

# Lean Analytics

Use Data to Build a Better Startup Faster

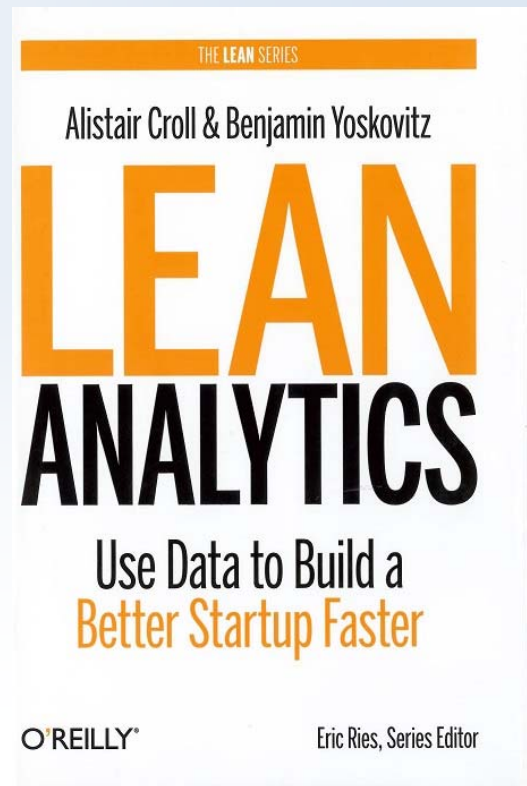
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## Highlights

### Synopsis

Whether you're a startup founder trying to disrupt an industry or an intrapreneur trying to provoke change from within, your biggest challenge is creating a product people actually want. Lean Analytics steers you in the right direction.

This book shows you how to validate your initial idea, find the right customers, decide what to build, monetize your business, and spread the word. Packed with more than 30 case studies, and insights from over a hundred business experts, Lean Analytics provides you with hard-won, real world information no entrepreneur can afford to go without.



## Contents

### Chapter

<b>PART ONE – STOP LYING TO YOURSELF</b>	
Chapitre 1 : We're All Liars	2
Chapitre 2 : How to Keep Score	2
Chapitre 3 : Deciding What to Do with Your Life	2
Chapitre 4 : Data-Driven vs Data-Informed	3
<b>PART TWO – FINDING THE RIGHT METRIC FOR RIGHT NOW</b>	
Chapitre 6 : The Discipline of One Metric That Matters	3
Chapitre 7 : What Business Are You In?	3
Chapitres 14 à 19 : What Stage Are You At?	3
<b>PART THREE – LINES IN THE SAND</b>	
Chapitre 21 : Am I Good Enough?	5
Chapitre 26 : User-Generated Content : Lines In the Sand	6
Chapitre 29 : Selling Into Enterprise Markets (B2B)	6

## PART ONE : STOP LYING TO YOURSELF

### Chapitre 1 :

- We're All Liars**
- ▲ **MVP : Minimum Viable Product.** It's the smallest thing you can build that will create the value you've promised to your market.
  - ▲ When you think you've found a **worthwhile idea, decide how to test it quickly, with minimal investment.**

### Chapitre 2 :

- How to Keep Score**
- ▲ In a startup, you don't always know which metrics are key, because you're not entirely sure what business you're in. You're frequently changing the activity you analyze. You're still trying to find the right product, or the right target audience. In a startup, the purpose of analytics is to find your way to the right product and market before the money runs out.
  - ▲ **What makes a good metric?** A good metric is :
    - **Comparative** : You need to be able to compare it to another time period, group of users, competitors... so you can understand which way things are moving. « Increased conversion from last week » is more meaningful than « 2% conversion ».
    - **Understandable** : People must be able to remember it and discuss it.
    - **A ratio or a rate** :
      - Ratios are easier to act on. « Distance travelled » is information. But « distance per hour » is something you can act on because it tells you about your current state.
      - Ratios are comparable factors that are somehow opposed, or for which there's an inherent tension. Ex : « distance covered » divided by « traffic tickets ».
    - **Changes the way you behave.** Your metric must tied to the behavioral change you want. **If you measure something and it's not attached to a goal, in turn changing your behavior, you're wasting your time.**
  - ▲ Keep these in mind to choose the right metrics :
    - Qualitative vs quantitative : Qualitative is unstructured, anecdotal, **revealing** and hard to aggregate. Quantitative provides hard numbers but **less insight.**
    - Correlated vs causal. Correlation can help you predict what will happen. Cause means you can change it. **Find a causal relationship between something you want (like revenue) and something you can control (like which ad you show).**
    - Vanity vs actionable. Vanity makes you feel good but don't change how you act.
  - ▲ **It's better to have fervent engagement with a smaller, more easily addressable target market. Virality requires focus.**

### Chapitre 3 :

- Deciding What to Do with Your Life**
- ▲ Markets that don't exist don't care how smart you are.

## Chapitre 4 :

### Data-Driven vs Data-Informed

- ▲ Rather than be a slave to the data we should use it as a tool. We should be data-informed, not data-driven.
- ▲ **Humans do inspiration; machines do validation.** A machine can find the optimal settings for something, but only within the constraints and problem space of which it's aware. Math is good at optimizing a known system; humans are good at finding a new one.

## PART 2 : FINDING THE RIGHT METRIC FOR RIGHT NOW

### Chapitre 6 :

#### The Discipline of One Metric That Matters

- ▲ Pick a single metric that's incredibly important for the step you're currently working through in your startup. We call this the **One Metric That Matters (OMTM)**.
- ▲ Picking the OMTM lets you run more controlled experiments quickly and compare the results more effectively.
- ▲ **Remember : The OMTM changes over time.** It will change depending on your current stage, and sometimes it will change quickly.
- ▲ You need to identify **the riskiest areas of your business as quickly as possible, and that's where the most important question lies.**

### Chapitre 7 :

#### What Business Are You In?

- ▲ To decide which metrics you should track, you need to step back, ignore all the details, and just think about the really big components.
- ▲ Business growth comes from :
  - More stuff. Products or services that clients want.
  - More people.
  - More often. Stickiness so people comes back.
  - More money.
  - More efficiently. Reducing the costs.
- ▲ Not all people are equal. Not every user is good for you.
  - Some are good, but only in the long term.
  - Some provide, at best, free marketing. They amplify your message or invite someone who'll pay.
  - Some are downright bad. They distract you, consume resources, muddy your analytics...

### Chapitres 14 à 19 :

#### What Stage Are You At?

##### 1. Empathy

- ▲ Get inside your target market's head and be sure you're **solving a problem that creates enough discomfort people will pay for a solution.**
- ▲ If the problem is real, people are dealing with it somehow. **The current solution will be your biggest competitor at first, because it's the path of least resistance for people.**
- ▲ **Find what features need to be in your minimum viable product.**
- ▲ In some cases, your market won't know it has a problem. In this case, you're interested in what it takes to make them aware of the problem.
- ▲ **Validate if the problem is really painful enough** in an interview :

- Does the client successfully top rank the problem amongst other problems?
- Is he ACTIVELY trying to solve the problem or has he EVER?
- Is the client engaged and focused throughout the interview?
- Did he agree to a follow-up meeting/interview where you'll present a solution?

### Survey :

- First question you're asking is « Was my message compelling enough to take the survey? ». Try different titles in A/B split campaigns.
- Do a small test of a dozen responses first to test your title.

## 2. Stickiness

▲ Comes from a good product, from a solution to a problem.

▲ Make your mistakes with a small, friendly audience.

▲ 7 questions to ask yourself before building a feature :

- Why will it make things better? Why would it improve retention?
- Can you measure the effect of the feature?
- How long will the feature take to build?
- Will the feature overcomplicate things?

Warning bells should be going off if you're trying to justify a feature by saying it satisfies several needs a little bit. It's almost **always better to satisfy ONE need in an absolutely epic, remarkable way.**

- How much risk is there in this new feature?
- How innovative is the new feature?
- What do users say they want?

▲ How to handle user feedback

- They're liars too. Not intentionally, but they forget how your product really works or what they were doing in the product.
- They are biased. They reach out when they're ecstatic or furious.
- They aren't aware of the constraints and nuances of their problems, such as censorship, copyright, their own technology interfering, etc. They want their problem solved, but they have little insight into how to solve it the RIGHT way.
- You should group feedback from similar personas. Ask a Formula 1 driver and your mom about how they feel about their car and you'll get inconsistent responses. Figure out who your customers are and focus your research on a particular type of person.

▲ When your engagement numbers are healthy and churn is relatively low, it's time to focus on growing your user base. Don't run out and buy ads immediately, though. First, you need to leverage the best, most convincing campaign platform you have – your current users. It's time to go viral.

## 3. Virality

▲ Word of mouth. New visitors who are motivated to try you.

▲ Watch out that your unique value proposition don't get lost in your marketing efforts. New users may have different expectations from earlier ones.

#### 4. Revenue

- ▲ Doesn't mean you haven't already been charging earlier on, just that now you are more focused on revenue than growth.
- ▲ **Figure out where to focus : more revenue per customer, more customers, more efficiencies, greater frequency, etc.**

#### 5. Scale

- ▲ It's time to move from growing your business to growing your market. Acquire more customers from new verticals and geographies.
- ▲ Once you've found your revenue « sweet spot », aim about 10% lower to encourage growth.

## PART THREE : LINES IN THE SAND

### Chapitre 21 :

#### Am I Good Enough?

- ▲ Try to define « normal » for your industry by asking around.
- ▲ **When you know what is « normal », draw a line in the sand.** It'll help you focus on the really important objectives instead of working on things that might actually be ok.
- ▲ You're doing well when you spend less than a third of your customer revenue acquiring new customers.
- ▲ If the company is at the Revenue stage, then growth is measured in revenue; if it's not charging money yet, growth is measured in active users.
- ▲ Focusing on growth too soon is bad. A flood of visitors might grow your user base, but might also be detrimental to your business, exacerbate issue with product quality, cash flow, user satisfaction, etc.
- ▲ Most startups focus on growth before they hit product/market fit. In some cases this is necessary if it depends on a network effect such as Skype or Facebook.

- ▲ **Consistent ratios for engagement for a web service** of mobile app is :
  - 30% registered will use at least once a month.
  - 10% will use every day.

#### ▲ Cost of customer acquisition

- While it's impossible to say what it'll cost to get a new customer, we can define it as a % of your customers' lifetime value. This is the total revenue a customer brings to you in the life of her relationship with you. A good **rule of thumb is that your acquisition cost should be less than a third of the total value.** \*It's not a hard fact though because you're guessing how much you'll make from a customer.

### ▲ Mailing list effectiveness

- Mailing list open rates vary widely by industry. A **2010 study showed nearly 30% open rate for construction**, home and garden and photo. 14% for medicine, politics and music. And these are legitimate messages for which recipients have ostensibly signed up – no spam.
- Turns out that **3pm is when people are most likely to open** something.
- The biggest factor for open effectiveness is a decent subject line. A good one : 60-87% open rate. A bad one : 1-14%.
- Bottom line : **Open and click-through rates will vary significantly, but a well-run campaign should hit a 20-30% open rate and over 5% click-through.**

### Chapitre 26 :

#### User-Generated Content : Lines In the Sand

- ▲ In an online population, 90% of people lurk, 9% contribute intermittently, and 1% are heavy contributors.
- ▲ Expect 25% of your visitors to lurk, 60-70% to do things that are easy and central to the purpose of your product, and 5-15% to engage and create content for you. Among those engaged users, expect 80% of your content to come from a small, hyperactive group, and expect 2,5% of users to interact casually with content, and less than 1% to put some effort into interaction.

### Chapitre 29 :

#### Selling Into Enterprise Markets (B2B)

- ▲ You don't need to be fast, just faster than everyone else.
- ▲ Companies expect ease of use, because they didn't have to get trained on Google or Facebook, and thus shouldn't have to get training from you either. **Find where the friction is hiding.**
- ▲ You may have to refrain from talking to users : employers may frown upon you using their employees' time to answer your questions.
- ▲ Simply measuring metrics like « time since last use » will be misleading too, because users are paid to use your tool.

#### ▲ Segment your customers into 3 groups :

- **A** customers : really big customers who negotiated a big discount and expect the world from you.
- **B** customers : fairly low maintenance, didn't get a big discount, see themselves as partners with you and provide useful insights.
- **C** customers : cause trouble, pain to deal with and demand things from you that you feel will damage your business.
- Don't spend too much time on A's – they sound good but aren't the best for your business. Bring as many B's as possible. And try to get your C's to be your competitors' customers.

- ▲ **Ask your customer to compare 2 possible features and choose one they could do without, rather than ask them to rate the possible features on a scale. You'll know then what's really important and what's not.**