Digital Agency Metrics
Bookings Ratio

If you don't know where you're going you might not get there. – Yogi Berra

www.copilotinvestors.com

Updated as of July 2019

Executive Summary

Your strategic and tactical plans are either working or not. Although you might be doing well, or maybe not, unless you compare to others, you don't really know, you are just guessing. It's time for you to take a serious look at how your company stacks up against the competition. There is little to no data for the digital agency industry outside of CoPilot's efforts to collect, analyze and provide next steps for you to improve, even if you are already doing well.

This Bookings Ratio data, which we turn into actionable information can then be used to identify gaps in your processes, operations and financials in order to achieve a competitive advantage, and make more profit with less stress.

This report will define the metric, show you the calculations, how to collect your data and provide benchmarking data. Most important, this report will give you practices and examples on how to run your business ***measurably*** better. If any of this seems like a mystery, or you want to know more, you should contact CoPilot to talk. https://calendly.com/copilotinvestors/coosupport

Using the Bookings to Cost ratio aligns your strategic approach and urgency of your marketing and sales teams. It is a way to see the future and adjust proactively now to find a good balance.

Having a balanced Bookings Ratio also enables your delivery team to schedule and align resources in a way that doesn't create undue stress and/or less than optimal solutions (hacks).

Bookings Ratio: Measurement Definitions & Calculations

The goal of this metric is to 'see' the ongoing future 12 month health of booked revenue as it relates to costs. It uses your most up to date sales information for deals won and most recent cost forecast, which should be no older than 3 months if you are diligent about your reforecast at the end of every quarter.

Here is how it works

After review of each of your contracts, review the payment schedule and lay it out by month for the next 12 months. Use your cost forecast for the next twelve months and calculate a ratio by quarter. e.g. if in months 6-9 you have $1M in revenue, and your costs are $900K; your Bookings to cost ratio is $1M / $300K (3 month avg) or 3.3. Do this for every upcoming quarter; 0-3 months, 4-6 months, 7-9 months and 10-12 months. Update it every month for the next 12 months at month end close.

What is healthy? Above a 4.0 for each 3 month period for the next year. Higher than a 5, reinvest in yourself, lower than a 5, adjust your SQL and pricing to close the right deals.

On the next page, we'll cover the comparable data (your competitors), a few scenarios, likely root causes and actions to take.

The DATA

Industry Types	0 - 3	4 - 6	7 - 9	10 - 12
Digital Services	5.2	3.1	1.4	0.4
eCommerce	3.6	3.7	2.9	2.8
Product Development	3.2	3.1	3.0	2.7
Enterprise Portfolio	4.1	5.7	3.8	3.7

*Data is not specific to any company, they are averages only. 3.0 would be breakeven.

The difference between the low and high performers is the implementation of the CoPilot SOE, starting with the actions on the following pages. It's not magic and it's not easy, it takes time and it works. The best part of it, is that it is sustainable, you get increasing returns with less work.

How do you compare? Here is how to do the calculation.

Month	Revenue	All Expenses	Ratio Calculation
1	$R1	$X1	
2	$R2	$X2	
3	$R3	$X3	($R1 + $R2 + $R3) / (($X1 + $X2 + $X3) / 3)

Calculate your Bookings Ratio for the next 3 months, then do it for each 3 month time period after that; 0-3 months, 4-6 months, 7-9 months and 10-12 months. Updated your analysis at the end of every month as your Bookings revenue will (should) change as you close new deals.

Here are a few scenarios……what does your data look like?

The end goal is a portfolio of long term deals that pay you smaller amounts per month, but stacked together, lowers risk and drives your Bookings Ratio high for every quarter in the next 12 months.

Scenario	0 - 3	4 - 6	7 - 9	10 - 12
Good Short, Bad Long	5.2	3.1	1.4	0.4

Likely Situation	Possible Action(s)	
You are signing project based revenue, with limited post project support revenue and running a sales operation in a 'serial' methodology. Likely taking on clients with a lower Long Term Value (LTV) using their entire budget on this project with you.	If you are cash happy and debt low, increase your threshold on your SQL score. Focus on longer term deals, spread out across 6 months or more. Sign deals with a higher LTV, even though your upfront might be less.	However, if your cash is low, and debt high, short term cash deals with minimum SQL is required now. Don't sign bad deals, but a lower entry price is good here assuming high LTV. You want to be careful of short term deal churn. Hard to break the cycle once you start.

Scenario	0 - 3	4 - 6	7 - 9	10 - 12
Low Bookings Ratio	2.0	2.0	2.0	2.0

Likely Situation	Possible Action(s)	
You are signing long term services/support agreements. This is good, but you are not doing enough of them. You might be doing hourly support on a T&M basis. Even if you scale your clients, your Bookings Ratio won't improve.	If you are cash happy and debt low, start signing contracts based on task completion vs. hours spent. This helps you get efficiency gains in operations and delivers an increase to your gross margin and assuming no change in S,G&A, direct profit to your bottom line.	However, if your cash is low, and debt high, I'd suggest doing some consulting contracts to build a bridge as you transition to task contracts vs. hourly. You want to talk with your existing portfolio, you may lose some that don't see your value and just want to outsource their work at the lowest price.

Next Steps to Look Deeper

The CoPilot Bookings Comparables Analysis, the one you just read, gets you started and creates a base to build a stable, scalable agency. Additional practices, only after you have a solid base will then point you to think beyond critical metrics, and towards growth metrics, where to look and how to measure to drive actions for sustainable growth.

Here are the topics covered in your next phase of moving from chaos to rhythm.

Work Ratio Discipline
Proactive Support
Investment Roadmap
Linking Sales, Operations & Finance