**Performance Measurement Resource List**

**The Profit EquationSM Factors**

**The Profit EquationSM Questions**

**Even More Measures**

**Industry Specific Measures**

There are dozens of benchmarking resources on the web.

Here are a few to get you started:

[www.Integrainfo.com](http://www.Integrainfo.com)

[www.1stresearch.com](http://www.1stresearch.com)

[www.bizbench.com](http://www.bizbench.com)

[www.onesource.com](http://www.onesource.com)

[www.bizminer.com](http://www.bizminer.com)

The Profit EquationSM Factors

**A. Existing # Customers – Lost + New = Total # Customers**

**B. Total # Customers X Frequency X Avg. $ = Gross Revenues**

**C. Gross Revenues – Cost of Goods – Overhead = Net Profit**

**A. Existing # Customers – Lost + New = Total # Customers**

|  |  |  |
| --- | --- | --- |
| **Critical Success Factors** | ***Key Performance Indicators Outcome Measures*** | *Impacting Factors &*  ***Activity Measures*** |
| Base # of Existing Customers | Lifetime Value $  Penetration:  # of services used | Data Capture Systems  Contact Management Software  Accuracy / Accountability  Buying Patterns  80/20 rule - targeting  Customer Profile - ABCD  Communication  Preferential treatment |
| LESS # of Lost Customers | Attrition Rate % | Customer Complaints  Customer Refunds/Returns  Product Defects  Billing Errors  Customer Service Response  Perceived Indifference Issues  Team Empowerment to solve issues  Communication Style  Feedback Systems  Guarantees  Exit Interviews with former team  members  Accountability for lost customers |
| PLUS # of New Customers | Acquisition Rate %  Conversion Rate %  Mktg./Adv. ROI  Conversion Rates  per/offer  per/sales person  per/period of time  Cost of Acquisition $  Source/Avg. Sale  Source/Frequency  Source/Lifetime  value  Source/Quantity  Source/Referral rate | Testing/Tracking  Lead Generation Sources  Institutional vs. Direct Marketing  Call to Action - Tracking  Host Beneficiary Relationships  Endorsements  Conversion Process  Tracking Systems  Telephone Manners & Scripting  Telemarketing  Brochures/Letters  Nurturing  USP - Unique Selling Proposition  Risk Reversal  Perceived Added Value  Offer  Source/Quality of Customer  Referrals  Repeat  Endorsements  Host Beneficiary Relationships |
| **EQUALS** Total # Customers | | |

**B. Total # Customers X Frequency X Avg. $ = Gross Revenues**

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| **Critical Success Factors** | ***Key Performance Indicators Outcome Measures*** | *Impacting Factors &*  *Activity Measures* |
| Total # of CustomersMultiplied by Frequency - the number of times they come back (or refer others) | Retention Rate %  Frequency Rate #/time  Referral Rate | Nurturing  Ancillary Products  Back-end sales  Till Further Notice  Frequent Buyer Programs  Database Management – Targeted  marketing  Special Offers/Events  Programmed Referral Processes  Host Beneficiary Relationships  Endorsements |
| Multiplied by  Average Sale Value | Transaction Value $  Marginal Net Worth  Source/Avg. $ Value | Up-sells  Bumps  Bundling  Packaging  Perceived Added Value  Price - Offer  Point of Sale Impression  Incentives  Merchandising  Payment Options  Tracking Systems - Database  management  Host Beneficiary Relationship  Endorsements  Referrals  Repeat  Warm vs. Cold |
| **EQUALS Gross Revenues** | | |

**C. Gross Revenues – Cost of Goods – Overhead = Net Profit**

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| --- | --- | --- |
| **Critical Success Factors** | ***Key Performance Indicators******Outcome Measures*** | *Impacting Factors &*  *Activity Measures* |
| Gross Revenues  less  Cost of Goods | COG %  Cost of Sales %  Direct Variable Cost  Activity Variable Costs  Manpower/Productivity  Realization Rates  Utilization Rates  Gross Margin % | Buying Power - Negotiations  Relationship – Longevity – Credit terms  Inventory turns/control/storage  Shrinkage/Damage  Product/Sales Mix  Cash Flow - financing  Accounts Payable turns  Just in Time Inventory Controls  Tracking/Reporting  Training  Equipment  Technology – Systems  Work Flow  Time/Motion Efficiency  Downtime  Re-Work  Teamwork – Innovation - Kaizen  Empowerment  Profit Center Approach - Budgets  Performance Bonuses - Incentives |
| LESS  Overhead - fixed expenses | OH $ | Salaries, Benefits, Taxes  Efficiency  Technology  Work Flow  Purchasing Controls  Budgets/Actual  Teamwork  A/R – A/P  Innovation  Injuries  Absenteeism  Tardiness  Poor time usage  Employee Turns  Empowerment - Education  Profit Center Approach  Budgets  Performance Bonuses or  Incentives |
| EQUALS Net Operating Profit | | |

**Existing # Customers – Lost + New = Total # Customers**

**Total # Customers X Frequency X Avg. $ = Gross Revenues**

#### Gross Revenues – Cost of Goods – Overhead = Net Profit

**The Profit EquationSM Questions**

**# Existing Customers, Acquisition, Attrition, and Closing Activities**

##### Do you have your customers in a database?

* Is it a contact management database?
* How do you utilize the database?
* How often and what do you send to your customers?
* What additional products or services have you offered your customers?
* Do you have any kind of ongoing customer feedback system in place?
* Have you ever hosted a Customer Advisory Board?
* How do you handle customer complaints?
* Are your employees empowered to handle complaints – to what $ limit?
* How do you generate new leads?
* Can you quantify the results you are getting from your advertising?
* Do you know what sources yield the highest quality customers?
* What is your Cost of Customer Acquisition?
* Have you done a customer segmentation analysis to define who your ABCD customers are?
* Have you applied the 80/20 rule to your customer base?
* Is your advertising Institutional or Direct?

**Frequency of Customer Contact**

* How many times per year do you have contact with your customers?
* What percentage of customers refer others?
* Are there some that are better at giving you referrals – have you tracked where they originally came from?
* Have you conducted a customer needs assessment survey recently?
* What kind of follow-up service do you offer?
* Have you ever offered another company’s product or service to your customers?
* Have you ever bundled your product or service with someone else’s?
* How do you handle customer complaints?
* Are your employees empowered to handle complaints – to what $ limit?

**Average Sale**

* Do you track your average sale? (daily, weekly, monthly?)
* Is the team aware of your average sale number?
* Are there incentives in place for improving the number?
* Have you tested different packaging options?
* What kind of Risk-Reversal strategy do you have?
* Have you ever considered an Extraordinary Guarantee?
* Have you ever tested a bump or an up-sell?
* Do you know what your marginal net worth is on each sale above break-even?

**Gross Revenues**

* How often is it measured?
* Do you share your financial numbers with the team? If so, how often and in what form?
* Are there incentives for the team to innovate and improve revenues?

**Cost of Goods**

* When was the last time you reviewed your purchasing policies?
* When was the last time you shopped your vendors?
* Have you held a Vendor Advisory Board?
* Do you measure your inventory turns?
* Do you track wasted and damaged goods?
* Do you return damaged goods to suppliers?
* Does your team understand the cost of each line item?
* Have you established an innovation incentive program to reduce the cost of goods?

**Overhead**

* Do you routinely review your fixed cost ratios?
* Are your policies and procedures documented?
* Have you considered outsourcing any administrative or other functions?
* How do you allocate administrative expenses to each department-by % of revenues or by actual activity cost?
* Do you cross-train your people?
* Have you measured your cost of hiring and training?
* What is your employee turnover rate?
* How many of your people have advanced within your company?
* How would you rate the effectiveness of your management team?
* Do you have incentives in place to reduce expenses?

###### Net Profit

* Is there a profit sharing program in your company?
* Are your people involved in making capital investment decisions?
* Does your team understand how their performance impacts the bottom line?
* Are bonuses paid on gross or net profit?
* Does each department have a budget?
* Do they have control over their own budgets?
* Is each division tracked as its own profit center?

**Even More Measures**

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| **Finance** | | |
| **Management Accounting** | | |
| Break-even Average Sale  Receivables turn  Asset Turnover (times per year)  Net Working Capitol turnover (days)  Cash flow per $ Sales  Net Profit per $ of Wages  Finance Cost as a % of Net Profit before interest  Cash Flow per Sales  Inventory Turn  ROI%  Cash Sales Ratio  Current Ratio  Gross Profit Percentage  Bad Debt Expense  Working Capital Turnover | | Debt to Equity  Return on Equity  Return on Net Sales  Safety Margin  Payables Turn  Non Current Asset Turnover  Gross Working Capital Turnover (days)  Operating Cash Flow per $ debt  Gross Profit per $ of Wages  External Receivables as % Total Sales  Sales per $ of Wages  Sales per Person Employed  Ratio of Current Assets to Current Liabilities  Quick Ratio |
|  | | |
| **Accounting** | | |
| % of late reports  % of errors in reports  Errors in input to information  % of input errors detected  Amount of time spent appraising/correcting  input errors  Length of time to prepare and send a bill  # of hrs/wk correcting or changing documents  Accounting bill-back activity # of open items  Travel expense accounts processed in 3 days  Percent of data entry errors in A/R & GL  Number of untimely supplier invoices processed  Time between receipt of monies and deposit  % of sales by credit, cash, other  Down-time associated with hardware/software | Errors by outside auditors  # of complaints by users  Payroll processing time  % of errors in Payroll  Length of time billed and not received  # of final accounting jobs re-run  # of equipment sales miscoded  Amount of intra-company  % of deviations from cash plan  % of advances outstanding  Credit turnaround time  Average number of days from receipt to  processing  Invoices process per person  Time to process an invoice  % of shipments requiring more than one  attempt to invoice | |

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| **Purchasing** |  |
| $ spent on Rush or Emergency Purchases  Variances on material prices  Orders placed without competitive bid  % of returned goods  Rejects per shipment  $ Manufacturer Rebates for volume buying  # of out-of-stock occurrences  P.O.’s processed per person  Down-time associated with substandard  parts/materials | Price paid (per ft., lbs., etc.) for raw materials  Variances on material prices  % of purchases made from unapproved  vendors  Credits on damaged goods  P.O. Accuracy – price paid to price quoted  # of returns by customer due to substandard  parts  $ saved with early pay discounts |
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| **Credit** |  |
| Accounts Receivable Aging  # of past due accounts by type and %  Write-offs per type of customer, product, etc.  Average time to establish new accounts  $ and % of sales re-negotiated post sale  % of past due accounts to total receivables | Cost of credit vs. cash  % of sales cash, credit, invoice, etc.  % of sales rejected due to bad credit  $ and % of sales re-negotiated post sale  Bad debt expense as a percentage of sales |

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| **Operations, Vendors, Suppliers** |
| Units produced per person  Units produced per day  Average production cost per unit  Labor utilization rates  # and % of defects by type, person, product, etc.  Cost of re-work due to employee error, defects, equip, etc.  Maintenance costs  Cost of inventory on hand – not acceptable for sale  # of employee accidents due to equipment failure  Amount of production time lost due to accidents/month  Amount of time spent investigating safety issues  # of safety violations per week, month, employee  # of delays due to insufficient stock on hand  % of on-time production  ROI on equipment, facilities, etc.  Product R&D generated by non-R&D personnel  Average overtime hours per employee  Gross Profit %  Average # of days finished goods on hand  Average # of days incoming shipments not stocked  Warranty claims per week, month, year  Production level variations  Down-time due to poor maintenance  Inventory shrinkage by shift, department, etc.  # of accidents due to employee error  # of accidents due to improper storage of goods  Production capacity rates/Optimal production rates  Manufacturing cycle time  Order-to-delivery response time  Product R&D Return on Investment |

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| **Management, People** |
| # of union claims per month  Cost of hiring and training  Applicant acceptance/ratio  Average hourly wage  Employee turnover ratio  Average net income per manager  Average employee life-span/department/type, etc.  Cost of pre-paid benefits/self insurance  % of cross-trained employees  % of managers trained on company policies, labor laws, etc.  New employees referred by existing employees  % of harassment claims  $ spent fighting employee claims  % of participation of employees in innovation programs  Savings or Revenues generated from employee suggestions  Company morale index  Employee satisfaction levels  Employee competence levels  # of disability claims per month/type/$/etc.  Average starting salary  Cost of attracting applicants  Average net income per employee  Average net income per manager  % of employees to advance to management  Average cost of benefits, employee, compensation  Compensations cost per employee  % of employee participation in profit sharing, etc.  % of average personnel cost per employee  % of employees receiving exit interview  Frequency of performance evaluations  # of suggestions given per employee  # of employee suggestions given/acted on  % of employee participation in optional events  % of employees participating in community activities |

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| **Marketing & Sales, Customers** |
| Frequency of Contact  Customer Retention Rate  Customer Attrition due to timing, quality, price.  Customer compliments per week, month, employee  Average cost of problem resolution  Average sale for repeat, referral, new customers  Cost of Acquisition per source, lead, type, etc.  Leads Generated per day, month, source, employee.  % of dead leads re-generated though follow-up  % of Direct Advertising to Institutional  % of budget on sponsorships/rate of return  Average # of contacts to close a sale  Average sales cycle  % of sales people making quota  # of sales calls per day/close rates  % of on time deliveries  % of deliveries ahead of schedule  Cost of rush shipping not paid by customer  Lost Opportunity cost of back-orders, shipping errors  % of commissions to Gross and Net Profit  Break-even sales per customer  Frequency of customer feedback processes  % of participation of customers in feedback programs  Average mark-up per order  Customer Satisfaction Ratings  Customer Acquisition Rate  Average sale per customer, day, product line  # of Complaints per week, month, employee  Customer Service Success Ratio (problems raised/solved)  Market share  % of growth in sales for repeat customers  Lifetime value of customers per source  Conversion rates per day, month, source, employee, etc.  % of total accurate orders  % of order errors, by person, department, type, etc.  % of advertising from COOP monies  ***Marketing Continued . .*** .  % Advertising costs/Gross Sales  % Advertising costs/Average Sale  % of time source of new customer identified  % of incoming calls per day/sales, customer service, etc.  % of nuisance calls  % of outgoing calls per day/sales, customer service, etc.  % of sales = to up sell  Conversion rates per offer, price, sales person, etc.  % of customers who re-buy within X # days, weeks |

**Industry Specific Measures**

At their core, all businesses are alike. This yields a set of universal measures that you can generally apply across all companies. However, outside of the core, there are often industry specific measures that must also be included in your map of measures. These industry specific measures can really add to your specialized knowledge in a niche you are seeking to build. Often times associations or trade journals can supply you with measures for a specific industry. Likewise, as you conduct engagements you’ll start to build a library of measures specific to the clients you have worked with. Below you’ll find a sampling of some industry specific measures to get your library started.

**Transportation Company:**

Key measurement: Mileage per Driver

This indicates several things:

Maintenance needed on vehicle

Exposure for accidents

Exposure for tickets

Exposure for client complaints

The business owner rewards good drivers with a bonus pool associated with their driving performance. The bonus is linked to the number of hours they work and drivers must be on time and have a zero unexcused absence from work in order to qualify for the bonus program during each tracking period.

**Radio Industry:** cost of programming per minute per listener

**Placement firm:** # of failed placements per team member

# of placements 0-30 days

# of placement 30-90 days

Daily order fill rate – Ratio of perspective placements to actual

# skilled marketing placements per team member

**Service Business:** # of days from delivery of service to mailing of invoices

Realization rates

Hours billed per person

Capacity Utilization

# of additional services added to relationship

% increase in billings due to new service lines

**Home Services Contractor:**

# new customers per week

generated from advertising

generated from internal team

generated from customer referrals

Repairs generated from routine maintenance calls / # / person / $

Total Volume of Inquiries/ Evaluations

Evaluations/Contract

Repairs converted from initial inspection

# of Call backs tracked against late payments, complaints, and attrition rate

Pipeline: Book Sales/Work Orders / # / $ value

Total Revenue Breakdown: by subcontractor vs. in-house

**Software Engineering Company:**

# of new clients who pay within 15 days – if a new client does not pay they call to verify payment process to make sure their initial invoice is not lost in the system.

Restaurants:

* Sales / Sq. foot
* Rent / Sq. foot
* Controllable Profit % = Income before Occupancy Costs / Sales
* Prime Cost Ratio = (COS + P/R Costs) / Sales
* Occupancy Cost Ratio = Total Occupancy Costs / Sales
* Occupancy Cost per Seat
* Occupancy Cost per Sq. Ft.
* Food Cost %
* Beverage Cost %
* Food Cost per Meal Served
* Payroll Cost %
* Sales per Seat
* Dining Seat Turnover = # of Customers / # of Dining Seats
* # of Days Sales in Inventory
* Sales per Direct Labor Hour = Sales / Total labor Hours
* Hourly Labor Cost per Guest = Gross Wages of Hourly Employees / Customer Count
* Employee Turnover Ratio = Total # of Terminated Employees in Year / Current # of Employees

Length of time from receipt of order to delivery at table

Restaurant wait team: # of people with clean, neat, appropriate dress

# of people on time for work

**Travel Agency:**

* Phone Volume/day
* Tickets written/day/person/average value
* Brochure Turnover – they have brochures available on the outside of their store. If the brochures are moving – they expect to be busy for a few days following

**Freight Forwarding Business:**

* Tonnage shipped / day
* On-time arrival
* Damage rate/driver/route