Six numbers to track growth

COMMUNITY FIRST Credit Union

Every business has unique indicators of success, tailored to its industry and goals. For some, it might be sales growth, or the number of new leads generated, while others focus on customer retention, recurring monthly revenue, or even agricultural yields. These metrics provide valuable insights into how well a business is performing and where improvements can be made.

In addition to these specific metrics, there are key ratios that businesses across industries typically use to measure growth and financial health. If you can identify the most relevant ones for your operations and focusing on improving them, you can take steps toward sustainable growth.

Number 1: Gross margin

This is the difference between what you pay for a product and what you sell it for. However, if you don't produce a physical product, this metric won't apply to you.

Look to improve your gross margin by:

- Increasing your prices.
- Reducing cost of goods sold (COGS) by using lower cost materials or different components where possible, without affecting quality.
- Asking your current supplier to reassess their pricing, especially if you have a good long-term relationship.
- Reducing waste. Look for areas where there is excess waste and then devise ways to minimize. Buy only what you need.
- Recycle and reuse any waste materials you can and make sure your employees are doing so as well.

Improving your gross margin requires a thoughtful balance between cost management and maintaining product quality.

Number 2: Average revenue per customer

This is about encouraging customers to buy more, whether it's additional products, services, or related offerings like warranties. By providing more value and convenience, you can naturally increase each customer's spend.

To increase this, start by analyzing sales data to see what your best customers are buying. Use this information to offer complementary products or services and create tailored promotions to encourage repeat business. Techniques like upselling and cross-selling can also help by introducing higher-value options.

Bundling products or services is another way to increase revenue, offering more value while incentivizing larger purchases. Focus on nurturing your most profitable customers with tailored strategies to maximize their potential.

Number 3: Revenue growth

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

Grow revenue by:

- Using in-bound CRM software to better predict who is more likely to buy from you and set up lead generator tools or content to gather interested prospects to follow up.
- Develop new products or services for your existing customers.
- Creating 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, e.g. Amazon, eBay, iTunes etc, and your website.
- Franchising is a popular option especially if demand for your product or service warrants it.

Achieving consistent revenue growth requires a combination of innovation, strategic planning, and a commitment to reaching both existing and untapped markets.

Number 4: Revenue per employee

This metric can be affected by several factors, including average revenue per user, better systems and processes, and automation. It's often useful for those businesses that sell per hour.

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To encourage higher revenue per employee, try:

- Making sure 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.
- Providing transparent sales data, so everyone knows who's selling the most.

Your goal should be to create a supportive environment where staff have the tools, knowledge, and incentives to maximize their productivity and performance.

Number 5: Net profit percentage

This is the margin that accrues from all the effort of a business and is the ultimate measure of how a company is being operated.

Increase your net profit percentage by:

- Lowering overheads by looking around for better deals on costs such as energy, internet, and phones.
- Reviewing your equipment needs. It could be that you're better off leasing equipment only when it's needed, rather than buying it outright.
- Looking at outsourcing some of your staff needs, such as administrative tasks like payroll, to companies that will charge a monthly fee instead of a salary.
- Making sure you swiftly collect money that's owed to you. It should be coming in faster than you're paying it out.

Improving this metric requires a focused effort on managing expenses efficiently, so that your business is operating as cost-effectively as possible.

Number 6: Net Promotor Score (NPS)

Tracking customer satisfaction through feedback and ratings offers valuable insights into areas for improvement and potential marketing opportunities. Effective communication with customers leads to better decision-making and can help enhance customer loyalty.

Start by analyzing market trends and identifying customer needs. Look at feedback about your competitors to learn where you can improve and provide a better experience for your customers.

Keep track of customer complaints by documenting who they are, the issue, the resolution, and whether the customer left satisfied. This helps you identify recurring problems and find proactive solutions.

Leverage social media to stay connected with customers and gauge their satisfaction in real-time. Additionally, sending out annual or bi-annual customer satisfaction surveys via email helps you gather more structured feedback.

Next steps

- Decide which of the key growth metrics are most relevant to your business and focus on improving them with targeted strategies.
- Establish measurable goals for each metric, so that you can track progress and adjust strategies as needed.
- Look for opportunities to improve internal processes, reduce waste, and improve productivity.
- Actively seek customer feedback and use it to refine your offerings, improve satisfaction, and build long-term loyalty.

Tracking and improving these six variables will give you an insight into how your business is growing. Take action that is relevant to your business to improve each number. The higher they are, the stronger your business.