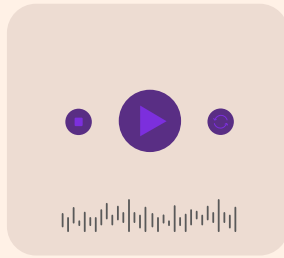# Headspace

IN 2018

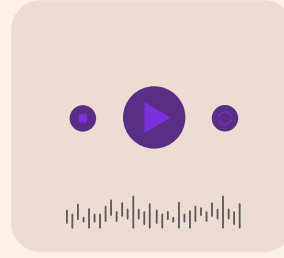# Why we volunteered

Where did it all start?

2004

Andy comes to London

2010

Richard quits his job

2011

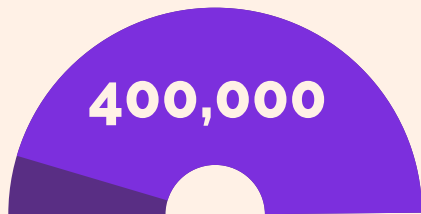Andy releases his book

2012

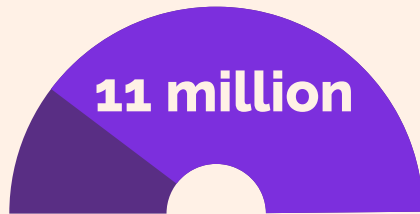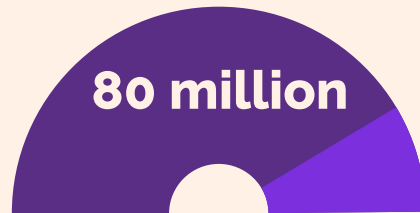First application launch

Problem

Customer retention was an issue for Headspace. Users, after learning the basics were happy and felt like they didn't need the app anymore.

Customer Retention

What?

The rate at which customers stay with a business for a given period of time

Why?

Retention helps you understand the effectiveness of your product, marketing, customer service, and pricing

Headspace Situation

- Advertising investment
- User base grew by 75%
- Net Promoter Score was 70+

Yet,

- Over 40% of the users who left only completed basics of meditation
- Content of about 1000+ hours unused

We love you guys.
We learned to meditate.
K thanks bye.

North Star Metric

Used to optimize for customer growth and retention

Meditation in Week 1	Meditation in Week 2 ⭐	Conversion likelihood
Once	Once	5 times
Skipped	Once	2 times

Experiments and Findings

Experiments	Findings
- Enable notifications - First meditations during onboarding - Notifications and email reminders to meditate in week one	- No effect
- Reduce onboarding #steps - Reduce upfront friction	- Meditation increased in week one - End conversion rate unaffected
- Diary study with 19 users	- A specific goal in mind
- Reconsider onboarding to address "need states"	- Users discovered the usefulness of meditation

Competitors and Marketplace
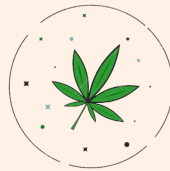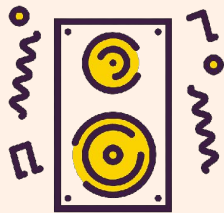
Problems and Strategies

Expectation

Freemium Users

- explore a variety of content
- find what they are looking for ("hook")
- More likely to convert
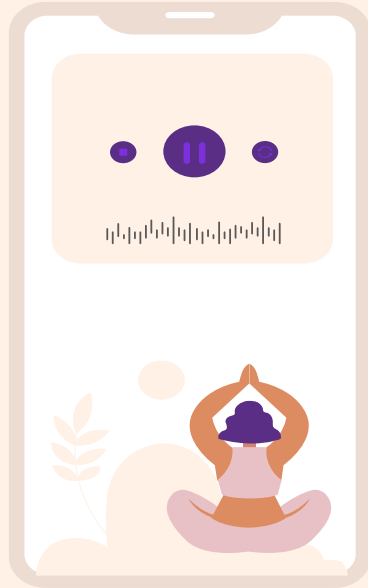
Premium Users

- More modes of access
- More likely to invite/convert their friends

Future Scope

- Partner with well known authors and coaches
- A 'Life Coaching' category with content
- A clean eating section for diet conscious users

Q&A

Dhwani Shah

Saurabh
Korgaonkar

Nikita Jyoti

Utkarsha Nerkar

Thank you

Headspace in 2018: Team 2

Headspace is a mobile and desktop application that aims at teaching meditation and mindfulness to users. It was the first meditation application that came out and had 1 million users by July 2018. The estimated annual revenues for it were over $50 million.

Randhir Vieira joined the company in September 2017 after the company's Series B investment of $36.7 million. He joined the company at a very crucial time because it had just launched the third generation of the application and expanded from 50 to 200+ employees. Vieria's interest lay in the company's user retention. He felt that improving the customer retention number would be the key to the growth of the company. At that time, they understood that customers were leaving the app because they were satisfied with it and did not see any scope on using it further. The challenge that they faced was to convince the customer in telling that Headspace is not just an introduction to meditation, but much more.

To solve this problem, he knew that he had to assess the situation from every angle right from the discovery of the application to value delivery within it. A new perspective to look at the product was the need of the hour.

BACKGROUND

Founded in May 2010 by Andy Puddicombe and Richard Pierson, Headspace was an application that aimed at bringing back the 2500-year-old practice of meditation to the people. After studying meditation, Puddicombe moved to London. He started using meditation techniques to treat people with insomnia, anxiety, and high blood pressure. He added frameworks to his teachings and reduced the session time for meditation. He started with guided meditations and reduced it to 20 minutes.

Puddicombe's student, Richard Pearson was the other half of the founding team. After meeting Andy, he got to know that meditation was very effective for him. So, Pearon's marketing and Puddicombe's meditation expertise was the deal-breaker for the team.

Launching Headspace
Pierson and Andy described Headspace as "The gym for your mind" which soon became a hot seller among people. Puddicombe was the voice and Pierson was the marketing expert for the application. After the success of the application, Puddicombe released a book called Get Some Headspace.

In 2012 they launched the application as a freemium subscription model. This created a sense of trust and loyalty among people and skyrocketed very quickly. In January 2017, Forbes put Headspace on the north of $50 million and a valuation of $250 million. Within 18 months, the application downloads tripled and went over 1 million paying subscribers. It had 1000 hours of content on Youtube and 80 million views in total.

Randhir Vieria did his first Vipassana meditation when he was pursuing his master's. After that, meditation became a core part of his life. In September 2017, he took the position of product lead for "Headspace at Work".

Customer Retention
Headspace was investing millions of dollars in advertising in March 2018. These strategies were successful and Headspace's user base grew by 75%. Out of the two options identified by Viera to create a sustainable revenue stream, increasing the price per customer or customer retention, the latter would be the main focus for Headspace to achieve its growth objectives. Despite traditional approaches to customer retention like personalized email notifications, engaging the customer in communicating with the company, the most important step was to identify why the users were leaving the app.

Need for Retention
1. Despite Headspace's Net Promoter Score is 70+, users were leaving Headspace despite having a positive experience
2. Over 40% of the users who left the app were completing only introductory meditation techniques listed on the app without moving forward with the rest of the content of about 1000+ hours on the app. They were happy with the initial meditation lessons and did not feel the need to proceed further.

Experiment and Findings
Due to time and cost constraints, they drew insights from various statistical analyses by running a short experiment where they were changing one data variable at a time that caused certain conversion spikes. They found out that a person was 5 times more likely to be converted to paid subscription if he/she meditated at least once in the first week and at least once in the second week. Alternatively, a user was 2 times more likely to be converted to paid subscription if the user skipped meditation in the first week but came back in the second week. Hence, they decided that a week two retention had to be their North Star Metric. Now following the assertion on the North Star Metric, they found out that they could get users to come back in week two if they could get them to meditate at least twice in week one.
They formulated an experiment to optimize the steps needed to increase conversions as follows:
1. The app asked users to enable notifications while registering so that Headspace could send them periodic reminders to meditate in weeks one and two.
2. Headspace encouraged its users to take up their first meditation during the onboarding process.
3. They encouraged users to meditate in week one through notifications and email reminders to increase the likelihood of the users coming back in week two and thereby increasing conversion likelihood.

They found out that the results were not as expected. So they formulated another experiment with an additional set of hypotheses. They adjusted the experiment with respect to the number of stages in onboarding, reducing upfront friction, etc, and yet found out that despite an increase in week one meditations, the end conversion rate was still unaffected. Jense learned an

important lesson from this experiment that just identifying the leading metric and optimizing that metric would not help unless the reason behind the metric being a leading indicator was taken into consideration.

After having no luck with the quantitative research they turned to qualitative research. They used the diary research method and found out that the users had a specific goal in mind with respect to using headspace. Their goals pertained to reducing stress and anxiety, improving sleep, etc. rather than learning meditation. Users could not easily locate the relevant content on the app. The company then decided to restructure its onboarding process in order to address the "need states". Getting to know what the customers are looking for from the app would mean adding additional steps to the onboarding process. A set of experiments proved that the users were not affected by the longer onboarding process, instead, it helped them understand how Headspace would be useful to them. People were willing to go through the long onboarding process because they valued Headspace's efforts to understand the user's need states.

Competitors and Marketplace
Headspace's competitor apps like Calm and Buddhify were also major players in the market. But it was not just a competitor in the meditation app space. Since Headspace decided to expand to other realms – sleep, anxiety, relaxation, etc., their competitors were also prescriptions, alcohols, over-the-counter drugs, music, movies, dance, and so on. They had a wide variety of factors to worry about.

EVOLVING THE PRODUCT

Key Problems
Experimentation with quantitative data analysis was not fruitful. This was because they tried to focus on two meditations in week one as their north star metric. Although this might be a good focus in the future, Headspace had to understand what was the underlying need that had to be addressed in order to meet this requirement.

As a result, Headspace had to shift to qualitative analysis that helped them understand the following problems:
1. Currently, Headspace provides some basic meditations for the free users and once they get converted into full-time users, they would unlock access to a large number of varied meditations across the app. This was, however, not able to address the situation where users wanted access to a particular issue they wanted to resolve as some of these might not fall into the meditation basics category.
2. Now, some of the users who would like to simply look around and feel the product before they use it, the initial registration process was hindering them from doing so. As a result, they were not able to understand the app fully and convert it into full-time users.
3. They also understood that robotic notifications and mechanical updates weren't helping people. They needed something more than that. Something that would target their pain points which were one of the reasons for their reluctance to come back to the product.
4. Upcoming future technologies brought in new needs and desires of people - voice-based commands to start and use meditation, especially sleep meditation. This need was seen

in areas when the user wished to be mindful but was not able to: when someone is driving and would like to start listening to a podcast when someone would not want to wake up to a stressful email instead to a positive thought for the day.

5. These "futuristic technologies" circled them back to the same problem - adoption is high but retention is still low. They had to figure out if the reason behind this is the forgetfulness of the devices unlike the screen or because not many could afford voice devices.

Underlying problems

Headspace then moved on to something that is the most essential part of customer analysis - qualitative data analysis. They understood that the underlying issue was that the mission of people using Headspace was not to be able to learn to meditate, instead was to find a way in which they could overcome the problems and situations they were currently facing.

Pertaining to the mission statement: "Health and happiness of the world", headspace realized they had to pivot their focus to this new needs of users: from developing a meditation practice to addressing a core issue.

Recommendation strategy

1. Headspace can stick to an updated version of the freemium model: they could provide access to the entire application for a limited period of time. As a result, the users could discover the entire application and understand its features before they are convinced enough to buy the full version.
   a. Another benefit of this would be data collection. While people are trying to use the application for free, Headspace could collect data for quantitative analysis of their actions and their behaviors. To customize the content of the application that they can see what would keep them engaged and interested.
2. This first step of registration was needed and could not be skipped for a user. However, instead of not giving them an option at all, they could allow users for two-three days of free meditations and limited capabilities without registration. This would benefit the users greatly as they would immediately be able to see the importance of registration - would not be able to go back to the meditation they did yesterday as they did not let them save their data. One major user segment which does not want to share its information could also be addressed through this.
3. Sending life-like notifications which show them that Headspace is not only willing to increase user adoption, instead also truly cares about the progress of their customers could be implemented here. Now, conversing with the users to ask if they are ok or it's alright if you missed so many days, you can always restart could be really effective.
4. Headspace could associate with the future technologies to incorporate their meditations and podcasts into the products. Instead of having the user manually associate their app with the voice assistant, it could be added as a product readily available with the hardware. All they would need to do is, talk to the voice assistant to log in using their username and password. In addition, they could do the same with apple watches,

providing sensory-based information to the user to breathe in and out especially when other data like heart rate and stress levels indicate the person is stressed.
5. One way to engage the users more through voice technologies is to allow the user to enter reminders for meditation and podcasts. In addition, asking random questions quickly: How are you feeling? Voice assistants and apple watches could be really helpful.

COMMUNITY

Headspace was doing a great job at facilitating individual development. However, Vieira believed that it was lacking a community factor, which was pivotal for user retention. It helps build support, inculcate accountability, and serves as inspiration for someone to continue their journey, seeing their peers do the same.

Underlying Problems
Headspace must come up with ways to foster a community without defying its mission and also users' trust in the brand.

History (Context)
1. Social Push: Headspace displayed the number of people who have completed a meditation in the past 24 hours
2. "Buddies": A user can invite up to 5 friends to join Headspace. They would have access to each other's usage statistics and share meditations. A user can also "nudge" their inactive buddy.

Jeremy Forteau (director of product) believed that creating peer groups (users along with their friends and/or family) within the app can unlock tremendous potential. Firstly, group challenges or goals could be created. Secondly, a forum that facilitates discussions could engage users further.

Strategy
Headspace could achieve its vision (to improve the health and happiness of the world) through more than just meditation. Avenues like eating habits, stretching, yoga, and inspirational support were open too. The strategy to incorporate a more holistic service was as follows:
1. Gather user needs (need states)
2. Service these need states via personalized content right from the home screen (videos, podcasts, meditations, quotes, etc.)
3. Engineer a guided path that the user can journey through to fulfill their need state. Regular check-ins (via notifications and email) must be incorporated to track user progress and encourage them in case the streak breaks.
4. Regular Check-ins to ensure the user is consistent (in using the app). This has been the most successful feature of the app according to the CTO Paddy Hannon.

Eventually, with enough data, this process could be automated with machine learning. Based on the success rate of previous users with similar need states, an optimal journey can be recommended to the user. This could also provide a ground for experimentation – aspects of the suggested journey can be tweaked to measure the success rate against an altered journey. The aim is to build item-item similarity so that while making future recommendations to users, the data backing them can also be displayed. This would help in achieving the goal of growth and retention.