

URL: <https://stvp.stanford.edu/clips/the-dance-of-product-market-fit>

Mike Maples Jr., co-founder of Floodgate, describes the dynamic between a company's product and its intended market: If demand is high, the market essentially pulls product out of the company. However, a great product and team will inevitably fail if the market isn't there. Maples says success also depends on a product or service delighting customers beyond belief, not just satisfying them.



Transcript

And so Marc Andreessen has some great quotes, and I'll refer you to a blog that he wrote in a second.. "In a great market, a market with lots of real potential customers, the market pulls product out of the startup.. Conversely, in a terrible market, you can have the best product in the world, absolutely killer team.. It doesn't matter.. You're going to fail.. The number one company killer is a lack of market." Andy Radcliffe has another way of saying it.. When a great team meets a lousy market, the market wins.. When a mediocre team meets a great market, the market often wins.. Have you ever seen a startup where you're like, how in the hell could they have been successful? It's because they met a great market.. And sometimes, your product, your market, it just has the magic..

You can't beat customers off with a stick.. They just want it.. I've had this happen to me before, where in spite of the fact that the product just seemed horrible on the surface, it just didn't matter.. People wanted it really bad.. I'll give you an example of this where the market was really good.. At Chegg, we decided we wanted to do textbook rentals.. It was one of our early investments.. I don't know.. Does anybody ever use Chegg at Stanford? OK, cool.. So we're like, OK are textbook rentals going to work? We're like, we don't know..

We don't even have a warehouse.. And so we're just like, OK what we do? So somebody would rent a textbook from Chegg, we'd ship it from Amazon.. And they'd call us up and say, what's up with this? I thought I'm renting a textbook from Chegg and you shipped it from Amazon.. What's the deal? And we'd say, oh it's just a clerical supply chain error.. Would you please ship it back to Chegg? Here's our address.. But people put up with it, because they just loved the idea of renting a textbook.. They're like, let me get this straight.. Textbook costs me \$100, you'll rent it to me for \$35.. Sign me up.. And so they just kept renting them no matter how disorganized we seemed in the early days..

So to me, product market fit is more of like a dance between the product and the market.. You know it's like if you ever see two people doing the tango, I look at it like the product is leading the dance, but the market is tangoing with the product.. I'll try to be G-rated in my language, but sort of an intimate sort of back and forth between them.. And what I find is that if you want to get the tango right, the first thing is to really identify the market.. Large, strong customer desire and the right time.. You want to find markets where people gravitate to your idea and want it right now, as soon as possible, even if it's half done.. And then that market pulls the product.. So it's interesting.. When a market pulls a product, this is what it feels like inside the building.. Nobody's debating what the features of the next version ought to be, because they're like, oh my god..

This stuff is flying off the shelves, and our customer needs us to fix x, y, and z.. And you're like, OK well let's fix it.. And so that's what it feels like when the market's pulling the product.. Whereas where the market's not pulling the product, the conversations in the building are arguments over, why aren't those customers smart enough to figure out how awesome our stuff is? And back and forth, and is my vision more right than your vision about what the product ought to be? And then the last part of it is delighting the customer in the other direction.. So you know, the part of the dance where the customer follows is they're pulling product.. And where you lead is you assimilate that information all the time, and then delight the customer.. So by the way, the first thing that I see-- we talked about this-- not doing the dance is the first mistake I see in people not achieving product market fit.. And conversely, the people who do this well often get to there faster.. The second thing is not clearing the threshold of delight.. So a lot of people think their product is good and that rational customers ought to like it and buy it..

But customers-- I won't use the exact words-- they need to say, WTF.. I didn't know that that was even possible.. Are you kidding me? So I'll give you an example.. When Lyft first launched, we had an associate at the time.. He's now at Rothenberg Ventures, Tommy Leep.. And he was the Stanford treat, for those of you who've been here for a while.. And so we launched Lyft.. Well, Lyft launched Lyft, and we're like, I hope it goes well.. Two weeks after they launched, Tommy comes into the team meeting and says, we're going to crush it in this deal.. And we're like, yeah, Tommy..

We're excited about Lyft too.. It's awesome.. He's like, I've used it 10 times in the last week.. He's like, have you tried it yet? We're like, well I'm going to get around to it.. I haven't been to San Francisco, but I'll check it out.. He's like, dude it just, it rocks.. You just get out your phone, there's a car on the map, you ask for a car, and it picks you up.. And keep in mind, this is before Uber decided to react to Lyft with Uber X.. Like nobody had ever had a service before where just some stranger in a car pulls up when you request the ride, and takes you where you want to go.. And keep in mind at the time, the cabs in San Francisco were horrible..

So you'd never get a cab in San Francisco.. And so it was one of these experiences where I remember the first time I tried it, it was obvious to me that this product was going to be a huge success.. There was just no doubt in my mind...