

THREE EASY STEPS TO CREATE A SMALL BUSINESS PROFIT DASHBOARD



Understanding, Setting & Tracking Key Metrics for Your Small Business



The idea of adding even more reports, more numbers, more *work* is daunting to any entrepreneur. Isn't there already an information overload? Who has time to track 100+ social media sites, a 24 hour news cycle, and publications for every niche topic under the sun? Why would anyone want to add to all that?

We're not going to add. We're going to subtract, simplify, and *focus*. It's time to cut out the noise and focus on the information that will grow the bottom line. By creating a key metric dashboard small businesses can focus their resources on the crucial profit drivers and create an early warning system for potential roadblocks ahead.

Imagine a driver getting into their car every morning and having to review a barrage of minutiae before even putting the car into drive. Instead of a dashboard, a huge screen with 100's of data points would be staring them in the face.

- Tire Pressure, Front Right: 42.3 PSI
- Tire Pressure, Front Left: 41.9 PSI
- Tire Pressure, Rear Right: 42.7 PSI
- Tire Pressure, Rear Left: 42.1 PSI
- Radiator Coolant Level: 81.2%
- Windshield Wiper Fluid Level: 62.2%
- ...

One of two things would happen. Everything would get ignored because it was simply too overwhelming for a regular person. Or the driver would sit in the driveway for 20 minutes trying desperately to figure out if anything was actually wrong or required action.

There is a better way. For the driver it's a simple, easy to read dashboard that highlights key information. Warning lights flash if something requires the driver's immediate attention. It's blissfully easy, allowing the driver to focus on driving.

Every business has certain levers, generally referred to as key metrics, which drive success, or are a prelude to failure. Creating a small business profit dashboard enables entrepreneurs to see the health of their business at a glance, allowing them to focus on running their business.

There are 3 steps to creating a small business dashboard; **i)** identifying key metrics, **ii)** setting key metrics, and **iii)** tracking key metrics. A dashboard is effective for the overall business, as well as for certain campaigns and initiatives.

STEP 1



Identifying Key Small Business Metrics

Every business shares a common goal – to make a profit. There are two ingredients necessary for any small business to earn a profit; generating sales and controlling expenses. *To be included on the dashboard, the metric must impact sales or expenses.*

IDENTIFYING COMPANY WIDE KEY METRICS

Clearly tracking total revenue in a period is crucial, similar to having a speedometer for a car, it's necessary to see how fast (or slow) the business is moving. Yet revenue alone is not sufficient for the dashboard, we need the business equivalent of RPMs (Revolutions Per Minute). In a car if the RPMs are too high it can damage the engine, if they are too low the car may stall out.

The *Revenue RPM Gauge* will vary based on the small business. If the business is dependent on repeat customers (coffee shops, restaurants, and cleaning services are good examples of this), then tracking the percentage of sales that are return customers would be valuable.

However for other businesses, the percentage of repeat sales would be irrelevant. Wedding planners (hopefully!) don't have many repeat customers. Instead the focus would be on the size of the sale, the larger the project the more profitable it would be. Perhaps the business has traditionally relied on only one niche, such as web design for realtors. Realizing the need for diversification, the metric to track would be the percentage of sales in other niches.

In setting the Revenue RPM Gauge the business owner must ask themselves, *"How exactly does this impact my revenue? What can I do with this information?"*

Of course every car needs fuel to run, whether it's gasoline or electricity for a battery powered vehicle. A small business must spend money on certain things to run; office space, internet, raw materials, inventory and so forth. A company can only generate a profit if expenses are less than revenues. Even companies with billions in sales can fail to make money (certain U.S. car companies come to mind). Total expenses must be tracked on a regular basis.

Finally the key metrics should include a canary. Old time miners used to send a canary down into the tunnels first to ensure the air was safe. The canary was a warning sign, a leading indicator that trouble was ahead. Every small business has their own form of a canary in the tunnel.

If a small business has a medium to long sales cycle tracking new leads could be valuable. If new leads start to fall, the owner can be alerted to the potential problem before it impacts revenues. If the a business depends on volatile commodities, tracking the market would give them a chance to either find an alternative or increase prices before the impact is felt.

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Canary key metrics should provide time to make changes before the impact is felt.

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SUGGESTED COMPANY WIDE KEY METRICS (MAX 5)

- Total Revenue
- Revenue RPM Gauge (examples include; percentage of repeat business, average size of sale)
- Total Expenses
- Canary in the Tunnel (examples include; new leads, commodity prices)

IDENTIFYING CAMPAIGN KEY METRICS

Throughout the course of the year, small businesses run a variety of campaigns. These campaigns have their own challenges and goals, which need to be evaluated independently. To start, two questions need to be asked. *What is the end goal of the campaign? How does this tie into profit?* If a campaign's goal is unclear, or there is no tie to profit, it is not worth tracking and the idea to pursue should be reconsidered.

Small businesses will run one or more marketing campaigns in a year. QR Codes, such as pbSmart™ Codes, are a popular way to drive and track interactive campaigns. These are often seen at trade shows and conferences. Attendees scan the code with their smart phone to get a coupon, sign up for a newsletter, or redeem other special offers. The long term goal is to convert leads to customers.

How would the key metrics look for this type of campaign?

- Number of pbSmart™ Code scans at the event
- Percentage of scans that resulted in action
- Number of sales and total revenue generated

Notice the focus is on measurable actions taken by the potential customer. The trade show could have attracted 1,000 attendees or 100,000. Yet what matters is how many interacted with the company at the event, and who subsequently did buy something. Attending an event with 100,000 people that generates no sales in the next 12 months should not be repeated if the business wants to stay open.

GENERATE A QR CODE, BUILD A MOBILE WEB PAGE AND ENGAGE CUSTOMERS THROUGH THEIR MOBILE DEVICES.



It's easy!

Get the most out of your marketing campaigns by adding a custom QR code to our NEW printed media and promotional items.

STEP 2

Setting Small Business Metrics



A dashboard is only useful if there is a baseline for comparison. The top portion of a car's RPM Gauge is in bright red. This is to let the driver know that they're in danger of overheating the engine. Numbers and metrics are only useful if we have a point of comparison for what is normal or expected. Once we've selected our key metrics we need to determine our baseline expectations.

SETTING COMPANY WIDE KEY METRICS

Clearly revenue is top of mind when looking at metrics. While it may be tempting to simply take the total expected revenue for the year and divide by 12 to get monthly goals, this is not realistic. Every business has seasonality. In retail business the last quarter of the calendar year drives upwards of 50% of all revenue. In B2B the summer season is often slow. A ski hill generates their profits in the winter months.

Expenses also have peaks and valleys throughout the year. Most businesses have some expenses that are paid quarterly, semi-annually or annually. If these are not reflected accurately in the baseline, business owners will believe they are either ahead or behind on expenses when in reality they are on track.

The baseline expectations for all key metrics should be done on a monthly basis. If a business can go longer than one month to look at something it's not crucial and should not be included.

SETTING CAMPAIGN KEY METRICS

Clearly campaigns are a different animal, with a shorter timeframe and targeted outcome. There are three ways to set the baseline for campaigns.

1. *Use Past Experience* – If a business has attended an event before, look at experience but also consider how it might realistically be improved.
2. *Use Other's Experience* – If this is the first time to use a new campaign or tool, the experience of others in the industry is a good place to start.
3. *Work Backwards from Desired Result* – If a business has a goal of 100 new clients from an event how many leads do they need to generate? Is that realistic given the expected number of attendees?



Engage customers with email marketing, and easily measure your success with pbSmart™ Connections!

Track opens, clicks and more on easy to read charts that give you instant information.

Start your 60-day FREE trial now!

STEP 3



Tracking Key Small Business Metrics

If you don't ever look at the dashboard of your car, you'll never see the warning signs of an almost empty tank, or an engine that's redlining. The same holds true for the Small Business Profit Dashboard. The dashboard can only help if someone looks at it on a regular basis.

TRACKING COMPANY WIDE KEY METRICS

Company key metrics should be prominently displayed where every employee will see them every day. These are the drivers of profit, of success, and every person's livelihood. *Every person in the company should know how they personally impact the key metrics.*

At a minimum company performance should be compared to the target goals every month. While some variation is to be expected (life is that predictable after all!), major differences between the expected performance and actual results should be immediately investigated. This gives the business time to understand and fix things that aren't working before it's too late.

“*Equally important is to recognize successes along the way, particularly when a challenging goal has been reached.*”

TRACKING SPECIFIC CAMPAIGNS

As with company metrics, it's important for campaign metrics to be prominently displayed where employees who are involved can see them. Every person involved in the campaign needs to understand their role, and how it drives the campaign's success. The timing of reviewing results will vary.

For example, if a company has implemented a new email marketing tool, such as pbSmart™ Connections, it may initially be wise to review results every day to ensure a smooth transition. Unsubscribes, open rates and purchases using the new tool should be tracked compared to the old. Over time the baseline will become the experience with the new tool or perhaps an industry standard is the goal. The need to review results may remain at daily or drop to weekly.

The focus needs to be on running the business, not deciphering reports.

A business owner should always ask themselves, “How exactly will I use this? What can I do with this?” If there is no direct action that can be taken, don't bother tracking it.

By using tools that make it easy to track relevant results businesses can concentrate on delivering quality products and services to their clients.