Understanding Business Metrics Can Make You A Better SRE

*Financial Knowledge Not Required
HAMMER INC. METRICS

Latency  Availability  Cost  Volume
HAMMER INC. METRICS

Latency
- Hammer (order) Fulfillment Time
- Nails Per Second / Hammer

Availability
- Hammer Defect Rate
- MTBHF

Cost
- Cost To Build
- Inventory
- Revenue

Volume
- Hammers Per Day
- Hammers Per Second
- Buyers Per Day
Business Metrics For Engineers

MAU/DAU, Churn, TAM, Expenses, ARPU, CAC, LTV

Calculus for Business Majors
Monthly Active Users
Daily Active Users
Churn
Total Addressable Market
Expenses (Liabilities)

$$$$$
Customer Acquisition Cost
Life Time Value

CAC

REVENUE

EOL

USER AGE

LTV
Average Revenue Per User

$
What’s Mohit’s Homework?

THINK GLOBAL ACT LOCAL

BEYOND GOLDEN SIGNALS
• On return flight (or weekend) take 15 minutes to think about MAU, Churn, TAM, Expenses, CAC and LTV for your company:
  • Determine how the service you work on affects these metrics
  • As manager, encourage team to understand what business metrics they help move

• Think global, act local – what is the overall impact for each engineering change?

• Look beyond typical ‘golden signals’ like Availability, Latency and Volume to understand the “business impact” metrics

Questions?
UNDERSTANDING BUSINESS METRICS CAN MAKE YOU A BETTER SRE

a cheat sheet – dense by design

**MYTH**

Business has a negative connotation
Business metrics are a step closer to your non-goal of pointy-haired manager
You can either be an engineer, or a guy who knows business (metrics)

**WHY**

Helps *grow* your career
Enables you to act on the basis of *ethics* and *self-esteem* (Maslow’s Hierarchy of Needs)
Sets you to make decisions for *larger business impact*

**WHAT**

*Revenue*: How your company makes money
*MAU/DAU*: *Monthly/Daily Active Users* to your service. This is not request traffic.
*Churn*: Percent users who discontinue service in given time period
*TAM*: Total Addressable Market. A ‘superset’ of all current and potential users
*Expenses*: All capital and operation expenditure for your business
*CAC*: Customer Acquisition Cost. Price paid to acquire a new customer
*ARPU*: Average Revenue Per User
*LTV*: Customer Life Time Value. Revenue earned from paying customer in lifetime with service

**HOW**

*On return flight (or weekend) take 15 minutes* to think about MAU, Churn, TAM, Expenses, CAC and LTV for your company
Determine how the service you work on affects these metrics
As manager, encourage team to understand what business metrics they help move
*Think global, act local*
*Look beyond typical ‘golden signals’* like Availability, Latency and Volume.
Intentionally Left Blank