

Tactics for experimentation and measuring product-market fit

Based on content presented by Gustaf Alströmer,
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Measure product-market fit with the right metric

How do you know when you've found product-market fit? You could measure it with Net Promoter Score (NPS) or by surveying your users, but according to Gustaf, neither is an accurate test of product-market fit.

If you're not measuring product-market fit with a cohort analysis, or retention curve, you're doing it wrong. A cohort analysis will help you understand how long you're retaining users. And long-term retention almost always equals product-market fit.

However, before you measure product-market fit, you have to find it. The best way to find it is through A/B testing and experimentation.

Four takeaways for retention and A/B testing

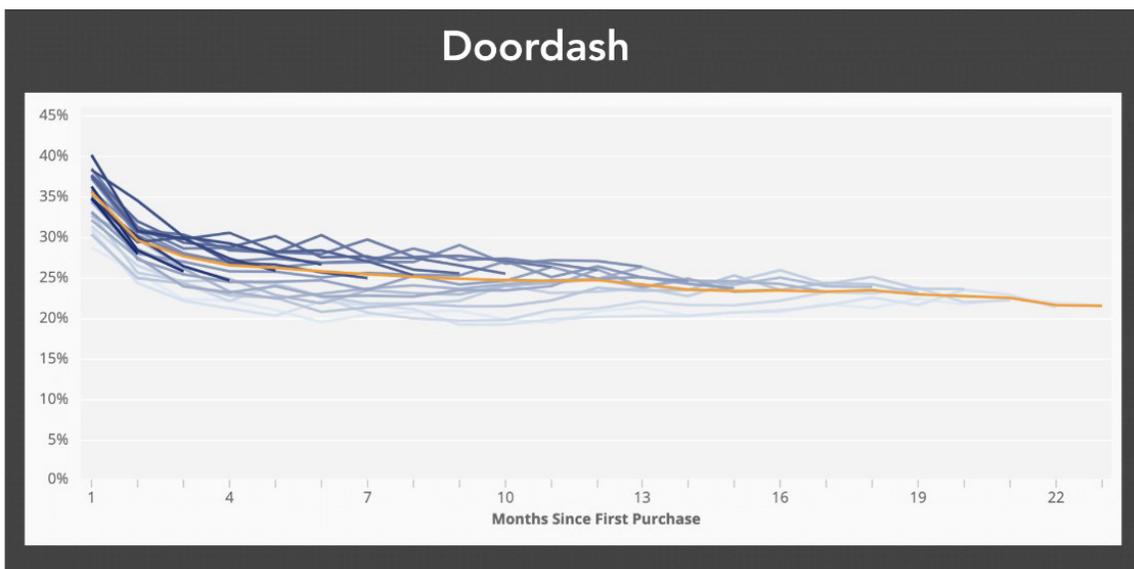
Here's what Gustaf Alströmer has to say on product-market fit, retention, and A/B testing.

1. USE RETENTION TO DETERMINE PRODUCT-MARKET FIT.

Retention tells you whether or not people are using your product. If tons of people are signing up to try your product, but no one comes back to use it again, there's a chance that you haven't quite found product-market fit yet.

If you have a high number of repeat users, you have product-market fit. That means the reverse is also true. If users aren't coming back to use your product again, there's a chance you don't have the right fit.

Take DoorDash for example. After two months, they retained 30% of their new users. After 20 months, they still retained 21% of those users. Those retention rates are great.



Notice how steady their retention is on that chart? It almost looks flat starting at month 10. That's how you know they've found product-market fit.

2. A/B TESTING CAN HELP YOU BEAT THE LOUDEST VOICE IN THE ROOM.

Companies often develop product improvements based on the people who make the most noise about the product features they want to build. If you blindly listen to those people, you might develop a feature that hurts your product overall.

Instead, if you base your product improvements on data, you'll have a much better chance of building something that your users love. A/B testing is a great way to get the data you need to make product improvements. Once you have data, it will be easier to explain to the loudest person in the room why their product improvement isn't a good idea.

Make sure you're doing A/B testing properly, though. You can't have two variables or test two new things at one time. Instead, have a control and an experiment. The control is an existing product feature, and the experiment is a variation that you think might make a measurable difference.

3. BUILD A CULTURE OF DATA.

Even with data and A/B testing, it's still easy to ignore data and build product features based on gut instinct. That's why you need to build a culture where data is respected. You can do this by being transparent with your experimentation, and showing employees how data can help improve your product.

Airbnb does this by holding experiment reviews. Every few weeks, they get the product team together to discuss the latest A/B tests. They always show everyone both the A version and the B version of the test and ask people to guess which one performed better—pitting data against gut instinct. Then, they unveil the actual results.

“**If your team can easily understand and use data, they'll make data-informed decisions.**”

- Gustaf Alströmer

4. DON'T UNDERESTIMATE THE POWER OF USER FEEDBACK.

A/B testing needs to be based on data of statistical significance. Getting there means you need to collect a large amount of data in a short period of time. Typically, if your company is small or is just starting out, you won't be able to gather enough data to determine statistical significance. That means you don't have enough data to run an A/B test.

In the early days, you're probably small enough that you can still talk to users and find out what they really want to see from your product. In that situation, user feedback will be more valuable than A/B tests with a smaller sample size.

How Segment can help

A/B testing can be a complicated process. Fortunately, there are a number of tools that can make the process easier for you. Start by searching through our [integrations catalog](#) to find:

- A/B testing tools
- Analytics tools
- Feature flagging tools
- Data warehousing tools

For measuring and optimizing retention, head to our [recipes catalog](#) to find tools to help improve your retention.

Keep reading to learn more

- [Retention Analysis the Right Way](#)
- [Email: The Easiest Way to Improve Retention](#)
- [Measuring Product-Market Fit](#)
- [A Beginner's Guide to A/B Testing for Mobile Commerce](#)