Experimenting

4

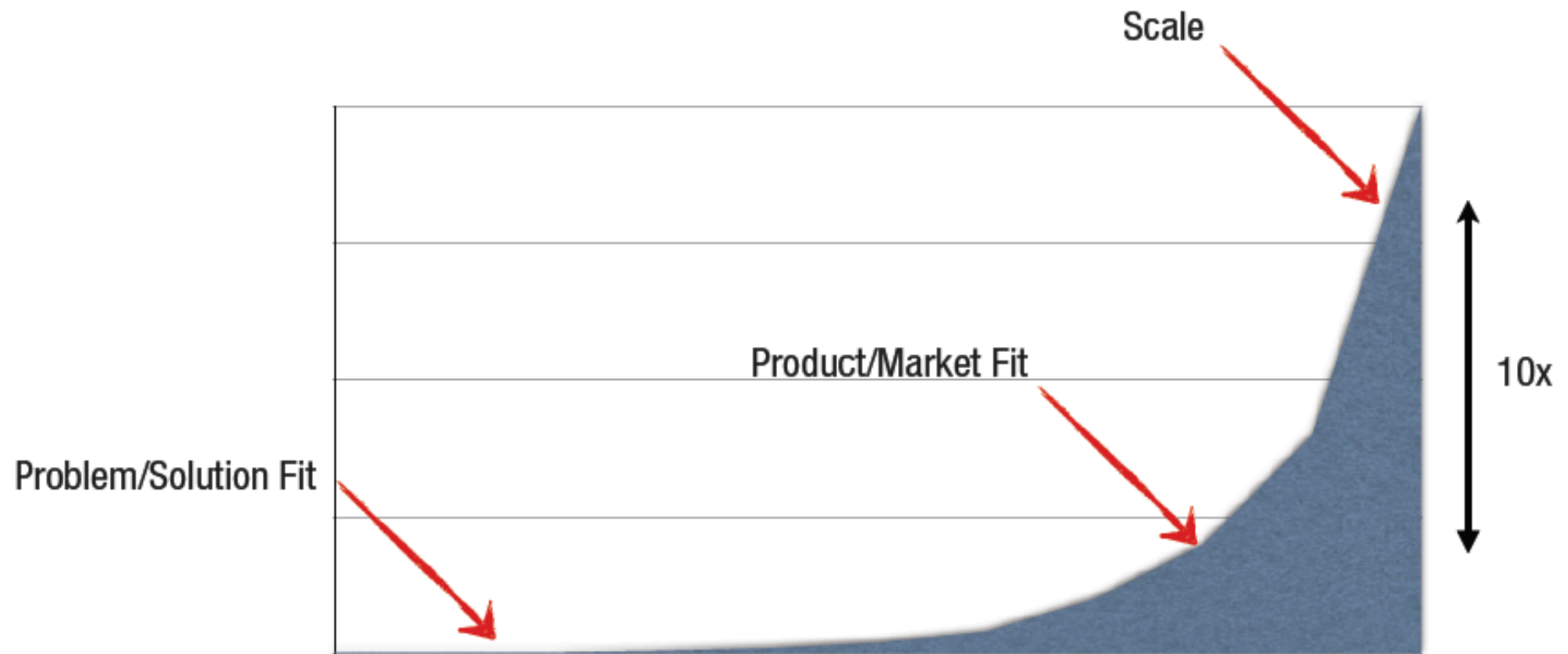**Impact**

Emiliano

@tipthefuture | emiliano@spark59.com

"Every business is in the job of manufacturing happy customers"

~Ash Maurya~

Scale

Product/Market Fit

Problem/Solution Fit

10x

Hockey-stick curve

Hockey-stick curve
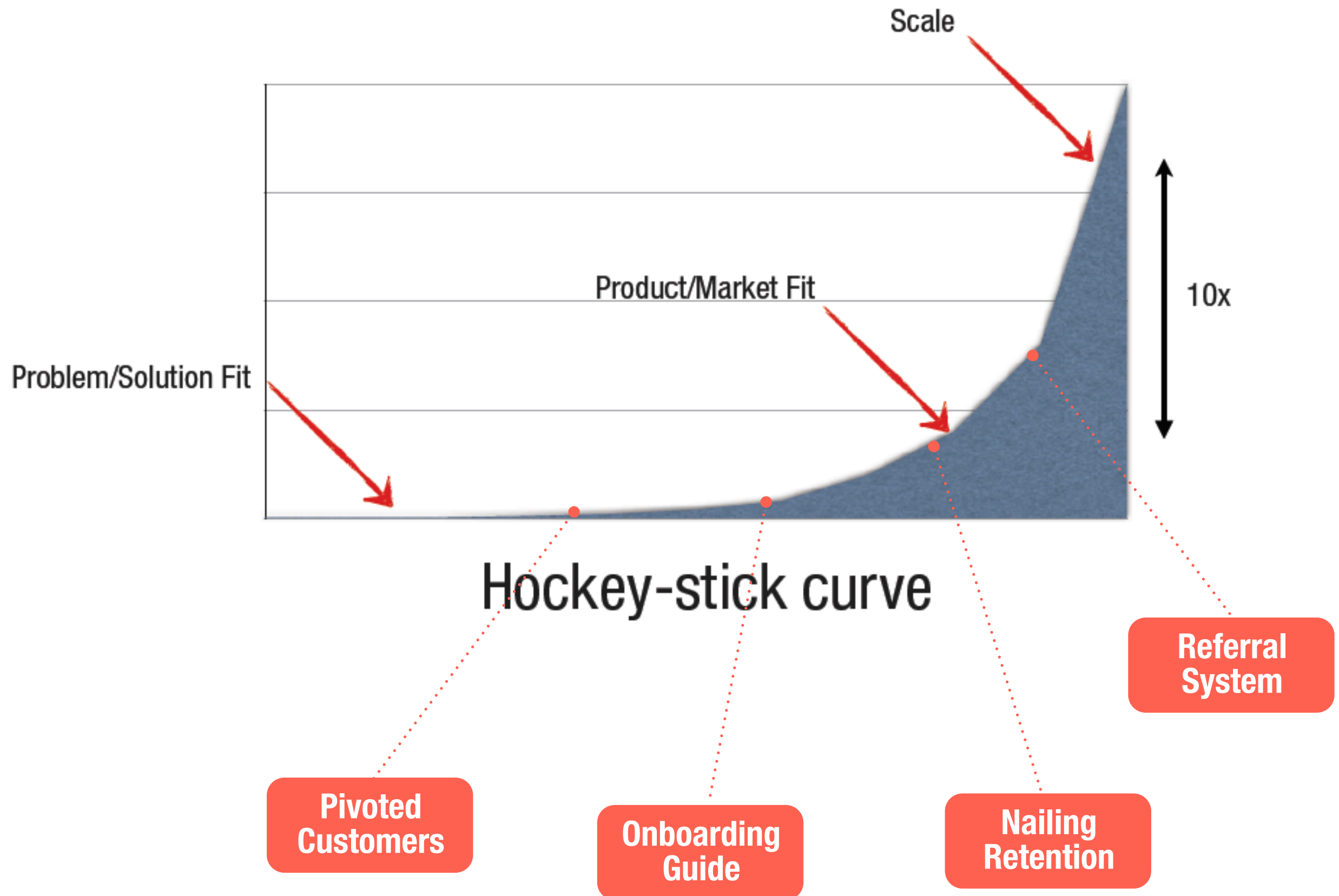
Modeling Your Business

Triaging Experiments

Case Studies

Modeling Your Business
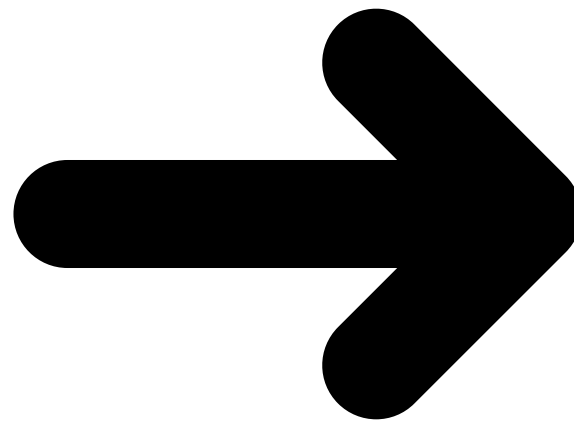
Triaging Experiments

Case Studies

Unaware Strangers
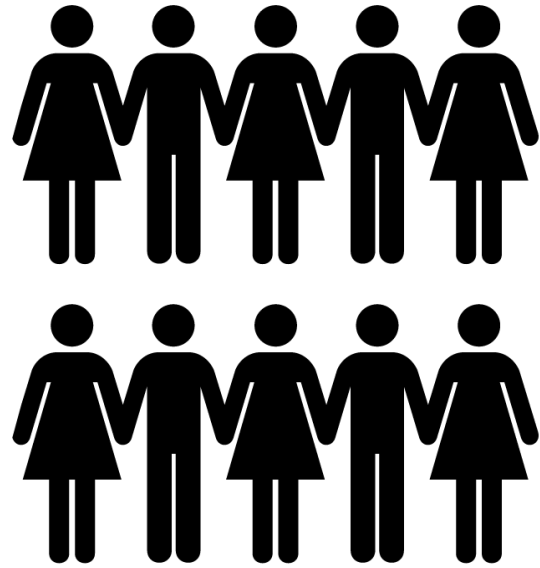
GOAL

Happy, Paying Customers

Awareness
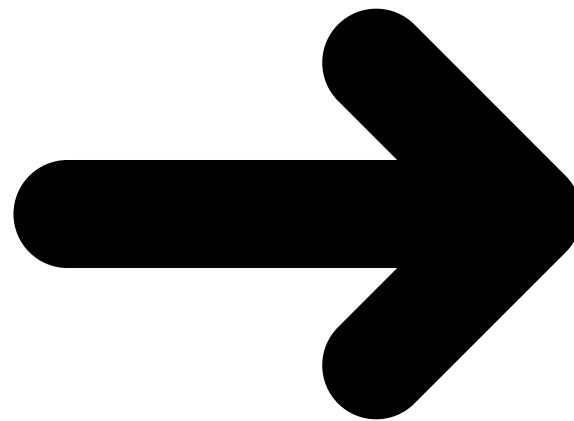
Revenue

Unaware Strangers

GOAL

Happy, Paying Customers

Awareness

Revenue

Acquisition → Activation → Retention
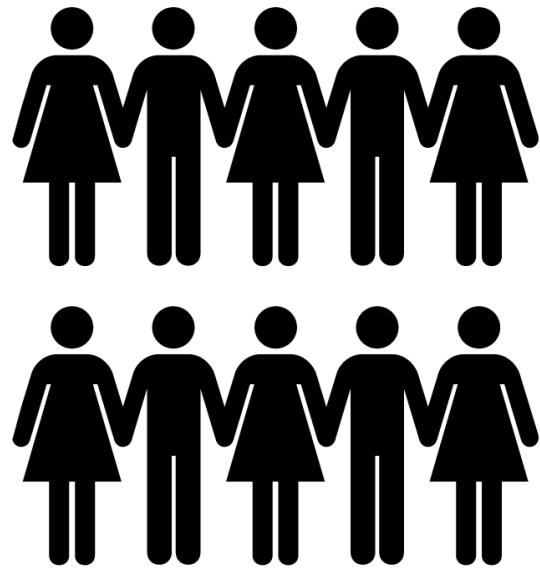
Systematic Customer Factory

Unaware Strangers

Happy, Paying Customers

GOAL

Awareness

Revenue

Acquisition

Activation

Retention

Referral

Revenue Retention
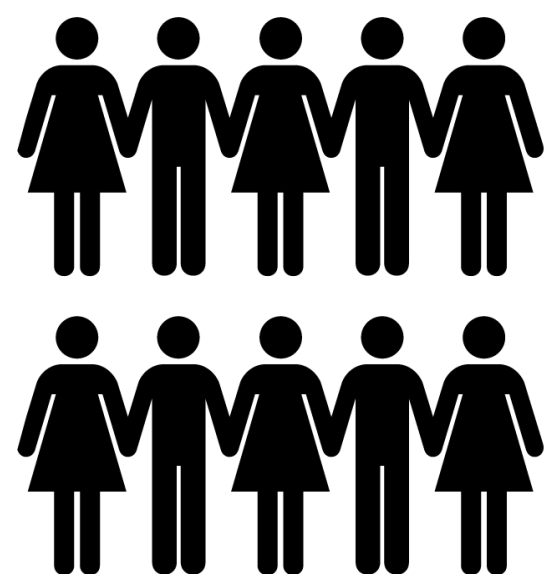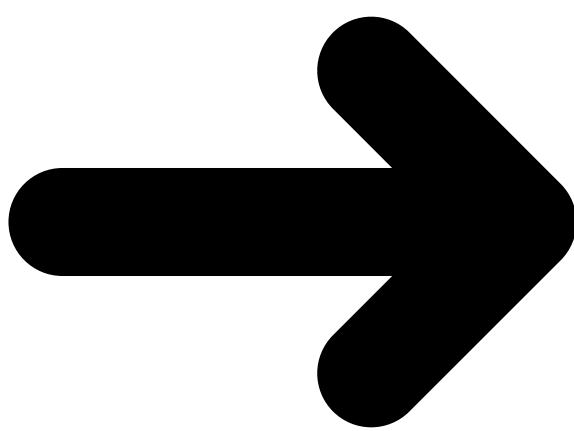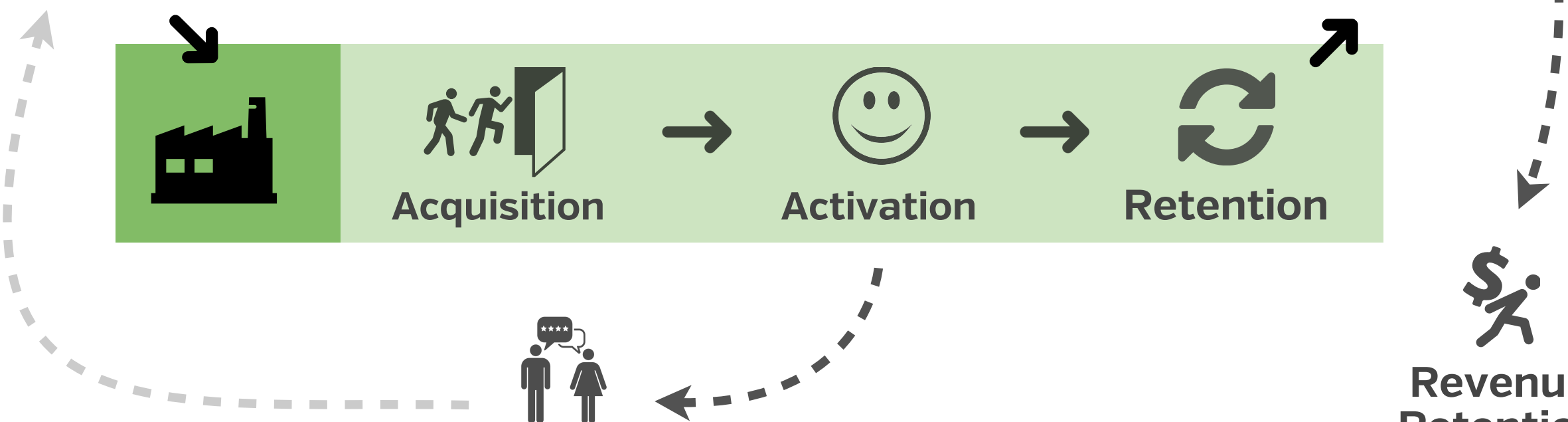
Variations

SaaS Businesses
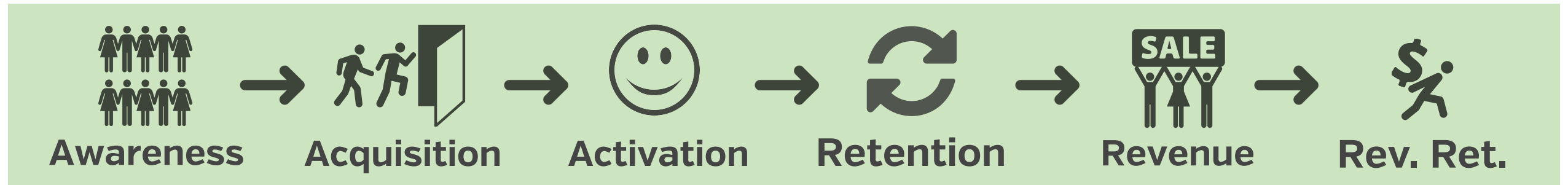
Awareness → Acquisition → Activation → Retention → Revenue → Rev. Ret.

Paid Apps

Awareness → Acquisition & Revenue → Activation → Mult. Purchases

Social Products

Awareness → Acquisition → Referral & Activation

Build the Production Rate

Awareness → **Acquisition** → **Activation** → **Revenue**
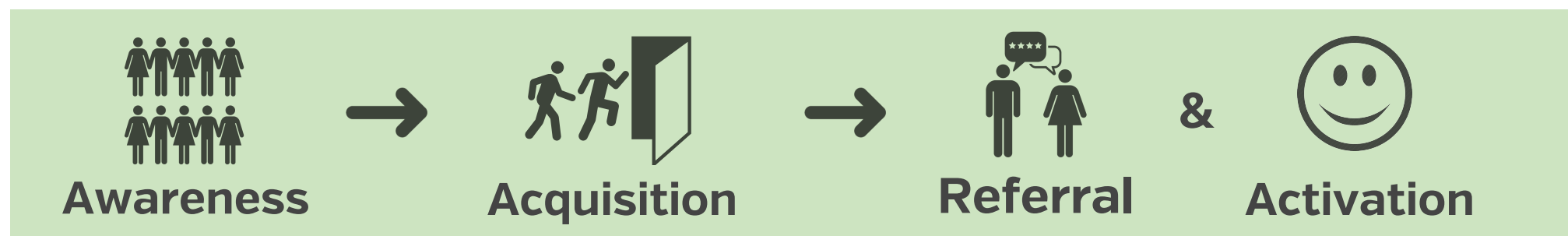
Build the Production Rate
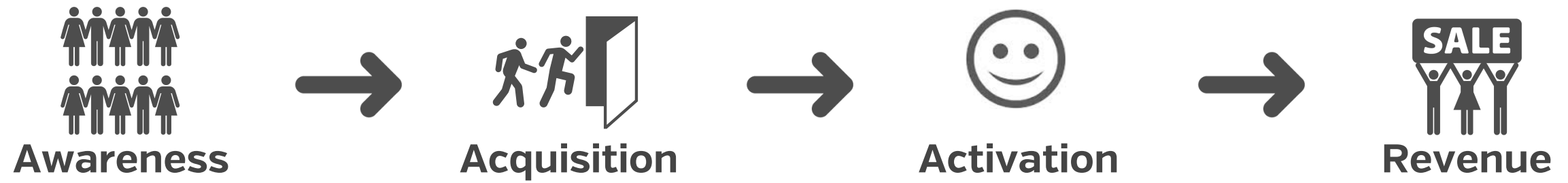
Awareness → Acquisition → Activation → Revenue

5,000/mo

Visit landing page

Build the Production Rate

Awareness

40%

Acquisition

Activation

Revenue

5,000/mo

2,000
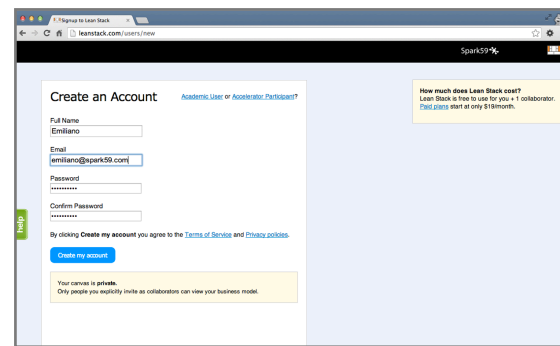
Visit landing page

Sign-up

Build the Production Rate

Awareness → 40% → **Acquisition** → 70% → **Activation** → **Revenue**

5,000/mo   2,000   1,400
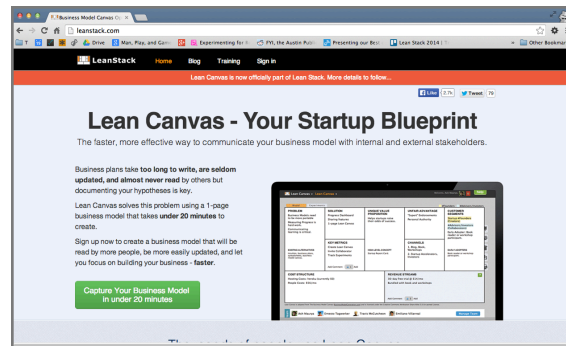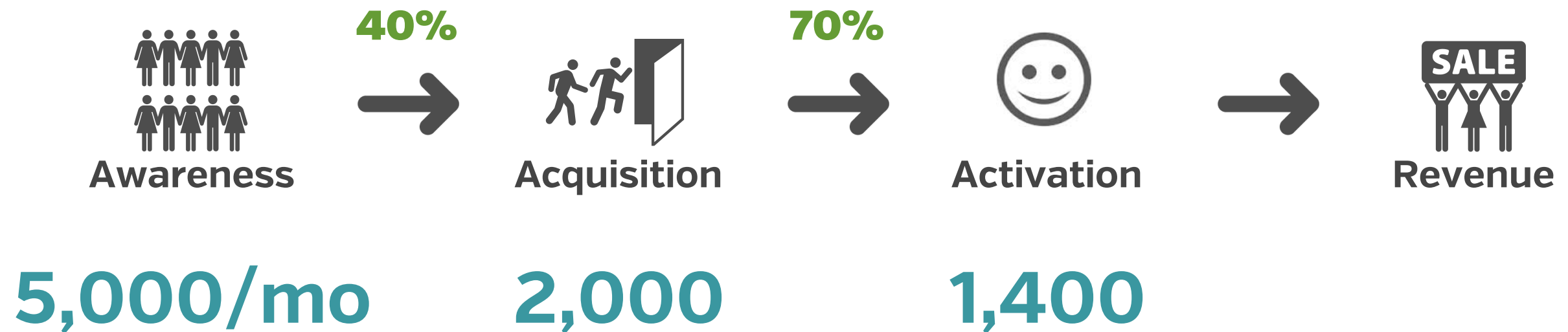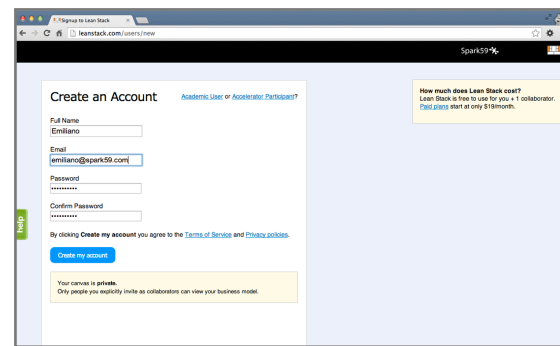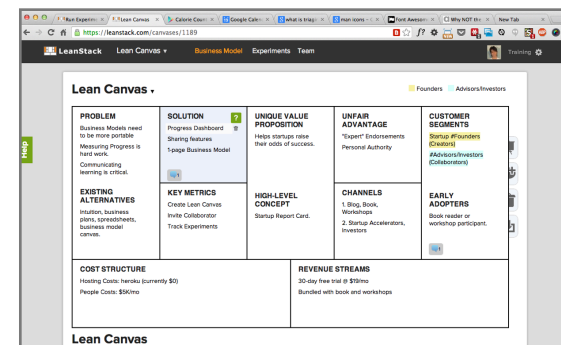
Visit landing page   **Sign-up**   **Create a Canvas**

Build the Production Rate

Awareness — 40% → Acquisition — 70% → Activation — 4% → Revenue

5,000/mo   2,000   1,400   56
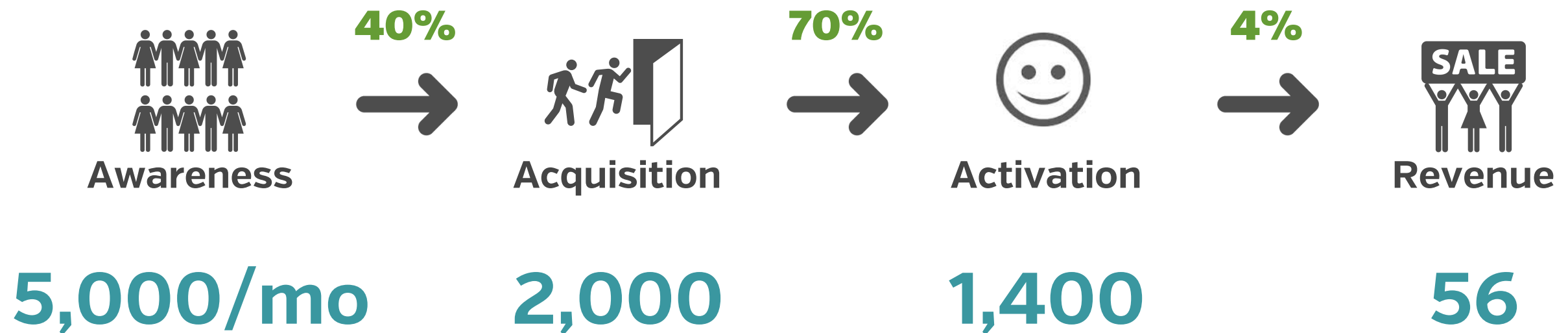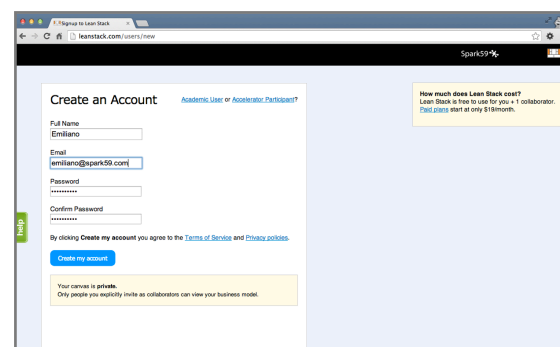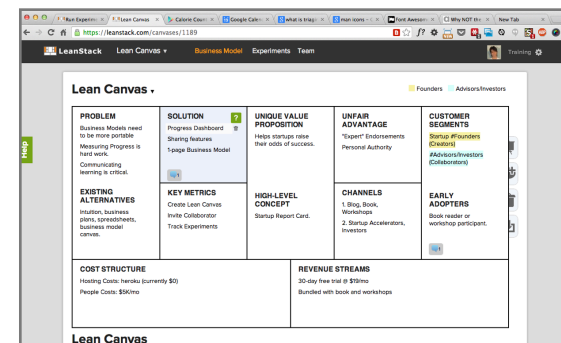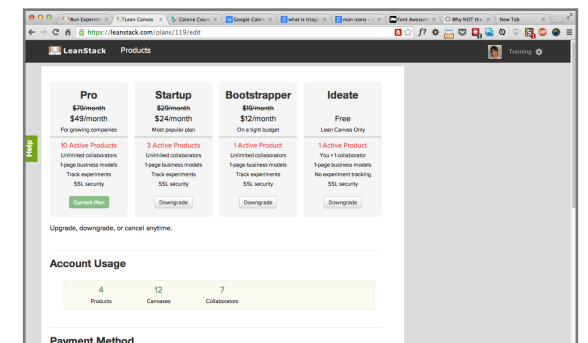
Visit landing page   Sign-up   Create a Canvas   Upgrade for Premium Features
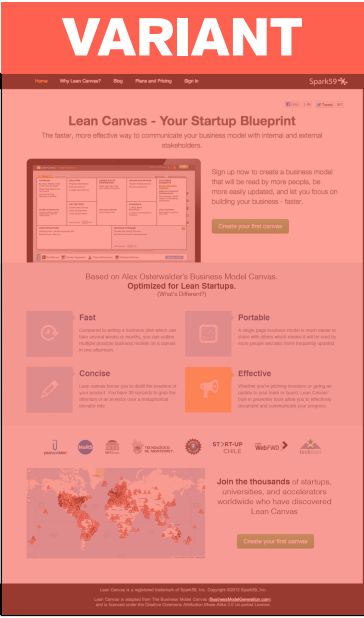
VARIANT

55%

40% → Acquisition

70% →

4% →

Awareness

Activation

Revenue

5,000

2,000

1,400

56

CONTROL
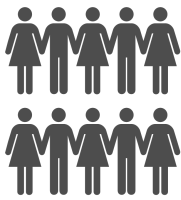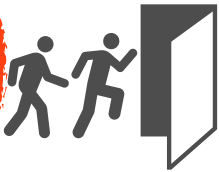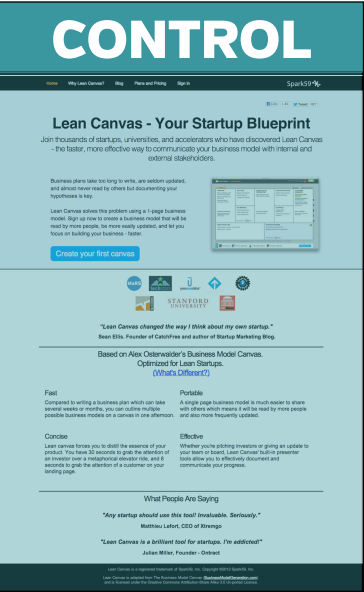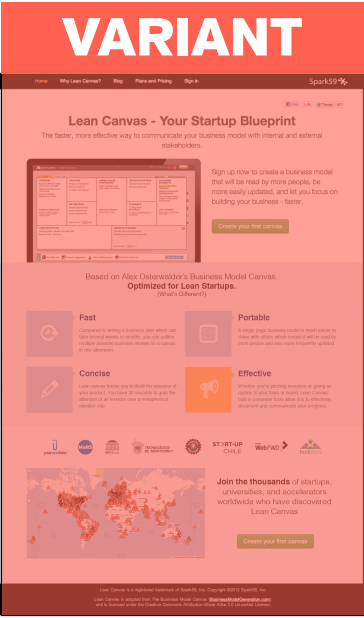
Split-Test

55%

+750

+525

+21
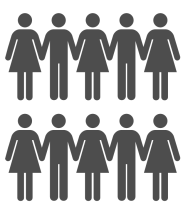
40% → Acquisition

70% → Activation

4% → Revenue

Awareness

5,000

2,000

1,400

56
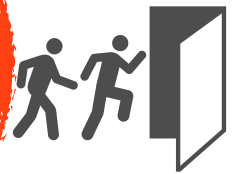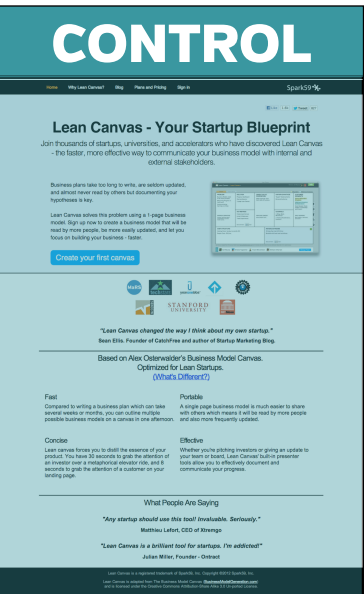
VARIANT

END is what matters
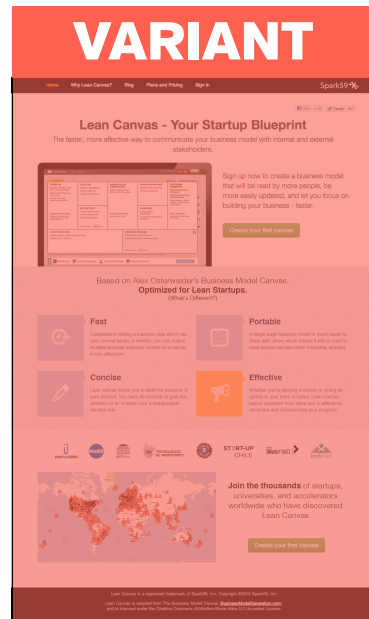
55%   +750   +525   **+21**

40%   70%   4%

Awareness   Acquisition   Activation   Revenue

5,000   2,000   1,400   56

CONTROL
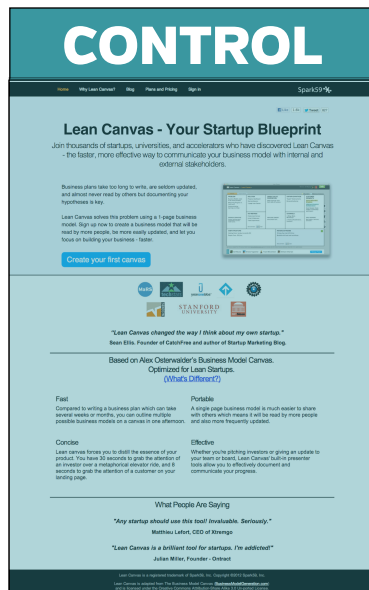
If you want to double your revenue...

Double:
- » Incoming traffic,
- » Any conversion point,
- » Price

Modeling Your Business

Triaging Experiments

Case Studies

How to **assign priority** to experiments & **ration your resources** for efficient improvement.

» Opportunity & Priority

» Resource Cost

» Uncertainty

SaaS Freemium

Awareness

50k/mo

40% →

Acquisition

20K

70% →

Activation

14K

3% →

Revenue

420

SaaS Freemium

Awareness

50k/mo

40%

Acquisition

20K

70%

Activation

14K

3%

Revenue

420

SaaS Freemium

Awareness
50k/mo

→ 40%

Acquisition
20K

→ 70%

Activation
14K

→ 3%

Revenue
420

Beginning of Product/Market

Awareness
600/mo

→ 20%

Acquisition
120

→ 90%

Activation
108

→ 60%

Revenue
65

SaaS Freemium

Awareness
50k/mo

40% →

Acquisition
20K

70% →

Activation
14K

3% →

Revenue
420

Beginning of Product/Market

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Revenue
420

Beginning of Product/Market

Awareness
600/mo

20% →

Acquisition
120

90% →

Activation
108

60% →

Revenue
65

Moving Beyond Early Adopters

Awareness
2k/mo

30% →

Acquisition
600

30% →

Activation
180

40% →

Revenue
72

SaaS Freemium

Awareness
50k/mo
→ 40% →
Acquisition
20K
→ 70% →
Activation
14K
→ 3% →
Revenue
420

Beginning of Product/Market

Awareness
600/mo
→ 20% →
Acquisition
120
→ 90% →
Activation
108
→ 60% →
Revenue
65

Moving Beyond Early Adopters

Awareness
2k/mo
→ 30% →
Acquisition
600
→ 30% →
Activation
180
→ 40% →
Revenue
72

Triaging Experiments

» Opportunity & Priority

» Resource Cost

» Uncertainty

	Awareness	Acquisition	Activation	Revenue
Build Time	**1-20 hrs** BUILD TIME	**2-40 hrs** BUILD TIME	**4-80 hrs** BUILD TIME	**10-800 hrs** BUILD TIME
	Channels & Attention	Messaging & Desire	Flow & UX	Features & Access
	Blog Posts, Ads, Infographics, Webinars	*Headlines, Demo Videos, Content, Layouts*	*Tour Guides, UI Elements, Lifecycle Emails*	*New Features, Pricing, Upsells, Lifecycle Emails*

SaaS Freemium
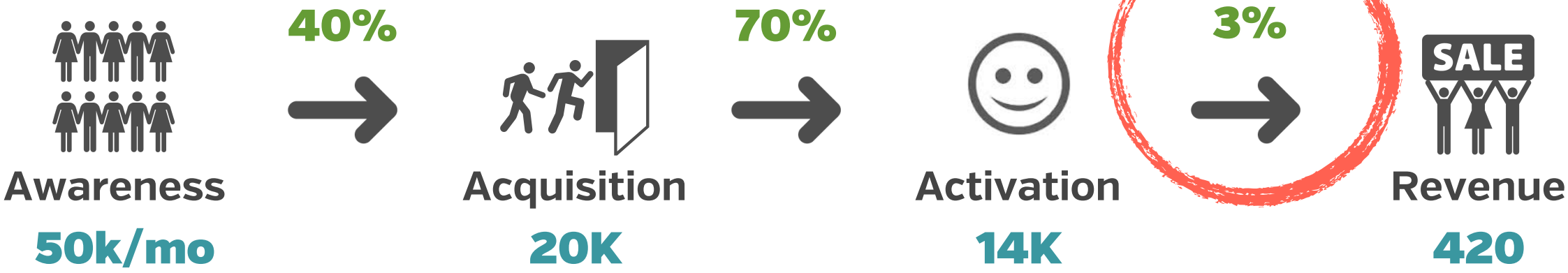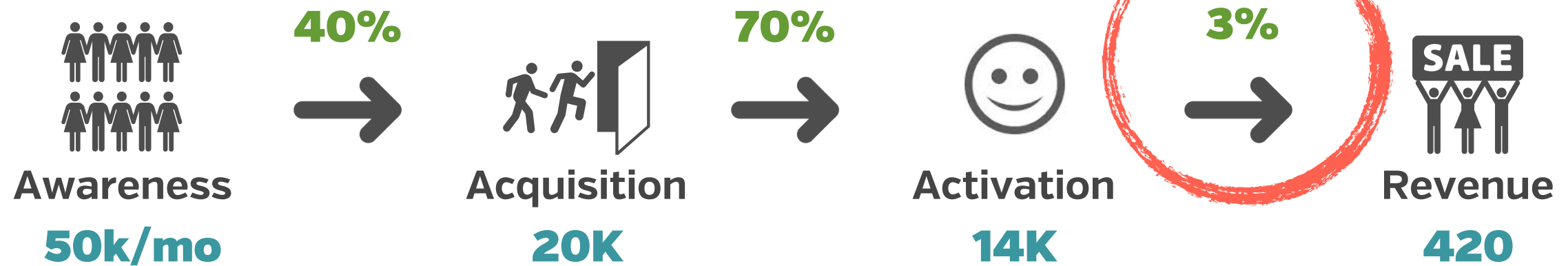
Awareness

40%

Acquisition

70%

Activation

3%

Revenue

50k/mo

20K

14K

420

SaaS Freemium

Awareness   40% →   Acquisition   70% →   Activation   3% →   Revenue
50k/mo   20K   14K   420

BIG NEW FEATURE

Incr. Revenue
conversion by
6% pts

**350-400 hrs
build investment**

+840
new customers

SaaS Freemium

Awareness	40%	Acquisition	70%	Activation	3%	Revenue
50k/mo		20K		14K		420

BIG NEW FEATURE

Incr. Revenue conversion by 6% pts

350-400 hrs build investment

+840 new customers

CHECKOUT OVERHAUL

Incr. Revenue conversion by 0.75% pts

70-100 hrs build investment

+105 new customers

SaaS Freemium

Awareness
50k/mo

→ 40% →

Acquisition
20K

→ 70% →

Activation
14K

→ 3% →

Revenue
420

BIG NEW FEATURE

Incr. Revenue conversion by 6% pts

350-400 hrs
build investment

+840
new customers
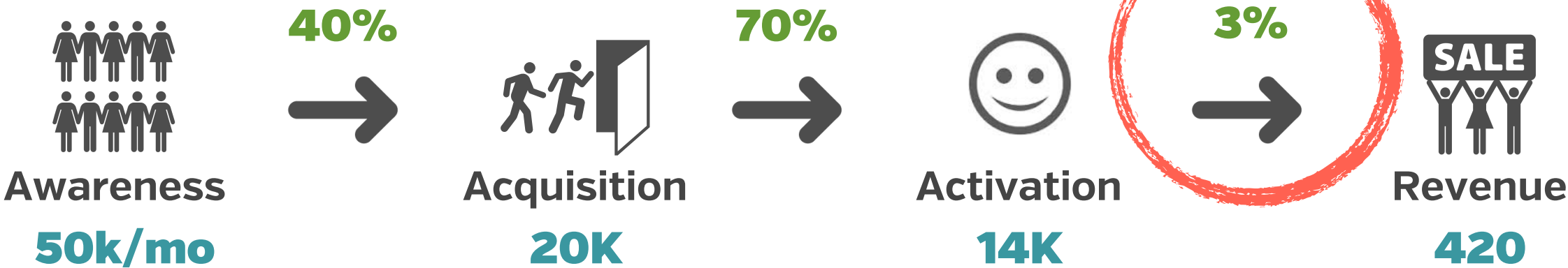
CHECKOUT OVERHAUL

Incr. Revenue conversion by 0.75% pts

70-100 hrs
build investment

+105
new customers

LIFECYLE EMAIL SYSTEM

Incr. Revenue conversion by 0.25% pts

10-12 hrs
build investment

+35
new customers

Triaging Experiments

» Opportunity & Priority

» Resource Cost

» Uncertainty

Mitigate large risks with smaller, rapid experiments

When you have a high resource cost **without EVIDENCE,** use small tests with proxies to gather evidence.

Biggest Risk - Building something nobody wants.

PREDICTIVE
EXPERIMENTS
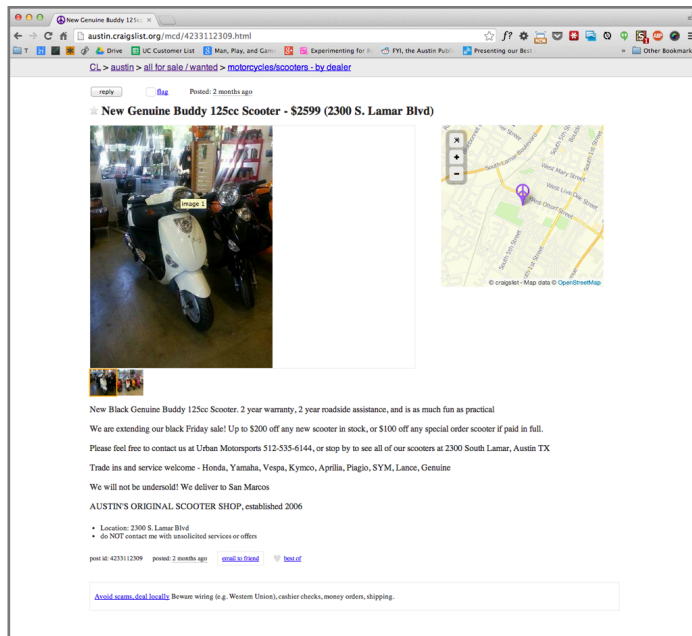
Smoke screen page testing sales.

PREDICTIVE
EXPERIMENTS
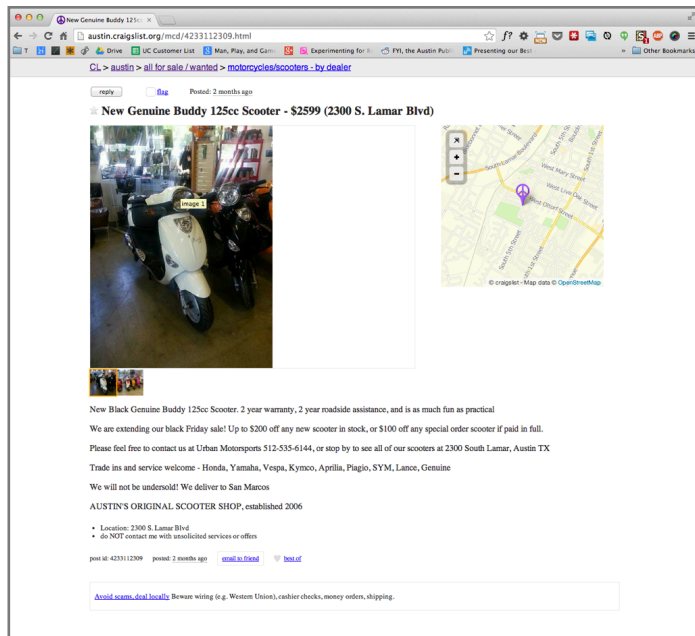
Smoke screen page testing sales.

PREDICTIVE EXPERIMENTS
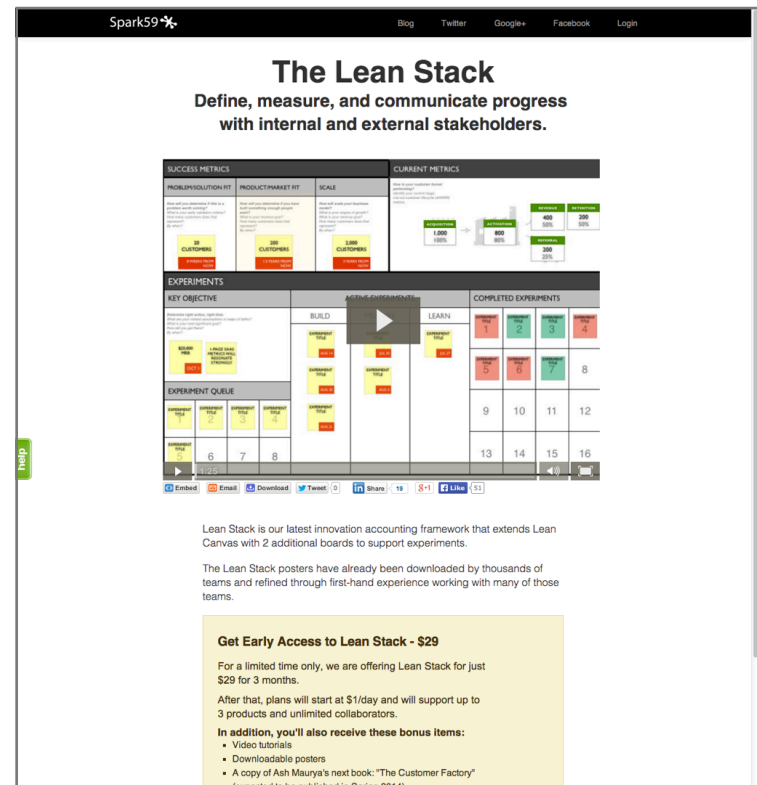
Keynote template as an MVP.
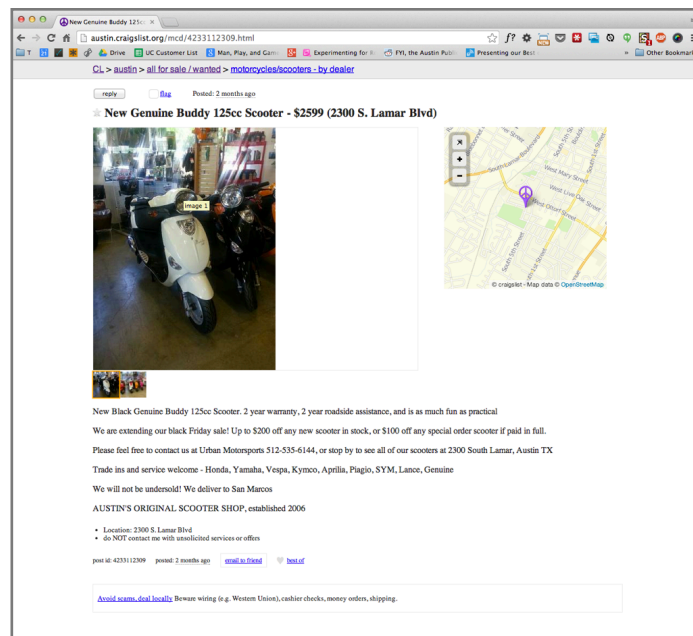
Smoke screen page testing sales.

PREDICTIVE EXPERIMENTS
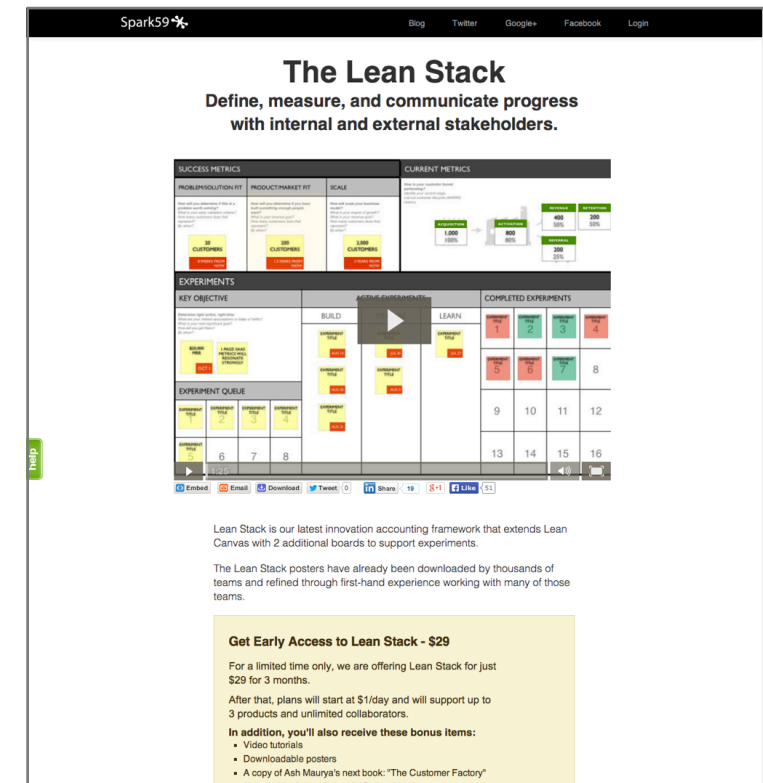
Keynote template as an MVP.

Video as a proxy for proving demand.

PREDICTIVE
EXPERIMENTS

Test customer intent in hypothetical situations with proxies for actual product or feature.

Smoke Tests,
Fake Buttons,
Partial Content,
Solution Interviews

2 TYPES

THROUGHPUT
EXPERIMENTS

Produce more customers or revenue by: bringing more people into the funnel, increasing conversions, or reducing ttc.

Landing Page Tests,
Pricing Tests,
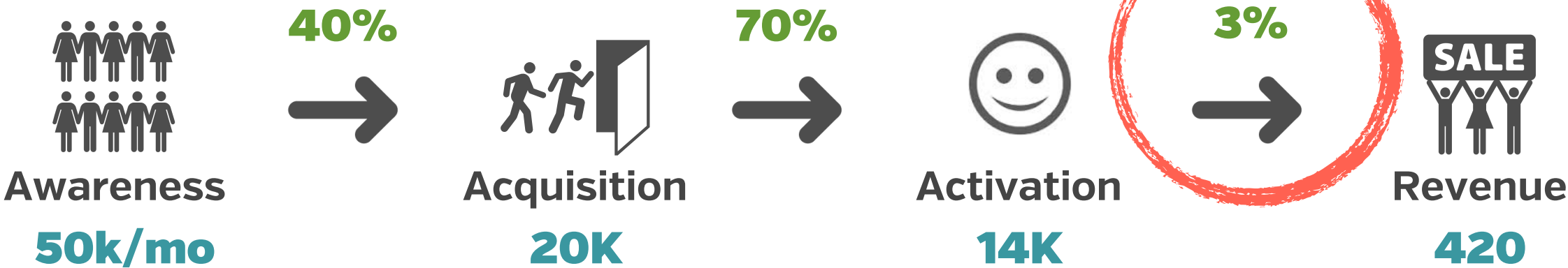*Feature Tests,*
Ad Campaigns

BIG NEW FEATURE

Incr. Revenue conversion by 6% pts

350-400 hrs
build investment

+840
new customers

BIG NEW FEATURE

Incr. Revenue conversion by 6% pts

350-400 hrs
build investment

+840
new customers

PREDICTIVE
EXPERIMENTS

Announce as a beta program & that you are looking for 100 people to join.

....

Build quick version & rollout to small group.

....

Do it manually first

....

Modeling Your Business

Triaging Experiments

Case Studies

LeanStack.com New Feature Case Study
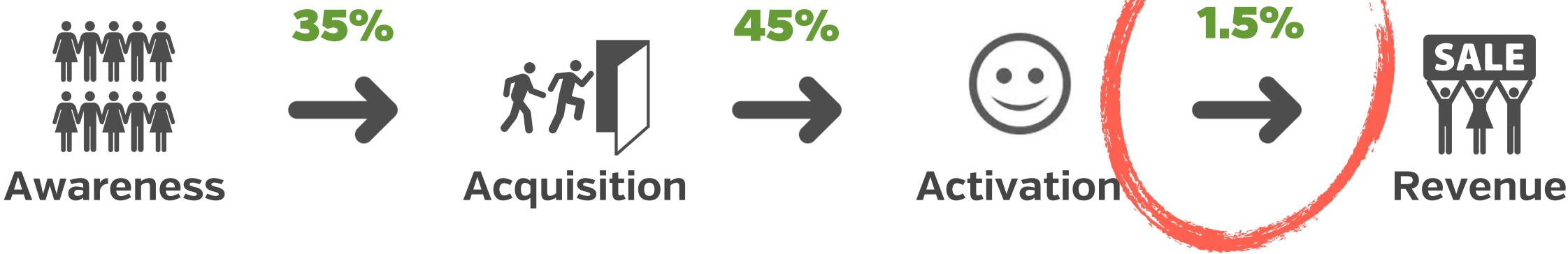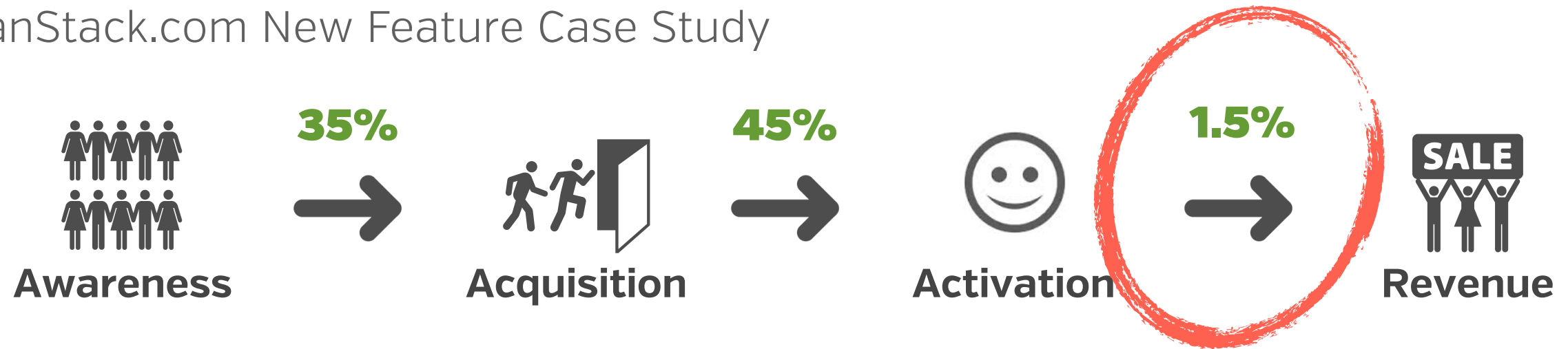
Awareness → 35% → **Acquisition** → 45% → **Activation** → 1.5% → **Revenue**

LeanStack.com New Feature Case Study

Awareness → 35% → Acquisition → 45% → Activation → 1.5% → Revenue

VISUAL PRICING MODELER

Incr. Revenue conversion by 2% pts

100-120 hrs build investment between design, development, & in-app education.

LeanStack.com New Feature Case Study
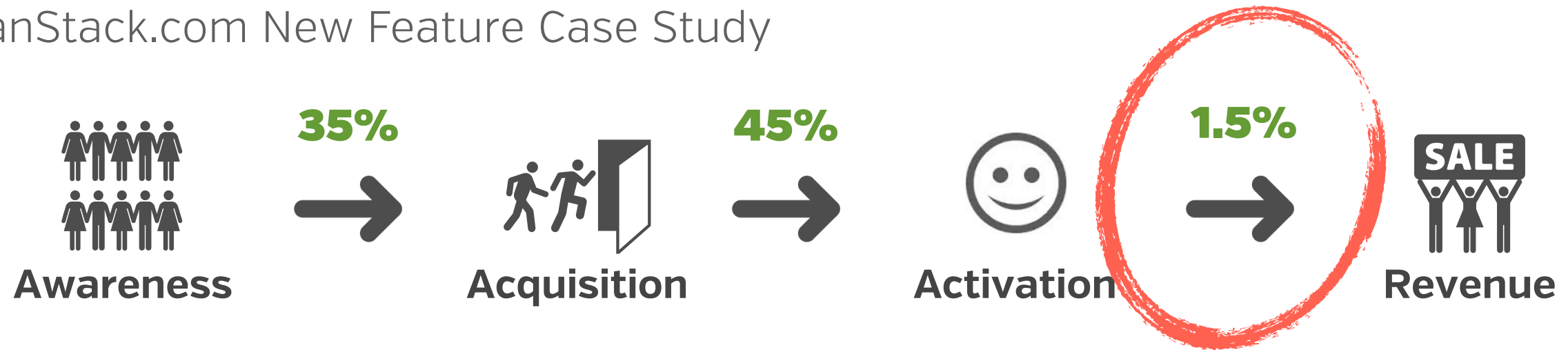
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VISUAL PRICING MODELER

Incr. Revenue conversion by 2% pts

100-120 hrs build investment between design, development, & in-app education.

I have a strong understanding of the problems but no evidence of the feature value.

LeanStack.com New Feature Case Study
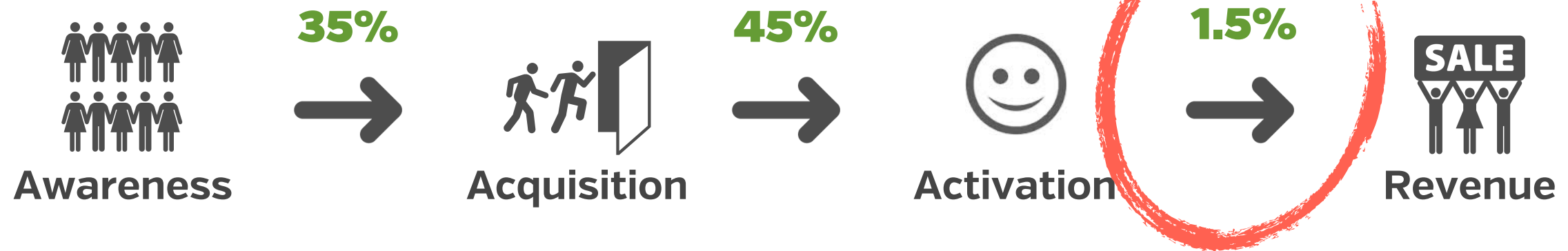
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VISUAL PRICING MODELER

Incr. Revenue conversion by 2% pts

100-120 hrs build investment between design, development, & in-app education.

I have a strong understanding of the problems but no evidence of the feature value.

GDOC PRICING MODELER

Do people get value from the "feature"?

8 hrs build investment + testing with Users

Metrics Modeling

File   Edit   View   Insert   Format   Data   Tools   Help   All changes saved in Drive

Verdana   10

|	A	B	C	D	E	F	G	H
1								
	Target Revenue /yr	**$80,000**						
2	**Timeframe to Reach /mo**	**6**						
3	Monthly revenue	$6,667						
4	**Operating Cost /mo**	4000						
5								
6								
7			Projected Customers					
8	**Revenue Source(s)**	**Price /mo**	**New Customers**	**New Rev**		**Customer Acquistion Rate /mo**		
9								
10	Stream 1	**$99**	**40**	**$3,960**		**7**		
11	Stream 2	**$29**	**100**	**$2,900**		**17**		
12	Stream 3	**$79**	**0**	**$0**		**0**		
13								
14	Total		**140**	**$6,860**		**23**		
15			+/- to target $	**$193**				
16								
17								
18								
19								
20								
21								

Move to Inbox   More   Boomerang

Testing New Feature   Boomerang x   Boomerang-Returned x

emiliano@spark59.com via sendgrid.info   12/8/13

to ██████████
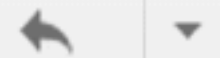
Hi - Emiliano here, one of the founders of Lean Stack.

Are you up for giving some feedback & testing some new (unreleased) features?

The new stuff helps you figure out pricing across multiple revenue streams and visualize a conversion funnel to hit your Revenue $$ Goal. Fun stuff for an entrepreneur to play with.

You'd be helping us decide if the new stuff is worth building out into the tool or should be killed... all in a quick 15 minute skype chat.

We can also go through your product & talk about any questions with the tool/lean methodology. Anything is fair game.

Just reply to this email with some times that work for you in the next week (with timezone).

Cheers,
Emiliano

Co-founder & Lean Practitioner
Spark59 | Lean Stack | USERcycle

3 30 min. video chat w/screenshare using real data from their venture.

Copy of LeanStack.com Metrics Modeler ☆ 📁

File   Edit   View   Insert   Format   Data   Tools   Help   Last edit was 10 days ago

🖨 ↶ ↷ 🖌 | $ % 123 ▾ | Arial ▾ | 12 ▾ | **B** *I* 𝐒 A ▾ | 🎨 ▾ ⊞ ▾ 田 ▾ | ≣ ▾ ┼ ▾ ⬚ | 🗐 📊 ▽ Σ ▾

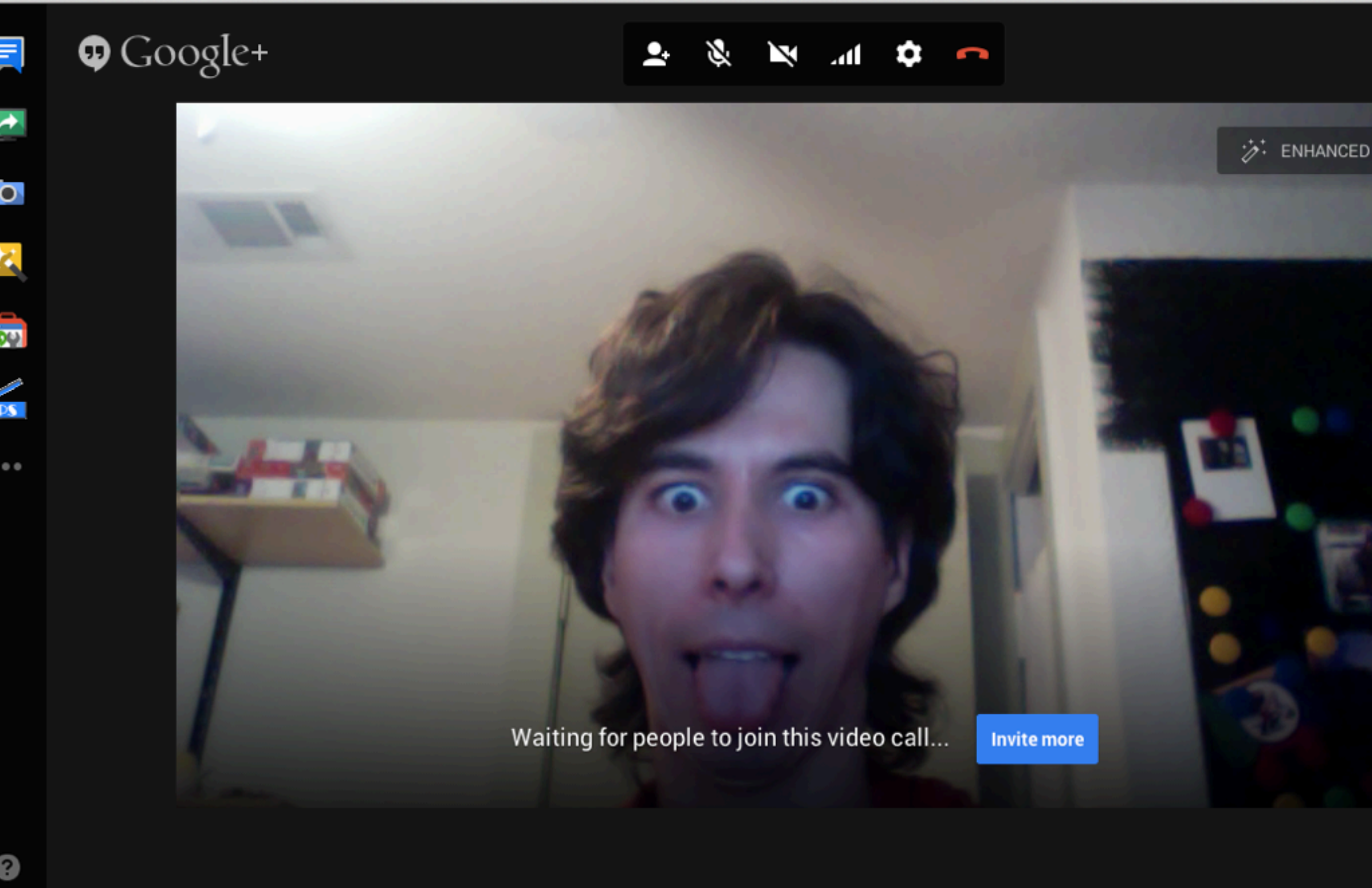|	A	B	C	D	E	F
1	Cells with Blue Text should be edited.					
2	Monthly Revenue Goal /mo	$20,000				
3	Timeframe to Reach /mo	6				
4						
5	Revenue Source	Price /mo	New Customers	New Rev	Billed Customer Acquistion Rate /mo	
6	Stream 1	$29	690	$20,000	115	New, paying Custor
7						
8	Metrics System	People	Convert to Next Step			
9	Visitors	7,982	40%	*Percenage of Visitors who convert to Sign-ups.*		
10	Sign-ups	3,193	30%	*Percenage of Sign-ups that convert to activated users.*		
11	Activation	958	12%	*Percenage of Activated users who pay & bill.*		
12	New customers	115	10%	*Percentage of users who will churn*		
13						
14	Net new customers	100	*Net customers per month after losing old cutomers*			
15						
16						
17	Company age	6 month	1 year	2 years	3 years	4 years
18	Company age in months	6	12	24	36	48
	Yearly Revenue	$60,900	$226,200	$870,000	$1,931,400	$3,410,40

What surprised you?

What are you going to do next?

How could this help you more?

Why did you sign-up?

Does this change your plan?

Valuable Feature.
Every person said yes to it**

**People lie out of kindness

Valuable Feature.
Every person said yes to it**

**People lie out of kindness

"How can I get a copy of this?"

"Is it all right if I share it with my friend?"

Valuable Feature.
Every person said yes to it**

**People lie out of kindness

"How can I get a copy of this?"

"Is it all right if I share it with my friend?"

Better understanding
of requirements

USERcycle.com New Landing Page

Awareness → 5% → **Acquisition** → 70% → **Activation** → 60% → **Revenue**

USERcycle.com New Landing Page

Awareness — 5% → **Acquisition** — 70% → **Activation** — 60% → **Revenue**

1% Increase

CONTROL

USERcycle — Lifecycle Metrics & Customer Insights made Actionable — Login

Not More Numbers, But Actionable Metrics

When you first launch a product, lots of things can and do go wrong. The common tendency is to want to **collect as much data as possible**. But in today's world, where we can measure almost anything, we often end up **drowning in a sea of information**.

We all want to be this guy, Iron Man, with his kickass dashboards and tools. But the second picture, is in fact, what our reality really looks like...

What you wanted — *The reality* — WTF!

Metrics were supposed to be the answer, but they only tell you what's going wrong – not why or how to fix it.

As a result, you keep cranking out more features in search of that mythical killer feature. You know, the one that's supposed to make your product take off? Pretty quickly, your minimum viable product is turning into a bloated monster and you are no closer to that hockey-stick curve.

Here's the thing...

You don't need more numbers, but actionable learning.

If you've been following Lean Startup for a while, you've no doubt heard of cohorts, split testing, and maybe even lifecycle messaging.

Each is effective by itself, but put together it's actionable learning on steroids. This combination is something we call the "Innovation Accounting Trinity."

Meet USERcycle

When we were designing USERcycle, we had 3 goals in mind:

- Benchmark the true performance of your product.
- Identify the single constraint or key metric to improve.

VARIANT

USERcycle — Lifecycle Metrics & Customer Insights made Actionable

Need some Secret Sauce to Grow Your SaaS Business?

MRR — $25,000 — *MONTHLY RECURRING REVENUE*

USERcycle helps you activate, retain, & monetize more sign-ups to paying customers.

You have bottlenecks in your funnel leaking potential customers, potential revenue.

Everyday you're getting people signing-up but those users aren't sticking around long enough to have a happy first experience on your site (Activation Problem).

Plus, a good chunk of People who activate don't log back in again after day one never becoming active, engaged users (Retention Problem).

Worse, you don't have a system to measure all this easily.

You've got new improvements releasing but accurately measuring their impact is painful. New people are mixing in with the existing ones and you need tracking over the long run of weeks and months.

If you can't measure effectively how do you know if it's an effective improvement that further down the funnel drives more upgrades and more money?

Revenue for SaaS is different and more complex.

It's tricky because for SaaS you need dashboards with specific numbers like: churn, new monthly recurring revenue, average revenue per account, and lifetime value of a customer (SaaS Dashboard Problem).

Those take serious tracking over an extended range of time, but if you want to be in the driver's seat of your revenue growth access to them as a living dashboard is critical.

It doesn't have to be this difficult...

Meet USERcycle

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- Benchmark the true performance of your product with an emphasis on revenue.
- Identify funnel bottlenecks needing improvement to reach your growth goal.

I've used Draft sporadically, but still keeping up via the newsletters and posts. Maybe once my startup makes it "big" I can devote more time to my ninja movie series - Hunter of the Sun.

Kudos with all your work on Draft... from the design to the marketing it stands out with a personality. I've got screenshots from it in my creative library.

Have you seen usercycle.com?

It's an event tracking tool that helps SaaS products activate, retain, & monetize more sign-ups to paying customers (through cohorts, funnel tracking, and lifecycle messaging).

Would you be up for jumping on a 10 min skype call to share some feedback?

I'm not looking to sell anything, but rather looking for honest feedback on our feature set as Draft fits the early adopter profile.

A fresh set of eyes & outside perspective is greatly appreciated.

If so, share some times that work for you this in the next few days or schedule something directly on my calendar - http://my.vcita.com/49a81cd5/scheduler

p.s. I'm happy to share feedback as well and offer ideas for any challenges.

Cheers,
Emiliano

Main Feedback:
Promising but for the price I need it to do X feature & Y feature...

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60-80 hrs
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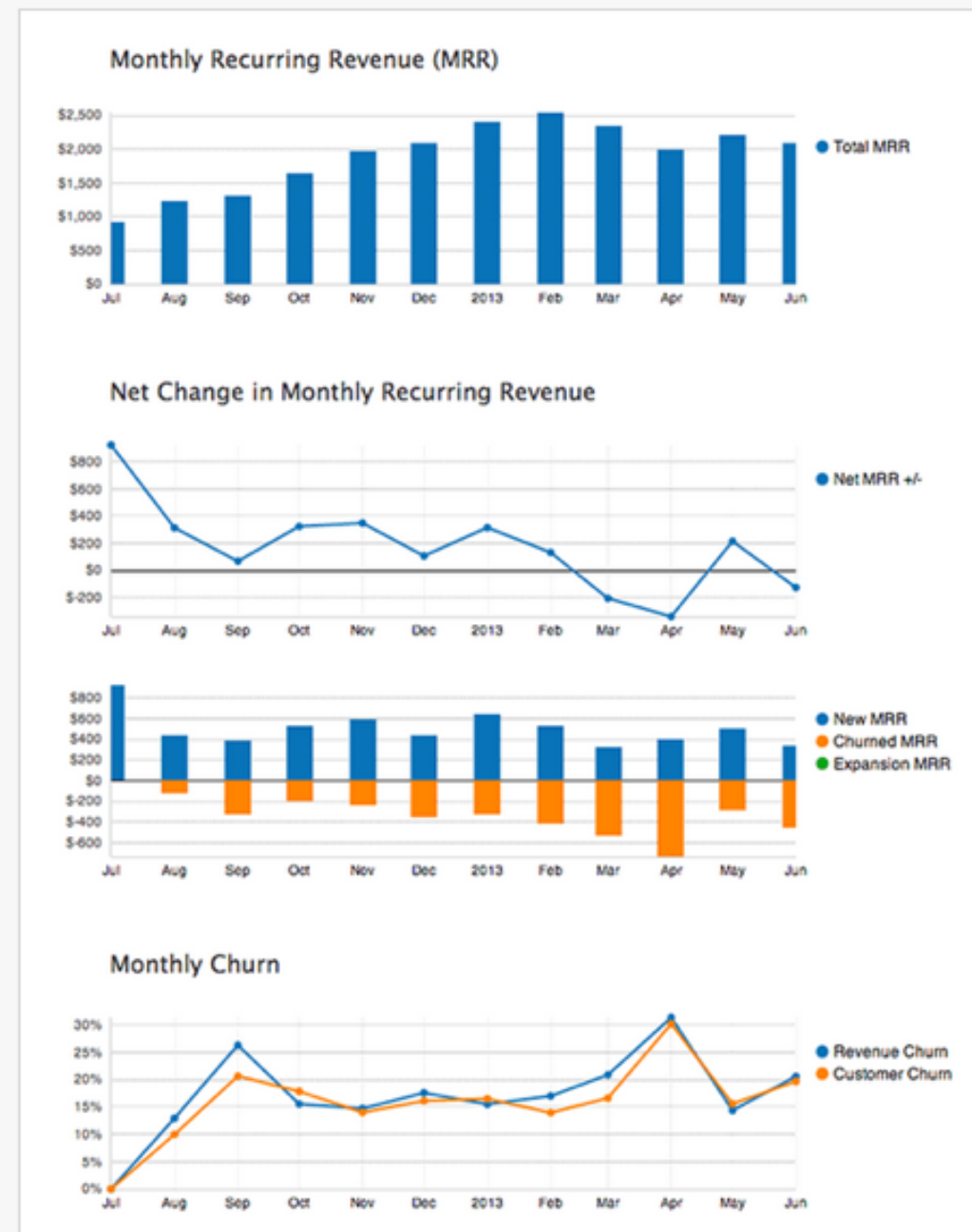**MOCKUP INTO LANDING PAGE**

Does it drive more Sign-ups?

8 hrs
mockup & create content.

REVENUE DASHBOARD

Revenue is *the goal* for every company.

If you follow David Skok, you know there are a few key metrics that you must focus on to build a healthy SaaS Product - Monthly Recurring Revenue, Churn, & Net Change in MRR.

With USERcycle, you don't have to spend hours collecting the data & crunching the numbers. The revenue dashboard is built-

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Monthly Recurring Revenue (MRR)

Net Change in Monthly Recurring Revenue

Monthly Churn

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Did not significantly increase the conversion rate...

We didn't hit the goal but we **learned faster & more efficiently** that there was a different root cause...

We saved 50+ hours of work

Started running the next iteration of experiments.

"Not launching -> painful, but not learning is fatal"

~Drew Houston~

Thank You!

&

Crush It!

Emiliano

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