



**Velocity
Growth**

Module 7: Retention

Today's agenda

Today we'll cover:

1. **An overview of retention**
2. **Key retention metrics (core, proxy, other)**

Mastering Growth

1. How to know when you have product market fit
2. Cohorts & charting retention
3. Retention impacts by source & impacts on LTV
4. How to improve retention

And more!

What is retention?

Retention a measurement of how long your users stick around and are active, engaging with your business

It's arguably the most important metric of any business, regardless of model

Retention rate

Your retention rate is measured as a percentage of users who are still **active** after a certain period of time.

By “active” we mean what core action you measure retention on. This may be articles read, purchasing, subscribed, etc.

The typical retention intervals are monthly, bi-annual, or annual.

For example

Subscribers continue paying month to month for a year

A user purchases >4x in 6 months (B2C transactional)

A user logs in >1x per month each month for >6 months

The famous case...

Netflix is often used as a case study in amazing retention.

According to Gibson Biddle (@gibsonbiddle), former VP of Product at Netflix, retention over time has looked like this:

- In the early days of their product roughly 10% of members churned (cancelled) each month
- In 2005 close to 5% churned each month

Today it's between 2% and 2.5% depending on the source

The “normal” benchmarks...

Retention varies wildly by industry, business type, and pricing strategy.

Here are some benchmarks (good to great range) for 6-month retention:

- Consumer Social: 25%-45%
- Consumer Transactional: 30%-50%
- Consumer SaaS: 40%-70%
- SMB / Mid-Market SaaS: 60%-80%
- Enterprise SaaS: 70%-90%

[Source: Lenny Rachitsky & Casey Winters](#)

Why is this important?

Even with great acquisition & great early activation, poor retention kills businesses.

Without strong retention or pricing that matches your retention rates (i.e. low volume enterprise mode) you'll be in a constant game of fixing a leaky bucket, spending ever more money to grow.

What is churn?

Churn is the number or % of people who no longer use your product as defined by your active metric.

Common measures of churn:

- User unsubscribes
- User doesn't purchase again within 6 months
- User doesn't open app in >90 days

Churn scenarios

Retention impacts (model)		
Year 1	Company one	Company two
New subs/mo.	1,000	2,000
Retention/mo.	90%	50%
Total new subs	12,000	24,000
Retained subs 1 year	55,419	44,001
CAC	\$10	\$10
Cost	\$120,000	\$240,000
Revenue	\$554,187	\$440,010

Core & proxy metrics

Core & Proxy Retention Metrics

If you don't have a retention model yet, don't worry. What you need is to:

1. Build a core retention metric
2. And at least one proxy metric that you think most closely impacts retention

Core Retention Metrics

The core retention metric is the **metric you'll use to measure success or failure of your model.**

Core Retention Metric Examples

NETFLIX

Monthly active subscribers.



Our core retention metric is daily active students.

zoom

Zoom's core retention metric is likely monthly paying user churn.



Sandboxx's core retention metrics are ARPU & LTV.

However...

Retention take a long time to report on. At least 3 months, likely 6+.

So what do we do?

Look at proxy metrics!

Proxy Retention Metrics

The proxy retention metric is the metric you'll use to measure **how likely a user is to positively impact your core retention metric.**

Proxy Retention Metric Examples

NETFLIX

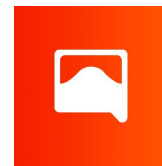
Get users to consume 19 hours of content per month.



Get a student to consume 10 lessons.

zoom

Get free users to set up calls >1x per week for 6 weeks.



Get a letter writer to send >2 letters in their first week.

Proxy Retention Metrics

Whereas retention is a lagging metric, proxy metrics are more of a leading metric.

You can use it as an early gauge by which you can determine channel, experiment, and cohort fit against your longer term core metric.

There may be more than 1 proxy metric & it may change over time.

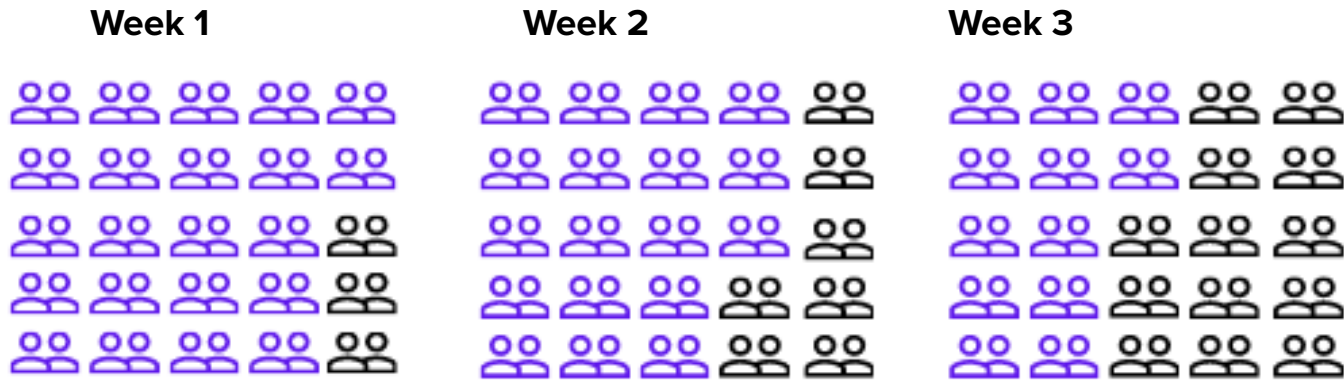
Mastering Growth

Growth 101 is meant to be a quick way to learn growth, but retention is a huge topic and spans many different sectors of a company.

Mastering growth covers product market fit, viewing cohorts, charting retention, channel retention, LTV to CAC ratios, and much more.

Cohorts

What are cohorts?



Cohorts are groups of people grouped together based on some criteria.

For example, you may track:

- ARPU for users over 12 months who signed up in a given month
- Retention by signup channel and month
- Purchase behavior of referred users vs paid users

Cohort example - 10 week user retention (all)

	Week 0	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10
All Users 942 users	100.00%	8.92%	4.68%	2.93%	2.35%	1.26%	1.94%	1.36%	0.00%	0.83%	0.00%
May 31, 2020 - Jun 6, 2020 101 users	100.00%	14.85%	4.95%	0.99%	2.97%	0.99%	1.98%	0.00%	0.00%	0.00%	0.00%
Jun 7, 2020 - Jun 13, 2020 56 users	100.00%	3.57%	7.14%	7.14%	0.00%	1.79%	1.79%	1.79%	0.00%	0.00%	0.00%
Jun 14, 2020 - Jun 20, 2020 54 users	100.00%	20.37%	9.26%	3.70%	1.85%	1.85%	1.85%	0.00%	0.00%	0.00%	0.00%
Jun 21, 2020 - Jun 27, 2020 58 users	100.00%	5.17%	3.45%	3.45%	1.72%	1.72%	3.45%	1.72%	0.00%	1.72%	
Jun 28, 2020 - Jul 4, 2020 78 users	100.00%	5.13%	5.13%	2.56%	3.85%	1.28%	0.00%	0.00%	0.00%		
Jul 5, 2020 - Jul 11, 2020 109 users	100.00%	1.83%	3.67%	3.67%	3.67%	0.92%	1.83%	1.83%			
Jul 12, 2020 - Jul 18, 2020 94 users	100.00%	4.26%	3.19%	1.06%	0.00%	0.00%	0.00%				
Jul 19, 2020 - Jul 25, 2020 71 users	100.00%	4.23%	0.00%	1.41%	0.00%	0.00%					
Jul 26, 2020 - Aug 1, 2020 121 users	100.00%	10.74%	2.48%	4.13%	0.83%						
Aug 2, 2020 - Aug 8, 2020 77 users	100.00%	12.99%	7.79%	2.60%							
Aug 9, 2020 - Aug 15, 2020 79 users	100.00%	12.66%	3.80%								
Aug 16, 2020 - Aug 22, 2020 44 users	100.00%	15.91%									

Jul 26th cohort showing some progress

Aug and on getting better

These numbers are low indicating an activation or value problem

Cohort example - 10 week user retention (returning)

Returning Users 226 users	66.37%	37.17%	18.48%	12.57%	7.78%	4.32%	6.06%	3.36%	0.00%	1.35%	0.00%
May 31, 2020 - Jun 6, 2020 33 users	63.64%	45.45%	15.15%	3.03%	9.09%	3.03%	6.06%	0.00%	0.00%	0.00%	0.00%
Jun 7, 2020 - Jun 13, 2020 12 users	66.67%	16.67%	33.33%	33.33%	0.00%	8.33%	8.33%	8.33%	0.00%	0.00%	0.00%
Jun 14, 2020 - Jun 20, 2020 18 users	44.44%	61.11%	27.78%	11.11%	5.56%	5.56%	5.56%	0.00%	0.00%	0.00%	0.00%
Jun 21, 2020 - Jun 27, 2020 11 users	54.55%	27.27%	18.18%	18.18%	9.09%	9.09%	18.18%	9.09%	0.00%	9.09%	
Jun 28, 2020 - Jul 4, 2020 21 users	57.14%	19.05%	19.05%	9.52%	14.29%	4.76%	0.00%	0.00%	0.00%		
Jul 5, 2020 - Jul 11, 2020 24 users	79.17%	8.33%	16.67%	16.67%	16.67%	4.17%	8.33%	8.33%			
Jul 12, 2020 - Jul 18, 2020 13 users	84.62%	30.77%	23.08%	7.69%	0.00%	0.00%	0.00%				
Jul 19, 2020 - Jul 25, 2020 7 users	57.14%	42.86%	0.00%	14.29%	0.00%	0.00%					
Jul 26, 2020 - Aug 1, 2020 28 users	60.71%	46.43%	10.71%	17.86%	3.57%						
Aug 2, 2020 - Aug 8, 2020 24 users	70.83%	41.67%	25.00%	8.33%							
Aug 9, 2020 - Aug 15, 2020 20 users	75.00%	50.00%	15.00%								
Aug 16, 2020 - Aug 22, 2020 15 users	80.00%	46.67%									

So much better if we get someone back 1x!

This is a cold start problem - look at who is churning **and** sticking around, determine areas of improvement. What changed July 26th week?

How to improve retention

Ways to improve retention

Today we'll focus on one aspect:

1. **Focus on new users**

Mastering Growth covers:

1. Target better users
2. Provide more value to your users
3. Kill features
4. Do more to activate users
5. Change your pricing or model

Focus on new users



Focus on new users

Can't teach an old dog new tricks?
Perhaps...

When you have users already using a product, it's hard to "reset" their expectations of value

You can leverage experiments to test this out, and use your proxy metrics as a leading indicator of success



Dan Hockenmaier
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Replying to @lennysan

Almost every big, lasting retention win I've seen came from improving the early user experience. Always within 30 days, and often within 7 days of signup.

7:37 PM · Aug 12, 2020 · [Twitter Web App](#)

Early customer focus

Some ideas:

- personalizing onboarding and offering more relevant content
- running "self select" drips allowing users to qualify themselves into relevant cohorts
- offering ancillary products alongside core to see what resonates
- Radically change messaging, frequency, onboarding flow, etc.

This requires work...

Taking the "self select" drip campaign idea to allow users to qualify themselves into relevant cohorts idea, you need to:

1. Figure out what grouping makes sense (i.e. Navy vs Air Force recruits)
2. Build a way to ask users to self qualify (survey? Email reply? One click to segment?)
3. Start sending users personalized content
4. Measure the impact, modify

What to look for?

Considerations:

- Do users self select into groups?
- What happens when they self select?
- Are they more active?
- What does your proxy metric look like over the next few weeks?
- Did it improve or stay the same?

Rinse and repeat!

Remember

Measure based on cohorts. If you are at scale running different early user experiments, track the incoming users by cohort and measure against your control

Thanks!
