




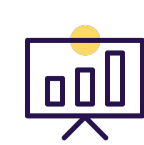

Business
Basics



Small Business Metrics

Six essential metrics and how to use them

What you'll learn in this guide:

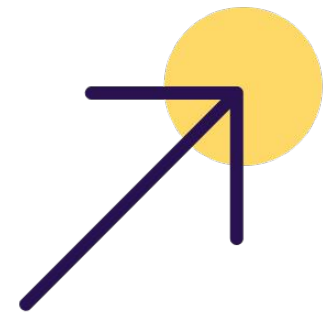
-  How to not waste time
-  Metrics worth tracking
-  How to use metrics to make decisions
-  Metrics by industry
-  Ways to run a smart business

Which metrics matter most for your business?

You probably already know we're going to answer "It depends," but at the end of this guide, we'll provide an exact answer. We first just need to know more about your business.

Different metrics matter for different business models and at different stages. If you're an agency, you won't care about tracking out-of-stock items the way an ecommerce store does. And if you're a new consulting firm, you won't worry about tracking how effective your sales compensation plan is until you are larger, when that becomes critical.

At the end, we share a precise list of metrics likely to be useful to your business. These insights come from our bookkeeping and CFO Services teams who help hundreds of small business owners like yourself build dashboards and make decisions.



How to not waste time tracking the wrong metrics

The “best” metrics are always the ones that help you make decisions. That’s why you should only track numbers that you actually plan to use. Seriously, do not track everything you read in this guide. Just pick a few numbers. Hopefully that’s a relief. The business owners we work with don’t need to track hundreds of metrics—just the ones that help them be successful.

That’s because more metrics isn’t necessarily better

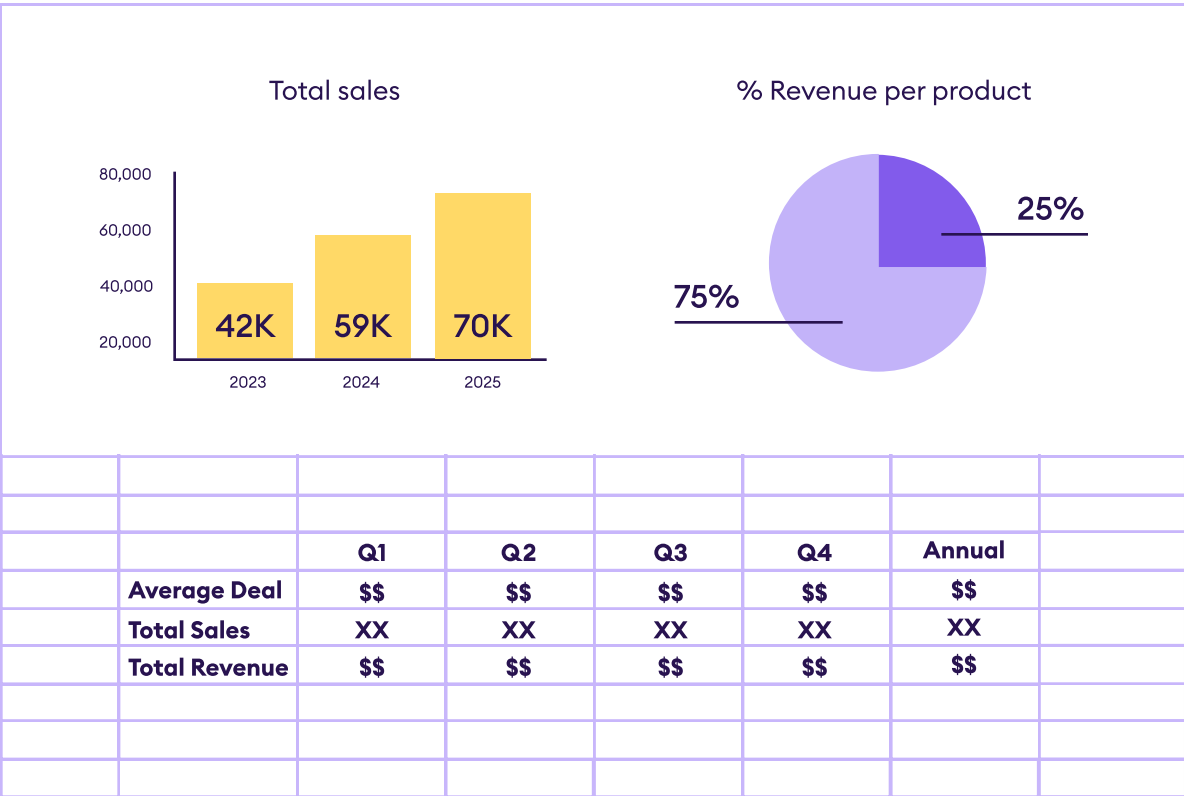
1 If you can’t act on a metric, it’s just noise

A dashboard full of red and green gauges might feel insightful. But if you aren’t using that information to do something differently, it’s a distraction —like watching the stock market closely, but not actually being invested in any stocks.

2

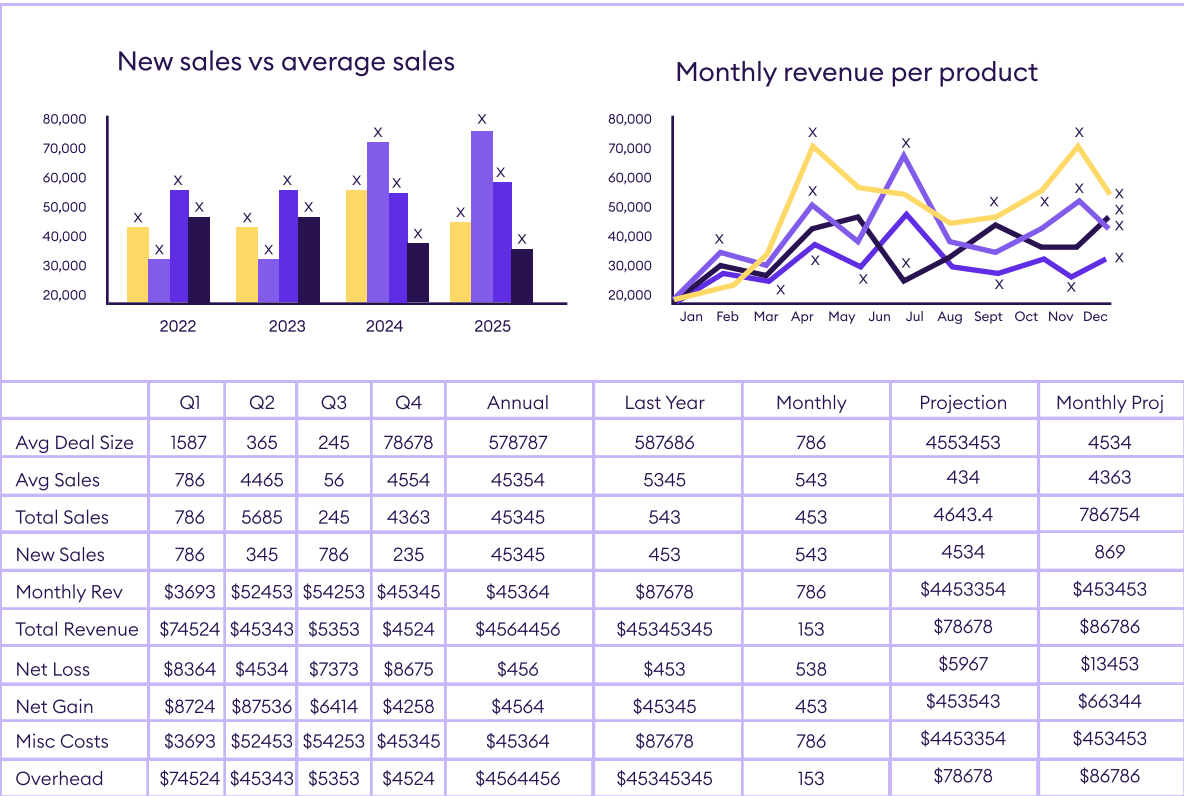
If you track too much, you'll feel paralyzed

Of these two dashboards pictured, which is easier to follow? Sometimes, less is more, and having too many metrics can mean you make no decision at all. Try to limit yourself to 3-4 key metrics. You can follow more than that, but those are the ones you want top of mind.



Clean dashboard

vs



Busy dashboard

3

Metrics cost you time and money

Tracking metrics isn't free. They require you to upload or download spreadsheets or to maintain connections between QuickBooks and other apps. This means they take time, money, or both. The more key metrics you have, the greater the cost, and the greater chance those numbers don't match and create a mess. Do track metrics –but track ones that are valuable enough to spend your time on.

This is all to say, *do not obsess over things that don't help you make decisions*. Narrow in on figuring out what does.

HOW TO NOT WASTE TIME

Here are the 6 financial metrics every small business needs

These ones are universal. Pick several, plus others you’ll learn about later in this guide.

You’ll get these numbers from the key reports in the first column. Without those reports, it’s difficult to run a business. To build them, you need clean financial books, which you’ll also need to raise money, open bank accounts, file taxes, or prove your creditworthiness. Any small business just starting out should get its financial books and reporting in order.

Reports	Data points	6 essential metrics
Profit and loss statement	1. Revenue	1. Revenue growth → shows if the business is actually scaling
	2. COGS	2. Gross margin % → core unit economics / tells you if sales are profitable
Cash flow statement	3. Opex	3. Operational expenses (Opex) % of revenue → efficiency of overhead spend
Balance statement	4. Payroll	4. Payroll % of revenue → biggest cost lever for most businesses / keeps staffing in check
	5. Cash balance / avg net outflow	5. Months of cash (runway) → a risk gauge; how long you can survive without new cash
Tax filings	6. Accounts receivable	6. Days sales outstanding (DSO) → how quickly sales turn into cash in the bank

Note: Technically, for a number to be metric, it has to combine two numbers. Income is just a data point, but income per month is a metric.

HOW TO NOT WASTE TIME

Pick metrics that match your current goals for the business

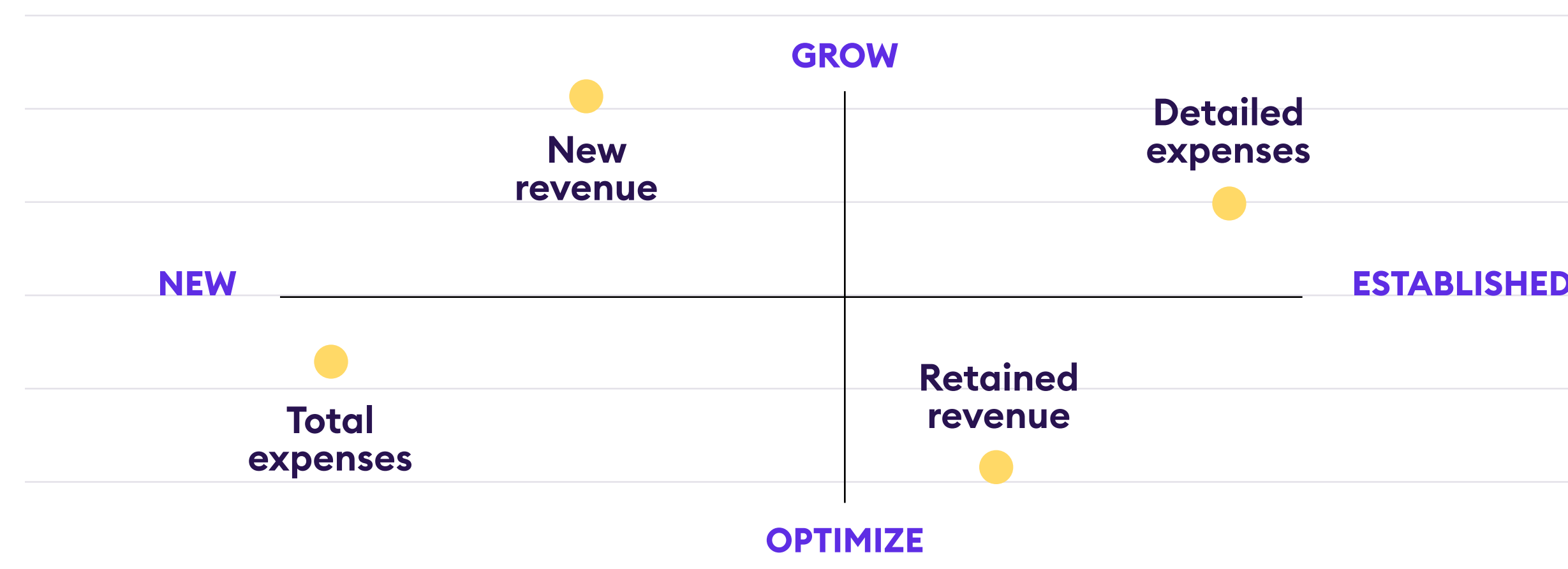
Metrics should tell you what to do differently. If your goal is to grow, you want to look at your overall income, how it changes month-over-month, and how it's forecasted to grow. Whereas if your goal is to become more profitable, you'll want to track your margins, net-retained revenue, and customer satisfaction.

As your goals change, so should your metrics. A retailer just getting off the ground is probably happy just to be making sales—whereas a well-established one will be more focused on gross margins and gross profit per item type (SKU).

Ask yourself, “Am I trying to optimize what we have, or am I trying to grow?” And, “Am I new in this field/market, or already well-established?”

Different metrics matter at different stages

Where are you?



HOW TO NOT WASTE TIME

Leading versus lagging metrics

You'll also want to pick a balance of metrics from two categories: Leading (how things are going) and lagging (how things went). Revenue is a classic lagging indicator. It's how much money actually hit your bank account, or which you signed contracts for. Whereas sales pipeline and forecasts are leading indicators—they suggests how much revenue is coming.

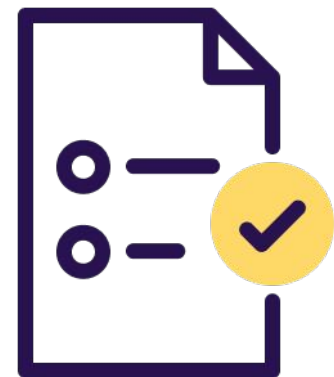
Lagging indicators are truer, but you don't measure them until after the month or quarter ends. Leading ones are more of a guess, but tell you what to do differently before it's too late. To run a business, you need both.

Leading indicators	Data points
Forecasted sales / sales pipeline	Revenue booked
Expenses for the month to date	The month's actual expenses
Forecasted average basket value	Historical average basket value



FOR REAL ACCURACY, KEEP A BUDGET

Many business owners don't have time for this, but to stay profitable, you need a budget and to compare projections to actuals. This is a great project to outsource to a finance expert.



Pick a mixture of leading and lagging metrics for your dashboard

Now let's consider what fits on a dashboard, which you'll look at daily, weekly, or monthly—and actually use. There are metrics you look at daily, and metrics you review monthly. And also metrics specific to your business. Consider these a starter kit.

→ Leading indicator metrics help you plan ahead

These answer the question, "What should I do?" For example:

- Headcount growth
- Pipeline
- Customer acquisition cost (CAC)
- Inventory levels
- Total invoices sent and unpaid
- Debt balance

→ Lagging indicator metrics measure what's working

These answer the question, "How did it go?" For example:

- Revenue for the trailing 12 months (TTM)
- Payroll TTM
- Expenses TTM
- Sales efficiency
- Current cash balance

→ Small business metrics by function

Depending on the size of your business, you might also select key metrics for each business unit. For example:

- Go-to-market: Sales growth, marketing conversions
- Delivery: On-time orders, chargebacks, number of returns
- Operational: Headcount, return on capital



How to turn small business metrics into better decisions

The metrics on your dashboard are not exactly the truth. They're just a proxy. Take revenue, for example: The "total revenue booked" number you see is the total amount customers owe you, but in reality, some will cancel, you'll pay bank fees, and some customers will upgrade, so the actual number will always vary.

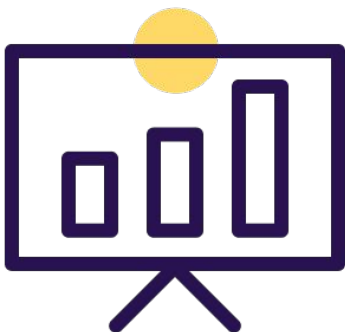
This matters because you must know those metrics well enough to know what to do if they fall. If you see your gross revenue declining over time, you'll want to know how that number is collected. Instead of immediately sending collections invoices to customers, you check with your bookkeeper, who is responsible for marking invoices as paid in QuickBooks. Perhaps they've been out sick. So you may have been paid—it just doesn't look like it.

Being an owner means developing a personal playbook for how to react to what the numbers tell you, and an intuitive sense of what went wrong.

What to do if your metrics change

If this metric	Does this	Do this
Revenue growth	Falls	Check data is recorded correctly. Break down by product/channel—what changed? Talk to sales: funnel, training, or product issue? Can you win back customers, or run a promo?
Gross margin %	Rises	Confirm COGS postings are correct. Compare margin by product/service, what shifted? Can you reprice, renegotiate vendors, or adjust discounting?
Opex % of revenue	Rises	Compare this month's expense list to last month's, what's new? Look at cards/accounts, who owns the spend? Can you cancel, cut, or renegotiate those costs?
Payroll % of revenue	Falls	Is revenue growth keeping pace with headcount? Are new hires revenue-generating or overhead? If not, how will you offset to protect margins?
Months of cash (runway)	Falls	Check burn calculation, any one-offs? Project forward: When does cash dip below 6 months? Can you trim burn, speed up receivables, or raise capital?
Days sales outstanding (DSO)	Rises	Verify invoicing data is accurate. Which customers are slow, by segment? Can you tighten terms, follow up faster, or incentivize early payment?

- If you cannot connect a metric you have deemed important back to a “lever” you can pull to change it, investigate why. If it’s important, it shouldn’t be beyond your control. How can you change that?
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- Over time, you develop an intuition about what changes in your key metrics mean. For example, let’s say you see your monthly sales fall at one location only. Is it the signage? Are there new competitors? Did a nearby big box store close down, which used to bring traffic? Then, based on your investigation, run the plays you know will help turn things around—running ads, adjusting the staffing schedule, using contractors, and the like.
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More essential small business metrics by industry

Now let’s explore metrics “packages” useful to various industries. You’ll have to decide whether you are on the early or established side of these, and which metrics within each to pick.



Professional services like consultancies and agencies

Current cash balance

- Forecasted cash balance
- Forecasted incoming cash
- Total invoices sent and unpaid
- Debt balance and interests
- Forecasted debt payment

Invoices sent and cash received

Payroll payments by month, broken down by individual

Hours per person per project/client

Profitability Calculator

Creative Agency Headcount Gross Profit Estimate

Inputs

Project Revenue

\$200,000

Direct Costs

Employee Name	Expected Hours	Loaded Labor Rate	Cost (\$)
2	200.00	\$230	\$46,000
3	50.00	\$75	\$3,750
4	100.00	\$500	\$50,000

Get the Agency profit calculator

DOWNLOAD THE GOOGLE SHEET



Ecommerce, consumer goods, and retail

Topline metrics

- Gross sales
- Net sales
- Sales dilution rate
- Average order value
- Repeat rate
- Return rate

Unit economics

- Gross profit
- Contribution margin
- Inventory turnover ratio

Marketing and website metrics

- Customer acquisition cost (CAC)
- Marketing as a percentage of sales
- Customer lifetime value
- Customer acquisition costs
- Customer retention cost
- Traffic
- Site conversion rate
- Basket size
- Funnel metrics



Food and beverage

Unit economics

- Cost of goods sold
- Gross profit margin
- Menu item profitability
- Break-even point

Marketing and sales

- Customer acquisition cost (CAC)
- Customer retention rate
- Customer satisfaction

Operations

- On-time deliveries
- Employee turnover rate

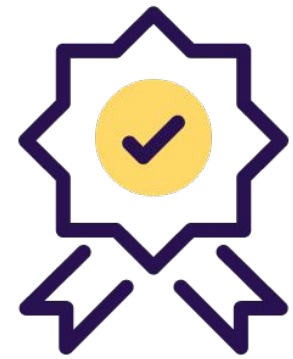


How to use your metrics to run a smarter business

Some small business owners run into a knowledge gap around metrics—they know how their business runs, but turning it into Excel models with buttons and macros? They simply don't have the time. That's where it can be very useful to find a fractional CFO or similar partner who does this for a living. There are 33 million small businesses in the U.S. and likely, if you want to track something, someone's done something similar before.

To build on your great metrics work, consider reading:

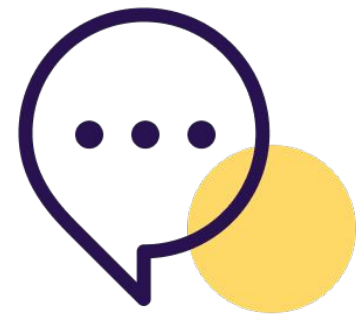
- Bookkeeping checklist: What every small business needs
- Bookkeeping basics for small business owners
- How small business owners can use AI to save time and boost productivity



Key takeaways

The key takeaways about the most important metrics are this:

- 1 Don't track numbers you don't plan to use.
- 2 Get a bookkeeper to set up your data foundation right.
- 3 Select 3-4 key metrics that matter most (with sub-metrics).
- 4 Build a dashboard and know how to update it.
- 5 Tailor that basket of metrics to your business and growth stage.



FAQs about small business metrics

1

What are the most important small business performance metrics to track?

Pick 3-4 key metrics that tell you how you are doing toward your goal. Depending on that goal, you'll pick different metrics. If you are growing the business, focus on new revenue. If you are optimizing the business, focus on retained revenue or customer satisfaction. It also may go without saying, but tailor that list based on the nature of your business.

2

What's the difference between leading and lagging indicators?

A leading indicator tells you how things are currently going, such as sales pipeline or website traffic. Lagging indicators tell you how things went—how many sales you actually closed or how many website visitors actually purchased. Every business needs a mix of both.



How often should small business owners review metrics?

Most small business owners look at their metrics daily. It's a useful view of how it's performing financially, which can help tell you where to focus your attention. (Usually, on what's not going well.)



How do I know if I'm tracking too many metrics?

List them right now off the top of your head. If you had to look away and really think about it, it's probably too many. But the real assessment is, do they help you run your business? It's difficult to answer "Yes" when you can't recall them all. You can have many sub-metrics, but try to stick to 3-4 key metrics.



Can I automate my small business metrics tracking?

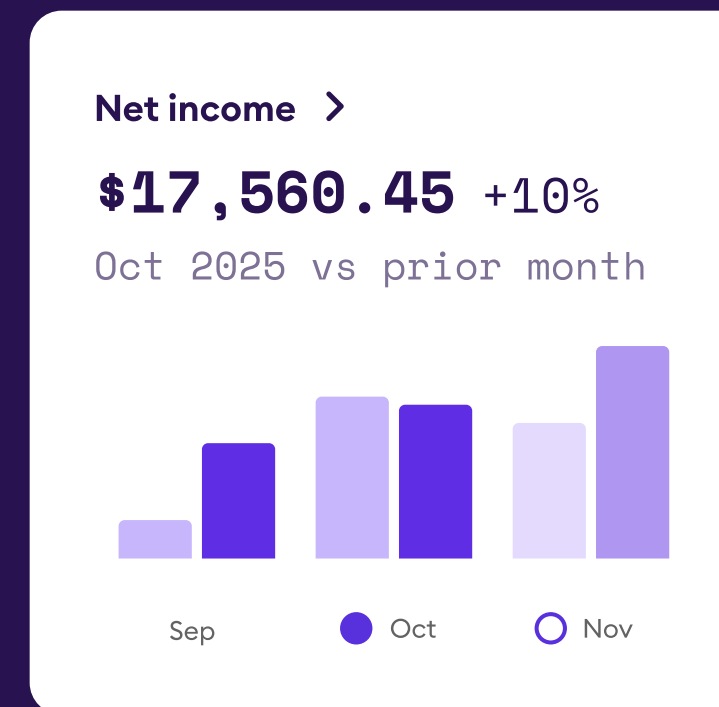
To a degree, yes. The best way to do this is to have a fractional CFO build you a Google Sheets model that they maintain by uploading reports from your various systems, like QuickBooks, Shopify, Rippling, Stripe, and Gusto.



Want help building those dashboards and picking those metrics?

Pilot's CFO Services team helps hundreds of businesses every year get clear on what numbers matter, set up tracking, and helps hold them and their teams accountable.

TALK TO A CFO →



Bridget, your CFO

Your books are ready →



you're my hero!

