Revenue	–	300	300	300
Profit (revenue – expenses)	(100)	50	50	50
R	15%	–	–	–
NPV	12.31	–	–	–
IRR	23%			
Incremental cash flow	(100)	(50)	–	50

Payback →mid 2nd year

Source: [6]

Thus, in the future, investment marketing will continue to evolve and adapt to the changing financial environment. The development of digital technologies, artificial intelligence and data analytics will play an increasingly important role in effectively attracting and retaining investors. Companies will strive to use innovative methods and strategies to remain competitive and successful in the field of investment marketing.

Conclusions. Investment marketing plays a crucial role in attracting new investors and maintaining the trust of existing clients. This discipline allows companies to effectively communicate their investment benefits, strategies and results. By using various marketing tools and data analysis, investment marketing helps to establish long-term relationships with clients and increase investment volumes. Its main benefits:

– increasing visibility and attracting new investors;
– establishing long-term relationships with clients;
– improving the company's image and reputation;
– adapting to changing market trends and client needs;
– effectively using digital technologies to improve the client experience.

The scientific novelty of the presented study lies in the comprehensive analysis of investment marketing as a key factor in increasing the effectiveness of business strategies, in particular:

– the scientific and methodological tools for assessing marketing investments have been improved. The work combines classical marketing metrics (ROAS, ROMI, ROI) and financial investment indicators (NPV, IRR, DPP), which allows for a comprehensive assessment of the effectiveness of marketing investments;

– the justification of the importance of investment marketing in the strategic development of companies has been further developed. The study demonstrates how marketing investments can form a long-term competitive advantage of companies, taking into account current trends in the digital market;

– a methodological approach to assessing marketing investments has been developed. A combined approach to assessing marketing investments has been proposed, which allows combining quick marketing indicators with long-term financial indicators;

The above aspects of novelty can become the basis for further research in the field of marketing analytics and strategic marketing.

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