



Key Performance Indicators Every Business Owner Needs To Know

A person wearing a red jacket, a black helmet, and a large green and black backpack is hiking up a rocky mountain trail. The person is seen from behind, looking towards a hazy, sunlit mountain range in the distance. The sky is a mix of blue and orange, suggesting sunrise or sunset.

Welcome!

Hey, it's Michele! I'm the owner of Venture West Bookkeeping and Tax Solutions.

Developing custom Key Performance Indicators (KPIs) for your business is key (*no pun intended*) to monitoring your business's progress toward your goals!

This guide will take you through how to calculate 6 KPIs that you might find helpful to track within your business.

NET PROFIT MARGIN

This is one of the most important financial metrics you can use as a KPI because it measures the overall **profitability** of your business.

Your net profit margin shows what percentage of your sales you keep after all expenses are accounted for.

The higher your net profit margin, the more money you're taking home on each of your sales!

A high-angle photograph of a wooden desk. On the left, a silver laptop is open, showing its keyboard. To the right of the laptop is a white Apple mouse. In the bottom right corner, the chrome arm and black leather seat of an office chair are visible. A white rectangular box is centered over the image, containing text.

CALCULATING YOUR NET PROFIT MARGIN

$$\frac{\text{Net Income}}{\text{Revenue}} \times 100$$



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REVENUE GROWTH RATE

This KPI measures how your revenue (your sales) is changing over time.

By comparing your revenue numbers to prior periods, you can tell which direction your sales are trending. You definitely want to track this metric after a new launch! Take your KPI one step further by tracking your revenue growth rate by product/service to monitor your revenue concentration.

CALCULATING YOUR REVENUE GROWTH RATE

$$\frac{(\text{Cur. Period Rev.} - \text{Prev. Period Rev})}{\text{Previous Period Revenue}} \times 100$$

AVERAGE ORDER VALUE

Knowing how much an average transaction brings into your business is incredibly helpful!

When you know your AOV, you gain greater insight into your buyer profile. You can segment this KPI even further to see how your AOV changes between first-time customers and returning clients. Additionally, this KPI can show the impacts of new marketing efforts, discounts, and upselling!



The background of the image shows a close-up of a laptop keyboard on a light-colored wooden desk. A white rectangular box is centered over the image, containing the title and the formula. The title is in large, bold, black capital letters. The formula is presented with 'Total Revenue' above a horizontal line, and 'Number Of Orders' below it.

CALCULATING YOUR AVERAGE ORDER VALUE

$$\frac{\text{Total Revenue}}{\text{Number Of Orders}}$$

CUSTOMER ACQUISITION COST

Measuring this KPI shows you how much it costs to gain a new customer. The lower your CAC, the less it costs for your business to convert someone into a customer.

This KPI highlights how efficiently your marketing efforts are performing! You can work towards lowering your CAC by optimizing your marketing and sales processes.





CALCULATING YOUR CUSTOMER ACQUISITION COST

Total Sales & Marketing Expenses

Of New Customers Acquired



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RETURN ON INVESTMENT

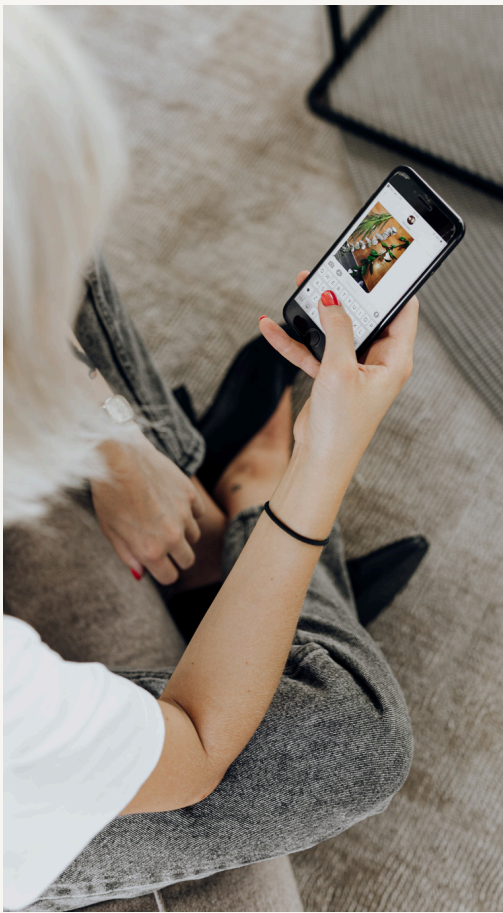
Business owners invest every day in things like new employees, business coaches, and marketing efforts.

Measuring your ROI helps show how much you received your money's worth on your investment! For example, if you hired a new business coach, did they help you increase your sales by more than their coaching fee? Or did your new employee increase your sales more than their wages?



CALCULATING YOUR RETURN ON INVESTMENT

$$\frac{\text{Sales From Invest.} - \text{Cost Of Invest.}}{\text{Cost of Investment}} \times 100$$



TAX COMPLIANCE RATE

This KPI measures what percentage of your required tax filings were filed on time.

Ideally, your tax compliance rate would be 100% (a.k.a your returns are filed on time, every time), but trying to keep this rate as high as possible is a great business goal! Setting reminders of important tax dates is an easy standard operating procedure to improve this KPI.

CALCULATING YOUR TAX COMPLIANCE RATE

$$\frac{\text{\# Of Timely Filings}}{\text{\# Of Required Filings}} \times 100$$

Ready to get in touch?



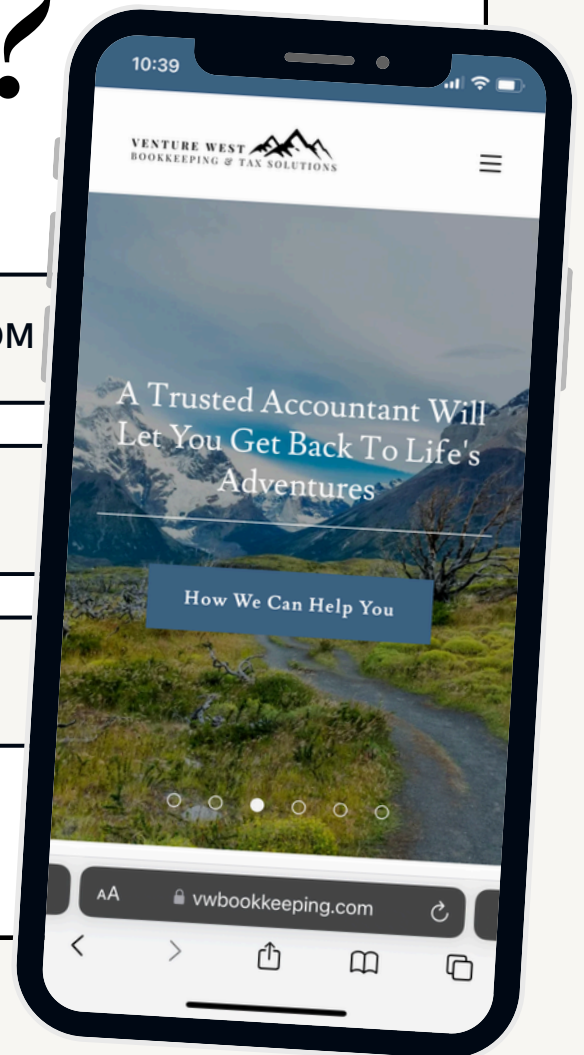
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