

The Retail-Commerce KPI Metrics That Merchants Need to Track

HOW TO DEVELOP ACTIONABLE RETAIL AND ECOMMERCE KPIS FOR SUSTAINABLE GROWTH AND MAXIMUM CUSTOMER SATISFACTION

Retailers are constantly challenged to attract and retain profitable customers. Today's business environment has evolved quickly for merchants, as consumers demand a much richer buying experience with convenience, personalization, and choice driving their expectations. Retail commerce companies must stay ahead of their competition and customers' demands. Hence, managing customer-facing and back-office operations requires strict attention to detail to boost sales, contain costs, improve customer loyalty, and grow profits.

Albert Einstein once said, "Not everything that can be counted counts, and not everything that counts can be counted." Yet, it is critical to measure company performance in order to manage it. Having clear, measurable metrics on which to gauge the health of a retail business is as fundamental as taking sales orders and paying vendors.

Whether a digital native whose business started as an online retailer or a traditional brick-and-mortar establishment that needs to support omnichannel sales, managing operational efficiencies is paramount to success. However, leaders often struggle to understand the information due to inaccurate data, a lack of strategic vision, missing benchmarks, and focusing on the wrong indicators. Further, departmental metrics do not always align with corporate goals, and decision-makers experience "paralysis by analysis" with too many metrics.

This ebook explains the importance of tracking key performance indicators, diverse metric types, and common mistakes eCommerce vendors make. Discover the most important metrics to monitor for continuous improvement and align goals for actionable metrics to drive growth and efficiency throughout the organization.

GETTING STARTED WITH RETAIL-COMMERCE METRICS



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How Metrics Improve Retail & eCommerce Operations

Metrics are everywhere in most organizations, from accounting to sales and stock to customer satisfaction. Monitoring results helps merchants increase sales, reduce costs, improve service levels, fend off competitors, and foster brand awareness. Organizations that diligently track corporate KPIs outperform their peers and adapt better to changing business conditions. They are also more likely to be best-in-class performers in their market sectors.

“Being able to access data and have the various departments working together in one system is a real benefit. If the warehouse has low inventory for an item, it is immediately exposed to purchasing to place the order for more. We now have real-time visibility to pertinent data.”

– BEN ROTHE, GENERAL MANAGER, PREMIER 1 SUPPLIES

EFFICIENCY

Getting omnichannel orders correct and optimizing inventory are critical for merchants. Retailers need to capture efficiency benchmarks related to purchasing, stocking, and order fulfillment activities. These metrics enable visibility into improvements or problems before impacting profits and customer satisfaction. Once established, monitor efficiency changes over time.

COMPETITIVENESS

The battle for customers is fierce. Metrics enable companies to gauge consumer loyalty, lifetime customer value, conversion rates, and market share for strategic business decisions. Understand your weaknesses, capitalize on market opportunities, and fortify your strengths to fend off competitors.

ALIGNMENT

Selling organizations must establish corporate goals that drive alignment with metrics throughout the organization. There should only be a few corporate KPIs for executives to focus on, cascading all supporting metrics through the relevant departments to ensure the alignment of priorities. With the proper hierarchy of aligned KPIs, it is easier to troubleshoot and correct shortfalls in results.

PROFITABILITY

There are only a few ways to increase profits and profitability—sell more, reduce costs, or increase prices. Metrics help retailers improve sales volumes, inventory turns, and average transaction value. They also identify waste and inefficiencies that increase costs. Monitoring the correct information also allows leaders to optimize pricing based on value, demand, and competition.

REDUCED RISK

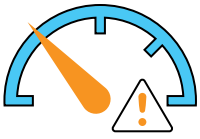
Key performance indicators are often used to predict and negate risk associated with inventory obsolescence, customer churn, and employee turnover. Establish KPIs to monitor risk proactively.

DECISION-MAKING

Metrics are essential for strategic planning. KPIs assist managers in areas such as capital investments, online marketing spend, new market expansion, and new product launches.

OTHER BENEFITS

There are many additional benefits to establishing metrics. These include improved employee satisfaction, higher product affinity, lower inventory carrying costs, as well as higher buyer satisfaction and retention.



Avoid These Common KPI Mistakes

Measuring performance only works if you have accurate, complete, and timely data. Unfortunately, merchants often focus too much on lagging indicators rather than proactively monitoring leading indicators before problems erupt. Finally, too many companies focus on internal issues without comparing themselves against industry peers.

BAD DATA

Prioritize data accuracy KPIs. Relying on metrics to drive business decisions is dependent on your ability to collect accurate, complete, and timely data. Inaccurate and delayed information results in poor choices, unhappy customers, and missed business opportunities.

LACK OF STRATEGIC ALIGNMENT

What is the goal for your company? The answer is unique to your business and must be clear before leveraging key performance indicators. For example, if your goal is to attract customers, investing in marketing and sales promotions is critical. But if your goal is to increase stakeholder value, you should decrease costs while increasing profits and cash flow.

LAGGING VS. LEADING INDICATORS

Lagging indicators identify what has already happened. Leading indicators predict future conditions and help determine the chances of meeting specific future targets. By choosing KPIs that measure past achievements or failures and contrasting them with forward-looking realistic ranges, you can better define goals to achieve growth.

MISSING PEER BENCHMARKS

The average performance of companies within a market sector adds insight into the competitive landscape. Therefore, benchmark your performance against retail peers whenever possible. Look for associations and independent consultants to gather these metrics.



Metric Types

Use descriptive analytics to identify lagging indicators to understand what happened. Expand into diagnostic analytics to determine why things happened and predictive analytics to recognize when they might happen again. Prescriptive analytics will help to avoid issues before they occur. Advances in technology have created a fifth metric category—cognitive analytics—where artificial intelligence with machine learning improves metrics and automates procedures to mitigate issues without human intervention.

DESCRIPTIVE

Descriptive analytics are typically used for lagging indicators to help understand what previously happened. However, descriptive analytics provide a starting point for using other types of metrics.

DIAGNOSTIC

Diagnostic metrics help merchants understand why something happened. They are based on descriptive analytics collected over time with formulas or advanced analytics to spot trends and discover how interrelated operations or processes impact each other.

PREDICTIVE

Predictive KPIs use descriptive and diagnostic metrics to identify the likelihood of future performance. Examples include abandoned cart rates or customer returns that may result in excessive cost of goods sold.

PRESCRIPTIVE

Prescriptive analytics combine descriptive, diagnostic, and predictive metrics to suggest how to prevent issues from occurring before they happen. They often rely on mathematical modeling and business rules.



Important Metrics Every Retailer Should Consider

There are thousands of financial, sales, consumer, and operational metrics that sellers develop and monitor to drive improvements throughout every aspect of their business. But what are the most critical metrics that transcend retail segments for managers to consider? Below are recommendations for key performance indicators that successful merchants use to grow strategically.

FINANCIAL

Revenue: Total sales of products and services generate income, a lagging indicator measured against sales targets and adjusted for seasonality or market fluctuations. Monitor new revenue separate from recurring revenue, which is easier to predict.



Expenses: Expenses should be categorized and monitored separately, as variable costs such as inventory and direct labor impact the cost of goods sold and fluctuate with sales. Conversely, fixed costs like rent and equipment are independent of sales or production volume. Variable costs affect gross profit margin while fixed costs impact net profit margin.

Cash Flow: Cash flow is vital for retailers. The top reason retail companies fail is the inability to manage cash flow. Cash flow must be leveraged as both a lagging AND leading indicator of financial health.

OPERATIONS

Staffing: Staff availability and efficiency are crucial for managing daily operations. Monitor attendance, turnover, and employee utilization.



Order Fulfillment: Future customer sales often depend on filling orders accurately, completely, and on time. Track perfect order rates and take proactive steps to correct and mitigate delays in getting goods into your buyers' hands.

Inventory: Inventory is the lifeblood of a retailer. Stock valuation, turnover, and carrying costs significantly affect the cost of goods sold, cash flow, and profitability.

SALES AND MARKETING

Advertising: Paid search for attracting website visitors and in-store customers can be costly without adequate return of converting traffic into sales. Similarly, e-mails and marketing campaigns must attract enough attention to warrant the cost and effort. Measure conversion rates carefully to understand your advertising payoff.



Sales Analysis: All sales are not equal. It's vital to know which products are most profitable, how much the average consumer buys, and how to promote up-sell and cross-sell opportunities to maximize value.

Customer Metrics: Merchants need to monitor several metrics related to customers. These include total customer lifetime value, customer retention (or churn), customer acquisition costs, and growth in revenue from new vs. repeat customers.

CUSTOMER SERVICE

Returns: Returns are a normal part of selling merchandise, but high levels indicate you're unable to fulfill customer expectations on your product pages or through your in-store checkout process.



Complaints: Measure the volume of activity around customer support. How many issues are raised? Are they unique or all too common? How quickly are they resolved? These are leading indicators of customer retention and lifetime value.

Satisfaction: Customer satisfaction (CSAT), Net Promoter Scores (NPS), and positive reviews can help predict customer retention and new customer growth.

“What we can do with two people, our competitors need 7 or 8 or even 12 to handle the same order amount . . . We've also implemented different quality control sets and created dashboards. If a sales order was dated Monday and won't ship until Wednesday, we have a table that displays our late orders.”

– TAYLAN SEVIMLI, BUSINESS DEVELOPMENT MANAGER, TAYSE RUGS



Align Strategic Corporate Goals with Departmental Metrics

Managers must review metrics with executive leadership to ensure that departmental KPIs do not conflict with corporate goals. Departmental metrics should support corporate initiatives, and a balance of KPIs must be established. For example, carrying excess inventory to achieve perfect order objectives may be detrimental to overall corporate performance. Make sure to articulate the topline goals you expect to achieve, the KPIs each department will be measured against, and how the data is collected.

Below is a list of metrics to consider for each area of your business. Select just a few KPIs critical to organizational success, easy to measure, and aligned throughout the company to corporate priorities.

FINANCIAL

- Revenue Growth (YoY)
- Cost of Goods Sold
- Gross Profit
- Net Profit
- Profit by Product/Region/Channel
- Cash Flow
- Gross Margin Return on Investment (GMROI)
- Marketing Spend as a % of Revenue

SALES

- Sales Per Square Foot (of store space)
- Sales Per Employee
- Conversion Rate (of visitors to website or store)
- Average Transaction Value
- Basket Size (number of items per transaction)
- Online Sales vs. In-Store Sales
- Product Affinity (products bought together)
- Discount Usage Rate (by customers)

MARKETING

- Bounce Rate
- E-mail Open Rate
- E-mail Click-Through Rate
- Cost Per Click-Through
- Revenue Per Click
- E-mail Subscribe/Unsubscribe Rate
- Site Traffic
- Time Spent on Website (and pages viewed)

OPERATIONS

- Inventory Turns
- Inventory Carrying Costs
- Average Inventory Value
- Sell-Through Rate
- Perfect Order Rate
- Order Backlog Rate
- Order Fulfillment Cycle Time
- Order-to-Cash Cycle Time
- Employee Turnover
- Employee Utilization (productivity per hour)

CUSTOMER METRICS

- Customer Retention Rate (Churn Rate)
- Customer Lifetime Value
- Customer Acquisition Cost
- Shopping Cart Abandonment Rate
- Orders: New Customers vs. Repeat Customers
- Average Time Between Purchases per Customer

CUSTOMER SERVICE

- Returns/Refunds Rate (and reasons why)
- Customer Service Contact Rate (complaints)
- Average Complaint Resolution Time
- Service Escalation Rate
- Customer Satisfaction Score (CSAT)
- Net Promoter Score (NPS)
- Rate of Positive vs. Negative Reviews

“Acumatica is massively helpful because there’s no one now who has to go searching for the truth. It’s all right at their fingertips.”

– JOSHUA STINGER, VP, OPERATIONS, MiiR



Technology for Improved Metrics Management

Defining metrics and key performance indicators is easy. The tricky part is collecting the data and presenting it meaningfully to internal stakeholders. Manual data manipulation and spreadsheet analysis delay information and results in data accuracy issues. Consequently, most retailers rely on specialized ERP applications and connected business intelligence to streamline data collection with automated alerts or notifications. Modern cloud ERP applications like Acumatica provide merchants with a foundation to combine data from multiple systems with configurable inquiries, tailored reports, actionable role-based dashboards, and dimensional data analysis to ensure data integrity and timeliness. In addition, create custom workflows to manage actions across business units and departments to facilitate change throughout the organization.

“We can create really amazing views that have an impact on our business. We have dashboards that show orders printed but not shipped and are greater than a day old, and we can build views that identify potential issues before they become a problem.”

– ETHAN PLATT, PRESIDENT & CO-OWNER, AMERICAN MEADOWS

DATA COLLECTION

Automate data collection to improve data accuracy. Configure imports from external apps for comprehensive and timely analysis.



Modern ERP applications provide tools to capture information through storefront interfaces such as online marketplaces, eCommerce platforms, and point-of-sale (POS) applications. Improve data accuracy with optical character recognition for scanned documents or barcode scanning for receiving and picking transactions.

Prepare for the warehouse of the future by setting a solid foundation with a modern ERP application to connect to the internet of things (IIoT) and RFID tags. Connect data from omnichannel sources for a holistic view of sales and operational data. Online customer portals and automated vendor bidding foster collaboration with customers and vendors to improve data accuracy.

ARTIFICIAL INTELLIGENCE

Artificial intelligence with machine learning makes it easier than ever to improve data accuracy for measuring metrics. Modern ERP systems like Acumatica embed artificial intelligence with machine learning into the core application platform.



Leverage artificial intelligence to streamline accounts payable, expense matching, bank reconciliation, and other business processes.

Machine learning enables the system to improve on data collection and processing tasks. You can “teach” Acumatica to recognize expenses from business supply companies as office supplies that are coded automatically to the corresponding general ledger account.

Artificial intelligence and machine learning can be leveraged in operational activities. Use AI to spot pricing anomalies as well as offer personalized discounts to preferred consumers.

DASHBOARDS

View key information and metrics with real-time dashboards customized by individual, role, or department. ERP dashboards are a convenient way to display essential data to immediately tell what you need to know and what to do next. With Acumatica ERP dashboards, you can monitor current financial, operational, and organizational information and analyze real-time trends and KPIs related to your job. Manage complex data through live dashboard widgets with flexible visualizations, including:

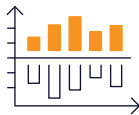


- Custom inquiries
- Charts and Gauges (line, column, bar, etc.)
- Data tables
- Data from external sources
- Power BI tiles
- Key Performance Indicators
- Shortcuts to forms, reports, and dashboards

Live dashboards empower users with drill-downs to view source transactions in greater detail. In addition, every Acumatica dashboard is mobile-ready and compatible with any web-enabled device.

POWER BI ANALYTICS

Acumatica leverages business intelligence tools, such as Microsoft Power BI, to aggregate data from multiple sources, extract actionable information for strategic decision-making and present it visually to stakeholders. With Power BI, data from various systems can be aggregated, organized, and analyzed. Combine data from Acumatica with external data, such as CRM applications, Google Analytics, and marketplace activity, to gain new insights into operations. Use Acumatica generic inquiries to expose Acumatica data via an Open Data Interface (OData) for visibility by Power BI.



REPORTS AND INQUIRIES

ERP systems track all company transactions, such as accounting, sales, inventory, and fulfillment. Reporting functions access the raw information from the ERP database.



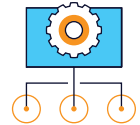
Each Acumatica application comes with a complete set of actionable reports and generic inquiries that can be used out-of-the-box to access real-time data. Reports are easily tailored, and new reports can be created using Acumatica's Report Designer without coding experience. The Generic Inquiry writer can access any data in Acumatica—including data stored in customized fields—and publish it, export it to Excel, or format it for OData. The OData formatting option exposes the data for business intelligence tools like Microsoft Power BI.

Acumatica supports multi-dimensional reporting using subaccounts with segmented keys. Break down information into smaller facets to view items by price, color, size, store location, or dimensions that you select. With Reporting and Generic Inquiries, you can:

- Schedule reports to run as needed
- Generate signed PDF documents
- Customize reports with your branding
- Create data views with filters and formatting

NOTIFICATIONS WORKFLOW

Generic Inquiries are used with Business Events to push notifications to management and users, alerting them of potential issues to take proactive actions in real-time. In addition, custom workflows can be triggered to send alerts and notifications to employees, customers, or vendors. For example, trigger customer communication when sales order shipments are completed, notify vendors of low stock by warehouse location, or alert warehouse staff when back ordered parts are received or produced to inventory and available for shipping.



“As our business is growing so quickly, it’s really important to have up-to-date information at our fingertips, at any point, any day, and at any moment. I can look at any point in time to see, ‘Are we meeting our forecasted projections?’”

– AMANDA DATTE, CFO, CLIVE COFFEE

Acumatica Analytic Applications

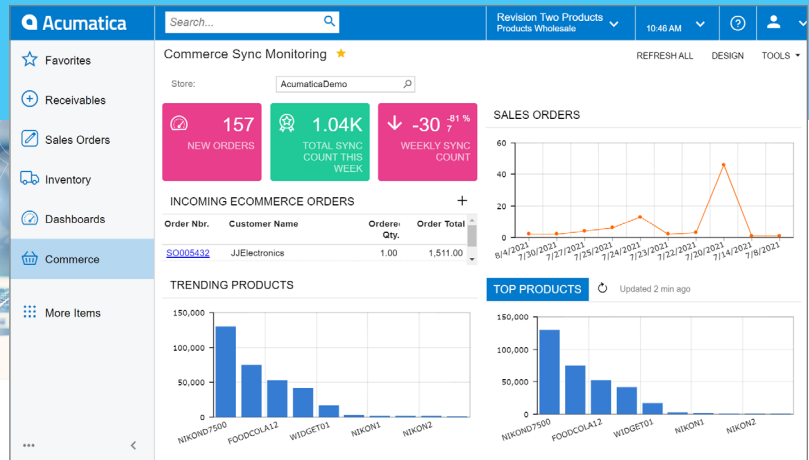
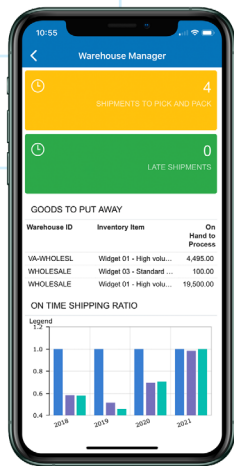


Role Based Dashboards

Interactive Reports

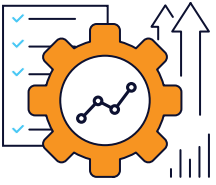
Configurable Generic Inquiries

Native Mobile Apps



	Period Ending 04/2021	Period Ending 05/2021	Period Ending 02/2021	Period Ending 01/2021	Period Ending 12/2020	Period Ending 11/2020	Period Ending 10/2020	Period Ending 09/2020
Revenue								
Sales Revenue	1,990.00	6,117,805.54	5,549,373.23	5,829,258.06	5,838,366.09	5,815,347.34	5,533,050.17	5,698,243.00
Sales - Freight	118.00		30.00	30.00	30.00			
Sales - No-Billed Expenses								
Total Sales Revenue	1,990.00	6,118,022.44	5,549,383.23	5,829,288.06	5,838,396.09	5,815,387.34	5,533,283.17	5,698,243.00
Other Revenue								
Returns and Allowances								
Discount Taken		-8,000.00						
Other Income		4,377.98	5,032.33	1,490.84	2,827.03		2,791.58	5.00
Total Other Revenue	0.00	-3,622.02	5,032.33	1,490.84	2,827.03	6,687.71	2,786.58	5.00
Total Revenue	1,990.00	6,114,400.42	5,551,415.56	5,830,778.90	5,839,203.12	5,820,140.05	5,536,084.75	5,702.50
Cost of Revenue								
COGS - Inventory	793.20	3,566,413.61	3,158,172.30	3,511,901.90	3,379,372.57	3,409,612.14	3,161,087.30	3,325,000.00
COGS - Direct Labor Costs	-649.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Learn how Acumatica can work for your business by visiting us online at pcbennett.com or by calling us at 425-831-7924.



Execute on Actionable Business Insights

Metrics are meaningless without action. Therefore, every company must develop plans to continuously monitor and improve metrics with documented procedures to act on insights gained through key performance indicators.

“Every time inventory is moved, the transfer is documented, which allows us to have tighter control over where the product is and how much we have, which has helped with shrinkage and quality control. Because we can sell in real time, we can sell with lower buffers and sell through inventory with less overstocking.”

– THOMAS FINNEY, IT DIRECTOR, SHOEBACCA

DOCUMENTATION

Make sure to define every metric and related calculation or formula. Identify stakeholders by role responsible for managing each metric and subsequent corrective actions. Establish timeframes for reassessing metrics periodically. For example, metrics established today may not be relevant next year due to the elimination of product lines, and metrics may need to be adjusted to account for expansion into new markets. Modern ERP applications like Acumatica include embedded wikis for documenting sales and operating procedures (S&OP), including KPIs. Wikis are an ideal platform for metrics management as they link seamlessly to ERP screens and tasks. Further, wikis support attachments such as documents and images.

BUSINESS PROCESSES

Acumatica’s Visual Workflow Engine enables users to see and modify states, actions, transitions, valid values, and fields to control the workflow without coding. Leverage ERP workflows to manage corrective actions and trigger business events to create and assign tasks for users in the system.

TRAINING

Employee training is crucial to ensure that existing and new employees understand the importance of metrics and their role in data collection, assessment, and corrective actions. Leverage embedded wikis as training aids for employees, create training videos on wiki pages and generate recurring training tasks with CRM to ensure that employees review metric policies and procedures frequently.

CORRECTIVE ACTIONS

What happens when KPIs uncover problems? First, departments must have a documented corrective action plan in place. Next, CRM is useful for logging cases or reported issues, documenting actions, and assigning users corrective action tasks. Finally, business workflows streamline communication and facilitate collaboration across departments. For example, financial metrics may indicate cash flow problems. Remedial actions may involve sales and marketing, warehouse management, and customer support teams to boost marketing campaigns while initiating short-term cost-reduction activities.

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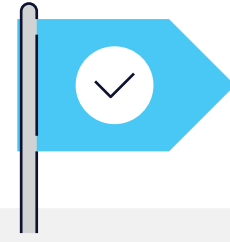
Retail and eCommerce Metrics Made Easy with Acumatica

Metrics provide retail and eCommerce leaders with real-time business insights to remain agile and drive innovation throughout their organizations. However, merchants with disconnected systems and legacy ERP applications struggle to connect data across disparate platforms with few tools to streamline metric management.

Modern cloud applications like Acumatica empower executives and departmental managers with real-time insights through role-based dashboards, live reports, and inquiries, complete with drill-downs to source transactions. In addition, business intelligence, automated business event triggers, and configurable workflows empower leaders with tools to manage their corporate objectives efficiently.

Built on a future-proof cloud platform with native artificial intelligence and machine learning, Acumatica provides unparalleled omnichannel depth from robust financials, native customer relationship management, and powerful business intelligence applications.

Boost sales, maximize resources, and create customer loyalty with best-in-class applications for accounting, purchasing, CRM, inventory & warehouse management, and sales & order management. Acumatica Retail-Commerce Edition is designed for omnichannel retailers, wholesale distributors, and manufacturers who sell direct to consumers.



“Acumatica’s integration with our websites and the ability to better track customers was great for us. Reporting is very robust and the ability to create reports specific to us is huge. Now that we have a CRM, we are creating an outbound sales division and doing account management, which was hard to do before because we had no central resource for data.”

– STEVE CATES
FORMER PRESIDENT
RAY ALLEN MANUFACTURING

ABOUT ACUMATICA

Acumatica Cloud ERP provides the best business management solution for digitally resilient companies. Built for mobile and telework scenarios and easily integrated with the collaboration tools of your choice, Acumatica delivers flexibility, efficiency, and continuity of operations to growing small and midmarket organizations.

Business Resilience. Delivered.

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