LimeLight

Developing A Healthy Analytics Routine

A guide for growing subscription commerce businesses

Overview

We all have habits in our lives, whether we are consciously aware of them or not. Recent studies have demonstrated there are hidden benefits to routines. Having routines, ensures you do things well, alleviates anxiety and frees you up to be more creative and productive.

At LimeLight, we believe these benefits apply to developing a conscious analytics routine that ensures you stay on top of your business. When we look at eCommerce brands that put these routines at the heart of their business, we instantly see the impact on business performance. These business owners focus routinely on the metrics that matter, creating space for creative productivity and developing high-touch customer experiences that drive healthy growing businesses.

You may even already have certain analytics habits you are not aware of it. The essential next step is to develop a conscious, disciplined routine. We wrote this guide to help you get started. Inside you'll find information on setting goals, daily routines, what you may be ignoring and how to dip your toe in the holy grail of predictive analytics. We hope you find this information helpful. Please feel free to reach out with any questions - our analytics team are passionate about helping entrepreneurs get a handle on the metrics that matter.

Chapters

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Setting Goals and Making a Plan

Whether you are planning to run a marathon or learn how to play the piano, you need a plan on how you are going to reach your goal. Setting a realistic plan and efficiently incorporating this plan into your daily routine is the secret to success. The same is valid for setting goals for your business.

The secret of your future is hidden in your daily routine.

- Mike Murdock

As an eCommerce entrepreneur, analytics are at the heart of your business. Understanding your business data helps you determine opportunities and potential challenges – who are your best customers? Which product is selling the best? What marketing channels provide the best ROI? This is an ongoing process that requires constant refinement - aka an analytics routine. Here are a few steps and questions to ask yourself to ensure you are putting the right analytics foot forward

Set realistic goals

Before you can even start to understand your business and estimate a realistic goal for yourself, you'll want to have a real set of data to work with and spend time learning what kind of data impacts your business the most. This process can take a few days or months depending on the volume of transactions you're dealing with. By six months at the latest, you should have a good set of data to work with.

Most businesses are data rich, but information poor.

Avinash Kauchik

Focus your data efforts

There is no shortage of data to collect. Don't collect data to collect data. Avinash Kaushik, Digital Marketing Evangelist at Google is noted as saying, "most businesses are data rich, but information poor". If you're not going to use the data or it is not relevant, applicable or useful to your business goals, don't continue to incorporate it. Maintaining data can be expensive and data alone doesn't guarantee business results.

Start Lean

Focus on the fundamentals. Don't bite off too much too quickly. The internet is filled with articles on eCommerce analytics – use them! [we encourage you to check out our detailed articles on CLTV and MRR]. The key is to pick the fundamentals that have the most significant impact on your business. We highly recommend the Lean Analytics book to help businesses of all sizes develop a focused and agile data strategy. This Lean Enterprise Worksheet is a great tool for picking that ONE metric to incorporate into your routine.

With a focused approach and a test and learn mindset you can incorporate a healthy analytics routine into your business operations and before you know it - checking your analytics dashboards will be as routine as brushing your teeth.

Daily Metrics

The 4 Critical Metrics You Should Be Tracking Daily

Every business generates tons of data every day, but what are the essential daily metrics that you need to be keeping track of? These are the indicators that will tell you at a glance whether your business is going where you want it to, and whether you're about to have a crazy day.

Abandonment Rate

It's all well and good if your site is getting tsunami-sized waves of traffic, but how many of these prospective customers are abandoning their carts? You'll also want to check out your "day zero cancellation rate," or the percentage of your customers who make an order or sign up for a subscription, then cancel the same day, before receiving your product or service. The average eCommerce website has a 69.23% abandonment rate, and our benchmark for day zero cancellation is 2.1%. How does your business compare to these metrics? If your rates are regularly running higher, you might have a problem.

If your abandonment and day zero cancellation rates are higher than you want, the first place to look is your traffic sources. You may be attracting site visitors who aren't a great fit for your product. Are the customers who abandon carts mostly coming from one source? Alternatively, it might be time to test some alternative pricing.

Free Trial Conversion Rate

Does your business have a free trial/free sample program? Have you been running any other types of discount promotions? If so, free trial conversion rate is the daily metric for you. For subscription businesses, this is the rate of customers who stay subscribed for another billing cycle. For traditional straight-sale businesses, this is the rate of customers who go on to buy the full-priced product.

So what's a "good" or "bad" free trial conversion rate? Benchmarks vary, but based on this helpful list, for B2B SaaS companies, free trials that don't require a credit card have conversion rates that vary between 2-25%, (depending on the company.) We've seen at LimeLight that B2B companies that do require a card range from 50% to the rare 70%. Meanwhile, B2C conversions are typically lower than B2B, but nothing to sneeze at. Birchbox reported that 50% of customers who tried a free sample of a beauty product bought the full-priced version, while another report put the median conversion rate for a B2C free trial at 57%.

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Free trial conversions are a good way to gauge customers' reaction to your product. If your free trial conversion rate is low, this means your product might not be meeting your customers' needs. However, if your rate suddenly starts fluctuating, there may be a complicating variable. Once again, take a look at your traffic sources and how you've been promoting your product. New customers from those sources may not be the right market for you.

Average Fulfillment Time

Average fulfillment time, AKA average number of days to ship, is a daily metric that should rarely vary. However, when it does, you'll need to act fast. If your average fulfillment time changes, this is a sign that something is going wrong with your fulfillment process, and fulfillment center problems usually take more than a few minutes to resolve, so you want to catch them early.

As your shipping time lengthens, your customers will often get antsy, which may have financial ramifications for you. Customers who think that their package has disappeared into the mist often initiate chargebacks, which costs you the price of the product they ordered, chargeback fees, and a blow to your reputation.

Orders

This one seems like a no-brainer, but you'll want to keep an eye on your number of orders per day. However, keep in mind that a high number of orders can cause you as many problems as a low number of orders. A sudden spike in orders can cause a customer experience problem as your business has to scramble to meet the demand. Your call center, fulfillment center, and inventory may struggle to keep up, resulting in unexpected wait times for customers.

To keep the day-to-day running smoothly, you'll find that having a dashboard of daily metrics is important. Not only can you keep a finger on the pulse of your business, but having that information already gathered at your fingertips makes it easy for you to make decisions quickly without having to track down the data first. That's why at LimeLight, we make sure our clients always have the latest data at their fingertips so they can quickly identify problems and discover the key levers of growth for their business.

Lesser-Known Metrics You're Ignoring

We know, we know, there are a million lists of analytics tips out there. But we also know that those lists cover the same 5-10 analytics tips each time. So we dove into the most arcane analytics dashboards on our platform to compile this list of 4 metrics you might not have heard of that could really have an actionable impact on your business.

BIN Number

A BIN (bank identification number) is the first 4-6 numbers that appear on a credit card. The BIN is actually a code that can give you a baseball card's worth of stats about the customer:

- The bank they use (ex: Chase or Wells Fargo)
- The brand of card (Visa vs MasterCard)
- The card type (debit or credit)
- The card category (ex: business or prepaid)
- The country of origin

So what? Well, some banks tend to be associated with a greater number of fraudulent customers, while other banks are more likely to be correlated with higher value customers. Once you know which customers are using which banks, you can route them through different processes. For example, if a customer is a member of Citibank with a MasterCard, we've found that on average, customers matching those traits have an average chargeback rate of 11.7%, so you could require that customers go through more verification steps during the purchase process, making it harder for them to fraudulently file a chargeback–did you know that a majority of chargebacks are caused by friendly fraud?)

Quarterly Tax Estimates

You can use your analytics to fine-tune your taxes to your benefit. If your business pays quarterly tax estimates based on your estimate of future gross revenue, you could be overpaying your taxes if you aren't subtracting refunds, subscription cancellations, and chargebacks from your estimated revenue.

So save yourself the hassle and accurately estimate your revenue in the first place!

Decline Processing Time

When running a subscription business, you'll find that from time to time, a customer credit card that has worked fine for the last few subscription cycles suddenly stops processing charges. There are a few possible reasons for this type of decline, like insufficient funds, an issue with the payment gateway, or a passed expiration date. Some of these decline reasons can be solved by simply trying to run the card a few more times, which is why many eCommerce platforms (including us,) offer a Decline Manager that automatically re-runs declined cards on subscription plans.

But there's a secret to services like Decline Manager: you can schedule credit cards to re-run at certain times of day or days of the week, which can actually affect your level of success. There's no one-size-fits-all time or day, but we've seen on average, our clients have higher success rates on Fridays, or the 1st, 15th, or 30th of the month. You can set up your business' Decline Manager schedule to experiment with different times and days to see when you have the most luck.

Traffic Source In-Trial Cancellation Rate

When managing your marketing budget, the time will come that you need to assess how well your marketing spend is being put to work. And that time is early. If you're paying for traffic, be it through Google AdWords, Facebook ads, or a fleet of affiliate marketers, you don't want to waste your money on traffic sources that send irrelevant or unreliable customers who cancel early in their subscriptions or exhibit fraudulent behavior.

So before your advertising ROI drops, take a close look at your customers through the lens of your traffic source. We offer a dashboard designed specifically so you can measure the efficacy of your various traffic sources.

Why These Analytics Tips Matter

Don't let these obscure analytics tips pass you by just because they aren't well known. The devil is in the details, and you may find big results in these sneaky little numbers.

Predictive Analytics

The key predictive analytics mistakes to avoid

Predictive analytics algorithms are the holy grail of analytics. Every business owner dreams of opening their analytics dashboard to find pinpoint-perfect predictions about the future of their business. But, like the Wizard of Oz, predictive analytics algorithms can be both great and terrible. When they're great, they help you prepare for your business' future. When they're terrible, they mislead you about upcoming earnings.

So what are the mistakes that can lead to inaccurate predictions?

Bad data

Here's where the old saying "garbage in, garbage out" applies. Predictive analytics algorithms can only work with the data they're given, so if the input data is biased, or there are too few data points, or you aren't following data hygiene best practices, the predictions are going to come out skewed. The takeaway here is that your Statistics 101 guidelines for good data apply even when advanced algorithms are working their magic. Comprehensive, reliable, accurate, consistent data is always a good idea.

When your predictive algorithms are using machine learning, this advice is especially important. Machine learning algorithms, as the name suggests, learn from the data they're given. If they run off of bad data, they'll draw incorrect conclusions, then iterate on those incorrect conclusions until they're totally lost in the weeds.

Being too optimistic

Humans, as a rule, are more optimistic than computers. If asked to make a guess based off of our gut instinct, we're biased towards predicting an outcome that is favorable to us. This can be a problem if, for example, you're running a subscription business and using LimeLight's predicted subscription revenue dashboard. A predictive dashboard like this requires you to enter your estimated average rebill rate, but if you input 73% when reality leans more towards 68%, the prediction output will look great, but it won't be accurate.

Applying the predictions too far out into the future

While we'd love for predictive analytics algorithms to hand us our revenue estimates for the next five years on a silver platter, those estimates just aren't going to be that reliable. Sure, you can set the time bounds on your predictions to go years out, but that doesn't mean the results are trustworthy. Particularly when your business is just starting and growth is unsteady, there are countless complicating variables that can throw off your predictions for the far-off future.

Instead, use your predictive analytics to help you with your day-to-day work. Predictive dashboards are great at showing you what to expect for the next 7, 15, or 30 days. When it comes to longer term predictions, you're better off taking the old-fashioned route: looking at your business' past performance as a benchmark and doing your research.

Making your predictive analytics algorithm too complex

This is a phenomenon known as "overfitting." It may seem like the more variables you add to your predictive analytics algorithm, the more accurate it will be, but it can actually result in predictions that are overcompensating for niche outlier data and giving you inaccurate results.

Let's say you (or your data scientist) are in the position to define a price-prediction algorithm for your antique teddy bear eCommerce business. You want your algorithm to guess the most accurate price to assign to any given antique teddy bear, so you include as many variables as you can:

Algorithm Variables

- The number of teddy bears of this model that were produced
- The year the teddy bear model was released
- The quality of the teddy bear material
- The price of the teddy bear when it was first released
- The number of this model of teddy bear in circulation now
- The shape of the teddy bear's face
- Whether the teddy bear is wearing a sweater vs a bow tie
- The fluffiness level of the bear's fur
- The fabric pattern on the bear's paws
- The dimensions of the teddy bear
- Whether Shirley Temple was ever photographed carrying this model of teddy bear
- Whether the bear originally came with a related picture book or story book
- Whether the bear is smiling or has a neutral expression

This list, while impressive, is going to give you strange results. While there probably is a teddy bear somewhere that has been photographed with Shirley Temple and is therefore more valuable, this is such an outlier that it will skew the results––your other antique teddy bears, no matter how in-demand, will have their price artificially lowered because they haven't been photographed with Shirley Temple! Instead, your list of variables should stick to the universal characteristics that matter. It might look a little more like this:

- The number of teddy bears of this model that were produced
- The year the teddy bear model was released
- The price of the teddy bear when it was first released
- The number of this model of teddy bear in circulation now

This is one case where it's a good idea to be an underachiever.

Don’t get intimidated

Although there are many ways to get the wrong results from your predictive analytics algorithms, there are also many ways that things can go right. Predictive analytics are a powerful tool that can give you important insight into your business, and you shouldn’t be afraid to harness them.

In Conclusion

Once you have your routine, you’ll be surprised at how quickly it can start to feel like second nature – but if something isn’t working, you should feel free to adjust it accordingly. Analytics is about turning data into insights and insights into action. It’s never helpful to become a slave to your routine. All routines need to serve you, your customers and your business goals.

ACTIONABLE ANALYTICS

LimeLight

Powering the relationship economy

The flexible subscription platform for eCommerce brands

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