

About Key Business Metric

What is A Business Metrics?

- Is a measure to determine the condition of the business, whether it is healthy or not
- Example

<i>Immeasurable</i>	<i>Measurable</i>
I want to have an Instagram with lots of followers	I want to have an Instagram with 1000 followers
I need a truck that can carry a lot of rice	I need a truck that can carry rice with a capacity of 20 tons
I want a car with lots of exhaust	I want a car with 2 exhausts

KPI (Key Performance Index)

- Is a measure/value created by the company to determine the company's performance and performance, in achieving goals
- Serves to measure how close we are to achieving business goals

Relationship between KPIs and Metrics

- It is two things that are intersecting or related
- KPI is a metric
- Metrics are not necessarily KPIs
- Example

<i>Field</i>	<i>KPI</i>	<i>Business Metrics</i>
Marketing	Web traffic	Customer acquisition cost
	Conversion rate	Return on investment

Description :

- Web traffic: This is the number of website visitors
- Conversion rate: The number of visitors who make transactions via the website
- Customer acquisition cost: The amount of money spent to acquire new customers
- Return on investment: Comparison of the amount of profit generated, with the amount of money spent, one of which is for marketing
- Customer acquisition costs and return on investment are indicators that function to show how healthy or how well the marketing team is doing its job. If the customer acquisition cost value is high and the return on investment is low then something is wrong and must be fixed.

2 Types of KPIs

By Profession

A. Front End Developer

- First input delay: The time it takes for someone to open the website and interact on the website
- Largest contentful paint: The time needed to render the most important parts of the website

B. Data Analyst

- Number of requests completed: The request can be in the form of data analysis such as searching for insights, data visualization or creating dashboards, etc
- Prediction accuracy: How accurate a data analyst is in predicting data, if required by the relevant team

Based on Field of Work

A. Supply Chain (Need to estimate the time to release goods in the future)

- Forecast Error: The value of the wrong guess/how wrong it was in predicting the time
- Days of inventory: The time needed to use up product stock

B. Human Resources

- Cost per hire: Costs incurred to hire one worker/personnel
- Over time hours: How many overtime hours the employee has, if the overtime working hours are high then it can be caused by 2 things, namely the employee not working well or receiving tasks that exceed their responsibilities

4 Main KPIs in Business

1. Customer Satisfaction : Related to customer satisfaction with the products we offer. There are two ways to measure it, namely

A. Direct method: Visit customers and ask the following questions

- Customer Satisfaction Score (CSAT): How satisfied are you with our service? For example, by giving a 1 to 5 star rating
- Customer Effort Score (CES): How easy is it for you to use our service?
- Net Promoter Score (NPS): How willing are customers to recommend the company's services to those closest to them?

B. Indirect Way: Assessing customer behavior

- Churn rate: The percentage of customers who leave our business. If the churn rate is high, the impact will be a decrease in the number of customers due to them switching to competing companies or other reasons.
- Customer lifetime value: The amount of money spent by customers on our services

-Time on site: How often customers access our website

2. Internal Process Quality : To measure how efficient our business is in the field in which it is run, for example in the field

-Call center/contact center : The average time calculated to answer a call, if the time used exceeds company standards there could be a problem with the call center, whether there is a shortage of people or it takes a lot of time to resolve the problem.

-Asuransi : The time required to complete a claim, the quicker the time required, the more satisfied the customer will be

-Backed engineer : The time required to resolve system down

-Pergudangan : Pick to delivery time, the time needed to pick up goods, sort them, package them and deliver them to the delivery party

3. Employee Satisfaction

-Review di internet (glassdoor.com) : This website presents employee reviews or experiences, after working at a particular company

-Turnover rate : The average time for employees to submit their resignation at the company, if the turnover rate is high then there could be a problem at the company

-Absenteeism : How often employees are absent from work, for personal, general, or unclear reasons

-Survey on satisfaction : Providing direct surveys on employee satisfaction at work

4. Financial Performance Index

-Gross profit margin & net profit margin: Net and gross profit

-Working capital: The amount of ready-to-use assets available in the company

-Inventory turnover: The time it takes a company to sell product inventory

-Return on equity: Comparison of profits with equity owned

How to Monitor Metrics and KPIs in Business

The level of analytical maturity in the company

-Descriptive analytics (Data analyst field)

-Diagnostic analytics (Data analyst field)

-Predictive analytics

-Prescriptive analytics

Difference between Descriptive analytics and Diagnostic analytics

<i>Descriptive analytics</i>	<i>Diagnostic analytics</i>
What happened?	Why did this happen?
Example : -What is the company's current churn-rate?	Example : -Which segment experiences the highest churn rate? -Why does churn occur?

Tools commonly used to monitor metrics and KPIs

Using Tableau, Data Studio, or Microsoft Power BI tools. Benefits of using this tool:

- Synchronize data in near real time with the database: Every time there is a change in data, it will be updated automatically on our dashboard
- Can perform computations on data that is larger in size compared to Ms. Excel
- Have many options in visualizing data
- Many options in database connectivity
- Can be shared and accessed by many people easily and at once