



The Art & Science of Achieving Product Market Fit

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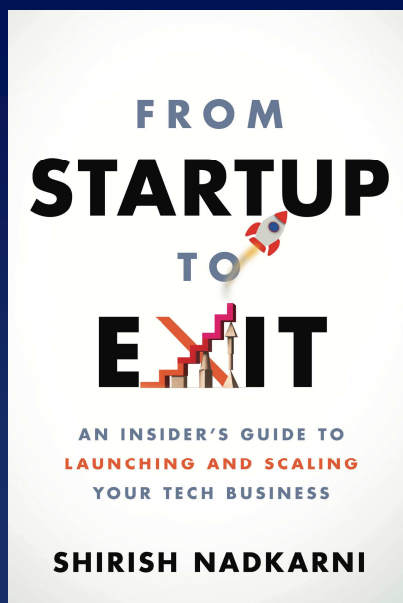


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PRODUCT MARKET FIT MEANS BEING IN A GOOD MARKET WITH A PRODUCT THAT CAN SATISFY THE MARKET*

Marc Andreessen

**The PMARCA guide to startups: The only thing that matters*



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Netflix Path to Product Market Fit



NETFLIX

"It took us at Netflix 18 months to finally find the repeatable scalable business model that worked. The original idea didn't work. But hundreds of failed experiments later, we finally tested the unlikely combination of **No Due Dates, No Late Fees, and Subscription** that ultimately ended up working. And boy did it work. **Within days of testing, we knew we had a winner.** Where before we were struggling to get traffic, all of sudden we couldn't keep up. **Engagement soared, churn went dramatically down. Everything started working!**

- Marc Randolph, first CEO and co-founder



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What Product Market Fit looks like?



Consumer products:

- Usage 3 out of every 7 days
- Organic growth of 100s of signups/day
- 30% users are active the day after signup
- Clear path to 100,000 users



courtesy: Andrew Chen – Zero to Traction

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What Product Market Fit looks like?



SaaS products:

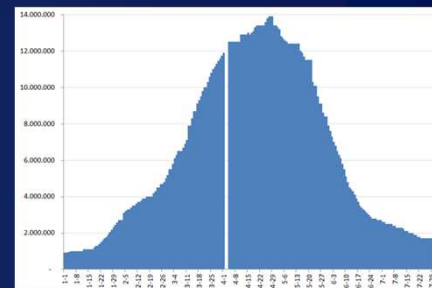
- 5% conversion rate from free-to-paid
- 3X LTV to CAC ratio
- < 2% monthly churn
- Clear path to \$100K MRR



Andrew Chen – Zero to Traction

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User Growth ≠ Product Market Fit



BranchOut's Monthly Active Users in 2012

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Incumbents are incredibly hard to displace



Market Leaders on MS DOS before Microsoft Office



It usually takes a platform shift to displace powerful incumbents



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Opportunities for Disruption Technology Innovation or Platform Shifts



Internet



Mobile

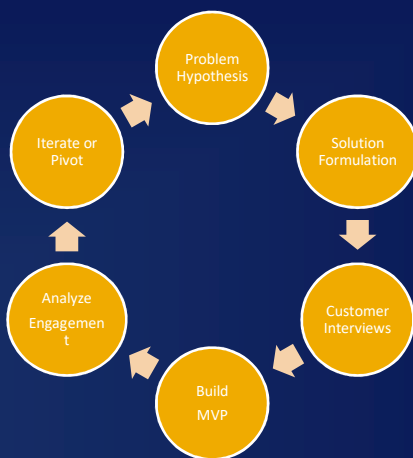


Cloud



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Road to Product Market Fit

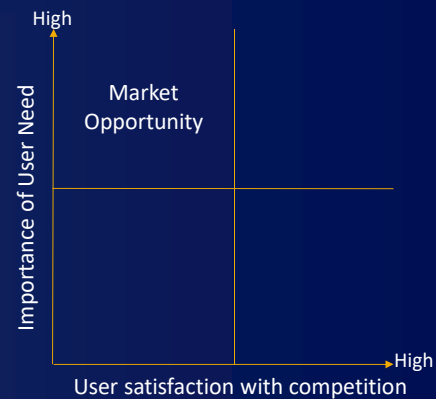


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Test the Market First



- Conduct 25+ customer interviews
 - Don't present a solution first. Ask what their top 3 problems are.
 - Ask their satisfaction with current solutions
 - Understand their investment in current solutions
- Test value prop with Google SEM or Facebook ads
 - Understand your customer acquisition cost
- Use prototypes to test product concepts

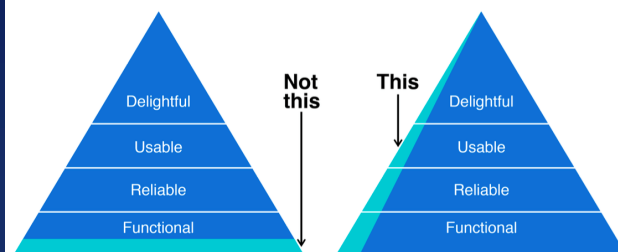


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Minimum Viable Product



What is an MVP?

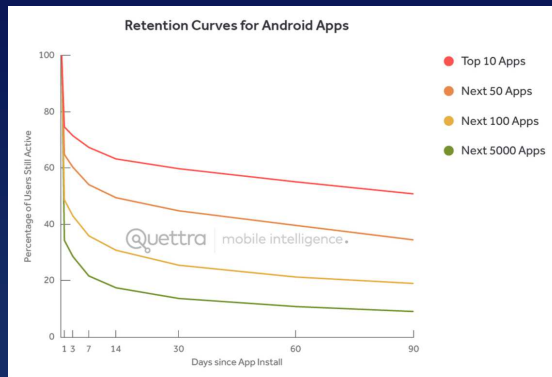


Courtesy of Jussi Pasanen
See Aaron Walter's book *Designing for Emotion*

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Retention is only metric that matters

- Track retention for **daily cohort** of users
- Shoot for the 40/20/10 rule (% of users returning on a specific day) :
 - Day 1 – 40%
 - Day 7 – 20%
 - Day 30 – 10%



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Product Business Model Fit

- Livemocha achieved Product Market Fit spectacularly
- Struggled to monetize effectively because of large international audience and low penetration of credit cards
- Years later Duolingo is monetizing effectively through the App store



Livemocha

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Questions?

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