



**BrightGauge** on  
Internal Metrics  
That Matter for  
MSPs

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# Financial Metrics

Any good business owner, manager, or leader knows how important it is to keep an eye on a company's financial picture. Without a strong background in finance, however, it may be difficult to know exactly what to look for.

You may think you have a good grasp on your numbers, but if you're not looking at your data in the right way, you could be missing the big picture.

There are so many potential metrics to analyze, which can get overwhelming, so we've simplified and boiled it down to just a few that have helped us get a better handle on our business.

## **Financial Metrics:**

- Cash On Hand – Review Daily
- Invoices Over 60 Days – Review Daily
- Accounts Receivables – Review Weekly
- Revenue By Category – Review Monthly
- Service Gross Margin – Review Monthly
- Service Team W2 Ratio – Review Monthly
- EBITDA Margin – Review Monthly

# Sales & Marketing Metrics

Although financial metrics are extremely important, without clients signing up there is no real business. We spent a significant amount of time understanding our sales & marketing metrics to help us better predict our revenue going forward which allowed us to plan our resources.

Marketing metrics in particular were crucial in the predictive planning of our revenue. Once we understood the metrics we were measuring, we could get a better sense of our pipeline and future revenue. The metrics we used to review regularly are:

## **Sales Metrics:**

- Total Orders – Review Monthly
- Average Order Revenue – Review Monthly
- Sales Expense as a % of Revenue – Review Monthly
- Total Pipeline Dollars By Category – Review Monthly
- Managed Services Deals Closing This Month – Weekly

## **Marketing Metrics:**

- Website Visitors – Review Monthly
- Leads from Website – Review Monthly
- Unique Blog Page View – Review Weekly
- Newsletter Views & Clicks – Review Weekly
- Social Media Mentions – Facebook, Twitter, LinkedIn

# Service Operations Metrics

Service Operations was the main driver of our expenses and heavily impacted our profits. Our payroll of engineers was our largest line item on the P&L and the efficiency of our operations helped drive more profitability for our business. But at the end of the day, the most important thing we focused on was the Client Experience.

It is our belief that if you take care of the client experience, everything else will fall into place.

## **Service Operations Metrics:**

- Engineer Utilization – Reviewed Monthly
- SLA Adherence – Reviewed Daily
- Customer Satisfaction – Reviewed Daily
- Tickets Opened By Client – Reviewed Weekly
- Tickets Closed By Engineer – Reviewed Weekly
- Revenue / End User Supported – Reviewed Monthly
- Cost / End User Supported – Reviewed Monthly

# Client Efficiency Index (CEI)

We were looking for a single metric that we could share with the team that took the money out of the equation. We wanted a simple way for everyone on the team to get on the same page about our performance within each customer base. Our internal goal was 60% gross margin on each account and we wanted everyone to know where we stood with each account.

The CEI achieved all of our goals in a metric and made it easier for us to understand which accounts we needed to address and which were within our normal threshold.



# Formula to Calculate CEI

## **Gather Total Revenue by Client**

- All Monthly Recurring Managed Services revenue per client
- Include any add on T&M work for each client

## **Subtract Direct Costs**

- RMM license, Data Center Costs, Back Up Software, AV, Web Filter, etc.

## **Subtract Fully Loaded Labor Cost**

- Actual hours related to each account fully loaded with burden rate

## **Equals Gross Margin per client**

- This provides a true picture of profitability per client to manage from

## **Add 40 percentage points to each client**

- Our target Gross Margin per account was 60%. By adding 40% points to each score it normalizes the numbers with a 100% target

# Sharing & Managing the CEI

## **Share the Numbers with Service Team Leadership**

- Gets everyone on the same page

## **Formal Deep Dive into Specific Accounts**

- Any account in the red we ask for formal feedback
- Try to identify the main issues causing the poor numbers

## **Operational Improvement Opportunities**

- Identify areas of operational improvements and assign out execution

## **Upselling or Cross Selling Opportunities**

- Review opportunities to upsell additional services

# Final Thoughts

There are so many different metrics one could use to manage their business and no one has the perfect set of metrics. If you measure too many then it becomes useless because there are too many variables. If you measure too few then you don't have a good enough picture of the organization.

Our approach has been to first identify the areas of the business that are important to you. Then determine which metrics best help you measure that part of your business. Once you have identified the metrics it's time to get a baseline. Once you have a baseline you can start setting goals. Then begin taking action and review the impact on your metrics and goals. Once the actions that improve your metrics are identified you can distribute to your team and set action goals for them.

## **How BrightGauge can help**

BrightGauge Software is the only cloud based business intelligence (BI) platform simplifying data visualization and data analysis for the IT Service Provider (ITSPs) and Managed Service Provider (MSPs) industry. Founded in 2010 by two industry veterans, BrightGauge enables its global user base to create customizable "TV ready" dashboards and automated reports tailored to their business. With its intuitive and powerful data discovery features connected to custom datasources, BrightGauge makes the science of custom data visualization easy for the everyday business user.



# More Resources

We hope you found this whitepaper valuable and informative. Check out other content like this:

- **Establishing & Managing Your Key Performance Indicators for MSPs**

## **Webinar**

- **Podcast #42: Identifying Key Metrics & Setting Goals With FPA Inc.**

- **59 Metrics That MSPs Can Use to Become More Successful**

- **Put Your KPIs on Display With Dashboards**

We've got a bunch more resources to help industry leaders like you make important business decisions. Read our blog posts [here](#), or listen to our podcasts, watch our webinars, and download more whitepapers by visiting the **Resources** section of our site.

*This document has been modified from its original version.*