BUSINESS MODEL METRICS

How to use

Example

Cards

Business Model Metrics

Business Model Metrics help you to monitor the performance of your business. With Business Model Metrics you can select measurable performance indicators in four categories: service quality, customer satisfaction, online potential and financial viability. Measuring and monitoring these indicators helps you to understand how your business is doing and if you need to make adjustments.

Tips for use

The Business Model Metrics can be used individually but also by a group of people. The cards will stimulate and provoke discussion about how you can best measure the performance of your business (idea).

Download the Business Model Metrics to brainstorm about the metrics that are relevant for your business. Take a look at the example for SportsGym to get inspired and learn about the practical application of the cards.

How to use

When you want to innovate or grow your business, it is important to be clear about what you want to achieve. With clear objectives you can define performance indicators or metrics to monitor the progress towards these objectives.

To be of practical use, the metrics have to be 'SMART', i.e. specific, measurable, achievable, realistic and timely. The Business Model Metrics help you to set 'SMART' metrics for your business.

Categories of metrics

Business Model Metrics consist of a card deck with 32 metrics divided over four categories: service quality, customer satisfaction, online capability and financial viability.

Service quality

Metrics about the quality of your service or products, for example brand awareness or percentage of defects.

Customer satisfaction

Metrics about how satisfied your customers are with your product or service, for example Net Promotor Score (NPS) or cross-sell ratio.

Online capability

Metrics about how you are performing online, for example number of unique visitors or page views for your website.

Financial viability

Metrics about the financial performance of your business, for example profitability or return on investment.

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The Business Model Metrics

Each card describes a metric and why it could be important for your business. It also describes how the metric can be measured and monitored in practice. Measurement can be based on:

- Survey: questions to customers to gather quantitative customer data;
- Interview: dialogue with customers to gather deeper customer insights;
- Web/App analytics: analysis of how customers interact with your website or application;
- Data from financial systems: analysis of cash flows, costs and revenues;
- Data from order management systems: analysis of orders and fulfilment;
- Data from production systems: analysis of production process and products;
- Data from helpdesk systems: analysis of customer care.

Business Model Metrics game

An existing or new business (idea) can be used as starting point. Let one of the attendees explain the business. Each player is assigned one of the four categories and receives the eight cards belonging to that category. Each player gets five minutes to choose two cards that he or she feels would be best to measure the performance and progress of the described business. The players then put the cards on the table and briefly explain why they chose them. The metrics with the most convincing arguments can then be elaborated upon.

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Example Uber

industry	Transport
products & services	Transport of people and fresh goods
size of business	16,000 employees
revenue	$6.5 bilion (2016)
location	San Francisco

Uber connects with a mobile app professional drivers as well as amateur drivers with passengers. Uber earns money by collecting a share of the passenger fee.

Uber's Business Model Metrics

Uber wants to know how well they serve their customers. To measure this, they use the Business Model Metrics. Three metrics have been selected for measuring customer satisfaction.

Out of stock

Out of stock guarantees a negative customer experience and has to be prevented. By keeping track of events Uber can prevent out of stock, they raise the tariffs on rides in event-areas, making them attractive for drivers. In this way as many as possible customers are served.

Net promotor score

To grow their customer group, it is important for Uber that clients promote the service to colleagues, friends and family. Uber stimulates this by asking clients to rate their experience at the end of every ride.

Unique visitors

For Uber the number of unique downloads of their app is an important metric of their popularity. It tells them something about the amount of people interested in their service.

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Business Model Metrics Game

An existing business model or a business idea can be used as starting point. Let one of the attendees explain the (intended) business model. Each player is assigned one of the four metrics categories and receives the eight cards belonging to that category. Each player gets five minutes to choose two metrics that he or she feels would be best to measure the performance and progress of the business model. The players then put the cards on the table and briefly explain why they have chosen them. The metrics with the most convincing arguments can then be elaborated upon.

Business Model Metrics Categories

Business Model Metrics is a card deck with 32 metrics divided over four categories.

- *Service quality:* metrics about the quality of your service or products, for example brand awareness or percentage of defects.

- *Customer satisfaction:* metrics about how satisfied your customers are with your product or service, for example Net Promotor Score or cross-sell ratio.

- *Online capability:* metrics about how you are performing online, for example number of unique visitors or page views.

- *Financial viability:* metrics about the financial performance of your business, for example profitability or return on investment.

Business Model Metrics Measurement

Measurement of metrics can be based on:

- *Survey:* question(s) to customers to gather quantitative customer data;

- *Interview / Focus Group:* dialogue with customers to gather customer insights;

- *Web / App analytics:* analysis of interaction with your website or app;

- *Data from financial systems:* analysis of cash flows, costs and revenues;

- *Data from order management systems:* analysis of orders and fulfilment;

- *Data from production systems:* analysis of production process and products;

- *Data from helpdesk systems:* analysis of customer care;

- *Data from customer relationship systems (CRM):* analysis of customers.

Service Quality

1 Brand image

Your brand image is the combination of name, design, imagery, etc. which makes your business recognisable. It determines how (potential) customers perceive your business and the connotations they have with it.

Measurement method

A survey is a good way to measure your brand image. For instance with the Brand Personality List, which determines five facets of brand personality.

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Service Quality

2 Brand awareness

If customers can easily recall or recognise your business, you have a high brand awareness. Can (potential) customers easily come up with the name of your business when confronted with for instance the product category in which you are active?

Measurement method

A survey is a good way to measure brand awareness. For example through brand recall, i.e. by asking customers which brands they associate with a product category.

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Service Quality

3 Brand recognition

Brand recognition shows if customers immediately know what your business stands for when confronted with your business name or visuals. Like having a green logo for an eco friendly company?

Measurement method

Interviews or a focus group are a good way to collect real time responses on the present brand recognition.

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Service Quality

4 Defects

A defect prevents (potential) customers from using your product or service in the way it was intented. Defects are a great nuisance that will lead to unsatisfied customers and should be avoided when possible.

Measurement method

Production systems can help measure the number or percentage of products that have been identified as defect.

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Service Quality

5 System availability

The availability of your systems can be measured by dividing the time that your systems are operational (uptime) through time that your system could be opperational if it were used to its maximum capacity.

Measurement method

Production systems give an insight in the up-time and system availability.

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Service Quality

6 Delivery reliability

Delivery reliability shows if you deliver on-time and accurate. Unreliable delivery will lead to a negative customer experience and possibly to negative reviews of customers.

Measurement method

An order management system can be used to keep track of your deliveries.

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Service Quality

7 Lead time

Lead time is the time it takes from the moment of ordering a product or service to actual delivery. What is an acceptable lead time often depends on the product or service. Customers are more likely to wait longer for an expensive or more exclusive product.

Measurement method

An order management system helps you to keep track of the time an order takes from start to delivery.

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Service Quality

8 Out-of-stock

When the inventory is empty and you have to turn customers away you have an out-of-stock event. Consumers will have a negative experience and are likely to look for another company to make their purchase.

Measurement method

An order management system or enterprise resource planning system will help you keep track of your inventory and inform you about the frequency of out-of-stock events.

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Customer Satisfaction

9 Customer complaints

Customer complaints are any communication customers have with your company to express their dissatisfaction. While complaints are unwanted, the information that you get can help you to improve your product and service.

Measurement method

The number of customer complaints can be found from your helpdesk system. To find the percentage of customers with complaints also compare with the total number of customers (order management system).

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Customer Satisfaction

10 Customer effort score

The Customer Effort Score (CES) is a method to predict customer loyalty. Customer loyalty is about customers that buy your products more than once. The effort it takes for a customer to do business with you, appears to be a good predictor of loyalty.

Measurement method

The Customer Efforts Score can be obtained in a survey by asking your customers a question like: How easy did the company make it for you to have a problem solved?

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Customer Satisfaction

11 Response time

Response time refers to the time it takes before customers are served. This can be about the time it takes to fulfill an order, or about the time it takes a helpdesk to respond to a customer question by phone or mail.

Measurement method

Information about response time can be found in helpdesk systems. For the time it takes to fulfill order, the order management system can provide numbers.

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Customer Satisfaction

12 Customer satisfaction index

The Customer Satisfaction Index refers to how satisfied customers are with a company's products and services. Customer satisfaction is important for customer loyalty and the perception of your brand.

Measurement method

The Customer satisfation Index can be obtained in a survey by asking your customers: How would you rate your experience with our product or service?

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Customer Satisfaction

13 Customer retention

Customer retention is about retaining existing customers and avoiding losing them to competitors. It is a measurement of customer loyalty. Customer retention often costs much less than new customer acquisition.

Measurement method

The success of customer retention can be measured from financial systems showing the number of existing repeat customers versus new customers.

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Customer Satisfaction

14 Net promotor score

The Net Promotor Score (NPS) is a way to measure customer loyalty. It works by asking your customers just one question: How likely are you to recommend company x or product y to friends or colleagues on a 1-10 scale?

Measurement method

As the NPS is based on a single question, it is easy to survey your customers without bothering them too much. You can ask this question whenever a purchase has been made.

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Customer Satisfaction

15 Customer Satisfaction

Cross-selling refers to selling products or services to customers that already buy other products from your company. The cross-sell ratio tells you which part of your sales comes from cross-selling. It takes less effort to sell new products to existing customers, and it creates more revenue per customer.

Measurement method

The cross-sell ratio can be obtained from your order management system. For this you look at combined sales of products and services compared to single product sales.

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Customer Satisfaction
16 Customer acquisition cost

The Customer Acquisition Cost (CAC) calculates the average cost of gaining a new customer. It is an important measure of the effectiveness of marketing, and for how valuable a customer or segment is for the company.

Measurement method

The customer acquisition cost is often calculated over a time period, by dividing all marketing expenses by the number of new customers. Expenses and new customers can be taken from financial system and ordering system.

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Online aspects
17 Bounce rate

The bounce rate represents the percentage of persons that only visit the page of your website that they initially arrived on. If these (potential) customers only see this one page, how do you make your business memorable and appealing in this short time?

Measurement method

Webpage metrics, e.g. Google Analytics, provide you with the bounce rate and provide insights about who visited your website, for how long, and which pages they looked at.

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Online aspects
18 Unique visitors

The number of unique visitors is a metric showing how many unique IP-addresses have visited your website within a specific timeframe. It is a measure for the reach and popularity of your website. It is particularly useful to measure the change in popularity of your website after a marketing event or campaign.

Measurement method

Webpage metrics, e.g. Google Analytics, offer extensive information about your visitors, like the number of unique visitors and where they come from.

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Online aspects
19 Repeat visitors

Repeat visisitors are people who visit your website regularly. Often they are interested in you company or they are already your clients. Retaining them is important, since it requires much more effort to acquire new customers. Try to build a relationship with repeat visitors to know what makes them come back.

Measurement method

Webpage metrics, e.g. Google Analytics, offer extensive information about your visitors, like the number of unique visitors and if they are new or repeat visitors.

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Online aspects
20 Conversion rate

The conversion rate is the percentage of people who performed an action like buying your products, registering for a newsletter or downloading a whitepaper, after spending time on your website. Often you can stimulate visitors with a specific call-to-action.

Measurement method

Information about the number or percentage of visitors that perform an action on your website, e.g. buy a product or download some content, can be obtained from Webpage analytics and your ordering system.

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Online aspects
21 Abandoned sales before completion

The percentage abandoned sales metric shows the percentage of people who were interested in buying your product, but didn't in the end. Finding out why the sales were abandonded will provide valuable information about your (potential) customers.

Measurement method

The progress of any order can be tracked in the ordering system. The number (or percentage) of people that drop out during the process can be derived from the individual ordering processes.

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22 Stickiness

The stickiness of your website is the time people spend on your website. More time spend on the website means a higher chance that visitors become or remain customers.Stickiness can be increased by offering interesting content and interaction.

Measurement method

Webpage metrics, e.g. Google Analytics, offer extensive information about how long your visitors stay on your website and which pages they visit.

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23 Newsletter subscription

The subscription metric shows how many people are joining and leaving your newsletter. Newsletter subscription indicates an interest in your company or products. If you want to know more about the people who are (un)subscribing, a one or two question survey might be a good measuring tool.

Measurement method

From your CRM system you can obtain the number of subscribers to your newsletter, and also the number of people that have subscribed or unsubscribed in a particular period.

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24 Page loading time

Average time to load a page is a measure for how fast your website is responding. It measures how long it takes to load a page. A slow loading time is one of the most cited reasons for people to leave a website.

Measurement method

Webpage metrics, e.g. Google Analytics, offer extensive information about your visitors and the pages they visit, including the average loading time of a page.

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Financial viability

25 Return on investment

Return on investment is about the profit you make on an investment. It is typically calculated as the ratio of the net return from the investment and the investment itself.

Measurement method

The revenues based on an investment as well as the original investment can typically be found in the financial system.

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Financial viability

26 Net profit

The net profit is a simple measure for your financial success, i.e. net profit equals revenues minus costs. You can also calcuate profitability, i.e. your net profit divided by your costs. Profitability is a measure that you can compare with other companies.

Measurement method

The net profit and profitability can be calculated by obtaining revenues and costs from your financial system.

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Financial viability

27 Revenue growth

Revenue growth measures the percentual change of your revenues. It is calculated by deviding the changed revenue by the original revenues. It is an important measure to monitor the changes in the volume of your business.

Measurement method

To calculate revenue growth, you need insight in the development of revenues.This can typically be obtained from your financial system.

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28 Break-even-time

It takes time for an investment to generate profits. The break-even-time is the time, often a number of years, it takes before an investment is fully recovered. It is an important measure to evaluate the profitability of an investment.

Measurement method

To calculate the break-even-time you need insight in the investment and in the (expected) profits it generates. This may be obtained from your financial system.

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Financial viability

29 Order intake

Order intake refers to the euro value of new orders during a time periode, e.g. a year. Order intake is an important indicator for your future revenues and sustainability.

Measurement method

Information about orders is typically available in your order management system. To calculate the order intake for a specific period, you can obtain the euro value of orders for that period.

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Financial viability

30 Sales per unit

Sales-per-unit is an important measure for the effectiveness of sales. It can be calculated as the euro value of sales per customer, per employee, per store, per machine or other relevant unit.

Measurement method

Data about sales can typically be obtained from your financial system. Use this information to determine per-unit sales that are relevant for you.

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Financial viability

31 Capital expenditure

Capital Expenditure (CAPEX) is the upfront investment that you do to run your business, e.g. investment in buildings, machines or technologies.

Measurement method

The information about investments can be found in your financial system or in financial documents like business cases.

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Financial viability

32 Operational expenditure

Operational Expenditure (OPEX) are costs incurred for running your business, i.e. to produce, market and deliver products or services.

Measurement method

The information about the costs of your operations can be found in your financial system.

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