STOP LYING TO YOURSELF!

One of my favorite lines in **Lean Analytics** is, “Stop Lying to Yourself.” The authors Alistair Croll and Benjamin Yoskovitz like to insult their audiences frequently during their talks, and this is one of their favorites! But there is a serious purpose behind their gently poking fun; they are basically asking their audience of entrepreneurs and product managers to “Wake Up!”roll up their sleeves and analyze their data long before something bad – like the business failing – happens.

Using outdated business models and ignoring real metrics still seem perfectly normal to so many companies that are working outside the cloud, without mobile, measuring web traffic to gauge revenue, and developing products without customer feedback before launch. Even more subtly problematic practices such as surveying customers about what they think, can lead entrepreneurs into all kinds of trouble because people have such a tendency, without meaning to, to tell us what they think we want to hear.

**Lean Analytics** focuses on finding real metrics that can serve your company to become truly data-driven, which means finding data that creates a reason for change, or continuation of a business practice. So the most important question about the data you are using to base your decisions on is: “What about this data may change the way we do business?”

Before even collecting the data, agree on what you will do once the data is collected. Drawing this line in the sand will not only require everyone involved to pay close attention to reality, it will provide a discipline regarding the entire process.

Let’s say our business sells an offline product and is about to begin delivering SaaS to users. Up until this point, the product has been purchased for $5000 a piece by a highly exclusive list of customers. The business needs to decide whether to offer a freemium version of their new cloud-based product or whether to charge a monthly subscription fee. The first step is to decide how to test this question?

A well-known international company that recently faced a similar decision is Adobe Photoshop, that had made the decision to move to the cloud – to waves of disapproval from customers – some time ago. There had been a choice: to buy the discs in a box for several hundred dollars each time there was an upgrade or pay a monthly subscription fee. Then, in May 2013, Adobe Photoshop announced that it was moving entirely into the cloud with monthly subscriptions ranging from free to $75 per month, providing great savings for customers.

The authors of **Consumption Economics** predict that the business model in which customers are willing to pay an upfront capital investment such as that paid to Photoshop, is simply about to disappear and that even multinationals confident of maintenance income due to customers’ upfront and longterm investment in their products need to realize that those days are over and a move to the cloud is inevitable for survival. As with many major corporations moving to the cloud, one of the great benefits for Adobe is that can rely on their brand and marketing to bring even greater numbers of new customers to their SaaS model than a) they would ever have reached and b) would ever have paid their steep box prices.

But how will the migration to the cloud work for the start up? The start up obviously does not have decades of branding behind them in their business, nor does it have millions of loyal customers in their corner. The one benefit it does have is no negative publicity from multitudes of customers angered by sweeping changes. See, there’s always an upside.

Using Eric Ries’s **Lean Start Up** first stages of stickiness and virality, the ideal is that the business acquires customers that continue on to pay to use the service. In the cloud, the potential number of customers is far higher and the cost of acquisition far lower. Ideally the customer enjoys the service, pays for a subscription and invites other users. All the while, the start up is tracking [tracking application usage](http://www.nalpeiron.com) and what is [driving user adoption](http://www.nalpeiron.com). In the cloud, each keystroke this user makes provides data that can be measured and data that can offer information about attention, enrollment, stickiness, conversion, revenue per customer, customer acquisition cost, virality, upselling, uptime and reliability, churn and lifetime value: All metrics that are worth their weight in gold. (See **Lean Analytics pp90-101** for more details.)

However, there is one rather large fly in this ointment… What if there are no customers? Then there is no data to collect and measure. It may well be that in that in the beginning the nascent business has to gain customers 1) using word of mouth, 2) getting out of the building and surveying potential users who may then themselves test the site, 3) providing incentives, and so on. It doesn’t matter how those early adopters are driven to the site because they allow the process of [tracking software usage](http://www.nalpeiron.com) to begin and provide that all-important data, so that the work product refinement and business scalability can truly begin.

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