Product-market fit isn’t just traction, explains Stanford Management Science and Engineering lecturer and Floodgate founding partner Ann Miura-Ko. In fact, she argues, it’s triangulation of the product’s value proposition, the market ecosystem, and the business model — because user growth without a scalable business model isn’t evidence of true product-market fit.

Transcript

- Now that you have this insight 00:00:05,090 and that you’re, you know what you’re building you have like sort of a hypothesis around a product.. The big question becomes, what are you running towards? And a lot of people when they say I’m raising my seed investment, they’re saying I need to get to product market fit.. And the problem with product market fit is it’s this really nebulous concept.. And what everyone believes it means is traction.. But there’s no like map for how to get to traction.. So a lot of people believe that it’s this customer development process.. But we’ve put a little bit more rigor around that.. So what what I believe product market fit is, is it’s actually a misnomer, because most people believe product is a bag of features.. Market is sort of, you know, size of market that you do this weird exercise on, where you say number of people who you could sell two times price.. And that’s your market..

In reality, you know, product is more your value proposition.. The promise that you’re making to your customer of why the experience with your product is going to be an order of magnitude better than anything they would have expected.. And so on the market side, it’s actually an ecosystem.. And it’s your customer.. It’s the person who pays, it’s your manufacturer.. It’s the distributor, it’s all of the different people in companies that need to buy in to what you’re doing in order for you to succeed and what is your value proposition to all of those people? And then finally, the third leg of the stool is actually your business model.. How do you make money and most people leave this to the last minute to answer and I would say that’s probably as important as your product because if you don’t think about pricing, if you don’t think about how much people will pay, or how they will pay for it, or how they want to find your product, then you haven’t actually thought about the totality of your product.. And so, we often say it’s those three things that have to fit together.. It’s your value proposition, your ecosystem and your business model.. When they lock together, that’s product market fit..

And then you know the levels for growth...