STRING VENTURES
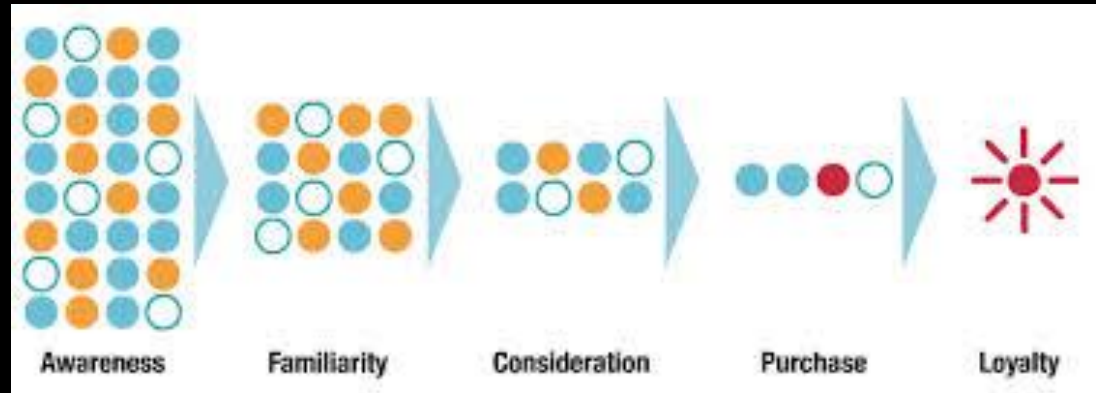
Funnel and Metrics

Design the Funnel
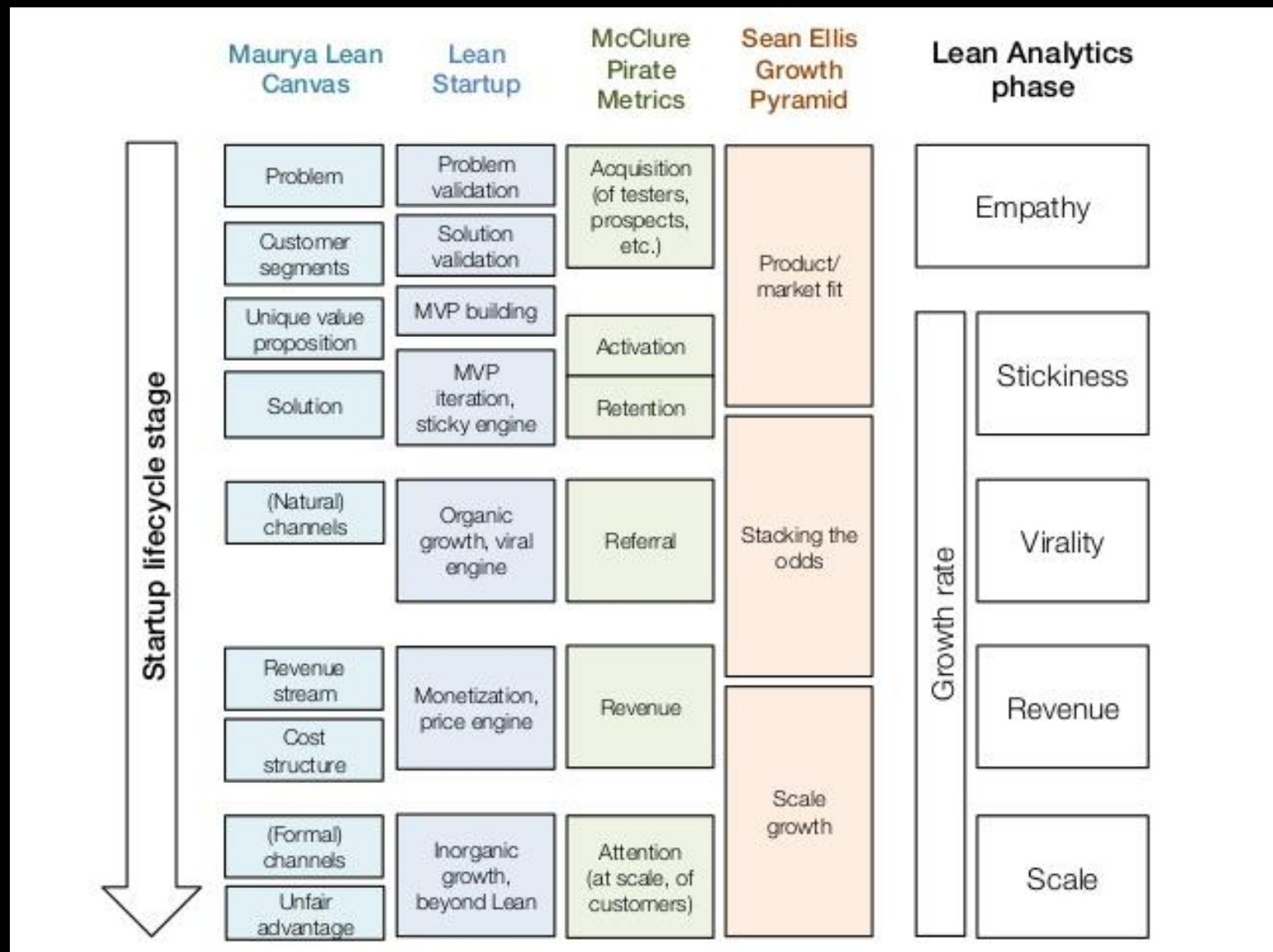
1. Understand Funnel

2. Dump & Sort Metrics

3. Check Metric Quality

4. Pick OMTM

5. Set Baselines

6. Share OMTM

The Buying Funnel
Kotler & Al. (2006)

MARKETING
- Customer awareness
- Brand awareness
- Brand consideration
- Brand preference

Handoff

SALES
- Purchase intention
- Purchase
- Customer loyalty
- Customer advocacy

Awareness — Familiarity — Consideration — Purchase — Loyalty

Unaware visitor

ACQUISITION
ACTIVATION
RETENTION
REVENUE
REFERRAL

Passionate, happy customer

One Concept, Many Versions

One Concept, Many Versions

Awareness	Learn of product
Acquisition	Get ready to use it
Activation	Use it
Retention	Get value, Use it again
Revenue	Pay for it
Referral	Tell others

Design the Funnel

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Dump Metrics

- Imagine your HRB using your MVP

- Write down ten things you can measure

- Write one metric per sticky

- Focus on quantifiable performance indicators related to using the product and getting value out of it

do it

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Sort Metrics to 7 Categories

1. learn of product
2. Pick product/get ready to use it
3. use it
4. get value from it
5. use it again
6. tell others
7. other

do it

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Measurement is dangerous

Measuring a performance indicator worsens the performance.
This is metric dysfunction.

Central Issue in designing metrics = Minimize Dysfunction

Dysfunction is not an exception: anything you measure will exhibit some dysfunction.

Metric must start with a number:
"average number of simit eaten"

Metric must have a unit basis:
"average number of simit eaten per person"

Metric must have a time basis:
"average number of simit eaten per person per day"

 Follow X people of which Y follow back within Z days

 X friends within Y days of user signup

 X files in 1 folder in Y device within Z days

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Check Metric Quality

- Eliminate anything you can't act on

- Eliminate vanity metrics

do it

Best Way to Minimize Dysfunction: Minimize Metrics

Design the Funnel

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In early iterations, focus on One Metric That Matters = OMTM

OMTM changes
based on
a. Product Type, and
b. Startup Lifecycle

ACQUISITION CHANNEL	How the visitor, customer, or user finds out about the startup	• **Paid advertising** • **Search engine mgmt.** • **Social media outreach** • **Inherent virality** • **Artificial virality** • **Affiliate marketing** • **Public relations** • **App/ecosystem mkt.**	• Banner on **Informationweek.com** • High pagerank for **ELC** in kids' toys • Active on Twitter (i.e., **Kissmetrics**) • Inviting team member to **Asana** • Rewarding **Dropbox** user for others' signups • Sharing a % of sales with a referring **blogger** • Speaker submission to **SXSW** • Placement in the **Android market**
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PRODUCT TYPE	What the startup does in return. May be a product or service; may be hardware or software; may be a mixture	• **Software** • **Platform** • **Merchandising** • **User-generated** content • **Marketplace** • **Media/content** • **Service**	• **Oracle's** accounting suite • Amazon's **EC2** cloud • **Thinkgeek's** retail store • **Facebook's** status update • **Airbnb's** list of house rentals • **CNN's** news page • A **hairstylist**
DELIVERY MODEL	How the product gets to the customer	• **Hosted** service • **Digital** delivery • **Physical** delivery	• **Salesforce.com's** CRM • **Valve** purchase of desktop game • Knife shipped from **Sur La Table**

Product type

21

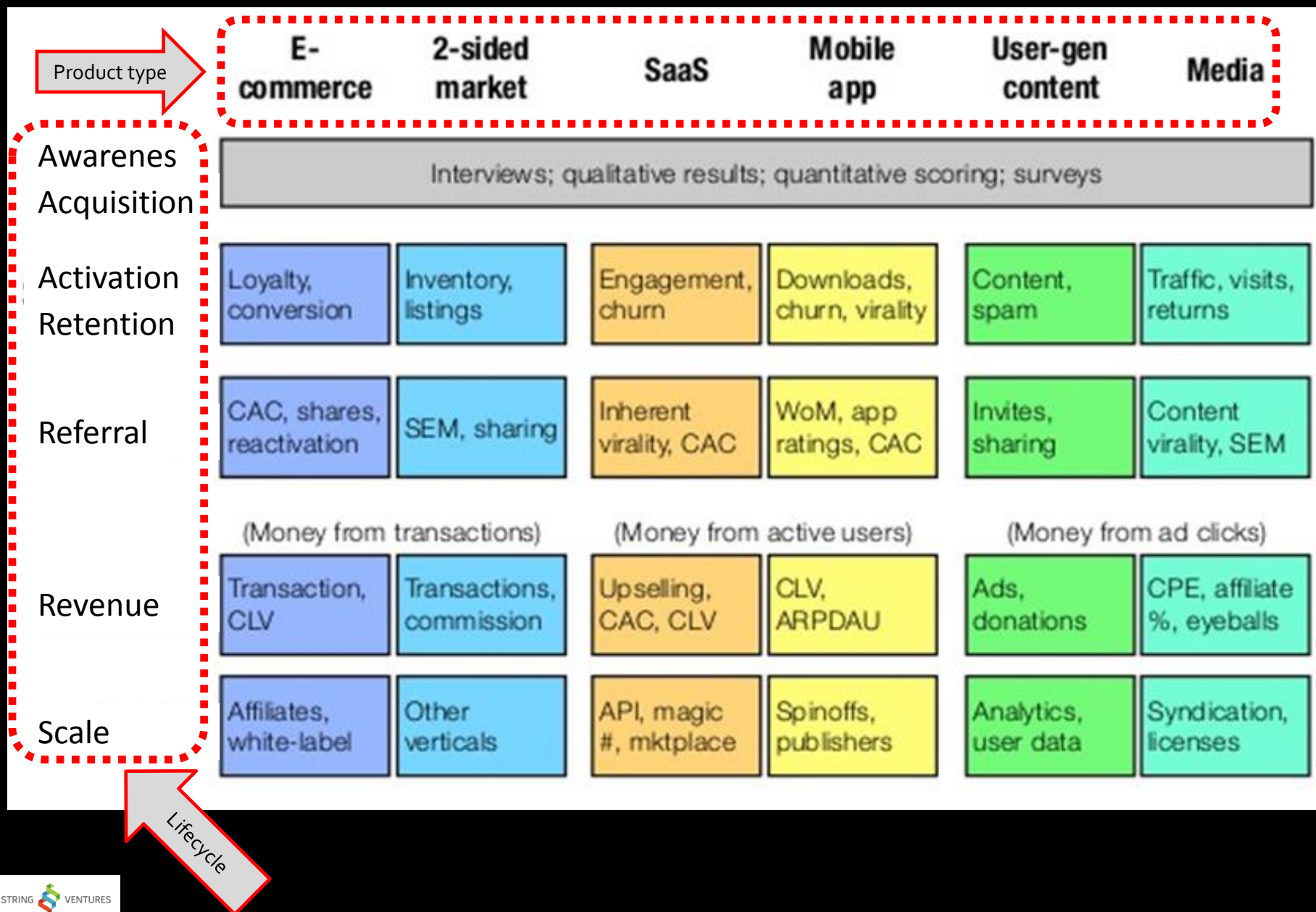|	How the visitor, customer, or user finds out about the startup	• Paid advertising • Search engine mgmt. • Social media outreach • Inherent virality • **Artificial virality** • Affiliate marketing • **Public relations** • **App/ecosystem mkt.**	• Banner on **Informationweek.com** • High pagerank for **ELC** in kids' toys • Active on Twitter (i.e., **Kissmetrics**) • Inviting team member to **Asana** • Rewarding **Dropbox** user for others' signups • Sharing a % of sales with a referring **blogger** • Speaker submission to **SXSW** • Placement in the **Android market**
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Product type →

	E-commerce	2-sided market	SaaS	Mobile app	User-gen content	Media
Awareness / Acquisition	Interviews; qualitative results; quantitative scoring; surveys					
Activation / Retention	Loyalty, conversion	Inventory, listings	Engagement, churn	Downloads, churn, virality	Content, spam	Traffic, visits, returns
Referral	CAC, shares, reactivation	SEM, sharing	Inherent virality, CAC	WoM, app ratings, CAC	Invites, sharing	Content virality, SEM
	(Money from transactions)		(Money from active users)		(Money from ad clicks)	
Revenue	Transaction, CLV	Transactions, commission	Upselling, CAC, CLV	CLV, ARPDAU	Ads, donations	CPE, affiliate %, eyeballs
Scale	Affiliates, white-label	Other verticals	API, magic #, mktplace	Spinoffs, publishers	Analytics, user data	Syndication, licenses

Lifecycle ↓

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Pick OMTM

- Select OMTM as a team

- Add unit basis and time basis

do it

Design the Funnel

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Early Growth:
7-10% per week

Monthly Churn:
2-5% per month

Churn < 5% => Ready to grow

Churn < 2% => Step on gas

Best monthly churn: 1.5%

Use last-ditch appeal to reduce churn

Thinking of cancelling? Well, we have great news for you.

limited time
opportunity with
no cost to you!

We want to extend your membership FREE for 90 days!

Get to know us better! Convert your trial into a FREE 90-Day ShopRunner Membership!
The best part is you will **NOT** be billed at the end of the free 90 days. No strings attached.

That's not all, use ShopRunner three times during the 90 days and we'll give you a **FREE 1-Year Membership**!

June 25th   September 23rd< Place 3 orders by September 23rd and get a FREE Year!   September 2015

FREE 90 Day Membership what this?   ShopRunner Free 1-Year Membership what this?

Graduation Father's Day Everyday Essentials Summer Vacation Back to School   Great Outdoors Halloween Thanksgiving Holiday New Years V-Day Spring Getaway Easter Mother's Day

Save time and money using ShopRunner for everyday essentials, gifts and special occasions all year long.

Extend My Membership FREE for 90 Days ≫

You will NOT be billed at the end of the FREE 90 days.
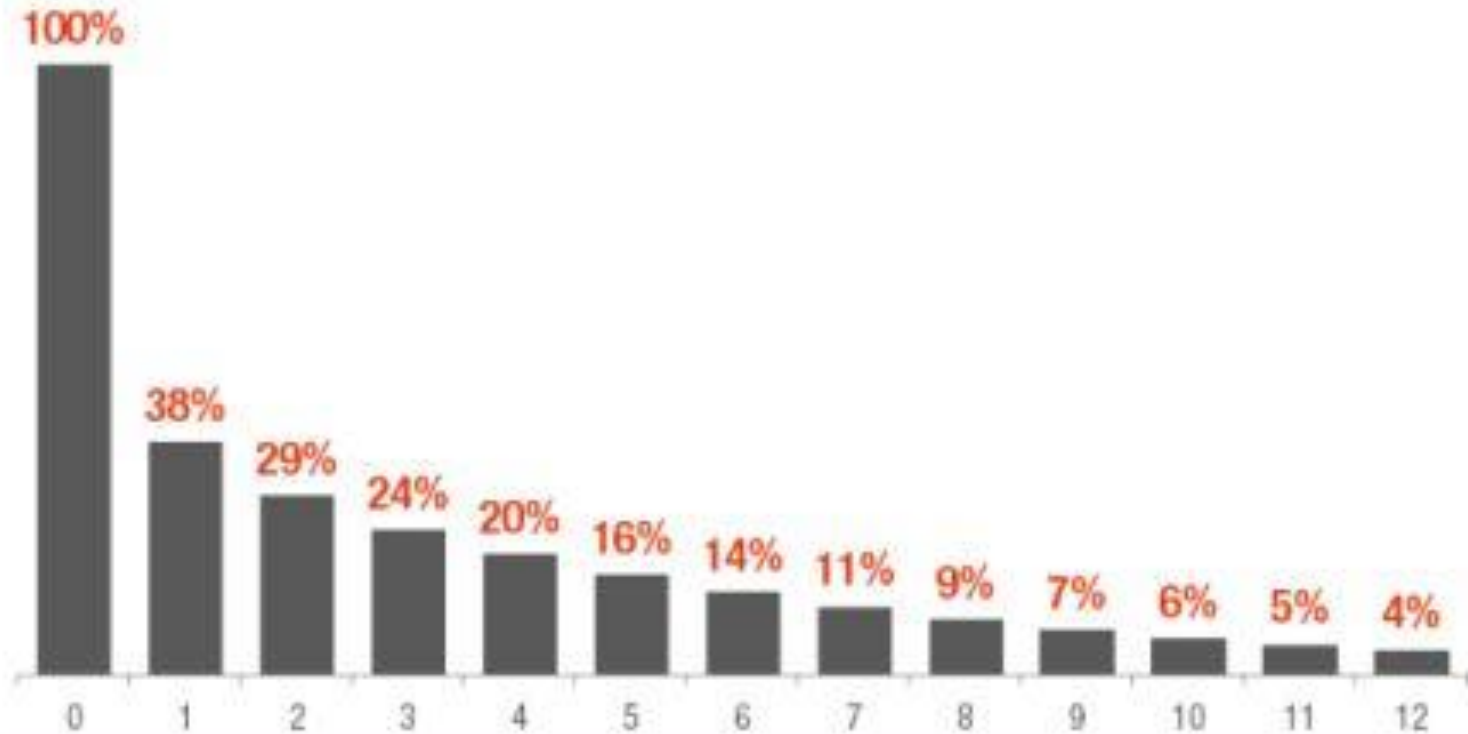
I do not want a no-charge, FREE 90-Day Membership.

Do this: reduces churn by 7-10%

Loyalty by Application Category
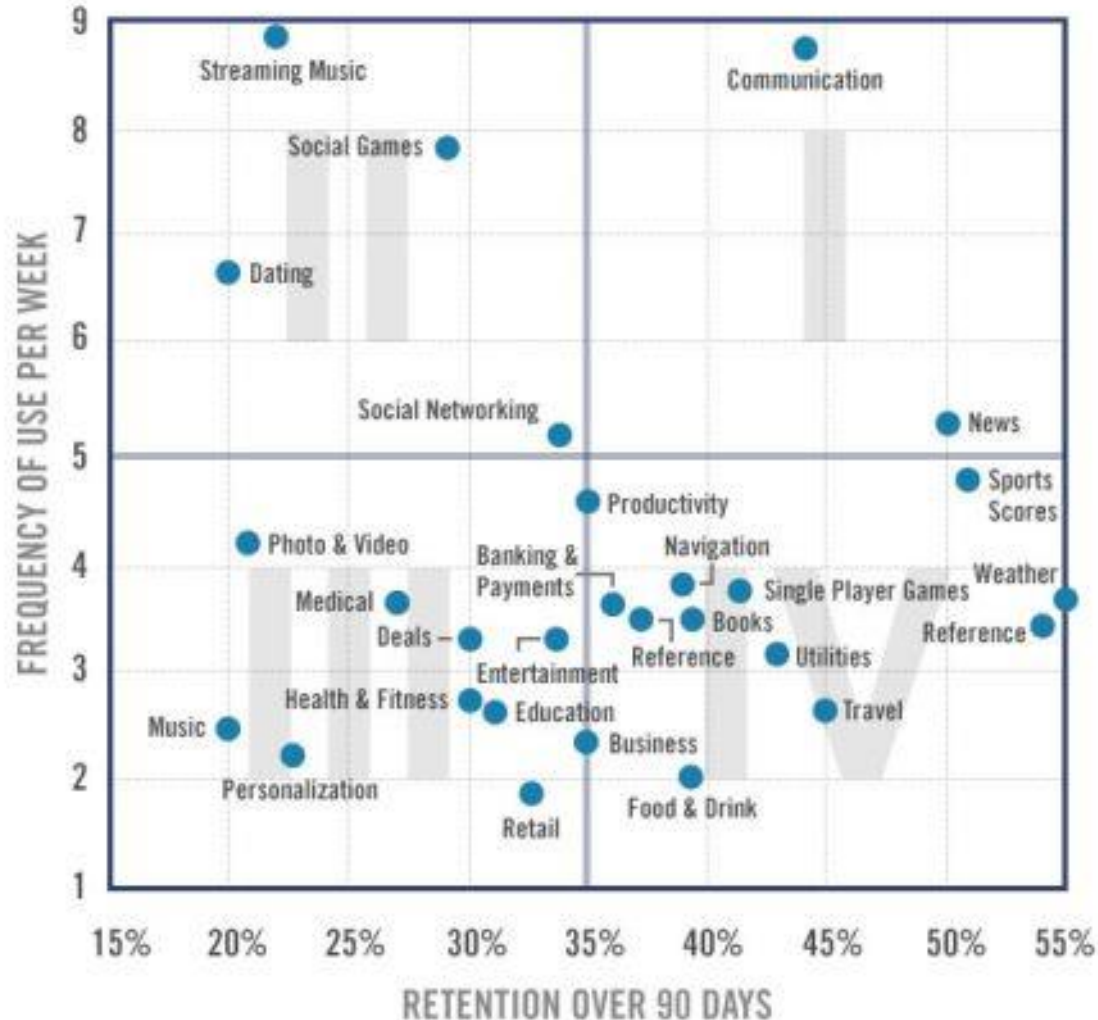
Churn baselines per category

iOS & Android App User Retention, Months Since Acquisition (%)

Source: Flurry Analytics & Estimates

Expect 1-month drop and plateau

Economics:
LTV > 3 x CAC

Engagement:
10% of users use app daily

Engagement:
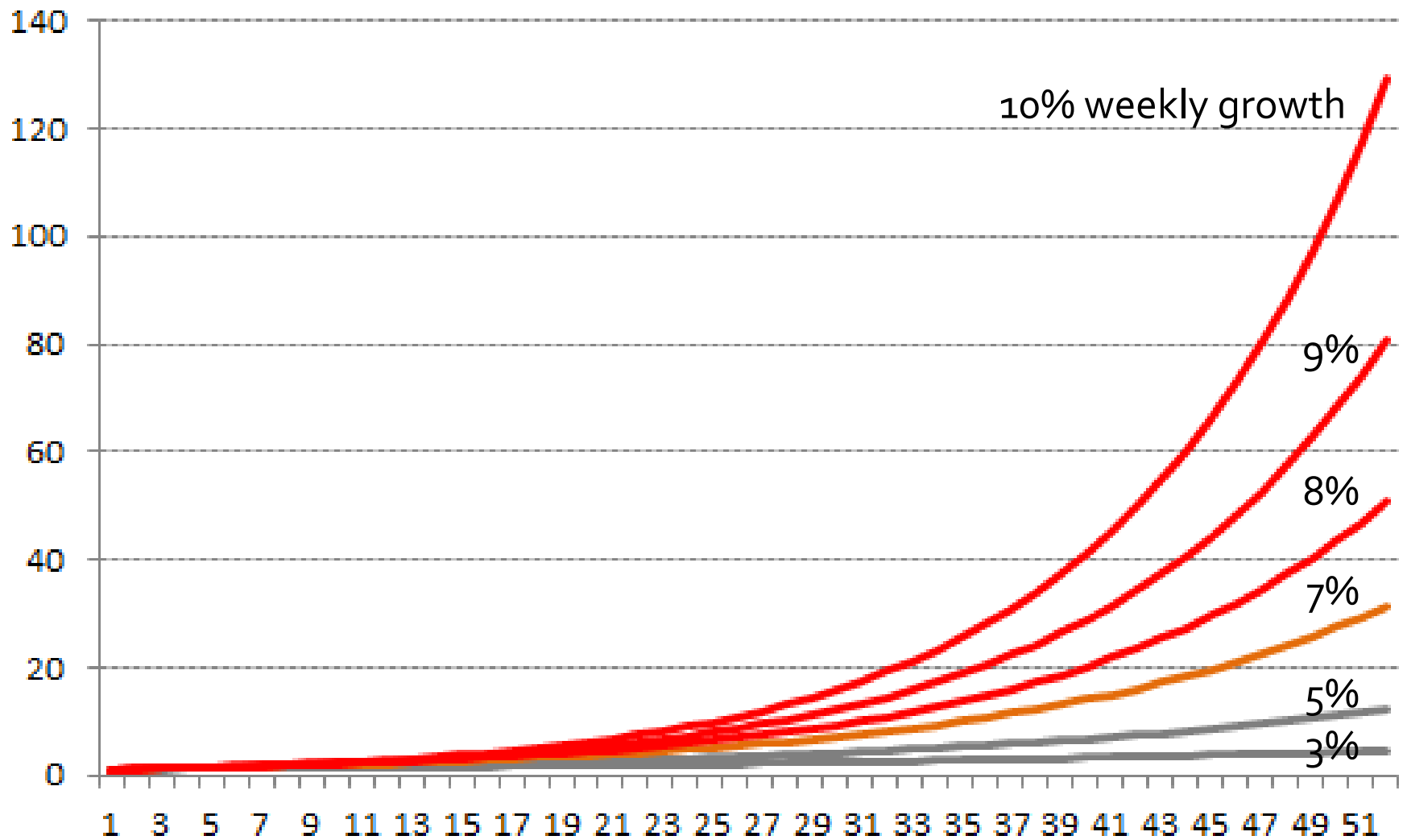## 30% of users

use app monthly

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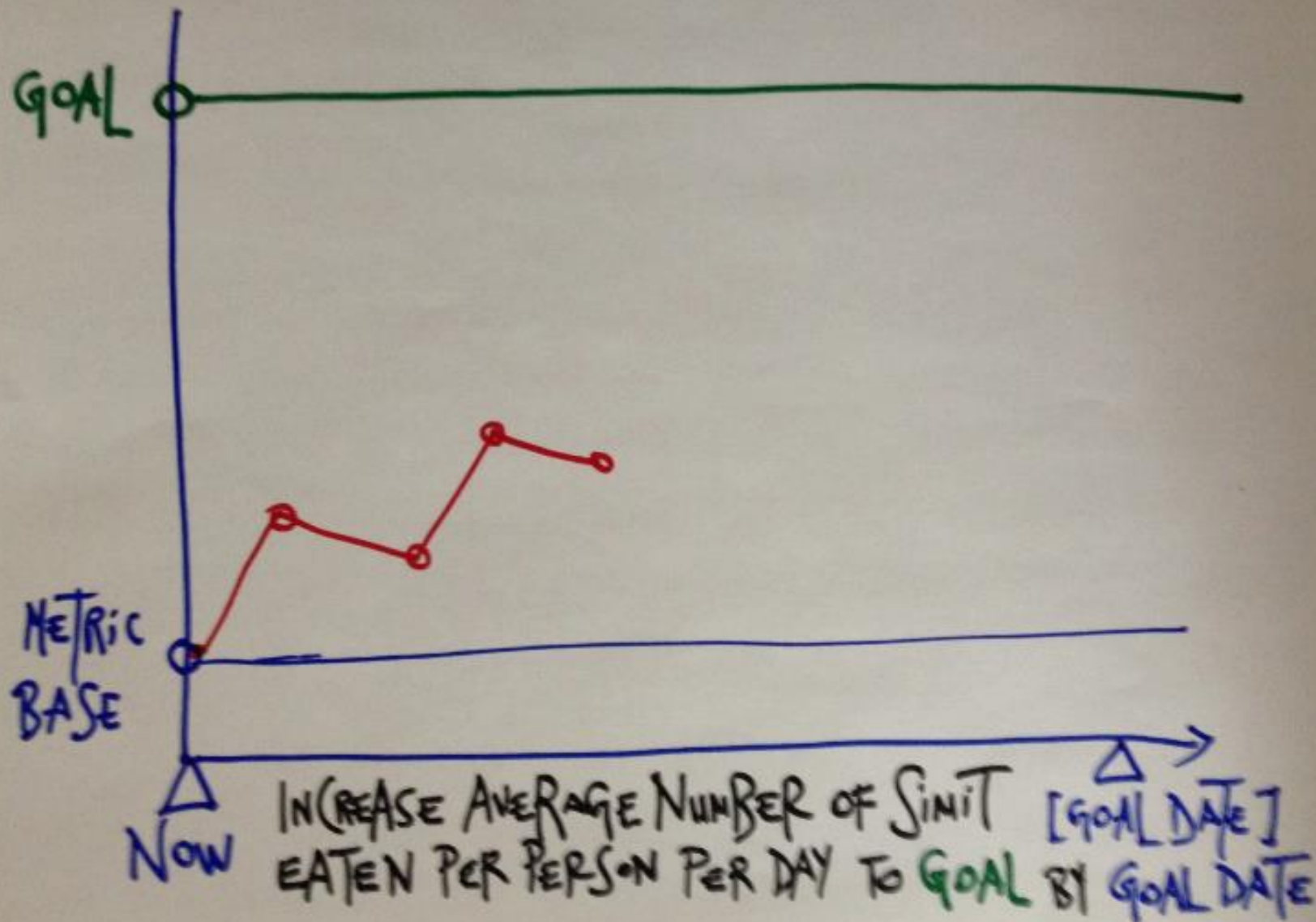
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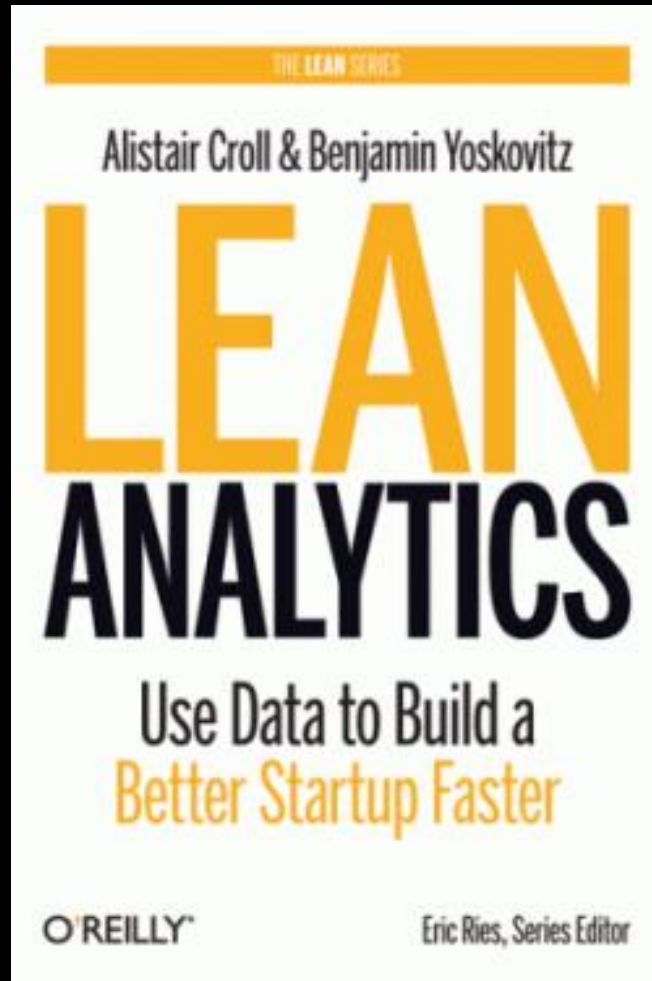
Set a Goal to improve OMTM

Typical Goal:
Double OMTM Baseline in 8 weeks

= 10% weekly growth rate

Share an easily visible OMTM on your Radiator

GOAL

METRIC
BASE

Now

INCREASE AVERAGE NUMBER OF SINIT
EATEN PER PERSON PER DAY TO GOAL BY GOAL DATE

[GOAL DATE]

STRING VENTURES

41

Read the Book

What gets measured gets managed
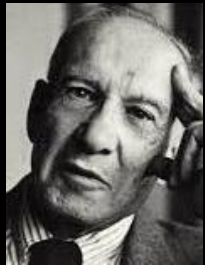
Peter Drucker

Funnel and Metrics