



Building A Profitable Business

Key Profit Indicator (KPI) Formulas

Cost of Goods Sold (COGS):

For individual product: $(\text{Cost divided by Total quantity}) \times \text{quantity/unit} = \text{unit cost}$

For overall inventory: $\text{Starting inventory} + \text{purchases to create product} - \text{ending inventory}$

Gross Margin:

1. Determine Gross Profit:

$\text{Total Revenue} - \text{COGS} = \text{Gross Profit}$

2. Calculate Gross Margin:

$\text{Gross margin} = (\text{gross profit} / \text{total revenue}) \times 100$

Cash Flow:

$\text{Cash Received} - \text{Cash Paid Out} = \text{Cash Flow}$

Burn Rate:

$(\text{Starting Cash} - \text{Ending Cash}) / \text{Number of Months} = \text{Monthly Burn Rate}$

Cash Runway:

$\text{Current Cash} / \text{Monthly Burn Rate} = \text{Cash Runway}$

Customer Acquisition Cost (CAC):

$\text{CAC} = (\text{total cost of sales} + \text{marketing over a given period of time}) / \text{number of new customers acquired during that given period of time}$

Churn Rate:

$(\text{Cancelled Customers in the last 30 days} \div \text{Active Customers 30 days ago}) \times 100$

Customer Retention Rate (CRR):

$\text{CRR} = ((E-N)/S) \times 100$

E= Number of customers at the end of a period

N = Number of new customers acquired during that period

S= Number of customers at the start of a period

Customer Lifetime Value (CLTV):

$\text{CLTV} = \text{Average Order Value} \times \text{Purchase Frequency} \times \text{Customer Lifetime}$

