



Take Action Results

Profit! Freedom! Lifestyle!

M2A2 – Metrics That Matter

M2A2 – KPIs (or Metrics) That Matter

Do you really understand the state of your business today?



Warning

This might be a bit dry and technical but ignore at your peril!

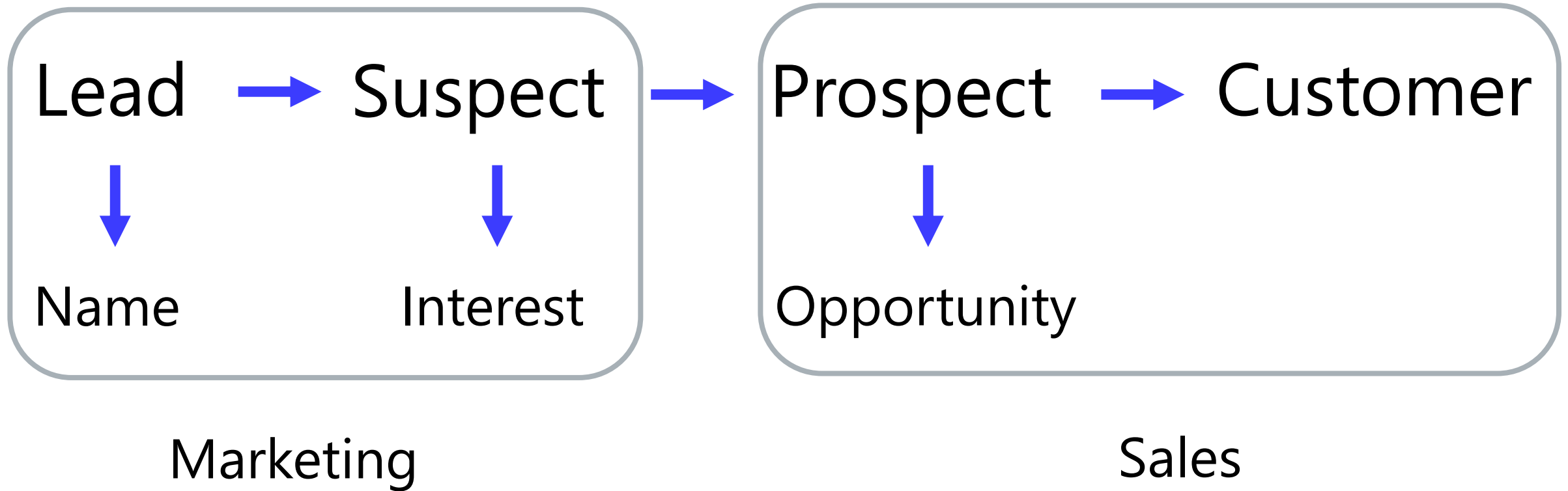
New Leads!

Death of a Business = No New Customers

The Prospect Continuum

Sales = 2 Things

1. Find Someone to Talk To
2. Talk to Them



Marketing Tactics Plan

Hunting vs Farming

Business Stage	Startup	Growing	Stable
Hunting	3	2	1
Farming	1	2	3

1. Must be targeted (to your Ideal Customer Profile)
2. Should have a specific and unambiguous Call to Action
3. Each should have a highly monitored and measured budget

Cost per Lead!

Worst is monthly, next is rolling 4 weeks and
best is weekly!

Conversion Rate!

Gives you your Customer Cost of Acquisition

Conversion Rate Example!

Cost per Lead = \$1.00

Conversion Rate = 5%

Therefore 100 leads = 5 Customers or \$20.00 per customer

Customer Value!

Your Best Customer is an Existing Customer!

Gross Margin!

$$\text{GM} = \frac{\text{Revenue} - \text{Cost of Goods Sold}}{\text{Revenue}}$$

Example #1

$$GM = \frac{100 - 50}{100} = 50\%$$

Cost of Goods Sold includes labour to provide or produce the goods or service!

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Example #2

$$GM = \frac{100 - (50 + 15)}{100} = 35\%$$



M2A2 – KPIs (or Metrics) That Matter

Plumbing Example

- \$99 service call
- .50 cents/mile vehicle costs
- \$50 journeyman and \$22 apprentice = \$72/hour labour
- 10 miles and 20 minute each way call so

$$GM = \frac{99 - (10 + 48)}{99} = 41\%$$

- 15 miles and 30 minutes each way so

$$GM = \frac{99 - (15 + 72)}{99} = 12\%$$



Profit Equation Worksheet

	CURRENT	FUTURE	Change
Leads Generated	1,000	1,100	10%
X Conversion Rate	25%	27.5%	10%
= New Customers	250	303	21%
+ Retained	2,000	2250	13%
= Customers	2,250	2553	13%
X Revenue/Customer	\$360	\$396	10%
= Revenues	\$810,000	\$1,010,790	25%
X Gross Margin	39%	43%	10%
= Gross Profit	\$315,900	\$434,640	38%
- Fixed Costs	\$180,000	\$162,000	-10%
= Net Profit	\$135,900	\$272,640	101%



Quick Ratio!

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{Receivables}}{\text{Accounts Payable}}$$

Inventory Days!

(Days Sales of Inventory, Days Inventory Outstanding, Sold Inventory Days and the Average Days in Inventory)

$$\text{Inventory Days} = \frac{\text{Inventory}}{\text{Cost of Goods Sold}} \times 365$$

Accounts Receivable Days!

$$\text{Accounts Receivable Days} = \frac{\text{Accounts Receivable}}{\text{Sales}} \times 365$$

Accounts Payable Days!

Days Payable Outstanding

$$\text{Accounts Payable Days} = \frac{\text{Accounts Payable}}{\text{Cost of Goods Sold}} \times 365$$

Profit Equation Review based on

1. Leads Generated
2. Cost per Lead
3. Conversion Rate
4. Annual Customer Value
5. Gross Margin

Liquidity Indicators

1. Quick Ratio
2. Inventory Days
3. Accounts Receivable Days
4. Accounts Payable Days

Trend and Compare

Plumbing Industry Comparison

1. Quick Ratio = 2.53
2. Inventory Days = 17.1
3. Accounts Receivable Days = 58.24
4. Accounts Payable Days = 38.96

How do you stack up?