

# Your Fastest Path to Product-Market Fit

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**MARKETFIT**

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C O N T E N T

**ADVISORY**

CONTROVERSIAL IDEAS

# Top 5

# Product Management

# Myths

## Myth #1

We can **A/B test**  
our way to success



Fact

>7/8 Tests **Fail**

<https://blog.mixpanel.com/2016/02/04/why-most-a-b-tests-give-you-bullshit-results>

<https://hbr.org/2014/12/yes-ab-testing-is-still-necessary>

<https://vwo.com/blog/a-b-testing-tips/>

It takes over 8 loops through the A/B test cycle  
to learn just 1 thing.

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## Myth #2

A/B Tests are  
the *Fastest* Way to Win

How long does it take  
for enough *useful* A/B tests  
to achieve product-market fit?

$$\begin{aligned} & 1 \text{ week per iteration} \\ & + \text{ 1 week per A/B test} \\ \hline = & 2 \text{ weeks per A/B test result} \end{aligned}$$

2 weeks per A/B test result

7 of 8 tests not useful

= 4 months per *useful* result

Fact

A/B tests are not fast

It takes 4 months on average for A/B tests to yield just 1 useful result. Is this failing fast, or just failing?

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## Myth #3

Our **next feature** will make  
our product a success

Imagine a product you don't want



What cool feature would make you buy?

Fact

Most *new features* don't  
make much difference

Adding new features won't suddenly  
make people want your entire product.

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Myth #4

# Lean Products Succeed

>80% **Fail**

Fact

>80% of Lean Products  
Fail

If the Lean approach is truly effective,  
why is the failure rate so high?



## Myth #5

Our results  
will be different

Fact

If we do the same thing,  
we'll get the same results

# MARKETFIT

Strategic Services for Measurable Growth

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## Advisory Services

Corporate Strategy

Product / Marketing Strategy

Business Coaching

## Consulting Services

Market Research

Strategic Pricing

Strategic Innovation

Cognitive Psychology

Computer Science

Product Management

Marketing

Development

Customer Service

Manufacturing

Design

Quality Assurance

Strategy

CEO



Startups

Bootstrapped

Venture-funded

SMB

Fortune 500

Advisor

Investor

Director

Chair

B2B Products & Services

B2C Products & Services

Brick & mortar retail

Personal computing

Enterprise software

SaaS / Cloud computing

Industrial technology

Software development

UI / UX

Information architecture

Input / output devices

Mobile devices

Corporate strategy

Corporate partnerships

Marketing automation

Online marketplaces

Pricing strategy

Consulting services

Databases

Personal productivity

Business intelligence

E-commerce

Financial services

Social networking

Education

Knowledge Management

Home Grocery Shopping

Online security

Real estate software

Video software

Value Added Reselling

Process Control

Non profits

Publishing

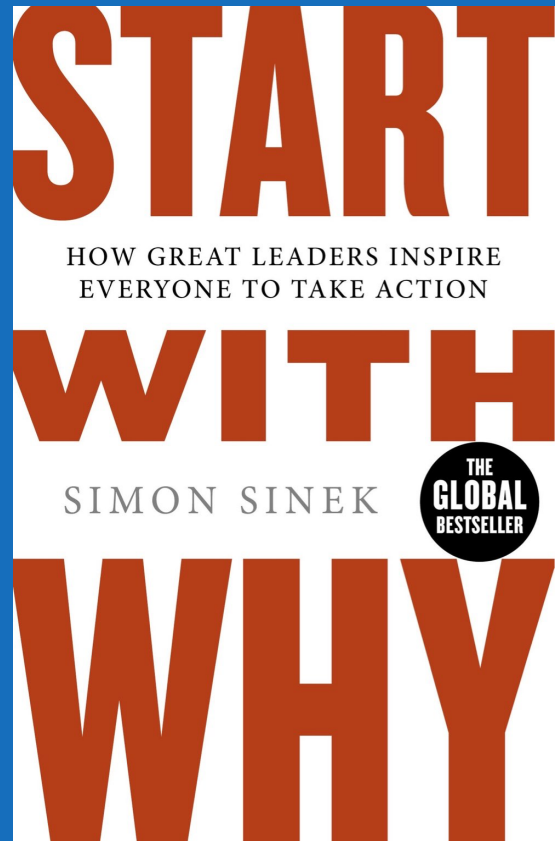
# Agenda

Top 5 Lean Myths

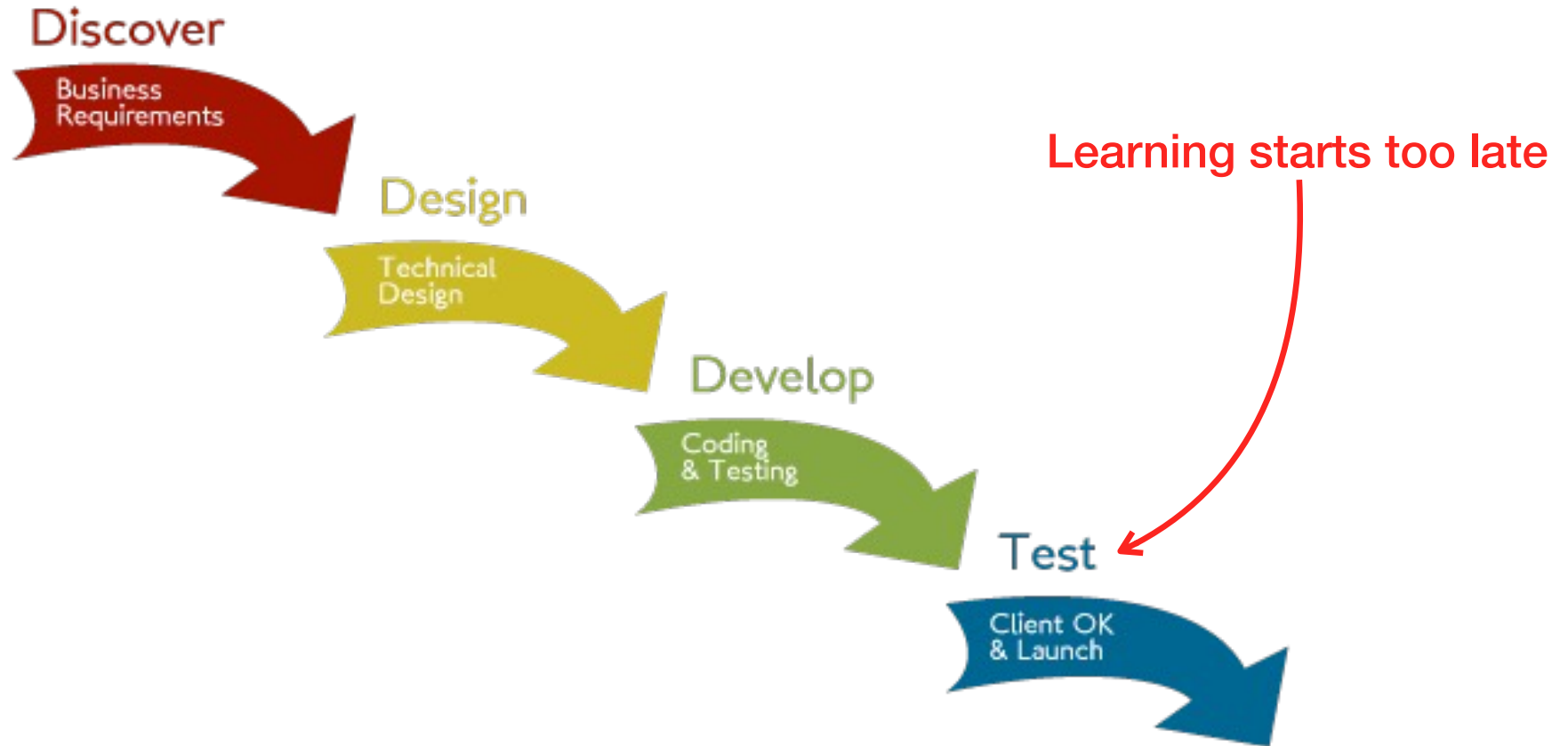
## **How To Improve Lean?**

Customer Values

The Fastest Path

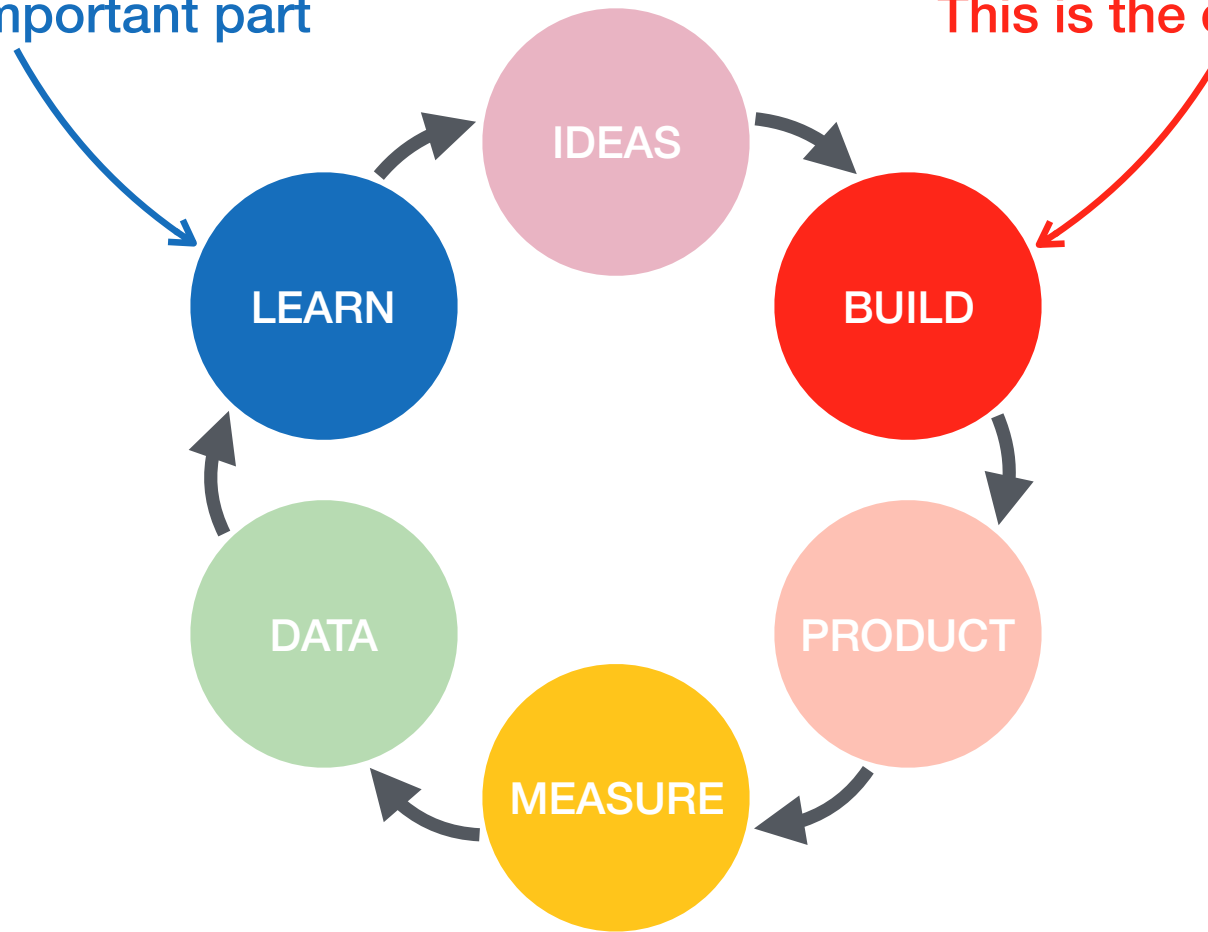


# Waterfall

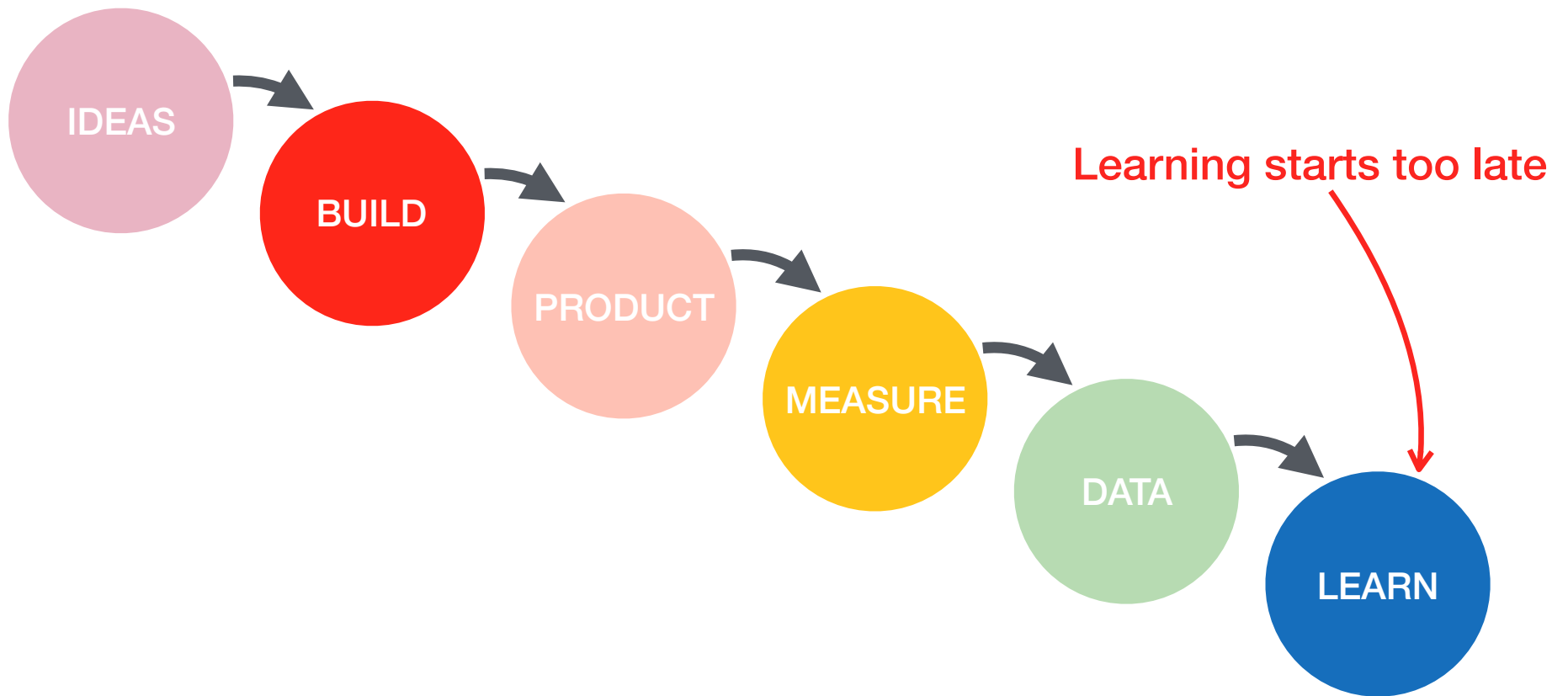


This is the important part

This is the expensive part

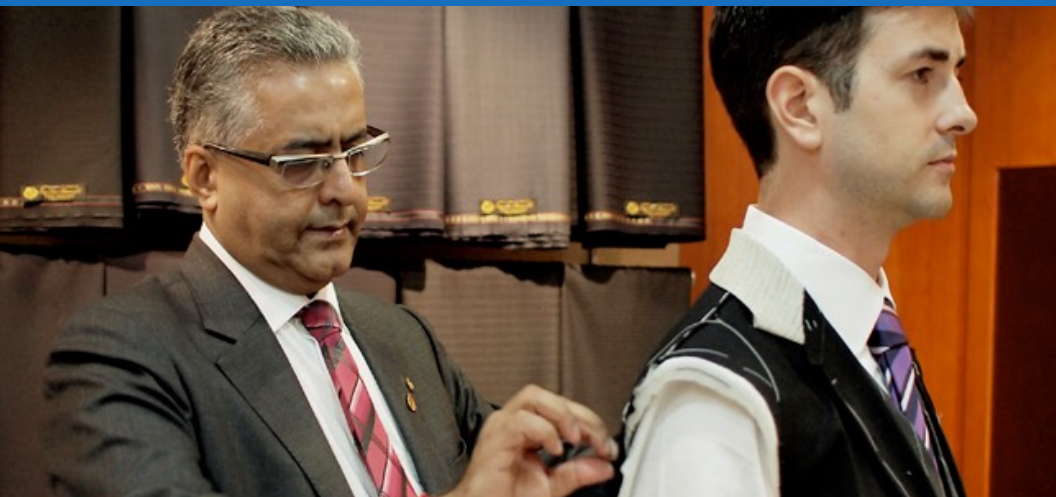








Why build *before* you measure?



Lean — like Waterfall — says build first, then measure. Why not measure first?

Cute  
Friendly  
Soft Fur  
Fetch  
Potty Trained

**\$20**



Asking customers if they like your product  
is like asking “is my puppy cute?”.

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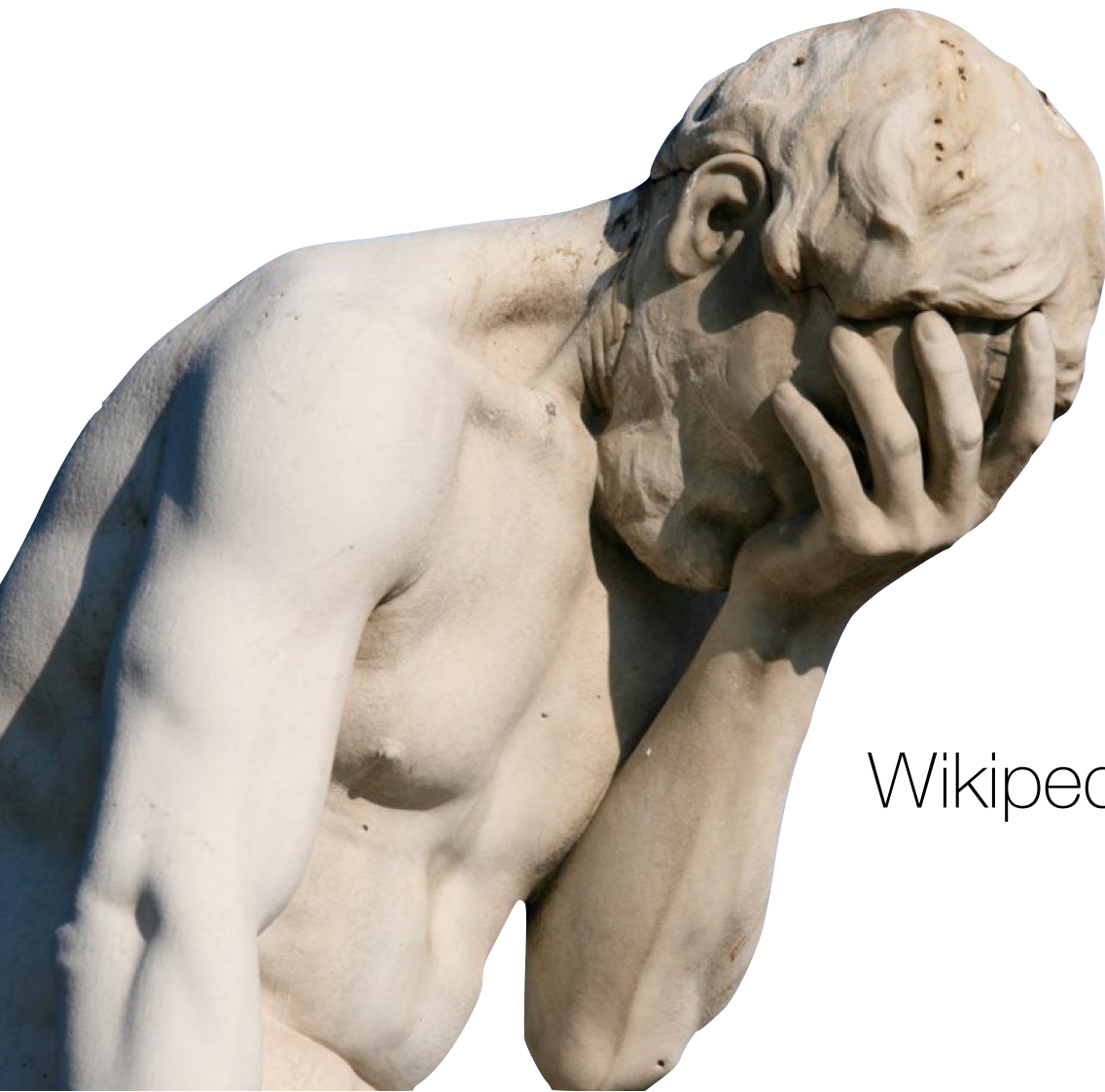
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Measuring customer reactions to your product  
won't tell you what they *really* care about.

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# Cognitive Biases

Your worst enemy

**>150 Biases**

Wikipedia "[List of Cognitive Biases](#)"

# Confirmation Bias

We tend to search for, attend to and trust information that confirms our beliefs or hypotheses





Disprovable  
Hypothesis

## **Scientific Method**

Collect evidence  
aiming to disprove it.

Vague  
Hypothesis

**Lean gone rogue**

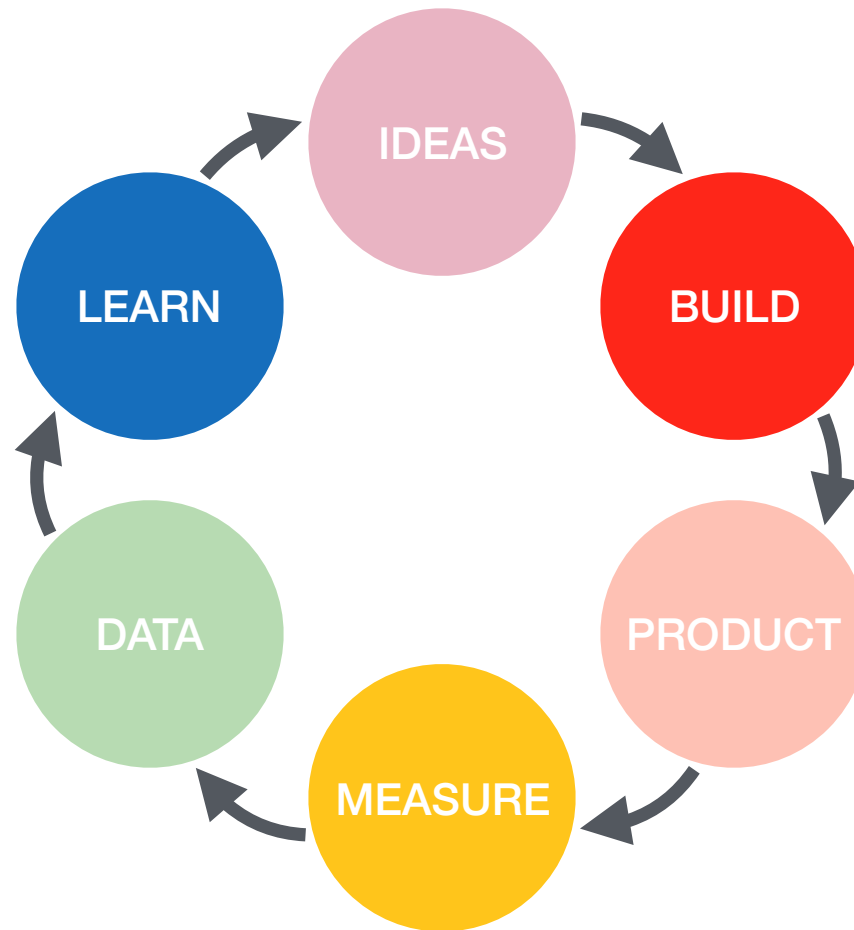
Collect evidence  
that supports it.

If we're working to validate our hypothesis,  
we're doing it wrong.

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This type of learning only tells us **what** happened - not **why**

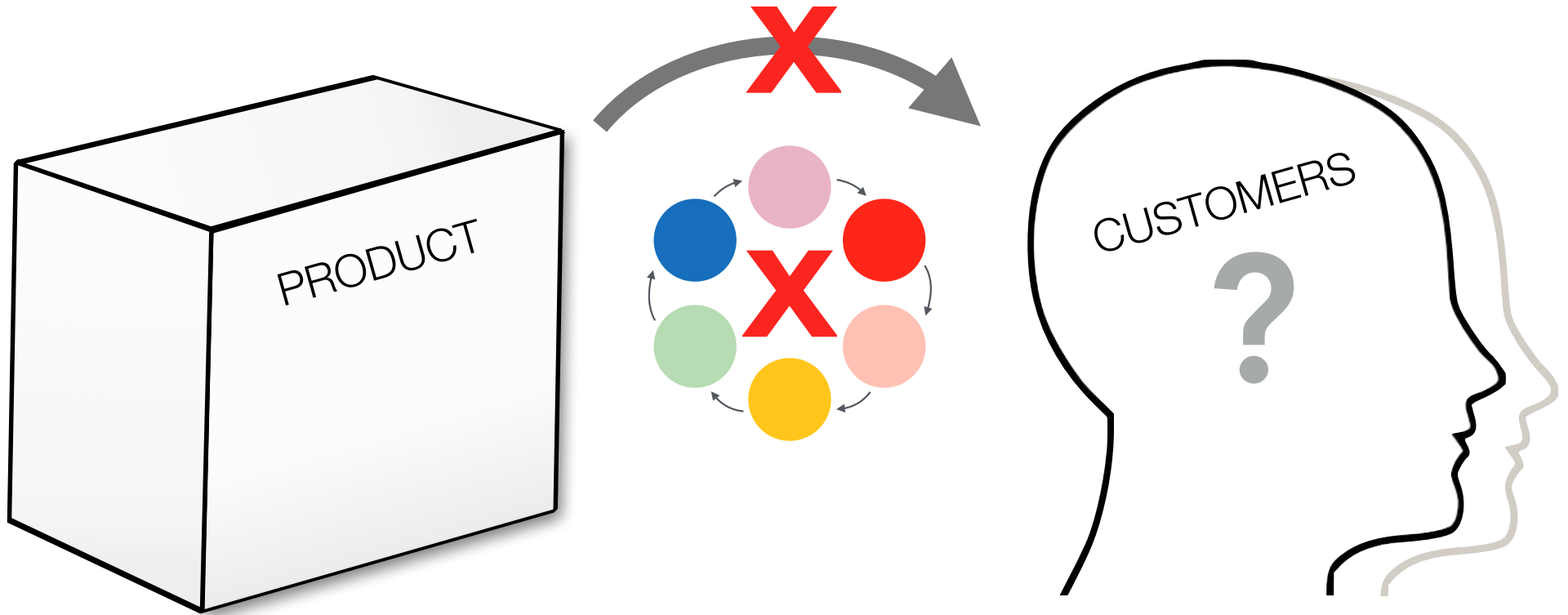


Unless we learn why, we won't know whether  
to try again, or try something else

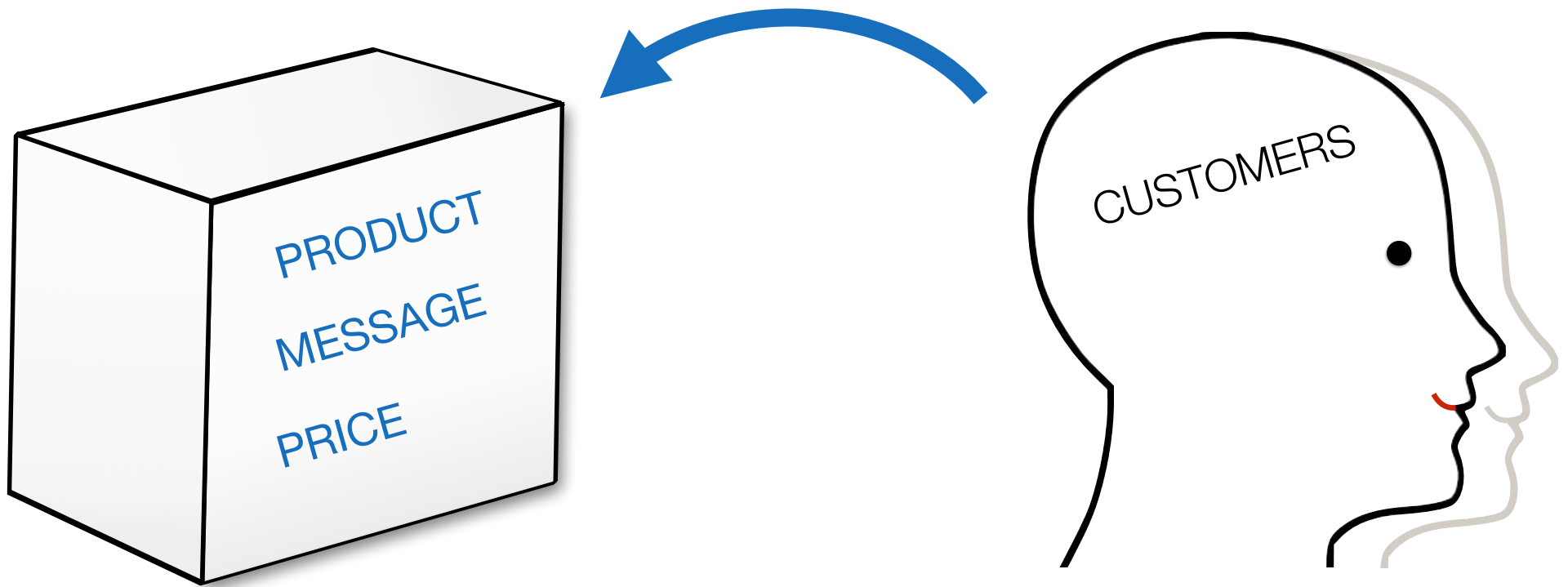
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# Changing the Product to Find a Fit

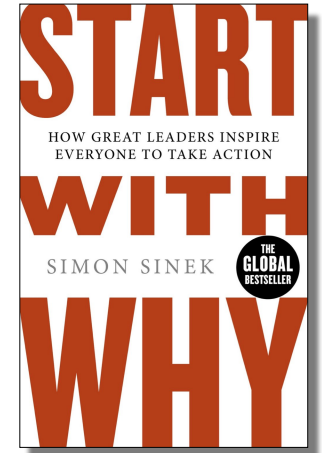


# Designing for Product-Market Fit



“People don’t buy what you do;  
people buy **why** you do it.”

–Simon Sinek





Lean starts with your idea — the what —  
aiming to discover the why. Why not start with why?

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# Agenda

Top 5 Lean Myths

How To Improve Lean?

**Customer Values**

The Fastest Path

**Customer Values =**

motivations

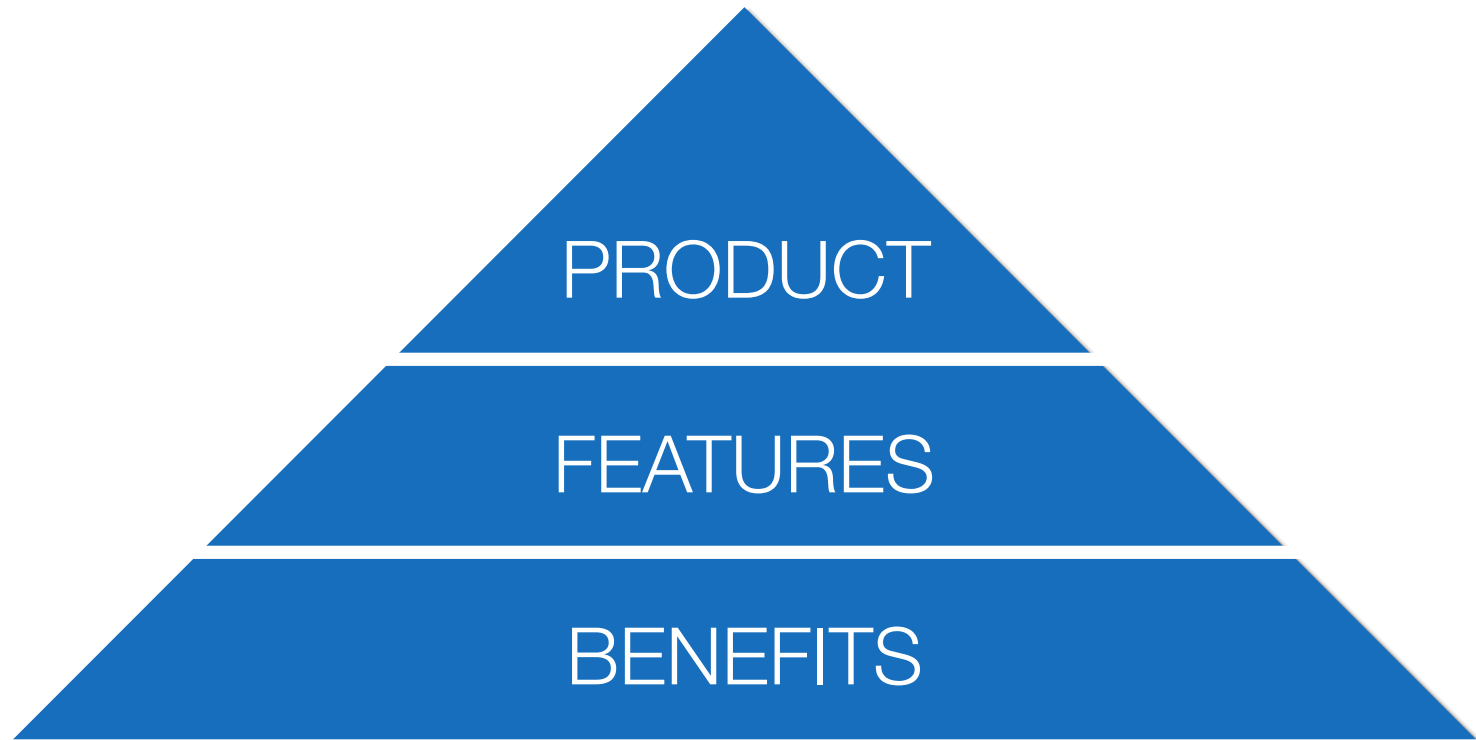
goals

concerns

emotions

what people care about

**the “why” that makes them buy**





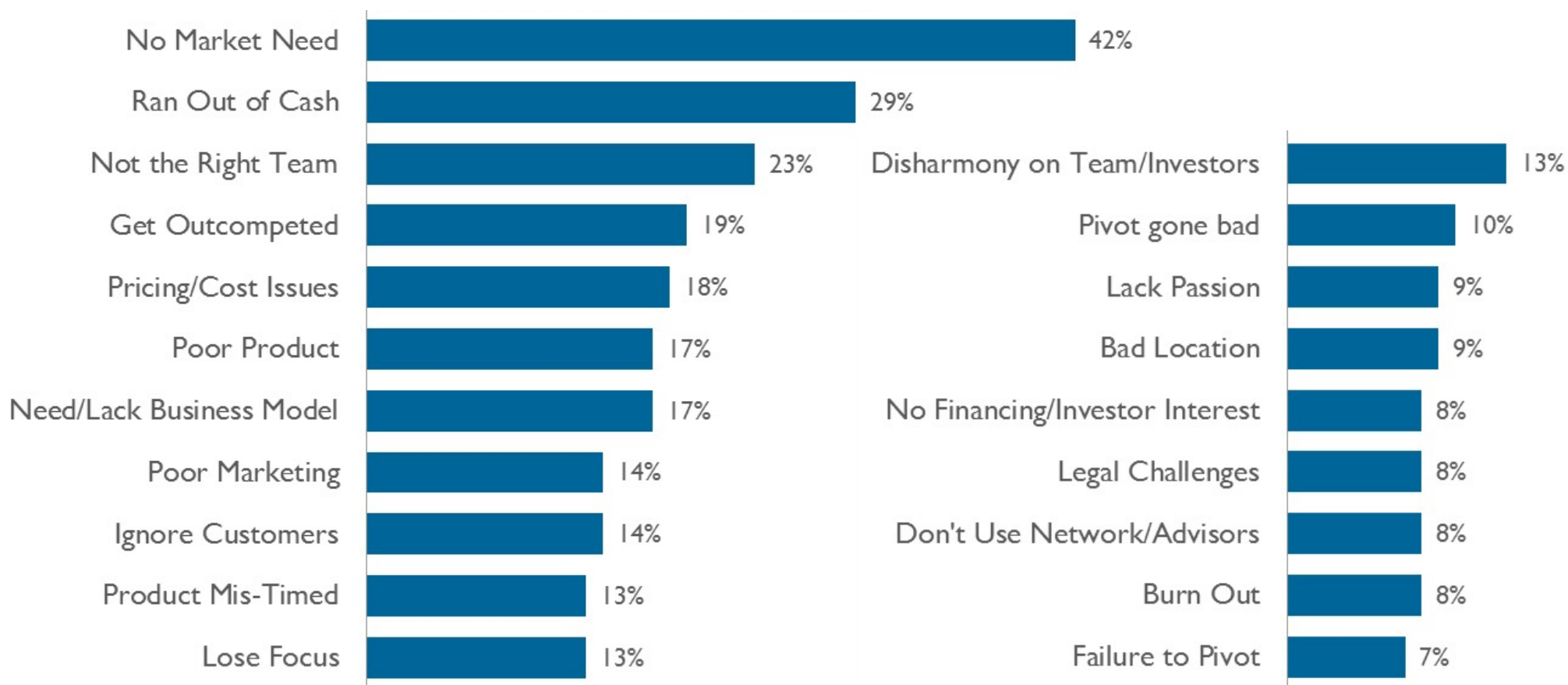
PRODUCT

FEATURES

BENEFITS

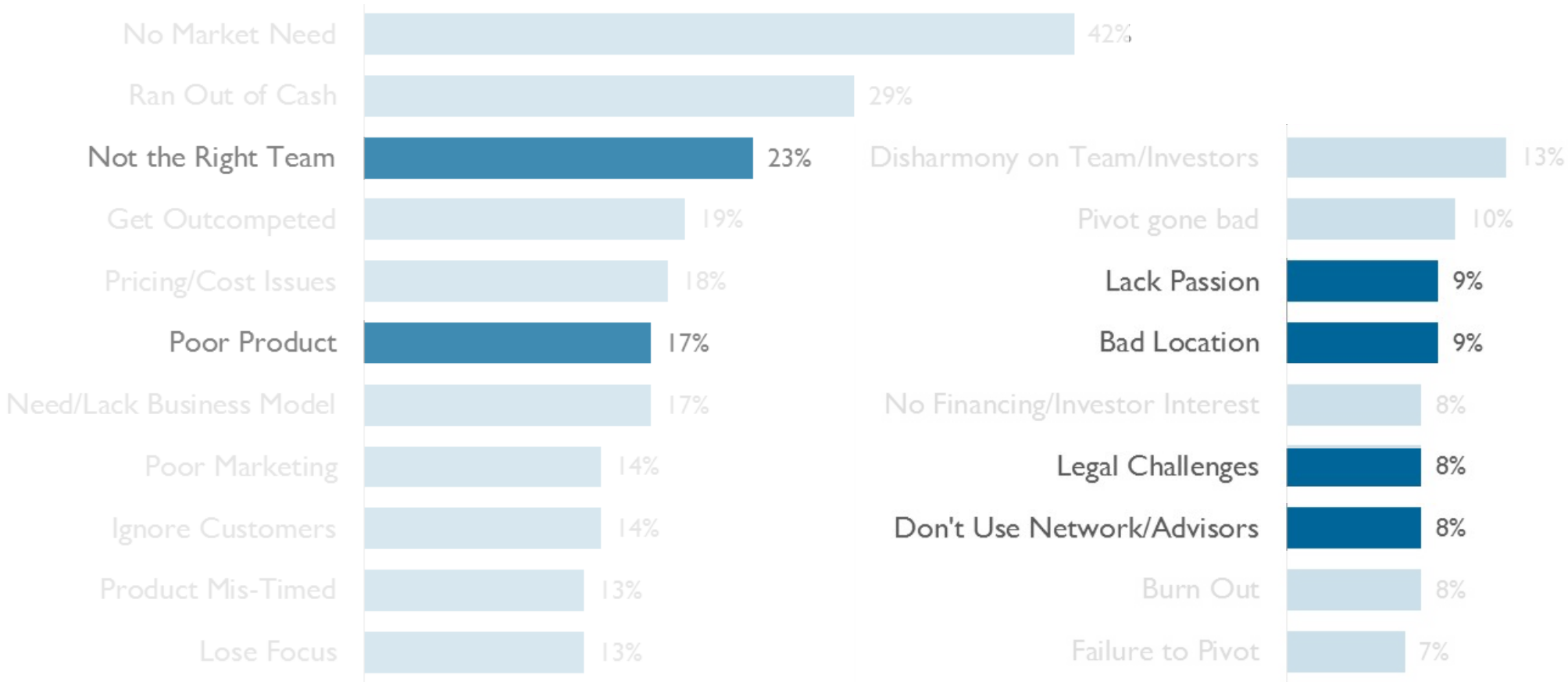
VALUES

# Top 20 Reasons Startups Fail



Credit: CB Insights

# Top 20 Reasons Startups Fail, Unrelated to Values



You can easily change

ideas

products or services

markets or segments

positioning and messaging

Values

hard to change

trigger emotion

discoverable

measurable



Customer values are discoverable, measurable and quantifiable. Why skip this step?

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NO Optical Drive  
NO Ethernet Port  
NO Media Card Slot  
NO replaceable battery  
ONLY 1 USB slot  
SLOWEST processor



**> 80%** **More \$**

The world's thinnest notebook. **MacBook** Air.





For those who dream big  
Surprising style, advanced tech  
Feels fast and looks cool  
Impressive efficiency



Unrivalled luxury  
Unrelenting performance  
Penchant for power  
Demands attention

# Market Segment

Geographic  
Demographic  
Behavioural  
Psychographic  
Occasional  
By Benefits  
Cultural

New definition of Market Segment:  
Customers who share the same set  
of strongly held values.

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# Maximum Value Proposition

The New  
**MVP**

The most powerful set of “whys”  
to make them buy

The Maximum Value Proposition is discoverable.  
Make it your *first* MVP.

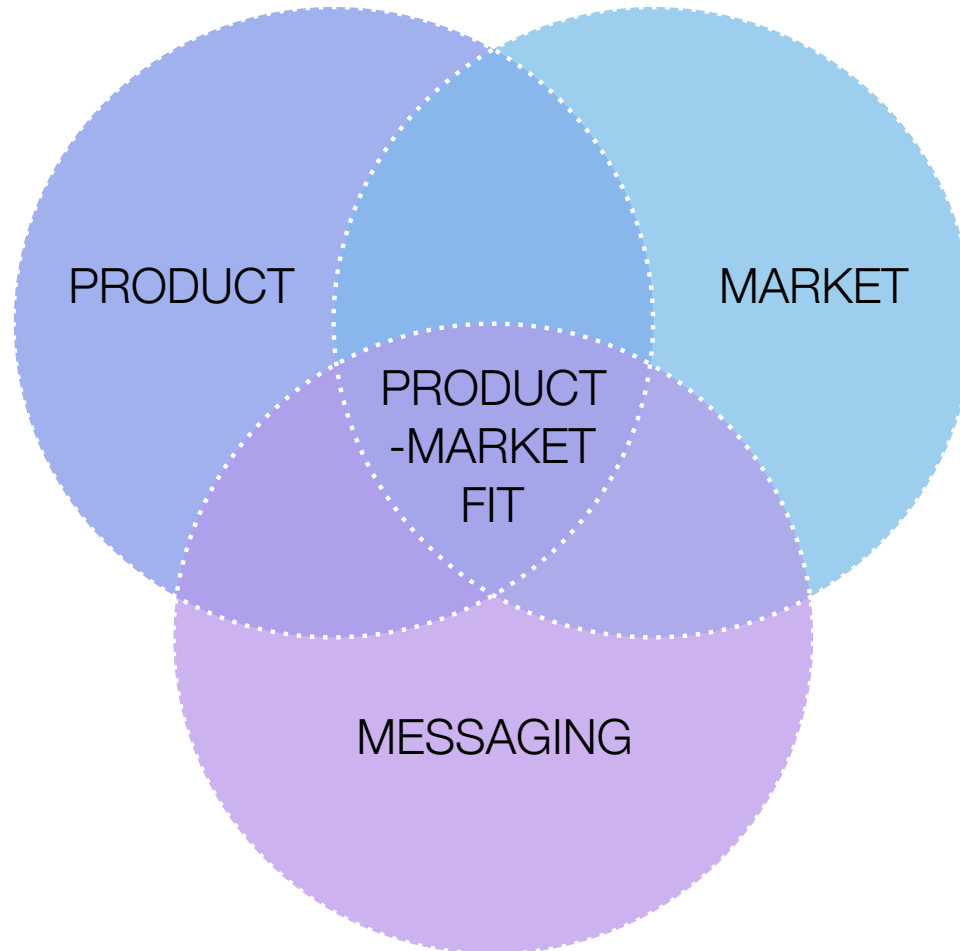
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# Maximum Value Proposition

**MVP**



# Understanding Values

How to create products and services customers want.  
Get started with...

# Value Proposition Design

[strategyzer.com/vpd](http://strategyzer.com/vpd)

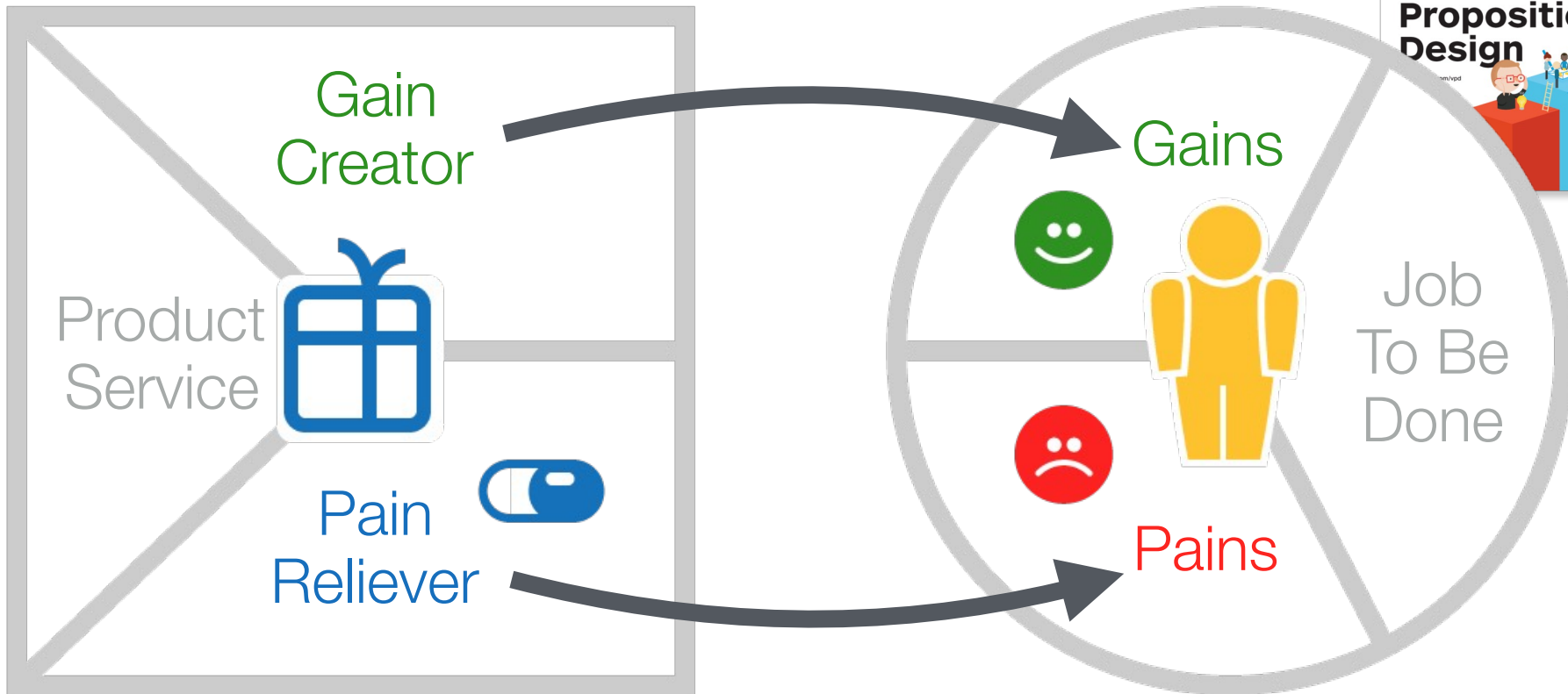
Written by  
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Designed by  
Trish Papadakas

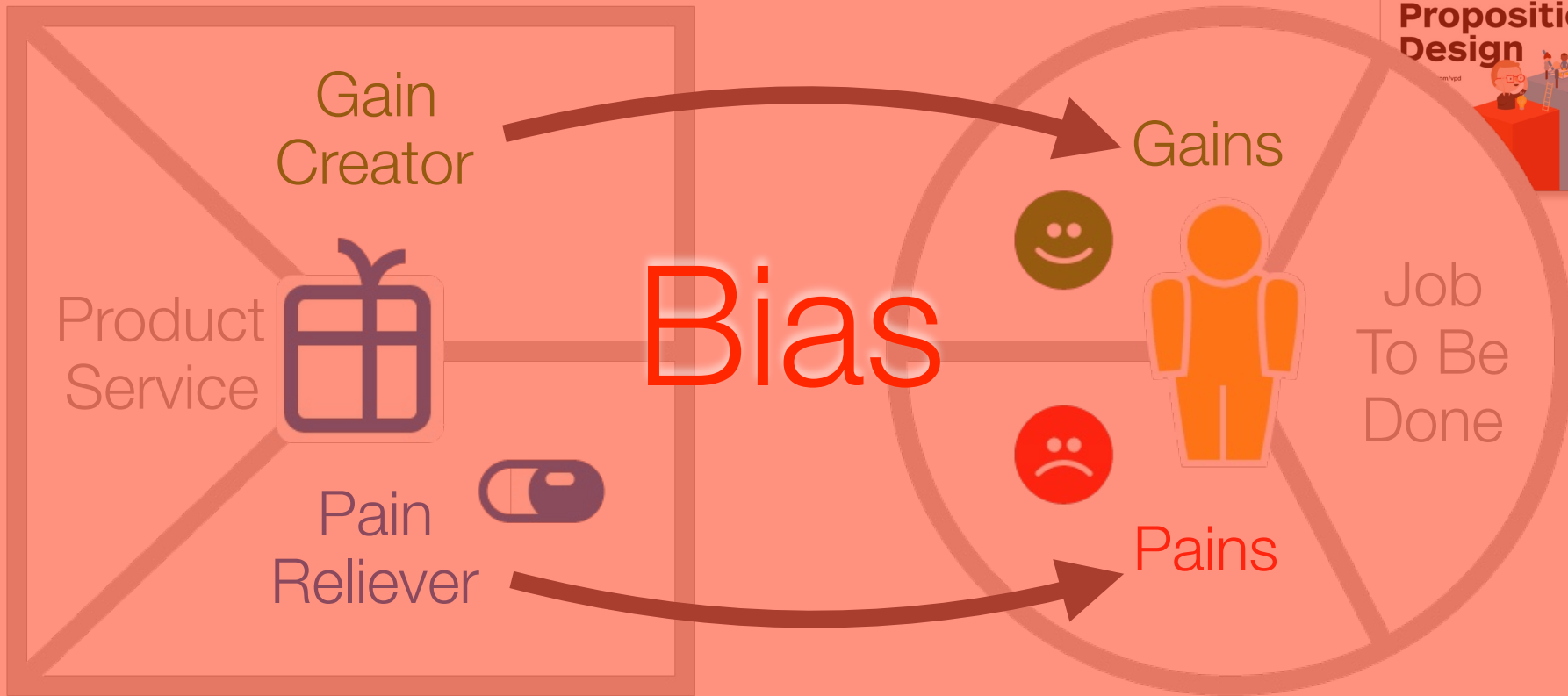
WILEY



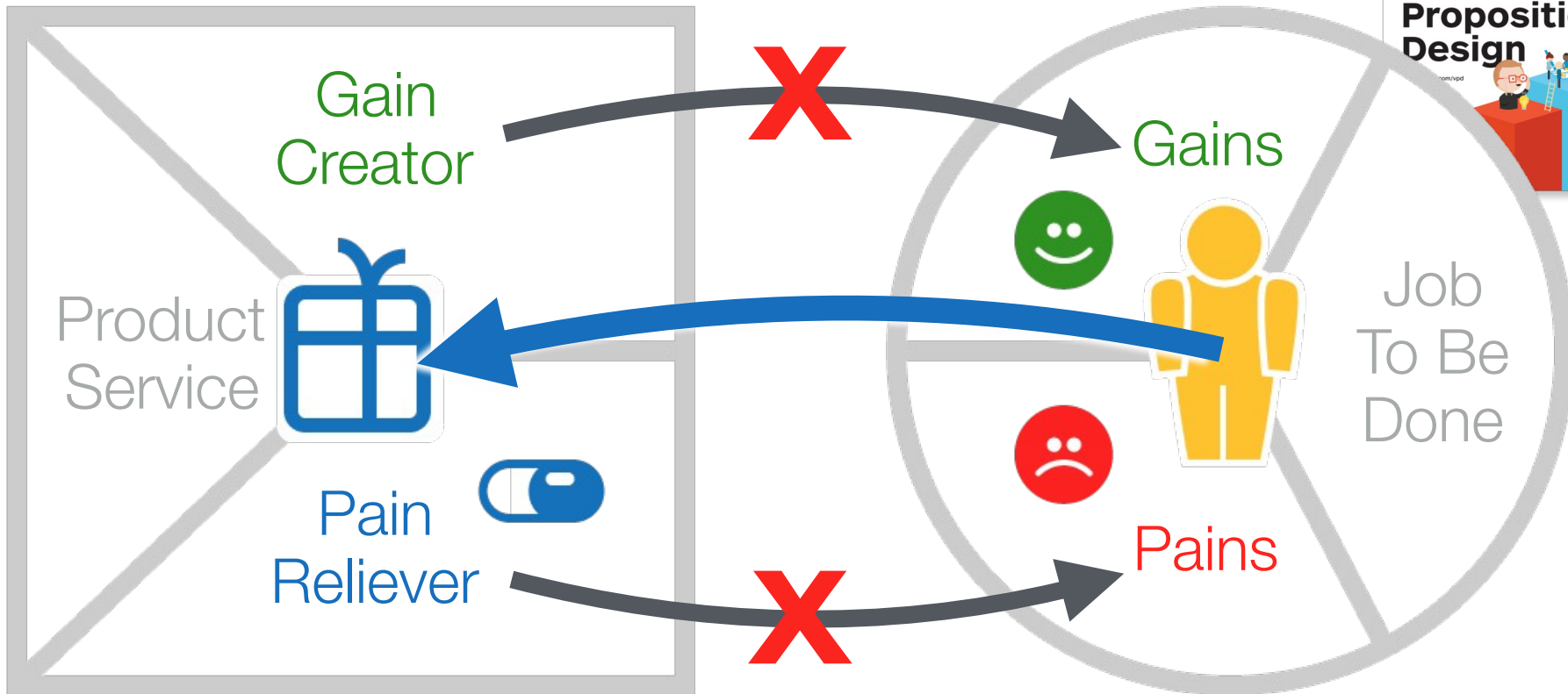
Credit: Strategyzer



Credit: Strategyzer



Credit: Strategyzer



Credit: Strategyzer

## VALUE FRAMEWORK

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**Gains**

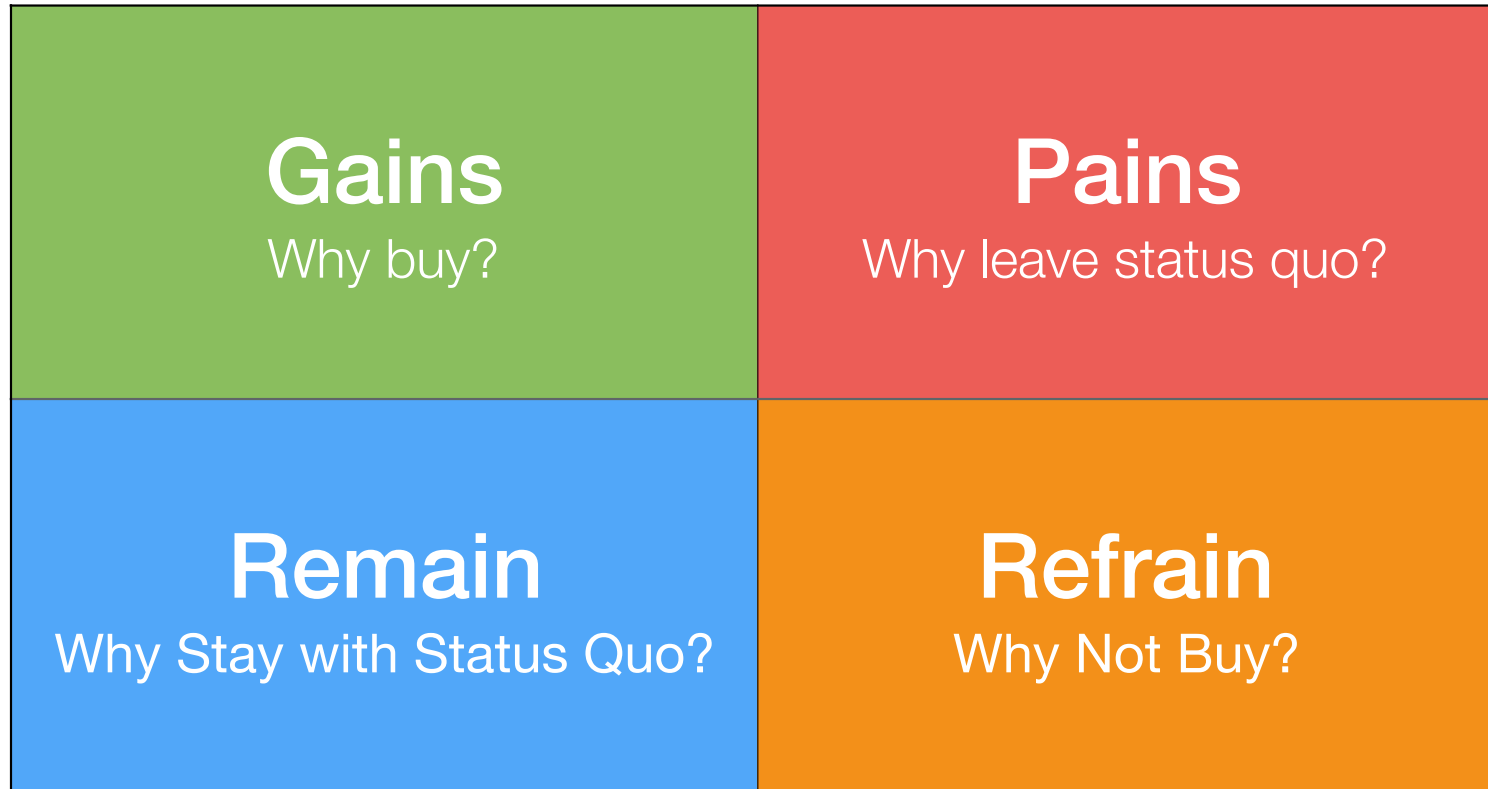
Why buy?

**Pains**

Why leave status quo?

# VALUE FRAMEWORK

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# Customer values are more than just Gains and Pains

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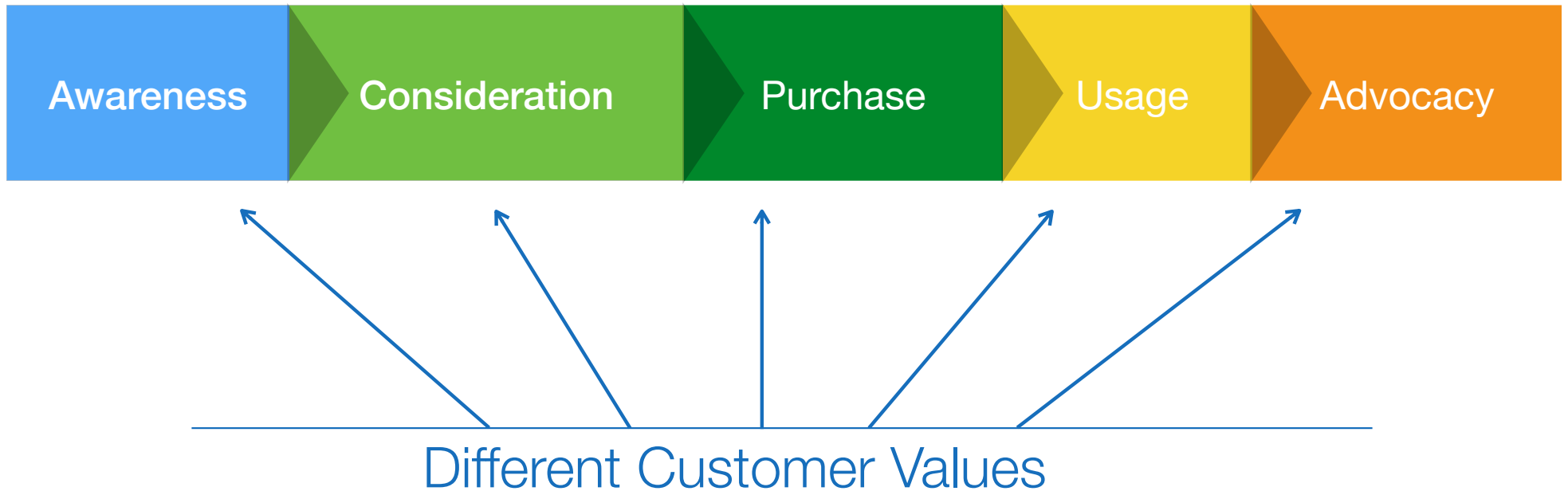
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Customer values change  
depending on the **context**

## Context — VALUE TIMING

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### CUSTOMER JOURNEY EVENTS



## Context — VALUE LAYERS

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Product

Solution Type

Problem / Job to be Done

Role / Identity

Different Values at Each Layer

# Agenda

Top 5 Lean Myths

How To Improve Lean?

Customer Values

**The Fastest Path**

# Discovering Values

# Value Discovery Research



## Value Discovery Research







# What is Value Discovery Research?

**Structured** research framework

Focused on **discovering and quantifying values**

Designed to **identify and minimize bias**

Conducted by an **unbiased researcher**

To answer **strategic** questions



# How is Value Discovery different?

Typical Market Research	Value Discovery
Tactical, one-time	Strategic, long-term
Biased, self-justifying	Valid, reliable
Interesting, not clearly actionable	Relevant, immediately actionable
Risky: might not be useful	Low risk: useful by design

## Validating the Minimum Viable Product

Starts with your idea  
Problem hypothesis testing  
Solution hypothesis testing  
Goal is to validate your idea  
Build minimum viable product

## Discovering the Maximum Value Proposition

Starts with the customer  
Discovering values  
Quantifying values  
Goal is to gain empathy  
Discover maximum value

# The importance of empathy



do more than solve problems



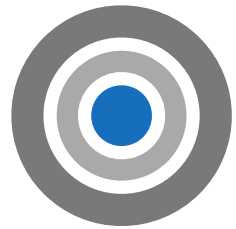
create products that intimately connect  
with your customers' identity





# Value Discovery research tips

- |  |  |
|--|--|
| • Never pay for subjects                       | Talk only to people who care             |
| • Narrowly define your audience                | Different segments have different values |
| • Use surveys plus interviews                  | Surveys to screen, interviews for depth  |
| • Explore values <i>in context</i>             | Ensures values are relevant              |
| • Measure the <i>intensity</i> of their values | Not all values have equal weight         |
| • Don't ask about your product                 | Learn what <i>they</i> care about        |
| • Don't disagree, prove or sell                | Learn what <i>they</i> think             |
| • Seek empathy, not just data                  | Empathy confirms your understanding      |



# Value Discovery interview tips

- |                                       |   |
|---------------------------------------|---|
| • Carefully word questions in advance | Prevent accidental bias                   |
| • Ask about their past behavior       | Actions reflect values                    |
| • Ask about their decision making     | Their reasoning exposes details           |
| • No Yes/No or A/B questions          | Encourage unexpected answers              |
| • No “leading the witness”            | Don’t measure your own values             |
| • Get an unbiased editor              | Avoid “bias blindness”                    |
| • Go off script when appropriate      | Explore <i>their</i> interests, not yours |

Use Value Discovery for

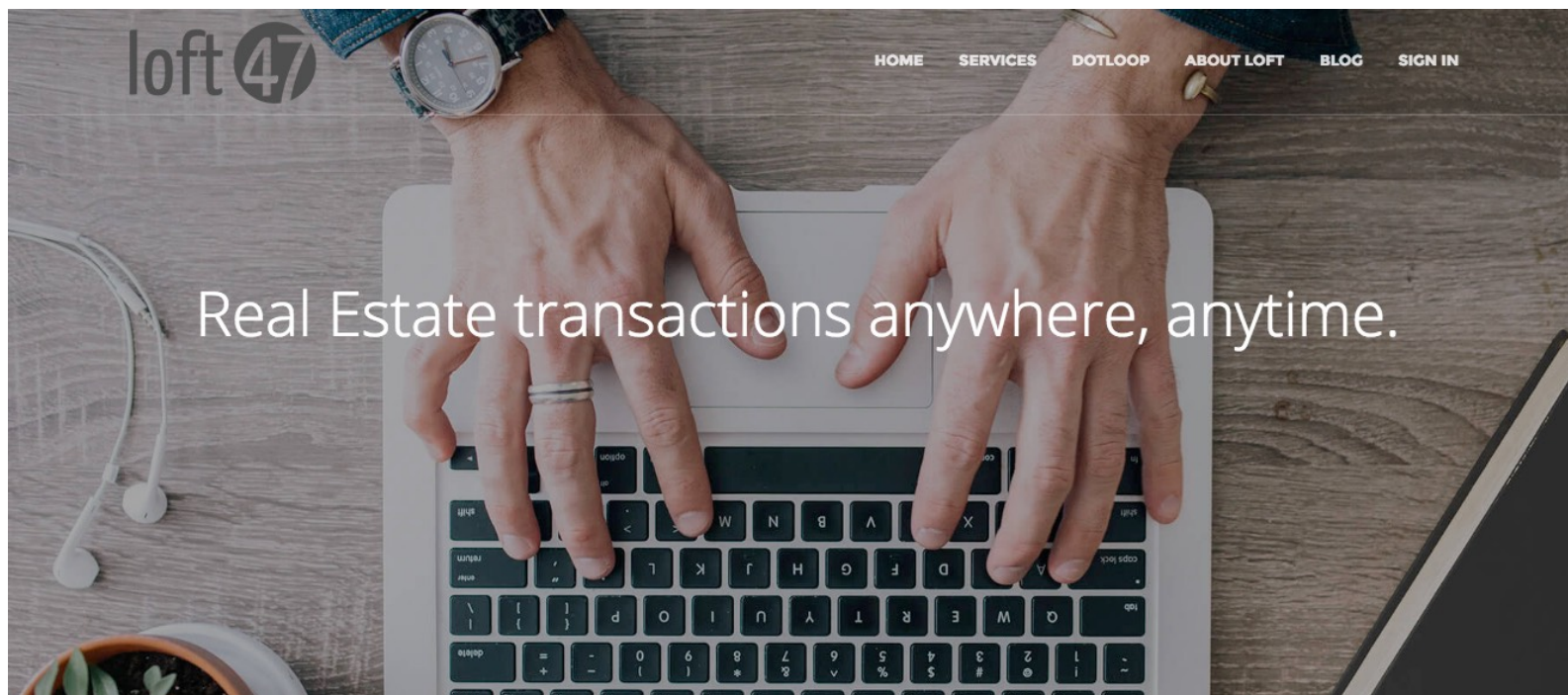
Values-driven Innovation

Values-based Marketing

Strategic Pricing

# Value Discovery Research Case Studies

## Real Estate Financial Services





# Real Estate Financial Services

## Before Value Discovery

Long lists of detailed requirements  
Wireframes for MVP

Workflow: Document management  
Unified view of all documents

Prospect interest, but no commitment  
Seeking contractor to build MVP

## After Value Discovery

Fewer requirements, simpler features  
Mockups illustrating “New MVP”

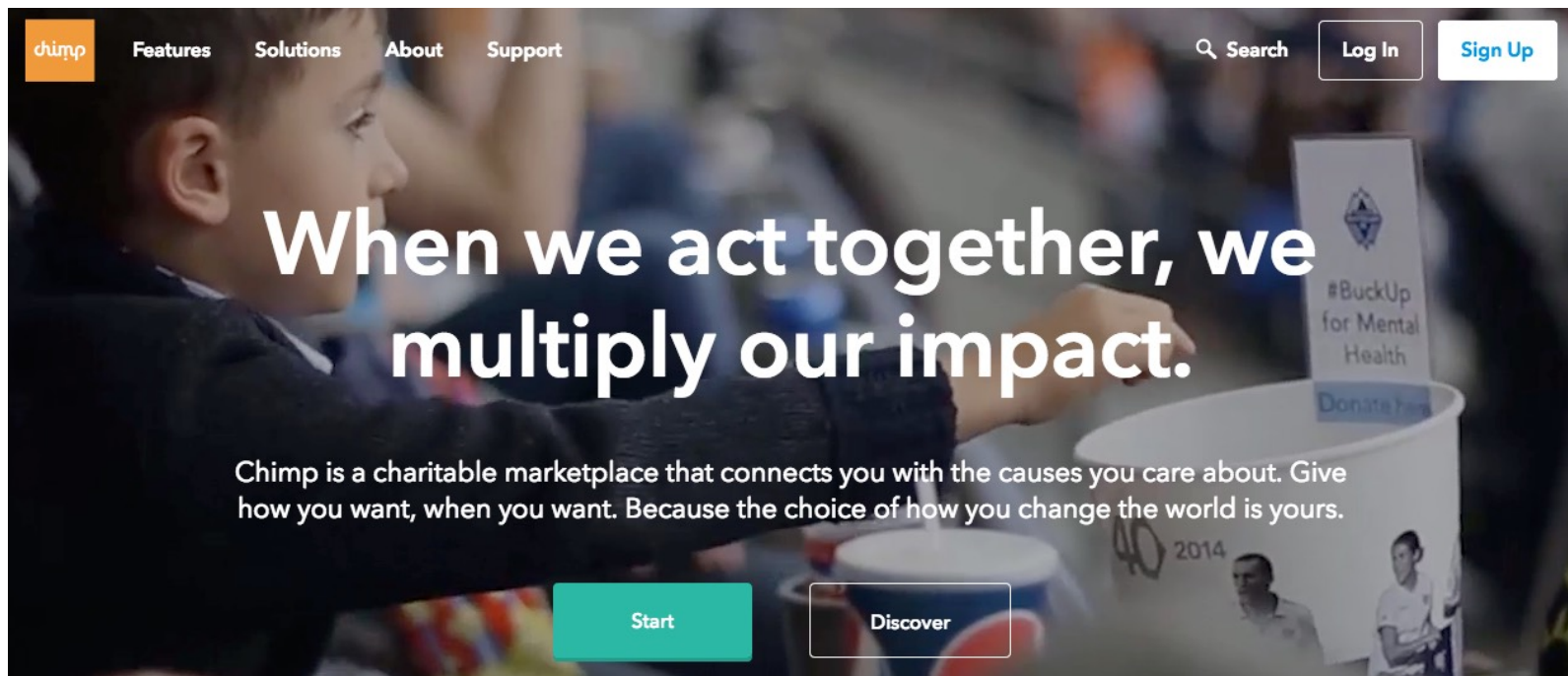
Dashboard: Deal management  
Different views for different roles

4 customer commitments  
\$950k/year @ \$50/transaction  
Investment to launch and grow

“If you believe that *you’re* the subject matter expert, then you’re doing it wrong.”

## Value Discovery Research Case Studies

### Charity Marketplace



# Before Value Discovery

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## Value Hypotheses — Top 3

<b>Management Reporting Separation</b>	Manage all your charitable giving in one place Easy access to charitable giving activity (what you gave to, how much, when etc) Of Donating vs Allocating money to a charity
<b>Decision-support Allocation</b>	Deciding what causes/charities to support Deciding how much money to allocate to which cause
<b>Privacy/Anonymity Control</b>	Keeping your information private and/or anonymous Over how much communication you want
<b>Guilt</b>	Feeling ok saying "no", due to better control over "yesses"
<b>Scope</b>	The ability to give to any charity in Canada all in one place
<b>Discovery</b>	Discover opportunities to support causes you care about
<b>Taxes</b>	Simplified tax admin and tax filing
<b>Matching</b>	The ability to double your donation (matching dollars)
<b>Fees</b>	More \$ to the charity due to low fees
<b>Fundraising</b>	Fundraising together (via a giving group)
<b>Community</b>	Feeling a part of your group or company's community
<b>Gifting</b>	Ability to send charity \$ for your friends to allocate, to say thanks, support them, etc.
<b>Kinship</b>	Supporting friends & family (already on Chimp)
<b>Social</b>	Ability to show all your friends that you've donated
<b>Trust</b>	Confidence that you're giving to a legitimate charity

# After Value Discovery

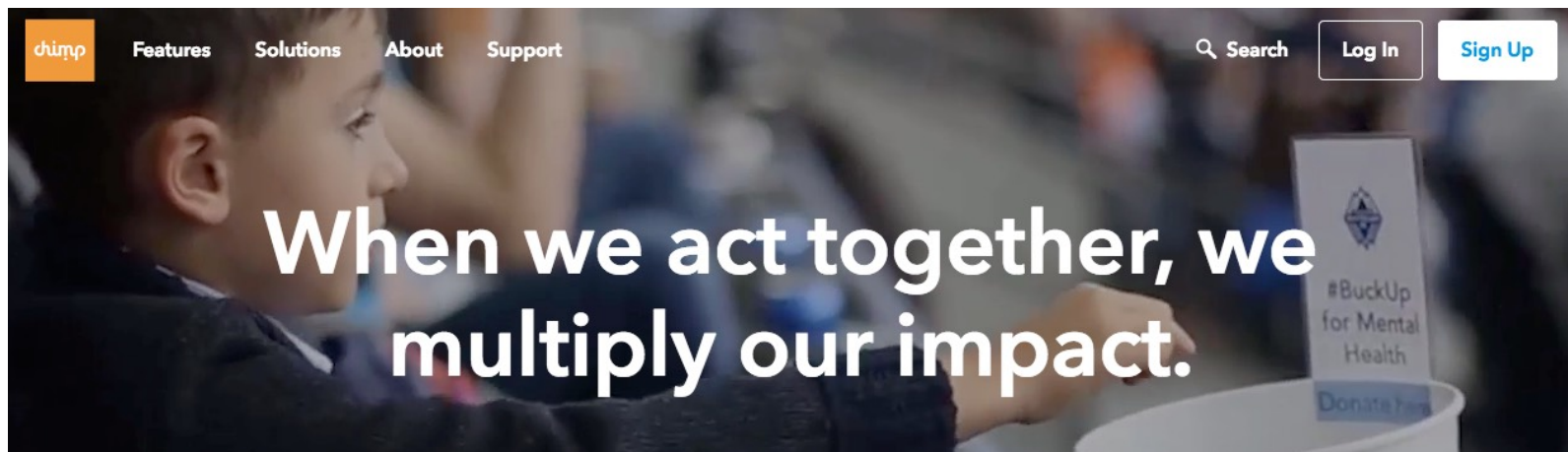
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## Quantitative Results — Positive / Negative Values

<b>Management</b>	Manage all your charitable giving in one place
<b>Reporting</b>	Easy access to charitable giving activity (what you gave to, how much, when etc)
<b>Separation</b>	Of Donating vs Allocating money to a charity
<b>Decision-support</b>	Deciding what causes/charities to support
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<b>Kinship</b>	Supporting friends & family (already on Chimp)
<b>Social</b>	Ability to show all your friends that you've donated
<b>Trust</b>	Confidence that you're giving to a legitimate charity
<b>Automation</b>	Ability to automate monthly charitable contributions

# Value Discovery Research Case Studies

## Charity Marketplace



"Though Value Discovery Research, we gained so much knowledge about our target audience. We're now planning to repeat this methodology for each of our market segments."

# Value Discovery Research Case Studies

## English Language Learning Schools



# Factors of Importance in Language School Choice

## Industry Market Surveys





# Factors of Importance in Language School Choice

## Industry Market Surveys

## Value Discovery

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Learning English not the goal

Confidence to communicate globally

Enhance career opportunities

Make friends and gain experience

## Maximum Value Proposition

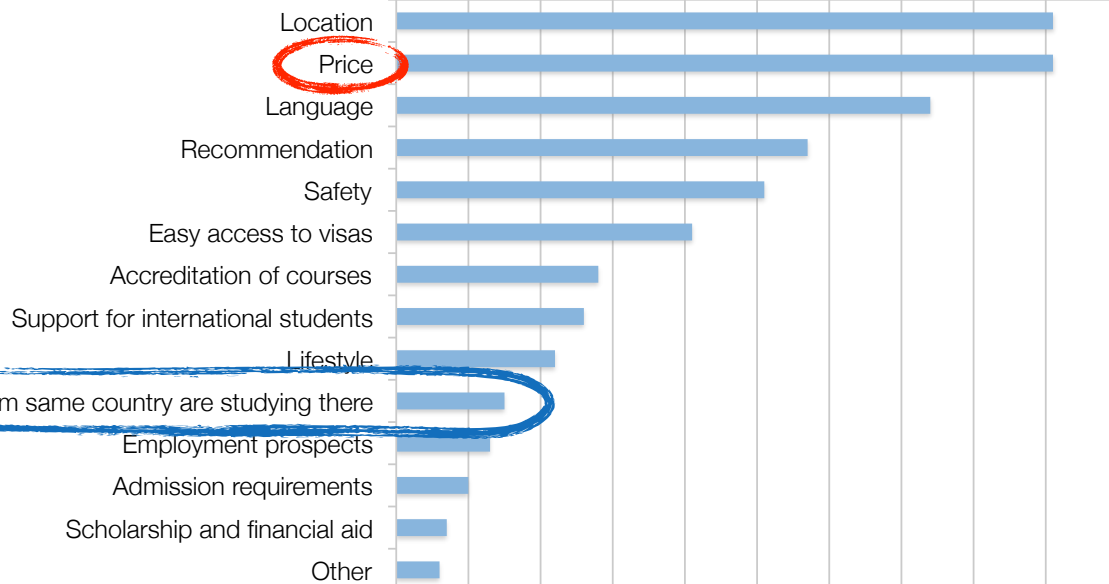
Opportunities to connect *after* class

Easy access to social activities

Few students from my country

No other country dominant

Price not a major factor





# Language Learning Schools

## Before Value Discovery

Entire market experiencing decreasing volume, lower margins

Considering reducing price and margin to remain competitive

## After Value Discovery

Implemented simple changes to pricing model, timetable, marketing

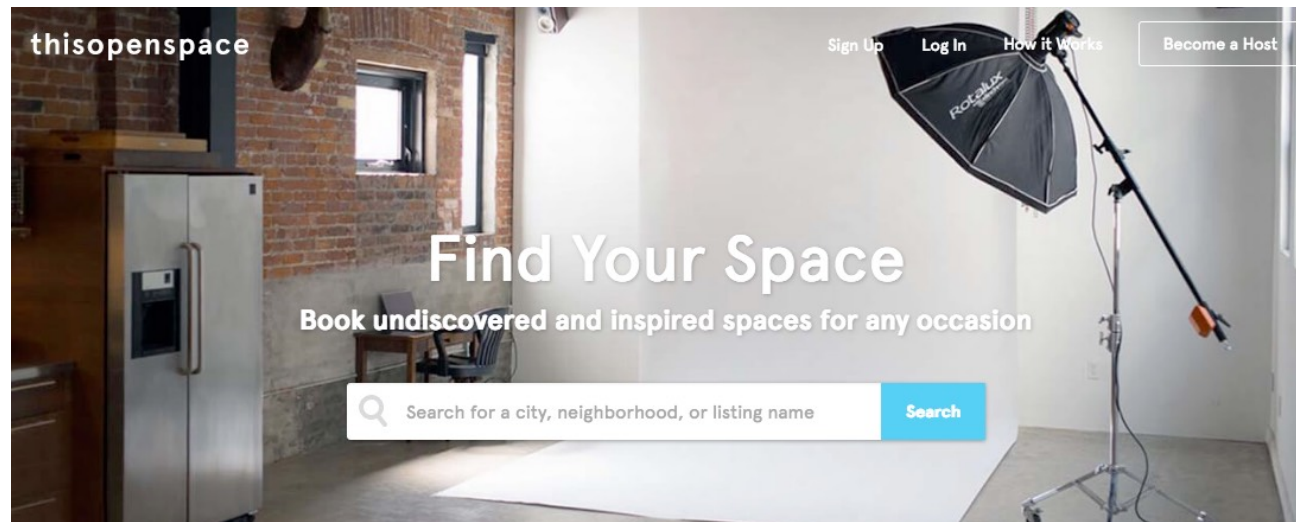
Decrease in volume halted

50% increase in year-over-year profit

“Value Discovery uncovered startling insights you simply can’t get with traditional market research, yielding quick wins. We’re coming back for more.”

# Value Discovery Research Case Studies

Marketplace for short-term commercial real estate



“The research disproved our assumptions about our user’s values just weeks before development started. It changed our entire product roadmap for the better.”

# The ROI of Understanding Values

Lower cost of development

Lower cost of acquisition

Lower risk of failure

Faster sales cycle

More customers

More revenue per sale

More customer retention

More referrals



Cost Savings



Revenue / Profit

# The Value of Understanding Values

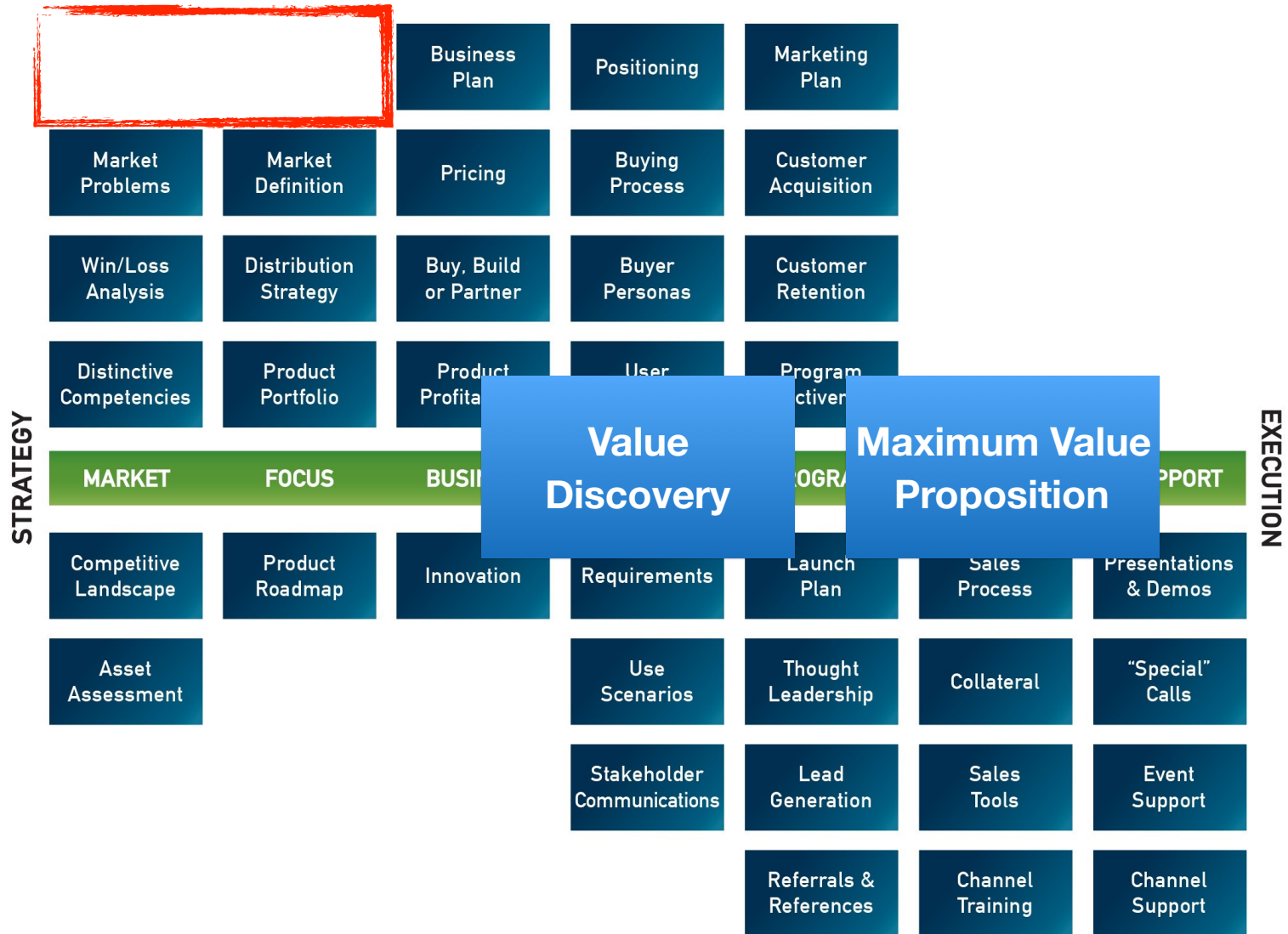
to you  
as a product manager

Launch Strategy Support Lead Generation Innovation  
Buying Process Sales Process User Personas Events  
Partners Product Roadmap Channel Training Demos  
Win/Loss Analysis Requirements Collateral Profitability  
Marketing Plan Product Portfolio Technology Assessment  
Market Problems Business Plan Leadership Referrals  
References Positioning Competitive Landscape Pricing  
User Scenarios Distinctive Competence Presentations  
Sales Tools User Retention Program Effectiveness Calls  
Build vs Buy Status Dashboard User Engagement Staffing  
Buyer Personas Distribution Strategy Market Definition

**OVERLOAD**



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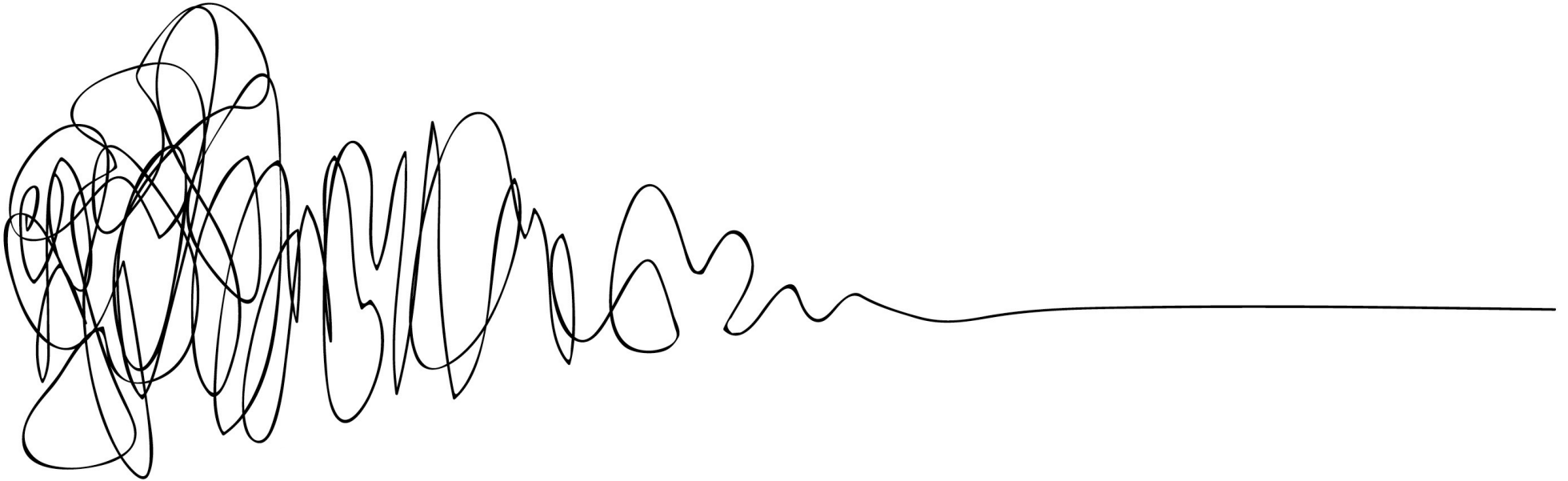






Value Discovery	Maximum Value Proposition	Business Plan	Positioning	Marketing Plan		
Market Problems	Market Definition	Pricing	Buying Process	Customer Acquisition		
Win/Loss Analysis	Distribution Strategy	Buy, Build or Partner	Buyer Personas	Customer Retention		
Distinctive Competencies	Product Portfolio	Product Profitability	User Personas	Program Effectiveness		
<b>MARKET</b>	<b>FOCUS</b>	<b>BUSINESS</b>	<b>PLANNING</b>	<b>PROGRAMS</b>	<b>READINESS</b>	<b>SUPPORT</b>
Competitive Landscape	Product Roadmap	Innovation	Requirements	Launch Plan	Sales Process	Presentations & Demos
Asset Assessment			Use Scenarios	Thought Leadership	Collateral	"Special" Calls
			Stakeholder Communications	Lead Generation	Sales Tools	Event Support
				Referrals & References	Channel Training	Channel Support

# Path to Product-Market Fit

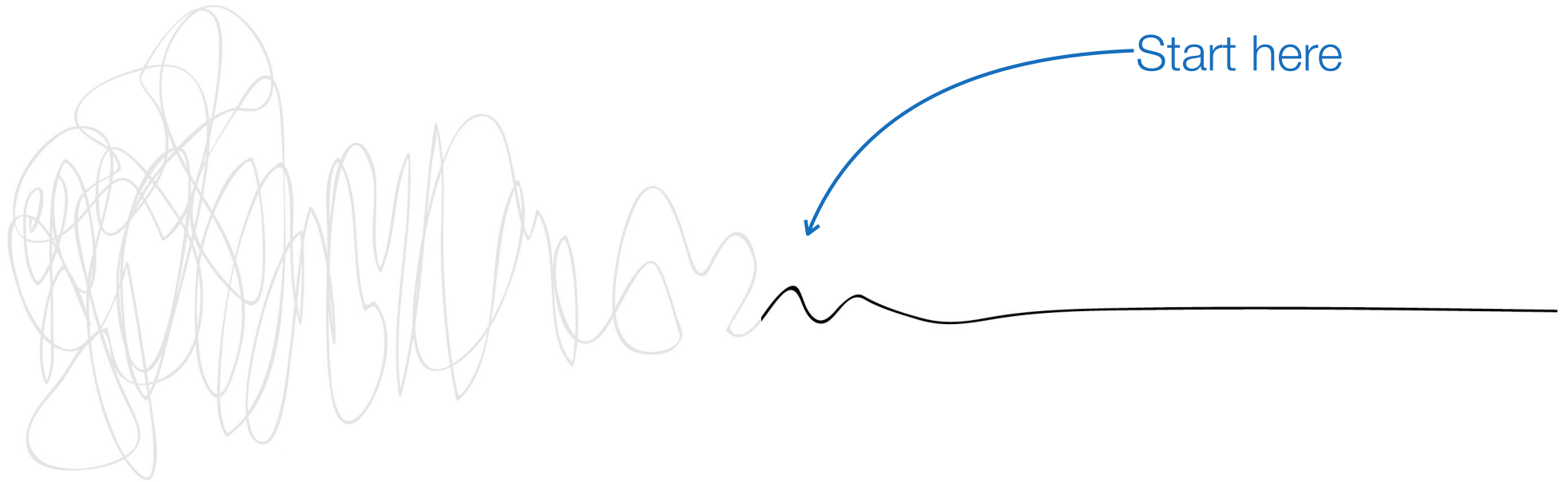


Unknown values

Known values

Credit: Damien Newman

# Fastest Path to Product-Market Fit



Unknown values

Known values

**Thank You**

# Your Fastest Path to Product-Market Fit

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