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[Essentials of Software-as-a-Service \(SaaS\) Business.](#)

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5.2 Vanity vs. Actionable Metrics

In the SaaS business, there are countless metrics we can measure. However, it's crucial to understand that not all metrics provide the same value. We must distinguish between vanity metrics, which may appear impressive, and actionable metrics, which provide meaningful insights.

Let's explore how these two types of metrics differ and why this distinction is important.

Vanity metrics:



Vanity Metrics

...may be appealing but fail to provide actionable insights or accurately reflect true business performance

- Number of social media followers
- Number of downloads
- Number of free trial users
- Number of website visitors

Vanity metrics may be appealing in reports and presentations but fail to provide actionable insights or accurately reflect true business performance. These metrics often present a misleadingly optimistic view of a company's performance, as they do not impact the core financial health or strategic positioning of the business. While they can serve to highlight certain achievements, vanity metrics do not provide the necessary depth to support

informed and meaningful decision-making.

Examples could be: Number of social media followers, Number of downloads, Number of free trial users, Number of website visitors

Suppose our website, which offers a SaaS product, attracts a high volume of visitors. The number of visitors might seem promising, but it doesn't necessarily translate into more sales or active users. This metric doesn't distinguish between visitors who are genuinely interested in our SaaS product and those who might have landed on the site by accident or through irrelevant links. Without deeper insights, such as the percentage of visitors who actually make a purchase, the raw number of visitors offers little actionable information about business performance.

Actionable metrics:

Actionable Metrics

...provide meaningful insights directly linked to business goals

In contrast, actionable metrics provide meaningful insights directly linked to business goals. These metrics help SaaS companies measure specific key aspects of their business performance.

- Number of social media followers → Engagement rate
- Number of downloads → Active user rate
- Number of free trial users → Conversion rate to paid users
- Number of website visitors → Conversion rate from visitor to lead

- *Engagement Rate*

Instead of simply counting social media followers we should measure engagement rate, including shares or click-throughs. This metric provides insights into how actively involved our audience is with our content, which is more indicative of potential customer interest and

brand impact.

- *Active User Rate*

Rather than focusing on the raw number of product downloads, we can track the percentage of users who actively use the app after downloading.

- *Conversion Rate to Paid Users*

Instead of counting the number of free trial users, we should track how many trial users convert to paying customers. This conversion rate is crucial as it reflects the effectiveness of our trial in convincing users of the value of product, directly impacting revenue.

- *Conversion Rate from Visitor to Lead*

And instead of just counting website visitors, measure how many visitors take a specific action that qualifies them as leads. For example signing up for more information, or scheduling a demo. This metric helps us understand how well our website performs in turning visitors into potential sales.

In summary, while vanity metrics are often easy to measure and can look good in reports or marketing materials, they do not provide the kind of information necessary to make meaningful business decisions in a SaaS context. Actionable metrics, on the other hand, offer valuable insights that directly affect the core operations and strategies of a business, making them indispensable for driving real growth and success. In the upcoming video, we will discuss the concrete actionable metrics in detail. I'm looking forward to seeing you there.