Cracking the PM interview 🚀

Top metrics that every PM should track

Sign-up and Onboarding metrics

Sign-up and Onboarding metrics (1/4)

[1] Number of unique visits on your app store

Total number of unique users visiting your app store / play store page

[2] Number of installs

Total number of times your app was installed

[3] Number of Sign-ups

Total number of users who signed-up on your app successfully

[4] Signup Completion Rate

Total number of users who signed-up successfully / Total number of installs

This tells how many users are signing up after installing the app. If this number is low, you need to improve your sign-up process.

Improvement can happen through multiple ways - by shortening the process (if it's a long process) or by better communicating the user about the process.

Sign-up and Onboarding metrics (2/3)

[5] Sign up Drop-off Rate

This is basically 100% - Signup Completion Rate.

Drop-off rate, ideally, should be as low as possible. This gives us an idea what percentage of users are dropping-off in the sign-up process.

[6] Onboarding Completion Rate

In certain cases where signup flow is a 1-2 step process, onboarding flow could be different.

You would see this mostly in the case of Fintech apps where you need to complete KYC in order to use the app.

This tells us how many users are completing the onboarding process after signing up.

Onboarding Completion Rate = Number of users completing onboarding / Number of users signing up

Sign-up and Onboarding metrics (1/3)

[7] Onboarding Drop-off rate

This is 1- Onboarding Completion Rate.

This gives us how many users are dropping-off in the onboarding flow. A long & tedious onboarding flow may be the reason for this.

[8] Total Installs

Total number of users who have installed your app till date.

[9] Active Installs

Total number of users who have installed your app at any given point of time.

[10] Acquisition Rate

Number of new users / A given period of time

This tells us at what pace we are acquiring users.

Revenue and Monetization metrics

Revenue and Monetization metrics (1/3)

[1] GMV

Gross merchandise value (GMV) is the total value of merchandise sold over a given period of time.

Example: Amazon sells 100 mobile phones worth USD 500 each. The total transaction value of these mobile phones on Amazon would be $100*500 = $50k. This would be the GMV for Amazon.

Usually, startups measure GMV aggressively because in the initial days revenue is low and their major focus is on driving sales through their platform.

[2] Revenue

Revenue is the money earned by the company. This is usually a subset of GMV.

In the above example, Amazon sold 100 mobile phones worth $500 each. Now, Amazon would make some commission for each sale, let's assume 10%.

This 10% is actually the revenue of Amazon, i.e., $50k * 10% = $5k.

Revenue and Monetization metrics (1/3)

[3] CAC

CAC is the cost of acquiring a customer, i.e., amount spent to acquire each customer.

This metric should be as low as possible. A zero CAC (theoretically) would mean that you are not spending anything on marketing. All your customers are coming on their own and buying.

[4] CLTV

CLTV is customer lifetime value, i.e., the revenue a customer is expected to give to the company in his/her entire association with the company.

Calculation = Average revenue per user per month * Average customer lifespan (in months)

[5] MRR

Monthly recurring revenue (MRR) is the monthly amount of predictable revenue your company is generating.

MRR = Subscribers * Average monthly revenue per user

In simple terms, it is the number of paying customers multiplied by average revenue earned per customer per month.

Revenue and Monetization metrics (1/3)

[6] ARR

Annual recurring revenue (ARR) is the annualized amount of predictable revenue your company will generate.

ARR = 12 * MRR

[7] Free-to-paid conversion Rate

This basically tells how many of your free customers are getting converted into paid customers.

It is a good metric to understand if your customers are willing to pay you money after exploring your free/trial product.

[8] Churn rate

From a monetization lens, this metric denotes how many of your paid customers are churning or leaving you after their subscription period is over.

Churn rate = Number of customers unsubscribed / Total number of paid customers at the start of the period

Engagement and Retention metrics

Engagement and Retention metrics (1/4)

[1] Daily Active Users (DAU) / Weekly Active Users (WAU) / Monthly Active Users (MAU)

Number of unique users visiting your platform on a daily, weekly and monthly basis.

This usually depends on the use case of the product.

For an investment product wherein portfolio value can change every day, DAU makes more sense.

For other cases that are not as critical, MAU may make more sense.

[2] DAU/MAU

This gives you an indication of repeat users. What % of your daily users are visiting more than once in a month?

A DAU/MAU of 30% is considered extremely good.

Engagement and Retention metrics (1/4)

[3] Bounce Rate

This denotes % of users who are dropping-off from your platform without engaging.

Typically, a user is called as bounce when he/she lands on your platform and drops-off from the same page without any interaction/navigation.

[4] Average Session Duration (ASD)

The average amount of time spent by users in one session.

Higher the ASD → More engaged users are on your platform.

But, keep in mind that if users are able to find what they are looking for very quickly then ASD will be low. And, this is completely fine.

[5] Average Time on Page (ATP)

The average amount of time spent by users on a given page.

Higher the ATP → More engaging the page is.

Engagement and Retention metrics (1/4)

[6] Average page visits per session

The average number of pages visited by a user in one session.

Higher this number → Better it is → Users are finding the content helpful and relevant.

You must have seen a lot of widgets on various platforms (Ex: 'People also viewed' widget on Linkedin) to drive this metric.

Moreover, this helps in building SEO for content websites. This provides interlinking to other pages which helps Google and other bots crawl those pages easily.

[7] Churn Rate

This denotes the number of people you are losing in a given period.

Formula to calculate churn rate = (Number of customers lost during the period / Number of customers at the start of the period) * 100

[8] Free-to-paid Conversion Rate

This denotes the value your paid product is providing to users, i.e., users are converting to paid offerings after exploring free variant.

Engagement and Retention metrics (1/4)

[9] Customer Retention Rate

The formula to calculate customer retention rate = (Number of customers retained during the period / Number of customers at the beginning of the period) * 100

[10] MoM Retention (M-1 retention, M-2 retention, etc.)

This denotes the percentage of users who are visiting your platform every month.

Example: If 100 users are acquired in January, 40 out of those visit the platform in February and 20 visit in March, then Month-1 retention is 40% and Month-2 retention is 20%.

Likewise, you can calculate for subsequent months and get details about user retention.

Customer Satisfaction metrics

Customer Satisfaction metrics (1/2)

[1] NPS

Net Promoter Score is a metric used to measure customer loyalty and satisfaction. It basically captures how likely a customer is to refer to other customers.

Formula to calculate →

NPS = % Promoters - % Detractors

When your company's NPS is high (or, at least, higher than the industry average), you know that you have a healthy relationship with customers who are likely to act as evangelists for the brand, fuel word of mouth, and generate a positive growth cycle.

[2] Play Store Ratings

This is pretty straight forward and can be seen from your Google Play Store or Apple App Store.

Customer Satisfaction metrics (1/2)

[3] CSAT Score

CSAT Score = (Number of satisfied customers / Total number of customers responded) * 100

Definition of satisfaction could be different from company to company, that's where it brings in a bit of subjectivity.

[4] Customer Referral Rate

This denotes how many of your customers are bringing in other customers. High referral rate can help companies reduce their customer acquisition cost significantly.

Formula to calculate Customer Referral Rate = (Number of customers who refer others / Total number of customers) * 100%

[5] Referral Conversion Rate

Formula to calculate Referral Conversion Rate = (Number of converted referrals / Total number of referred leads) * 100%

Net Promoter Score

Net Promoter Score (NPS) (1/2)

Net Promoter Score is a metric used to measure customer loyalty and satisfaction.

It basically captures how likely a customer is to refer to other customers.

It ranges from -100 to +100. +100 denotes that all customers are likely to promote your product to other customers; whereas -100 denotes that none of the customers are likely to promote your product.

It is asked from users via this question - “On a scale from 0 to 10, how likely are you to recommend this product/company to a friend or colleague?”

Formula to calculate →

NPS = % Promoters - % Detractors

A ‘Promoter’ is someone who has rated 9 or 10 to the above question.

A ‘Detractor’ is someone who has rated 6 or below to the above question.

And, anyone with a 7-8 rating to the above question is called Passive.

Net Promoter Score (NPS) (1/2)

% Promoters → (Number of users who have rated 9 or 10) / (Total number of users who have rated) * 100%

Promoters (score of 9 and 10) represent a company's most enthusiastic and loyal customers: these people are likely to act as brand ambassadors.

% Detractors → (Number of users who have rated 1 to 6) / (Total number of users who have rated) * 100%

Detractors (score of 0 to 6, included) are unlikely to recommend a company or product to others, probably won't stick around or repeat purchases, and—worse—could actively discourage potential customers away from a business.

NPS score of 70 or above is considered good for a business.

NPS can be used as a predictor of business growth.

When your company's NPS is high (or, at least, higher than the industry average), you know that you have a healthy relationship with customers who are likely to act as evangelists for the brand, fuel word of mouth, and generate a positive growth cycle.

Measuring NPS is important for product managers to understand their customer loyalty and customer satisfaction.

High NPS could also help in reducing customer acquisition cost, since your happy and loyal customers will promote your product → giving you free marketing.

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