segment | Growth Masters

Building a new product? Get the data right

Based on content presented by Ilya Volodarsky, co-founder and president of Segment

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Develop your new product funnel

When you develop a new product, you have to test it and make sure it's viable before you can jump into production and marketing. Analytics and data collection are key components through every step of the testing process. Analytics can tell you in a quantifiable way if your product is usable and if it has product-market fit. But before you collect data, you have to create a funnel to base your metrics on.

A funnel for B2B and B2C products has three stages:

- **Acquisition:** In this stage, your focus is on attracting new customers.
- **Engagement:** Once you have users, you can track how often they use your product. When users come back to your product multiple times, then you have retention.
- **Monetization:** The final stage of the funnel is when you start measuring revenue growth.

The specific metrics you track at each stage of the funnel will depend on your product and your company's goals. Your metrics should be specific and measurable so you can use them to set goals and track whether or not your product is viable.

Define metrics for your 3 stages

The top metric for each stage should be your primary focus with a new product, and you can use the data from these metrics to set goals and track your progress.

1. ACQUISITION

In the acquisition stage, you're tracking numbers of new users. Your top metric for this stage might be the number of signups per week. This is an easily measured key performance indicator, and you can use it to set goals for growth. If you're consistently getting 200 signups per week, your goal could be to increase signups to 300 per week, and you might achieve this by hosting a webinar.

You should also be analyzing your data by user acquisition type. Signups that happening organically on your website should be clearly delineated from your paid acquisition or referral programs. For example, let's say you do host a webinar or other digital event to increase your number of sign ups. If you split your users by acquisition type, then you can more accurately gauge whether an increase in signups is from the webinar or from a different, unrelated source. That will help you better direct your time, attention, and money in the future.

> "The funnel is the sequential series of steps that a customer goes through before they get value from the product."
>
> -Ilya Volodarsky

2. ENGAGEMENT

The engagement stage is the most important for new products—especially ones that are pre-product-market fit. The best way to tell if your product has good market fit is to see how many users come back week after week or month after month. Customers are not going to return to the product over and over again if they don't get value from it.

Your top metric for the engagement stage is retention rate. Typically, the rate will dip initially and then plateau at around 20 or 30 percent. If your rate initially dips and then falls steadily, that is an indicator of poor market fit.

The exact rate will vary widely by company and type of product. Netflix, for example, has an extremely high retention rate of around 70%, while companies like Blue Apron are known for higher-than-normal churn rates.

The specific period you use to calculate retention rate will depend on your company and product. Airbnb, for example, tracks the number of bookings a person makes over several years because people typically vacation once a year. On the other hand, eBay tracks the amount of merchandise purchased on a daily or weekly basis because people typically buy from eBay frequently.

3. MONETIZATION

During the monetization stage, your top metric will be net new revenue. Tracking this metric will show you how your product is selling on a weekly, monthly, or quarterly basis.

Just like in the engagement stage, the time frame you'll be looking at depends on your company and your sales cycle. If you sell a product that people quickly decide whether or not to buy, like shoes, you can track revenue growth week over week. If you are a B2B company and your sales cycle spans months, then tracking revenue growth quarter over quarter is more reasonable.

You should use your metrics to set growth goals at each stage of the funnel. Looking at your data and how well you're meeting your goals can tell you if your product is viable—and where there might be underlying issues. For example, if you find you have high initial signup rates but very low engagement, you might do experiments to see if there's a usability issue that's preventing users from coming back.

How Segment can help

You can use Segment's integrations catalog to easily find the tools you need to collect and analyze your data at every stage of the funnel. For example, Amplitude can track each of the metrics listed here, and it is easily paired with Segment to generate graphs and charts for quick analysis.

For qualifying early-stage startups, Segment is now offering up to two years free, including the Team Plan and $25,000 of usage credit.

Keep reading to learn more

- Selecting the right analytics tool for your business (part 1)
- Selecting the right analytics tool for your business (part 2)
- How VWO used product analytics to increase new feature adoption and reduce churn
- Finding product-market fit... again!