

13 KEY METRICS TO GROW A PROFITABLE ADVENTURE BUSINESS

E-BOOK

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13 KEY METRICS TO GROW A PROFITABLE ADVENTURE BUSINESS

Hello!

My name is Zeb Smith
and I help outfitters
and guides grow
profitable adventure
businesses

This e-book, "13 Key
Metrics to Grow A
Profitable Adventure
Business" provides you
with the drivers,
figures, and ratios you
need to...

Provide year-round
financial stability to
you and your employees

Spend less time
worrying about finances
& more time outside
doing what you enjoy

Grow a business that
can one day be given to
your children or sold for
a pretty penny



BACKGROUND

A LITTLE ABOUT ME

I am a die-hard adventurer.

From weekend hikes with my family to backcountry hunting trips in the fall;

It is these adventures that serve my passion in life.

My purpose is to provide financial services to other adventurous entrepreneurs. Doing so gives me the freedom to pursue my passion and allows me to help others with similar interests.

I am a licensed CPA.

Which means I am a leading expert in business finance and a qualified guide to help you on your business journey.

If you are interested in discovering additional ways to grow your business into a profitable and thriving machine, then join the [Outfitters & Guides Business Strategy Facebook Group](#).

If you wish to work with me directly, then send me a message through my [Facebook Page](#).

Zeb Smith CPA
**Ascent Business
Financial Strategies**

13 KEY METRICS INTRO

There are tons of metrics (aka KPIs) to help you monitor growth, improve operations, and maximize financial returns.

But who has time to manage them all?

I am sure you would rather be outside delivering lifelong memories than in the office crunching numbers and analyzing your finances.

That is exactly why I wrote this e-book. To get you out of the office, playing outside, and making really good money doing it.

These are the *Thirteen Key Metrics* I've used to help numerous outfitters & guides grow profitable & thriving operations.

You can adopt all, or you can adopt a few, that is your choice. All play on each other and when leveraged appropriately create a synergy of incredible results.

Monitor these. Improve these. Trust the numbers. And great things will happen.

13 KEY METRICS INTRO

I have segregated the metrics into three categories:

- **Key Growth Drivers** (customer focused)
- **Key Figures**
- **Key Ratios**

These are simple metrics & they are simple for a reason. The simpler we keep things the easier it is to manage your business.

If you are an analytical person who wants more thorough & complex metrics, then hit me up. I have more for you.

If you would like to see how these metrics interact with one another, and how small & targeted changes have HUGE impacts on your bottom line, then we can do a quick *profit diagnostic* for your business.

In as quickly as twenty minutes, we could find hundreds of thousands of profit dollars hiding in your business.

Others have done it & you can too.

The profit diagnostic is a complementary service I provide *free* of charge.

Simply complete this [form](#) to get started.

Profit Diagnostic Form Link

GROWTH DRIVERS

CUSTOMER FOCUSED



Customers are your business's greatest asset. From online reviews to referrals, your current customers will grow your business and boost revenues faster than any other sales channel.

There are 3 Key Growth Drivers.
All relate to customer sales.

- Sales Leads
- Average Spend
- Purchasing Frequency

Sustained growth is achieved by properly managing these three customer-focused growth drivers.

Heads up... Highly profitable growth does not require more customers.

Food for thought.

GROWTH DRIVERS

#1 SALES LEADS



The number of sales leads in your 'lead list' is probably the simplest yet most important metric.

Simply put, the bigger your 'lead list' the more sales you will generate.

Sales Leads = # of leads in your lead list

Everyday:

Know how many people are on your list.
Attract leads to grow your lead list.
Nurture your list.

Effective lists:

- Email subscribers
- Social Media followers

There's a direct correlation between your revenues and your list size. See the 'Sales Conversion Rate' page for more info.

GROWTH DRIVERS

#2 AVERAGE SPEND



A \$1 increase in average spend translates into \$1 in profit (typically).

This is because costs typically do not increase when a customer purchases more within the same transaction.

Average Spend = \$ Revenue / # Customers

How to improve:

'Up sell' to a more attractive offer.

'Cross sell' a different offering.

Bundle commonly purchased together items

Sell gear, swag, coozies, etc.

Benefits:

Customer's perceived value is higher.

Usually captured when in buying mode.

Every additional dollar sold is profit.

This is how you get paid more without working harder.

GROWTH DRIVERS

#3 PURCHASING FREQUENCY



It is easier and less expensive to sell to an existing customer than convert a new customer.

One of the best ways to understand this metric is to learn from a different industry. Say you get your haircut every four weeks (13/yr). Your barber makes a suggestion and you now cut your hair every three weeks (17/yr). The barber just increased your purchasing frequency and his sales by 30%.

Purchasing Frequency =
Purchases / # Customers

Examples:

Loyalty programs.
Discounts on additional purchases.
Limited time offers.

Benefits:

Customers feel wanted, special, etc.

Pro tip: Focus on your ideal customers.

KEY FIGURES INTRO

So this is the sexy stuff. Financials!

Before you glaze over, hear me out.

Your financials tell the story of what's happening in your business. Not just the cliff notes but the full story.

I do not expect you to become an expert in reading your financials. But I do expect you to know the key high-level profit figures discussed in this e-book.

Monitoring and improving these figures will improve your profits.

If you want to evaluate the true financial health of your business, especially if you want to grow quickly or exit soon, then hit me up.

We will take a look at your full financial picture and set you up for success.

Now, let's dive into your profit figures!

KEY FIGURES

PROFIT & LOSS

All of the key figures to improve profits are on your profit & loss report.

Below is an example of a properly organized profit & loss report.

You should be able to glance at your profit & loss and quickly recognize these key figures. If not, you may need to restructure your chart of accounts.

Adventure Company

Profit & Loss

Annual Sales	\$ 100
Variable Costs	<u>30</u>
Gross Profit	70
Fixed Costs	<u>20</u>
Net Profit	50
Owner Pay	<u>40</u>
Adjusted Net Profit	<u><u>\$ 10</u></u>

If need be, use the information on the following pages to guide your chart of accounts restructure.

KEY FIGURES

#4 ANNUAL SALES



Sales (aka revenue) is the money paid by your customers.

Need I say more?

Seriously though... Sales are incredibly important. I know you know plenty about sales.

Hit me up if you want to project sales via a complementary profit diagnostic. Complete this [form](#) to get started.

[Profit Diagnostic Form Link](#)

Pro tip: Calculate historical sales by month as a percentage of annual sales. Use these as a benchmark to monitor this year's sales.

KEY FIGURES

#5 VARIABLE COSTS



Variable costs (aka cost of sales) are the costs you incur to deliver your customer experiences.

Variable costs often include:

- Guide wages
- Transportation costs
- Trip meals
- Retail purchases

There is a direct correlation between sales and your variable costs.

As your sales increase so do your variable costs. As your sales decrease so do your variable costs.

The driver here is your sales.
Variable costs follow.

Bonus: You want your variable costs as a percentage of sales to be consistent or shrinking year-by-year.

KEY FIGURES

#6 GROSS PROFIT



Gross profit is the money retained after you delivered your sales to your customers.

**Gross Profit =
\$ Sales - \$ Variable Costs**

Gross profit is the money used to pay operating expenses, owner wages, income taxes, debt, interest, etc.

Gross profit is the first of three profit figures. It is the first tell of a good or bad year.

Read more about Gross Profit on the Gross Profit Margin page.

KEY FIGURES

#7 FIXED COSTS



Fixed costs (aka operating expenses) are the costs you incur to drum up sales and run your business.

Fixed costs often include:

- Advertising + marketing
- Administrative wages
- Professional fees
- Business licenses
- Rent + utilities
- Payroll taxes
- Insurance
- Interest
- Depreciation (non-cash)
- Amortization (non-cash)

There is no *direct* correlation between sales and fixed costs. You usually spend this money regardless of actual sales.

Bonus: It is best practice to know your annual and monthly fixed costs. This is commonly referred to as your 'bleed.'

KEY FIGURES

#8 NET PROFIT



Net profit is the money remaining after all costs + expenses have been paid.

Net Profit =
\$ Gross Profit - \$ Fixed Costs

Net profit is what most people refer to when they say 'profit' and is the closest figure to 'taxable net income' shown on your income tax return.

Bonus: Add back interest, depreciation, and amortization to calculate Earnings Before Interest Taxes Depreciation & Amortization (EBITDA). This is the best way to see 'cash profits' generated by your business.

KEY FIGURES

#9 OWNER PAY



Yes, you as the owner get paid a wage.
Whoot whoot!

You need to pay yourself appropriately for the work you perform. A good starting point in determining your wage is to do a quick google search.

What is an appropriate title for your role? CEO? Search wages in your area, add in benefits, and you have your owner pay.

Common owner pay items:

- Owner salary
- Health insurance
- Medical bills
- HSA contributions
- Retirement contributions

*Warning! Do not fall into the trap believing net taxable income is you owner pay.
It's a lie!*

KEY FIGURES

#10 ADJUSTED NET PROFIT



Adjusted Net Profit is the truest mark for profit. It is the last number standing after everyone, including the owner, has been paid.

**Adjusted Net Profit =
\$ Net Profit - \$ Owner Pay**

People often overlook it because.

1. They do not know better.
2. It is smaller than they want it to be.

This figure typically needs to be 10-25% of sales. You need to evaluate your debts, future goals, and personal needs to arrive to an appropriate adjusted net profit for you and your business.

The bitter truth is most small businesses do not generate enough adjusted net profit. Do not be one of these businesses!

KEY RATIOS INTRO

Are you ready to put gas on the fire?

Ratios are how you really ignite profitable growth!

To keep things simple, I've provided three key ratios in this e-book.

If you want to spice things up and discover additional targeted ratios best for your business, then hit me up.

Otherwise, these simple ratios will work very well for you.

KEY RATIOS

#11 SALES CONVERSION RATE



The sales conversion rate is the portion of leads who convert into customers.

Sales Conversion Rate =
Customers / # Leads

Before you get too caught up in analyzing your conversion rate, it is important to know your market strategy and ideal customer profile.

The ideal percentage could range from 10% - 90% depending on your strategy and ideal customer.

Calculate your historical ratio and make improvements from there.

*This ratio is exactly how more leads in your lead list translate into more sales.
More leads = more sales!*

KEY RATIOS

#12 CUSTOMER RETENTION RATE



The customer retention rate is the number of customers who purchase year after year.

**Customer Retention Rate =
Customers Retained /
Customers Last Year**

This ratio is widely different between outfitters. It is best you understand your target audience, your offerings, and your vision.

Calculate your historical ratio, compare it to the considerations above, and make improvements from there.

Remember, it is easier and less expensive to sell to an existing customer than convert a new customer. Consider this as you evaluate your target audience.

KEY RATIOS

#13 GROSS PROFIT MARGIN



Gross Profit Margin represents how well you manage your sales and variable costs.

Gross Profit Margin =
\$ Gross Profit / \$ Sales

A higher gross profit margin indicates you successfully produce profit above and beyond your variable costs.

You want your gross profit margin to be as high as possible for your business.

The rule of thumb is to shoot for a 70% or better gross profit margin.

Pro tip: Calculate gross profit by revenue type and individual activities. Invest in the best and improve or scrap the rest.

PROFIT DIAGNOSTIC

FREE BENEFIT

What do you say we test some small & targeted improvements to your growth drivers?

Let's assume these are last year's figures.

Client Name	Adventure Company	Date	05/14/2020
Annual Sales	1000000	Customer Attrition Rate	50 %
Variable Costs	300000	Sales Conversion Rate	50 %
Gross Profit	\$700,000	New Sales Last Year	\$500,000
Gross Profit Percentage	70.00 %		
Stepped Cost	0		
Fixed Costs	500000		
Net Profit	\$200,000		
Owners Salary Adjustment	150000		
Adjusted Net Profit	\$50,000		

With some simple improved marketing efforts, you make the following improvements. This is so easy!

Growth Drivers

With better sales and marketing how much do you estimate you could increase your sales leads by?	5 %
With better sales processes how much do you estimate you could increase your sales conversion rate by?	10 %
With better marketing by how much do you estimate how often customers buy from you?	5 %
With better marketing by how much do you estimate customers might increase their average spend with you each time you do business with them?	5 %
With better customer service by how much do you estimate you can reduce your customer attrition rate?	0 %
Impact on your annual sales from price changes in your selling, marketing and service	\$187,943
Impact on your gross profit from price changes in your selling, marketing and service	\$131,560

PROFIT DIAGNOSTIC

FREE BENEFIT

Holy cow! Check this out!

Simply by increasing your conversion rate by 10% and improving each of the 3 growth drivers by only 5%, your adjusted net profit increases by \$131,650!

What can you do with an additional \$131,560?

Your Results

	Before	After	
Annual Sales	\$1,000,000	\$1,187,943	Increase in sales
Variable Costs	\$300,000	\$356,383	\$187,943 18.79 %
Gross Profit	\$700,000	\$831,560	Increase in net profit
Gross Profit %	70.00 %	70.00 %	\$131,560 65.78 %
Stepped Costs	\$0	\$0	
Fixed Costs	\$500,000	\$500,000	
Net Profit	\$200,000	\$331,560	
Owners Salary Adjustment	\$150,000	\$150,000	
Adjusted Net Profit	\$50,000	\$181,560	

This doesn't even include price adjustments, improvements to your gross profit percentage, or removing unnecessary spending and renegotiated fixed costs.

There are still so many more hidden profits to discover!

Profit Diagnostic Form Link

13 KEY METRICS TO GROW A PROFITABLE ADVENTURE BUSINESS

Right on!

You now have the key metrics to grow a profitable adventure business.

If you wish to see how small & targeted changes will **HUGELY** impact your bottom line, then let's do a complementary profit diagnostic.

Simply complete this [form](#) to get started.

[Profit Diagnostic Form Link](#)

