KPI	Calculation	How to Use
Customer Acquisition Cost (CAC)	Cost of Sales and Marketing / Total # of Customers Acquired	Identifies how much it costs to acquire a customer. Measures the efficiency of your marketing and sales efforts. Also used in metric to compare to the Lifetime Value of a Customer.
Life Time Value of Customer (LTV)	Average spend per year * Average expected years to keep a customer	Identifies how much a customer will spend over their lifetime. It's important to view your customers value in total sales instead of each
Ratio of CAC to LTV	LTV/CAC	Identifies how efficient your CAC is compared to the lifetime value of your customers. The higher the ratio the more sustainable your customer will be in the long run.
Retention Rate	Retention Rate = ((CE-CN)/CS)) X 100 CE = number of customers at end of period CN = number of new customers acquired	Used for businesses with monthly subscribers. Measures how many customers remain customers over a given period of time. High retention rates shows that customers value the product or service and will have a positive impact on capital.
Conversion Rate	Sales or subscribes / # Customer contacts or visits	Measures how effective your advertising or sales process is. The higher the ratio the more effective and cost efficient.
Gross Profit Margin	Gross profit margin = (revenue – cost of goods sold)/revenue	Measures how effective your pricing is compared to your costs of goods sold. The higher the percentage the more money there will be to pay your operating expenses and leave profit. The percentage shows what % of each sales dollar is left to cover operating costs and profit.
Net Income (profit)	Net profit = total revenue – total	This is the total amount of cash left over after you've paid all your bills.
Operating Profit Margin	Operating profit margin = Operating income ÷ Total revenue	Measures how much profit a company makes after paying for variable costs. This is before interest and taxes. It shows the % of each sales dollar that is profit after considering standard operations. It can be used to measure how efficiently a company is managing it's variable
Net Profit Margin	total revenue / Net income	Measure how efficiently a company converts sale into profit. This is different than Gross Profit Margin as it includes fixed costs. The percentage shows what % of each sales dollar results in Net income.
Days Sales Outstanding	Accounts receivable / Total credit sales x Number of days in measurement period	Measures how long on average it's taking to collect your receivables. Compare against your terms. The lower the DSO the stronger your cash flow will be.
Days Inventory Outstanding	(Average Inventory ÷ Cost of Goods Sold)	Measures how many days it takes to sell the entire inventory.

Days Payable Outstanding	(average accounts payable/cost of goods sold) * 365	Measures how many days it takes to pay the accounts payables. The higher the number the longer you are holding onto your cash before paying bills. To increase your DPO you need to increase your payment terms with your vendors.
Cash Conversion Cycle	CCC=DIO + DSO – DPO	Measures how many days it takes a company to receive cash from a customer from the initial outlay of cash for inventory. The lower the number the more efficient the inventory, sales, and collections process is. Shows how many days it takes to receive cash from customers after paying for inventory.
Collections Effectiveness Index	CEI = (Beginning receivables + Monthly credit sales – Ending total receivables) /	Measure how effective your collection efforts are. The closer you are to 100 the more effective you are at collecting your receivables.
Inventory Turnover Ratio	Cost of Goods Sold (COGS) / Average Inventory	Measure shows how quickly a company turns it's inventory into cash. The higher the turn the better impact on Cash Flow. A low turnover rate means the inventory is not moving.
Current Ratio	Current Assets / Current Liabilities	Measures a companies ability to pay it's current debt liabilities.
Acid Test Ratio	(Current assets – Inventories) / Current liabilities	Similar to the current ratio but removes the inventories from the current assets. Provides a more clear picture on the ability to pay current liabilities. Inventory can sometime be hard to convert to cash so this measurement is also looked at to measure the ability to pay current
Debt Ratio	Debt ratio = total debt / total assets	Measures how much debt relative to assets a company has. A ratio over 1 means a company has more debt than assets. The higher the number the more risk a company has as it has principal and interest commitments to pay off it's assets. The lower the ratio the better positioned the company is to leverage its' assets.
Debt to Equity Ratio	Debt to equity = total debt / total equity	Measures a companies total debt to it's total equity. This shows the percentage of financing that comes from creditors and investors. A value of 1 means that the investors and creditors have an equal stake in the assets. >1 shows that more creditor financing that investor is being used and <1 shows that more investor than credit financing is used.