



Your Report

Operations Red Flag Report

Overview of Key Points

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Row 2: Total Annual Revenue

Metric: Current Revenue Level

Answer: \$1.5M

Healthy: \$2.5M (million) and above is normal.

RED FLAG: It's a red flag if input value is less than \$2.5M (million).

Impacts: Your revenue growth plans determine your financial and operating structure, which is contingent on BOTH your current structure and your planned revenue target.

Notes: The structure of your business needs to change, not only to ensure maximizing revenue at current revenue levels, but gradually and strategically to accommodate - and reach - the next revenue level.

Row 3: Recurring Revenue

Metric: Average Revenue Per Ticket

Answer: 16%

Healthy: Between 18% and 35% is normal.

RED FLAG: It's a red flag if input value is less than 18%.

Impacts: Cash flow highly seasonal and winter crunch potential; inability to fund growth initiatives; vulnerability to economic downturns; reduced customer retention and loyalty; limited borrowing power from banks.

Notes: Recurring revenue not only drives profitability, but underpins predictable cash flow for operations, which balances out seasonal cash flow requirements and can act as a hedge against both seasonal and economic environment fluctuations.

Row 4: Revenue Mix

Metric: Average Revenue Per Ticket

Answer: \$425

Status: Congrats! You're doing great here.

Notes: Additional Notes

Row 5: Revenue Mix

Metric: Replacement vs Repair Revenue

Answer: 70%

Status: Congrats! You're doing great here.

Row 5: Revenue Mix

Notes: Repair service revenue generally delivers higher volume. Focusing on replacement may drive revenue, but requires a very specific business strategy to ensure sustainability in the market. Must also keep the life cycle of units being replaced in mind in your specific market.

Row 6: Gross Margin

Metric: Overall Gross Margin

Answer: 54%

Status: Congrats! You're doing great here.

Notes: The higher your gross margin is against revenue, the more efficient your financial and operating practices are. Operating margins are an over-arching indicator of how well your business is being operated and being run day to day.

Row 7: Gross Margin

Metric: Gross Margin on Parts, Materials and Supplies

Answer: 30%

Healthy: 35% to 50% markup is normal.

RED FLAG: It's a red flag if input value is less than 35%.

Impacts: You may be giving away a lot of profit yearly; weak negotiation with vendors; poor inventory mismanagement; un-monitored technician purchases or failure to pass on cost inflation are usually the principle culprits.

Row 7: Gross Margin

Notes: The cost of sourcing, purchasing, storing and handling supplies and materials represents a significant cost to your business. By not passing on the cost through a high enough markup, you're not only giving away revenue, but effectively paying for the cost of sourcing, purchasing, storing and handling supplies and materials out of your own profits. You're basically absorbing the overhead.

Row 8: Labor

Metric: Field Tech Labor (Incl. burden) as Percentage of Total Revenue

Answer: 50%

Healthy: 38% to 48% of revenue against field tech labor in the field is the normal range.

RED FLAG: It's a red flag if input value is more than 48%.

Impacts: Overtime, inefficient service call routing, poor pricing kills 8% to 15% net; poor scheduling software use; technician inefficiency; lack of productivity incentives; seasonal hiring surges are a few of the usual suspects impacting field tech inefficiency.

Notes: The efficient deployment and use of technical staff in the field are key drivers behind not only immediate profitability but growth. Poorly deployed and utilized field tech staff are key barriers to growth and profitability.

Row 9: Labor

Metric: CSR and/or Call-Center Labor as Percentage of Total Revenue

Answer: 5%

Status: Congrats! You're doing great here.

Row 9: Labor

Notes: Booking new business comes AFTER the cost of marketing. If it costs too much to service and keep a customer, both the short and long term revenue impact can become significant. It's a solid indicator of how your business deals with and manages customers. Not just for new sales, but managing existing customers, since referrals are dramatically impacted by customer experience. Often much more so than by pricing.

Row 10: Labor

Metric: Management and Overhead labor as Percentage of Total Revenue

Answer: 12%

Status: Congrats! You're doing great here.

Notes: It's easy to end up with a bloated and inefficient supervisory and management structure, but it can lead to significant revenue drain. More importantly, if you're looking to grow your business, management inefficiencies begin to escalate exponentially, often causing a major bottleneck to growth.

Row 11: Labor

Metric: Technician Utilization of Labor As Percentage of Total Billable Hours

Answer: 75%

Healthy: 78% to 88% is the normal.

RED FLAG: It's a red flag if input value is less than 78%.

Impacts: This is a significant cause of revenue loss. Excessive travel time; poor job scoping; too much downtime between calls; lack of efficient mobile dispatching tools are usually behind this revenue growth bottleneck.

Row 11: Labor

Notes: The efficient dispatch and use of technical labor is always a key component in not only increasing EXISTING service capacity (and therefore profitability). but it's virtually impossible to grow your revenue base where technical staff are inefficient, because the cost of this inefficiency will compound as you attempt to grow your business.

Row 12: Marketing & Sales

Metric: Total Spend on Marketing and Sales as Percentage of Total Revenue

Answer: 12%

Healthy: 6% to 10% is normal.

RED FLAG: It's a red flag if input value is more than 10%.

Impacts: Burning cash or lead starvation; inefficient ad platforms; poor targeting; high customer acquisition costs; lack of ROI tracking are but a few of the culprits here.

Notes: Total spend on marketing and sales is a measure of how well your service is being targeted to your market, whether what you're offering is meeting the needs of the market accurately, whether you're targeting the right market (efficiently). Tracking your sales and marketing performance ROI will usually uncover the bottleneck. Also, it's impossible to grow revenue consistently unless you know EXCATLY who you're targeting, when they need your services, and whether your service offer meets their needs at the time they need it.

Row 13: Marketing & Sales

Metric: Total Cost per Booked Service Call

Answer: \$115

Healthy: \$45 to \$110 is normal.

Row 13: Marketing & Sales

RED FLAG: It's a red flag if input value is more than \$110.

Impacts: Lead generation bleeding cash; low conversion funnels; unqualified leads; overbidding on ads or no follow-up automation are typical causes of this bottleneck.

Notes: The cost of new customer acquisition is a primary indicator of the future prospects of business growth and profitability potential.

Row 14: Marketing & Sales

Metric: Sales Close Rate for In-Home Sales

Answer: 40%

Healthy: 42% to 68% is normal.

RED FLAG: It's a red flag if input value is less than 42%.

Impacts: Could be a pricing, presentation, or trust issue; untrained technicians; lack of effective sales scripts; competitive bidding wars; poor customer rapport may be at the root of low sales closing ratios.

Notes: If your sales closing ratio is below the normal range, scaling your business becomes a challenge because incrementally more sales will be lost due to poor closing ratios.

Row 15: OpEx

Metric: Total Vehicle Expenses and Fuel as Percentage of Total Revenue

Answer: 8%

Status: Congrats! You're doing great here.

Row 15: OpEx

Notes: As service volume increases, vehicle costs and usage efficiency become increasingly more important.

Row 16: OpEx

Metric: Facilities Expenses on Rent and Utilities as Percentage of Total Revenue

Answer: 6%

Status: Congrats! You're doing great here.

Notes: XXX

Row 17: OpEx

Metric: Expenses on Software and Tech stack as Percentage of Total Revenue

Answer: 2.5%

Status: Congrats! You're doing great here.

Notes: Technology is critically important, but it's implementation and use must remain in lock-step with the needs and demands appropriate to the growth stage as define by annual revenue.

Row 18: Working Capital

Metric: Accounts Receivable Average Number Of Days Outstanding

Answer: 35

Status: Congrats! You're doing great here.

Row 18: Working Capital

Notes: Be careful with the cost of farming out credit and financing, as it may actually be robbing you of revenue and profit disguised as getting more sales.

Row 19: Working Capital

Metric: Inventory and Parts Turnover Rate

Answer: 5x

Status: Congrats! You're doing great here.

Notes: Inventory comes out of your pocket. Whether you pay up-front or later, or finance it. If the inventory turnover rate is low, it always comes out of your pocket.

Row 20: Working Capital

Metric: Days of Cash on Hand to Cover OpEx

Answer: 90

Status: Congrats! You're doing great here.

Notes: Cash on hand to cover operating expenses is a survival yardstick. Dancing around it can spell disaster. However, having too much on hand means you're missing opportunities for growth because you're sitting on too much cash.

Row 21: Balance Sheet

Metric: Fixed Assets as a Percentage of Total Assets

Answer: 40%

Status: Congrats! You're doing great here.

Row 21: Balance Sheet

Notes: Too many fixed assets means your capital is not being efficiently deployed. In a service business, you're not maximizing fixed assets, you're maximizing fixed assets to facilitate the ability to deliver more services.

Row 22: Balance Sheet

Metric: Debt Service Coverage Ratio (Net Operating Income (NOI) divided by Total Debt Service)

Answer: 1.1x

Healthy: 1.25x or higher is normal.

RED FLAG: It's a red flag if input value is less than 1.25x.

Impacts: There's a risk that the bank may call a credit line or block loans; there may be covenant breaches; or interest rate sensitivity; or you're over-leveraged; or you may be experiencing cash flow volatility.

Notes: Your ability to pay for your loans, debts and operating lines is a direct reflection on not only on your ability to run your business, but on your ability to GROW your business.

Row 23: Balance Sheet

Metric: Owner Salary and Distributions as Percentage of Revenue

Answer: 17%

Healthy: 8% to 15% is normal.

RED FLAG: It's a red flag if input value is more than 15%.

Row 23: Balance Sheet

Impacts: You may be draining equity instead of building it; creating unsustainable draws; you may be facing tax inefficiencies; you might even be demotivating employees; it could also mean reduced reinvestment in your business.

Notes: The question is, what do you want? Suck as much out of your business as you can now, or grow it. That's what it comes down to.

Row 24: Profitability

Metric: EBITDA margin

Answer: 10%

Status: Congrats! You're doing great here.

Notes: The bottom line is that your business is valued based on SDE. You lose.

Row 25: Owner Responsibilities in the Field

Metric: Owner still doing field work

Answer: 15

Healthy: 0 to 5 hrs is normal.

RED FLAG: It's a red flag if input value is more than 5.

Impacts: It's by FAR the #1 reason businesses are stuck under \$3M. The owner is the bottleneck; no delegation systems; scalability limits; burnout risk.

Notes: When the owner is a control freak, it simply means the owner has decided to leave millions on the table for someone else.

Row 26: Owner Responsibilities in the Field**Metric:** Full-time Ops Manager?**Answer:** No data**Notes:** If you want to grow, you **MUST** let go.

Next Steps & Concluding Remarks

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