

Benchmarking and Measuring Success

Today, we look at Value Driver Six: Benchmarking and Measuring Success. In this Value Driver, we include the following issues:

- Track revenue to new or returning customers or markets
- Measure and evaluate customer retention
- Measure sales activity and effectiveness
- Identify critical industry metrics
- Define and measure success

Track revenue to new or returning customers or markets

Your customers represent the ultimate source of strength and success for your business. Without them, you have no business. Do you have an accurate understanding of your customer base and how each customer supports your business so that your strategic decisions support the future growth of your company? We have a number of ideas on how you can collect and use the information you need.

Measure and evaluate customer retention

Most business owners believe that returning or repeat customers require less expense, fewer resources and less effort to generate revenue. Similarly, third party buyers seeking an acquisition consistently attribute higher value to a business that demonstrates healthy customer retention than to one that does not. Does your company systematically track, document and report current customer retention data?

We find that many owners focus more on sales to new customers (and perhaps on retaining and servicing existing customers) than they do on making existing customers a major source of new revenue for new services, tools, products, etc. At one time most car dealerships made money selling and servicing the cars they sold. Yet today, many dealerships make more profit from financing the acquisition of, or leasing, those vehicles to existing customer revenue sources that did not exist years ago.



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Does your company offer services that not all of your customers use or aren't even aware of? Could you provide a new service, tool or product that existing customers would purchase because it is compatible with a service, tool or product that they already buy from you?

Measure sales activity and effectiveness

Whether your company's sales activities are geared to retaining a small number of customers or to building a robust customer base, your role as the owner is to:

- Set the unique goals and objectives for the results of sales activities
- Communicate those goals
- Make resources available to facilitate achievement of the goals
- Hold people accountable when sales activity is insufficient or unsuccessful

Do the sales goals you have set contribute to building your company's value?

Identify critical industry metrics

Let's look outside the company for a moment to see how it stacks up against its competitors. Every industry has its own unique rules of thumb for performance expectations. If your business out-performs industry norms, it is much more likely to develop higher value or command a higher purchase price from a buyer. Using industry metrics gives you a set of benchmarks to compare your company's performance to other businesses with similar products, services and customers.

Define and measure success

Driving your business toward a higher value requires a constant focus on critical elements of success. A clear path to success with specific action steps and benchmarks dramatically increases your ability to achieve your goals for growing business value.

And that's what owning and running your company is all about: building its value so that you can live the post-business life of your dreams.

If you'd like to discuss any of our ideas—or yours—about building value, please give us a call. We are anxious to help you to reach your ultimate goal: leaving your business in style.

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