Technology Start-ups
Lecture 13

Measure Product/Market Fit

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CISC 879 : Technology Start-ups
“Product/Market fit means being in a good market with a product that can satisfy that market.” Marc Andreesson
Engines of Growth

- Sticky: high retention
- Viral: high referral
- Paid: high margins
Sticky: high retention

- Rely on high customer retention rate
- Low churn rate

Customer Acquisition Rate > Churn Rate
Viral: high referral

- High customer-to-customer referral rate
  - high viral coefficient: number of converted referrals per customer

Viral Coefficient > 1
Paid: high margins

- relies on reinvesting portion of customer revenues back into business

LTV \( \text{customer lifetime value} \) > COCA \( \text{cost of customer acquisition} \)

Good rule of thumb: \( \text{LTV} > 3 \times \text{COCA} \)
How would you feel if you could no longer use [product]?

1. Very disappointed
2. Somewhat disappointed
3. Not disappointed (it isn’t really that useful)
4. N/A – I no longer use [product]

If 40% choose 1, there is a good chance you can create a sustainable business.
Running Lean Startup

After launch, 80% of time should be spent continuously improving existing features.
• Brainstorm customers
• Create Lean Canvases
Running Lean Startup

- Prioritize risks
- Business Model Interviews
Running Lean Startup

- Find Prospects
- Problem Interviews
Running Lean Startup

- Build Demo
- Solution Interviews
- Build MVP

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Running Lean Startup

- Build Dashboard
- MVP Interviews
- Realize UVP
- Validate full lifecycle
Running Lean Startup

Systematically test your plan

- Constrain features
- Measure progress
- Achieve early traction
- Identify engine of growth
- Scale
Congratulations

- Reports due 12/12
- Evaluation system available until 12/10