Build Products That Matter With Innovation Accounting

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@davidjblanl
David J Bland
Principal Advisor
Neo San Francisco

{insert vanity metrics here}

{insert link to more vanity metrics here}
Product Death Cycle

1. No one uses our product
2. Build the missing features
3. Ask customers what features are missing
Innovation Accounting is a term Eric Ries described in his book, The Lean Startup: To improve entrepreneurial outcomes, and to hold entrepreneurs accountable, we need to focus on the boring stuff: how to measure progress, how to setup milestones, how to prioritize work.
Empathy / Stickiness / Growth
Adapted from Lean Analytics by Croll & Yoskovitz
The Pitch
“We’re X for Y and we make money by Z”
Petsy!™

(now accepting Series-A funding in bitcoin)
“We’re for and we make with transaction fees. Petsy!™”
User / Buyer / Decider
Petsy!™

User = Pet
Buyer = Pet Owner
Decider = Pet Owner

User = Pet Fashion Designer
Buyer = Pet Fashion Designer
Decider = Pet Fashion Designer

“Multi-sided Model”
User = ________________

Buyer = ________________

Decider = ________________
Passionate Users
Aware → Hopeful → Satisfied → Passionate

Adapted from Lean Entrepreneur – Brant Cooper & Patrick Vlaskovits
We’ll create **Awareness** of [Solution] for [Customer] with [Business Action].

We’ll create **Awareness** of Petsy!™ for Pet Owners with an explainer video.
We believe that [Customer] is **Hopeful** that [Solution] solves [Need] when [Customer Action].

We believe that Pet Owners are **Hopeful** that Petsy!™ solves their unique pet accessory needs when they create an account.
Pirate Metrics
Acquisition  Activation  Retention  Referral

Empathy  Stickiness  Growth
Acquisition  Activation  Retention  Referral

Empathy  Stickiness  Growth
Acquisition  Activation  Retention  Referral

Empathy  Stickiness  Growth
Acquisition  Activation  Retention  Referral

Empathy  Stickiness  Growth
We’ll measure **Acquisition** of [Customer] with [Quantitative Metric].

We’ll measure **Acquisition** of Pet Owners with # of unique views of explainer video.
We’ll measure **Activation** of [Customer] with [Quantitative Metric].

We’ll measure **Activation** of Pet Owners with # of unique accounts created.
<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
<th>Quantitative Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>Customer is <strong>visiting</strong> your product/service.</td>
<td>visits, views, mentions, opens</td>
</tr>
<tr>
<td>Activation</td>
<td>Customer is <strong>becoming active</strong> in your product/service.</td>
<td>signups, subscription, account creation, feature usage, time on site</td>
</tr>
<tr>
<td>Retention</td>
<td>Customer is <strong>coming back repeatedly &amp; using</strong> your product/service.</td>
<td>usage over time, click through rate, repeat transactions</td>
</tr>
<tr>
<td>Referral</td>
<td>Customer is <strong>actively referring others to use</strong> your product/service.</td>
<td>invites sent, shares, viral coefficient</td>
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<tr>
<td>Revenue</td>
<td>Customer is <strong>performing a monetizing behavior in</strong> your product/service.</td>
<td>conversion rate, lifetime value, transactions</td>
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Putting Them Together
Aware  Hopeful  Satisfied  Passionate

Acquisition  Activation  Retention  Referral

Empathy  Stickiness  Growth
Aware    Hopeful    Satisfied    Passionate
Acquisition    Activation    Retention    Referral

Empathy    Stickiness    Growth
Aware    Hopeful    Satisfied    Passionate

Acquisition Activation Retention Referral

Empathy    Stickiness    Growth
We believe that [Customer] is **Satisfied** with [Solution] when [Customer Action].

We believe that **Pet Owners** are **Satisfied** with **Petsy!™** when **customers** make a 2\(^{nd}\) purchase.
We believe that [Customer] is Passionate about [Solution] when [Customer Action].

We believe that Pet Owners are Passionate about Petsy!™ when they refer a friend with our promo code.
Funnels
Visit Petsy Site

Watch Explainer Video

Create an Account

Add Item to Cart

Purchase Item
Visit Petsy Site
Watch Explainer Video
Create an Account
Add Item to Cart
Purchase Item

All kinds of risky assumptions in your funnel.
Create hypotheses about why people are not converting and run experiments to test them.
Cohorts & Segments
co·hort
/ˈkōˌhôrt/
noun
1. an ancient Roman military unit, comprising six centuries, equal to one tenth of a legion.
   synonyms: unit, force, corps, division, brigade, battalion, regiment, squadron, company, troop, contingent, legion, phalanx  More
2. a group of people banded together or treated as a group.
   "a cohort of civil servants patiently drafting legislation"

a different workshop
this
Things are getting better, right?

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<th></th>
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<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
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<tr>
<td>Unique Visitors</td>
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<td>4539</td>
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<tr>
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Who are these “Visitors”

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Customer Segmentation

Customer Segmentation is the subdivision of a market into discrete customer groups that share similar characteristics. Customer Segmentation can be a powerful means to identify unmet customer needs.
What would this chart look like if you could see Cat Owners vs Dog Owners vs El Chupacabra Owners?

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... now things get interesting
To be continued

@davidjbland
david@neo.com
http://davidjbland.com