Vantaca™

12 KPIs Every Community Association Management Business Should Know

Introduction

Community association management is a complex business that involves managing multiple communities, budgets, employees, and stakeholders. To succeed in this field, it is essential to have a data-driven approach that enables you to make informed decisions, optimize operations, and improve customer satisfaction. However, many community association management companies are still relying on manual processes and outdated systems to manage their operations, which can result in inefficiencies, errors, and missed opportunities.

In today's fast-paced business environment, community association management companies need to leverage data and analytics to stay ahead of your competition and meet the evolving needs of your customers. By using data-driven insights, you can identify areas for improvement, optimize your operations, and make strategic decisions that lead to growth and profitability.

In this e-book, we will explore the key performance indicators (KPIs) that every community association management leader should know and track to build a data-driven approach to their business. We will dive into each KPI, explain what it is and why it is important to track, and provide tips on how to measure it effectively.

KPI Categories

Categorizing the main key performance indicators (KPIs) for community association management can help you gain a better understanding of the different areas of your business that impact your overall success. By grouping the KPIs into categories, it becomes easier to identify patterns and trends, prioritize areas for improvement, and make data-driven decisions that lead to growth and profitability.

The five categories that we have identified include customer satisfaction, financial health, human resources, operational efficiency, and growth. Customer satisfaction KPIs focus on ensuring that clients are happy and their needs are being met. Financial health KPIs relate to the business outcomes of the company, such as profitability and budget variance. Human resources KPIs help assess the job satisfaction of the workforce. Operational efficiency KPIs track the efficiency of processes and procedures within the company. Finally, growth KPIs are essential for scaling the business and expanding into new markets.

Customer Satisfaction

Human Resources

Operational Efficiency

Financial Health

Sales & Growth

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01 CUSTOMER SATISFACTION

Client Retention By Portfolio

WHAT IT IS

Client retention by portfolio measures the percentage of clients who renew their contract with your company over a specified period. It indicates your company's ability to maintain strong relationships with your customers and meet their needs. High client retention rates demonstrate that you are providing excellent service and have established a level of trust with your clients.

HOW TO CALCULATE IT

$$\text{CLIENT RETENTION BY PORTFOLIO} = \left[\frac{\text{(Number of Clients at the End of the Period - New Clients Acquired During the Period)}}{\text{Number of Clients at the Beginning of the Period}} \right] \times 100$$

For example, if a community association management company had 100 clients at the beginning of the year and ended the year with 90 clients, and acquired 10 new clients during the year, the calculation would be: (90-10) / 100 x 100 = 80% client retention rate by portfolio.

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

Client retention is crucial for community association management companies to maintain long-term relationships with your customers and ensure continued revenue. Retaining clients is more cost-effective than acquiring new clients, and loyal clients often refer new business to the company. Client retention also helps to maintain a positive reputation and build trust in the community.

CHALLENGES

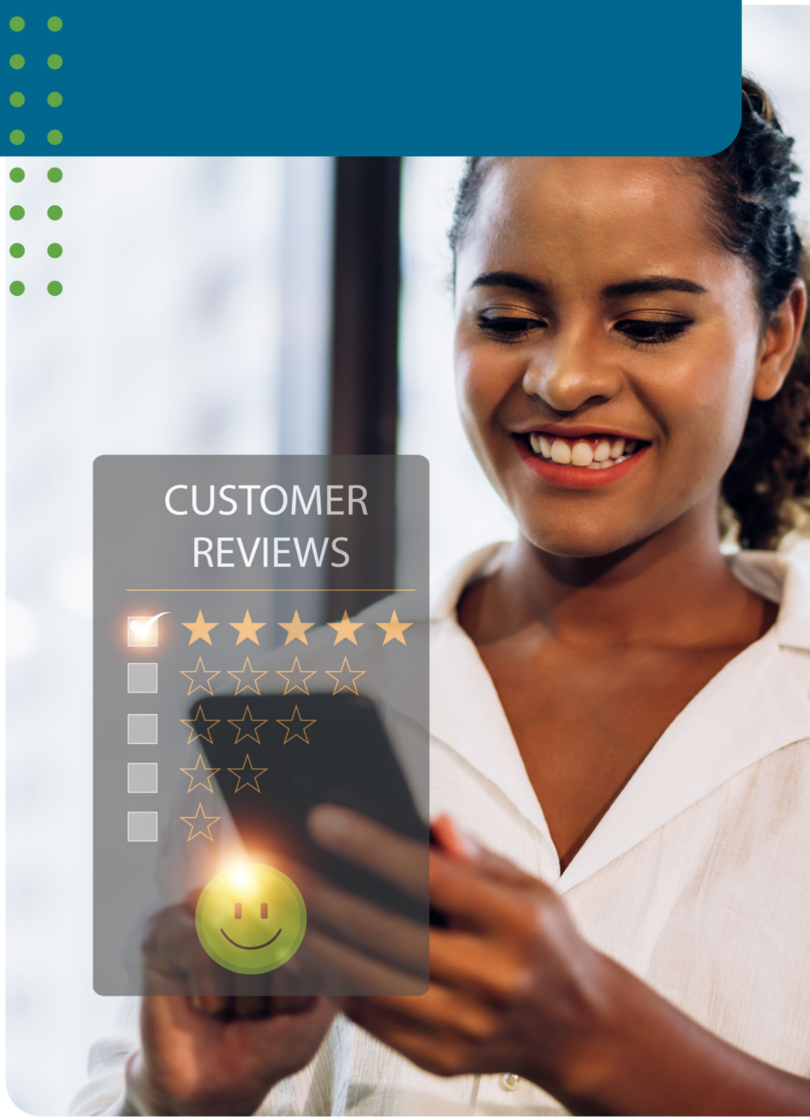
Challenges to measuring client retention by portfolio may include tracking changes in client needs, communication gaps, or negative publicity that can impact client satisfaction. Additional factors that may impact retention include competitive pressure, economic factors, and changes in the industry. It is essential to regularly review and analyze customer feedback to identify areas for improvement and maintain high levels of client satisfaction.

EXTRA TIPS

- Regularly survey your customers to identify areas for improvement.
- Provide excellent customer service to build and maintain strong relationships.
- Stay up-to-date with industry trends and adjust services to meet evolving needs.
- Use data analytics to gain insights into client behavior and preferences.
- Offer incentives or loyalty programs to encourage client retention.

02 CUSTOMER SATISFACTION

Customer Satisfaction



WHAT IT IS

Customer satisfaction is the measurement of how satisfied customers are with a company's products or services. The Net Promoter Score (NPS) is a popular tool used to measure customer satisfaction. It measures how likely customers are to recommend the company to others.

HOW TO CALCULATE IT

The NPS score is calculated by asking customers to rate on a scale of 0 to 10 how likely they are to recommend the company to friends or family. Based on their score, customers are categorized into Promoters (score of 9-10), Passives (score of 7-8), and Detractors (score of 0-6). The NPS score is then calculated by subtracting the percentage of Detractors from the percentage of Promoters.

For example, if 30% of customers are Promoters, 50% are Passives, and 20% are Detractors, the NPS score would be 10 (30% - 20%).

$$\text{NET PROMOTER SCORE} = \left[\frac{\text{Number of Promoter Scores}}{\text{Total Number of Respondents}}\right] - \left[\frac{\text{Number of Detractor Scores}}{\text{Total Number of Respondents}}\right]$$

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

Customer satisfaction is important for community association management companies because it helps you identify areas where you can improve your services and retain your clients. Happy customers are more likely to stay with the company and recommend it to others, which can lead to growth and increased revenue.

CHALLENGES

Measuring customer satisfaction can be subjective and difficult to quantify. Different customers may have different expectations and experiences, making it challenging to create a standardized measurement. Additionally, not all customers may be willing to provide feedback, which can skew the results.

EXTRA TIPS

- Respond promptly and thoughtfully to all client communications.
- Continuously evaluate and improve the quality of your services.
- Conduct surveys to keep learning more about changing customer needs.
- Gather feedback to stay up-to-date on customer attitudes and preferences.

03 HUMAN RESOURCES

Employee Retention & Turnover

WHAT IT IS

Employee retention and turnover measure the percentage of employees who have left the company within a given period. It is an important metric for community association management companies because high turnover rates can result in decreased productivity, increased costs associated with hiring and training new employees, and a negative impact on employee morale.

HOW TO CALCULATE IT

$$\text{EMPLOYEE RETENTION RATE} = \left[\frac{\text{(Number of Employees at end of period - Number of Employees who left during period)}}{\text{Number of Employees at start of period}} \right] \times 100$$

EMPLOYEE TURNOVER RATE = 100 - Employee retention rate

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

A low employee retention rate can be a red flag for a community association management company, as it may indicate issues with employee satisfaction, company culture, or management practices. It is important to understand why employees are leaving and take steps to address those issues.

CHALLENGES

One challenge to measuring employee retention and turnover is that there may be various reasons why an employee leaves the company, such as personal reasons, better job opportunities, or dissatisfaction with the job. It is important to gather feedback from employees who are leaving and current employees to identify areas for improvement.

EXTRA TIPS

- Conduct exit interviews to gather feedback from employees who are leaving.
- Monitor employee satisfaction levels through surveys and other feedback mechanisms.
- Implement employee retention strategies, such as professional development opportunities, competitive compensation and benefits, and a positive company culture.
- Provide ongoing training and support for managers to improve their leadership skills and help them better understand employee needs and motivations.

04 OPERATIONAL EFFICIENCY

Employee Productivity

WHAT IT IS

Employee productivity is a KPI that measures how efficient and effective employees are in completing their tasks and responsibilities within a given time frame. It is a key factor in determining the overall performance of an organization, and community association management is no exception.

HOW TO CALCULATE IT

$$\text{EMPLOYEE PRODUCTIVITY} = \frac{\text{Total Tasks Completed}}{\text{Total Hours Worked}}$$

This calculation provides a measure of how much work an employee is completing within a given time frame and can be used to track changes in productivity over time.

**Note this equation provides a basic measure of productivity and may not capture other factors such as task complexity or quality of work.*

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

Employee productivity is important for community association management because it directly impacts the quality of service provided to your clients. Highly productive employees can complete tasks more efficiently, resulting in a faster turnaround time for requests and a higher quality of work. This can lead to increased client satisfaction and higher retention rates.

EXTRA TIPS

- Streamline business processes to reduce inefficiencies.
- Provide training and development opportunities for employees.
- Set clear goals and expectations for employee performance.
- Get regular feedback to identify potential productivity blockers.
- Recognize employee performance to keep teams motivated.

CHALLENGES

One challenge in measuring employee productivity is determining what specific tasks or responsibilities should be included in the calculation. For community association management, this may include tasks related to maintenance, financial management, and administrative duties. It is important to ensure that the tasks being measured are relevant to your organization's goals and objectives.

Another challenge is ensuring that the measurement of employee productivity is fair and consistent across all employees. Factors such as experience level and workload can impact productivity levels, so it is important to take these factors into consideration when calculating and comparing productivity rates.

05 OPERATIONAL EFFICIENCY

Average Time to Close Work Orders

WHAT IT IS

Average time to close work orders measures the average time it takes to complete work orders submitted by homeowners or board members. This KPI tracks how efficient and effective your team is in resolving issues and addressing homeowner concerns.

HOW TO CALCULATE IT

$$\text{Average time to close work orders} = \frac{\text{Total time taken to close all work orders}}{\text{Number of work orders}}$$

For example, if it takes 30 hours to close 20 work orders, the average time to close work orders would be 1.5 hours.

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

This KPI is crucial for community association management because it directly affects customer satisfaction and the overall quality of living in the community. The longer it takes to close work orders, the more homeowners may feel neglected or frustrated with the community and/or management team.

CHALLENGES

One of the challenges of measuring this KPI is ensuring accuracy in the time it takes to close work orders. There may be discrepancies in how your management staff records tasks and time, which could skew the results. Additionally, if work orders are improperly categorized or have missing information, it can also impact the accuracy of the calculation.

EXTRA TIPS

Implement a clear and streamlined work order system that ensures accurate tracking of the time it takes to close each order.

Regularly review and analyze data to help identify areas for improvement and opportunities to streamline processes.

Observe expected response times with boards and homeowners to help set communication expectations and improve satisfaction.

06 OPERATIONAL EFFICIENCY
Scale

WHAT IT IS

Scale refers to the ability of a community association management company to grow the number of communities and/or doors per employee. Essentially, it measures your company's efficiency in expanding your operations and increasing your reach.

HOW TO CALCULATE IT

Scale can be measured by dividing the total number of communities or doors managed by the number of employees in the company.

$$\text{NUMBER OF COMMUNITIES PER EMPLOYEE} = \frac{\text{Number of Communities}}{\text{Number of Employees}}$$

$$\text{NUMBER OF DOORS PER EMPLOYEE} = \frac{\text{Number of Doors}}{\text{Number of Employees}}$$

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

Scale is an important KPI for community association management companies because it directly impacts your bottom line. By increasing the number of communities and doors managed per employee, you can improve your profitability and competitiveness. Additionally, scaling can help you achieve economies of scale, which can lead to cost savings and better resource allocation.

CHALLENGES

Measuring scale requires accurate and up-to-date data on the number of communities and doors managed, as well as the number of employees. Companies may face challenges in scaling due to factors such as limited resources, operational inefficiencies, and market saturation.

EXTRA TIPS

- Closely evaluate your service offerings.
- Streamline your operations to cut out wasteful inefficiencies.
- Invest in technology and automation to take advantage of new tools.
- Prioritize employee training and development to ensure your staff is equipped to handle larger workloads.

07 FINANCIAL HEALTH

Profitability

WHAT IT IS

Profitability is a measure of how much profit a company generates in relation to its revenue. It indicates the efficiency of the company in generating revenue while managing costs. Tracking profitability is crucial for community association management companies as it helps you to maintain financial stability and identify areas for improvement.

HOW TO CALCULATE IT

$$\text{PROFITABILITY} = \frac{\text{Total Revenue} - \text{Total Expenses}}{\text{Total Revenue}}$$

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

Community association management companies should aim to achieve sustainable profitability, which allows you to reinvest in your business and provide better services to your clients. By measuring profitability, you can evaluate your performance against your financial goals, identify areas of weakness, and take necessary corrective actions to improve the bottom line.

CHALLENGES

Measuring profitability can be challenging due to factors such as seasonality, unexpected expenses, and variations in revenue streams. Additionally, some expenses, such as depreciation and amortization, may not be directly tied to revenue, making it difficult to accurately determine profitability. However, by regularly monitoring this KPI, community association management companies can identify trends and take proactive measures to address potential issues.

EXTRA TIPS

Improve revenue and cost management by developing effective budgeting and expense tracking systems, implementing cost-saving measures, and identifying opportunities for revenue growth.

08 FINANCIAL HEALTH

Profitability per Community

WHAT IT IS

Profitability per community is a KPI that measures the profitability of each community managed by a community association management company. Tracking profitability per community is important because it helps community association management companies identify which communities are generating the most profit and which ones need improvement.

HOW TO CALCULATE IT

Profitability per community can be calculated by dividing the net income of a specific community by its total revenue.

$$\text{Profitability per community} = \left[\frac{\text{Net Income for a Specific Community}}{\text{Total Revenue for that Community}} \right] \times 100$$

EXTRA TIPS

- Regularly review financial statements.
- Analyze revenue and expense trends.
- Compare profitability across communities to identify areas for improvement.
- Set performance goals for community managers and incentivize good performance.

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

This KPI helps identify which communities are generating the most profit and which ones are not. This information can be used to allocate resources more effectively and improve the overall financial health of your company. By improving the profitability of each community, your company can generate more revenue and invest in better services for your clients.

CHALLENGES

Challenges to measuring profitability per community can arise due to differences in community size, age, and demographics. It may also be difficult to accurately allocate expenses to specific communities. To address these challenges, community association management companies may need to standardize your accounting practices and ensure accurate tracking of expenses.

09 FINANCIAL HEALTH
On-Time Payments & Delinquency Rate

WHAT IT IS

These KPIs measure the percentage of community members who make payments on time and the percentage of those who are behind on their payments. Payment timeliness is important for community association management because it provides insights into the financial health of the community and helps identify potential revenue risks.

HOW TO CALCULATE IT

$$\text{DELINQUENCY RATE} = \left[\frac{\text{Number of Delinquent Payments}}{\text{Total Number of Payments}} \right] \times 100$$

ON-TIME PAYMENT RATE = 100 - Delinquency Rate

The Delinquency Rate is calculated by dividing the number of delinquent payments by the total number of payments and multiplying by 100. The On-Time Payment Rate is then calculated by subtracting the Delinquency Rate from 100.

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

It's important to track On-Time Payments and Delinquency Rates because it helps community association management understand the financial stability of the community. A high Delinquency Rate indicates a potential cash flow issue, which could affect the community's ability to meet financial obligations.

CHALLENGES

Measuring this KPI accurately could be skewed due to inaccurate record-keeping, lack of communication with community members, and changes in the community's financial situation due to external factors like economic downturns.

EXTRA TIPS

- Implement automated payment reminders.
- Offer payment plans to community members.
- Regularly communicate with community members about payment expectations and deadlines.

10 FINANCIAL HEALTH

Budget Variance

WHAT IT IS

Budget variance is the difference between actual expenses and budgeted expenses. This KPI measures the financial performance of a community association by tracking whether actual expenses are higher or lower than what was budgeted.

HOW TO CALCULATE IT

To calculate budget variance, subtract the actual expenses from the budgeted expenses, then divide by the budgeted expenses and multiply by 100 to get a percentage.

$$\text{BUDGET VARIANCE} = \left[\frac{\text{Actual Expenses} - \text{Budgeted Expenses}}{\text{Budgeted Expenses}} \right] \times 100$$

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

Tracking budget variance helps community managers identify areas where expenses may be getting out of control or where budgets may need to be adjusted. By tracking budget variance over time, managers can identify trends and make data-driven decisions to improve financial performance. This should also be closely communicated with the board.

CHALLENGES

One challenge to measuring budget variance is that expenses can be unpredictable, especially for unplanned events or emergencies. To address this, it's important to build a contingency fund into the budget to account for unexpected expenses.

Another challenge is that budget variance can be influenced by factors outside of the community association's control, such as economic downturns or changes in regulations. In these cases, it's important to focus on factors that are within the community association's control, such as vendor costs and capital expenses.

EXTRA TIPS

Regularly review financial statements, identify areas where expenses can be reduced or eliminated, and set realistic budgets based on historical data and industry benchmarks.

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SALES AND GROWTH

Win/Loss Rates for New Communities

WHAT IT IS

Win/Loss rates for new communities are a sales KPI that measures the percentage of new community opportunities won versus those lost. This KPI provides valuable insights into how well the company is performing in terms of sales and customer acquisition.

HOW TO CALCULATE IT

$$\text{WIN/LOSS RATE} = \left[\frac{\text{Number of New Communities Won}}{\text{Total Number of New Community Opportunities}} \right] \times 100$$

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

Measuring win/loss rates for new communities is crucial for community association management companies to assess your sales strategy and identify areas for improvement. It can also help you identify trends in the market and analyze how your services are being perceived by potential clients.

CHALLENGES

Sometimes finding accurate data on the total number of new community opportunities that were available is a challenge. Companies may have to rely on sales representatives or client relationship managers to report these numbers.

EXTRA TIPS

- Develop strong relationships with your clients.
- Ensure your services meet your clients' needs.
- Provide exceptional customer service.
- Train sales representatives to help them better understand what potential clients want.

12 SALES AND GROWTH

Growth

WHAT IT IS

Growth measures how much your community association management company is expanding the business, which can be achieved through acquiring new communities or doors, increasing prices, or upselling services.

HOW TO CALCULATE IT

There are several ways to measure growth, including:

$$\text{REVENUE GROWTH RATE} = \left[\frac{\text{Revenue this year} - \text{Revenue last year}}{\text{Revenue last year}}\right] \times 100$$

$$\text{PROFIT GROWTH RATE} = \left[\frac{\text{Profit this year} - \text{Profit last year}}{\text{Profit last year}}\right] \times 100$$

$$\text{CUSTOMER GROWTH RATE} = \left[\frac{\text{Number of new customers} - \text{Number of lost customers}}{\text{Total number of customers}}\right] \times 100$$

WHY IT'S IMPORTANT FOR COMMUNITY ASSOCIATION MANAGEMENT

Growth is a critical KPI for community association management as it indicates the success of your company's expansion strategy. A high growth rate shows that your company is gaining new business, increasing revenue and profitability, and staying ahead of the competition.

CHALLENGES

Measuring growth can be challenging as it depends on various factors such as market conditions, competition, and economic fluctuations. Also, it's important to ensure that growth is sustainable and not achieved at the expense of quality or customer satisfaction.

EXTRA TIPS

Track growth metrics regularly and compare them to industry benchmarks.

Enhance the customer experience by expanding your services and investing in new technologies.

Conclusion

Community association management companies must track key performance indicators (KPIs) in order to measure success and progress over time. By tracking KPIs explored in this e-book, community you can make more informed decisions about resource allocation, staffing, and business development to ensure sustainable growth and long-term success.

Vantaca is building the tools that can help community association management companies track many of these KPIs. Our aim is to deliver real-time analytics and reporting to help you make data-driven decisions. By leveraging business intelligence, community association management leaders can gain valuable insights into your company's performance and take proactive steps to improve operations, increase efficiency, and achieve your growth objectives.

In summary, tracking KPIs is essential for community association management companies to stay competitive and achieve sustainable growth. With the right tools and strategies in place, leaders like yourself can make data-driven decisions and lead your companies to success in today's dynamic marketplace.

Learn More about Vantaca’s Business Intelligence Tools