LOVESPACE

PDF version downloadable from: www.gregaubert.com/lovespace.pdf

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Business Performance & Data Analysis

Lifetime value (LTV)

Lovespace is an interesting case. Some customer segments, like house declutterers, make continuous use of the service. So long as they're happy, they'll use it for the foreseeable future. These people can be analysed with a SAAS subscription model. But there are other segments like students and house-movers who are discrete users with defined start and finish points. These customers are more suited to an ecommerce model.

SAAS LTV
This can be modeled using:

LTV = monthly revenue (£) x lifetime (no. months)

Calculating 'lifetime' can be tricky if you wait to observe it; you could be waiting 9-12 months for data points (hopefully longer!).
Instead, if you assume a constant cancellation rate then you can do:
> *Lifetime = 1/[cancellation rate]*
> (Proof in the 'useful links' section)

To be more exact, you could take into account that cancellation rates are usually higher in the first few months and then drop. You would recalculate including both rates.
Here's a Google Sheet with an example calculation of both:

http://bit.ly/1SgRz0i

Improving LTV in a SAAS model puts focus on battling churn, as a customer stopping is a sign that they are unhappy. There is also more emphasis on upselling as the relationship progresses. It's more feasible to sell increasing box space to a declutterer as time goes on and they buy more things. Or to a small business using Lovespace for logistics as they grow over time and/or decide to move more parts of their business into Lovespace.

Ecommerce LTV
In contrast, for those using Lovespace for set periods only, stopping is inevitable and therefore not a bad signal. There's less scope for upselling over time– if someone uses Lovespace to store belongings when they go abroad, will they need *more* space if they go away again? Perhaps, but it's tenuous.

Getting repeat purchases are more important. Taking the case of a student, you want them to use Lovespace again each term until they graduate.

You can calculate the LTV by taking an expected value over the two possibilities of the person repeat buying or not:

Let r = % probability of being a repeat purchaser,
p = average no. of repeat purchases.
LTV = AOV[p][r] + AOV[1-r]

Google sheets example: http://bit.ly/1KceIOM

To improve LTV in this ecommerce contextyou can increase AOV at the point of sale. This can be achieved with A/B testing of copy and content to convince the user that it's worth paying for more services. Additionally you can increase *r,* primarily by delivering great customer satisfaction. There's also scope to get results using more sophisticated post-purchase communications.

For both types of LTV you can make the case of including a referral component.
You can also have a 'cost of goods sold' parameter as some segments may need more resources (like customer support), which could be taken into account.
And finally, it may be useful to apply a gross margin to the revenue values and convert them to a gross profit to get a truer sense of the benefit to the business.

Useful links:
http://blog.asmartbear.com/cancellation-rate-in-saas-business-models.html

Cost per acquisition (CPA)
At a macro level, you can use:

CPA$_{macro}$ = Total marketing spend / Total customers

There's flexibility with what goes into 'total marketing spend'. You could restrict it to just paid ads budget, or go for the full roster including: marketing tools, agency fees, marketing salaries and customer support salaries.
I would recommend including them all to get a brutally honest overall CPA value that can be stacked up against the overall average LTV.

But you'll also want to see CPA by channel.
The equation is the same and the ad platforms like Facebook and Adwords provide good visibility of CPA by campaign and adset. The thorny part is 'total customers' and how attribution credits each channel (more on attribution later).
For organic sales, you can calculate your own CPA by pulling the number of conversions from Google Analytics and add up the agency and salary costs of the time spent on SEO.
(*Note: account for the fact that SEO has a lot of inertia. E.g. if you cut SEO resources to the bone for a month and measured CPA, it would look amazing because the work previously done is still bringing in sales but your SEO marketing spend is almost zero).*

Months to recover CPA

Cash management is essential for the business. This metric provides some visibility on how soon acquisition expenditure is recouped - or in other words, the capital efficiency. You can calculate it by subtracting any upfront revenue (e.g. from packing supplies) from the CPA, then dividing by the monthly recurring revenue.

Months to recover CPA = [CPA – upfront revenue] / MRR

You may want to apply a margin to the revenue figures to take into account COGS.

Return on investment (ROI)

ROI can be calculated as shown below. Again, the real issue comes in attributing sales to the correct channels. It's tempting to use revenue as performance looks much better. I'm an advocate of using gross profit, otherwise it's easy to fall into loss-making campaigns.

ROI = [Gross Profit – Ad spend] / Ad spend

where:

Gross Profit = Revenue - COGS

Churn & cohort analysis

Churn is the enemy of the subscription business. As you deploy strategies to reduce churn, you need a way to measure results. Enter cohort analysis.

This seeks to isolate each group of customers (usually by the week/month they join) and track their behaviour over time. Typically you'll want to see retention rates. If your service is improving, then you'll be able to tell by the more recent cohorts having a stronger retention rate. Similarly, you can monitor for any dips in retention then investigate what could be behind it.

Retention Rates in Months Following Signup						
	1	2	3	4	5	6	7
Jan	100%	97%	93%	89%	85%	80%	73%
Feb	100%	88%	83%	80%	76%	60%	
Mar	100%	95%	93%	92%	90%		
Apr	100%	96%	90%	88%			
May	100%	89%	89%				
June	100%	94%					
July	100%						

Useful links:
http://andrewchen.co/the-easiest-spreadsheet-for-churn-mrr-and-cohort-analysis-guest-post/

Inbound qualified lead velocity
(Or in other words, the monthly growth rate of qualified leads).
This metric comes from the SAAS world. The thinking is that looking at something like revenue growth has a lot moving parts and can obscure the underlying state of the business. Revenue growth may be poor, but it could be a quick fix with the checkout flow or some other trivial reason.

This argues that the fundamental health can be better judged by moving further up the funnel and looking at the growth rate of qualified customers. If this metric is poor, then nothing can really save the business. If it's good, then it means marketing and word-of-mouth is working and any performance problems aren't fundamental – it's a case of ironing them out.

In Lovespace's case, a qualified lead can be a user who reaches at least part way through the onboarding process, e.g. the 'Collection' stage. Or for channels such as Facebook, where the user may not actually want storage right now, a signal of interest such as signing up for email updates could constitute a qualified lead.

Useful links:
http://www.saastr.com/why-lead-velocity-rate-lvr-is-the-most-important-metric-in-saas/
http://labs.openviewpartners.com/saas-metrics-the-one-saas-metric-that-matters-most/

Aggregate metrics
It's easy to get buried in data. So it's useful to have a handful of top-level metrics to keep an eye on (perhaps in a dashboard) to easily monitor the state of the business.

These could include:
- Total revenue per week/month
- Total customers per week/month
- Overall conversion rate
- Gross profit per customer
- Total churned customers
- Churn as a % of total customers
- CPA (including support and other overhead)

Tools: Google Analytics scripts
Google apps scripts can be used to automate repetitive Google Analytics tasks such as reporting. For example, it can be programmed to export a range of data, perform some calculations, style it and email it to the relevant people.

In the past I've used it to identify new websites linking to us and sending a sorted list to our PR guys to follow-up on.
I've also used it to generate reports that aren't available out-the-box, such as comparing metrics of a single day against a monthly average.

Tools: dashboards and data visualisation
At the most basic level, you can use the charts and dashboards in GA. These tend to be limited and often look clunky.

At the next level, there are affordable dashboarding tools such as Cyfe that can you can hook up to data sources such as GA or Twitter.
http://www.cyfe.com/

Going further, there are fancier products like Geckoboard which have more integrations and better aesthetics.
https://www.geckoboard.com/

And finally, you can code your own bespoke dashboards and data visualisations using open source libraries like d3.js and chart.js. There's a time investment with these, but you have the freedom to create exactly what you want.
http://www.chartjs.org/
https://d3js.org/

The d3 library is especially powerful. Here's an incredible piece of work by Stephan Fowler for the Guardian:
http://www.theguardian.com/world/ng-interactive/2014/aviation-100-years

Tools: predicting churn with machine learning
There are some publicly available machine learning APIs such as BigML or 'Google Prediction API' that make this kind of technology accessible.
You can upload datasets of customers with information about their behaviour, demographic and whether they churned or not. The prediction technology can then scrutinize new customers and highlight the ones most at risk of churning. You can then intervene, perhaps with an email or phone call and prevent that customer from leaving.

Useful links:
https://blog.kissmetrics.com/improve-by-predicting-churn/
https://bigml.com/
https://cloud.google.com/prediction/docs

Customer Insights

Net Promoter Score (NPS)
Heather mentioned that you are already tracking NPS, which is good. Although I've made a purchase from Lovespace, I haven't received an NPS survey so I'm not sure how it looks.

If it's just a score rating, then I would suggest adding a field asking 'Why did you choose this rating?'. These comments provide valuable insight into the reasons why some people rating you well and others poorly. Without this, NPS is still an interesting metric, but it's hard to know how to take action.

One downside is that typically NPS is only asked for post-purchase, so you aren't getting the opinions of those who decided not to buy from you. You could use tools like Visual Web Optimizer or Qualaroo to place short surveys during the onboarding process for a percentage of visitors.

Another treasure trove of insight into customer behaviour is your live chat. That provides very detailed information on the mindset of a customer, but unfortunately that knowledge and intuition tends to get locked up in the heads of the customer support staff only. A step forward would be if they could note some key characteristics (perhaps by ticking checkboxes) and then match that data with whether the customer converts or not. This can then provide some visibility for the non-converting customers whose opinions aren't captured with NPS.

Useful links:
http://www.sachinrekhi.com/a-practitioners-guide-to-net-promoter-score-nps
https://qualaroo.com/
https://vwo.com/

Exit pages on site/funnel stages
Analysing the pages where customers drop off is a key method to pinpointing problem areas. Almost all analytics platforms allow you to create funnels as well so you can model the user flow more precisely, especially with websites like Lovespace where multiple stages exist on a single page.

Form field analysis
This provides a more granular view. It's typically used on checkout flows, but since the Lovespace website is essentially one long form, it's even more relevant. You can examine whether the user clicks into a field, the time spent there, the keystrokes made, if they exit that field and if they return to it again later.

Who are our most profitable customers?
This is a key question in order to direct where marketing time and money should be spent.

It's good that you already have a field like this to segment customers.

The only downside with this dropdown is that sometimes people find it annoying and click on the first thing just to get it out the way.
It would be interesting to randomize the list items and see if the proportion of student customers drops as a result.

Which are the most profitable locations?
You could interrogate the data to spot any patterns between postcode areas and profitability. It may be that certain pockets, e.g. central London, or certain cities generate more profit. You can then investigate further and find the reasons behind it, and then use that to go out and find more similar customers.

Ideally, you could gather more data fields: age, gender, martial status, job etc. But there is a tradeoff of annoying users with too many questions. An alternative is to export a list of high-value customers and upload them to Facebook. There you can get a demographics report. You can repeat this with a low-value customer set and then compare the differences to spot any insights.

Which locations have greatest opportunity?
As well as seeing what's currently making the most profit, you could also filter the data to look for hidden gems. These are segments which are low volume (and therefore not making much money overall) but have strong LTV:CPA ratios. These would be the prime candidates for growth.

Attribution
This is a challenge facing all online companies and there doesn't seem to be a near-perfect solution out there yet. The difficulty is that people use multiple devices and do multiple site visits before purchasing. It's hard to tie them all back to a single user. So the tendency is to discredit earlier touch points such as Facebook or non-brand PPC and inflate channels like Direct and branded search.

Out-the-box, Google Analytics does a fairly poor job. By default it will assign new client IDs when a person visits the site from different devices. Only when they log in do you have the chance to set a *user* ID, but by this point you've missed out on a large chunk of the funnel. The only way to then stitch up the pre-login data is with some custom coding.

Tools like Kissmetrics do a better job as it automatically marries up pre and post login data. When an anonymous user comes to the site, it assigns the data to an alias. As soon as the person logs in and identifies themselves, it merges the historical data with their user ID. This makes it easier to get visibility of their earlier behaviour.

Another issue is attribution modeling. By default, GA uses last-click. This is quite clearly biased. A fairer method is to use a time decay or U-shaped model. In GA it's easy to switch between models, but the difficulty is having the data from earlier on in the funnel in the first place.
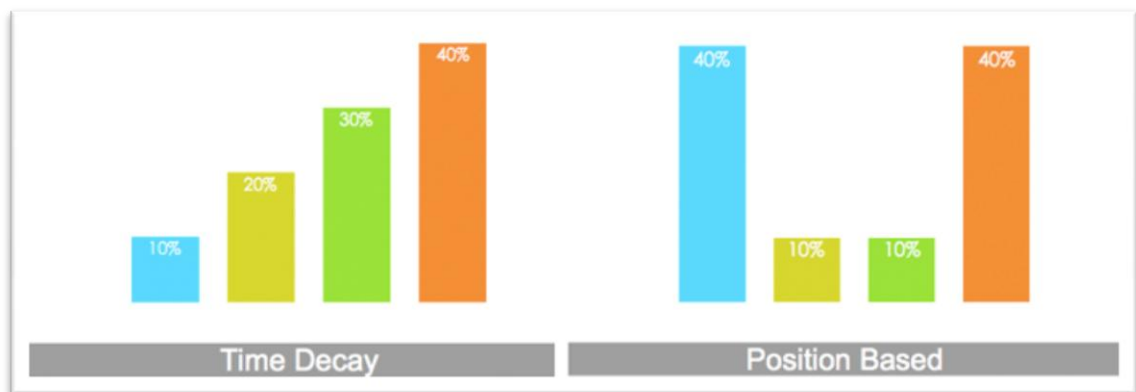
There's no single correct model – it depends on the business. I usually think the case for U-shaped is strong as the first touch point does an essential job of introducing the brand to the customer. And the last touch leading to conversion deserves high credit too. It's useful to judge channel ROI through different models. With Facebook for example, if you have positive ROI in the more pessimistic Time Decay model, then you know you're still profitable even in the worst case.

Useful links:
https://blog.kissmetrics.com/google-analytics-and-kissmetrics/
https://www.optimizesmart.com/complete-guide-cross-device-tracking-user-id-google-analytics/
http://www.kaushik.net/avinash/multi-channel-attribution-modeling-good-bad-ugly-models/
https://www.kissmetrics.com/path-report/

Acquisition Opportunities

Pinterest
Emerging platforms like Pinterest often have great opportunities for acquisition as there's less competition and fewer restraints. Pinterest also allow promoted pins. It's popular with travellers, house renovators and new parents – so it has plenty of potential Lovespace customers.

Posting under the Lovespace name
The challenge with Lovespace is that it's not directly related to any of those categories. It's more of a utility, a service. It just happens to be correlated with those who are interested in home décor, travelling the world or kids' clothing. Therefore posting image content under the Lovespace name stretches the brand in a new direction.

For example, if you wanted to target more house renovators you should position yourself as an expert on home décor and furniture and post great images about that. But this departs from the core Lovespace proposition. Moreover, what about travellers? You can't feasibly forge strong presences in all categories. Stretching the brand in all those different directions would pose problems. You could try, but you'll end up with a shallow presence all round and they'll likely all be overwhelmed by competitors in their respective fields.

If you want to directly target a category and post under the Lovespace brand, then you'll probably have to choose one and then accept that the brand will be strongly affiliated with that niche.

Posting under different names
A possible solution is to create new Pinterest account names for each category and mention Lovespace with links within those pins. E.g. creating a new account called 'Home Décor Experts'. Customers won't be overtly aware that they're linked, so the Lovespace brand doesn't suffer dilution. This approach still doesn't solve the issue of it being hard to be successful across several categories at once.

It's also a challenge to find plausible reasons to continue to put up pins that link to Lovespace. If you were Made.com, you could go nuts pinning infinite photos of the furniture you stock, all leading back to Made, and it would make total sense.

On the plus side, you can test this approach within one niche with little downside. If it does work, then you can establish a playbook of strategies that work and scale it out to the other categories, probably with agency help to deal with the workload involved.

A third way
Another approach would be to find a niche that's part of all the categories you want to target. The one I thought of was the minimalist movement, which falls more into the popular 'lifehacking' field.

There is a niche of minimalist travellers who like to travel light and there are minimalist decorators who strive to get rid of stressful clutter at home.

Positioning Lovespace as a proponent of minimalism is a much better brand fit than going for travel or furniture directly. You would then be able to post about various topics all under the banner of minimalism.

'How to travel the world with just one backpack'.

'The health benefits of a decluttered home'.
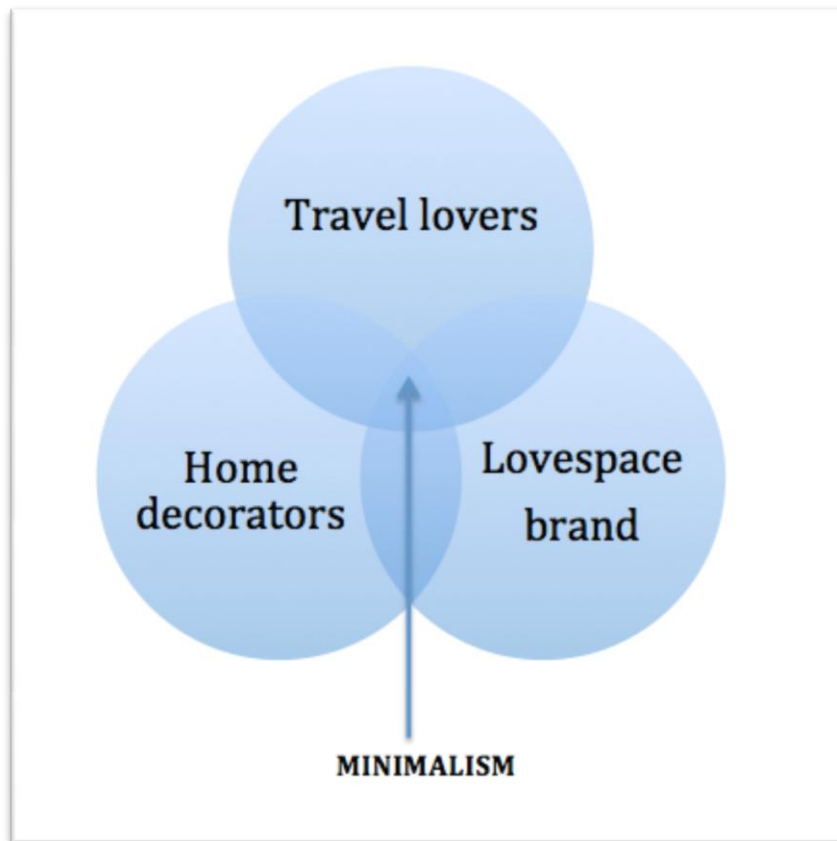
A downside is that your reach will be reduced. But at least the people you are reaching are more likely to be interested in Lovespace.

Instagram

Very similar mechanics to Pinterest in that it's image-driven, an emerging channel with opportunity, paid ads are now possible and that there aresimilar challenges of how to target categories.

SEO

I think that SEO is a more natural channel for Lovespace. Other ones like Instagram or Facebook give you reach, but you can't tell if that person is in the market for storage. SEO traffic is more qualified and therefore more valuable.

I imagine that one of your key search phrases would be "storage London". You're currently ranking bottom of the 2ndpage which indicates there are opportunities to improve organic traffic.

I can see that you don't have a H1 element on your main homepage, which definitely needs fixing ASAP.
There are other technical SEO points that can be looked at in a general audit including: sitemap, alternative image tags, 301 and 302 redirects, duplicate content, 404 pages, site speed, mobile friendliness and AMP (accelerated mobile pages).

I'd also suggest keyword research to inform what to use on each landing page. For example, I can see you have a landing page for students below. It doesn't have a H1 element yet, but when you do choose one, it should contain words that are optimised for what's being searched for.
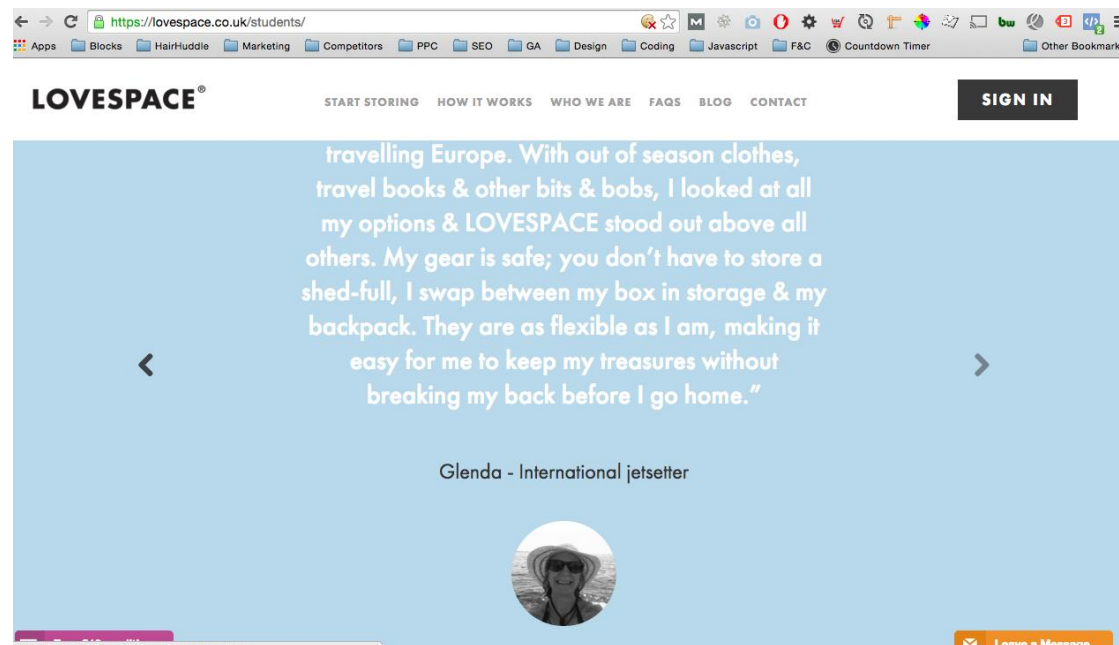
In terms of backlinks, there's certainly scope to expand.
The best ones you've got are from the FT and Guardian and are more to do with the story of the business rather than the service itself.

You have just a few quality links about the service, like this one from a DIY Lifehacks website:
http://blog.extraspace.com/news/lovespace-a-new-self-storage-business-in-the-uk/

Banner sponsorship deals

There are some non-brand websites which occupy high organic positions in search results. The one below offers banner ad space so you can tie up a deal with them and get clicks from people searching for 'storage london', probably at lower costs that paying for PPC.

Incidentally, this site looks awful – there could well be an opportunity to develop a better version and SEO it to the first page, insert plenty of links to Lovespace and enjoy the free clicks.

Bing ads

I can't see you bidding on Bing. There's a lot less volume, but the clicks are cheaper here as it's less competitive.

Twitter Scraper

The Twitter API is pretty accessible. You can scan for tweets and then try and qualify them to produce a list of prospects.
E.g. here you can search for tweets with 'Big Yellow' and a question mark, and you can see a perfect one from yesterday.

You can also pass the text into an API that judges sentiment and get a list of tweets where people are unhappy. Load in a list of competitors and you can get a rough list of people who are unhappy and are likely to want to hear about Lovespace.

Doing this depends on LTV. Someone still has to reach out to these people which is a cost.

If you want something that is 'set and forget', then you can program it to follow these leads. That will generate a notification for them and they might well check out Lovespace as a result. So long as you keep within the API limits and watch that your followers:following ratio doesn't go wild, then this can work. Doing automated messages is dangerous in my opinion. It's very difficult to make them not look like spam, and the damage to the brand of being labeled a spammer could outweigh any sales increase.

UX and A/B Testing Recommendations

Landing page

- The 'Earn £10 Credit' call-to-action is out of place here for a first-time user. The referral programme is designed for account holders, so at this point it derails the user from their path to purchase.
It could be improved by restricting it to pages at the end of the funnel, e.g. the thank-you or account pages. And/or you could display it only when a user is logged in (and is therefore further down the funnel or a returning customer).

Form Page

- The speech bubble elements are good; they keep the page much cleaner but still make this technical information accessible to users who need it.

- I noticed the scroll pad (on a Mac) changes the numbers in the fields.This isn't intuitive and given that the page is a long form, people will be scrolling a lot and potentially changing their numbers accidentally (this is what happened to me!).

- The insurance copy here is a nice touch. I was thinking about whether insurance is offered and if it costs more. The copy addresses this succinctly and kept me in the flow rather than jumping out to find insurance information.

- The materials delivery charge is a nasty surprise here as it wasn't signposted before.Users (especially price sensitive ones like students) will now have to retrace whichwill harm their likelihood of converting.
It could be an idea to test telling the user about the delivery charge upfront. I'd expect the revenue of packing materials to dip, but the conversion rate to increase.

- The delivery instructions field is quite limited. It only allows 50 characters **with** spaces. I ran out of space and had to delete it and think about how I could reword my sentence.
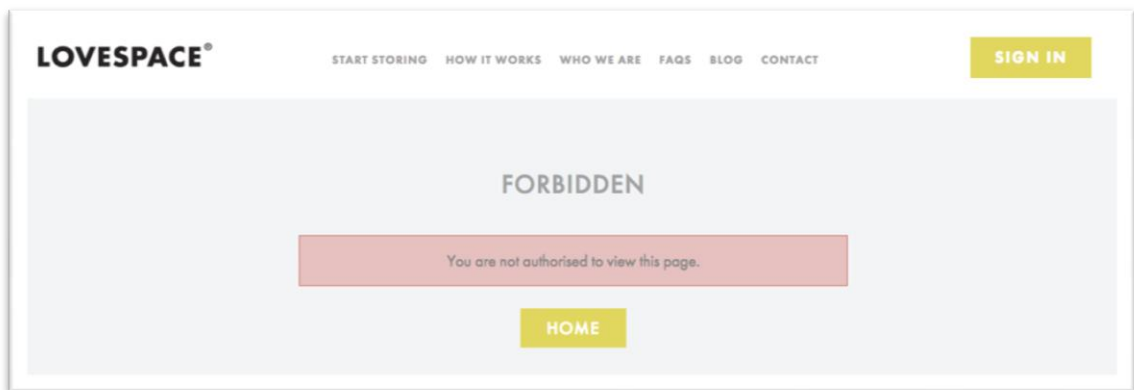
- I used the 'Save as Quote' feature. I got an instant email, which was good, but clicking on the email link, I saw this ominous'Forbidden' page.

I had to manually sign in and then retry the link. This worked, but isn't smooth forusers. They will likely be spooked by the 'Forbidden' error message. I'd also recommend making the 'Forbidden' page more user-friendly with some gentler copy and some helpful suggestions of what could have gone wrong and where to go next.

Order Summary

Total payable today is £18.85.
£9.95 for your first month's storage.
£8.90 of extra materials.
(Subject to a 1 month stay - see here for more detail)

Promo/Referral Code

You are currently logged in with the email address:
gaj.aubert@gmail.com

- The 'Promo' field makes it very inviting to pause the checkout process and go hunting for voucher codes. If this happens, then at best you get the conversion but have to pay out an affiliate/referral fee; at worst the user goes to a voucher website, gets distracted by an Aladdin's cave of discounts and doesn't return.
You could make it more discreet, e.g. by having a text link only and when that's clicked it displays the field.

Confirmation Page

- I feel like this important information and should be mentioned or at least linked-to earlier in the flow.
Do customers ever complete an order only to realise they aren't allowed to store what they had in mind?
There is this - http://lovespace.co.uk/faq/is-there-anything-i-cant-store/ - but it's buried in the FAQs where you can't reasonably expect users to find it. Also, the FAQ is only in text format.The image layout in the screenshot is a lot nicer to read.

I'd suggest having a text-link placed in the form section and when clicked, it opens a modal with this graphic.

Mobile
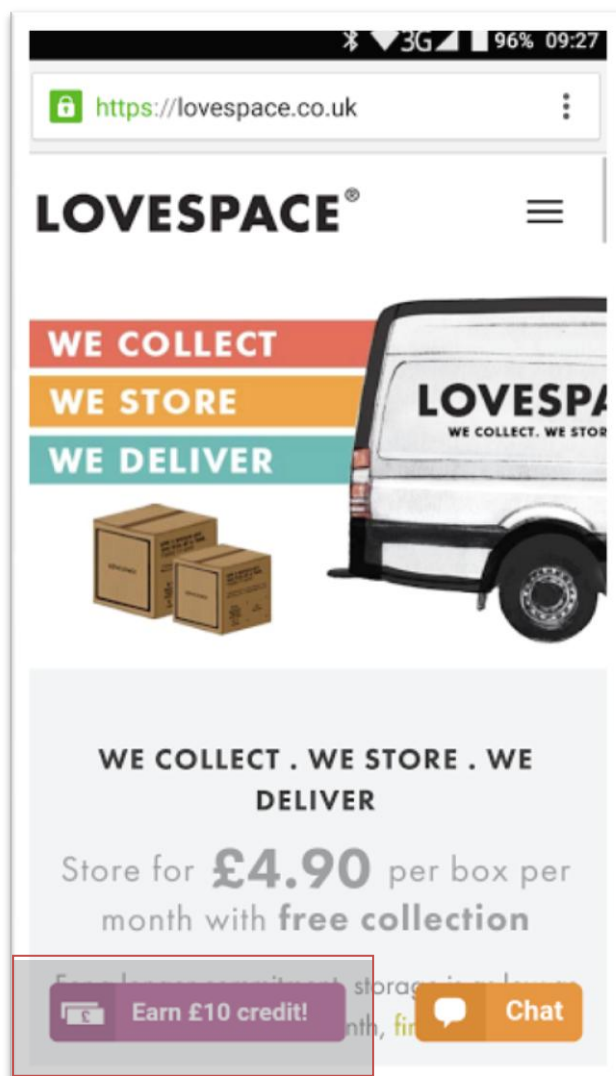
- As well as being distracting for the first-time user, the 'Earn £10 Credit' is also obscuring text on mobile – another reason to exclude it from the landing page!
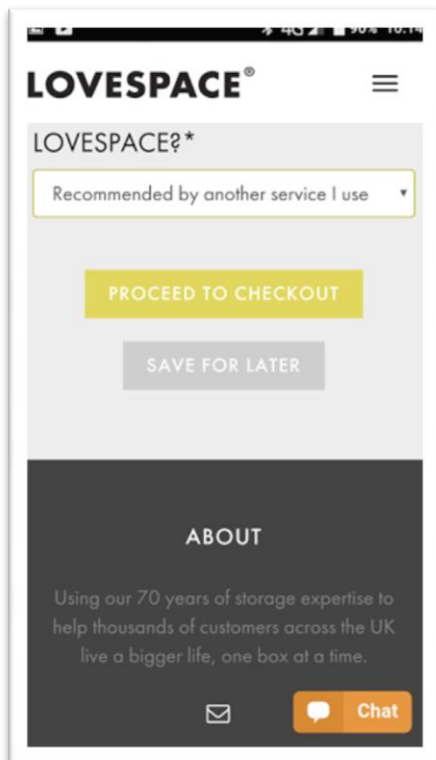
- There should ideally be a loading symbol as soon as you click the 'Proceed to checkout' button to indicate that something is happening. I was using it on a 4G connection and ended up hitting it a few times as I wasn't sure whether it had been pressed. It turned out there was an error with the form (see below).
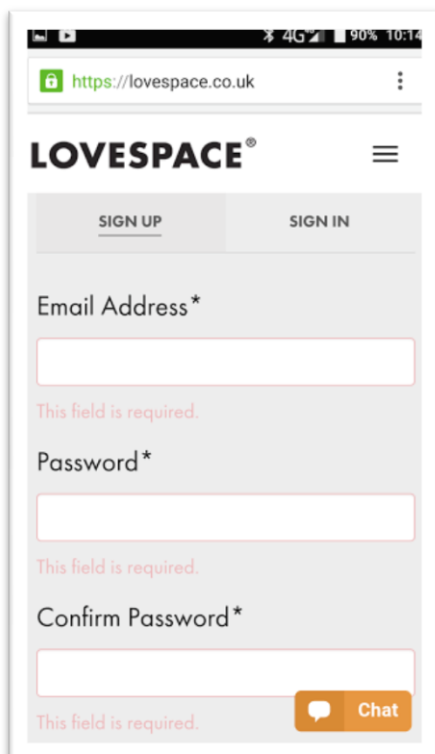
- If the form validation triggers an error, the page should scroll to where the error is. I was on the 'Proceed to checkout' area (screenshot above) and nothing visible told me there was something wrong. It was up to me to scroll back up in order to see the red error message. I can see this causing frustration to mobile users.

Emails
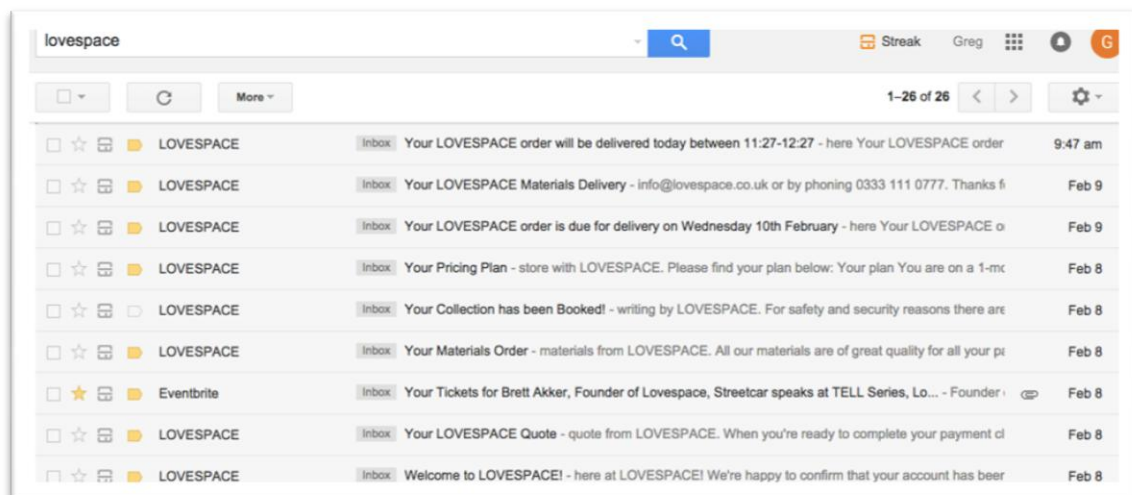
There are quite a lot of automated transactional emails – 8 in a short time window. They've taken over my inbox!
This wouldn't be a high priority point though. It's better to over-inform people and some people might like the frequent updates.
I just can't recall another online service that generated as many automated emails as quickly as this.

Product Experience

This is what arrived. The box itself (right pic) seems like good quality and the branding logo looks nice and professional.

But the insides of the delivery box leaves me indifferent. You've technically given me what I asked for, but the stuff has looks like it's just been thrown in. It's not necessarily bad - it's not like I ordered an expensive jumper and expect it to well-presented. But it's a missed opportunity to impress the customer, especially as this is the first physical touch point you have with them.

You could include a note with some well-crafted copy that welcomes me to Lovespace, tells me something useful or even brightens my day a bit. More companies have been getting in on this by writing in friendly and witty ways, making usually dull things a little more enjoyable.
Other companies go for the bribery route and include unexpected little gifts which is far simpler than crafting text, but does add to costs.

No matter your voice and brand persona is, there's literally lots of space in this box to do something with it.