## Step 23: Are Your Customers “Eating the Dog Food”?

So what numbers should you look at?

1. **Initial Interest**: Once your target customer is exposed to your value proposition, what percentage of them actively seek to learn more? On a website, you can measure the clickthrough rate from a page that details the benefits of the product to a subsequent page.
2. **Conversion Rates**: Once the target customer is in the sales funnel, the yield rates going from section to section of the funnel are extremely important numbers to understand, both the absolute numbers but also the trends.
3. **Purchase and Pay**: The ultimate conversion. Whether the customer pays for your product is one very important indication of whether the customer is getting value. How long it takes the customer to pay, and what percentage of customers end up not paying after making an initial commitment (the “default rate”), are also interesting numbers to watch.
4. **Retention Rates**: It is always telling to monitor retention rates, often referred to in the negative modality of “churn rate,” especially in subscription businesses. One way to measure retention rates is through support or maintenance contracts for post-purchase support. If the customer buys the product but doesn’t sign up for a maintenance contract at the end of the warranty period, in some industries that is a bad sign and you should take note immediately.
5. **Customer Advocacy**: There is a huge difference between a satisfied customer and a very happy, evangelizing one. The latter is at least one order of magnitude if not more valuable to you. The simplest and most commonly used way to measure customer advocacy is the Net Promoter Score (NPS), developed by Bain & Company, Satmetrix Systems, and Fred Reichheld. You gather the necessary data by asking customers a single question – On a scale of 1 to 10, with 10 being the highest, how likely is it that they would recommend your product to a friend or colleague? By tallying the percentage of responses that are 9s and 10s (“Promoters”) and subtracting the percentage of responses that are 6s and below (“Detractors”), you get your score, which can be as low as -100 (all Detractors) and as high as 100 (all Promoters).
6. **COCA and LTV**: Estimate these numbers again now that you have some sales. They are much easier to calculate the second time around! They are valuable, albeit imperfect, indicators of your success. If there are surprises in these numbers, then quickly dive into it and understand why.
7. **Gross Margin**: Your gross margin, the difference between what it costs to make one unit of product and what you sell that unit of product at, should go up over time, indicating that you are getting strong word of mouth for your product. If it goes down, then you are possibly providing too many discounts on your product, so the number of customers may be going up because the price is artificially low. The gross margin trend is an imperfect indicator on its own (much like the other indicators here), but make sure you monitor it.
8. Don’t feel constrained by this list. There are plenty of other metrics that will be equally or more valuable for your situation.

## Worksheet

What time period(s) will you measure metrics for (give duration and units – e.g. 2 weeks, 2 months, etc.) **Quarterly**

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| Are Your Customers “Eating the Dog Food”? | | | | | |
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| **Stage in Funnel (starting at top)** | **Est. Industry Conversion**  **Average (%)** | | **Your Conversion Goal (%)** | **Actual Conversion Rate (% and trend)** | **Next Steps if your actual conversion rate is lower than your goal** |
| #1 – Identification (leads) | 40% | 35% | | To be measured | Review lead generation channels (Step 18/19). Refine target audience messaging based on who is converting. Analyze content performance and SEO effectiveness. |
| #2 – Consideration (suspects) | 30% | 25% | | To be measured | Improve initial engagement tactics (Step 18). Enhance website clarity on value proposition (Step 8). Offer more compelling introductory content or demos. |
| #3 – Engagement (prospects) | 20% | 15% | | To be measured | Refine demo/trial experience to better showcase value (Step 8/21). Improve objection handling resources for sales/support. Ensure pricing tiers are clear and justified (Step 16/21). |
| #4 – Purchase Intent (qualified prospects) | 50% | 45% | | To be measured | Streamline qualification process. Simplify quoting and proposal generation. Provide better support materials for navigating institutional procurement (Step 13/18). |
| #5 – Purchase (customers) | 65% | 60% | | To be measured | Simplify checkout/payment process. Offer multiple payment options. Proactively follow up on institutional invoices. Address any technical issues with signup/payment promptly. |
| #6 – Loyalty (satisfied customers) | 60% (Quarterly Retention) | 55% (Quarterly Retention) | | To be measured | Improve onboarding process (Step 18). Enhance product features based on user feedback (Step 21/22). Increase proactive support and communication. Clearly demonstrate ongoing value derived from the product (linking back to Step 8). Review pricing/value alignment if retention is consistently low. |
| #7 – Advocacy (evangelists) | 10% (Referral Rate/NPS > 10) | 5% (Referral Rate/NPS > 10) | | To be measured | Actively solicit feedback from satisfied users. Implement or improve referral program (Step 18). Engage with promoters identified via NPS. Use testimonials and case studies more effectively. Address feedback from detractors to improve overall satisfaction. Address product issues impacting user satisfaction. |

### Gross Margin, LTV, COCA

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|  | Expected for Short Term | Actual for Short Term | Next Steps |
| Gross Margin | ~65-70% (Slightly below long-term 75% target due to initial support costs) | To be measured | Optimize cloud infrastructure costs. Improve support efficiency through better documentation/self-service. Analyze costs associated with delivering the service. |
| LTV | ~€250 - €300 (Revised lower based on Step 21 findings on retention/price sensitivity) | To be measured | Focus intensely on improving customer retention (Stage #6). Explore opportunities for upselling or add-ons once core value is established. Re-validate pricing against value. |
| COCA | €3,500 - €5,000 (High initial cost based on Step 19 short-term estimate) | To be measured | Optimize sales and marketing channels based on early conversion data (Step 18/19). Improve lead qualification. Transition towards more scalable internet sales tactics. |

### Define and Test Other Metrics

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| List Custom Metrics Here: | Expected for Short Term | Actual for Short Term | Next Steps |
| **NPS (Net Promoter Score)** | > 0 (Aiming for positive score initially, acknowledging MVBP limitations found in Step 21) | To be measured | Analyze promoter/detractor feedback deeply. Engage promoters for testimonials/referrals. Address detractor concerns to improve product and reduce churn. |
| **Monthly Active Usage (MAU) (% of customers)** | > 40% (Want users actively engaging regularly) | To be measured | Improve onboarding to guide users to core features. Enhance UI/UX for better engagement. Add features that encourage regular use based on feedback. |
| **Key Feature Adoption Rate** | > 50% (e.g., % of active users trying core AI agents like Idea Generation or Experiment Planning monthly) | To be measured | Promote key features via in-app messages or emails. Simplify access to core features. Ensure features deliver clear value based on user feedback (Step 21). |
| **Average Support Tickets per User per Quarter** | < 0.5 (Aim for low friction and good self-service) | To be measured | Improve knowledge base and self-service resources. Enhance product stability and usability based on ticket trends. Optimize support response times. |