

Metrics & traction





ESN

EUROPEAN
STARTUP NETWORK

Metrics & traction

Agenda

- Why metrics?
- Vanity metrics
- Funnel
- Actionable metrics & unit economics
- Examples

Why

«What you can't measure, can't be improved»

Why



Why



Why



Why

You need control / anticipation

You need preparation for quick moves

You need to explain what you did, why you did it, how you did it and what are the

Why

You need to explain

- What you did
- Why you did it
- How you did it
- What were the consequences

Why

«Metrics are first for you as a business owner/manager and then for your (next) investors »

Vanity metrics vs Actionnable metrics

Vanity Metrics

#visitors

#users

#downloads

#followers on social networks

#subscribers @newsletter

These metrics make sense but have less importance than you think

Funnel

Funnel

Your Baseline

We've estimated you are turning 3 of your website visitors into customers. Sound right? if not, you can adjust your contact, lead, or close rate.



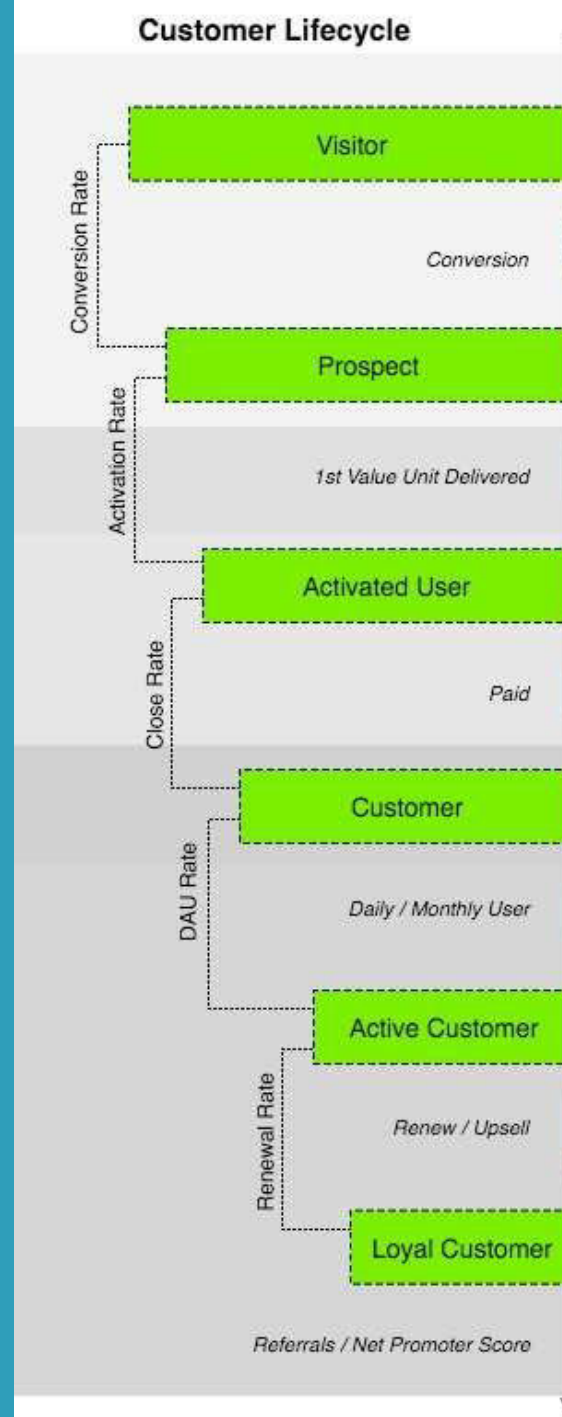
- Twodo.com

Funnel



Metrilo.com

Funnel



Funnel



Sources of traffic

Conversion rate is key

Sources of traffic

Not All Lead Sources are Equal



Sources of traffic

- ORGANIC
 - Content/blogpost
 - SEO
 - Referrals
 - Social networks(free)
 - Direct traffic

Be careful, nothing is FREE

Sources of traffic

- PAID
 - SEM
 - Social network (ads)
 - Affiliation / reseller agreement
 - Retargeting
 - Conference
 - Partnerships
 - Outbound sales

Google Analytics can help you defining sources of traffic

Sources of traffic

EXAMPLE

Actionnable metrics

Metrics - Evolution



Metrics – Links/Relations

Months to recover CAC

$$\text{Months to Recover CAC} = \frac{\text{CAC}}{\text{Avg MRR per Customer}}$$

To be perfectly accurate, this should include a Gross Margin adjustment as follows:

$$\text{Months to Recover CAC} = \frac{\text{CAC}}{\text{Avg MRR per Customer} \times \text{Gross Margin \%}}$$

However in our guideline which states that Months to Recover CAC should be less than 12, we are assuming that you are using the simpler formula, and have a Gross Margin of 80% or higher.

- Forentrepreneurs.com

Metrics for Sales & Growth

(New) ARR/MRR or GMV or Revenue

Recurring Revenue vs Total Revenue

DAU vs WAU vs MAU

#transactions

Metrics for Sales & Growth

ARPU (Average Revenue Per User)

ACV (Annual Contract Value)

AOV (Average Order Value)

(Gross Margins)

Metrics for Marketing & efficiency (SAAS)

Revenue (expansion/upsell)

CAC (Customer Acquisition Cost)

- $\text{Total Marketing \& sales spent} / \text{\# new customers} *$

Metrics for Marketing & efficiency (SAAS)

Churn rate in revenue or #customers

- Lost customers/revenue per period

Gross Churnrate

- #customers in month x that are there in month x+1

NetChurn rate

- #revenue with customers in month x that are there in month x+1 PLUS expansion

Metrics for Marketing & efficiency

APRIL 2017 CURRENT

\$320

✓ NEW

-\$29

✓ UPGRADES

\$2,770

✓ EXISTING

-\$1

✓ DOWNGRADES

-\$110

✓ CHURN

= \$2,950

NET MRR



Metrics for Marketing & efficiency (SAAS)

- (C)LTV (Life Time Value)
 - Total revenue an «average» customer will bring
 - «Simple» LTV calculation : $1 / \text{churn rate}$
 - «Simple» CLTV calculation : $\text{MRR (revenue)} / \text{churn rate}$
- (C)LTV (Life Time Value)
 - We can't consider that someone will stay forever, then you need to «cap» the Life Time of a user/customer
 - LTV calculation : $(1 - (1 - \text{churn rate})^{\# \text{max months}}) / \text{churn rate}$

Metrics for Marketing & efficiency (SAAS)

Payback Period

- Months needed to recover CAC
- $\text{MRR (or other revenue) / CAC}$

LTV/CAC

- Measure efficiency to cover the costs of acquisitions and other costs

Metrics for Marketing & efficiency

Two key guidelines for SaaS startups

LTV

$> 3x$

CAC

Months to
recover CAC

< 12 months

- For Entrepreneurs

Metrics for Marketing & efficiency (cohort)

User signed up		User signed in by Months												
Time	People	1	2	3	4	5	6	7	8	9	10	11	12	> 12
August 2010	1,021	25.6%	6.0%	5.4%	5.8%	3.3%	2.9%	3.8%					1.9%	0.6%
September 2010	1,016	28.1%	6.1%	5.0%	5.7%	4.5%	3.7%	3.7%					0.8%	-
October 2010	973	26.7%	6.7%	4.5%	5.4%	4.6%	3.3%	3.1%					-	-
November 2010	1,386	28.3%	5.0%	5.3%	4.7%	4.4%	3.0%	3.0%	2.5%	1.7%	0.8%	-	-	-
December 2010	1,652	23.3%	6.6%	3.9%	3.5%	3.0%	2.1%	2.0%	2.0%	0.7%	-	-	-	-
January 2011	1,523	26.7%	6.6%	4.3%	3.9%	3.4%	2.2%	2.4%	0.3%	-	-	-	-	-
February 2011	1,405	25.4%	7.9%	6.5%	5.9%	3.6%	2.9%	0.9%	-	-	-	-	-	-
March 2011				7.2%	5.7%	4.7%	1.5%	-	-	-	-	-	-	-
April 2011				6.3%	5.1%	1.5%	-	-	-	-	-	-	-	-
May 2011				5.6%	2.5%	-	-	-	-	-	-	-	-	-
June 2011	1,155	28.2%	6.8%	2.2%	-	-	-	-	-	-	-	-	-	-
July 2011	1,003	26.5%	2.2%	-	-	-	-	-	-	-	-	-	-	-

Retention over user lifetime

Change in retention over product lifetime

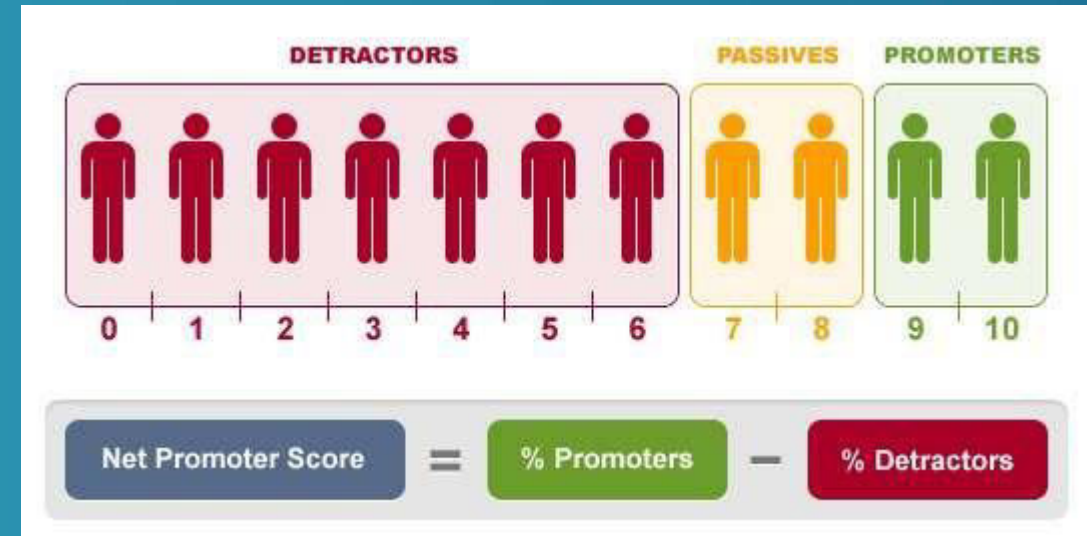
- Kissmetrics.com

Metrics for Customersuccess

Responding time to user request (per channel)
#requests/month

NPS (Net Promoter Score)

- $\#(9\&10) - (1\text{to}6)$



- NPS calculator

Metrics for Marketplaces

- #(new) listings
- #listing fulfilled
- #bids/listings
- #listing/#listing fulfilled (Demand fulfilment)
- Average period to fulfill listing (Liquidity)

Metrics for Marketplace (buyers-sellers)

#transactions/ user (buyers or sellers)

#transactions/user/year (repeatability)

GMV or ARPU/ user

CAC/user (blend & paid)

Metrics for product

#bugs tracked this month

#bugs solved this month

Average time to (start to) solve a bug

Average loading time of product/page

Other Metrics

Burn rate

Salaries

#team members

Other Metrics

**Evolution of these metrics is key to know
how to act**

Metrics

	E-Commerce	Two Sided Market	SaaS	Mobile App	User-Gen Content	Media
Stickiness	Loyalty, Conversion	Inventory, Listings	Engagement, Churn	Downloads, Churn, Virality	Content, Spam	Traffic, Visits, Returns
Virality	CAC, Shares, Reactivation	SEM, Sharing	Inherent Virality, CAC	WoM, App Ratings, CAC	Invites, Sharing	Content Virality, SEM
Revenue	(Money from transactions) Transaction, CLV	(Money from transactions) Transactions, Commissions	(Money from active users) Upselling, CAC, CLV	(Money from active users) CLV, ARPDAU	(Money from ad clicks) Ads, donations	(Money from ad clicks) CPE, affiliate %, eyeballs
Scale	Affiliates, White-Label	Other Verticals	API, Magic #, Marketplace	Spinoffs, Publishers	Analytics, User Data	Syndication, licenses

• Techcrunch.com

Tools

Google Analytics

Kissmetrics

Mixpanel

Sources

SAAS

- Christoph Janz (Point9)
- David Skok
- Tom Tunguz (Redpoint)
- Jason Lemkins (Saastr)
- Social Capital
- Chartmogul
- Kissmetrics

Sources

Marketplace

- Version One VC
- Point Nine Capital

Other Efficiency Metrics (Serie A/B stage)

Operating Expense Ratio

- Salaries expense / revenue

Magic Number

- $(\text{Revenue } Q+1 - \text{Revenue } Q) / \text{S\&M } Q$

Quick Ratio

- $(\text{New Mrr} + \text{Upsell}) / (\text{churn MRR} + \text{downsell})$

Sales cycle

Focus Areas

What does ESN do exactly?



EUROPEAN
STARTUPNETWORK



EUROPEAN
STARTUPNETWORK

Make Collaboration Happen

- Startup European Partnership programme (<http://startupeuropepartnership.eu>)
a platform where the best scale-ups meet the best corporates

EU Projects

- Growing visibility & opportunities for European startups
- Corship (<https://www.corship.eu/>)
- UpskillingLab 4.0 (<https://www.upskillinglab.eu/>)
- TETRA (<https://www.ngi.eu/ngi-projects/tetra/>)

European Startup Monitor

- Analysis on European startup landscape & ecosystem
=>infographics, maps & reports
- Providing the insight for policy makers to design the strategies
- Latest version 2019/2020 (europeanstartupmonitor2019.eu)

A common voice for European Startups

- 21 European National representation
- EU & world-wide connected
- Lobby
- Research