InnerTrends

MAKE YOUR

RETENTION
GREAT AGAIN

A GROWTH HACKER'S GUIDE
TO RETENTION OPTIMIZATION

Make Your Retention Great Again

A Growth Hacker's Guide to Retention Optimization

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It's Monday morning. You have a coffee on your desk in your favourite mug. You're feeling refreshed and ready for a great new week but then the whole lot comes crashing down with just one sentence from your CEO: *"For the next month we're going to be focusing exclusively on our web app's retention rate."*

Your pulse quickens and if you weren't a grown up you know you'd almost certainly burst into tears! But then, just when you think it can't get any worse, he offers you the unique responsibility of optimizing it. Disaster! Quick, where's the nearest exit?!?

The way you report user retention is critical in optimizing it

Seriously though, been there, done that. I've struggled for years to find the magic bullet that will make retention optimization painless.

While I still don't have a quick and easy answer, I've come to realise that if you change the way you look at retention, breaking it down into multiple stages, it becomes a much less scary beast.

So if you're ready to turn your scary monster into a cute little kitten, something that even the most non-technical business owner can pet, stick around, because this one's for you.

We're going to be talking about weekly retention rates as we tickle our pet under the chin but it's worth remembering that these principles apply just the same to daily, monthly or annual reports.

Before we get into that though, it's really important to first establish, very clearly, what figures you're reporting on.

Specifically, are you looking at the retention rate of new signups or new signups who have finished your onboarding process?

It might sound like a tiny and insignificant detail but get it wrong and you run the risk of skewing your data.

If you said "new signups who finished the onboarding process" give yourself a gold star and go to the top of the class. Here's why:

Scenario #1: Reporting retention on signups

Let's say you want to find out how many of your visitors stick around one week after they decide to sign up.

You already know that your product had 3000 new sign ups and your report shows a first week retention rate of 10%. That means that just 300 users come back to your product after the first week.


Scenario #2: Reporting retention for onboarded users

Instead you decide to look at how many onboarded users stick around after one week.

You check the report again and, this time, see that out of the 3000 sign ups, 600 users successfully completed the onboarding process and 300 of them returned after the first week.

That is a first week retention rate of 50%. Not too shabby!
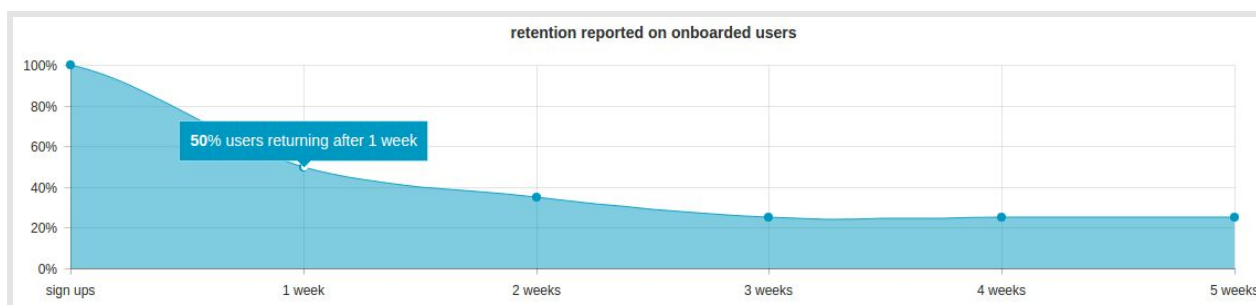
The way you view the data has a huge influence on your decision making process.

Look again at the data from scenario #1. With a first week retention rate of just 10%, the obvious solution would be to create a campaign to increase first week retention.

Maybe send a series of emails in a bid to persuade users to return. Some users might return to the app but if this is you and your company, count yourself lucky if you increase your retention rate to eleven or twelve per cent!

But what if you were in charge of the company from scenario 2? With this set of data it would quickly become obvious that retention isn't really the issue here.

The real problem is getting people to finish the onboarding process.

Users who finish onboarding during the first week have a high retention rate so the most obvious solution would be to start an onboarding optimization campaign (using data from your InnerTrends[1] dashboard.)

This could increase your number of onboarded users from 600 to 900 or even 1200 which in turn would mean that anywhere between 450 to 600 users will return to the app every week.

> *User onboarding is critical, but it's only one piece of the pie.*

If we then went back to the reporting method in scenario 1 and reported retention to signups, the rate has increased to 15-20%.

When a user begins to onboard your product, he is looking to fulfill and satisfy the promises and expectations the landing page and ads have made to him. He will try to test your product and validate those promises.

Once he finishes the onboarding process he is either satisfied or dissatisfied by the way the app solved his problem.

The onboarding experience itself is less relevant in influencing his decision to come back, compared with how often the user needs to solve his problem, and how important the problem was for him to begin with.

Here's what serial entrepreneur turned VC David Skok had to say when we asked him about customer retention:

> *One of the strongest indications of whether you will retain your customer will be the score indicating how happy they were with the product at the end of your on-boarding process.*
>
> *The second crucial indicator that we have seen is that if your executive sponsor leaves the company, you are at much higher risk of churn.*
>
> *To de-risk that, either make sure you have broader executive sponsorship, or find a new champion fast.*

David Skok
Serial entrepreneur turned VC @MatrixPartners

Onboarding is crucial because if the user doesn't manage to validate the expectations set by the landing page, he won't be able to create a bond, and there's no reason for him to return to the product ever again.

But, implementing a [good onboarding strategy](#) doesn't mean that he'll keep returning forever. The app must help the user build a habit if he is to return on a regular basis.

Having established that reporting user retention based on the onboarding rate will give you a better overall picture, it's now time to begin the actual process of retention optimization.

In preparation, we chatted with Internet entrepreneur and SaaS investor Christoph Janz about which metric to focus our efforts on.

Specifically, we wanted to know if he agreed with us that first week retention is the metric with the highest influence on optimizing overall retention (and therefore a great place to start.)

> *I agree with that statement, but I would go a step further. Many companies find that retention within the first days and even activity within the first hours correlates very highly with conversion and retention.*
>
> *Why? People don't have a large attention span and are bombarded with information, products and ads all day long. That's why „time to wow" is critical!*
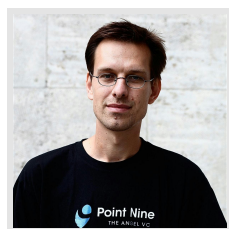
Christoph Janz
Internet entrepreneur, SaaS investor, partner at
@pointninecap

The Retention Optimization Guide

Here at InnerTrends we believe that breaking things down into smaller parts gives us a much easier way to tackle the challenges we face.

This is the step-by-step framework we use to fix issues related to user retention. We'll show you how to make use of this framework by running through the most common retention scenarios.

Step #1: Check how many users are returning

First things first: **Check your analytics and see how many users are currently returning to the app.**

You will find yourself looking at one of the following graphs:

### 1. Take Off Retention Curve
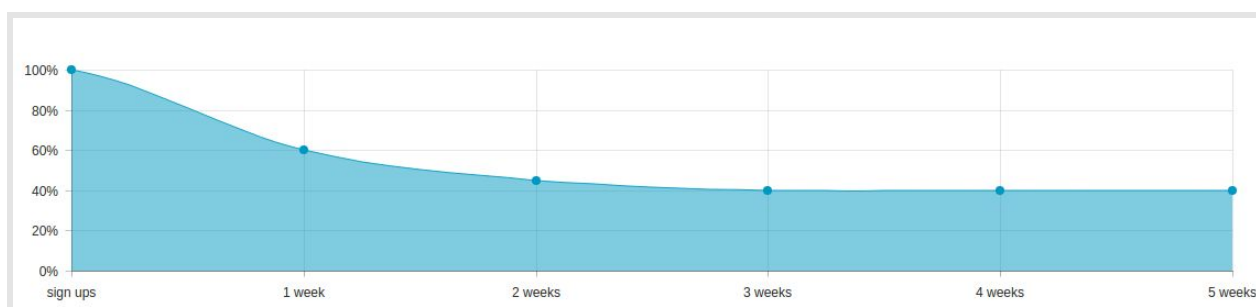
This is how the graph looks for apps where people love to come back (except Facebook. We'll get to that graph in a moment.)

You'll lose some in the first week, maybe they found a competitor's product that they decided to try. You'll lose some more in the second and third weeks as some people who didn't really need your app drop off but it stabilizes after that.

Great growth can come from this retention curve.

2. Cliff Falling Retention Curve
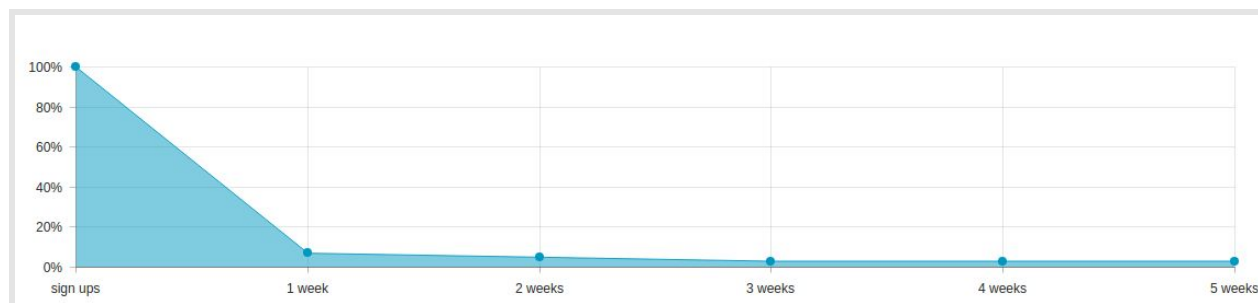
If you happen to come across this situation, you might notice that only a small amount of users are returning during the first week, but those that do will stick around for a long time.

Could this be related to habit formation? Are you selling an aspirin or a vitamin?

> *Aspirin solves an Existing Pain.*
>
> *If you have a headache, you will go swiftly to your nearest pharmacy and buy some Aspirin. You won't discuss it for long, you won't haggle on price (not that you can anyway in a pharmacy, but you get the point).*
>
> *You have a pain, it impacts you, and you want to get rid of it as soon as possible.*
>
> *Vaccine prevents a Potential Pain.*
>
> *Now, while you're at the pharmacy, the pharmacist might want to sell you a Vaccine. Using FUD (fear, uncertainty and doubt), he will try to convince you that you need to buy the vaccine now, so as to avoid getting sick this winter.*
>
> *You are not sick right now, but you MIGHT be in the future, and the vaccine is the solution to prevent this Potential Pain.*

Vitamin provides a Potential Gain.

This pushy pharmacist might also try to sell you some Vitamins. While you feel good right now, the pharmacist tells you that with vitamins, you will potentially feel better.

A better, stronger you. Obviously he can't guarantee it; you have to trust him.
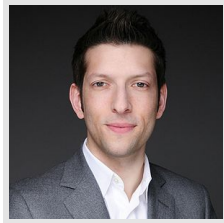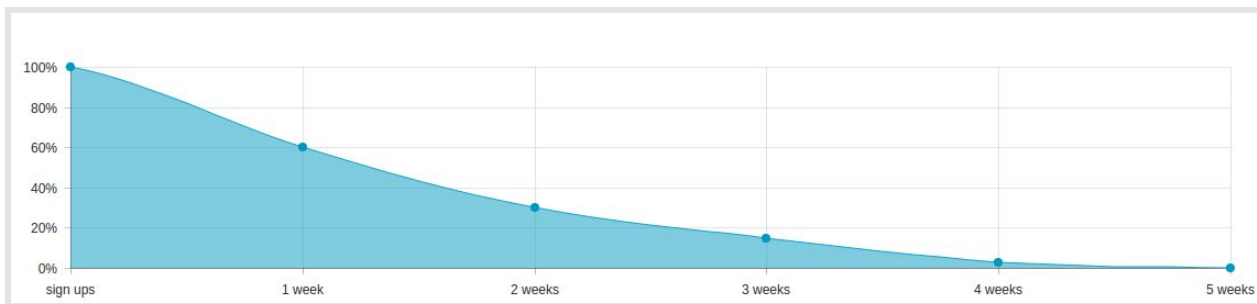
Nicolas Deville (via LinkedIn)
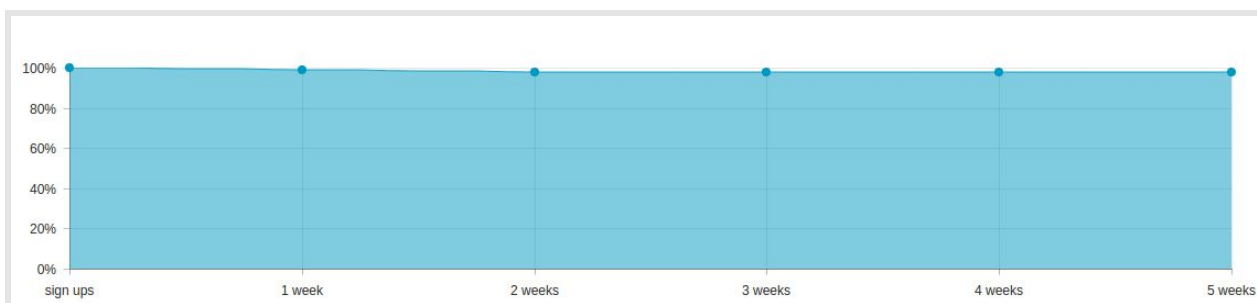
Managing Director at Maestrano

How often are you making users experience the core value of your product?

3. Highway to Zero Retention Curve

In this scenario, the retention rate is really high during the first couple of weeks. The sad part: it's slowly but surely going down.

4. 99 problems but retention ain't one

If you happen to come across this scenario where your retention rate is constantly really high, it could be because of any one of three things:

1. Your tracking is bugged. (Take a deep breath, check your tracking code, make sure everything is reported properly.)
2. You work at Facebook. (Good job! Ask Mark for a raise.)
3. You own the next unicorn. (Congratulations. Profit!)

5. Drop it like it's hot
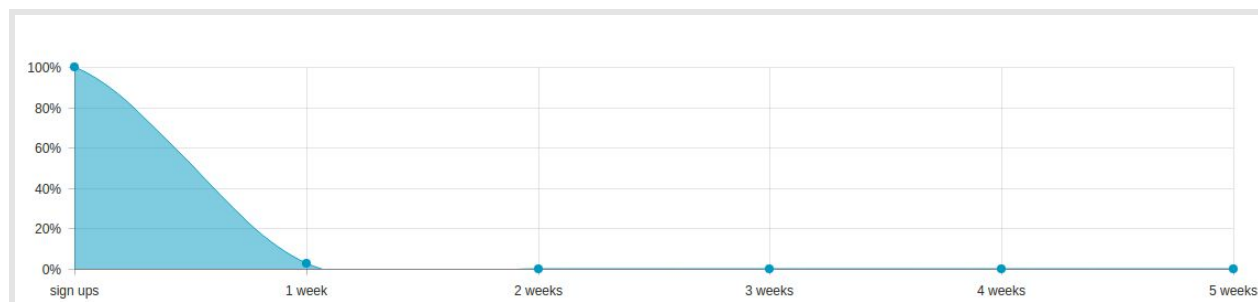
If your product's retention resembles what you see in the report above, it might be that there's something fishy going on within the product.

It looks like you are able to convince your users to finish the onboarding, but once they get to experience the product they leave, never to return again.

Make sure you break it down step by step and see exactly what makes your users act this way. I'm sorry to have to be the one to break it to you but this is about as bad as it gets.

Neither of the following options are an easy fix since they require radical changes and iterations to your product:

● The problem you're already trying to fix isn't an actual problem (see aspirin vs. vitamin)
● Your product fixes the problem, but not in the way people expect it to.

After you check your analytics and find out how many users are coming back, it's time to move on to Step #2 and find out exactly why those users are returning.

Step #2: Learn why users are returning

Identifying the type of user that is coming back to your app on a consistent basis won't be enough to help you reduce churn. You also need to find out what makes them come back.

Figuring out what makes them return is the secret ingredient you're going to use to optimize retention

Reach out to your customers

A good way to find out what makes user return is to get your customers on the phone. It doesn't matter how big you are, they will appreciate it and you will learn critical information about what makes them love your product.

Make sure every interaction and mention is addressed. Whether it's Facebook, Twitter, or email, leave no stone unturned when it comes to interacting with your customers.

> *One of the easiest things that you can do to improve your customer retention is adopt a policy in your company that no customer engagement is ignored.*
>
> *Justin Butlion (via YotPo),*
>
> *Director of Business Performance*

Providing customer support can actually help you set yourself apart from the other apps in your marketplace. Customers will appreciate your willingness to go that extra mile in order to solve their issue.

Customer Feedback

The second best approach is to send out surveys with open-ended questions. They will help you gather data from a large amount of users.

The survey's purpose is to help you find out which feature of your product the customers find most valuable.

Go ahead and ask your customers about their experience with your product.

You will either end up with a piece that can be used as a testimonial, or with some honest feedback which will help you identify pain points which you can fix.

This in turn will ultimately improve retention for other customers as well.

Experiment with freebies

The third way would be to offer free stuff to your users and see what piques their interest.

Since you're not really sure what it takes to make them get back to the app, experimenting with freebies can help you identify new retention drivers.

People normally use free stuff because it's helpful. Otherwise they will just install it because it's free, but never re-use it.

The idea behind freebies is to see what features or benefits people would be interested in using.

After you learn what works, you can put a price on it and add it to a bundle for your new users.

These are only a few ways to learn why your users love the app. Once you find out what influences their behavior, it's time to move on to the next step.

Step #3: Find out why the users who aren't returning missed the thing that kept the other users returning

The next step is to see why a specific feature is making a difference for only some of the users instead of all of them.

Is the [feature](#) not relevant for them? Maybe they're not perceiving it the same way? Or were they not able to discover it?

The actions you're going to implement in order to optimize retention will be completely different depending on the issues you discover.

The answer to these questions will define the strategy that will help you increase retention. It's very likely that you will discover an issue related to the audience of your product, or the UX.

Having learned from your happy customers what makes your app awesome, the next step is to find out why the users who churned weren't able to go through the same path.

Step #4: Develop and implement the features and actions needed to reduce the amount of users churned at step #3

Once you've identified exactly what's missing and what steered the churned users the wrong way, go ahead and implement the features and actions needed to help them get back on track.

The problem with retention is that it takes a bit of time to measure the impact of any actions on it, but if you discovered the problem and fixed it, the impact will be easy to spot.

How SideKick Experiments With Retention Optimization

Having looked together at how retention rate should be reported and broken down the steps needed to optimise your retention rate, we're delighted to share with you a brilliant case study from Brian Balfour showing exactly what he and his team did to optimise the retention issues they encountered at SideKick.

Hold your horses, the video is coming very soon. First we need to dig into one more very important aspect of retention:

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