

What are KPIs?

A **Key Performance Indicator (KPI)** is a measurable expression for the achievement of a desired level of results in an area relevant to the entity's activity.

KPI Naming Standards

KPIs - start with symbols

\$ Value of
\$ Net Profit

Number of
Defects

% Percentage of
% Budget Variance

Universal KPIs

Universal KPIs are metrics that apply across a wide range of industries, offering insights into overall performance, financial health, customer satisfaction, and operational efficiency. Here are several important ones:

Revenue Growth Rate:
Measures the rate at which a company's sales increase over a specific period, indicating market demand and business growth.

$$\frac{\text{Current Period Revenue} - \text{Previous Period Revenue}}{\text{Previous Period Revenue}} \times 100$$

Profit Margin:
Assesses how much out of every dollar of sales a company actually keeps in earnings, highlighting financial health and pricing strategies.

$$\frac{\text{Net Profit}}{\text{Total Revenue}} \times 100$$

Customer Satisfaction Score (CSAT):
Indicates how satisfied customers are with a company's products or services, often measured through surveys.

$$\frac{\text{Sum of Scores}}{\text{Number of Respondents}} \times 100$$

Net Promoter Score (NPS):
Gauges customer loyalty and the likelihood of customers recommending a company's products or services to others.

$$(\% \text{Promoters} - \% \text{Detractors}) \times 100$$

Employee Turnover Rate:
Measures how often employees leave the company, offering insights into workplace satisfaction and operational stability.

$$\frac{\text{Number of Departures}}{\text{Average Number of Employees}} \times 100$$

Value Added by KPIs

Clarity
Present a clear strategic plan.

Focus
Focus only on what matters.

Improvement
Monitor progress towards desired goal.

KPI Selection Criteria

Relevant
Aligned with organizational strategy.

Clearly Defined
Use clear and intelligible terms.

Balanced
Strive for quality, effectiveness & objectivity.

Industry-Specific KPIs

Manufacturing, Production & Construction

Capacity Utilization Rate
Measures the percentage of an organization's potential output that is actually being realized.

$$\frac{\text{Actual Output}}{\text{Maximum Possible Output}} \times 100$$

Inventory Turnover:
Measures how quickly inventory is sold, indicating product demand and effective inventory management.

$$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

Manufacturing Yield (Production Yield)
How well a production process is able to produce products without defects or issues.

$$\text{Yield Rate} = \frac{\text{Number of Good Units}}{\text{Total Number of Units Produced}} \times 100\%$$

Safety Incident Rate:
Frequency of safety incidents critical for worker safety and regulatory compliance.

$$\text{Safety Incident Rate} = \frac{\text{Number of Incidents}}{\text{Total Hours Worked}} \times 100,000$$

Number of Incidents: Total reported safety incidents.
Total Hours Worked: Aggregate hours worked by all employees during the reporting period.

Order Fulfillment Cycle Time:
Time taken from receiving an order to delivering the product, indicating operational efficiency.

$$\frac{\text{Total Time from Order Receipt to Delivery}}{\text{Number of Orders}}$$

Technology

Monthly Recurring Revenue (MRR):
Total predictable revenue generated by customers every month, crucial for SaaS and subscription-based models.

$$\text{MRR} = \text{Sum of All Recurring Revenue for the Month}$$

Sum of All Recurring Revenue for the Month: The total of all monthly subscriptions, memberships, and any other forms of recurring revenue within a month.

Customer Acquisition Cost (CAC):
The cost associated with acquiring a new customer, indicating marketing and sales efficiency.

$$\frac{\text{Total Sales and Marketing Expenses}}{\text{Number of New Customers Acquired}}$$

Lifetime Value (LTV):
The total revenue a business can expect from a single customer account, indicating long-term value creation.

$$\text{LTV} = \frac{\text{Average Revenue per User} \times \text{Gross Margin}}{\text{Churn Rate}}$$

Average Revenue per User: The average revenue generated per user over a specific period.
Gross Margin: The percentage of revenue that exceeds the cost of goods sold.
Churn Rate: The percentage of customers who stop using the service over a specific period, expressed as a decimal.

Burn Rate:
The rate at which a company spends on product development and research without generating revenue.

$$\frac{\text{Total Cash Spent per Month}}$$

Code Deployment Frequency:
Frequency of code deployments, indicating agility and innovation pace.

$$\frac{\text{Total Deployments}}{\text{Time Period}}$$

Healthcare, Pharma, Biotech

Patient Satisfaction Scores:
Gauge the overall satisfaction of patients with healthcare services.

Typically derived from surveys, no formulaic calculation.

Research & Development (R&D) Spending as a Percentage of Sales:
Measures the investment in innovation relative to sales, particularly important in Pharma and Biotech.

$$\frac{\text{R\&D Expenses}}{\text{Total Sales}} \times 100$$

Clinical Trial Success Rate:
Indicates the percentage of clinical trials that achieve their primary objectives, crucial for Pharma and Biotech.

$$\frac{\text{Number of Successful Trials}}{\text{Total Number of Trials}} \times 100$$

Hospital Readmission Rates:
Measures the percentage of patients who are readmitted to a hospital within a certain period after discharge, indicating the quality of care.

$$\frac{\text{Number of Readmissions}}{\text{Number of Discharges}} \times 100$$

Drug Approval Times:
Time taken from application to approval for new drugs, reflecting the efficiency of bringing new products to market.

Timeframe from application to approval, measured in days or months, no formulaic calculation.

Finance & Banking

Return on Equity (ROE)
Measures profitability relative to shareholder equity, indicating financial performance.

$$\frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

Loan-to-Deposit Ratio:
The ratio of a bank's loans to its deposits, indicating lending health and liquidity.

$$\frac{\text{Total Loans}}{\text{Total Deposits}}$$

Net Interest Margin:
The difference between the interest income generated and the amount of interest paid out relative to the amount of their interest-earning assets.

$$\frac{\text{Interest Income} - \text{Interest Expenses}}{\text{Average Earning Assets}}$$

Cost-to-Income Ratio:
Operating costs as a percentage of operating income, indicating efficiency.

$$\frac{\text{Operating Expenses}}{\text{Operating Income}}$$

Capital Adequacy Ratio (CAR):
Measures a bank's capital in relation to its risks, indicating financial stability.

$$\frac{\text{Tier 1} + \text{Tier 2 Capital}}{\text{Risk-Weighted Assets}}$$

Non-profit & Public Service

Funds Raised vs. Target:
Measures the effectiveness of fundraising campaigns against goals.

$$\frac{\text{Total Funds Raised}}{\text{Fundraising Target}} \times 100$$

Program Expense Ratio:
Percentage of total expenses spent on program services, indicating how funds are allocated towards fulfilling the mission.

$$\frac{\text{Program Expenses}}{\text{Total Expenses}} \times 100$$

Beneficiary Growth Rate:
Growth rate of individuals benefiting from the non-profits services, indicating outreach and impact.

$$\frac{\text{Current Period Beneficiaries} - \text{Previous Period Beneficiaries}}{\text{Previous Period Beneficiaries}} \times 100$$

Volunteer Turnover Rate:
Measures how often volunteers leave and need to be replaced, indicating engagement and satisfaction.

$$\frac{\text{Number of Volunteers Leaving}}{\text{Total Number of Volunteers}} \times 100$$

Cost per Outcome:
Cost associated with achieving a single unit of the organization's intended outcome, indicating efficiency and impact.

$$\frac{\text{Total Program Expenses}}{\text{Number of Outcomes Achieved}}$$

Telecom, Energy, Utilities

Average Revenue Per User (ARPU):
Measures revenue generated per subscriber, indicating product or service value.

$$\frac{\text{Total Revenue}}{\text{Average Number of Users}}$$

Churn Rate:
The rate at which customers discontinue their subscriptions, indicating customer loyalty and satisfaction.

$$\frac{\text{Number of Customers Lost During Period}}{\text{Number of Customers at Start of Period}} \times 100$$

Network Availability:
Measures the percentage of time the network is operational and available to users, crucial for maintaining customer satisfaction and minimizing revenue loss due to outages.

$$\text{Network Availability (\%)} = \left(1 - \frac{\text{Total Downtime}}{\text{Reporting Period}}\right) \times 100$$

Total Downtime: Sum of all downtime periods (in hours or minutes).
Reporting Period: Total duration of the period being analyzed (in hours or minutes).

Energy Production Efficiency:
Ratio of energy output to input, crucial for energy companies in managing operational efficiency.

$$\frac{\text{Useful Energy Output}}{\text{Total Energy Input}} \times 100$$

Renewable Energy Capacity:
Measures the proportion of energy capacity that comes from renewable sources, reflecting sustainability efforts.

$$\frac{\text{Total Capacity from Renewable Sources}}{\text{Total Energy Capacity}} \times 100$$

Transportation, Tourism & Logistics

Fleet Utilization Rate:
Percentage of time transportation vehicles are in use, indicating efficiency.

$$\frac{\text{Hours in Use}}{\text{Total Hours Available}} \times 100$$

On-time Delivery Rate:
Percentage of deliveries that arrive as scheduled, indicating reliability and operational efficiency.

$$\frac{\text{On-time Deliveries}}{\text{Total Deliveries}} \times 100$$

Load Factor:
Measures the percentage of available seating or cargo space that is filled, indicating efficiency and profitability.

$$\frac{\text{Actual Load}}{\text{Maximum Load Capacity}} \times 100$$

Customer Satisfaction Score (CSAT):
Measures customer satisfaction with the service, indicating service quality.

Typically derived from surveys, no formulaic calculation.

Average Revenue per User (ARPU):
Revenue generated per customer, indicating value creation and pricing strategy.

$$\frac{\text{Total Revenue}}{\text{Total Number of Users}}$$

Media, Market Research & Advertising

Audience Growth Rate:
Measures the growth of the audience over time, indicating reach and effectiveness.

$$\frac{\text{Current Audience Size} - \text{Previous Audience Size}}{\text{Previous Audience Size}} \times 100$$

Click-Through Rate (CTR):
The percentage of audience members who click on a specific link out of the total viewers of the page, email, or advertisement.

$$\frac{\text{Number of Clicks}}{\text{Number of Impressions}} \times 100$$

Client Retention Rate:
Measures the percentage of clients who continue to use the agency's services over time, indicating satisfaction and service quality.

$$\frac{\text{Number of Repeat Clients}}{\text{Total Number of Clients}} \times 100$$

Campaign Return on Investment (ROI):
The profit generated from advertising campaigns relative to their costs.

$$\frac{\text{Revenue from Campaign} - \text{Cost of Campaign}}{\text{Cost of Campaign}}$$

Brand Awareness:
Measures how familiar the target audience is with a brand, crucial for long-term success.

Typically measured through surveys or digital analytics, no direct formula.

Retail

Sales per Square Foot:
Measures the efficiency of the retail space in generating sales, indicating store performance.

$$\frac{\text{Total Sales}}{\text{Retail Space Square Footage}}$$

Inventory Turnover Rate:
Measures how often inventory is sold and replaced over a period, indicating demand and inventory management efficiency.

$$\frac{\text{COGS}}{\text{Average Inventory Value}}$$

Customer Retention Rate:
The percentage of customers who return to make another purchase, indicating customer loyalty and satisfaction.

$$\frac{\text{Number of Repeat Customers}}{\text{Total Number of Customers}} \times 100$$

Gross Margin Return on Investment (GMROI):
Assesses the profit return on the money invested in inventory, indicating inventory profitability.

$$\frac{\text{Gross Margin}}{\text{Average Inventory Cost}}$$

Foot Traffic:
The number of people visiting a retail location, indicating store popularity and marketing effectiveness.

Counted manually or through electronic systems, no direct formula.

Visualizing KPI Data

Do's



Don'ts

