

# Top 5 Fin+Ops Metrics for Service SMBs



Hybrid metrics that combine finance and operational data can help you understand your business at a deeper level. They can also be hard to get. Want help with these metrics or other operations support?

Reach out to [hello@hexopartners.com](mailto:hello@hexopartners.com) or visit [www.hexopartners.com](http://www.hexopartners.com)

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## Gross Margin per Billable Hour

**Definition:** Measures profit generated per hour of client-facing work.

**Formula:**  $(\text{Revenue} - \text{Direct Costs}) / \text{Billable Hours}$

### Examples:

- A marketing agency bills \$100,000 in a month, has \$40,000 in direct labor and subcontractor costs, with 2,000 billable hours → \$30/hour.
- An IT services firm earns \$60,000, spends \$20,000 on delivery costs, with 800 billable hours → \$50/hour.

### Benchmark:

- **Healthy:** \$30–\$50+ per billable hr (varies by industry & overhead).
- If <\$25/hour, business may be overstaffed, underpriced, or inefficient.

## Revenue per Employee (Adjusted for Role Mix)

**Definition:** Total revenue divided by number of employees, adjusted to distinguish delivery vs. support roles.

**Formula:**  $\text{Revenue} / (\text{FTE count, segmented by delivery vs. overhead})$

### Examples:

- A 10-person design firm (7 delivery, 3 admin) earns \$2M/year → \$200,000 per employee, but \$285,000 per delivery FTE.
- A 25-person IT services shop earns \$5M → \$200,000 per employee, \$250,000 per delivery FTE.

### Benchmark:

- **Healthy range:** \$150k–\$250k per delivery FTE in most SMB service sectors.
- Consulting, legal, or specialized technical services: \$250k–\$400k+ per delivery FTE is typical.

## Customer Lifetime Value to Acquisition Cost (LTV:CAC)

**Definition:** Compares the long-term value of a customer to the cost of acquiring them.

**Formula:**  $(\text{Average Revenue per Customer} \times \text{Gross Margin} \times \text{Average Lifespan}) / \text{CAC}$

### Examples:

- A SaaS-like tutoring service spends \$500 to acquire a client who stays 12 months at \$200/month with 70% margin → LTV = \$1,680, ratio = 3.4:1.
- A marketing agency spends \$3,000 per client in sales/marketing, retains them 2 years at \$2,000/month, 50% margin → LTV = \$24,000, ratio = 8:1.

### Benchmark:

- **Healthy:** 3:1 or higher.
- Below 2:1 = customer acquisition cost is too high or retention too short.
- Above 8:1 = under-investing in marketing (growth potential left untapped).

## Project (or Client) Profitability

**Definition:** Net margin on a project or client after direct costs, labor, and overhead allocation.

**Formula:**  $(\text{Project Revenue} - \text{Direct Project Costs} - \text{Allocated Overhead}) / \text{Project Revenue}$

### Examples:

- A web design project: \$50,000 revenue, \$30,000 in direct costs (staff + contractors), \$5,000 overhead → 30% profitability.
- An engineering services contract: \$250,000 revenue, \$200,000 delivery cost, \$20,000 overhead → 12% profitability.
- A legal engagement: \$100,000 revenue, \$55,000 delivery cost, \$10,000 overhead → 35% profitability.

### Benchmark:

- **Healthy:** 20–40% profitability per project/client.
- Below 15% = risk of unprofitable clients.
- Over 40% = pricing power or highly efficient delivery (rare but possible).

## Utilization Rate with Cost Overlay

**Definition:** Percentage of available hours spent on billable work, compared against the cost of those hours.

**Formula:**  $\text{Billable Hours} / \text{Total Available Hours}$ , with cost per hour considered against billing rate.

### Examples:

- A design firm: 7 staff, 1,200 total monthly hours, 840 billable → 70% utilization; billable rate \$100/hr vs. \$40/hr cost → profitable.
- A consulting team: 5 staff, 800 total monthly hours, 480 billable → 60% utilization; billing \$150/hr vs. \$100/hr cost → margin thin.
- An IT services shop: 10 staff, 1,600 hours, 1,280 billable → 80% utilization; billing \$120/hr vs. \$50/hr cost → strong margin.

### Benchmark:

- **Healthy utilization:** 65–75% for service firms.
- Below 60% = underutilized staff.
- Above 80% = overwork risk, burnout, and declining service quality.

## Sources

[Service Performance Insight](#) | [Consulting Success](#) | [U.S. Bureau of Labor Statistics](#) | [Matrix Partners / SaaS Metrics 2.0](#) | [Harvard Business Review](#) | [Deltek & PS Insights](#) | [HubSpot / Agency Benchmarks Report](#)