

# Chapter 20. Model + Stage Drives the Metric You Track

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The core idea behind Lean Analytics is this: by knowing the kind of business you are, and the stage you're at, you can track and optimize the One Metric That Matters to your startup right now. By repeating this process, you'll overcome many of the risks inherent in early-stage companies or projects, avoid premature growth, and build atop a solid foundation of true needs, well-defined solutions, and satisfied customers.

Figure 20-1 shows these Lean Analytics stages, along with the “gates” you need to clear to move to the next phase and some of the metrics that will indicate when you're ready to move forward.

Now that you know your business model and your current stage, you're in a good position to pick a few metrics that will help you make it to the next stage of growth. Table 20-1 gives you some examples of what things matter to a particular model as it grows.

Once you've identified the metrics you should worry about, your next question is clear: *what should I be trying for, and what's normal?*

We decided to find out.

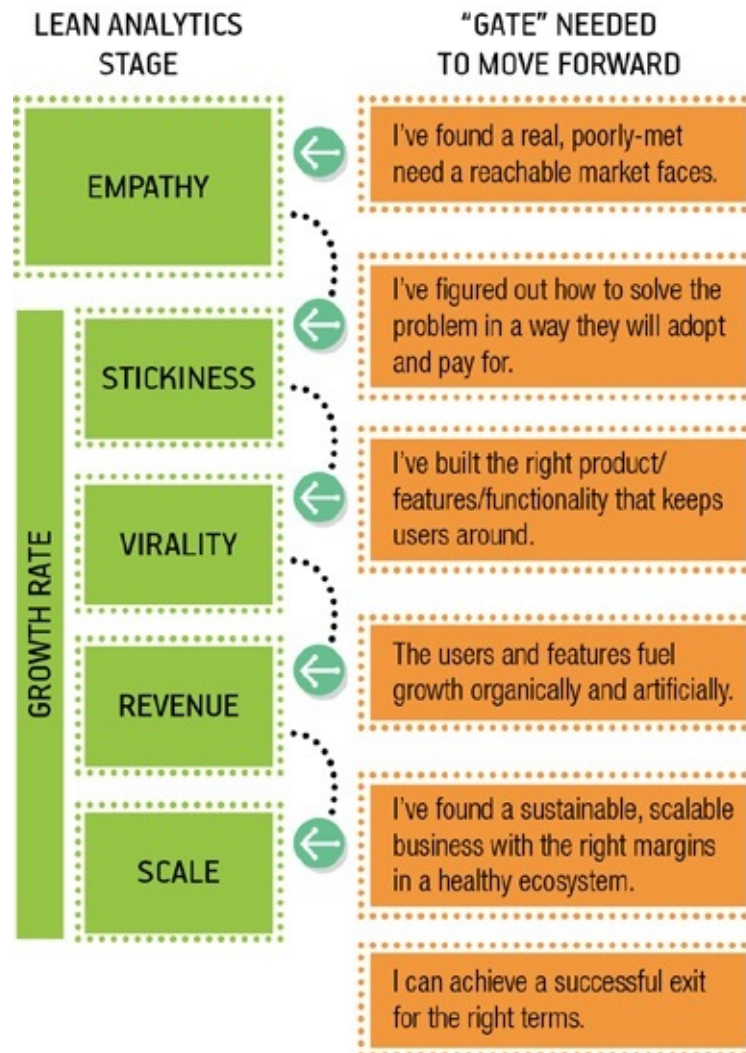


Figure 20-1. Where are you today? What will it take to move forward?

Table 20-1. What metrics matters depending on your business model and stage

Business model						
Company stage	E-commerce	Two-sided marketplace	Software as a Service	Free mobile app	Media	Ugc
The really big question	Will they buy enough for enough money from you?		Will it solve a pain they'll pay for?		Will they engag content in a rep manner?	
Empathy	Market	Deliver	Revenue	Value	Content	Engage

<b>Empathy stage:</b> Problem validation: getting inside your market's head to discover real needs you can solve. <i>These tend to be qualitative discussions and open questions.</i>	How do buyers become aware of the need? How do they try to find a solution? What pain do they encounter as a result? What are their demographics and tech profiles?	Do buyers need a place to sell? Do sellers need a place to buy? How do they transact today? How do they find items? What prevents them from buying through those channels?	Do prospects have a known need they are pained to solve today? Can they do it with software? How do they learn about such solutions? What's the buying process?	What's your target market? What similar games and models have worked? Are there examples of similar pricing and gameplay habits?	Can you get enough attention around a subject? How do people consume information?	
<b>Empathy stage:</b> Solution validation. <i>This happens in both qualitative and quantitative approaches, and in some cases curated MVPs or regional tests.</i>	What competes with the product you're proposing? What's the price elasticity of the product or service?	Will buyers share sales revenue, or go outside the market? What added-value features entitle you to a portion of the proceeds? Will you be able to generate listings? Will they come to the marketplace?	Will the features you're offering fit their processes and solve a pain well enough for them to part with money and tell their friends?	Does the basic game structure function? Do users like a basic MVP of core gameplay, as shown by user testing?	Why will they consume your content? What tools, apps, and platforms deliver content to them today?	
<b>Will it grow?</b>	<b>Will they find you and tell others?</b>		<b>Will they sign up, stick around, and tell others?</b>		<b>Can you grow to level that can be profitably monetized?</b>	
<b>Stickiness stage:</b> Achieving a minimum viable product that engages customers in a meaningful,	Conversion, shopping cart size. For acquisition: cost of finding new buyers. For loyalty: percent of buyers who	Rate of inventory creation, search type and frequency, price elasticity, listing quality, fraud rates.	Engagement, churn, visitor/user/customer funnel, capacity tiers, feature utilization (or neglect).	Onboarding; adoption; ease of play; time to "hooks"; day-, week-, and month-long churn; launches; abandonment;	Traffic, visits, returns; segmenting business metrics by topic, category, author; RSS, email,	

valuable way.	return in 90 days.			time played; regional testing.	Twitter followers and click-throughs.	ac cl
<b>Virality stage:</b> Growing adoption through inherent, artificial, and word-of-mouth virality; optimizing viral coefficient and cycle time.	Acquisition-mode: customer acquisition costs, volume of sharing. Loyalty model: ability to reactivate, volume of buyers who return.	Acquisition of sellers, acquisition of buyers, inherent and word-of-mouth sharing. Account creation and configuration.	Inherent virality, customer acquisition cost.	App store ratings, sharing, invites, rankings.	Content, virality, search engine marketing and optimization; promoting long time on page.	C in in si m ol st
<b>Primary source of money</b>	<b>Transactions</b>		<b>Active users</b>		<b>Ad revenue</b>	
<b>Revenue stage:</b> Convincing users to pay with optimal pricing, then pouring some of that money back into customer acquisition.	Transaction value, revenue per customer, ratio of acquisition cost to lifetime value, direct sales metrics.	Transactions, commissions, per-listing pricing, value-added services such as promotion, photography.	Upselling, customer acquisition cost, customer lifetime value, upselling path and roadmap.	Download volumes, average revenue per player, average revenue per <i>paying</i> player, acquisition costs.	Cost per engagement, affiliate revenues, click-through percentages, number of impressions.	A as do us li
<b>Scale stage:</b> Growing the organization through customer acquisition, channel relationships, finding efficiencies, and participating	Affiliates, channels, white-label, product ratings, reviews, support costs, returns, RMAs and refunds, channel conflict.	Other verticals, related products; bundling third-party offers (e.g., car rental in a vacation rental site, shipping in a craft	Application programming interface (API) traffic, Magic Number, app ecosystem, channels, resellers, support costs, compliance, on-premise/private versions.	Spinoffs, publisher and distribution deals, international versions.	Syndication, licenses, media and event partnerships.	A us pi th ac A