# Start-up Metrics

# Smetrics?

*Inspiration from Dave McClure & David Jones*

**Stephen Merity**

smerity@smerity.com

# Who am I?

Graduated
*BIT (Hons) First Class + University Medal*
from University of Sydney

Previously I've worked at start-ups including
Google & Freelancer.com
& done consulting in machine learning + data mining.

All these start-ups live & breath metrics!

# Why metrics?

A *start-up* without *metrics*
is like
a *car* without a *windshield*

Most companies have no clue
what's happening on a daily basis...
*Don't be one of them!* ಠ_ಠ

# Why metrics?

Commonwealth Bank can tell when ads are
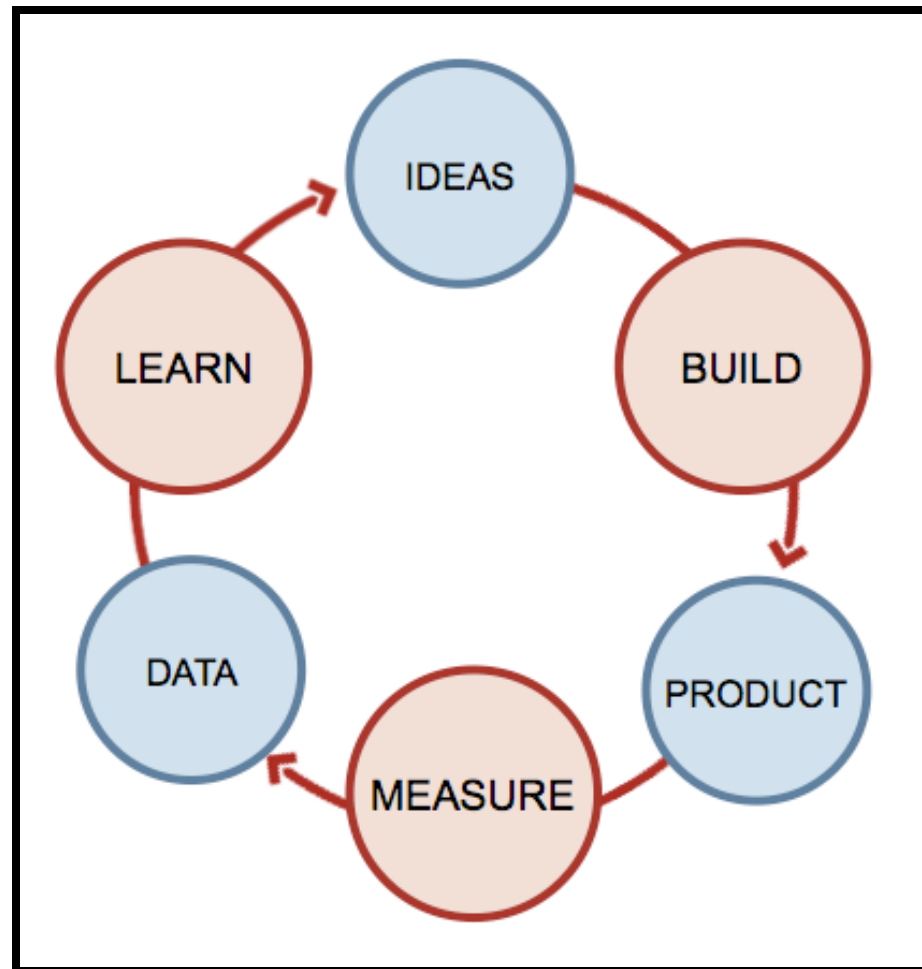on TV thanks to the visits to NetBank

Freelancer.com have a list of public holidays for each
country on earth so they can explain traffic dips

What's most likely to kill a start-up is not a competitor, a
crashed server, a hacker, ...
*It's not knowing what customers are doing and
whether they're happy!*

# Build, Measure, Learn

Speed of iteration ➡ successful product fit

# Start-up Metrics for *Pirates*

1. Acquisition

2. Activation

3. Retention

4. Referral

5. Revenue

# *AARRR* defines your funnel

1.  **A**cquisition
    200 users sign up
2.  **A**ctivation
    100 users enter profile details
3.  **R**etention
    30 users return within a week
4.  **R**eferral
    5 users send invites â¡ 10 sign-ups
5.  **R**evenue
    10 users sign up for $8 per month

# Acquisition

How do you get new users?
How do you get the *right* new users?

Different channels have different conversion rates
*Stop targeting TechCrunch!*

The first step in determining the cost of acquisition
*(special note: a user who refers another free = ½ CPA)*

# Activation

*...or "Oh, you have 4 million users, eh?"*
A user isn't a user unless they've actually used it!

What do you need users to do before they're useful?
How can you encourage those activities?

- Amazon.com ➡ Enter (valid) credit card details
- LinkedIn ➡ Fill initial profile details
- DropBox ➡ Added one file & synced to one computer

# Retention

How do you tempt users to come back?
*Notifications, special offers, targeted email campaign, ...*

What indicates they're coming back in 7/14/30 days?
*(Facebook realised photo uploads + tagging are vital)*

Cohort analysis helps answer the question:
"*How do all the new changes impact users?*"

# Referral

*Social proof / word of mouth* is amazingly strong:
if you have such a customer base use it!

Don't solely rely on it for user acquisition!

*Fraught with danger & potential:*
Twitter/Facebook can block you/change their API
You can be perceived as spammy & lose user trust

# Revenue

What's the life time value of the average customer?
*Single transaction? Recurring subscription?*

If it's subscription, how long do users remain with you?

# assert(CPA < LTV)

Work out your
cost per acqusition (CPA)
and your
life time value (LTV)

This defines how much you can spend in acquisition &
whether you'd benefit from "spamming money"

# Your Key Metrics

*Don't measure everything. It'll send you insane.*

What are the key business factors
you need measured?

How can you understand them with metrics?

# A/B Testing

is all the rage, but...
You likely won't (yet!) have enough traffic.

# Easy Mistakes in Metrics

If metrics aren't easy to check,
*they won't be checked!*

Metrics might not reveal the root cause of a problem

Metrics without statistics are indications:
*a tick up or down does not mean that new feature is vital!*

Don't focus on your own marketing (BS) metrics

# The Viral Loop

Viral growth factor:
*(% of users who invite others) × (average # invited)*
*× (% of invited who accept invitation)*

If factor > 1 then you have organic exponential growth

Main point: *don't rely on virality.*
Use referrals to supplement your traditional methods.

# So... Make metrics a habit!

Metrics are the key
to understanding your start-up
*and*
they drive the Lean Start-up's
Build-Measure-Learn feedback loop

Every action should be metric measurable:
*then you can properly celebrate success! =]*

**Stephen Merity**
smerity@smerity.com