The 5 KPIs every

SECURITY COMPANY

should know

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Introduction

- Michael Marks
    - Co-Founder, Perennial Software

- Founded in 1996 (20th Anniversary)

- Makers of…
    - SedonaOffice & AlarmBiller

- Specialize in Accounting and Business Management Software for Security Companies

- Over 750 Security Companies run and operate their businesses using our Software Solutions

Today's Topic:

The 5 KPIs Every Security Company Should Know

What is a KPI?

- A Key Performance Indicator (KPI) is a measurable value that demonstrates how effectively a company is achieving Key Business Objectives.

- High-level KPIs may focus on the overall performance of the enterprise, while low-level KPIs may focus on processes in departments such as sales, RMR, or a service department.

- KPIs are best used in real-time or reported often. Using dashboards and reporting tools is essential.

Tips for Creating KPIs

- Make sure the KPIs you choose align with the strategic goals and objectives of your business.

- The KPIs you choose to measure should have data that can be easily obtained.

- KPIs should keep everyone on the same page and moving in the same direction.

- The data flowing into the KPI should be reliable and accurate.

- Does the KPI give you insight into the business that is actionable?

- Your business is always growing and changing. Your KPIs should evolve as well.

KPI #1
Understanding your Receivables

- Tracking your AR Open Receivables against the aging buckets

- Tracking your AR Open Receivables by type of service

- Tracking your AR Open Receivables by salesman

Open AR by Aging Buckets

	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	Over 120+ Days	Total Open
Amount	150,000.00	40,000.00	18,000.00	7,000.00	22,000.00	14,000.00	251,000.00
% of Total	60%	16%	7%	3%	9%	6%	100%
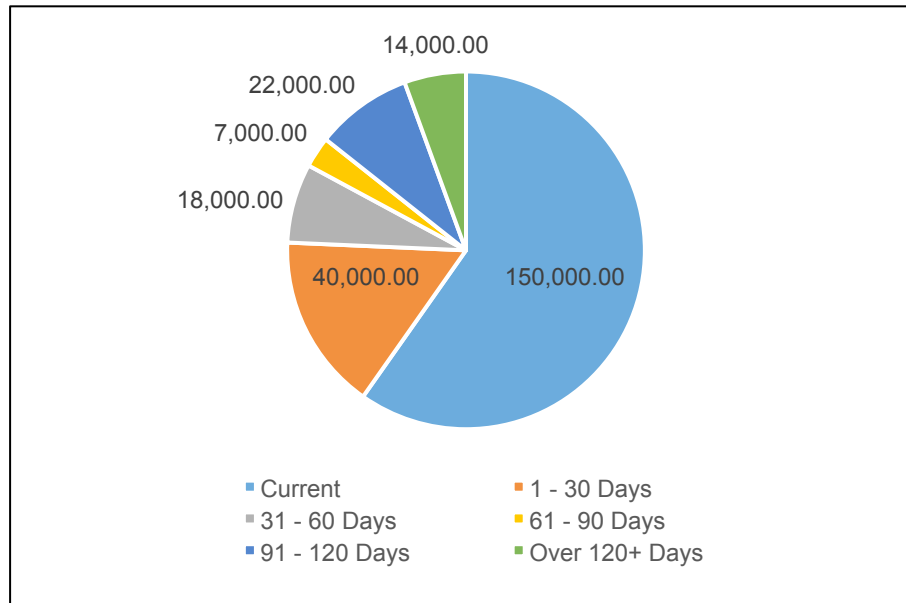
Open AR by Service Type

	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	Over 120+ Days	Total Open	% of Total
Installations	35,000.00	10,000.00	7,000.00	1,000.00	1,000.00	2,000.00	56,000.00	**22%**
Service	15,000.00	5,000.00	2,000.00	2,000.00	18,000.00	4,000.00	46,000.00	**18%**
Monitoring	100,000.00	25,000.00	9,000.00	4,000.00	3,000.00	8,000.00	149,000.00	**59%**
Total Amount	150,000.00	40,000.00	18,000.00	7,000.00	22,000.00	14,000.00	251,000.00	
% of Total	60%	16%	7%	3%	9%	6%	100%	
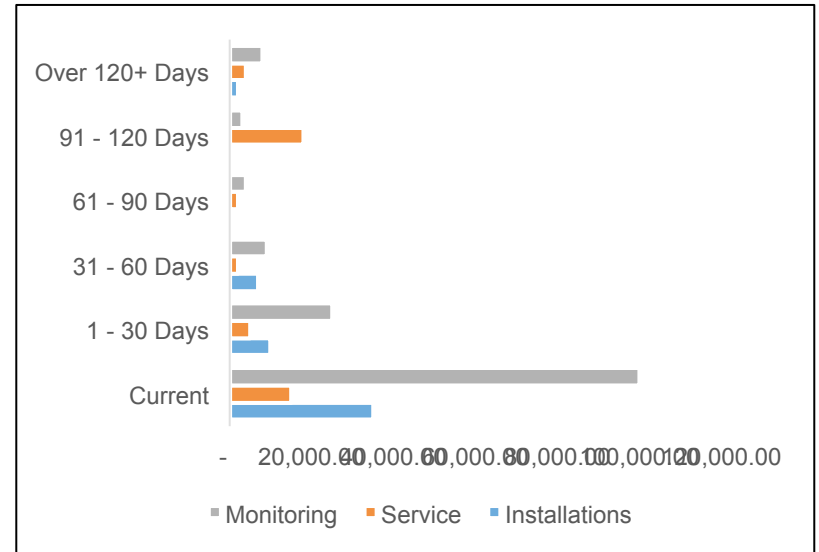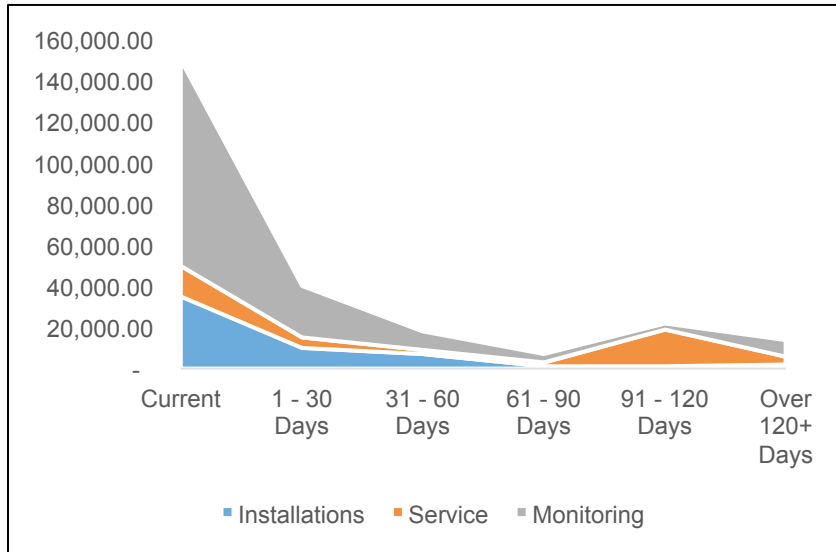
Action Items for Open AR

- **Collections**
  - Create a Collections Plan

- **Alternative Payment Options**
  - Credit Card, eChecks

- **Easy Ways to Pay**
  - Technicians, Online

KPI #2
Identify your RMR at Risk

- **Track the patterns of RMR at Risk of being lost**
  - Proactive RMR at Risk Management will lower your Attrition

Customer Name	Aging over 90+ Days	RMR at Risk
Jones	70.00	35.00
Smith	40.00	40.00
Adams	114.00	38.00
Franklin	80.00	40.00
Washington	25.00	25.00
	329.00	178.00

Action Item: Be proactive.
Contact customers before they're at Risk!

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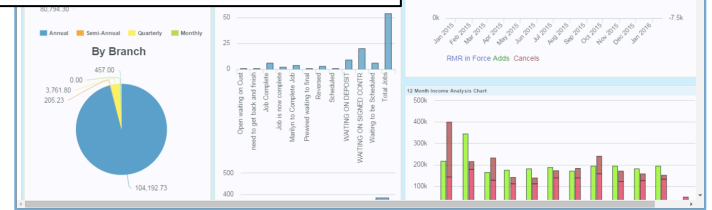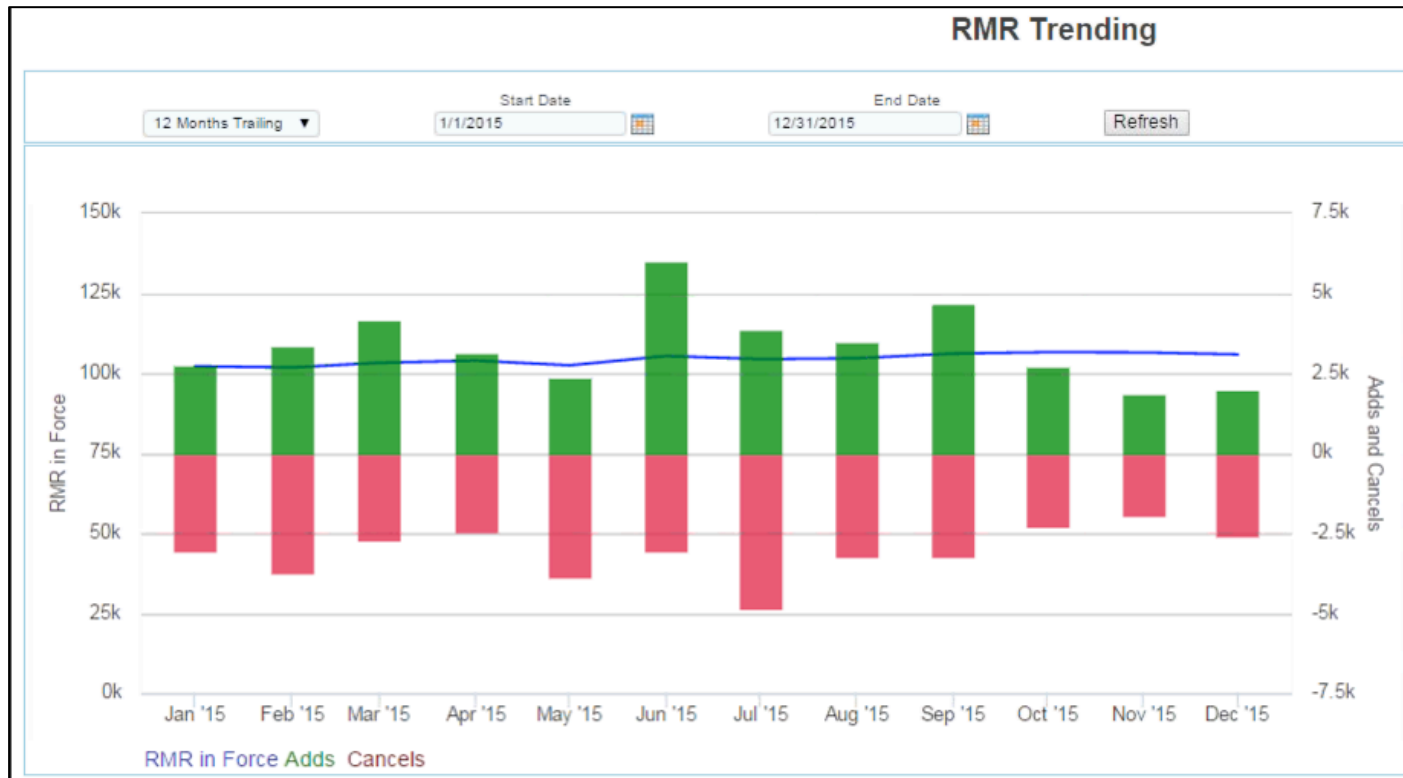
KPI #3
RMR Attrition Metrics

- **Track your Attrition** – By types of changes
- **Gains**
  - Newly Created, Acquired, Takeovers, Resigns, Upgrades
- **Losses**
  - Moved, Out of Business, Sold Business, Poor Service, Competitive Rate Reduction
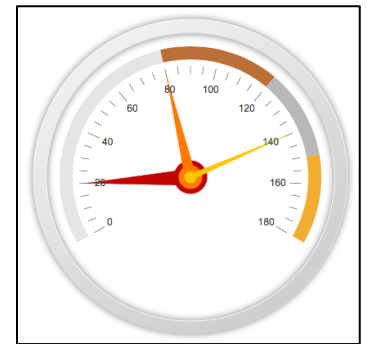
RMR Attrition Dashboard

RMR 12 Month Roll-Forward

RMR 12 Month Roll-Forward Report

ACME Alarms

Invoice Item	4/30/2013	5/31/2013	6/30/2013	7/31/2013	8/31/2013	9/30/2013	10/31/2013	11/30/2013	12/31/2013	1/31/2014	2/28/2014	3/31/2014	4/30/2014	Annual Growth
Actvicity Fee	504	504	504	499	499	499	499	499	499	504	508	508	509	0.99%
		0.00%	0.00%	-0.99%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	0.79%	0.00%	0.20%	
Alarm Permit Fee	54	54	54	54	54	54	54	54	54	55	56	56	56	3.70%
		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.85%	1.82%	0.00%	0.00%	
Alarm Services	1,260	1,563	1,568	1,568	1,768	1,768	1,798	1,798	1,798	1,800	1,812	1,815	1,819	44.41%
		24.09%	0.32%	0.00%	12.75%	0.00%	1.69%	0.00%	0.00%	0.11%	0.67%	0.17%	0.22%	
BA Lease	3,583	3,633	3,633	3,628	3,628	3,628	3,628	3,628	3,628	3,631	3,654	3,657	3,659	2.12%
		1.40%	0.00%	-0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.08%	0.63%	0.08%	0.05%	
CCTV Lease	1,965	1,965	1,965	1,965	1,965	1,965	1,965	2,465	2,365	2,365	2,365	2,365	2,365	20.36%
		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	25.45%	-4.06%	0.00%	0.00%	0.00%	0.00%	
Extended Warranty	181	181	181	181	181	181	181	181	181	181	183	184	185	2.21%
		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.10%	0.55%	0.54%	
FA Lease	802	802	802	802	802	802	827	827	827	827	834	834	836	4.24%
		0.00%	0.00%	0.00%	0.00%	0.00%	3.12%	0.00%	0.00%	0.00%	0.85%	0.00%	0.24%	
Fire Inspection	350	325	325	325	335	335	335	335	335	335	336	339	351	0.31%
		-7.14%	0.00%	0.00%	3.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.30%	0.89%	3.56%	
Inspection	1,159	1,159	1,159	1,159	1,159	1,309	1,309	1,309	1,334	1,344	1,419	1,434	1,434	23.73%
		0.00%	0.00%	0.00%	0.00%	12.94%	0.00%	0.00%	1.91%	0.75%	5.58%	1.06%	0.00%	
Installment Payment Plan	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0	0	0	-100.00%
		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-100.00%	0.00%	0.00%	
Mon-dlr	917	917	917	917	917	917	917	917	917	917	919	919	919	0.22%
		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.22%	0.00%	0.00%	
Monitoring	3,961	4,090	4,123	4,223	4,268	4,473	4,562	4,572	4,612	4,658	4,736	4,781	4,803	21.25%
		3.27%	0.81%	2.42%	1.06%	4.80%	1.99%	0.22%	0.87%	1.00%	1.67%	0.95%	0.46%	
Monitoring Discount	-15	-15	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-66.67%
		0.00%	-66.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Op/CI Reports-dlr	75	75	75	85	85	105	105	105	115	115	120	120	120	60.07%
		0.00%	0.00%	13.36%	0.00%	23.52%	0.00%	0.00%	9.54%	0.00%	4.36%	0.00%	0.00%	

Report selection criteria displayed on the last page

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Action Items RMR Attrition

- **Benchmark your Attrition Rate** (example 8%)

- **Put a Customer Retention Plan in place**
  - Specific plan and tasks to keep your customers and expand the services you offer them

- **Compare your Attrition** with other Security Companies

- **Audit your RMR on a Monthly Basis**
  - Beginning RMR + Adds – Losses = Ending RMR

KPI #4
Know your Creation Multiples

- **Know What it Costs to Create New RMR**

- **Creation Multiple** equals the dollar amount to create $1 in new RMR
  - This includes all the costs related to creating the new RMR; Sales, Marketing, Installation, Labor, Parts…

Creation Cost Example

Install Revenue	$ 200	
Materials	(300)	
Labor	(250)	
Subcontractor	-	
Direct Profit/(Loss)	$ (350)	
Sales cost	(400)	Sales overhead + commissions
G&A (1/2 Location)	(150)	
G&A (1/2 Corp)	(100)	
Total Profit/(Loss)	$ (1,000)	
RMR	$ 39.99	
	(8.8)	Direct Creation Multiple
	(18.8)	Creation Multiple (+Sales cost)
	(22.5)	Creation Multiple (+Sales+1/2 Location G&A)
	(25.0)	Creation Multiple (+Sales+1/2 Location G&A+1/2 Corp G&A)

Action Items Creation Costs

- Need to know the true cost of creating your new RMR

- Is it better to make or buy?

- What's your payback – ROI?

- Know your Steady State Cash Flow

KPI #5
Know your Revenue per Employee

- **Key metric** to understand how your business is performing

- **Set a goal** for the profitability of the company as a percentage of Gross Sales

- **Set an Allocation of Expenses**
  - Employees & Operations

- **Gross Revenues** – Employees – Operations = Profits

- **Used for Budgeting and Planning**

Simple Example: (40/40/20)

	Employee	Annual Salary	Revenue Allocation	Profit Allocation
	Company Annual Revenue:			$ 1,000,000.00
	Revenue per Employee:			$ 125,000.00
1	Joe	75,000.00	187,500.00	37,500.00
2	Fred	60,000.00	150,000.00	30,000.00
3	Steve	65,000.00	162,500.00	32,500.00
4	Mary	85,000.00	212,500.00	42,500.00
5	Sue	40,000.00	100,000.00	20,000.00
6	Alice	75,000.00	187,500.00	37,500.00
7	Ben	35,000.00	87,500.00	17,500.00
8	Cooper	25,000.00	62,500.00	12,500.00
		$ 460,000.00	$ 1,150,000.00	$ 230,000.00

Revenue Allocation: 40/40/20

40 - Employee Salary

40 - Cost of Doing Business

20 - Profit

Action Item

- **Used for Budgeting**

- Helps determine if Employees are "pulling their weight"

- A different way to look at the business

- **Trick** – need to determine your Allocation
  - Employees / Operating Costs / Profits

Thank you for Attending

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