UNLOCKING YOUR BUSINESS'S TRUE HEALTH
(Before It's Too Late)

i SUPPORT WORLDWIDE

How to Calculate for Operating Cash Flow Ratio (OCF Ratio)

$$\text{OCF Ratio} = \frac{\text{Operating Cash Flow}}{\text{Current Liabilities}}$$

For example, if a company reports an operating cash flow of $200,000 and has current liabilities totaling $100,000, the OCF Ratio would be:

$$\text{OCF Ratio} = \frac{\$200{,}000}{\$100{,}000} = 2.0$$

This indicates that the company generates $2 in operating cash flow for every $1 of current liabilities, suggesting strong liquidity.

How to Calculate for Customer Acquisition Cost (CAC)

$$\text{CAC} = \frac{\text{Total Marketing and Sales Expenses}}{\text{Number of New Customers Acquired}}$$

For example, if a company spends $10,000 on marketing and sales in a quarter and acquires 100 new customers during that time, the CAC would be:

$$\text{CAC} = \frac{\$10{,}000}{100} = \$100$$

This means the company spends $100 to acquire each new customer

PORTER'S FIVE FORCES

Michael E. Porter created Porter's Five Forces in 1979 to study industrial competition. It helps companies evaluate market and profitability considerations.

1. Competitive Rivalry:
This force measures industry company competitiveness. High competition may cause price wars and lower profits.

For example, Apple and Samsung compete fiercely in the smartphone business, innovating to gain market dominance.

2. Threat of New Entrants:
This force evaluates how easy it is for new competitors to enter the market. High capital requirements, strong brand loyalty, and other barriers to entry can protect established companies.

For instance, the airline industry has high entry barriers due to regulatory requirements and significant capital investment.

3. Bargaining Power of Suppliers:
The force evaluates the influence of suppliers on material pricing and quality, with a small number of suppliers for critical components potentially influencing prices.

An example is the semiconductor industry, where limited suppliers can affect pricing for electronics manufacturers.

4. Bargaining Power of Buyers:
This force examines how customers' choices affect pricing and quality, as having numerous options can lead to lower prices or higher quality, affecting profitability.

For instance, in retail, large chains like Walmart can negotiate lower prices from suppliers due to their buying power.

5. Threat of Substitute Products:
This force assesses the likelihood of customers finding a suitable alternative product, as high substitution threats can hinder an industry's profitability.

A classic example is the beverage industry, where soft drinks face competition from bottled water, energy drinks, and other alternatives.

KEY METHODS FOR MEASURING CUSTOMER SATISFACTION

Measuring customer satisfaction is essential for businesses aiming to enhance their service and retain customers.

Customer Satisfaction Score (CSAT):
CSAT measures how satisfied customers are with a specific interaction or overall experience. Customers are typically asked to rate their satisfaction on a scale (e.g., 1-5).

For instance, after a purchase, a company might send a survey asking, “How satisfied were you with your experience?” This immediate feedback helps businesses understand customer sentiment right after an interaction.

Net Promoter Score (NPS): :
NPS gauges customer loyalty by asking how likely customers are to recommend the company to oahers on a scale from 0 to 10. Responses categorize customers into Promoters, Passives, or Detractors.

Companies can use NPS to identify loyal customers and those who may need additional attention or engagement strategies. For example, a high percentage of Promoters indicates strong customer loyalty and potential for growth through referrals.

Customer Effort Score (CES):
CES measures the ease with which customers can complete a task or resolve an issue with the company. Customers are asked how easy it was to achieve their goal on a scale from 1 (very easy) to 5 (very difficult).

This metric is particularly useful in customer service contexts. A lower effort score correlates with higher customer loyalty, as customers prefer seamless interactions.

Churn Rate:
Churn rate measures the percentage of customers who stop using a product or service during a specific period.

Monitoring churn rates helps businesses identify retention issues and areas needing improvement. A rising churn rate may indicate dissatisfaction that needs addressing.

Social Media Monitoring:
Tracking mentions, comments, and reviews on social media platforms provides insights into customer sentiment and opinions.

Companies can analyze social media feedback to gauge public perception and identify areas for improvement in real-time.