

AARRR model framework

Pirate metrics, otherwise known as the AARRR model, is a 5-step framework that’s pivotal for product growth, initially outlined by entrepreneur and investor, David McClure.

This powerful framework encourages you to look beyond vanity metrics, and each category of the AARRR model is essentially tied to relevant stages in the user journey – and in the SaaS sales funnel!

AARRR helps you to focus on understanding your users, their journey, your funnel, and how you should set actionable goals.

The pirate (‘aarr’) metrics: Acquisition, Activation, Retention, Referral, and Revenue.

Each of them represents a type of measurable user behavior and, by focusing on these stages, SaaS companies can optimize their sales funnel and improve their overall growth.

The AARRR framework complements the traditional sales funnel by providing a more detailed approach to measuring the different stages of customer engagement and growth.

The AARRR model step-by-step:

Steps	Breakdown
Step 1: Acquisition	How potential customers can find your product. This needs to start with your total market. Focus on the users who can really benefit the most from your product. These will be the subset that represents your reachable market.

Step 2: Activation

Don't just look at site visitors, track conversion rates and how they convert. Prioritize tracking every step of the customer journey in the funnel. Every micro-conversion is important.

Examples:

- Running a Facebook ad campaign to attract new users to your product.
- Offering a free e-book or guide in exchange for a user's email address.
- Partnering with an industry influencer to promote your SaaS product to their audience.

At this stage, you need to hone in on the experience you want to deliver to your users. It's vital that users quickly understand the value proposition and realize how the product might be able to help them.

Prioritize getting users to the "Aha Moment" as quickly as possible through a seamless onboarding process. Be sure to test, and test some more until you find your magic metric and build your onboarding process around it.

Examples:

- Providing a guided tour or demo of your product to new users.
- Offering a free trial period to encourage users to start using your SaaS product.

Step 3: Retention

- Sending a welcome email series that explains the benefits and features of your product.

During this phase, it's important to think about how you can keep users coming back. If a user has subscribed to the product, how do you prevent them from churning?

Keeping your users engaged is critical to ensuring your churn rate is lower than your user acquisition rate.

Examples:

- Offering a loyalty program to encourage users to continue using your SaaS product.
- Providing excellent customer support through live chat, email, or phone.
- Regularly releasing new features and improvements based on user feedback.

Step 4: Referral

Turning your users into advocates for your product and org is the absolute best way to drive growth.

Have a systematic process in place that incentivizes both the referrer and referee. A strategy to get users to recommend the product to others is essential for driving viral growth.

Examples:

- Encouraging users to share their experience with your product on social media.

Step 5: Revenue

- Offering a referral program that rewards users for inviting their friends to use your SaaS product.
- Providing easy sharing options within your product to encourage users to invite their friends to join.

If you're successfully optimizing the four metrics above, revenue should already be flowing in.

Now people are using the product, understanding the value, and paying for it. Start calculating your pricing and whether your business model is sustainable.

Examples:

- Offering subscription-based pricing plans for your SaaS product.
- Providing premium features or services for an additional fee.
- Offering a one-time payment option for users who prefer to purchase your SaaS product outright.

In short, the AARRR model is the simplest and most effective way to start optimizing your product and measuring growth.