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Leadership Stories

Making metrics matter – a conversation with Baremetrics and Geckoboard.

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Whether you are selling drill bits or bitcoin, successfully growing a business is about setting goals and measuring your progress towards achieving them. But with all the tools and business advice out there, it can be difficult to figure out where to focus, and even harder when you're dealing in the relatively new financial waters of SaaS (Software as a Service).

In order to help demystify it all, we recently spoke with two experts in the field of SaaS metrics to learn what metrics matter, how to visualize your progress, and the importance of transparency.

Find your guiding star

In countless posts on his highly popular For Entrepreneurs blog, Matrix Partners venture partner and startup expert David Skok highlights customer acquisition as the most important goal of new SaaS businesses. Getting people to try your product and commit to paying money for it is a good early indicator that you are on the right track. However, what that looks like can vary greatly from company to company, so it is important to get clear about how your team defines and tracks customer growth.

Kaegan Donnelly, of SaaS metrics company Baremetrics, works with companies to help them make actionable decisions from their data. He's found that tools like theirs open up access to the company's performance and can help guide the team's decisions. He says, "Tracking metrics is for yoga studios, gyms, self-help gurus, box services—any model where you are charging people for recurring services." As for the metric he thinks new companies should focus on first, he suggests Monthly Recurring Revenue (or "MRR").

> “There’s something about metrics that can bring teams together, because it gives you the opportunity to chat about what is important.”
>
> **Ina Vaduvescu, Marketing Research Analyst at Geckoboard**

Technical performance metrics around outages, bugs, and site performance may resonate more deeply with developers, and financial metrics may matter more to the sales and "biz" side, but there's no denying the value of seeing them all side by side.

At an early-stage company, so much is up in the air and everyone is keenly focused on whether the company is on the way to "product-market fit"—a loosely-defined measure of likely long-term viability on the market. So being able to keep an eye on how usage correlates to revenue and whether the lines are trending up or down is useful in maintaining team morale and keeping everyone motivated.

Don't obsess

While it can feel like it's of utmost importance to keep your eyes trained on the metrics—especially when you are in a growing company—the experts tend to disagree. Product—Market fit is a combination of hitting product and revenue targets along with achieving a certain level and type of confidence amongst your customers. Even Andy Racheff, the entrepreneur and venture capitalist who coined the term admits a certain level of luck and surprise in achieving success saying, "You often stumble into your product/market fit."

Looking only at the numbers doesn't give you the full picture of what's going on with your company—it's also important to consider qualitative inputs such as positive customer sentiments expressed to your helpdesk, tweets from happy users, and feedback from teammates.

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"Some people look at their metrics too much. One bad cancellation can make your churn rate skyrocket. However, one month of bad churn doesn't necessarily indicate a serious problem in your business. You need to look at trends."

Kaegan Donnelly, Customer Happiness at Baremetrics

To teams looking to start tracking progress, Ina of Geckoboard advises startups to set bold targets but remember to be balanced. "There's a distinction between tracking progress and just measuring things for the sake of measuring them…But be brave. Make those goals, because that is what is going to help you and your team be more productive."

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What metrics matter to your team? We'd love to hear more on Twitter.

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