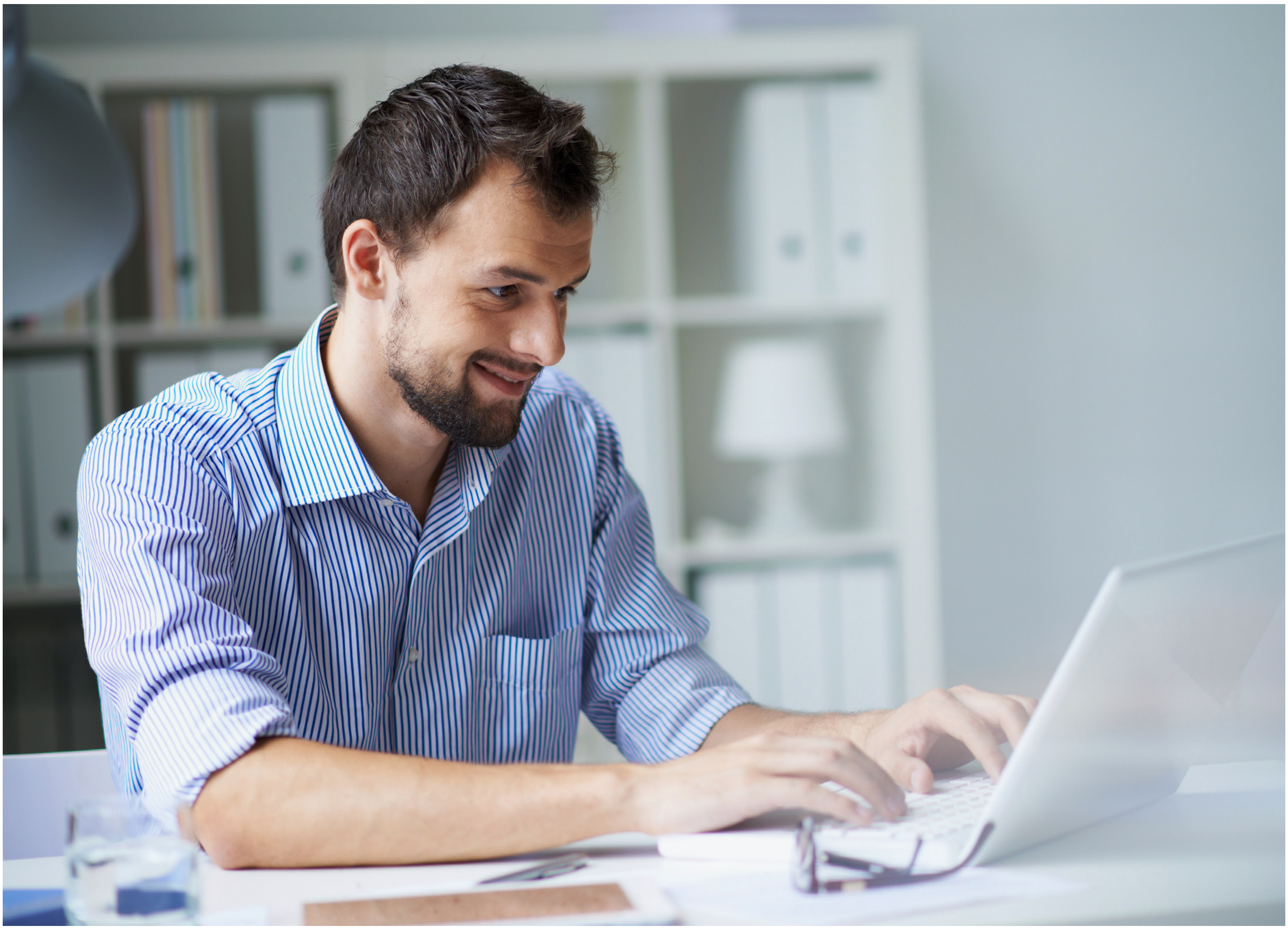

Reporting metrics eBook.

Nine reporting metrics your business needs to track

Phocas.
Got data. Get results.

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Introduction.

Nine reporting metrics your business needs to track

The ability to turn raw company data into actionable intelligence is at the core of today's successful businesses.

Companies that want to compete in the modern, fast-paced global economy can no longer leave decision making to gut feel or give data analysis to a select few "experts" stuck in basement corner cubicles far from day-to-day business operations.

Data is increasingly more important to everyone's role. Its value is in helping people do their jobs better, improve efficiencies and customer service, counter competitors and increase profit margins.

To use data, you need to know what to measure so you can produce effective reports that help you, and other decision makers, see a more complete picture of how your business is performing. You will then know how and where to find answers to difficult questions and have the information you need to take your business in the right direction.

Some initial questions might include the following:

1. What industry trends might affect our business?
2. Is our product or service quality where it needs to be?
3. How well are we performing financially?
4. Where are our unique challenges and opportunities?
5. What products are not selling?
6. What are our customers buying and are they happy?

What you decide to measure should depend on the goals and objectives of your business. Many metrics, however, are universal.

This eBook explores 9 reporting metrics every business should track to optimize performance and get the most out of company data.

1. Monthly revenue.

Measuring monthly revenue provides a top-level view of sales performance.

Comparing revenue month-over-month or current monthly sales to the same period last year in your reports can help you identify trends and respond to changes in the market. Tracking monthly revenue can also help you set annual targets and keep sales teams motivated.

Companies that only review quarterly reports, or review data less frequently, risk playing catch up and missing an opportunity to quickly respond to trends and industry shifts. Your customers' businesses, as well as competitors and the market, are constantly changing, and it's important for everyone, from sales to management, to pay close attention to monthly revenues. Businesses that consistently run and review monthly revenue reports are better prepared to address challenges before they become threats to the bottom line.

2. Monthly profit.

While it's important to track revenue, you must be mindful to view it in relation to company profit.

Your business may have generated high monthly revenues, but sold a product mix with low margins, and thus operated at a loss.

Alternatively, revenue could be stable – or even slightly decreasing – but because you sold products with a higher margin, profit could be up.

Measuring monthly profit offers similar benefits to measuring revenue. You and your business remain agile and can quickly and easily respond to trends and challenges. Monitoring net profit can also help you measure and compare operational efficiency and performance with competitors.

Understanding what percentage of each dollar of product sales makes it to the bottom line can help you make decisions on your people, products and promotions.

If your profit is low, you may consider promoting products with higher margins, find ways to reduce operational costs, or create offers to incentivize your customers to purchase larger volume orders.

3. Average customer revenue per month.

By tracking average customer revenue per month, you can easily identify customers who are purchasing more or less than your average customers.

With this knowledge, you can create customized offers and ensure you are taking care of your most important buyers.

Including this metric in your reporting allows you to analyze revenue more closely and recognize any inconsistencies that you might miss by reviewing only overall revenue. While your sales team may have done a great job closing new deals and stabilizing overall revenues, there could be a decline in average customer revenue that may otherwise go unnoticed.

4. Customer neglect.

Customers have high expectations today for customer service and paying attention to their needs is one way to ensure that you can keep their business.

According to one estimate, as much as 70 percent of customers are lost because of neglect. Your customers need to hear from you. If they feel like they are unimportant to you, then they are unlikely to stay loyal to your business.

When they are not visited or communicated with on a regular basis, you leave opportunity for competitors to take their business. A competitor that offers a little more value and or a higher level of customer service will be difficult to beat.

In our hypercompetitive business world, if you're not paying attention to customers, someone else is. Knowing when and how frequently customers are contacted can go a long way to understanding whether they are receiving the attention they deserve. Regular contact is critical to building strong, loyal customer relationships.

Companies don't always have the resources to maintain contact with their entire customer base. By monitoring this metric, you can identify which customers to contact every month and react accordingly.

5. Customer lifetime value.

Customer lifetime value (CLV) refers to a forecast of net profit that can be attributed to the entire relationship with a customer.

The CLV is not simply how much a customer has purchased from you, it is a forecast for how much they are expected to spend with your business in future. Unfortunately, not a lot of businesses can measure CLV.

One study put the number at around 42 percent; of which only 11 percent "strongly agreed" that they could measure it.

Tracking CLV enables you to better understand the value of a customer to your business and can help you plan how you approach marketing and how much you should be spending on customer acquisition.

Having insights into your CLV allows you to become more strategic as you are planning your marketing campaigns and sales budgets. If you know that a typical B2B customer generates $250,000 of profit while a B2C customer generates $100,000, it makes sense to assign a higher budget for your B2B acquisition campaigns.

Similarly, you may find that customers in a region, or customers that sell into retailers as opposed to hospitality, have a higher value. By analyzing lifetime value, you can better understand where your efforts and dollars will produce the most value.

It's no secret that it's easier to retain customers than it is to find new ones. Tracking this metric helps you identify which customers deserve the most attention and where to focus your priorities. Businesses that do not have an unlimited number of sales reps and account managers can use CLV to improve their planning and ensure they are working to retain their most valuable customers.

6. Average invoice dollar amount.

Tracking this metric allows you to see any upward or downward trends in your customers' spending per invoice.

An upward trend can reflect many successes, from effective marketing campaigns to your sales reps' success in cross-selling and upselling.

Conversely, a downward trend should raise a red flag signalling possible concerns with the current sales rep, product quality, [inventory](), or distribution challenges or to pressure from competitors.

By focusing on this metric, you can dig deeper to uncover any issues that need swift attention.

For example, stable revenue, but decreasing average invoice dollar amount could mean your customers are buying smaller amounts more frequently. This type of buying behaviour could require you to spend more on handling costs, shipping, and billing. Armed with this information you can proactively work to develop better purchasing terms with your customers, cutting costs and building stronger relationships.

Your response to this metric could include incentives to encourage larger orders or offering special pricing on complementary products. Proactively working with customers will indicate your interest in their business while helping you increase the average dollar amount per invoice, as well as your overall revenues.

7. Average number of lines per invoice.

Tracking the average number of lines per invoice indicates how many products are purchased per transaction.

This information becomes valuable when combined with average dollar amount per transaction.

If your average dollar amount remains steady, but invoice lines per transaction increases, you know your customers are purchasing more items that are of lower value. Individual items require inventory space, handling costs, and other overhead costs, which means selling more low-cost items is not necessarily beneficial to your profit margin.

The costs may not be significant at small quantities, but at larger volumes – or over extended periods of time – this trend will impact your bottom line. A strategy to address this metric is to engage your sales reps about which products to focus on, and or re-examine pricing on individual items.

8. Percentage of customers who are active.

Percentage of active customers represents customers that have purchased something from you during a specified time, divided by your customers.

A high active customer percentage may indicate that you have an engaged customer base that is regularly buying from you, whereas a low percentage may indicate a variety of issues, from your sales team and product quality to an increase in competitor activity.

If your active customer rate continues to decrease, it could be a sign of poor health of your business. Perhaps changes in your sales team triggered the decline, or a change in strategy reduced customer touch points, or perhaps your marketing efforts are not as effective.

Any of these challenges could cause your customers to be less engaged with your business, and therefore stop purchasing from you. Alternatively, your business may have experienced an increase in customer acquisition due to a successful sales and marketing campaign. A decrease in percentage of active customers could indicate that additional follow up with these customers is needed. Tracking this metric over time allows you to identify how well your business retains and gains customers.

9. Lost customers to new customers ratio.

Marketers often refer to this concept as the leaky bucket.

If you have a leaky bucket, you are losing more customers than you are gaining.

It costs 6-8 times more to acquire a new customer than to retain one because of the marketing, sales efforts, and administration required to find and formalize a relationship. Therefore, a high number of new customers only reflects well on your business performance if the number of lost customers is low.

Tracking this ratio in your monthly reporting can help you prioritize where your business needs to focus its attention. If your business is not adding customers or is gaining fewer new customers than it is losing, you may need to focus time on determining the cause(s) and dedicate more resources to retention efforts.

The need for ad hoc analysis and reporting.

While these reporting metrics are useful on their own, the real value lies in the data behind them.

For example, your lost-customers-to-new-customers' ratio indicates you are performing well.

However, is the ratio reflecting an incredible volume of new sales while lost customers have remained constant, or has the number of lost customers decreased dramatically while holding new customers constant?

In what industries have you lost customers? Where have you gained customers?

If you have lost 50 customers with a high lifetime value, but gained 70 customers with a low lifetime value, your business may still have lost forecasted revenue.

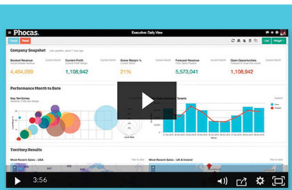
Traditionally, the IT department was responsible for data and analytics as ERP systems and other analysis tools were not accessible to most team members. Getting answers to your business questions meant submitting requests for custom reports generated by the IT department. The process for getting reports was often time consuming because of the complexities of the systems and the limited number of specialists who could produce the reports. And once the reports were created, they were often formatted in spreadsheets, which can be complicated to use and leave room for error.

In addition, because the data from these reports is static, they are often outdated by the time they reach the end user's desk. Not only has the IT department spent time generating reports when they have other pressing tasks, the data no longer reflects the current state of the business.

The traditional way of ad-hoc reporting is not sustainable for businesses that seek to cut costs while increasing revenue.

With modern business intelligence solutions, such as Phocas, your team members, regardless of technical skill level, can access company data that is relevant to their jobs. Managers can develop interactive visual dashboards with figures, graphs, heat maps and other charts for quick analysis. They can also dive deeper into the transaction-level data driving the metrics and quickly produce their own reports. This enables your managers to gain actionable insights from real-time data. And because of Phocas' mobile capabilities, your users can access the data when they need it, on any device without delay.

This means sales managers will see the current number of declining customers and quickly identify cross-sell opportunities to reverse the trend, while an inventory manager may see current stock at risk of becoming dead stock and coordinate with marketing to develop a targeted campaign to move the products. By checking their dashboards on the way to work, over morning coffee, or prior to entering a customer meeting, your team can quickly and easily review relevant business data that will allow them to do their jobs better, take better care of your customers and make better data-driven decisions to drive sales and add to your bottom line.



Phocas demo

Click here to watch a demo of Phocas for reporting.

Get in touch.

Learn how Phocas can help you achieve your business goals.

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