13 Essential Metrics Small Businesses Need To Track

1. Growth And Profit Percentage. An essential metric to track is growth and profit percentage. Simply take your operating profit as a percentage of total revenue and add it to the annualized growth rate. Targets can vary, but a general rule of thumb is that the sum of growth and profit percentage should be greater than 40. Accordingly, “healthy” businesses could have 40% profits and no growth or 60% growth and 20% operating losses (or negative 20% profit). - Zack Cook, rigor.com

2. Customer-Acquisition Costs. I’m surprised by how infrequently small-business owners have a handle on their customer-acquisition costs. You need to know how much it costs in dollars to acquire a new customer so you can properly price your products or services. Furthermore, this information is necessary if you’re going to compare different marketing campaigns against one another. - Jeffrey Burg, Dobrusin Burg

3. Cash Flow And Revenue. Cash flow is an essential metric for every business entity, and it’s a crucial factor for small businesses. Positive cash flow keeps your business alive and helps you make a profit. Every business needs cash inflow to survive, to earn revenue and to grow bigger. - Lijie Zhu, Dragon Gate Investment Partners

4. Profit And Loss. Track your P&L (profit and loss) statements. While there are many metrics to be gleaned from the P&L, you need to keep track of your business revenue and expenses over a specified period of time. As a business owner, you need to know if your revenue is translating into actual income. The P&L is also a great indicator of growth over time in maintaining the business budget and reaching profitability. - Jared Weitz, United Capital Source Inc.

5. The 80/20 Of Your Business One metric that may transform your business is to track which product or service produces 80% of your revenue and may just cost 20% of your time/overhead. All too often we increase our cost—be it staff or warehouse space—and lower our margin as a result by offering a variety of services and products. Instead, hone in on your killer product and deploy those dollars in marketing it harder. - Felix Hartmann, Hartmann Capital

6. Debt-To-Equity Ratio. All small-business owners need to monitor their debt-to-equity ratio. If you have $100,000 equity and owe $400,000 to the bank, then the bank owns 80% of your business! How many small-business owners increase their debt to pay personal expenses, make owner salary payments and pay owner distributions just to support the owner’s personal lifestyle? You cannot borrow your way into prosperity. - David Singleton, Seiler, Singleton & Associates, PA

7. Cash Flow Available For Debt Service. Opportunities to invest in your business can come quickly. You need to be ready to understand your cash flow available for debt service (CAFD) at a moment’s notice. This is the amount you can comfortably pay for a new loan or other financing for your business after you’ve accounted for all your other costs. You don’t want to borrow more than you can afford—always check your cash flow first! - Luz Urrutia, Opportunity Fund

8. Throughput Time. Throughput time is the time it takes the business owner to move the customer through the process from start to finish. Knowing this metric is critical to efficiently operating your business. Examining this one metric can help you identify ways to speed up the throughput of the business. - Justin Goodbread, Heritage Investors

9. Gross Profit. Gross profit (GP) is everything. By managing GP effectively, the owner knows what is left to "pay the bills." By understanding what total overhead is, the owner knows what GP is required to meet breakeven. And by knowing what the GP requirement is (and what the traditional cost-of-goods-sold margin averages), calculating top-line required revenues is easy. GP awareness brings visibility to this and more. - Brian Daniells, Enterprising Solutions

10. Monthly Spend. Let's not overthink this one: How much money is your business spending in a given month? To effectively grow a business, you need a firm understanding of how much your business is spending, where you're spending it and whether you can save money by streamlining inefficiencies. - Farhan Ahmad, Bento for Business

11. Conversion Rates. Your marketing efforts won't mean anything if nobody is converting. Everything you do must have that idea in mind. For example, let's say you run an e-commerce jewelry store. You'll need a strong Etsy presence, a Pinterest strategy and Instagram ads, and your email marketing must be on point. You need fantastic customer service on top of that. All of those items lead to new and repeat customers. - Jeff Pitta, Medicare Plan Finder

12. Lifetime Value. Quantifying lifetime value can really help guide strategy. If you're only tracking sales, you could be overlooking expenses that cut into net profitability. And if you're only tracking expenses, you might not be setting up your company for growth. But if you look at lifetime value, you can spend wisely on the customers who will be valuable to your business well beyond their latest transaction. - Ben Gold, QuickBridge Funding

13. Longevity. It may sound crazy, but for capitalization and business planning, a frequently overlooked metric is longevity. Yup—the longevity of the principals of the business. We talk about saving, benefits and even exit plans, but often without a thought toward our own longevity. You can bet insurers and others are thinking about it, so small-business owners should be, too. - Scott Page, LifeGuide Partners

Expert Panel Forbes Councils Member