Start-Up's: KPI's & CSF's

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12 KPI's

Running a start-up requires a obsessive focus on KPI's. Phil Nadel identified 12 key KPI's.

12 KPI's for every start-up:

- **Customer acquisition cost** (CAC). CAC is the amount of money you need to spend on sales, marketing and related expenses, on average, to acquire a new customer. This measures **marketing efficiency**.
- **Customer retention rate/churn rate.** Retention rate is the percentage of paying customers that remain a customer. High retention rate indicates the **product's stickiness** with customer to converse is the churn rate.
- **Lifetime value** (LTV) is the measurement of the net value of an average customer to your business over the estimated life of the relationship with your company. Measures the **sustainability** of the company.
- **Golden metric or CAC/LTV ratio.** How much investment does it take to acquire a customer compared how much revenue will that customer generate. Measures **business efficiency**.
- **CAC recovery time.** How long it takes for a customer to generate enough net revenue to cover the CAC. CAC recovery time has a direct impact on cash flow and, consequentially, **runway**.
- **Overhead.** What the companies fixed costs and reflects the capital efficiency. How many expenses have **no direct link with the good sold**.
- **Monthly burn or burn rate.** This is simply the net amount of cash flow for a month when net cash flow is negative. How much cash is **flowing out** the company in the **early investment period**.
- **Runway**. Runway is the measure of the amount of time until the company runs out of cash, expressed in terms of months. Expressed as remaining cash over burn rate. **Preferably in the range of 12-18 months**.
- **Profit margin and Return on Investment (ROI).** How much profit is generate. This is an indicator of **scalability and sustainability**.
- **Conversion rate.** How many prospects are turned into customers. How many marketing contacts are turned into sales. Measures **business process efficiency.**
- **Gross Merchandise Volume (GMV).** GMV is the overall dollar value of sales of goods or services purchased through a marketplace. Measures the companies **growth potential.**
- **Monthly Active Users (MAU).** MAU is the number of unique users who engage with the site or app in a 30-day period. Helps to determine the **revenue potential**. How good is the company in the monetization of its business.

4 CSF's

1. Execution Power:
   - Execute ideas do not just gather ideas
   - Not only brainstorm on ideas but be empowered to realize ideas
2. Institutionalize Innovation:
   - If we are working 9:00 – 19:00 at the client when are we going to innovate?
   - Innovation part of the yearly business cycle: Marketing => Sales => Finance
   - If people only can work on the short term performance there will be no attention to the long term innovation
3. Innovate Continuously:
   - Innovation from outside-in: insights from the outside
   - Speed and momentum are important: hackathons, innovation Fridays … focus on less ideas but realize a few
4. Handle Unpredictability:
   - We can't predict the future. E.g. Google Glass and Apple Watch great ideas but bad results.
   - Be able to deal with continuous change. We must be able to let go and not want to control everything.

VDB

Start-Up's: Other CSF's

5 Essential Elements that Lead to Success

Top 5 Factors in Success Across More Than 200 Companies