



Holding the Key to Success

USING KEY PERFORMANCE INDICATORS TO UNLOCK YOUR BUSINESS POTENTIAL

By Cheryl Whitman, Founder and CEO of Beautiful Forever

You have a brilliant mission statement and a stellar practice vision, as well as superbly defined organizational goals. But how will you measure your progress? Tie your goals to key performance indicators, KPIs, and just watch where they can take you – and your business.

WHAT ARE KPIs?

KPIs, a.k.a. Key Performance Indicators, are financial and non-financial measurements that help a business mark the progress toward its established goals. According to Peter Luhn, computer scientist with IBM and author of *A Business Intelligence System*, it is vital not only for organizations to measure their progress, but also to have “the ability to apprehend the

interrelationships of presented facts in such a way as to guide action towards a desired goal.” So, KPIs don’t just tell us where we are at any given moment; they can help us to get where we want to be.

You may choose to develop your own KPIs or hire a consultant to help you work through the process. No matter how you go about the process, a KPI is the main ingredient when developing a measurable objective or goal which will include a direction, KPI, benchmark, target, and time frame. For example: *“Increase (direction) the average revenue per patient*

(KPI) from \$3,000 (benchmark) to \$4,000 (target) by end of year 2009 (timeframe).”

As you develop your KPIs, keep in mind that they should:

- **Reflect your organization's goals** – For example, if one of your goals is to be the most profitable medical spa in your market, your

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KPIs should measure profit and related fiscal numbers.

- **Be keys to your success** – Keep the number conservative so

everyone's attention is focused on the same KPIs (each KPI will have three to five of its own indicators to support it).

- **Be quantifiable** – Can you accurately define and measure it? If the goal is to generate more repeat clients, you need to distinguish between new and repeat clients. Then, set a clear target with specific actions, targets, and time frame to reach the goal.
- **Include long-term considerations** – Build short-term goals into your plans so you can more easily measure your success. If you want to hit \$1 million in revenue your first year, what do you need to bring in and how many clients do you need to see monthly? How about weekly?

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- **Remain consistent** – Change your KPIs only as your goals are reached or revised.

(Adapted from "Key Performance Indicators [KPIs]" by F. John Reh)

KPIs function not only as performance management tools, but also as incentives. They create a clear picture of what is important and what needs to happen. When your performance indicators are straightforward and the requirements to meet your practice

goals are clearly mapped, you and your staff can more easily focus your efforts. Don't be shy about posting your KPIs – and consider offering bonuses or commissions when employees hit or exceed the target.

"By implementing KPIs in our practice, we can easily

pinpoint 'areas of improvement' that everyone can work together to achieve," shares Steve Watson, CEO and founder of The Miami Institute for Age Management and Intervention. "We are constantly on the lookout for opportunities to modify and refine our tactics, programs, marketing, etc. Awareness and common goals have really helped us pull together as a team, which translates into an incredible experience for our clients and higher revenues for us."



DEVELOPING KPIs

You will need to start with a planning phase to develop your KPIs. Include the following steps:

- **Determine your goals** – the results you desire

MADPRO Status

What is MADPRO status? Your KPIs must meet several madly professional standards in order to have the power needed to help you and your staff achieve the success you desire. Your criteria should be:

- Measurable
- Adequate
- Direct and easy to calculate
- Practical
- Reliable
- Objective

- **Brainstorm** all the possible indicators you may require
- **Refine your list** to a manageable and appropriately narrow scope
- **Assess** each indicator's MADPRO status
- **Choose the best** performance indicators

(Adapted from Visitask online project management resource center)

Some examples of the KPIs you may choose to include are:

- New patients acquired
- Status of existing patients
- Patient attrition and turnover
- Outstanding balances
- Number of procedures per patient
- Variety of procedures per patient

(Note: You can put this all together as you develop your measurable objectives using the formula above: direction + KPI + benchmark + target + time frame. So, "new patient acquired"

becomes "Increase the number of new patients acquired from 10 to 15 per month by December 2008.")

"As we developed our KPIs, we recognized that we could spend a week of each month crunching numbers and analyzing the results; however, that would lead to 'paralysis by analysis', and we wouldn't be devoting time and energy to growing and treating clients!" says Justin Brogan, M.B.A., Chief Operating Officer of Doctor's Approach Skin & Hair Care. "So we had to agree on the most important metrics: inflow of new clients and client spending patterns. Those two categories were then broken down into more digestible metrics that help us create action plans. These include:

- **Number of new clients referred from our dermatology practice** – internal marketing and cross-referrals from our dermatology practice continue to be our #1

source of new medspa clients and cost us very little.

- **Total new medspa clients**, including a comparison of internally-referred new clients and the results of external marketing and word-of-mouth marketing.

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- **Aesthetician productivity per hour** to help us to better understand which aestheticians are truly generating profit for the practice.
- **Average revenue per procedure** to see which procedures are selling and where customer trends are heading.

"By keeping our focus limited in this way, we are able to communicate to our employees which key metrics we track and why, as well as understand the trends of our customers."

USING THE INFORMATION YOU GATHER

In practical terms, KPIs are objectives to be targeted that will most successfully add value to the business. The information you gather through your indicators will provide:

- **Quantitative indicators of success** (How much of each product are you selling? How

many new clients do you have?)

- **Practical indicators** related to your existing practice processes (What is your staff turnover rate? How many client contacts do you make a week?)
- **Directional indicators** showing whether your practice is getting better or not (Is your revenue going up or down?)
- **Actionable indicators** that pinpoint areas in your control to change (What type of services are selling the most/least? What new treatments are your patients requesting?)

Want to know how your marketing campaign is performing in relation to the KPI you built into your marketing goal? If your objective is to increase the number of visits, visitors, or calls acquired from 20 to 30 per month within three months of implementing a new campaign: Divide the number of visits, visitors, or calls acquired through a campaign by the number of conversions (appointments for procedures). This conversion rate can be compared across the different campaigns you have run to understand the effectiveness of marketing efforts relative to each other.

Interested in identifying the KPI of services patients cancel after they've made the initial appointment? Subtract the number of done appointments from the number of

times the same type of appointment was made, and then divide by the number of times the same type of appointment was made. This information can help you backtrack to determine what happens in the consultations and even who performed the consult to make changes as needed.

MAKING KPIs WORK FOR YOU

"Using KPIs and fostering an empowered culture among our employees has increased our revenue and (more importantly) net income significantly," adds Brogan. "We've broadened our services to include micropigmentation, and we've added a number of sought-after accessories to our retail product line-up."

Adds Debra Yates, Practice Administrator for Plastic Surgery Center, Ltd., in Camp Hill, PA, "As we developed our KPIs, we carefully considered the results that were required and created the list from there. We included client referrals, consultation and conversion rates, sales per employee, average daily revenue, and the ratio of new to repeat clients. Through our KPIs, we have a clear indication that customer satisfaction is exceeding, meeting, or

failing to meet goals. Also, we have solid data regarding our strengths and weaknesses."

Collecting, analyzing, and making use of key performance indicators is what keeps a business moving in the right direction. By locking key performance indicators into every goal in your business plan, then following through by measuring the outcomes, you can adjust or get rid of what isn't working and identify exactly where to put your efforts for even greater success. **ATI**



Cheryl Whitman is recognized internationally as a pioneer in the field of medical spa business

consulting. She is a published author, a popular speaker, and has been a beauty-industry consultant for more than 30 years. As founder and CEO of Beautiful Forever, Cheryl spearheads a successful team of medical spa consultants and business professionals. In addition, Cheryl developed the Medical Spa Success System, a revolutionary program that provides a turnkey educational success system and consulting services package to help clients jumpstart brilliantly successful medical spa businesses. For more information, please call 1.877.SPA.MEDI or go to www.medicalspaconsultant.com or www.medicalspasuccess.com.