KPI Working Group call

Date: May 15

The KPI Working group objectives were to find an agreement on the set of KPIs to be taken forward, explore on the KPIs that the majority wants to take forward to a more finalizing stage, and explore the definition and building blocks of those KPIs.

1. Proposed set of indicators

Internal guidelines vs. publicly sharing

1. Question from the group to give some more clarity on the framework: (1) publicly shared versus internal guideline, and (2) audience.
2. Company indicators are easy to share. Yet, companies might not be willing to share the performance indicators suggested. Proposed to keep the performance KPIs for internal use and explore the possibility to share this publicly in a later stage.
3. Survey results suggested that there is a tendency from the group that these KPIs should be shared externally.

Conclusion:

We must assess which KPIs companies are willing to share and under what conditions.

Structure framework KPIs

1. Some company indicators are quantitative, whereas others are qualitative.
2. Company indicators should be more of a narrative to get a sense of what a company is doing. These indicators should give some context and help putting the Unit Economic and Portfolio Quality KPIs' outcomes into a perspective of the company's business model. The company indicators should more be public information and companies should typically be willing to share this information.
3. There could three set of KPIs (1) clearly defined KPIs for external reporting, (2) clearly defined KPIs for internal reporting and communicated under NDA, and (3) KPIs recommended to measure but not necessarily from one company to the other.
4. Operational performance indicators should be quantitative. For the operational indicators we would need to assess what companies are willing to share.
5. Average selling price should be a company indicator rather than operational performance.
6. Portfolio size might be rather an operational performance indicator.
7. We would need a discussion with all WGs together to check for consistency and coherency.
8. The number of indicators should be relatively small and give the most important information.

Conclusion:

We need to shift some KPIs from operational performance to company indicators. Must define the goal of the company and operational performance indicators more and include the reasoning in the deck.

2. Sales model

1. Would make more sense to make a distinction between the distribution model and the financing model.
2. The more categories/buckets we can make would be helpful for data analysis.
3. The KPI would be more meaningful if it would be on a percentage basis. Especially if we would remove the FX-exposure from the priority list, it would be helpful to measure the exposure of the companies by expressing this metric in a percentage (if not all companies are accessing local financing. It would be interesting to measure as pricing metrics for both cash and PAYGo are different and PAYGo has some more incorporated risks. Adding percentages would complicate this metric.
4. Proposed to add B2B for the channel/distribution model 'KPI'.
5. The formula needs to be further refined; what is meant by sales? Unit sales? Sales in revenue?
6. Suggested to have a value expressed as a percentage of revenue; if you use a unit based one, you could have misleading output when a company would have sold higher volumes of lower value systems.

Conclusion:

For the sales model, we should distinguish between the distribution model and the financing model and must add indirect sales/B2B to the distribution side. Expressing this metric in percentages should be explored further.

3. Portfolio Size

1. For this metric, there are some concerns about whether companies would be willing to share this data as this is commercially sensitive information that is normally only shared with investors on NDA basis. Now, no PAYGo company is reporting their actual customer base.
2. It would be helpful, as well for the PQ WG, to size the receivables.
3. Would be a possibility to aggregate information; in the previous pilot, it was made sure that there would always be 3 companies reporting on a metric to make sure that information is kept anonymous.

Conclusion:

This is a useful metric. It should be assessed if companies would be willing to share this information and under what conditions.

4. Geographical area

1. This metric should again be percentage based, most likely revenue- based.
2. Seems to be enough granularity

5. Total net sales

1. Combine the indicators 'Annual sales' and 'Total number of Systems Sold' and calculate the net sales of systems installed.
2. Same problem of unit versus money. It could be interesting to measure both and see how both measures interact with some other metrics coming from industry reports.

6. Average selling price

1. Should become a company indicator.
2. Agreed that we should differentiate between PAYGo and cash-based businesses.

3. Average selling price loses its meaning if a company has different product categories. It could be interesting to measure the industry trend of the product mix.
4. Possibility to measure average selling price per product.
5. For practical reasons, the average selling price could be reported upon quarterly/6 months as the selling price doesn't change that frequent.

Conclusion:

Measuring average selling price per product could be explored. The time period could vary from 3 to 6 months.

7. Number of sales per sales agent

This metric might be difficult to compare from one company to the other as sales agents come in many different flavors.

Conclusion:

Some more thinking is required whether there would be a way to compare this metric from one company to another. We could potentially reach out to some more investors and companies to make this metric stronger. Otherwise, this would be a metric that is recommended and will not be shared externally.

8. Rate of technical issues per system

1. Difficult to compare from one company to another.
2. Alternative proposed would be measure how much money a company needs to set aside for warranty purposes.

Conclusion:

A metric based on the warranty might be more meaningful and more comparable. If we were to adopt the metric based on the warranty, the time period should align with the warranty period.

9. Sales agent churn rate

Not very comparable from company to company; sometimes a high churn rate doesn't necessarily need to be bad, it depends on the business model.

Conclusion;

We can potentially reach out to some more companies/investors to get some more input to further refine this metric.

10. Any additional information that we should include?

1. The Net Promotor Score (NPS) would be interesting to include. The NPS is very well defined. However, it is difficult to obtain as you must conduct extensive research and invest money to get an answer and the answer you get varies hugely on how you execute your research.
2. We could consider this as a suggested indicator and leave it up to the companies to incorporate it into their internal reporting.

Conclusion:

The NPS will be left aside for now and will be recommended to companies to use for internal reporting.

11. Next steps

1. Further refine the current set of KPIs and the framework around it.
2. Share a list of the to do’s per KPIs this week and follow up on that on a next call.
3. Have a working group call with all working groups to check on consistency and coherency of the total set of KPIs.