Product Market Fit Guide



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Welcome!

This resource guide aids digital startups in achieving product market fit (PMF) and offers tips to avoid pitfalls. Understanding PMF is crucial for startup success, as it measures how well a product meets market needs. Achieving PMF allows for business model validation and lays the groundwork for sustainable growth.

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What Is Product Market Fit?



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What is PMF?

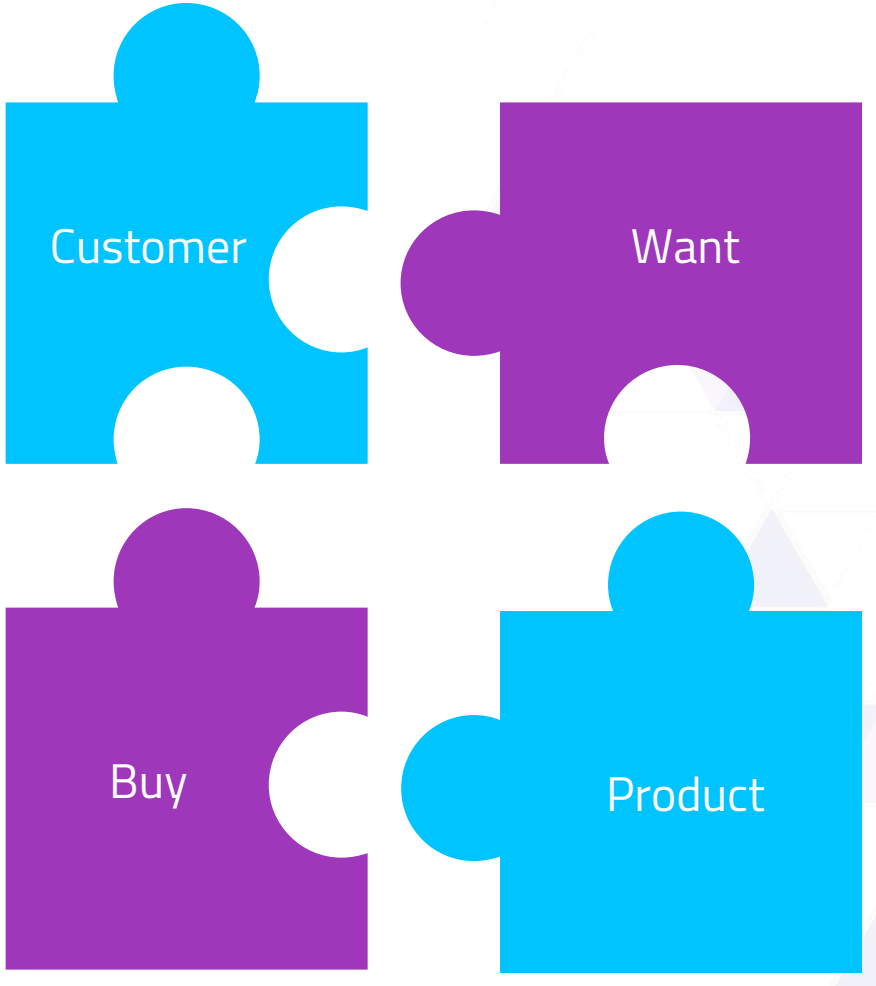


Product Market Fit

Marc Andreessen famously defined PMF as "being in a good market with a product that can satisfy that market." This means that there are enough people who want your product and they are willing to pay for it.

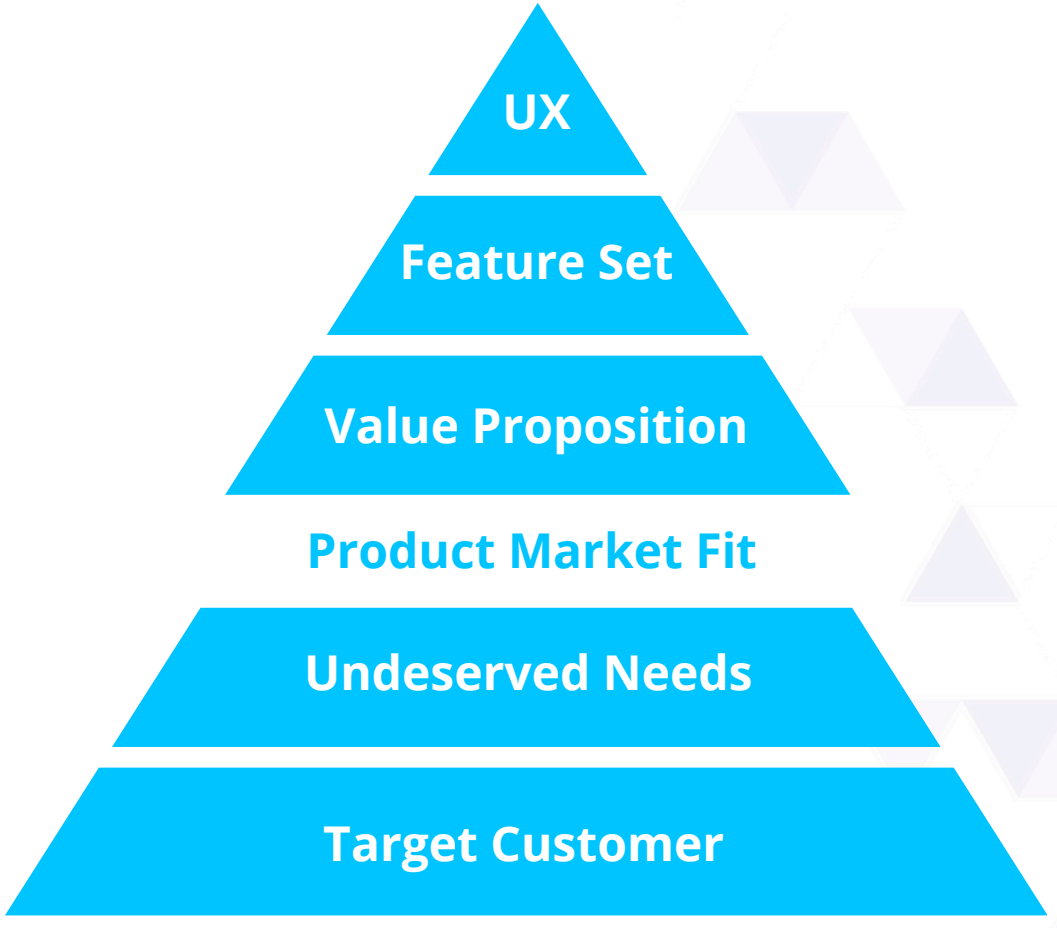
Product market fit is the perfect place to be as a startup and means your product is located well on the market and has considerable need.

This means that your product has reached the targeted audience and solves their pain points. This strengthens your business model as a startup, allowing you to connect with your customers and your market has room for growth.



PMF Pyramid

1. Determine target customer
2. Identify underserved customer needs
3. Define your value proposition
4. Specifcy your MVP feature set
5. Create your MVP prototype
6. Test your MVP customers



The Lean Product Playbook
Dan Olsen

Why is PMF important?



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Why Is PMF So Important?

IT SETS YOUR BUSINESS ON A GOOD PATH FOR STABLE GROWTH

WHAT CUSTOMER WANT ISN'T ALWAYS WHAT THEY ARE ASKING FOR

TO VALIDATE YOUR IDEA AND CONFIRM THERE IS A DEMAND FOR YOUR PRODUCT

IT REDUCES THE RISK OF YOUR STARTUP. BY PROVIDING A PRODUCT THAT HAS PROVEN IT IS WANTED AND WILL BE COMPETITIVE IN THE MARKET



PROVIDES CLEAR EVIDENCE TO HELP GAIN INVESTORS

Benefits Of Achieving PMF?

High customer satisfaction



Clear sign you are solving the real time problem! Users are engaged with the product

Low churn rate



Customers are remaining loyal because they love your product & brand

Easy marketing & sales



The product is selling itself! The product is desired so it doesn't need to be pushed into the market

Business sustainbility



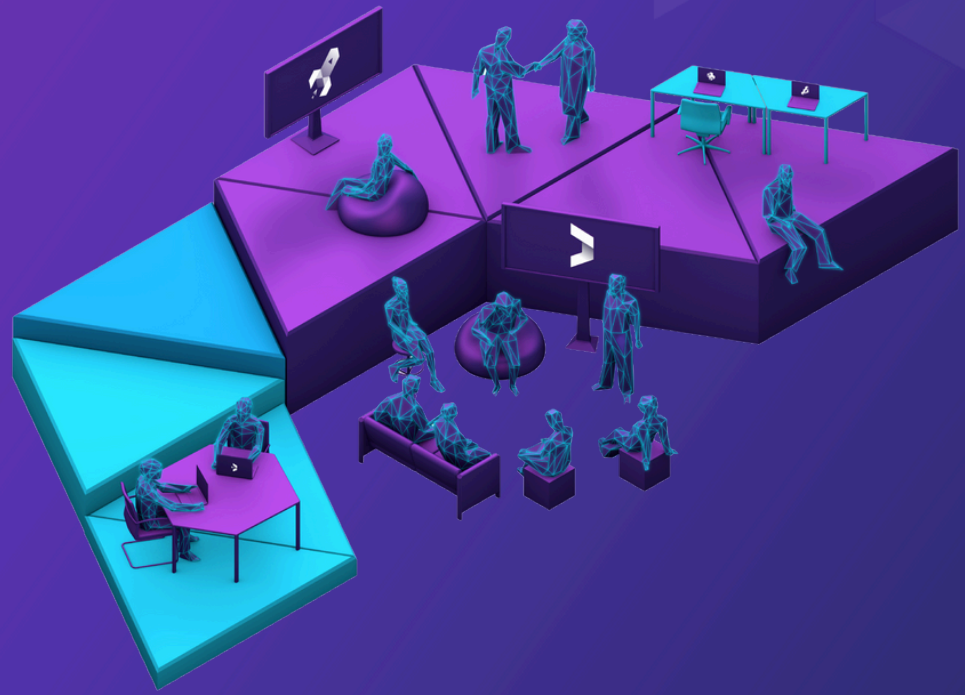
Investors and stakeholders view PMF as crucial for assessing a startup's success potential.

Growth & scale



After achieving PMF, the focus shifts from whether the product works to how to scale and grow it

How To Achieve Product Market Fit



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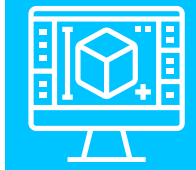
Key Things To Consider

There is no on size fits all approach to achieving PMF, but there are some common steps that startups can take.



Who is your target market?

It is crucial that you understand who your target market is. You must understand their wants and needs, not what you think they want or need.



Create a MVP

The best way to validate if your product will survive in the market is to create a minimum viable product. Create an MVP with enough early features to attract early customers to build your case studies.



Sell don't trial!

It is important to sell the product at this stage and not to "trial" you want customers to explore the product while paying for its value. This will provide honest feedback in which is essential for iterations of the model.



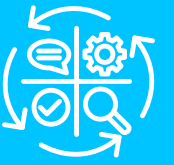
Gain case studies

Create a case study on the customers if positive this can be used to sell your product.



Learn from the negative

The best way to validate if your product will survive in the market is to create a minimum viable product. Create an MVP with enough early features to attract early customers to build your case studies.



Iterate & Improve

Iterate and improve upon your MVP from user feedback, ensure you focus on the user and how they will interact with the product. Consider how this product will improve their problem area – understand the user, understand the market.

How To Write A Case Study

Identify The Right Customer



Focus on early adopters! They believed in the product from the beginning, so their stories are most compelling.



Select customers who have measurable results from the benefits of your product, e.g. improved efficiency, and demonstrate the impact.



Target customers whose success stories are relatable to your market and can resonate with a wider audience.

Key For Your Case Study



Capture interest with a brief yet powerful headline of the customer's achievements, e.g. "Discover How (Customer) Boosted Sales by 20% Using (Your Product)."



Include direct quotes from the customer. Testimonials will add credibility and provide a personal touch.



At the end include a call to action for reader to engage to learn more about your product.

Gather Information



Make sure to conduct thorough interviews with pre-prepared questions to understand customer challenges, their engagement with the product, and the impact.



Ask the customer for information to validate their claims and measure the outcomes. This could involve sales figures or website traffic.



Gain written approval from the customer for the use of data and information gathered.

Case Studies



Case Studies

Customer Background

Briefly introduce the customer, their industry, and their challenges before using your product

Results

Clearly demonstrate the positive impact of your product

Customer Constraints

Clearly outline the particular issue the customer encountered. What challenges were they dealing with? What objectives were they aiming to achieve?

The Solution

Explain how your product solved customer challenges by highlighting key features and benefits.



Case Studies

Customer Background

Age Demographic Interests

Results

Use metrics - highlight key figures

Customer Constraints

What they want isn't always what they are asking for!

Dive deep into the problems they face!

The Solution

Use clear language, avoid jargon, and consider including visuals like screenshots or diagrams for clarity.

"The Sean Ellis Test"

Single question survey



"How would you feel if you could no longer use the product?"



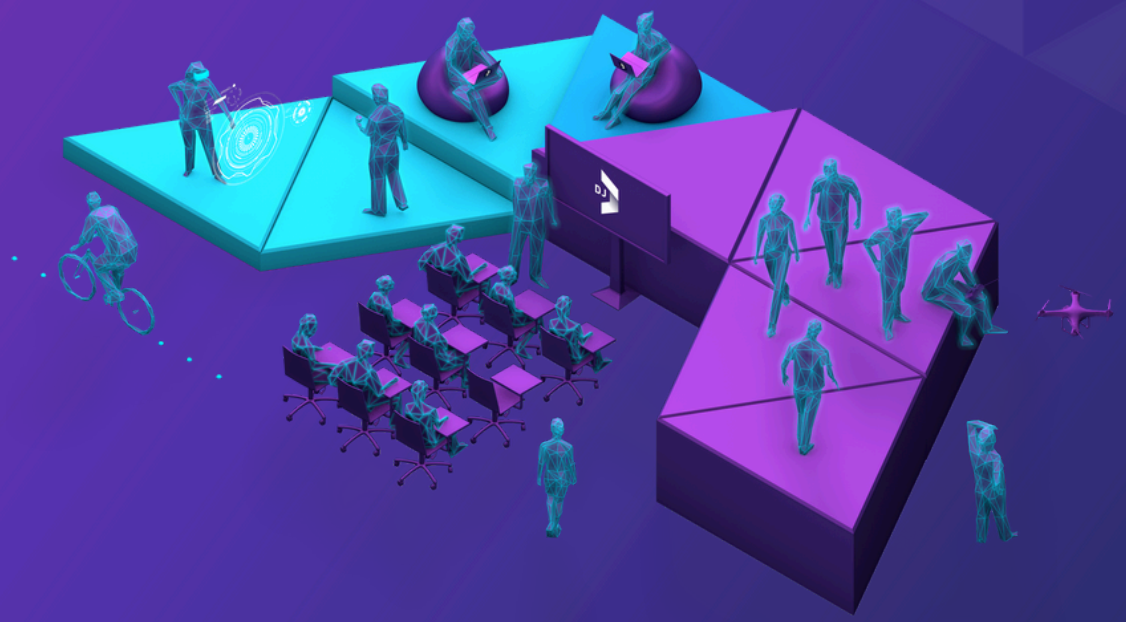
Very disappointed

Somewhat disappointed

Not disappointed

The goal is to gain at least 40% of customers' answers to be very disappointed

What To Do When You Don’t Reach PMF?



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Don’t Panic!

It can be a scary feeling when you don’t reach product market fit but it is not a end road, there are options of how to turn the idea around!

Knowing your next steps



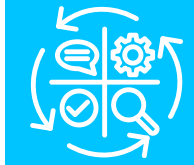
Learn From The Market

Once you know your product isn’t working in the market, start exploring why. Understand the mismatch in your features, pricing or positioning. Turn over every rock and get to the root cause of why your product hasn't fitted into the market.



Pivot

Take your idea and reframe the strategy to better suit the market you are tapping into. Try targeting new customers, changing the product's main features, or adjusting your business model.



Iterate

If your product was close to reaching PMF but failed to launch, then try iterative steps to advance your product to fit into the market. Try improving the usability or the pricing model. Gain this knowledge from customer feedback and data; do not guess!



Keep Going!

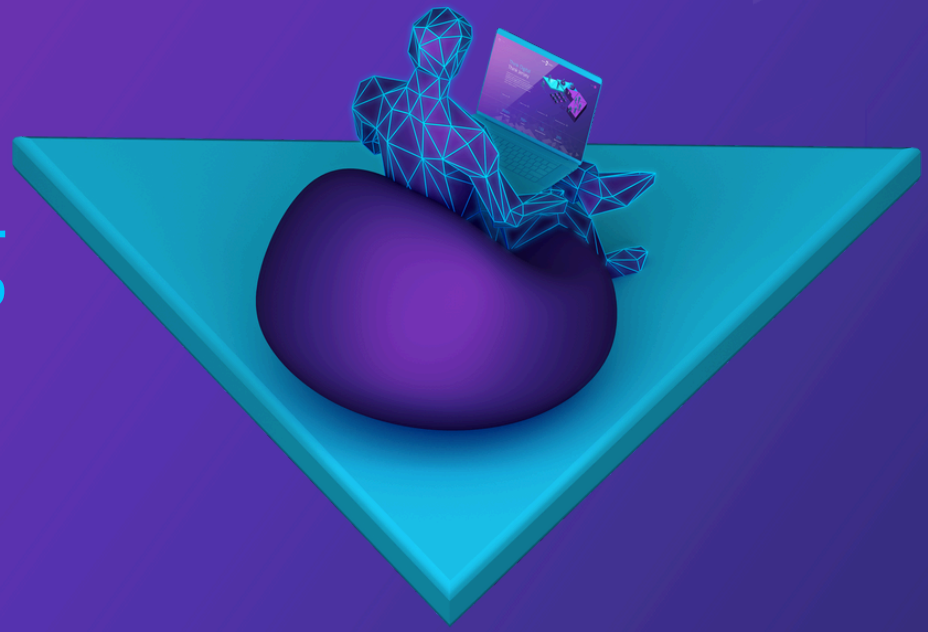
Don’t give up hope. Keep investigating and trying to solve the issues, look under the hood and try to dive deeper into the customer demand and understand how to adapt your product to make it sustainable in the market.



Restart

If every method to try and pivot your idea to gain product-market fit fails, then consider restarting and heading back to the drawing board. Sometimes a fresh start can lead to new opportunities and new exposure to ideas and opportunities.

Understanding demand



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Demand Is The Key

What is user demand?

When designing your product, it is key to focus on how this product can help that one person in accomplishing something they are trying to achieve. Consider all the factors they would need to go through in order to accomplish it. It is important to follow the user through the process, understand how they feel at each stage, and what would make things easier for them.

Once you understand that you have no control over demand, things become easier to grasp. Demand cannot be created, it is something that already exists. The key is to find and hold onto the demand. It is not just about understanding the user's pain points or problems, it is about understanding the actions that cause the pain points.



Understanding user demand?

- **Demand makes your value proposition relevant or not!**
- **Demand is customer pulling not you pushing!**
- **You have no control over demand, you cannot create it!**
- **Not understanding user demand is typically why products don't succeed**
- **It is not just about pain points or problems. Demand is about action which sometimes causes pain points?**

Key Things To Consider



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Quantitative Metrics



Growth Rate

Growth rate is measured through sales and number of customers over a set period. A high growth rate suggests that a product is resonating with its target market and meeting their needs effectively.



Churn Rate

Churn rate measures the percentage of customers who stop being your customer over a given period. A high churn rate indicates customer dissatisfaction with the product, customer service or product interaction.



Market Share

Is calculated as the total sales in the market from your product. A high market share indicates your product is doing well compared to its competitors. When you reach dominant market share, this is a tick for reaching product market fit.



User Retention Rate

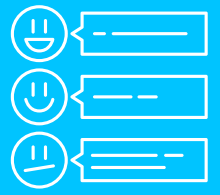
Is the percentage of users who continue using your product after signing up for it. A low user retention rate means your customers are unhappy and it's not meeting their demand. You need to adapt and improve to increase customer satisfaction.



Net Promoter Score

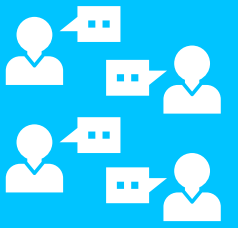
It is the measurement of customer loyalty to your product. It is calculated from the rate at which customers are recommending or promoting your product. A high score indicates that customers love your product and are creating positive promotion.

Qualitative Metrics



Customer feedback

Gathering positive customer feedback about your product through surveys, focus groups, and forms.



Word of mouth reviews

Positive information being spread from person to person, leading to uptake of customers through customer recommendation

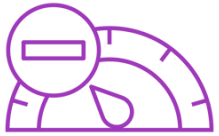


Social media engagement

Gaining positive social media reviews and engagement to gauge customer satisfaction

Red Flags

Indicator you haven’t achieved product market fit



Lack of customer satisfication

If you're receiving complaint emails, negative reviews or refund requests and your customer service representatives are overwhelmed with significant issues, it's evident that your customers are dissatisfied.



Long sale periods

If you're implementing a strong marketing strategy and receiving positive feedback on your iterations, yet still find it challenging to attract more customers, you may be facing issues with sales or marketing. It's essential to ensure that all areas of your business are collaborating effectively to create a thriving sales funnel.



Low product usage with high iteration

Low product usage and frequent iterations indicate a mismatch between the product and market. Lack of usage suggests minimal perceived value, while rapid changes reflect a desperate search for product-market fit through guesswork. This cycle fails to address the core issues, that the product does not meet the target audience's needs, highlighting the need for a reassessment.

Final take aways



Good Luck!

Achieving product-market fit varies for each startup, and while the provided guide offers steps to avoid prolonged challenges, finding a personalised path tailored to your startup's needs will enhance your progress in the PMF journey.

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Note: This guide is intended for informational purposes only and does not constitute legal or financial advice. It is essential to seek professional advice for your specific circumstances.