SaaS Data Metrics and Analytics

How to use data to grow your SaaS start-up fast

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GROWTHROOTS

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INTRODUCTION

Any SaaS business that has reached $1 billion in revenues would tell you that you cannot achieve those figures without the continual analysis of data. There is a world of data out there that can help you to accelerate your growth, yet much of it goes unutilised by marketing departments and agencies who focus too heavily on KPIs such as traffic, followers and lead conversions.

What is required is a strategy that incorporates data into your growth engine by delving much deeper into more meaningful and actionable metrics that can help you improve your product, reduce costs and increase your revenues long term. That's what growth is all about right?

Therefore, in this book we will discuss the different metrics that are commonly used within SaaS businesses, and how you can apply them and other analytical techniques to grow and scale your SaaS product. Get ready for those acronyms!

STRATEGY AND KPIs

Growth does not happen overnight, and whatever hacks you can think up or dial in to your marketing, you will always need a long-term strategy as a foundation to build your business upon if you want to succeed among your competition. For this, you will clearly need to set some targets to benchmark how your business is doing and if you are achieving your desired outcome in a profitable way.

It is necessary to both set some short-term objectives, which usually present themselves as KPIs (key performance indicators), which will help you determine if you are on the path to achieving your long-term growth goals.

In the next section, we'll take a look at examples of the main KPIs and other important metrics that SaaS businesses should be tracking to help drive their growth.

KEY SAAS METRICS

Average Revenue per User (ARPU)

This metric is rather self-explanatory, but very useful to know to help you track and analyse your growth. It gives you a good idea how much money you can expect to generate from each customer to monitor over time. Firstly, you will need to determine a time period to take each measurement, which will usually be monthly for most SaaS subscription products. Then you just need to determine the total revenue received from product sales i.e. number of packages sold multiplied by the price of those packages, and count the number of paying users within that given month and divide them.

Total Revenue / Number of Users = ARPU

Monthly Recurring Revenues (MRR) or Annual Recurring Revenues (ARR)

As explained above, most SaaS products are priced to their users on a subscription basis, therefore it makes sense that one of the key factors to know whether or not your product is taking off is by monitoring the income that it is producing either on a monthly or annual basis. Of course, in the early stages it is better to track monthly recurring revenues to build a pattern, which should hopefully take the form of a nice upwardly climbing growth curve. As soon as this curve starts to decline it means that there is a problem, which could be attributed to a number of causes such as higher churn than adoption (losing customers quicker than you are attaining new ones) for example.

To calculate your MRR is simple, as you basically multiply the total number of users you have subscribed to your product at any one time, by the average revenue per user (ARPU above).

Total Revenue / Number of Users = ARPU

MRR is an important statistic for SaaS businesses since it is a predictable source of revenue, as long as you are gaining more users than losing them as previously mentioned.

Monthly or Daily Active Users (MAU/DAU)

Rather than using revenues, some SaaS companies such as Facebook for example will rate the success of their product on how many people are actively using their product. It makes a lot of sense as the more value the product provides the more people will use it.

To find out your DAU or MAU, you just need to count the number of unique users your product has each day or month. For a SaaS business this is usually the number of unique users who have logged into the product on a given day and taken an action such as completing a task. Remember not to count the number of logins, as that could also include the same person logging in multiple times within a 24 hour period. Of course, the quicker your MAU/DAU climbs the better growth revenue prospects you can expect.

Another interesting equation here is to calculate your product's 'stickiness' by dividing your DAU by MAU, so the stickier your product is the more your users are engaging with it and being retained over time.

$$\frac{\text{Daily Active Users}}{\text{Monthly Active Users (for 30 previous days)}} \times 100 = \text{Stickiness Ratio}$$

Let's take an example here. If you calculate 50 Daily Active Users and 100 monthly active users then your ration would be 50%, however if you had the same number of Daily Active Users, and your MAU was more like 1000, then your stickiness ratio would be 5% meaning that your users aren't engaging as much with your product. It's important to note here that different types of products within different industries will be used more or less frequently, so it's more important to measure your stickiness ratio over time to show when it is spiking or dropping, which could be to do with product issues or to see if new product features are creating high engagement.

Customer Acquisition Cost (CAC)

Your CAC is the average amount of money it costs you to acquire new customers through your sales and marketing activities, which you can calculate by using the following formula:

$$\frac{\text{Total Cost of Sales and Marketing}}{\text{Number of Customers Acquired}} = \text{CAC}$$

Therefore, the lower your CAC the better as you want to be optimising your marketing spend as much as possible so that you can get more customers for a lower investment. It's also good to monitor how much revenue each customer generates within their lifetime to compare, as you want your CAC to be lower than what your customers pay you in order for the company to remain profitable, which we will discuss next.

KEY SAAS METRICS

Lifetime Value (LTV)

This is the average value that a single customer brings to your company over the time they do business with you. So, for a SaaS company it would be the average price a customer pays to subscribe to your product multiplied by number of transactions within your subscription period, then multiplied by the average period of time that a customer stays with you before they churn.

Average Value of Sale x Number of Transactions x Retention Period = LTV

As mentioned above, we can use this in combination with the CAC to show how healthy your SaaS product is, as the more you can minimise costs and maximise the lifetime value of your customers the more successful you will become. This is done by dividing your LTV with your CAC, and the rule of thumb we are heading towards is to have a ratio of at least 3, which means that you get three times as much revenue over the lifespan of a customer for what you spent to acquire them, as anything lower than that would not be worthwhile.

$$\frac{LTV}{CAC} > 3$$

SaaS businesses also use these two metrics to calculate their CAC Payback Period, which is the point where you break-even from your initial marketing investment. As you can imagine at the start you will be spending a lot more on marketing and only getting a few customers signing up, however over time, the more new customers you get the revenues will compound and grow with those that had subscribed during the previous months.

It's also a recommended that companies improve and optimise their marketing campaigns to reduce the CAC further as they grow, which will bring the CAC Payback Period forward even quicker. To know how well your campaigns are performing you can calculate your lead-to-customer conversion rate below.

Lead-to-Customer Conversion Rate

Your lead-to-customer conversion rate is critical to knowing how effectively you are converting leads obtained from your website or landing page into actual sales. For SaaS businesses this not only includes MQLs and SQLs (Marketing and Sales Qualified Leads), but also PQLs (Product Qualified Leads), which may be from a customer subscribed to a free trial or freemium product plan who may not yet be a paying customer.

Just measuring the number of conversions such as content downloads, enquiries or sign-ups are not enough to fully measure the effectiveness of your marketing campaigns, nor give a good indicator to how fast you are growing, since the end goal is to actually obtain revenues from your customers.

For this you need to make sure that you track the full path of your website visitors through to their activation (or whichever conversion metric you decide makes a qualified lead), feeding their data into a CRM so you can determine when that same customer subscribes and makes their first payment for your product.

The formula to which is used to calculate your lead-to-customer conversion rate is as follows:

$$\frac{\text{Number of Qualified Leads that Resulted in Sales}}{\text{Number of Qualified Leads}} \times 100 = \text{Lead-to-Customer Conversion Rate}$$

Therefore if 10 of your leads from a given month convert into sales out of 200 leads in total, your lead-to-customer conversion rate would be 5%, which is a good minimum benchmark to aim towards.

It is also useful to calculate the lead-to-customer conversion rate of the different marketing funnels you have in place to see which are performing best and leading to the highest number of sales for the company. You can then review those which are not converting as well and optimise them, such as improving follow-up nurturing workflows to better communicate the product's features and benefits.

Customer Churn Rate (CCR)

Churn is one of the most important metrics for SaaS companies, as it exemplifies when customers unsubscribe or stop paying for your product. Therefore, the churn rate is the percentage of subscribers that don't renew their subscriptions within a given time period.

This is calculated by the number of customers who leave a product over a given time such as a month for example, divided by the total remaining customers as the below equation demonstrates:

$$\frac{\text{Number of Customers at the start of the period - Number of Customers at the end of the period}}{\text{Number of Customers at the start of the period}} \times 100 = \text{Customer Churn Rate}$$

If you have high a churn rate it means that you may not end up covering your CAC outlined above as it negatively affects LTV. If you think your churn is too high, for example over 10%, then you need to find out what could be negatively impacting your customer's experience. There are many ways to reduce churn, therefore helping to speed up your growth, however that is beyond the scope of this book.

KEY SAAS METRICS

Customer Retention Rate (CRR)

The opposite of churn is retention, so this brings us nicely onto our Customer Retention Rate metric. In contrast to churn, customer retention is expressed as a percentage of the customers that remain loyal to the organisation. Therefore, we use almost exactly the same formula as above, but flip the variables around so it will be:

$$\frac{\text{Number of Customers at the end of the period - Number of Customers Acquired during the period}}{\text{Number of Customers at the start of the period}} \times 100 = \text{Customer Churn Rate}$$

Therefore, if your churn rate is 10% your retention rate will be 90%. You just need to decide which metric is more important to help your specific business goals and objectives, whether that be to increase brand loyalty, or reduce product attrition for example.

Viral Coefficient

You may have heard the stories from those SaaS brands that experienced explosive growth within a short period of time, that one of the factors that lead to their success was that either the product went viral. Therefore, with SaaS start-ups especially, there is great emphasis placed on viral marketing through product referral schemes and incentives. The Viral Coefficient, also known as the K Factor (from its algebraic symbol within the equation), is the metric used to measure the virality of a product, which you can calculate using the below formula:

$$\frac{\text{Number of Customers} \times \text{Average Number of Referrals per Customer} \times \text{Referral Conversion Rate}}{\text{Number of Customers}} = \text{Viral Coefficient}$$

Therefore, if you currently have 100 users who each sent an invitation out to 10 of their friends or contacts, and 20% of them convert into paying customers, the equation will be 100 x 10 x 0.2 (150 new users in total) / 100, which gives you a Viral Coefficient of 2, meaning for every user you sign up, you will get an additional 2 users through referrals. So, that being said, a Viral Coefficient of 1 or more is a good aim.

This leads us on to the Viral Loop, which refers to the exponential growth achieved from the repetition of this cycle, when your new 150 users also refer to 10 of their friends and so on.

Generally speaking, product referrals and therefore virality is much more common within the B2C market, as people are more likely to share products with friends than B2B customers are to promote products to friends or contacts within other companies. Therefore, the viral coefficient within B2B tend to be much lower, but not always, as we saw with ingenious viral strategies of Dropbox or Slack.

North Star Metric (NSM)

In recent years you may have seen companies refer to their North Star Metric. This is not a metric in its own right, yet I thought it was important to mention here. It was a term coined by Sean Ellis, the author and start-up investor, who also invented the word 'growth hacking'.

The idea with the North Star Metric is to have one main metric of which every department of the company is aware and can aim toward, which intrinsically measures the value your product expresses to your customers.

For example, for Facebook it is Monthly Active Users, Airbnb is number of nights booked, WhatsApp number of messages sent, Spotify is time spent listening, Uber is rides per week etc. Most commonly with B2B SaaS products it is either monthly or daily active users (MAU or DAU), as the usage frequency determines the value of the product in the eye of the customer, not MRR, which can be dangerous to set as your NSM, as this could be to do more with gaining short term profits (such as a hike in price) than building long term customer value.

Vanity vs Metrics that Matter!

It is often the case that marketing managers or agencies will produce data reports with escalating graphs or tables of cumulative data showing how well their campaigns are working, or how successful the business has been performing. However, it is important to question some of the metrics used, as vanity metrics are frequently used to give the illusion that a marketing campaign or the business as a whole is doing better than it really is. Furthermore, vanity metrics are not 'actionable', that is to say, they rarely offer an explanation as to the 'why' or the 'how' behind the data, to help you solve problems.

Vanity metrics are those types of KPIs that will measure data such as traffic to your website, product or landing page, the number of leads from a PPC campaign, or the cumulative number of users over time for example. Yes, these are interesting facts to know, however, if none of that traffic, leads or users are converted into actual paying customers, then in fact your marketing is not performing as well as it should and you could still be wasting precious resources and not gaining a positive ROI.

Therefore, below are a few metrics that you should be wary of when reviewing reports or communicating your growth to your CFO or external investors:

KEY SAAS METRICS

- **Fans and followers in social media:** building your community is important to improve the visibility and virality of your brand, however, just because you have 500 followers on Instagram it doesn't mean they are subscribing to your product. You therefore need to make sure that you have an analytical system in place which tracks the original source of newly acquired customers, to see if your marketing spend in social media advertising for example is actually providing a return.
- **Unique visitors or website traffic:** certainly, the objective is to get more and more people visiting our website and landing pages, so that we can convert them to leads, but we need to make sure that we are gaining quality and relevant traffic that are not only converted into leads, but also into paying customers.
- **Leads or conversion rates:** these do help you analyse your funnel as we'll explore in the next section, however, it is essential that you also track your lead-to-customer conversion rate (page 9).
- **Users:** you need to be careful here, especially if you are offering a free trial or freemium plan for your product, as you could have a high number of users that are consuming resources, which is costing you money, such as server space and CPU or time from your customer service team, but not producing any revenues.
- **Gross number of customers:** this could be growing month on month, showing a very impressive looking customer growth curve and making it seem that the product is becoming more and more successful in its adoption rates. However, if your Customer Acquisition Cost is very high and you are ploughing the majority of revenues earned from these customers back into your marketing spend, the company may not actually be running profitably.

SAAS DATA ANALYTICS

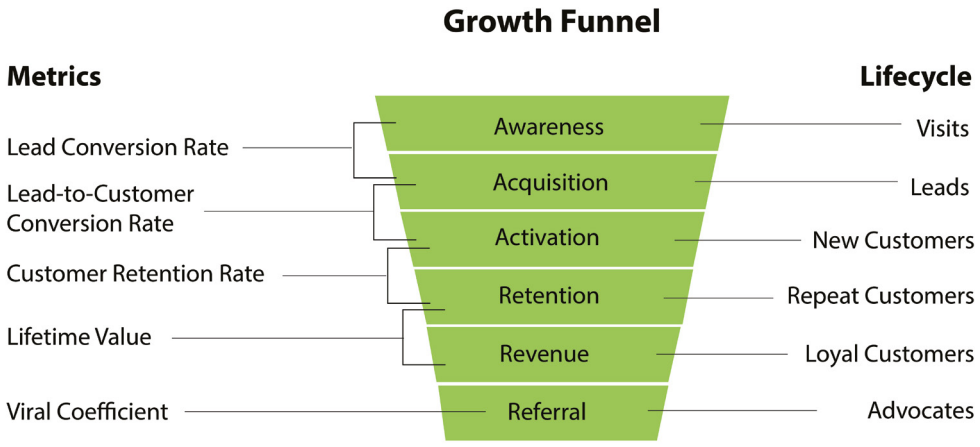
Now that we have an understanding of which metrics we need to be tracking and those that matter most, let's look at what I believe to be the most important ways to analyse and utilise them to build rapid and sustainable growth for your SaaS business:

Funnel Metrics – Analysing the Customer Journey

You've probably all heard of the growth funnel, or growth hacker funnel, which has been adopted by the SaaS industry as it's go-to model for analysing the customer journey from awareness through to referral.

You can therefore analyse how your customers move through the funnel, and then apply these insights in various ways to help speed up growth.

The model below shows all the stages of the growth funnel (including the additional phase of Awareness, which is sometimes left out, but is needed here) and which key metrics can be used to measure how many of your prospects and users move from one stage to another, that is to say, the percentage of visitors that convert to leads, then into paid users who hopefully become loyal customers and then brand advocates referring your product to others.



This will help identify where there is a need to improve your sales and marketing performance by measuring what percentage of people make it through each stage to see where there may be blockages. You can then focusing on those issues with the aim of reducing the duration they remain in each phase, particularly in the earlier stages from Awareness though to Activation.

For example, to work out the percentage of visitors who are then converted into leads i.e. demo enquiries or trial users, just divide the number of leads you've acquired by the total number of visitors who have reached the online assets where you data capture forms have been placed and multiply by 100 to get the percentage.

$$\frac{\text{Number of Leads}}{\text{Number of Unique Visitors}} \times 100 = \text{Lead Conversion Rate}$$

Therefore, if you obtained 1,000 leads from 10,000 unique visitors your conversion rate from the Awareness through to Acquisition stage would be 10%. You can then calculate the percentage of those leads that you converted into paying customers, using the Lead-to-Customer Conversion Rate given on page 9.

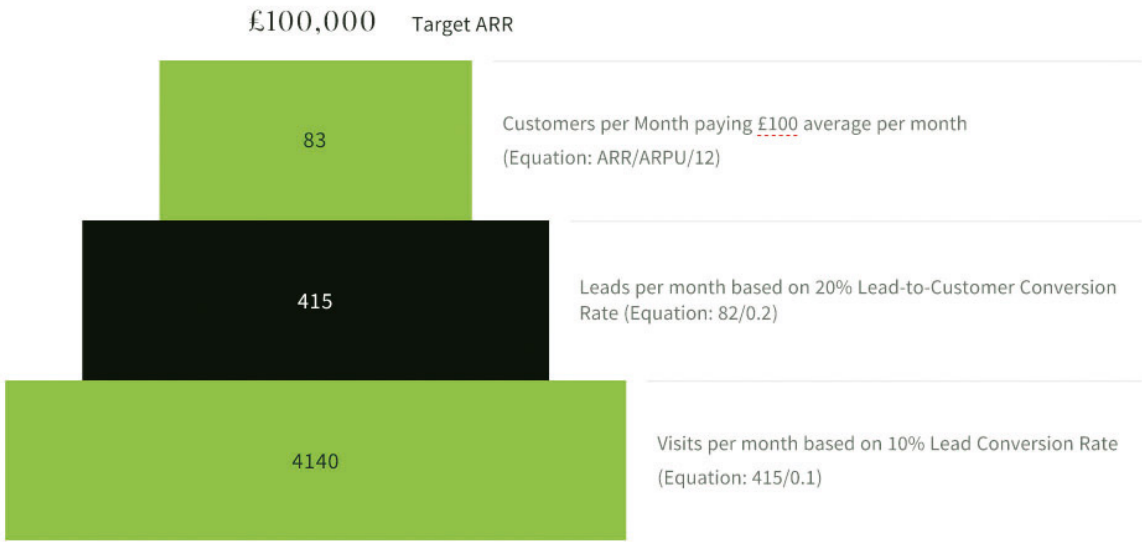
The higher the percentage the more it shows your ability to attract the right target audience and your efficiency at converting them into leads and customers. However, if you find that you have a high Lead Conversion Rate, but your conversion rates from leads to customers is low, it means you need to take action to improve this ratio, perhaps by providing more training to your sales team, or improving your lead nurturing workflows.

You can also use this funnel to measure the conversion paths of different marketing channels and sources to see which ones are performing best, which we'll discuss further later on in this guide.

When analysing your growth funnel, it's also important to measure the Lifetime Value (LTV) of your customers using the formula provided on page 8. If you notice any drop in LTV, you could be experiencing increased levels of churn, so you can address and resolve this by taking measures such as improving customer support or through continued product development.

Goal Setting

As we established at the beginning of this book, setting medium and long-term goals to aim toward is essential if you want to build sustainable growth for your SaaS product. You can therefore also use your growth funnel to forecast the number of visits, leads and customers you need to attain at each stage in order to achieve financial goals for the organisation. If you are an established business that has been operating for a few years, you will already have the actual conversion data you require, however, if you are starting out and don't have access to that data yet, then you can still calculate your required targets using assumptions based on industry benchmarks.



Let's look at the above example, if your aim is to turnover £100,000 of annual sales revenues (ARR), and your average sales value or Average Return Per User (APRU) is £100 per month, then you can calculate that you will need an average 83 paying customers per month to reach this figure (ARR/

ARPU/12). From here, you can calculate the number of leads you would need to obtain these customers by applying a reverse percentage from your Lead-to-Customer Conversion rate, which if we assume is 20%, you'll need 415 leads (83/0.2). You can then also calculate the number of visits you need to attract to your website or product landing pages by again using the reverse percentage of your Lead Conversion Rate, which is 10% for example, would lead to 4140 visits per month to hit your annual target of £100,000.

Calculating ROI to Measure the Effectiveness of Marketing Campaigns

When running any marketing campaign, whether to build traffic via organic SEO or paid advertising for demand generation, through to conversion funnel optimisation for customer acquisition, you will need to quantify the effectiveness of your marketing spend on any of these activities by measuring the Return on Investment (ROI) they generate for the company. For this you will need to know the source of all traffic to your website, track the visitor's path to conversion and use a CRM to capture their data along with the visitor's source i.e. Facebook, YouTube Google Ads etc.

Once you have that information, you can use the following equation to measure the ROI of each campaign:

$$\frac{\text{Sales Value} - \text{Marketing Cost}}{\text{Marketing Cost}} \times 100 = \text{ROI}$$

Therefore, if you run a Google PPC campaign over a month which costs £2,000, and we capture 200 customers within that month signing up to our product at £100, creating £20,000 in revenues, our ROI would be ((£20,000-£2,000) / £2,000) x 100 = 900% ROI.

By calculating the ROI of all our marketing actions in this way, you can identify much more easily which ones are performing best and also those that may not be working at all, so you can re-allocate our investment from those and inject it into those campaigns providing the highest ROI. This enables you to grow and scale by optimising your marketing spend so that it is invested only in those areas which are generating the largest number of customers, at the same time minimising wasted resources to improve revenues.

Projecting How Campaign Optimisations Impact Results and ROI

The principle aim of any campaign is to make it work as effectively as possible so you get the most bang for your buck. Therefore, by making minor adjustments to your creatives and processes within your sales pipeline or conversion path, you can improve the results gained at each stage and therefore have a positive impact on the campaign's ROI.

Let's take another example to demonstrate. Say you are running a PPC campaign directed to a landing page with a data capture form designed to get new users to trial your SaaS product. Currently you are attracting 5,000 visits to your landing page per month with a 10% Lead Conversion Rate (LCR) of visitors to trial sign-ups and 20% Lead-to-Customer Conversion Rate (LCCR) when the trial runs out and they then subscribe to a paid package. You can then project that if you increase the LCR to 15%, by improving the page design or adding more compelling content or calls-to-action for example, that will increase the number leads and consequentially customers without having made any increases in your PPC budget, therefore improving the campaign's ROI.

Likewise, if you then also increase your LCCR to 25% by introducing follow-up notifications informing users all the features they could be missing when the trial ends for example, that will even further increase your revenues and ROI. See the table on the next page to exemplify this case.

	Lead Conversion Rate	Trial Users	Lead-to-Customer Conversion Rate	Customers	Revenues	ROI
Current	10%	500	20%	100	10,000	400%
Increase LCR	15%	750	20%	150	15,000	650%
Increase LCCR	10%	500	25%	125	12,500	525%
Increase in both	15%	750	25%	187.5	18,750	838%

Visits	5,000
Campaign Budget	2,000
ARPU	100

ROI Forecasting to Prioritise Marketing Ideas

Chang Chen from B2B SaaS brand otter.ai, which hit multi-million ARR in just 16 months, takes the ROI calculation one step further and applies the equation to forecast and prioritise which marketing ideas and actions will provide the most impact on revenues to ensure that their team is contributing to growth as effectively as possible. This is done by projecting the revenue impact and associated cost of each idea, then using the ROI (potential value increase of the campaign divided by the campaign cost) as a prioritisation score for the implementation of each campaign idea. That way you will be placing the greatest emphasis on running campaigns that are expected to generate the highest revenues, without having to spend any time actually carrying them out, thus significantly speeding up your path to growth.

Every idea has an ROI, and that's our prioritization score

Step	Ideas	Potential Value	Calculated Cost to Growth	Prioritization Score
Acquisition	Conversation sharing list auto recommend based of pa	$50,000.00	$13,000.00	3.85
Acquisition	Facebook Ads on custom audience with personalized	$70,000.00	$25,000.00	2.80
Acquisition	Build a targeted company database from the data brok	$15,000.00	$6,000.00	2.50
Acquisition	Personalized landing pages with related customer test	$50,000.00	$15,000.00	3.33
Acquisition	Redirect old website traffic to the new site	$10,000.00	$5,000.00	2.00
Acquisition	Answer questions on Quora and Reddit	$1,000.00	$2,000.00	0.50
Acquisition	Identify ways to scale the influencer marketing	$20,000.00	$39,000.00	0.51
Activation	Free tool to experience the product without sign up	$20,000.00	$39,000.00	0.51
Activation	Retargeting users who haven't activated	$20,000.00	$20,000.00	1.00
Activation	Design the Activation series to help new users forming	$25,000.00	$20,000.00	1.25
Retention	Send product tips emails	$10,000.00	$5,000.00	2.00
Retention	Chrome extension for the product	$25,000.00	$17,000.00	1.47
Retention	Improve email deliverability	$20,000.00	$20,000.00	1.00
Revenue	Early upgrade discount for targeted segment of users	$16,000.00	$5,500.00	2.91
Revenue	Identify more high engagement and high conversion s	$16,000.00	$5,500.00	2.91
Revenue	Design the conversion email series for the high usage	$11,000.00	$5,000.00	2.20

Cohort Analysis

Cohort analysis has got to be one of the most important analytics for start-ups, since it gives you a true real-time reflection on how your marketing campaigns or your product are performing, rather than just measuring aggregate data across the whole company. Cohort analysis collects behavioural data by dividing users into groups or 'cohorts', which share a set of common characteristics, within a particular timeframe. This allows you to identify patterns and determine where disparities are occurring within the customer lifecycle (whether positive or negative), and what may have caused that to happen.

For example, if you create a cohort of customers that signed up to your product within a given month, then measure their churn over a 12 month period, you can see which cohort has unusually high churn and when. Thus, if you take the table below, we can see that those customers who subscribed in May have particularly higher churn compared to the other months, especially after month 1, so this could be to do with a free offer period or high promotional discount, which could have attracted more subscribers, but may not have been as serious, due to the reduced opportunity cost. Also, where we see quite high churn for all users, regardless of which month they signed up in, we may want to introduce an automation in month 2 for example, reminding them of the benefits of the product, offering a Q&A support session or providing an incentive to stay.

		% of churned customers in lifetime month (relative to base number)											
		0	1	2	3	4	5	6	7	8	9	10	11
Jan-15	97	1.03%	2.06%	3.09%	2.06%	1.03%	2.06%	1.03%	0.00%	1.03%	1.03%	1.03%	2.06%
Feb-15	140	0.71%	0.71%	4.29%	2.86%	0.71%	1.43%	1.43%	0.71%	0.71%	2.14%	0.71%	
Mar-15	154	1.30%	1.30%	0.65%	0.65%	1.30%	1.30%	2.60%	0.65%	1.30%	0.65%		
Apr-15	145	3.45%	3.45%	2.07%	2.07%	2.07%	3.45%	0.69%	1.38%	2.07%			
May-15	147	0.68%	11.56%	0.68%	2.04%	0.68%	2.04%	1.36%	1.36%				
Jun-15	184	2.17%	0.54%	1.09%	1.09%	0.54%	1.09%	1.09%					
Jul-15	148	2.70%	1.35%	2.03%	2.03%	2.03%	1.35%						
Aug-15	178	1.12%	1.69%	1.69%	1.12%	3.37%							
Sep-15	208	2.88%	2.40%	0.96%	2.88%								
Oct-15	208	3.85%	1.92%	1.44%									
Nov-15	246	2.03%	1.63%										
Dec-15	238	2.10%											
		2.11%	**2.71%**	**1.84%**	**1.77%**	**1.04%**	**2.05%**	**1.49%**	**0.51%**	**0.84%**	**1.03%**	**1.03%**	**2.06%**

You can also create a cohorts based on industry type, buyer personas, channel for example, or signups following product improvements, then measure how that affects MRR, Lifetime Value, retention rate, activation and free-trial to paid customer conversions, and much more. All these will give you valuable insights into your user behaviour which you can then use to know when and where to take action, and considering that it is often said that retained customers represent 80% of total revenues, a minor increase in customer retention could massively impact your overall growth in the long term.

Product Analytics and Qualitative Data

Remember, in order to do most of the above calculations you will need to understand exactly how your customers are interacting with your product, so if you don't already have a product analytics system in place, then that's something you need to connect to your app right away. There are some great tools available on the market, which are specifically designed for SaaS businesses to understand their users and customer behaviour, including Mixpanel, Heap, Amplitude, and Baremetrics to name a few.

They will allow you to track and measure your DAU, MMR, subscriptions, churn, retention, in-product engagement and friction, to help you build a superior product experience for your customers.

Furthermore, we have been mainly focussing on quantitative metrics, however not everything can be measured with statistics, such as getting to the root of why a customer has churned for example. For this, you need to make sure you have a feedback system in place within the core of your product and automation workflows. You will then be able to find out exactly why a customer may have downgraded or unsubscribed from your app, so you can rectify those issue. You can also gain a better understanding as to what additional features or functions your prospects and customers may find useful which could be lacking, to stop them from churning or even switching to your competitor's product. On the flip-side, you may also uncover features that may not be of great value to customers, or they don't actually need, before spending vast amounts of time and resources on developing those features.

CONCLUSION

It is essential that you track the above metrics for your SaaS product at regular intervals and dedicate the time to fully analyse them using the methods we have discussed. In fact, make them part of your daily reporting dashboard. Only then will you be able to accurately communicate to your CFO, investors and your team how your business is truly performing.

Furthermore, as previously explained, these analytical methods will help you identify what is working and what is not. From a product development perspective, you can pinpoint glitches or problem areas in need of improvement to satisfy and delight your customers to help retain them for the long term, as we've established that's where the majority of revenues originate. Additionally, from a marketing point of view, you can ascertain how to optimise conversion paths, reduce the length of your conversion funnel and establish which of your marketing efforts are providing the highest ROI. You can then prioritise where to allocate the majority of your marketing spend to reduce waste, achieve quicker results, and improve revenues. This will allow you to optimise and scale, which is fundamental to achieve rapid exponential growth for your SaaS!

If you have any questions following reading this guide, then you can get in touch with me at any time by emailing dawn@growthroots.co.uk or via Messenger on Facebook or connecting with me on LinkedIn. I understand that often metrics and data analytics can be quite overwhelming and daunting, but especially time-consuming, so if you are unable to manage everything alone and you are looking for someone to help you accelerate your SaaS growth, please feel free book a session with me so we can discuss your individual situation and see how we can work together to help your business grow!