Customer Discovery & Product/Market Fit

How to Get from an Idea to a Business

Jim Semick
Co-founder & Chief Strategist, ProductPlan
My Background
Validating and launching multiple SaaS products

GoToMyPC
GoToMeeting
GoToWebinar
appfolio
securedocs

15+ product validations
Accounting
Websites
Background screening
Online payments
Insurance
Business SaaS
Software for product managers

Based in Santa Barbara
30+ employees, hiring

Founded 2013,
no outside funding
Thousands of Customers Worldwide

Media
- comcast
- BBC
- Time Inc.
- Turner

Education
- Penn Foster
- The University of Chicago

Government
- NASA
- GOV.UK
- U.S. Navy

Healthcare
- Henry Schein
- Medtronic
- Orion Health

Software
- Citrix
- LogMeIn
- Adobe
- Constant Contact
- Expedia
- GoDaddy
- IBM

Consumer/Retail
- CamelBak
- Staples
- FanDuel
- TrueCar
- Under Armour
- StubHub

Financial Services
- Intuit
- Aon
- Hewitt
- Deloitte
- Fidelity
- Think Capital
- Unum
- PayPal
What are you learning tonight?

How to test your hypothesis of a problem + solution

How to identify patterns (customer segment, problem, value) that are repeatable
What is Product / Market Fit?

It’s fuzzy, but you know it when you see it.

Classic definition:

Being in a good market with a product that can satisfy that market
You know you found Product / Market Fit when...

• You solve a problem for a market segment that is willing to pay for a solution
• You have a repeatable model of bringing in prospects and converting them customers
• You are no longer pivoting on your value proposition, customer segment, and revenue model
How we validated ProductPlan

Agreed on the type of business we wanted

Validated several ideas to discover the best problem + solution

Pre-sold a product that didn’t yet exist - had customers waiting to buy

Then we built the product
How We Found Product / Market Fit at ProductPlan

Our company in 2012
How We Got Here

Ideation → Customer discovery → Market validation → Build, First $ 

This part…

…makes this part easy.
“You’ll learn more in a day talking to customers than a week of brainstorming, a month of watching competitors, or a year of market research.”

Aaron Levie, CEO Box.com
Ideation

Market we can target
Buyer that is easy to identify
Problem that we can explain
Product that is feasible to build
Customer Discovery: Identify a Problem for a Market.

- Discovery interviews to understand the pain of product managers
- Learned value of solving pain
- Customers BUY to **reduce pain** or **create gain**
Discussion: Who is your customer?

What is the segment / persona / archetype?

What problem are you solving for them?

What is the value that you’re providing?
Discovery questions are open-ended to learn

- What tools/software do you use today for product management?
- How do you create and share the product roadmap?
- How is the product vision tracked and shared?
- How is your performance evaluated?
- How do you engage with customers to discover customer needs?
- How do you document the interviews? Do you record them?
- Do you need to report on your progress?
- Who do you share the information with?
- What services and products do you buy?
- Where does the budget come from?
Workshop: come up with 3 open ended questions
Confirm the Problem

Product Roadmap Tools Suck

- Your development tool (e.g. Jira) is too granular for this high level planning (bottom up versus top down planning).
- Getting management buy-in on product strategy is cumbersome.
- PowerPoint, Excel or Google Docs aren't the best tool for creating a compelling, good-looking roadmap.
- Changes to the roadmap are hard to make on the fly.
- You can't easily get a historical view of the roadmap.
- It's hard to share product roadmap decisions with engineering, sales, and marketing.
- Which is the current version of the roadmap?

ProductBoard

Roadmapping software to help product teams easily visualize, communicate, and plan their strategy.

ProductBoard improves management buy-in and ensures company alignment by focusing on the big picture.

Run more effective product planning meetings
# How to Document Customer Discovery Interviews

## Customer Validation Interview Form

<table>
<thead>
<tr>
<th>Field</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project / Product</td>
<td></td>
</tr>
<tr>
<td>Interview Date</td>
<td></td>
</tr>
<tr>
<td>Our Team Participants</td>
<td></td>
</tr>
<tr>
<td>Audio Recording Link</td>
<td></td>
</tr>
<tr>
<td>Pitch / Canvas Version</td>
<td></td>
</tr>
</tbody>
</table>

## Key Discoveries

- **Probability of Buying / Using**
  - e.g. Will not buy, maybe will buy, highly likely to buy

## Background Information

<table>
<thead>
<tr>
<th>Field</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer / Prospect Name</td>
<td></td>
</tr>
<tr>
<td>Position / Role / Persona</td>
<td></td>
</tr>
<tr>
<td>Company and Website</td>
<td>(for business products)</td>
</tr>
<tr>
<td>Classification / Demographics</td>
<td></td>
</tr>
<tr>
<td>Current Solution(s)</td>
<td></td>
</tr>
<tr>
<td>Contact Info</td>
<td></td>
</tr>
</tbody>
</table>

## Key Problem Statements

- Key Values provided by our solution
- Objections to buying
- Other things we learned, changes to MVP, etc.
Start thinking about this early:

What is your customer acquisition model?
ProductPlan Example:
Can we estimate Customer Acquisition Cost?
## Market Validation: Will they Buy?

<table>
<thead>
<tr>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/11/13</td>
<td>Smaller company that is a buyer. Product manager has looked for a roadmap tool and would buy.</td>
</tr>
<tr>
<td>3/8/13</td>
<td>Smaller company &lt;50 employees that sees value in roadmap software and says they would buy (friendly)</td>
</tr>
<tr>
<td>3/6/13</td>
<td>Dealt extensively with roadmaps and sees great value in our product.</td>
</tr>
<tr>
<td>2/20/13</td>
<td>Expert in enterprise product management software</td>
</tr>
<tr>
<td>2/20/13</td>
<td>Buyer- Online lead willing to pay more than $50/month. Would eventually buy 4-6 licenses. $200/month. Wants to be kept in touch.</td>
</tr>
<tr>
<td>2/4/13</td>
<td>Buyer- Another online lead willing to pay $50/month and advocate for more with the 8-10 other PM's for $200/month. Very interested in getting his hands on something.</td>
</tr>
<tr>
<td>1/30/13</td>
<td>Buyer - Our first online lead that converted into &quot;buyer&quot; of roadmap product at $50/month. Future enterprise sale with dozens of PMs - and $200/month was received well.</td>
</tr>
<tr>
<td>4/9/13</td>
<td>Will use our roadmap product - we can replace at least two separate tools they use. Willing to continue helping.</td>
</tr>
<tr>
<td>1/11/13</td>
<td>Interested in roadmap product but wants it integrated with Jira - &quot;I don't want another tool.&quot; Wants to be beta tester.</td>
</tr>
<tr>
<td>1/9/13</td>
<td>Would be a buyer of a single license of our roadmap product - she has the exact problems we outline &quot;I love it...I've been waiting to see this for two years.&quot;</td>
</tr>
<tr>
<td>1/2/13</td>
<td>Thinks product roadmap product is valuable (but is not the buyer). Interested in platform for customer insights, but we would compete internally.</td>
</tr>
</tbody>
</table>
More validation calls

30+ interviews before coding
70 before launch
Rough Mockups
“I would love this sort of thing – I draw this today.”

“Your timing is perfect. I was looking for something like this.”

“When will there be something that we could try out?”

“There is a tremendous amount of value to the org (with a tool like ours)”

“You were sitting in my last meeting, weren't you.”

"I'd buy it"

"I would love to be a customer and user of the product."
Now Development Begins
Discussion:
How to Navigate a Pivot

When do you know to pivot?

When is it too early to pivot?

When have you waited too long?
Our Experience at ProductPlan:
Product / Market Fit – 3-6 months after launch

• Growing trial pipeline month over month
• Regular sales without interaction
• Monthly Recurring Rev (MRR) growing 10%+ MoM
• Easily target segment with repeatable metrics
• Customers finding us through organic + paid search
• Regular customer interaction, feature requests for improvement, customers upset about bugs
For next week
Deliverable for Next Week

• Develop and test initial hypotheses around customer and value proposition
  – Identify your ideal customer
    • List attributes (customer archetype)
  – Describe value proposition
    • Why will customer pay you
  – Perform 5 to 10 customer interviews to test
Thank You!

www.productplan.com

Jim Semick
**Key Partners**

- Amazon

**Key Activities**

- Product Design
- Planning Strategy

**Value Propositions**

- Self Service
- Email Support

**Customer Relationships**

- Directors of Product Management
- Parent Companies
- Customers Buying

**Customer Segments**

- Directors of Product Management
- Parent Companies
- Customers Buying

**Channels**

- Online Lead
- Online Enrollment
- Self-service

**Revenue Streams**

- SaaS
- Deal Costs
- Free Critical