LAUNCH

the

ROADMAP TO PRODUCT MANAGEMENT SUCCESS

PRODUCT SCHOOL

New perspectives on product management by top industry leaders.

Product School provides certified courses in Product Management, Data Analytics, Coding, Digital Marketing and Blockchain to professionals across 15 campuses worldwide. In addition to on-site campuses, we also offer the same courses, live online. Both on-site and online courses are taught by real-world product managers who work at top technology companies such as Google, Facebook, PayPal, Airbnb, LinkedIn and Netflix.

www.productschool.com

If you want to learn more about Product Management, Data Analytics, Marketing and more, head to our curated blog. productschool.com/blog

Editors & Design: Nathan Thomas, Roy Cobby and Gabriela Araujo.
Contributors: Katya Evdokimova, Jorge Jiménez and Dan Zirkelbach.

TABLE OF CONTENT

LAUNCH: THE ROADMAP TO PRODUCT MANAGEMENT SUCCESS

Anybody who is regularly working and talking with tech people tends to hear about the same concerns. One of the most frequent complaints we pick up is the lack of practical learning resources.

This is because Product Management, if anything, is a heavily hands-on discipline! In my experience I have always relied on the advice of colleagues and thought leaders. Because you learn by listening to others who have tried, failed and succeeded before you.

This is why we're gathering some of the best insights from industry leaders working for top companies like Tinder, Disney, Uber, FX, Dollar Shave Club, and more.

As a Product Manager, you are the conductor in an orchestra. You're also a motivational speaker. A visionary. At times, a therapist. At times, a mediator. You need to understand what your engineers are telling you, and know which numbers are keeping your accounts department up at night.

Great products aren't built by individuals working in isolation. They are built by teams. Designers. Engineers. Marketers. But who unites these teams? Who holds everyone fast to the vision, and keeps focused on the "why"?

How did Tinder become the top grossing iOS app in the world? Why did Uber succeed where others had failed? How is designing enterprise products different than designing for consumers? You'll find the answers to these questions and more inside.

Whether you're looking to start a new career as a Product Manager, or you're an experienced veteran of a thousand launches, this book will help you take the next step forward.

Without our ten contributors this book couldn't have been released. Thank you for making this possible and for sharing your insights with us.

We hope you'll enjoy the journey!

Carlos González de Villaumbrosia,
CEO of Product School

PRODUCT PSYCHOLOGY

SAMANTHA STEVENS
DIRECTOR OF PRODUCT MANAGEMENT, TINDER

Product Psychology

Samantha Stevens
Director of PM, Tinder

XXX The more you understand your customer, the more successful you'll be as a Product Manager. To help you understand your users, Samantha Stevens has created a DIY guide for user research.

A lot of PMs say that they are user driven but in fact, they simply have a roadmap of features that consumers have requested. In a B2B atmosphere, solely being driven by user requests can work. However, in the consumer marketplace, this is not really the case. This idea can be exemplified by a Henry Ford quote:

"If I had asked people what they wanted, they would have said: faster horses."

Our job as Product Managers is not to be user-driven, but instead, user informed. The more we can understand the challenges and problems the users face, the more successful we will be as Product Managers.

A core tenet we should follow is that good products solve problems.

Before jumping into too many details, let's talk about the more formal user research. Larger companies can hire an outside research agency or may even have an internal team dedicated to user research. Formal research is not for everyone. Let's explore the pros and cons:

Pros of Formal Research:

- Scientific: You'll be in a controlled environment.
- Unbiased: The moderator or researcher is separated from the product and holds an objective viewpoint.
- Observable: Someone else is doing the work, so you can simply observe and understand.
- Recorded & Reported: You can always go back and look at the data and have thorough insights.

Cons of Formal Research:

- Expensive: Working with an agency can cost tens or hundreds of thousands
- Time-consuming: You have to onboard the team, explain in detail the goals, find participants, and actually run the study. This could take several months to complete
- Selection Bias: If you're offering rewards for the participation, this may skew the type of participants that apply to the study.

There are great benefits to working at a company that has the resources to do formal user research, but what if you're in a smaller company? What if you just want to understand how to do it yourself?

All you have to do is learn how to read minds. It only takes a few steps to understand how to read minds and be user informed.

Mind Reading for Product Managers

One thing we first have to address in order to be able to read user minds is… BIAS. Bias is the largest drawback when it comes to DIY user research. We are humans, we are PMs, and we are passionate about our products. It's very easy for emotion to slide into the equation.

Here are a couple steps to handle bias:

- Step 1: Acknowledge there will be bias.
- Step 2: Understand what kind of bias to watch out for.
- Step 3: Be cognizant. Acknowledge the bias, know the types, and, as you're doing your research, try as hard as possible to mitigate these biases.

So, now that you can prepare for bias, let's get telepathic and read some user minds. The first thing you need to do, and the hardest part of user research, is to captivate your subject. You have to find people to talk to, not people who were recruited for a study, but people who will actually have a stake in your product.

Samantha's advice for finding users to talk to is to figure out where your target consumers spend their time. With a bit of confidence and a bit of incentive, go up to people and ask if you can chat with them for a few minutes. A couple of things to help you out in this process are:

1. People are generally nice. If you express genuine interest, they are usually happy to share their time with you.
2. **People love to talk about themselves.** Give the user a stage and they will present for you.

So, where can you go to find these users that you can have a casual conversation with? Well, you want to make sure that where you go resonates with the product or problem you are trying to solve. Here are a few examples:

- If you're building a product for pet owners, go to a dog park and bring some treats.
- If you're trying to solve a problem for senior citizens, go to a retirement home and bring scrabble.
- If you're working on a makeup line, go to Sephora and subtly ask shoppers about their favorite moisturizers (until you get kicked out by employees).

Overcoming Bias

As previously mentioned, it's important to consider selection bias when choosing our subjects to question. You wouldn't show up to Brazil and question only English speakers, as they don't represent the target you're looking to study.

When you think about where to go, you need to make sure it's where your target audience hangs out. If you wanted to understand the lives of young working professionals, you wouldn't go to the beach at noon on a Tuesday.

The second bias we need to understand is procedural bias. If people feel rushed when they're talking to you, or you feel rushed, the results will not reflect what is truly the case. Make sure you talk when both of you have time.

The third is interview bias. Once again, we are human, emotional, and passionate. We have to be cognizant of letting those biases not seep into the way we talk to people or record data.

Leading the witness is when you are trying to get the user to go in a certain direction, sometimes, it subconsciously happens. This is why you have to be aware and make sure you aren't adding in an interviewer bias of personal preference.

Lastly, there is measurement bias. People will do a lot to be seen as socially acceptable. They tend to not want to seem controversial or say things that are embarrassing. This is quite difficult at Tinder because your dating life is usually embarrassing. This is why Tinder have to work to create a safe environment for people to talk in.

The next step to becoming an effective researcher is to clear your mind. You have to get rid of all your preconceived notions of your target audience.

Here are some truth pills that may be difficult to swallow:

- You are not necessarily the target consumer.
- You do not understand everything about your customers.
- Your solution is not perfect.
- You may have misidentified the problem or pain-point.
- You may not understand the market.
- Your market may not be as big as you think.

As PMs, it's our job to truly know our customers and to truly be able to explain everything about their lives. However, we also have to know that we don't know everything about the customer.

A way to deal with these truth pills is by keeping a growth mindset. You are indeed the expert because you are the most invested in them, but, you are always learning and always open to new information. This growth mindset is a great way to keep your mind clear and open.

Channeling Your Intuition

Next in our mind-reading guide is channeling your intuition. This is where you talk a little bit about what to talk to users about. Of course, it is totally dependent on what topic or area of research, however, there are certain things you want to learn in light of your company or product.

Once again, good products solve problems. We don't want the user to tell us what they want, we want to be user informed and be able to build the solutions for users through understanding their lives and their problems.

Here are some guiding questions that can help you when you're preparing your questions:

- What are they <u>not</u> telling you?
- What are their <u>fears</u> and motivations?
- What are their <u>frustrations</u>?
- What are their <u>goals</u>?
- What does their <u>day-to-day</u> look like?
- What/who are their <u>influences</u>?

Lastly, you need to meditate on what you've learned. After you've conducted research, found where your users go, found out what you need to talk to them about, and to conduct really good interviews, you have to meditate.

As you're meditating, you're thinking about all the information you've learned so you can share it with your team. However, once again, there are two very important biases to remember when meditating on the data received:

- Confirmation Bias: You're looking back at your notes, videos, and audio and you realized you learned everything that you had hoped to hear. If this is the case, you might have let a little bias slip in. Make sure you are objective in both the research and the analysis. Not everything should be positive. You'll benefit a lot more from the negative points.

- Reporting Bias: This can be really dangerous. You don't want to send only the "rainbows and butterflies" to upper management. You have to be honest and share both the positives and negatives or your report will be interpreted as bogus for being too good and will most likely undermine what you are really trying to accomplish.

Now you have found users to speak to who represent your target audience. You have spoken to them in an objective way and not guided their answers.

- You've made sure that when you are talking to people they are comfortable and felt that they could be open.

- You cleared your mind of assumptions and really went into talking to people with an open mind and an open heart.

- You asked people questions about their lives, not just about the specific things that you're trying to learn but to really uncover what their problems are and what their lives are really like.

- You've written an objective report knowing that you are human and passionate. You've kept that passion in mind and mitigated for all the biases that may arise.

BLOCKCHAIN IN PRODUCT

JASON ROBERT TRIKAKIS
CEO, HELLOSUGOI

Blockchain In Product

Jason Robert Trikakis
CEO, HelloSugoi

XXX Even in tech circles, too many people still associate blockchain with cryptocurrencies. Crypto's popular appeal has obscured the deeper possibilities behind this completely novel way of storing and sharing data.

Jason Robert Trikakis wants you to think further. Trikakis, HelloSugoi co-founder, has a wealth of experience in the entertainment industry. He is one of the founding instructors of Product School's "Blockchain & Cryptocurrencies" course.

A Social Movement and a Business Revolution

The root of blockchain is a social movement focused on the diffusion of power across society, particularly around the distribution of value. This is something Trikakis felt attracted to immediately. As an artist, he experienced firsthand the unequal reward system through intermediary platforms like Spotify.

However, one does not need to be an idealist to understand the business case for fairer incentives.

Centralization, middlemen… They hurt artists by delaying payments and defining the rules of the game. Free streaming services confront artists against labels and against consumers.

This is **not a straightforward business**.

In response to this, blockchain enables the exchange of value peer-to-peer without a central authority.

This allows for trusted transactions, enhanced security, data immutability and decentralization. Sounds more legit, right?

Let's think again about your favorite streaming service or any other product that you use, and ask yourself the following: can you transact digital assets (money, IP rights, event tickets) without the intervention of central authorities?

Well, this is the gap meant to be filled by blockchain solutions. And a nifty product opportunity!

What Are Smart Contracts and Tokens?

Blockchain technology allows to codifying logics as “stored procedures”.

In plain English, this means that **you can set exchange mechanisms which independently sort themselves out**.

Imagine a machine at a tourist information office where you can buy a map, a postcard, and a map and a postcard. Map costs 1 dollar. Postcard costs 50 cents. Thus, a smart contract would codify the process by which paying 1 dollar, 50 cents or 1.50 would generate different results.

The number of applications smart contracts can have is limitless. Of course, Trikakis and HelloSugoi are in the events ticketing business. But it can also work for ride sharing, supply chain solutions, real estate listings, creative rights attribution and generally all those environments where **decentralized exchanges can bypass a legacy middleman**. After all, it’s all about limiting costs.

Participation in these contracts is regulated through tokens, which represent virtual assets.

Trikakis lists a few types:

- Work tokens grant holders the right to provide a service within a particular network; each network has a particular token.

  Imagine, for instance, a contractors’ platform where these are granted access to tasks through the distribution of tokens.

- Governance tokens have an organizing role within a network: they grant participants a chance to make decisions.

  Think of working teams, making strategic decisions on a workflow service. They could use these tokens to facilitate discussion.

- Security tokens act like traditional financial products: one token can be the same as a share in a project, a bond in a debt or others.

  Employing blockchain technology, one could, for instance, generate a platform

- Collectible tokens, finally, have unique properties and cannot be exchanged. This makes them ideal candidates for objects like event tickets!

“Blockchains are a blue sky opportunity for Product Managers.”

Successful PMs are like pioneers who have to build solutions as they go along.

As we have established above, blockchains are a challenge to many received pearls of wisdom about the digital world. But they also need to be worked through on a number of fields.

Let’s look at some examples. Identities are still hard to establish on the blockchain scene: there are many problems associated with anonymity and multiple profiles. Scalability is still difficult, as user interfaces are very complex. Governance is another challenge: as something emerging out of self-organized communities, having access to code and sharing information is still a chaotic process. Finally, there are still not that many successful case studies that can show blockchain in action.

These are all **tasks that can be undertaken by Product Managers**. Obviously, the traditional PM toolbox still applies. But with some tweaks.

One thing still matters: educating users. Just like we have done above, customers must understand how tokens work, what are smart contracts like, what kind of architecture they are dealing with.

As crypto became popular, many users ignored what was the difference between centralized and decentralized exchanges; how wallets work; how to manage private keys or how to send and receive tokens.

PMs have always been full-spectrum-capability professionals. Now they need to expand their acumen even more.

Securities law, markets, trading, game theory, social psychology... these are only a few of fields useful to understand and explain blockchain technology. They also need a working theory of smart contacts: they are, after all, immutable. But the PM mentality is based on building fast and breaking things!

Thus, internal and external teams must audit the new code. Even if this seems costly, imagine the **costs of releasing the wrong code**, permanently reproducing itself through the beauty of smart contracts!

There's a catch here too. Smart contracts require "gas": users must pay so computation can take place. **This needs some convincing. And a great UI!** At the moment, browser extensions like Meta Mask are not performing at the height of their possibilities. A regular person needs the terms and conditions explained before joining a service.

Now to tokens. They are key features within the product, as they coordinate ecosystem behavior through the design of incentives. As a PM, you need to work with the whole team to put those mechanisms in place.

We saw above that, in certain industries and digital platforms, incentives are either misaligned or create conflicts between users, owners, and creators. Tokens can help define which actors are in charge of which tasks, who will be rewarded, etc.

There are some schematic models which can help you with that. First, you need to define desired outcomes, which most of the time involves solving a problem. **Then, how do you define good and bad behavior? How will you reward or punish either?**

In the end, your UI has to be so good that you "**build a product where people don't even know that they're using blockchains**".

A Case Study: Event Ticketing Through Blockchain and Smart Contracts

Trikakis and his team have attempted to "solve" event ticketing through HelloSugoi.

Think of the different agents. Event organizers might be target customers, but what about the larger ecosystem? Vendors, venues, promoters, artists... they all take part in this market and have different incentives. There are also "bad" secondary agents like scalpers, who hurt consumers.

Your goal? You need to create a token to align all these incentives, so you achieve an optimal outcome. That's where PM attributes like knowledge of game theory, building markets, communication channels, financial speculation, etc. become fully useful.

Token distribution mechanisms vary: there's initial coin offerings (ICOs), airdrops or continuous token sales. What matters is to find the right one according to your network needs.

In the case of HelloSugoi, the goal is that artists have a great show with their true fans, while event organizers, promoters, venues, and vendors make their investment back. We work backward from here and understand which behaviors to promote and which ones to censor.

For instance, a perfect PM task would entail building a solid reputational system to identify brokers and scalpers.

Actually, participants in your platform can become your own evangelists! These reward mechanisms can incentivize some users to align themselves with your company ethos, whatever it is. For blockchain-guided products to succeed, you have to pay attention to online communities 24/7 on Reddit, Twitter...

In fact, you must listen to your users: on many blockchain platforms, both User Experiences and User Interfaces are abysmal. Onboarding takes a lot of time, management of private keys is unsafe... Overall, this indicates a clear lack in new user education, a department where adept PMs are really suited for.

Following Robert Metcalfe's Netoid function, there's plenty of ways to generate these communities. There's token sale bootstrapping of primitive networks. There's creating networks from scratch based on the expectation of a reward. There are tribal-style "badges of honor" recognizing the value of certain participants: indoctrination, personalization, and organization of Meetups can be commended. Finally, token holders themselves can lead to innovation.

In the case of HelloSugoi, they are carefully walking the line between speculators and users; the objective is to generate tokens so those users who benefit artists the most gain reputation in the network. Air drops are currently being used to favor those engaged actors: these are unique tokens given to a selected few.

New Tools, Identical Mechanisms

Blockchain platforms are opening up new product horizons. But the traditional PM skill set is still relevant! UIs and UXs are still way behind in the blockchain universe. Thinking like consumers is fundamental to design well-functioning ecosystems. Solid programming, design, and marketing are as important as ever.

really important. Understanding smart contracts: that's essential!

In any case, experimenting is key. Jason Robert Trikakis has created some cool community features to attract users and build their community. By rewarding attachment to company values, these networks grow and grow.

It's impossible to know for sure if the future belongs to decentralized organizations like those based on the blockchain. However, any resourceful PM must understand the novel applications this technology offers, and be ready to adapt some of them to their efforts.

HUMAN INGENUITY IN AR/VR PRODUCTS

KATHLEEN COHEN

SR. PRODUCER AND PROJECT MANAGER, DISNEY

Human Ingenuity in AR/ VR Products

Kathleen Cohen
Sr. Producer & Project Manager, Disney

xxx Over the last 27 years, we have advanced from the most rudimentary user interfaces to the creation of Virtual Reality. From games as basic as PacMan, we now have Virtual Reality, Augmented Reality, and Mixed Reality technology that blurs the lines between the digital and the physical worlds.

Big Data is Overrated Compared to Human Ingenuity

Forbes recently ran a headline that stated: "Big Data is Overrated Compared to Human Ingenuity." Kathleen would take this a step further: The future is overrated compared to human ingenuity.

As Product Managers, we are required to look beyond ourselves and be leaders, mind readers, referees and visionaries for our entire teams. We are the power behind the throne. We are responsible for effecting positive change in the workplace.

Many people believe that it will take just another 27 years for us to achieve Artificial Super Intelligence. This will permanently and fundamentally change our relationship to technology, to ourselves, to each other, and to the world, in ways that it is impossible to predict from our current level of understanding.

The year 2045 can be a sci-fi horror scenario like Black Mirror. Or it can be a positive, inclusive and progressive world defined by our values. Kathleen Cohen believes it is our job and our responsibility to take control of this narrative, and define the year 2045 before it is upon us.
This requires us to deeply examine our own minds. We look at how products are created. How they are solved. How we rationalize our thoughts. How we deal with the consequences. And we take steps to improve this.

What Are the Values That Define Us?

Kathleen Cohen believes Burning Man to be a perfect example of Human Ingenuity. It is a seven-mile square space where Silicon Valley is transported to the beach for a week. It's a place where there is permission to create. And it has had a profound influence on corporate America.

The 10 stated principles of Burning Man are:

- Invite new ideas

- Humans gifting their time, creativity, themselves

- Social environment unmediated by commerce, transactions, ads

- Self reliance.

- Self expression.

- Communal efforts.

- Civic responsibility.

- Leave no trace - personal accountability (0 trash cans).

- Participation - no spectating.

- Immediacy.

Do you know the principles of the corporations you work for? Do you live by them every day? It took the founder of Burning Man 18 years to document their ethos. The mere act of doing so exponentially enhanced the impact of their organization.

Create Alignment Through Happiness

As a Product Manager, how do you create alignment between the various diverse people who you work with every single day? You do it through shared values. You do it through playfulness. You do it through happiness. You do it by giving people a chance to be human.

Defining the Future Narrative

When it comes to defining our potential and who we are, are we going to make the decision ourselves based on our stated values, or are we going to leave it up to AI? Instead of leaving it up to Hollywood to "storytell" this future for you, help create and define the story. Help shape the future before it is upon us.

Consider the following storytelling elements which are of increasing importance as the year 2045 and Artificial Super Intelligence approaches:

- Diversity: Of gender, ethnicity and everything we take it to mean today, plus neurodiversity - how are people with various so-called "conditions" actually providing unique value and perspective?

- Empowered youth and street cultures

- Gender definitions

- Human body - man vs machine - what is human?

- Evolution of economics with reference to decentralized registers

- Space travel and colonization - what are our values around this?

- Environmental awareness, with reference to Biomimicry and IoT

Your Purpose

Too many people in the tech space lead with the tool, rather than the purpose. It is estimated that by 2030 - that's just 12 years away - 80 million jobs worldwide will be lost to machines. It's not enough to tell those 80 million people to take a computer programming course. We need to teach soft skills. Values. Beliefs systems. Teamwork. Diversity.

"2045 is coming. It is our responsibility to define it."

THE SaaS PM

GUY ASSEDOU

FMR PRODUCT MANAGER, PLAYSTATION

The SaaS PM

Guy Assedou
Fmr Product Manager, PlayStation

XXX Today, SaaS is a widely used 'fancy' term, as Guy describes it, meaning simply software-as-a-service. SaaS is still fairly young and the more companies are emerging as software-as-a-service (SaaS) firms, the faster grows the necessity to discuss it. To put the groundwork to the discussion about SaaS in Product Management, first one needs a definition for Product Management itself.

There are many good definitions about the term, and what the role of a PM is, and what the Product Manager does. However, the definition that Guy picks out for himself, the definition that resonates with him personally is the following:

"The role of a Product Manager is to deliver measurable business results through product solutions that meet both the market needs and company goals." - Don Vendetti

Key words here are:

Deliver

Unlike some other roles one may think of, such as analysts, management consulting, researchers (not to say those are any less important roles), in Product Management professionals are measured by their ability to take a concept, breathe life into it and release it into the market, into the hands of customers.

However, if a Product Manager fails to do that, if they can't deliver, they are not doing their job very well.

Business Results

Product Management is not just about engaging with cool technologies and delivering them to the market. It's about embedding your products into the market in a way that allows business to capture some of the value that is generated with the things that are delivered.

It is about impacting business results, maximizing the business opportunity, as well as, of course making sure that whatever you do next is in an alignment with the company goal.

Company Goals and Market Needs

Your product strategy needs to align with the company strategy and company vision, as well as taking the market needs into account. Obviously, your customers' pain points and needs are known, however, it is also necessary to be mindful of competitors' actions in the competitive landscape and to assess whether those regulations are applicable specifically to you.

So what is SaaS?

The above explanation of a Product Manager is generally applicable and all-encompassing. It can be applied to any business model, any product, any industry, in any market. The encompassing part comes in a sense that it touches upon all the key activities Product Managers engage within their job, or should be engaged with.

Product Managers can be very keen and enthusiastic, wanting to get out there, to deliver, to make big decisions in the hope of generating impactful business results, but, first, it is key to understand what SaaS is.

Today, SaaS is a widely used 'fancy' term, as Guy describes it, meaning simply software-as-a-service. SaaS is still fairly young and the more companies are emerging as software-as-a-service (SaaS) firms, the faster grows the necessity to discuss it.

In brief, SaaS is a software hosted on a cloud that is being rented to your customers, who are paying for it on a recurring basis.

Here comes the SaaS crash course:

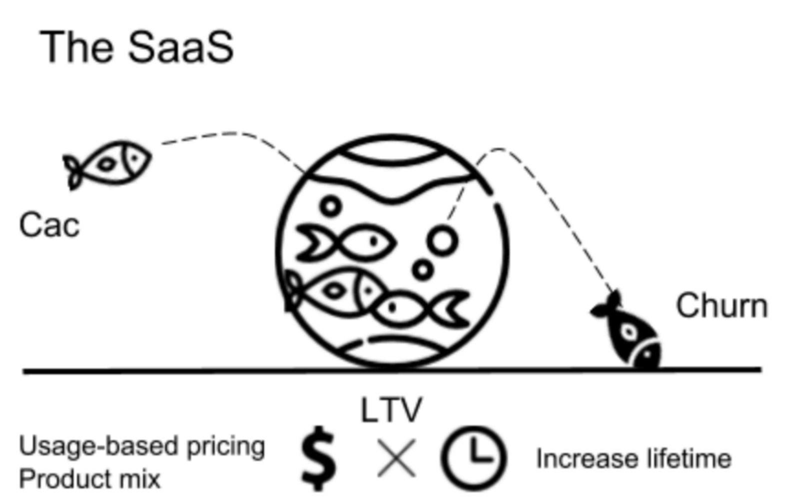


Fig 1.

In Fig 1. the fish is the customer or a potential customer; the fish tank is the business with the goal of SaaS to capture as many fish and for as long as possible, growing them and making them more valuable to the customer and to the business. The three fish in the tank represents the three key activities for SaaS business and each one has its own key metric.

The first activity is to acquire the fish with the key metric being customer acquisition, unsurprisingly. **Customer acquisition cost is the total cost of marketing and sales divided by the total number of customers acquired** in a given period of time, usually a month: of course, there are always expenses the business incurs upfront when putting a fish in the fish tank.

The second is to retain the captured fish, to stop them from jumping ship, or tank, in this case. Again, unsurprisingly, the key metric is about retention, which is measured by **churn rate**. Churn rate is the rate at which customers are lost, which is the **total number of customers lost as a percentage of the number of customers had** at the beginning of the month.

The churn metric is extremely important, if there are two exactly same companies, with the same acquisition rate, costs, and the same subscription cost, but the only difference is the churn rate, then business shareholders and analysts would love to see the lower percentage churn rate with a perfect upwards curve, compared to a steady, slow increase. Over time the market share difference between the two companies will grow exponentially.

Churn is the critical measure for SaaS business, investors have immediately gravitated to a healthy upward curve.

The third activity is to monetize, to make money for the business. **Monetization**, being the key metric for the third activity, is calculated using lifetime value which is **the monthly recurring revenue** (MRR) **that the company gets from the fish multiplied by the duration of the fish in the tank**. However, the duration is actually calculated by one over the churn rate. For example, if the churn rate is 20%, thinking in terms of months, then the duration of the fish in the tank would be five months.

From this quick analysis Product Managers of SaaS gauge a good understanding of where the focus needs to lie. For example, if customer acquisition cost is basically marketing and sales, then product management doesn't have a direct impact on that. Although the PMs would still need to keep an eye on that, it would be better to focus the attention on customer retention.

What can Product Managers do to impact MRR?

There are a number of tactics, but here are a few quick ideas:

- **Usage-based pricing** - Let's use an Email Marketing Platform, MailChimp, as an example. The company charges based on a number of contacts a customer has in their account in a given time, in a given month. So the more contacts the customer has the more they pay: this allows to increase the value of customers, as well as drive up the value customers see in your product, thus generating a higher usage.

  As a Product Manager, you want to find a key metric in the product that can be used to charge money on usage basis, making the average monthly rate go up.

- **Add-ons** - Having a core feature of a product and adding value by introducing secondary, additional features, so if the customer wants to use those they have to pay extra.

  A good example of that is API access; some companies charge extra a month in addition to basic subscription cost.

- **Tier subscription** - Different levels of subscription, such as silver, gold, platinum etc. This allows Product Managers to deliver and capture value from customers who see more value in the product and relate it to their own needs.

  The concept is similar to usage-based pricing, but in the case of tier subscription, you have different features in each package, which cost differently.

Why customers churn?

To understand why customers leave, Guy Assedou suggests 'the red pill' approach, Matrix-like.

The red pill shows the absolute truth and nothing else, how far the deep rabbit-hole goes and slaps the Product Managers with the hard cold truth - **why customers are leaving and stopping to pay**.

Your answer is the exit interview. It is useful to ask the customers why they are leaving the company, it can be in an aggressive (each customer leaving has to participate in an exit interview), or less so (send an email asking to share their thoughts) manner.

It is down to the Product Manager to find the balance that's right for their mix, depending on how many customers there are, the business, the industry etc. The idea is that **over those recurring exit conversations the Product Managers should be able to accumulate recurring themes**, divide them into clusters and iterate the product to reduce the churning rate. Knowing the areas that require fixing informs product roadmap, product prioritization, and the future definitions. This provides an added benefit.

What to do?

After finding out the hard truth about customers' leaving reasons, it comes the '**ceaze the decrease**' approach.

Churn rate reflects an action that happened at a single point in time, but there is a process behind it. The customer buys the product, pays for it, engages with it, maybe they use it every day, maybe use it multiple times a day, but then **something happens and their product usage drops**, and when the monthly subscription bill arrives they realize they don't even use the product that often so they decide to churn.

The idea is for Product Managers to go through the data, evaluate the decrease in usage over time, foresee that fading away process and create the 'intervention' plan to avoid losing the customer, but instead bringing them back to engage with the product. There are a few ways to do that.

2.1. **Moderate approach** - to create value reminders, when it's noticed that the customer is fading away, send value reminders which may be: a new feature release, prompting the customer to complete the action or advise them to use the feature that may be valuable to them based on their activity.

2.2. **Aggressive approach** - partner up with the marketing team to create incentives for customers to engage with the product: non-monetary values like credits.

2.3. Offer relevant services:

a. An in-app guide that walks customers through a process they may have difficulties with.

b. Offer scheduled calls, again, to help customers through.

How to avoid churn?

Be different - The product may be different in a number of ways, in the product's design, its features or quality, or the switching cost is too high for the customer so they stay with your product. A great example is Apple, the prices are high but the customers are loyal because of the feel and the experience they get from the product.

In order to stay competitive in a marketplace a product must be a successful combination of the following:

Design - in a traditional physical world design is about the packaging. However, in the digital space, it's software: it's about information architecture, the optimized workflows and the look and feel. **Design is critical to create** differentiation in the marketplace and sustain the advantage for longer periods of time.

Features - not necessarily a single feature, it can be a synergy of features in that product, which make it **the**

only one that delivers that specific value.

Quality – in the digital world quality refers to things like availability, uptime and platform bugs.

The PM Predicament

When it comes to customers they always have the upper hand. Sometimes, a high MRR customer will ask for a certain feature to be built in 2-week, for example. What will you do in this case?

2.1. Don't panic

2.2. **Negotiate** – start by listening to the customer, understand the pain point and why they want to adjust the product, it may be that the solution was already on the roadmap but in a different form.

It may also be that the customer wants very specific features, however, by reiterating the product vision Product Managers may cherry-pick specific features that cater to a wider number of customers and not just for the one use case.

2.3. **Create alignment** of the product vision and the product roadmap within the company, this helps keep people in place through the force of social pressure.

There may be a lot of strong forces (CEOs, boss bonuses that are based on metrics, executives' promotions on the line, etc.) that put pressure on Product Managers to satisfy those MRR customers at any cost.

However, following the above approaches increases the chances of handling the MRR predicament created as a result of **being a good Product Manager in the SaaS business.**

[CHAPTER 5]

BREAK YOUR OWN PRODUCT RULES

RYAN MICK
DIRECTOR OF PRODUCT MANAGEMENT, TINDER

Break Your Own Product Rules

Ryan Mick
Director of PM, Tinder

XXX Tinder created the top grossing app by carefully deciding which limitations to add, and which limitations users could pay to remove. The result was Tinder Gold, a premium upgrade that propelled Tinder to the top of the iOS top grossing charts.

Let's break down how Ryan Mick and the team at Tinder accomplished this. To begin, it's important to understand how value is added within applications:

Ways to Add Value

- **Efficiency**. Doing more with less. Time resources. Energy resources. Snapchat is a perfect example of an app which allows immediate, efficient communication of experiences.

- **Connection and validation.** The so-called "Rewards of the Tribe" (Hooked). The rush of getting a new like or a new follower. This is very intentionally designed, sometimes abused by a lot of popular apps.

- **Entertainment**. Entertainment is value. YouTube, Netflix etc exist to provide this and do so as efficiently as they can.

- **Money**. Help the users make it, or save it. Uber and Lyft are great examples of apps that have an earning function built in.

Setting Rules and Breaking Them

Limitations or rules protect the user experience. We all accept limitations in every single product we use. For example, Instagram decides the content we see on their home screen. YouTube determines the recommendations we see. Robinhood restricts your available funds.

Restrictions also provide balance in the marketplace. For Tinder, we see this in the double opt-in. Two people cannot talk unless they have both independently approved the other person.

"Sometimes These Rules Need to Be Broken."

By removing limitations we are adding value. We are giving users a "superpower" they never had before.

When deciding what limitations to remove, ask yourself:

Does this power really change the user experience?

For example in the Robinhood app, if you could invest at the same moment you transferred funds, that would indeed meaningfully change the user experience.

Can everyone have this power all the time?

Product features that unlock value and need to be paid for need to be something that not everyone else can have.

For example: if everyone could message everyone in Tinder all the time, it would be a completely different experience and defeat the purpose of the app!

Should people pay for this?

Or would it degrade the experience? If Twitter removed any text editing or length restrictions and gave paid users the ability to retrospectively edit Tweets, would it still be Twitter?

How Tinder Gold Was Built

Tinder was started in 2012 as a mobile dating app. It was the first major app of its kind to make a play into mobile space directly, without starting with a desktop version. The one tap login feature was a major advantage. No need for the extremely long and personal form that most of the competition at the time required.

The double opt-in feature was another major value-add. It removed the fear of rejection - you only experience the high of finding out when someone else is interested in you.

Tinder Gold fundamentally changed the way the app worked for paying users by allowing them to see the users who had "liked them" all together in one screen, without having to stumble across them in the card deck like all other users.

It was a pretty shocking layer to peel away from the UX - it fundamentally went back on the double opt-in promise of the app. But there was a lot of value added and a lot of control that it put in the user's hands. That control was being able to match whenever you want to. You get a whole list of people so you can choose who you want to match with. This grants a lot of power.

In Tinder, your success depends on the value of your profile, AND how many times you're shown in the card stack. The "Boost" feature improves this. It's like an advertisement - it gives the user more attention. It's another paid feature available for premium users, it gives strong social validation from receiving likes.

The Design Process

A good product is **simple, fun and useful**. Any value added need to balance with your existing ecosystem. Tinder Plus, our original premium service, was full of features. Unlimited swipes. The power to change location. The power rewind profiles. The ability to "Super Like" people, explicitly telling them that you're interested.

We very carefully Positioned Gold as the most premium option rather than just adding it to Tinder Plus as yet another feature. We did this because we understood our users.

<u>How are users experiencing your product?</u>

In Tinder, when someone subscribes to Gold, we put that premium experience all over. The app icon changes. The branding in the app changes. The cardstack itself changes. Every single time they get a match, that branding is right there so they can attribute your product to their success.

It's important to ensure the experience doesn't get too cluttered. We spent the last two years adding a bunch of new features, but as with Facebook at this point, now we're simplifying.

As you're simplifying, think about where the entry points of your premium level should go. What is a natural transition? Where is the user's mind at? What is their goal? Are you interrupting them? Find them when they are looking for that value, and meet them at the point.

<u>The Result</u>

Tinder became the top-grossing IOS app and is climbing higher and higher on the Android charts. This shows that you can add value to your users and still reach your business goals. By peeling back the rules you put in place on your product, you give users reasons to stay, because you are in effect adding more value to their experience.

[CHAPTER 6]

BUILDING PRODUCTS WITH EMPATHY

LOREN KHULUSI
SR. PRODUCT MANAGER, DOLLAR SHAVE CLUB

Building Products With Empathy

Loren Khulusi
Sr. Product Manager, Dollar Shave Club

XXX Have you ever heard about building products with empathy?

You probably have and at the same time haven't. This is a product approach proposed by Loren Khulusi, Sr. PM. At Dollar Shave Club (DSC) they have a slightly different take on how to build an MVP, a lot of what they do is **tied to the emotional value** and the usability of a feature or product as well as the functionality. While the traditional MVP is really good at showing how to build in terms of functionality, they have their own approach seeking to build products that are delightful for customers to use.

This leads us to building with empathy. What is empathy? It's the ability to understand and share the feelings of another human being.

In this case, we need to be able to empathize with a customer's needs in order to build a successful product.

Empathy needs to be fostered with the working team - they all need to empathize with the customer and with each other.

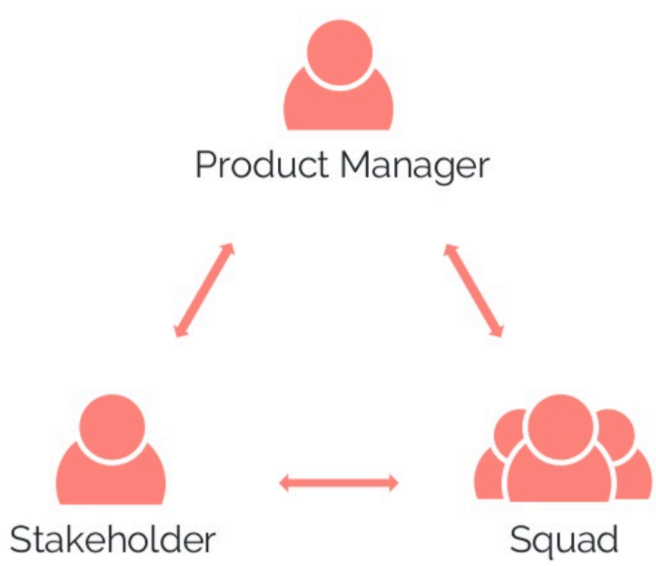
We are used to this process when building a product:

- A stakeholder has a KPI, a requirement, an idea and they work with the PM.
- The PM takes these ideas and then - maybe - works with the designer or the lead engineer.
- The PM comes back to the stakeholder with all set of requirements and then they go over to the team to tell them what to build.

The team is only interacting with the Product Manager and the stakeholder is only interacting with the Product Manager. There's no sense of empathy between them.

How many times does it come up where you've heard these questions: why are we doing this? deadlines are purely arbitrary, or when the stakeholder says can't you just make your engineers work faster? It doesn't work that way, right? All of that is coming from a **lack of empathy within the team** and even though the team, the stakeholder and the PM might understand what the customer needs, they're not working in sync.

We have a second scenario where you actually have a team that has empathy with each team member as well as with the customer requirements. If you want to get to this way of working the most important thing is to understand that the role of a **PM is not to tell his/her team what to do.**



The product manager needs to act as a catalyst to empower and inspire their team to do the best work, to provide customer success and to hopefully release an MVP or final product that's going to measure up to what the customers' needs really are.

The Dollar Shave Club Process

You may be wondering: how do we get there? How do we build with empathy? How do we take those previous diagrams? Which are good at telling you what you should do? How you should build up functionality or what needs to comprise an MVP? How can you take your requirements or your ideas and actually release them?

Maybe with some tight deadlines, hard requirements or whatever other circumstances come up as they always do. At DSC they tried a new process and this is an experiment which - a work in progress - but they kicked off the project with a **Project Charter.**

The Project Charter

Some of you might be familiar with this, some of you might not be. The Project Charter - where we gather all QA engineers, product managers outside the team and the key stakeholder (which in DSC is the VP of the CRM team).

In this session, they asked ourselves a bunch of questions as a group.

Why are we doing this?

It's key that everybody in the group can ask this to each other. The stakeholder can actually provide an answer directly to engineers, the product manager is no longer the conduit in which this information must pass. The engineer's project is usually deadline-driven, something that they don't really have control over with KPIs that they are expected to meet.

What does success look like?

On these meetings, everyone can ask what KPIs are driving this project or, even better, what does success look like. In fact, depending on who you ask, **success is going to look like different things.**

If you ask an engineer what success looks like, they might say that there's a ton of legacy code that they want to scrub out of the system.

A stakeholder might say that success looks like hitting our KPIs.

A Product Manager could have many different reasons for success, for example: hitting the KPI or making the stakeholder happy.

What are the risks and dependencies?

Engineers and stakeholders are in constant communication to mitigate any risks.

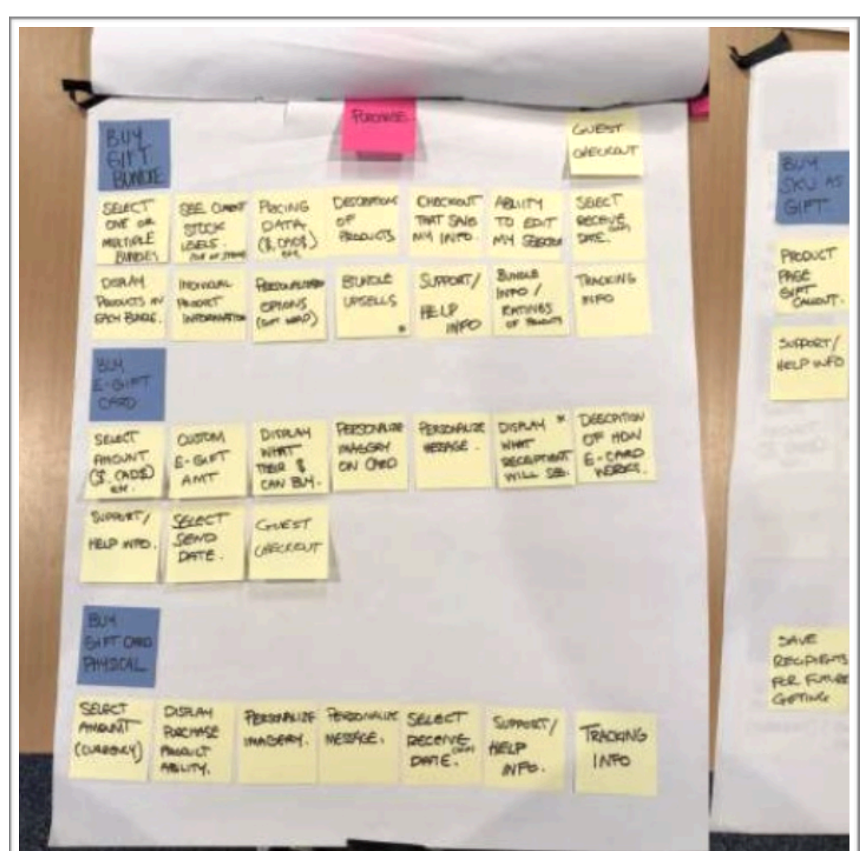
At DSC, this helped with developing empathy with the team even before a single line of code is written. They took all these everyone's points, categorized them and synthesized them digitally. This matrix was shared with everybody.

Next, through **Idea Generation** they started getting a little creative.

Idea Generation

Loren and their team do creative brainstorming, they come up with pie-in-the-sky or moonshot feature ideas that they think customers want. At the same time, they also do a bit of a competitive market analysis, they look at what other sites are doing and their current offerings.

After that they do online interviews, they reach out to customers to ask what their expectations are, what they'd like to see, what they don't like to see, what kind of things bother them, what do they really like about certain sites. They compile all this information together on to even more sticky notes and they have an effort and value session.



Effort and Value Session

This is the second large session where they have stakeholders, engineers, designers and basically the whole team to start discussing all of the proposed ideas. How did they do it? They pulled off sticky notes from the window and started asking themselves: what do we think about this feature?

They put a graph on the window with y and x-axis:

- **Y-axis:** You have customer value from low to high

- **X-axis** you have effort from low to high.

They go through each one of these sticky notes quickly and they ask the group to decide what the effort and value of each feature would be. Regardless of whether they are going ship it or not.

"This was really really interesting because having the stakeholders in this meeting with the engineers and with the designers... What was really surprising to me was that they were very aligned, probably 95% of everything that we talked about and put on the wall everybody agreed to where it should go."

That was when the **empathy as a team and for each other was starting to become apparent and for the customer.**

This is what we ended up with:

Building Prototypes

At this phase, the designer creates a couple prototypes as a departure that are based on their findings from users competitive market analysis and the effort value session.

At DSC they put this out in front of customers and see what it does: no harm, no foul.

They run an online user testing due to the tight deadline and then they collect results to synthesize them and they don't immediately go into the next round of prototyping, they have a Playback Session.

The Playback Session

The playback session was an extremely important step in building empathy and consensus with the squad and the larger team: our in-house marketing agency, our customer service team, all other departments.

They recap the market analysis, the effort value session and the prototype findings and they have a discussion to involve everyone in understanding the empathy for both the customer needs and the business in this project. They tell all teams how the product they are about to ship took shape.

The Build

This phase is for final requirements. Thanks to all the pre-planning and pre-work process engineers are able to work in lockstep and they can move quickly. Sometimes you can face very little back-and-forth. Then fast-forward a couple weeks and you hit the inevitable: you have to start descoping.

Descoping

Thanks to the pre-planning you can know where you are going. At DSC they know what's coming up and they are able to start talking about things to cut before they are up against the deadline.

The chance of having "these conversations much earlier is key" The things they ended up cutting went well, although they still had to do a little bit of other functionality cutting and a little bit of hacking, reflected Loren.

In any case, it was significantly less adjustment than what they normally do.

"It's a huge huge huge win and the engineers were much more appreciative of this. Everybody understood why we were cutting the things we were cutting, we were able to make decisions as a team. The stakeholders were able to understand. We didn't have to have these long meetings, everything was very lockstep which was really fantastic".

The Benefits of Empathy

Even if you remain an empathy skeptic, there are some benefits that can accrue to any organization that introduces some of these practices:

- **Increase in buy-in:** Engineers and other stakeholders understand better why we can't do certain things in a certain amount of time. Through overall business operations, DSC noticed a substantial increase in alignment and efforts, which facilitated the achievement of goals by all teams.

- **Increase in ownership:** Anytime somebody feels like they are the ones building and creating something, there's an aligned vision. When you have an aligned vision, you can let people go! You have to trust that they'll do their best work. They can work from home and they don't necessarily have to be checked in on all the time - you trust that they're gonna deliver what they need to deliver in time.

- **Decreased the back-and-forth:** All of these has also resulted in decreasing the back-and-forth between teams. Everybody has seen this at some point: teams avoiding responsibilities, fighting for credit... Empathy helps build trust, decrease conflict and actually save time to focus on work.

5 TRUTHS IN LIFE & PM

ARIEL BUTTERS
FMR PRODUCT MANAGER, OMAZE

5 Truths In Life and PM

Ariel Butters
Fmr Product Manager, Omaze

xxx The PM role at startups is different than at large corporations. You are not only a manager, but you are also a mentor, therapist, and judge. The opportunities to learn are manifold. Here are some lessons drawn from years of Product Management experience that are also applicable to

What You Do Is Less Important Than How You Do It

For example, let's look at meetings.

People have a lot of opinions about the value and best practices of meetings. There is no consensus among experts with regard to the "what." Meetings become contentious and lead to a snowball of other meetings especially when major changes to the product are being broached. To handle this, focus on the how.

Meet with everyone individually, hear their concerns, and run through everything that will be discussed during the meeting. This means you don't lose out on people's opinion, and when the meeting actually happens you have already heard all the objections ahead of time. If things are still negative, ask everyone to write down what the problem is in their own words, and take note of the emphasis. This democratizes the process.

The work is done in advance and the meeting flows like a well-oiled machine: you'll look like a star!

Your Influence Spans Beyond Your Product

Product Managers know to use influence rather than power. When you are successful at this, people will come to ask your feedback on everything. You have to find the balance between refusing all requests and spreading yourself too thin.

This isn't so much about time management as it is about influence management. Stepping out of your realm can be exponentially beneficial. It can make others feel more confident, and you can learn more about the stakeholder and form a stronger relationship that will give a shorthand to save time later on.

There are also times to not give feedback. If you don't understand the team dynamic, be wary and as your words may be repeated out of context. If someone is repeatedly asking for feedback, then it may be time to say no and build the other person's confidence.

A Healthy Ego is Big Enough for Everyone in the Room

A lot of great leaders have large egos. Being a product manager requires a lot of confidence. But a big ego is not the same as a healthy ego. A big ego demands space for itself, a healthy ego creates space for itself and for others.

Great leaders take all the blame and none of the credit. There's not a lot that you are singularly responsible for as a Product Manager. Everything comes from someone else, you pull it in. You are responsible, but you didn't build it yourself. Credit isn't something that totally applies to PMs.

Blame is a bit different. One of the best things a PM can do is to be comfortable taking the blame for things that may not be your fault. You are probably the only person who really can see where the ball got dropped, so owning the mistake will help you the most. Scoop it up and be a leader, and stakeholders will be reassured that you have it under control.

This is Not Your Last Great Idea

You shouldn't fall in love with all your ideas because some of them are going to die. Take your high road and trust the data. This also applies to the way that you manage idea generation on your team.

It's good to welcome ideas and let people feel confident and have space to suggest what comes to mind. Sometimes, good ideas need to be deleted because they are not needed. If there is a need, the idea will come up again. Make sure people who are contributing with ideas understand why their idea is being rejected. Normally, it's just about priorities and they will understand.

Credibility is Not Based on Data Alone

Aeroplanes mostly run on data. Normally, the pilot is rarely needed. But they aren't there for normal flights. They're there for the abnormal.

Data is not always the solution. Numbers can lie. So use data, but understand its limitations. Data can be used to persuade, but you need to combine good data presented accurately with the soft skills that allow you to get people on your side and be invested in your vision. You cannot do this with numbers alone.

BEING A PM FOR ENTERPRISE PRODUCTS

GIOVANNI GARDELLI
FMR PRODUCT MANAGER, SNAPCHAT INC

Being a PM for Enterprise Products

Giovanni Gardelli
Fmr Product Manager, Snapchat

XXX Consumer products and business products are well understood. Enterprise products are a subset of business products. There's no generally accepted definition. A useful one to use is: Enterprise products require human interaction in order to be bought or sold. They include a degree of customization and sophistication, so there's seldom an out of the box "click and buy" option.

Here are a few lessons for Giovanni's experience as PM for enterprise products.

It's Hard to be a User of Your Own Product

It's easy to use consumer products. To use Snapchat, you just need to own a phone! But to use an enterprise product is much harder.

This challenge can be turned into a strength. If you actually have experience using an enterprise product, you're far ahead of the competition because few other aspiring PMs will also be able to claim this. Technology is incredibly valuable and rare for enterprise products. By proving your experience as a user, you set yourself apart.

Users and Customers are Not the Same People

For consumer products, you are normally both the user and the customer. You buy a product to use for yourself. You seldom hear the distinction between the terms.

Enterprise is different. Every time you build new features, you need to think about both the CMO who will make the purchasing decision and the lower level employees who will actually be USING the product.

One of the few consumer products that has this distinction is an engagement ring: it is bought solely in order to be given to someone else.

Onboarding is Not Self Service

Consumer products allow the user to immediately onboard themselves. Onboarding for enterprise products is a long, complicated and often painful process.

It involves sales representatives, demos, customization, pricing conversations, legal conversations and more. It can take months for the onboarding the happen.

Support roles are therefore not only helpful to your success but crucial to your success. It is incredibly important to be friendly with teams such as sales, legal and customer service and to build strong relationships with them.

New Features Testing and Release is Different

Common tools like AB testing are not so easily applicable to enterprise products. If your clients are Fortune 500 companies, AB testing would mean half the company has one version, and the other half has another! It would be a disaster.

With A/B testing therefore largely off the table, it becomes very important to measure KPIs based on the roll out of new features. Use metrics like adoption - is the new feature being used? Are people happy about it? Start measuring from the moment a feature is released and gather as much relevant data as possible based on what you are trying to optimize for.

Features Take Priority over User Experience

This is controversial, but in general, a backlog of features takes priority over a backlog of usability improvements. Enterprise companies are heavily driven by revenue. Every feature has a price tag and revenue target. But it's very hard to build money calculations for UX/UI improvements.

This brings us back to the customer vs user distinction. The CMO cares a lot about features that will help him improve revenue and save money. UI improvements that will help other employees perform tasks more easily are lower on the priority list. After all, employees are contractually obliged to do use the software anyway, regardless of the joy of the experience.

If usability is so bad it becomes a revenue blocking issue, it becomes a painful and expensive process to redesign the entire thing from scratch. But in general, as long as the users can do their jobs with the software, they will, regardless of the UX.

This means that focusing on UI and UX when you're building feature is even more important because this is likely the only chance you're going to get to really make the user a priority. If you ship something that is just good enough then it will stay good enough for years. You only have one shot to make it great.

MARKETPLACE PM

TAL FLANCHRAYCH
FMR PRODUCT LEAD, WAG LABS INC

Marketplace Product Management

Tal Flanchraych
Fmr Product Lead, Wag Labs Inc

XXX Interfaces are not the same as marketplaces.

You can have what looks like a great marketplace, but it's actually just a great interface. A great marketplace is something that is a lot deeper than a great digital user experience. Tal Flanchraych learned this lesson the hard way...

Tal Flanchraych blew her shot at becoming a bajillionaire back in 2008. For those of you who were old enough to call a taxi back then, you may remember that it was a pain at best. You had to Google the number of a local taxi service, or you had to wait in the rain for 30 minutes because everyone needed a taxi at the same time. There was no peace of mind that you would get to where you needed to go.

A few people decided to solve this taxi problem. They thought that could build a better interface that gave passengers and drivers x-ray vision, and allowed them to see where one another are and efficiently connect them together, getting rid of that middle layer of phone dispatching or standing in the street.

In 2009 Tal and her colleague launched something that was not Uber. It was called **Cabulus** and it showed you where all the taxis are and when they were going to arrive.

The problem with this is that everyone wants a cab at the same time and there are never enough of them when you need them. When it's raining, Friday and Saturday nights. Given that they had invested and taken a bet on this highly regulated industry, they just could not solve the problem of a lack of taxis.

"This was not an interface problem. It was an underlying marketplace problem."

The real opportunity was not in the interface, but in the marketplace. Finally, a really similar looking app came out, but behind the surface, the product was actually fundamentally different, and the marketplace fundamentally different.

Uber was able to dial supply up and down with no restrictions. This changed the entire marketplace and shows that a great interface does not equal a great marketplace.

If you're going to be a marketplace PM or going to work at a company that is some sort of marketplace, you should know a bit about marketplace economics.

Understanding Your Marketplace

Let's define a marketplace as a platform where there are two types of customers, a supplier and a buyer. If you're an e-commerce store and you have all your own inventory, you don't really have a supplier-customer. While it is still technically a marketplace, it's not the kind I'm trying to refer to.

Your marketplaces are probably going to look very different than what you might expect. You know about Uber and Airbnb but the Salesforce AppExchange is also a huge marketplace. Google Adwords is one of the most massive marketplaces on earth.

Behind the scenes, Amazon has suppliers and small business that are selling through their platform. There are also companies like Lending Club where people are investing and people are borrowing. As you can see, marketplaces don't always look like marketplaces.

However, all of these marketplaces share the same fundamentals. Buyers and sellers. The marketplace is the platform that aggregates both of the sides and enables the transaction between them. That doesn't mean that the payment always goes through the platform, but the platform enables them to connect.

Supply and Demand: Equilibrium is King

Another important thing to know is how supply and demand are related and how increasing or decreasing one affects the other.

Let's say you have a platform where people buy and sell widgets. If you price the widgets at $30, no one will buy them, we'll have a huge surplus and all our suppliers are really frustrated because no wants their widgets. There's very little demand at that price. But, if you price it at $10 and everyone wants it, you're going to have a huge shortage, awful PR, and really pissed off customers because of the limited supply.

As you might imagine, **you're looking for an equilibrium of price balancing with supply and demand.** What you need to know is that this equilibrium is constantly changing, especially if you're working with an on-demand marketplace where it can change every second.

To get back to the Cabulus vs. Uber example, Uber has a shifting point of equilibrium, during different times of day, different days of the week, and surge pricing where the price moves along with changing supply and demand. Demand is what really drives this equilibrium. However, at Cabulus, there was no point of equilibrium because supply ended before they could impact it.

When evaluating a marketplace product or a marketplace company or being the PM of a marketplace, you're going to be thinking a lot about how to enable this equilibrium.

This is very much related to product management, especially if you're working on an on-demand marketplace because you're going to have entire product areas that are devoted to chasing the changing equilibrium point, as well as, dialing supply up and down based on how your demand changes.

Finding Balance in Your Marketplace

The reason for this need to find equilibrium in on-demand marketplaces is because immediacy is key for both sides. If you need a cab and you can't get one in a few minutes, you'll be figuring out something else to do. If you're a driver, you won't spend hours looking for a ride, you'll find some other way to make money. **You need transactions, that moment, that minute, that day**.

One thing to consider is that the functionality required to respond to these fluctuations are entire product areas. You have entire product teams working on the marketing tools that incentivize drivers to sign on when there are unexpected spikes in demand.

Creating the infrastructure for surge pricing is extremely expensive and requires an entire company to manage. The demand side also requires transparency for when customers can get a car and most likely requires a dozen of product managers. However, all of this doesn't even affect other parts of the customer experience, it's just to maintain that equilibrium. When this breaks down, companies lose millions.

Always Start with Supply

If you are at a startup and you are launching a marketplace, do you start with supply or demand?

The answer is to always start with supply. **Supply tends to have more patience.** If you're a business you say you'll bring more customers if you just sign up in a minute, they'll say ok, it doesn't hurt. Supply always stays dormant and will never go away, the suppliers desire to transact is always there. But demand fluctuates and is not always around.

Once you have a supply and a little bit of demand, look at how you evaluate whether it's going to be big one day or if it's already big, is it defensible?

There are a few principles you can use to sustain growth:

The first is **network effect**. The simple way to think about is, does the 1000th user to sign up have a better experience solely because 999 people have already signed up? A good example of this is Yelp. Your first person to post a review probably had a crap experience. But the people who came after had a much better experience because of those first people to sign up.

Another way to determine traction and defensibility is by looking at the **marketplace as a new experience vs. the status quo**. A good example of this is OpenTable and the rideshare app. They widely change the experience of getting a car or making a restaurant reservation.

By doing so, they expanded the market because people make reservations more or pay for rides more. This is something you definitely want to look for.

There is also **transaction frequency** that plays an important role. How often they use it? Do they use it only three times a year?

These types of marketplaces still work, but often have a churning demand and sometimes require monogamy, such as finding a doctor or dating, you don't want to find a new one every time you need it. The supplier may have high frequency, but the buyer does not. Either way, there needs to be a sustainable model there and frequency is one way to evaluate it.

Another one is economic advantage vs. the status quo. My favorite example is Upwork because it creates economic advantage for both sides. If you need a programmer to develop an app, now, instead of hiring someone in the US for tons of money, you can hire someone just as good in another country.

All the sudden this creates opportunities for people in those countries that they may not have previously had, creating huge economic advantages for both sides and expand the market.

Then there is the technology value-add. Uber couldn't have existed 20 years ago because the technology wasn't there. Same for Zillow, which has the ability to gather data from hundreds of sources, also not possible 20 years ago. Now you can see how this technology enables great value to be added.

Marketplace Metrics

Most PMs are probably familiar with the basic metrics that still hold true in marketplaces. However, now you are looking at these metrics and KPIs from two different sides, buyer and seller.

If your acquisition is awesome on the buyer side but terrible on the seller side, you still haven't nailed acquisition. What's challenging about marketplaces is that you have to get it right twice on all of these metrics. Often times, the opportunity is tenfold as far as size.

There are different metrics and KPIs that you may not be as familiar with that are pretty important to marketplaces. If you're interested in working in marketplaces, you should familiarize yourself with these.

Liquidity is king. Liquidity is basically a **lack of friction to transacting**. It's the percent of potential transactions that are filled. For example, if I'm a seller, an Uber drive, how likely I am to get passengers? If I want a ride, how likely am I to get a ride at the price I want to pay and a wait time I'm willing to wait for.

Often times you can tell the health of a marketplace, or even just the progress, by looking at the liquidity.

Next, we have **GMV or gross merchandise value**. This is the amount that is transacted through your platform and the take rate is the commission your platform makes from the GMV. At Airbnb they take about 10-25% of the transaction.

At Wag! they take about 30-40% of the transaction value. GMV and net revenue are really the two big financial numbers you're looking at to measure how successful your marketplace is. There are also examples like Amazon where your margins are razor thin but the quantity is massive and that's how they get net revenue.

You also want to differentiate from contracted and delivered GMV. A buyer and seller can agree to transact before the actual transaction happens. With Wag!, the dog walker may agree to walk your dog next week, but the transaction won't happen until the dog is walked.

So, you may have millions in contracted revenue, but nothing in delivered revenue. This really affects your cash flows and how you can invest your revenue.

Another one to know about is **density or concentration.** What this means is, how many customers do you have on each side that could conceivably contract with each other. You could think about this geographically, like with Uber, how many drivers are around you? How many potential passengers are around you?

Getting a Marketplace PM Job

This varies wildly depending on the product area and the size of your company. You want to know enough to evaluate the company's strategy and also know what matters for your product area. That could actually mean knowing very little about the economics though.

Uber has positions for **Product Manager for Trust and Safety** that most likely don't need to know much about the economics, but, they need to know a thing or two about how to make people secure as customers or suppliers.

Then you have **Marketplace Product Manager Rider Pricing.** This person needs to intimately understand the relationship between supply and demand and how to get equilibrium, as well as, all the technical implications and constraints.

But if you're at a startup like Wag!, you may be on all sides. You may work on the supply side, then switch to demand, and also looking at pricing all in one day.

It's up to your discretion and interests to determine which parts of marketplace product management you want to dig into more.

THE SPEAKERS

Samantha Stevens
Director of PM, Tinder
Watch the talk here.

Jason Robert Trikakis
CEO, HelloSugoi
Watch the talk here.

Kathleen Cohen
Fmr Project Manager, Disney
Watch the talk here.

Guy Assedou
Fmr PM, PlayStation
Watch the talk here.

Ryan Mick
Director of PM, Tinder
Watch the talk here.

Loren Khulusi
Sr. PM, Dollar Shave Club
Watch the talk here.

Ariel Butters
Fmr PM, Omaze
Watch the talk here.

Giovanni Gardelli
Fmr PM, Snapchat
Watch the talk here.

Tal Flanchraych
Fmr Product Lead, Wag Labs
Watch the talk here.