

## Killer KPIs

### Start With the Basics

Every credible business needs to measure what matters. If you don't have meaningful Key Performance Indicators (KPIs) and a set monitoring and reaction regime, your measure of success becomes a stab in the dark.

In general, KPIs are grouped like this:

- **Engagement KPIs** - client satisfaction and community engagement
- **Revenue KPIs** - tracking the fee level and balance of your clients and services ●
- Team KPIs** - resourcing, delivery and satisfaction

Many accounting firms don't do their own accounting very effectively! They use a broad 'bucket' to capture revenue earned, making it more difficult to identify useful service line splits and trends that can help decision making.

1. Define Advisory Fees and categorize these separately from core Compliance fees
2. Where possible, track the categories of Advisory Fees (i.e. forecasts, Spotlight Reports, strategic, mentoring, etc).
3. Capture Monthly Recurring Revenue for each category (i.e. what recurring, predictable services are baked in and delivered on a predictable basis?)
4. Capture Non-Recurring Revenue for each category - from projects and irregular service work (i.e. raising finance, restructuring, business sale, etc).
5. Set Budget (expectation) numbers for each category.
6. Set Targets (aspirations) as well.

Once your own numbers are set up correctly and flowing into useful buckets, you can start to roll the essential KPIs into the mix.

Establish a baseline and set a time frame that makes sense to you. After all, we're looking for improvement and forward progress, right?

### Engagement KPIs

#### Net Promoter Score (NPS)

Measuring client satisfaction is extremely important. Accountants who don't proactively encourage feedback are missing out on useful data and suggestions for improvement - as well as revenue opportunities.

Apps like Net Promoter Score (NPS) make the process of asking for feedback immediate and easy. Which allows you to course correct with clients, develop new offerings and spark new conversations.

Following up on NPS is key. At Spotlight all our NPS respondents get a call or email, and we absorb and even utilize this feedback across our business.

## **Community Engagement**

This is another facet of your practice that's important to monitor and react to.

- eNews open and click-through rates (find out industry averages and compare your results).
- Campaign, webinar, and event registrations and attendance, ratings, conversion and ultimate ROI (i.e. did the attendees become clients, did attendees ARPC grow etc).
- Website, blog and campaign landing page engagement

Ensure this discretionary activity and investment (to engage prospects and existing clients) converts into more satisfied customers, new revenue upsold, and longer retention/ lower churn. If not, your methods of engagement are probably misfiring.

## **Churn**

Churn (client revenue exiting your business) can be a measure of dissatisfaction and/ or lack of engagement, and is best measured as the value of fees lost.

If you look to exit approximately 5% of your fee base each year, while growing the 'top end' desirable fees from existing clients and great news additions, you'll get the mix about right.

## **Revenue KPIs**

### **Average Revenue Per Customer (ARPC)**

ARPC is a great indicator of:

- Relationship depth and nuance
- Your ability to offer, sell and deploy a range of services
- The ability to grow your fees faster than the absolute growth in client numbers

Once you understand your baseline ARPC, you can use tools like the Service Opportunity Matrix to start planning for an increase. Each year, think about the percentage increase in ARPC you aspire to, cross referenced with the services or packages you'll offer to achieve this.

### **Value-Add Service Mix**

This 80:20 percentage measure of Value Add (or Advisory) Fees vs. Compliance Fees is a way to reach your dreams of becoming a trusted advisor.

It is also a measure of:

- Accepting the right clients - not just any old referrals
- Proactiveness (i.e. taking the time and effort to upsell)
- Satisfaction

Clients, staff and owners are all in a happier place when we are adding value.

## **Team KPIs**

### **Human Contact**

By having staff frequently interact with your clients, it will not only result in happier and engaged employees, but clients will want additional services too.

Even though human contact is a staff KPI (e.g. ten client meetings per month), it should positively ripple across the other KPIs noted here.

There are many KPIs to choose from, some leading firms are looking at SaaS metrics (like Monthly Recurring Revenue and Lifetime Value) to get a different perspective on business performance. These are powerful examples of crossover metrics that are useful for you and service-based clients.

### **Report and React**

Once you've selected your KPIs, regularly report and analyze them for insight and accountability. Program in your KPI monitoring and reaction regime and make it a non-negotiable business process. Every firm should have its own robust KPI reporting in place before it deploys a similar approach to clients. And with software like Spotlight Reporting doing the heavy lifting for you, it's easier than ever to 'walk the walk'.