Log In Try It Now

18 Key Performance Indicator (KPI) Examples Defined

TED JACKSON | AUGUST 3, 2017

If you manage a team, there's a good chance you've heard of key performance indicators (KPIs). Regardless of whether you're familiar with them or you're still asking, "What is a KPI exactly?", let's take a little refresher course before we get to some examples and equation samples for the most important metrics.

Before we walk through a number of examples, let's look at our KPI definition. **In its simplest form, a KPI is a type of performance measurement that helps you understand how your organization or department is performing.** A good KPI should act as a compass, helping you and your team understand whether you're taking the right path toward your strategic goals. To be effective, a KPI must:

- Be well-defined and quantifiable.
- Be communicated throughout your organization and department.
- Be crucial to achieving your goal. (Hence, key performance indicators.)
- Be applicable to your Line of Business (LOB) or department.

The trouble is, there are thousands of KPIs to choose from. If you choose the wrong one, then you are measuring something that doesn't align with your goals. How, then, should you go about selecting the right KPIs for your organization?

The best way to accomplish this is by researching and understanding some of the most important KPIs. This way, you'll have a better understanding of which ones are specific to your industry and which ones will be of no benefit.

18 Key Performance Indicator Examples & Definitions

Financial Metrics

2. **Cost**: Measure cost effectiveness and find the best ways to reduce and manage your costs.
3. **LOB Revenue Vs. Target**: This is a comparison between your actual revenue and your projected revenue. Charting and analyzing the discrepancies between these two numbers will help you identify how your department is performing.
4. **Cost Of Goods Sold**: By tallying all production costs for the product your company is selling, you can get a better idea of both what your product markup should look like and your actual profit margin. This information is key in determining how to outsell your competition.
5. **Day Sales Outstanding (DSO)**: Take your accounts receivable and divide them by the number of total credit sales. Take that number and multiply it by the number of days in the time frame you are examining. Congratulations—you've just come up with your DSO number! The lower the number, the better your organization is doing at collecting accounts receivable. Run this formula every month, quarter, or year to see how you are improving.
6. **Sales By Region**: Through analyzing which regions are meeting sales objectives, you can provide better feedback for underperforming regions.
7. **LOB Expenses Vs. Budget**: Compare your actual overhead with your forecasted budget. Understanding where you deviated from your plan can help you create a more effective departmental budget in the future.

Download the full list:
68 Financial KPIs and Scorecard Measures

Customer Metrics

8. **Customer Lifetime Value (CLV)**: Minimizing cost isn't the only (or the best) way to optimize your customer acquisition. CLV helps you look at the value your organization is getting from a long-term customer relationship. Use this performance indicator to narrow down which channel helps you gain the best customers for the best price.

10. **Customer Satisfaction & Retention**: On the surface, this is simple: Make the customer happy and they will continue to be your customer. Many firms argue, however, that this is more for shareholder value than it is for the customers themselves. You can use multiple performance indicators to measure CSR, including customer satisfaction scores and percentage of customers repeating a purchase.
11. **Net Promoter Score (NPS)**: Finding out your NPS is one of the best ways to indicate long-term company growth. To determine your NPS score, send out quarterly surveys to your customers to see how likely it is that they'll recommend your organization to someone they know. Establish a baseline with your first survey and put measures in place that will help those numbers grow quarter to quarter.
12. **Number Of Customers**: Similar to profit, this performance indicator is fairly straightforward. By determining the number of customers you've gained and lost, you can further understand whether or not you are meeting your customers' needs.

Download the full list:
53 Customer KPIs and Scorecard Measures

Process Metrics

13. **Customer Support Tickets**: Analysis of the number of new tickets, the number of resolved tickets, and resolution time will help you create the best customer service department in your industry.
14. **Percentage Of Product Defects**: Take the number of defective units and divide it by the total number of units produced in the time frame you're examining. This will give you the percentage of defective products. Clearly, the lower you can get this number, the better.
15. **LOB Efficiency Measure**: Efficiency can be measured differently in every industry. Let's use the manufacturing industry as an example. You can measure your organization's efficiency by analyzing how many units you have produced every hour, and what percentage of time your plant was up and running.

employees who have departed the company and divide it by the average number of employees. If you have a high ETR, spend some time examining your workplace culture, employment packages, and work environment.

17. **Percentage Of Response To Open Positions**: When you have a high percentage of qualified applicants apply for your open job positions, you know you are doing a good job maximizing exposure to the right job seekers. This will lead to an increase in interviewees, as well.
18. **Employee Satisfaction**: Happy employees are going to work harder—it's as simple as that. Measuring your employee satisfaction through surveys and other metrics is vital to your departmental and organizational health.

Download the full list:
[33 HR KPIs & Scorecard Measures]

13 Bonus Key Performance Indicator Examples & Definitions

People Metrics

1. **Retirement Rate**: This metric is particularly important for any organization developing a strategic workforce plan. It can be calculated by looking at the number of employees who retired as a percentage of the total headcount. If you do not have an aging workforce, turnover is a good measure as well.
2. **Knowledge Achieved With Training**: Helps the company see the effectiveness of employee training. It can be determined by creating an exam and monitoring exam pass rate percent, average score percent. If you are a larger organization, you may conduct a pre-test before training and then a post-test after training to see specifically what was learned.
3. **Internal Promotions Vs. External Hires**: This ratio measures how many people

Log In Try It Now

4. **Salary Competitiveness Ratio (SCR)**: Used to evaluate the competitiveness of compensation options. This ratio is determined by dividing the average company salary by the average salary offered by competitors or by the rest of your industry.

Customer Metrics

5. **Customer Churn Rate**: This metric indicates the percentage of customers that either fail to make a repeat purchase or discontinue their service during a given period. Formula: (Number of Customers Lost in a Given Period) / (Number of Customers at the Start of the Period) = (Customer Churn Rate). Make sure you look at the number of customers that should have renewed during that period.
6. **Contact Volume By Channel**: Keeping track of the number of support requests by phone and email allows you to see which method customers prefer, as well as the number of support requests month-to-month.
7. **Percentage Of Customers Who Are "Very" Or "Extremely" Satisfied**: Determining this metric opens up an opportunity for further surveying what makes happy customers so satisfied. This is also a good measure to look at over time, so keep your questions consistent on your surveys. Formula: (Customers Who Consider Themselves "Very" or "Extremely" Satisfied) / (Total Survey Respondents) = (Percentage of Customers Who Are "Very" or "Extremely" Satisfied).
8. **Number Of New Vs. Repeat Site Visits**: Allows companies to differentiate their website traffic and generate insights on prospective customers. Formula: (Website Visits by New Visitors) / (Total Website Visits) = percent of new visitors.

Financial Metrics

9. **Cash Flow From Financing Activities**: This metric demonstrates an organization's financial strength. Formula: (Cash Received from Issuing Stock or Debt) – (Cash Paid as Dividends and Reacquisition of Debt/Stock) = (Cash Flow from Financing Activities).
10. **Average Annual Expenses To Serve One Customer**: This is the average amount

Log In Try It Now

revenue after expenses are considered and interest, taxes, depreciation, and amortization are excluded. Formula: (Revenue) – (Expenses Excluding Interest, Tax, Depreciation & Amortization) = (EBITDA).

12. **Innovation Spending**: This metric shows the amount of money that an organization spends on innovation. Some organizations have this budgeted as research and development, and others have different accounting terms. Ultimately, if you use this measure, you are valuing innovation as a key strategic thrust.
13. **(Customer Lifetime Value) / (Customer Acquisition Cost)**: The ratio of customer lifetime value to customer acquisition cost should ideally be greater than one, as a customer is not profitable if the cost to acquire is greater than the profit they will bring to a company. Formula: (Net Expected Lifetime Profit from Customer) / (Cost to Acquire Customer).

How Do I Determine Which KPIs To Use?

The right KPIs for you might not be the right KPIs for another organization. Make sure you've researched as many key performance indicators as you can to determine which ones are appropriate for your industry. From there, determine which KPIs will help you further understand and meet your goals, and then integrate them throughout your department. KPIs should match your strategy, not just your industry.

If you're overwhelmed by keeping track of your KPIs, download the guide below. You'll learn about different reporting applications and determine which method will help your organization save time and get organized.

Log In Try It Now

Become the one exception by downloading this toolkit.

Get The Toolkit

YOU MAY ALSO LIKE.

STRATEGY

How To Tie Your Project Management

STRATEGY

How To Create A No-Fail Strategy Roadmap

AWARDS

ClearPoint Chosen as One of CIOReview's 20

Quick Links

Home
Tour
Pricing
Customers

About

About Us
Our Support
Careers
Blog

Solution

ClearPoint Tour
Scorecards
Customization
Reports

Get tips and insights on managing scorecards delivered straight to your inbox twice a month.

Your email address

Log In Try It Now

1901 N. MOORE STREET, SUITE 804 | ARLINGTON, VA 22209 | 866-568-0590 |
INFO@CLEARPOINTSTRATEGY.COM

COPYRIGHT © 2017 CLEARPOINT STRATEGY. ALL RIGHTS RESERVED. PRIVACY POLICY | TERMS OF USE