

How to: Calculate the Real Cost of Digital Marketing Employee Hours

Overview

A true ROI analysis of your digital marketing efforts requires that you consider the hidden cost of marketing employee time along with the direct advertising spend.

In the simplest terms, you can calculate these hidden costs by determining the total salary plus benefits plus cost-of-doing-business of each employee working on a specific marketing project, and then dividing this true per-employee-cost by the amount of time they spent on that project.

This resource provides an outline of these hidden costs along with a spreadsheet, *as shown in the screenshot below*, which you can use to break down your real marketing employee cost by the projects where they spend their time.

Marketing Employee Net Cost Calculator													
Annual Salary and Net Cost													
Employee	Annual Salary	Hours Worked Per Week	Annual Bonuses	Payroll Tax %	Annual Health Care Costs	Other Insurance	401K Contribution	Other Benefits	Marketing Expenses	Infrastructure & Admin	Calculate Payroll Tax	Calculate 401K Contribution	
Name	\$0	0	\$0	13.65%	\$0	\$0	0%	\$0	\$0	\$0			
Weekly Time Breakdown								Report on: Name					
Project	Percentage of Time (Weekly)	Hours (Weekly)	Weekly Project Cost	Monthly Project Cost	Yearly Project Cost	Total Hours (From Above)	Weekly Employee Net Cost						
Pay Per Click (PPC) Advertising	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00	Actual Total Annual Employee Cost					\$0.00
Search Engine Optimization (SEO) / Content Development	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00	Monthly Salary					\$0.00
Facebook Social Media	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00	Monthly Employee Net Cost					\$0.00
LinkedIn Social Media	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00	Weekly Salary					\$0.00
Twitter Social Media	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00	Weekly Employee Net Cost					\$0.00
Blogging	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Google Product Feeds (i.e., Google Merchant Center)	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Press Releases	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Other Public Relations Efforts	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Offline Advertising (i.e., Newspaper, Radio or Television Ads)	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Direct Marketing (i.e., Calls, Tradeshows, Meetings, etc.)	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Other Marketing Efforts 1	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Other Marketing Efforts 2	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Other Marketing Efforts 3	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Other Marketing Efforts 4	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
Totals	0%	0	#DIV/0!	#DIV/0!	#DIV/0!	0	\$0.00						
		*Assume about 20% admin hours weekly. You can fill in hours rather than percentages if preferred.											

Calculating the Net Cost Per-Employee

Every business has different costs, so you'll need to adapt this analysis based on your own requirements. For instance you may have high infrastructure costs but offer few benefits, or vice versa. Furthermore, you don't need perfect numbers to get relatively accurate insights of the real cost of labor. For this analysis, we've tried to strike a balance between accuracy and simplicity.

To help you in your calculation, we've compiled some typical employee costs, researched up-to-date numbers for each cost, and broken them down as follows. As you can see, we've provided cells in our calculation spreadsheet for each of these items. Here's an example of these cells filled out for an example employee, "Martin":

Employee	Annual Salary	Hours Worked Per Week	Annual Bonuses	Payroll Tax %	Annual Health Care Costs	Other Insurance	401K Contribution	Other Benefits	Marketing Expenses	Infrastructure & Admin
Martin	\$50,000	40	\$1,000	13.65%	\$12,000	\$1,500	5%	\$1,000	\$5,000	\$10,000

Benefits

You need to factor in benefits, including insurance, 401K contributions, cost of vacation hours, and any other extras offered by your company.

Health Insurance: According to the Society for Human Resource Management, the average cost of Health Insurance for 2013 was projected at around \$11,200, and tends to rise at about \$552 a year. This suggests that a reasonable projection for the average to-employer cost of health insurance is over \$12K. For simplicity here, we'll call it \$1,000 a month.¹

Other Insurance: Add in the cost of Dental, Worker Compensation, and other insurance specific to your business.

401K Contribution: Our sources suggest that most companies average a contribution at 3-6% of employee income, some as high as 10%. We'll call it 5% for our analysis.²

Payroll Tax: Businesses are subject to several payroll taxes on their employees, as follows:

Social Security Tax: In 2014, employers were required to contribute 6.2% of the first \$117,000 of an employee's annual wages and salary.

Medicare Tax: Currently set at 1.45% of every dollar of each employee's annual wages and salary.

State Unemployment Tax: This value varies from state to state, but for this analysis we'll assume around 4%.

Federal Unemployment Tax: The 2014 rate was 6.0% minus a credit if the employer has paid into a state unemployment fund. This gets complicated, but it all comes down to about 6% total for both State and Federal Unemployment Taxes.

This all adds up to about 13.65% in Payroll Taxes for employees making less than \$117,000.³ We've entered 13.65% as the default value in this spreadsheet cell.

Bonuses: This varies wildly by industry, company, position and salary.

However, these direct benefits are just the tip of the iceberg when it comes to the real cost of a marketing employee.

Overhead and Infrastructure Costs:

Typical company-paid infrastructure costs, sometimes called "indirect costs", include paying for property rent, corporate taxes, buying equipment, hosting fees, overhead and administrative employees, and anything else not covered by costs directly related to employees.

To accurately calculate the real cost of your marketing employee, you need to account for their contribution to the use your company infrastructure. The simplest way is to split this cost evenly between your staff because different people use resources in different ways.

If you want to get more granular, it is a generally accepted practice to use salary as an approximation of the portion of corporate infrastructure and resources used. An even more complicated option is to pool the various infrastructure costs into categories based on use by different departments or employee classifications.

¹ Source: <http://www.shrm.org/hrdisciplines/benefits/articles/pages/health-premiums-2013.aspx>

² Source: <http://money.usnews.com/money/retirement/articles/2013/07/01/how-to-tell-if-you-have-a-lousy-401k-plan>

³ Source: <http://www.accountingcoach.com/payroll-accounting/explanation/4>

Other Marketing Expenses

This includes travel costs, tradeshow and conference registration fees, sales lunches, and more. If networking and word-of-mouth advertising are important to your business, it is important to account for these costs when reviewing the cost of your marketing employees. We've provided a cell in our spreadsheet to add in these costs.

Bringing It All Together

Enter the above values into the yellow row at the top of our spreadsheet to figure out the total cost of each employee to your business. You'll find the total "Net Cost" of the employee in the quick report on the right side of the spreadsheet, *as shown here on your right as well*. As you can see in the screenshot, our example marketing employee "Martin" has a yearly salary around \$50K, but actually costs nearly \$90K due to benefits and infrastructure costs.

Report on: Martin	
Yearly Salary	\$50,000.00
Actual Total Annual Employee Cost	\$89,961.50
Monthly Salary	\$4,166.67
Monthly Employee Net Cost	\$7,496.79
Weekly Salary	\$961.54
Weekly Employee Net Cost	\$1,730.03

Determining Cost of Time Spent on Marketing Project

The next step is to split up the hours your employee spends each week on each task.

If you don't have time tracking software at your business, the simplest way to answer this question is to ask your employees for the percentage of their time devoted to each marketing effort each week. If you do have time tracking software, use it to calculate the average number of hours spent each week toward each effort during a relevant historical period. Here's an example of what this breakdown might look like:

- Billable Client Work = 30% weekly hours
- PPC Campaign Updates = 25% weekly hours
- Social Media Updates = 15% weekly hours
- SEO Content Development = 15% weekly hours
- Administrative = 10% weekly hours

Split the total cost of your employees working on each effort by these percentages. Then aggregate the numbers for each marketing effort to determine the total cost of the marketing program in question.

Here's how this looks in our example worksheet for Martin the Marketer:

Weekly Time Breakdown					
Project	Percentage of Time (Weekly)	Hours (Weekly)	Weekly Project Cost	Monthly Project Cost	Yearly Project Cost
Pay Per Click (PPC) Advertising	10%	4	\$173.00	\$749.68	\$8,996.15
Search Engine Optimization (SEO) / Content Development	20%	8	\$346.01	\$1,499.36	\$17,992.30
Facebook Social Media	25%	10	\$432.51	\$1,874.20	\$22,490.38
LinkedIn Social Media	10%	4	\$173.00	\$749.68	\$8,996.15
Twitter Social Media	5%	2	\$86.50	\$374.84	\$4,498.08
Blogging	5%	2	\$86.50	\$374.84	\$4,498.08
Google Product Feeds (i.e., Google Merchant Center)	0%	0	\$0.00	\$0.00	\$0.00
Press Releases	5%	2	\$86.50	\$374.84	\$4,498.08
Other Public Relations Efforts	0%	0	\$0.00	\$0.00	\$0.00
Offline Advertising (i.e., Newspaper, Radio or Television Ads)	0%	0	\$0.00	\$0.00	\$0.00
Direct Marketing (i.e., Calls, Tradeshows, Meetings, etc.)	0%	0	\$0.00	\$0.00	\$0.00
Other Marketing Efforts 1	0%	0	\$0.00	\$0.00	\$0.00
Other Marketing Efforts 2	0%	0	\$0.00	\$0.00	\$0.00
Other Marketing Efforts 3	0%	0	\$0.00	\$0.00	\$0.00
Other Marketing Efforts 4	0%	0	\$0.00	\$0.00	\$0.00
Totals	80%	32	\$1,384.02	\$5,997.43	\$71,969.20

Hiring an Agency vs. Hiring In-House

When you hire an agency, you get to handle all of these costs up-front during the contract negotiations. You let the agency worry about time tracking, infrastructure costs, and ensuring that they are compensated for the time investment.

If you're considering hiring an agency to improve your results, it is best to start with a short project to evaluate the team and contract. This will give you the opportunity to uncover any hidden fees the agency may try bring up after you've already signed a long term contract for a full scale digital marketing effort. Therefore, contract an agency for a short one-to-three month project, such as an SEO content gap analysis or a PPC account analysis before committing to a longer effort.

If you've taken the first few steps and would like Strongpages to get you the rest of the way there, please contact us at <http://strongpages.com/contact/>.

Conclusion

In the paid SEM world, it has become common practice to use metrics like Cost per Click (CPC) and Cost per Lead Acquisition (CPA) to determine the value of the program. However, these values are much more difficult to calculate when evaluating an SEO or Social Media program. This is particularly true for smaller firms without large cost-benefit analysis teams and internal processes for digital budgeting.

Fortunately, with the numbers derived from this guide and spreadsheet, you can take the next step and determine CPC and CPA for SEO, Social Media and other marketing programs. Once you have one-to-one metric comparisons of the value of each program, you will be fully equipped to make the best decisions on how to use your marketing dollar in the new year and beyond.

About Strongpages

Strongpages is a leading digital marketing agency with a deep history of developing digital strategy and managing successful online marketing programs. Strongpages has generated significant results for our client's brands – ranging from startups to the world's largest retailers. We're dedicated to helping businesses of all kinds leverage this mission-critical channel to fuel their business in the digital age.

Our expert resources represent leaders in strategy, search technology and online marketing, combined with hands-on leadership expertise that helps translate program data into actionable business intelligence. This unique combination gives clients unparalleled results – improving targeted, qualified lead flow to your sales funnel and driving immediate deal opportunities and revenue growth.

Learn more at <http://strongpages.com>.