

# The six business numbers to track success

It's important to be aware of and track your main financial indicators. The more you observe what the numbers are doing, the faster you'll see what's working and what isn't.

We'll outline six main business measurements that will give you a regular snapshot of how your business is doing, and what you can do to improve them.

## 1: Gross Margin

This is the difference between what you pay for a product and what you sell it for. You can improve it by:

- › Increasing your prices. Make rises small enough not to impact on possible demand, so that price-sensitive customers don't switch if they see the competition as cheaper.
- › Reducing cost of goods sold (COGS) by using lower cost materials or different components where possible, without affecting quality.
- › Research lower cost providers or consider asking your current supplier to reassess their pricing, especially if you have a good long-term relationship.
- › Reducing waste. Buy only what you need. Recycle and reuse any waste materials you can and make sure your employees are doing so as well.

These tips will help you improve your gross margin so that your business remains financially healthy and competitive while maintaining the quality and value customers expect.

## 2: Average revenue per customer

This metric is about increasing the number of things customers buy from you. It can be products, hours, services, warranties, insurance; anything where a customer is encouraged to buy two things rather than one. Build average revenue by:

- › Using the data from your accounting software or sales system to identify trends and plan promotions. Look at what your best customers are buying, think of other products or services that could be sold with them, and tailor special offers to bring these customers in more often.
- › Learn to up-sell and cross-sell. Whatever a customer is buying would be even better if they bought a complementary item.
- › Consider tempting customers to spend just a bit more in return for a reward such as free shipping on orders of a certain amount.
- › Bundle products and services together. Part of the art of cross-selling is confidence that the complementary item is exactly what the customer needs.

Focus on your gold customers, the ones responsible for high, profitable sales. Target those with the most potential and then develop a specific proactive plan for each of them.

## 3: Revenue growth

Steady, predictable revenue growth is the sign of a healthy company. Grow revenue by:

- › Using inbound CRM software to better predict who is more likely to buy from you. Set up lead generator tools or content to gather interested prospects to follow up.
- › Develop new products or services for your existing customers.
- › Exporting is a valid way to find new customers, though as a first-time exporter you're best to get as much help as you can.
- › Franchising is a popular option especially if demand for your product or service warrants it.

Create a marketing plan to identify, locate and sell to new customers. Look for new distribution channels to expand your customer base, such as third-party selling and your website.

## 4: Revenue per employee

This is affected by several factors, including average revenue per user, better systems and processes, and automation. To encourage higher revenue per employee, try:

- › Making sure your staff have the equipment and training they need to do the job right and keep them informed about business performance and management decisions.
- › Setting goals for your employees. Help them put a sales plan in place, and then measure how successful it is.
- › Making sure your sales data is transparent, so everyone knows who's selling the most.

Optimize incentives for your employees regularly to find out what they want and make sure you act quickly on your findings.

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## 5: Net profit percentage

This is the margin that accrues from all the effort of a business and is the ultimate measure of how it's being operated. Increase it by:

- › Lowering your direct costs or overheads by looking around for better deals on costs such as energy, internet, and telephones.
- › If your location isn't mission critical then consider moving to pay lower rent.
- › Reviewing your equipment needs. It could be that you're better off leasing equipment only when it's needed, rather than buying it outright.
- › Making sure you swiftly collect money that's owed to you. It should be coming in faster than you pay it out.

Consider outsourcing some of your staff needs, such as administrative tasks like payroll, to companies that will charge a monthly fee instead of a salary.

## 6: Customer satisfaction

Track this by asking for opinions, feedback and ratings. They're a valuable indicator of dissatisfaction and of potential advocacy. Try:

- › Analyzing the market to identify trends and try to predict customer needs. Find out what people are saying about your competitors and use that information to improve the customer experience in your own business.
- › Keeping track of any customer complaints. Document who the customer is, what they were unhappy about, what was done to resolve it and if they went away satisfied.
- › Using email, send out annual or bi-annual customer satisfaction surveys. Incentivize them to take part in the survey by offering a discount or small gift.

Harness social media to keep in touch with your customers and measure their levels of satisfaction. Optimize your marketing budget and track campaign performance by connecting apps like Google Analytics, Facebook, LinkedIn, or X.

## Next steps

- › Decide which of the six numbers you want to measure, then set up monthly reporting so you can see if they are improving each month.
- › Implement those actions that are relevant to your business to improve each number.
- › Talk to us if you have any questions about tracking key business numbers.

By tracking and improving these six variables, you should be able to improve your gross margin, raise the value of your average sale, drive revenue, build the productivity of employees, increase your profit percentage and improve customer satisfaction.

## Note

This is a guide only and should neither replace competent advice, nor be taken or relied upon as financial or professional advice. Seek professional advice before making any decision that could affect your business.