**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**

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| **Critical Success Factors** | ***Key Performance Indicators Outcome Measures*** | *Impacting Factors &****Activity Measures*** |
| Base # of Existing Customers | Lifetime Value $Penetration:  # of services used | Data Capture SystemsContact Management SoftwareAccuracy / AccountabilityBuying Patterns80/20 rule - targetingCustomer Profile - ABCDCommunicationPreferential treatment |
| LESS # of Lost Customers | Attrition Rate %  | Customer ComplaintsCustomer Refunds/ReturnsProduct DefectsBilling ErrorsCustomer Service ResponsePerceived Indifference IssuesTeam Empowerment to solve issuesCommunication StyleFeedback SystemsGuaranteesExit Interviews with former team membersAccountability for lost customers |
| PLUS # of New Customers | Acquisition Rate %Conversion Rate %Mktg./Adv. ROIConversion Rates per/offer per/sales person per/period of timeCost of Acquisition $ Source/Avg. Sale Source/Frequency Source/Lifetime  value Source/Quantity Source/Referral rate | Testing/TrackingLead Generation SourcesInstitutional vs. Direct MarketingCall to Action - TrackingHost Beneficiary RelationshipsEndorsementsConversion Process Tracking Systems Telephone Manners & Scripting Telemarketing Brochures/Letters NurturingUSP - Unique Selling PropositionRisk ReversalPerceived Added ValueOfferSource/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 #/timeReferral Rate | NurturingAncillary ProductsBack-end salesTill Further NoticeFrequent Buyer ProgramsDatabase Management – Targeted  marketingSpecial Offers/EventsProgrammed Referral ProcessesHost Beneficiary RelationshipsEndorsements |
| Multiplied byAverage Sale Value | Transaction Value $Marginal Net WorthSource/Avg. $ Value | Up-sellsBumpsBundlingPackagingPerceived Added ValuePrice - OfferPoint of Sale ImpressionIncentivesMerchandisingPayment OptionsTracking Systems - Database  management Host Beneficiary Relationship Endorsements Referrals RepeatWarm 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 lessCost of Goods | COG %Cost of Sales %Direct Variable CostActivity Variable CostsManpower/ProductivityRealization RatesUtilization RatesGross Margin % | Buying Power - NegotiationsRelationship – Longevity – Credit termsInventory turns/control/storageShrinkage/DamageProduct/Sales MixCash Flow - financingAccounts Payable turnsJust in Time Inventory ControlsTracking/ReportingTrainingEquipmentTechnology – SystemsWork FlowTime/Motion EfficiencyDowntimeRe-WorkTeamwork – Innovation - KaizenEmpowermentProfit Center Approach - BudgetsPerformance Bonuses - Incentives |
| LESSOverhead - fixed expenses | OH $ | Salaries, Benefits, TaxesEfficiencyTechnologyWork FlowPurchasing ControlsBudgets/ActualTeamworkA/R – A/PInnovationInjuriesAbsenteeismTardinessPoor time usageEmployee TurnsEmpowerment - EducationProfit 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 SaleReceivables turnAsset Turnover (times per year)Net Working Capitol turnover (days)Cash flow per $ SalesNet Profit per $ of WagesFinance Cost as a % of Net Profit before interestCash Flow per SalesInventory TurnROI%Cash Sales RatioCurrent RatioGross Profit PercentageBad Debt ExpenseWorking Capital Turnover | Debt to EquityReturn on EquityReturn on Net SalesSafety MarginPayables Turn Non Current Asset TurnoverGross Working Capital Turnover (days)Operating Cash Flow per $ debtGross Profit per $ of WagesExternal Receivables as % Total SalesSales per $ of WagesSales per Person EmployedRatio of Current Assets to Current Liabilities Quick Ratio |
|  |
| **Accounting** |
| % of late reports% of errors in reports Errors in input to information% of input errors detectedAmount of time spent appraising/correcting input errorsLength of time to prepare and send a bill# of hrs/wk correcting or changing documentsAccounting bill-back activity # of open itemsTravel expense accounts processed in 3 daysPercent of data entry errors in A/R & GLNumber of untimely supplier invoices processedTime between receipt of monies and deposit% of sales by credit, cash, otherDown-time associated with hardware/software | Errors by outside auditors# of complaints by usersPayroll processing time% of errors in PayrollLength of time billed and not received# of final accounting jobs re-run# of equipment sales miscodedAmount of intra-company % of deviations from cash plan% of advances outstanding Credit turnaround timeAverage number of days from receipt to  processingInvoices process per personTime to process an invoice% of shipments requiring more than one  attempt to invoice |

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| **Purchasing** |  |
| $ spent on Rush or Emergency PurchasesVariances on material pricesOrders placed without competitive bid% of returned goodsRejects per shipment$ Manufacturer Rebates for volume buying# of out-of-stock occurrencesP.O.’s processed per personDown-time associated with substandard  parts/materials  | Price paid (per ft., lbs., etc.) for raw materialsVariances on material prices% of purchases made from unapproved  vendorsCredits on damaged goodsP.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 saleBad debt expense as a percentage of sales  |

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| **Operations, Vendors, Suppliers** |
| Units produced per personUnits produced per dayAverage 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 costsCost of inventory on hand – not acceptable for sale# of employee accidents due to equipment failureAmount 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 productionROI on equipment, facilities, etc.Product R&D generated by non-R&D personnelAverage overtime hours per employeeGross Profit %Average # of days finished goods on handAverage # of days incoming shipments not stockedWarranty claims per week, month, year Production level variationsDown-time due to poor maintenanceInventory shrinkage by shift, department, etc.# of accidents due to employee error# of accidents due to improper storage of goods Production capacity rates/Optimal production ratesManufacturing cycle timeOrder-to-delivery response timeProduct R&D Return on Investment  |

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| **Management, People** |
| # of union claims per month Cost of hiring and trainingApplicant acceptance/ratioAverage hourly wage Employee turnover ratioAverage net income per managerAverage 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 programsSavings or Revenues generated from employee suggestionsCompany morale indexEmployee satisfaction levels Employee competence levels # of disability claims per month/type/$/etc.Average starting salaryCost of attracting applicantsAverage net income per employeeAverage net income per manager% of employees to advance to managementAverage 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 interviewFrequency 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 ContactCustomer Retention RateCustomer Attrition due to timing, quality, price.Customer compliments per week, month, employeeAverage cost of problem resolutionAverage sale for repeat, referral, new customersCost 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 returnAverage # 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 scheduleCost of rush shipping not paid by customer Lost Opportunity cost of back-orders, shipping errors% of commissions to Gross and Net ProfitBreak-even sales per customer Frequency of customer feedback processes% of participation of customers in feedback programsAverage mark-up per order Customer Satisfaction RatingsCustomer Acquisition RateAverage sale per customer, day, product line# of Complaints per week, month, employeeCustomer Service Success Ratio (problems raised/solved)Market share% of growth in sales for repeat customersLifetime value of customers per sourceConversion 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 sellConversion 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