
AAARRR LITERATURE REVIEW REPORT

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0.1 WHAT IS AAARRR PIRATE METRICS FRAMEWORK?

The AAARRR Pirate Metrics Framework is a model developed by Dave McClure to help startups and companies to help startups and companies determine and focus on metrics that matter the most for companies long-term growth.

AAARRR is the abbreviation of the six essential metrics companies track to measure and improve business performance: Awareness, Acquisition, Activation, Retention, Referral and revenue.

Each of these metrics can be utilized to measure a companies continuous growth on that respective area.

- Awareness: How many people have heard of our brand?
- Acquisition : How many people have found our company and what we offer?
- Activation: How many people take their first important step in their relationship with our brand?
- Retention: How many people engage with our company's solution?
- Referral: How many people talk about their experience with our company?
- Revenue: How many people become customers?

AARRR pirate metrics help maintain focus on the KPIs that matter most in each customer stage and identify why your company isn't as performant as it could be. By applying AAARRR Pirate Metrics Framework to a business model, a company can also determine a companies bottleneck and optimize the engagement between potential visitors and customers by customizing their engagement method, e.g. switching channels, starting loyalty programs, etc.

The original AARRR metrics framework or the "Pirate Metrics" framework simplifies the five stages SaaS customers go through. As you see, retention comes before revenue, reflecting the fact that the user has to go through a free trial period (retention) before becoming a paying customer (revenue).

But the framework was adopted by the eCommerce startups, too, by re-arranging the AARRR metrics to reflect the journey of an online shopper accurately:

Acquisition > Activation > Revenue > Retention > Referral

Note that this model may change in accordance by your business plan. Some models consider Awareness and Acquisition as one step, and some models like RARRA puts retention more important.

0.2 APPLICATION OF AAARRR FUNNEL

0.2.1 Acquisition

The first step in the AARRR funnel is acquisition. At this stage, visitors and potential customers discover your brand, content, products, or services.

Of course, you want to attract quality traffic and identify which channels allow you to do that. To nail this stage, you need to identify who your best customers are and which are your best-performing channels.

Your acquisition efforts should focus on attracting more new customers like your existing best customers. Your best customers are the ones that place multiple high-value orders frequently, are loyal to your brand, and are happy with their customer experience. You want to use the top customer list to generate lookalike audiences for your acquisition campaigns.

Then, you want to find where your best customers spend time online. Are they on Facebook or TikTok? Do they read blogs or watch videos? Do they trust influencers or do extra work with their own research? You need to find the channel they prefer and those that bring the best results for your business.

the KPIs you want to focus on are:

- Visitors per channel
- Customer acquisition cost
- Click-through rate
- Cost per click
- Conversion rate

0.2.2 Activation

In the second stage of the AARRR funnel, your visitors become more engaged with your brand and take the first important step towards a potential purchase.

There are several actions that a visitor can take during this stage: subscribing to a newsletter, creating an account, adding products to the cart, or starting the checkout process.

What moves the visitor from acquisition to activation is what marketers call the “AHA moment.” It’s when they realize that your brand offers a valuable solution to one of their struggles and helps them improve their lives.

To lead your visitors to this second stage, you need to understand the jobs to be done for your brand and map the customer journey based on qualitative interviews with some of your top customers. After you have identified the JTBD and defined the customer journey, you need to make sure your website clearly communicates the value you add to their lives once they start using your products and services.

the KPIs you want to focus on are:

- New subscribers
- New user accounts
- Average time on page
- Pages/ session
- Visitors per signup rate
- Conversion rate

0.2.3 Revenue

When you apply AARRR metrics for your eCommerce, revenue comes before retention. To transform visitors into first-time buyers, you need to improve activation to revenue conversion rate with a seamless online shopping experience that builds trust and eliminates objections, remorse, and friction on all devices.

In this stage, you should focus on simplifying the checkout process and making sure every detail regarding their order is clearly and transparently communicated. If you don't know where to start, ask your existing customers what would make their ordering process easier.

The way things go on their first order contributes to their first impression as a customer, so you need to ensure it's a good one. The way newly acquired customers feel during their first shopping session and experiencing their first order sets the tone for the future of your relationship.

You invested so much in attracting these new people, so if you want to retain them long-term, you can't afford to lose them, especially high-potential or highly-fit customers.

the KPIs you want to focus on are:

- Revenue by channel
- Revenue by customer type
- Conversion rate by channel
- Revenue per customer
- Average order value
- Revenue by new vs. repeat customers

0.2.4 Retention

Retention comes forth in the AARRR metrics framework applied to eCommerce and represents the source of sustainable growth. Ecommerce stores thrive on repeat customers.

You made all these efforts to convince people to buy from you. Now's the time to convince them to order again and stick with your brand despite the aggressive discount campaigns of your competitors.

If you want to improve retention rates, you have to talk to your loyal customers and ask them why they choose to stick with you, what they appreciate most and what are the key elements of an excellent customer experience.

Their perception of your brand matter most and can inform your future initiatives, from retention strategy to marketing automation setup and remarketing campaigns. In this stage, your goal is to keep them happy and increase customer lifetime value.

the KPIs you want to focus on are:

- Retention rate
- Churn rate
- Customer Lifetime Value
- Net Promoter Score
- Conversion rate
- Loyalty program conversion rate
- Average days between transactions
- Recency, Frequency, Monetary Value

0.2.5 Referral

The last stage in the eCommerce AARRR funnel is the referral. Happy customers that share their good experiences with your brand generate new business for your online store. They create so-called viral loops online and offline.

Word-of-mouth remains the most powerful driver of new sales because people trust more recommendations from other people – friends, family, colleagues, or acquaintances.

Keeping your new and recurring customers happy should be among your top priorities. You need a proactive attitude, meaning you have to constantly monitor and analyze customer satisfaction, acting in real-time according to customers' feedback and importance to your business.

How do you encourage happy customers to recommend your brand if they haven't done it already? Start a referral program (it can be part of your loyalty program) and set an irresistible reward for each time a customer recommends you to someone new. Give them extra benefits each time they leave a review on your website. Make referral benefits easy to access and keep this virtuous circle rolling.

When creating a reporting system based on AARRR metrics, you're more likely to observe what works and what doesn't, allowing you to prioritize your actions and prioritize the most burning tactics.

0.3 UTILISATION OF AAARRR FUNNEL

The Pirate Funnel is used to find the weakest point of a business which you should focus on. For example, you might already see that you don't have enough customers, but what should you do to get more customers/users? Maybe you should do more marketing to reach more people? Or maybe you should optimize your website? Or is it that one feature that you should develop to be more interesting for people?

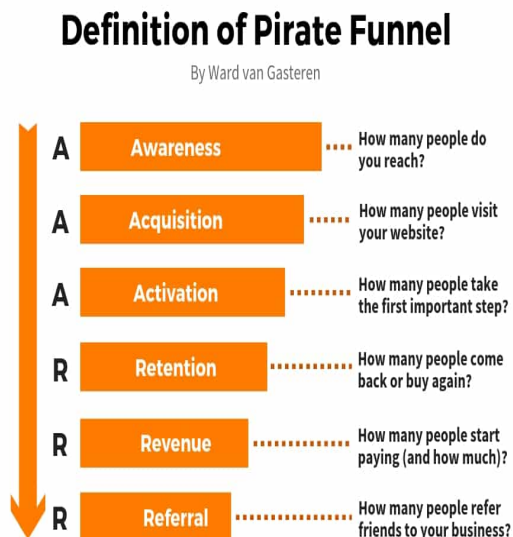
AAARRR Funnel could help you find this bottleneck. If you follow the steps below and fill in all the numbers, you'll see what part of your funnel is hurting your customers the most. Therefore you know that this is the part where you can optimize for maximum growth. Every time you improve any step of your Pirate Funnel it will help to improve your 'North Star Metric' and therefore your long-term growth.

0.3.1 Setup of a AAARRR Framework

While setting up a AAARRR Metrics Framework, the first step is to define your AAARRR metrics. As a business model, definition of these AARRR steps as equally measurable steps is a good practice. The use of the unique number of people/users who accomplish a certain step is common. For example, the number of people visiting your website, the number of people who logged in per week or the number of people who referred a friend.

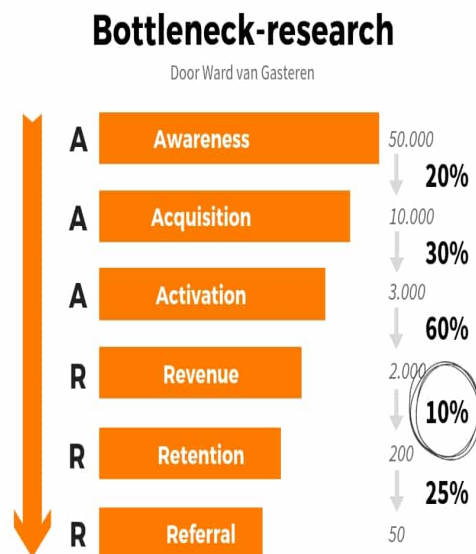
It normally doesn't matter what time period you use and therefore taking the longest time period as possible up to one year can be optimal; unless there have been major

changes in the business, like a redesigned website, a new user onboarding or a change in the product.



After determining the metrics that will be used, the next step is to acquire the data and calculate the metrics. If the exact number is not clear, taking a ballpark-estimate is advised. After this step, the bottleneck can be found.

You can have a look at the percentage that survives the gap to the next AARRR step. The lowest percentage is the companies bottleneck.



Do note that they should be analysed relatively. If some steps are small steps, it might not be fair to compare them. The decision is subjective at that stage.

After the bottleneck is determined, the company can work on that problem.

0.4 DATA DRIVEN DYNAMIC DECISION MAKING IN BUSINESS

As this literature review concludes, we can see several breakpoints in AAARRR Metrics Framework that can be optimized and automated by a machine learning algorithm. For example, by using targeted ads and determining who will receive these ads by Random Decision Forest, or optimizing retention by using an algorithm to choose the candidates for loyalty programs, etc. By using machine learning the AAARRR funnel can be optimized and used dynamically

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