

# OVERVIEW OF PRODUCT FEATURE STRATEGY

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THE INTELLIGENT FUTURE

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# MOVING FROM FUNDAMENTALS TO PRODUCT STRATEGY TOPICS



## Fundamentals of Product-Market Fit

How do we define and improve product-market fit by satisfying customer needs.



## Product Feature Strategy

Given product-market fit, how do we improve existing, add new, or kill product features?



## Product Growth Strategy

How do we exponentially grow product via activation, retention, revenue, referral?



## Enterprise Product Strategy

How do we expand product-market fit and defend against competitor product innovation?



## Case Studies

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# TODAY'S LEARNING OBJECTIVES

## ■ 3 Types of Product Feature Decisions

- Improve existing features
- Add new features
- Kill existing features

## ■ Product Feature Strategy

- Many possible product feature goals.
- Product *feature* strategy vs product *growth* strategy
- Motivation for measuring Metrics: Product and Growth Metrics

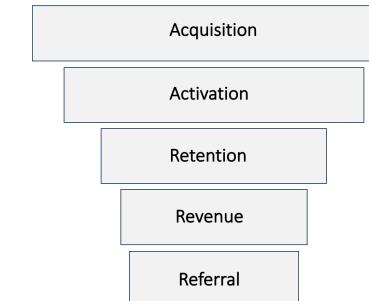
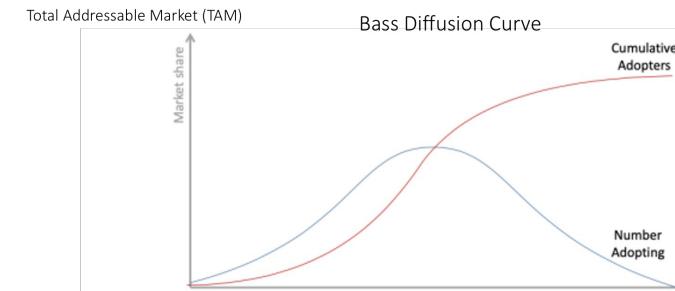
## ■ AARRR Framework

- Acquisition, activation, retention, revenue, referral
- Tradeoffs between AARRR stages

## ■ Headspace Case Study

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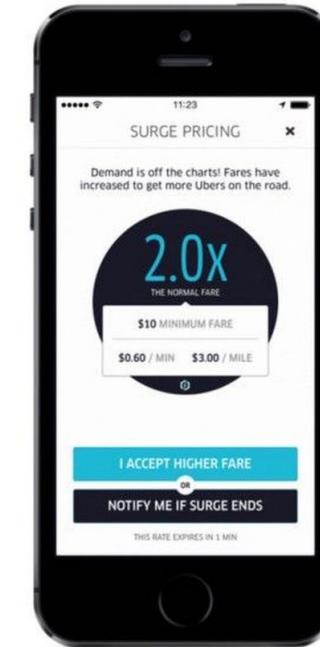


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# 3 TYPES OF PRODUCT FEATURE DECISIONS



1. Improve existing features
2. Add new features
3. Kill existing features



# RECALL EARLIER EXAMPLE: UBERCAB (2009)



## ■ UberCab (2009) Product Features

- Request a ride
- Maps
- Login/Registration
- Fare Calculator
- Automatic payment
- Driver GPS tracking
- Push Notifications and SMS

The screenshot shows the UberCab website homepage. It features a large "LEARN MORE" button at the top. Below it, there are three main sections: "Request from Anywhere" (with an image of two phones), "Ride with Style and Convenience" (with an image of a black limousine), and "Hassle Free Payments" (with an image of a laptop and a credit card). At the bottom, there's a "SIGN UP NOW" button and a footer with links for Info, Phones, Drivers, Social, Legal, and Copyright information.

The screenshot shows the UberCab mobile application interface on an iPhone. It displays a map of San Francisco with several locations labeled. A blue dot indicates the current location or pickup point. The address "1100-1198 California St San Francisco, CA 94108" is shown, along with a green "Pick me up" button.

The screenshot shows the UberCab website with a large map of New York City and its surrounding areas. The map includes labels for various neighborhoods and landmarks. At the top left, there are links for Home, About, and Contact. On the right side, there are fields for Username and Password, and a Login button. A "Sign Up" button is located at the bottom right of the map area.

# IMPROVING EXISTING FEATURES

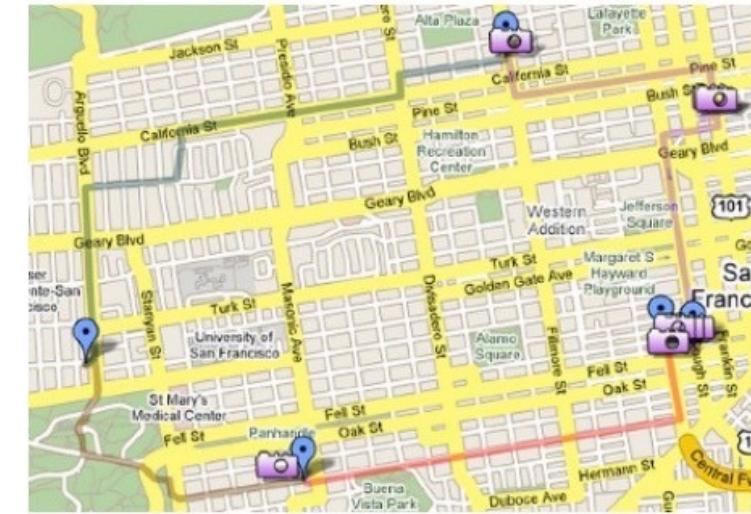


## ■ UberCab (2009) Product Features

- Login/Registration
- Request a ride
- Fare Calculator
- Automatic payment
- Maps
- Driver GPS tracking
- Arrival Notifications and SMS

## ■ Uber (2010+) Improvements

- Driver GPS tracking
- Arrival Notification



Source: UberCab's first pitch deck



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# RECALL: KANO MODEL AND “TABLE STAKES” VS “DIFFERENTIATOR” FEATURES



## ■ Kano Model

- Developed in Japan in 1980's

## ■ How it works

- If you have (feature description), how do you feel?<sup>1</sup>
- If you do not have (feature), how do you feel?
- Similar to Net Promoter Score (NPS)

## ■ “Table Stakes” vs “Differentiator” Features

- Customers will rate or perceive these differently

## ■ Common pitfall: “table stakes” undervalued

- Customers rate “table stakes” needs and features lower than (new) features
- PMs overly focus on “new” exciting features rather than improving existing features.

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[1] <https://www.microsoft.com/en-us/research/group/customer-insights-research/articles/lots-of-ideas-but-not-sure-how-to-prioritize-the-kano-model-can-help/>

Importance (of customer need)



- Delighters / Differentiators
- Not asked for
  - Customer specific
  - “Unexpected”



Satisfaction

(of existing features)

Over time, Differentiators turn into “table stakes” / basic needs



Basic Needs / “Table Stakes”

- Taken for granted
- Obvious for product category
- “Expected”

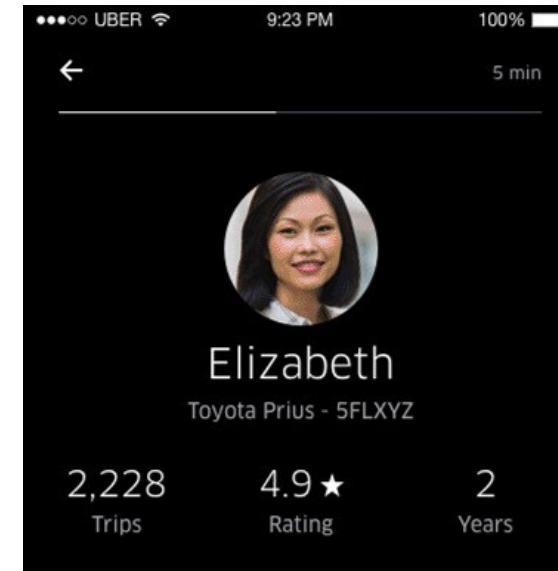
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# ADDING NEW FEATURES



- UberCab (2009)
  - Login/Registration
  - Request a ride
  - Fare Calculator
  - Automatic payment
  - Maps
  - Driver GPS tracking
  - Arrival Notifications and SMS

- New Features
  - Driver Rating & Profiles
  - Split Fare



🌐 Speaks English and German

📍 From Paris, France

❓ Ask about restaurants and museums

Fun fact

💬 I'm a DJ and a drummer!

# KILLING FEATURES

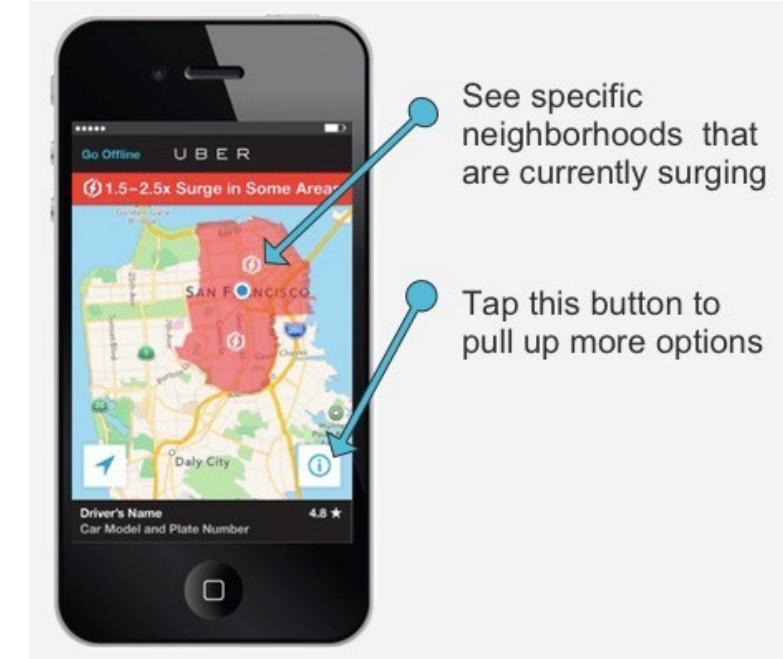


## ■ Uber (2010+) Product Features

- Login/Registration
- Request a ride
- Fare Calculator
- Automatic payment
- Maps
- Driver GPS tracking
- Push Notifications and SMS
- Driver profile and ratings
- Surge pricing
- Split Fare
- Scheduled Rides



Rider “View”

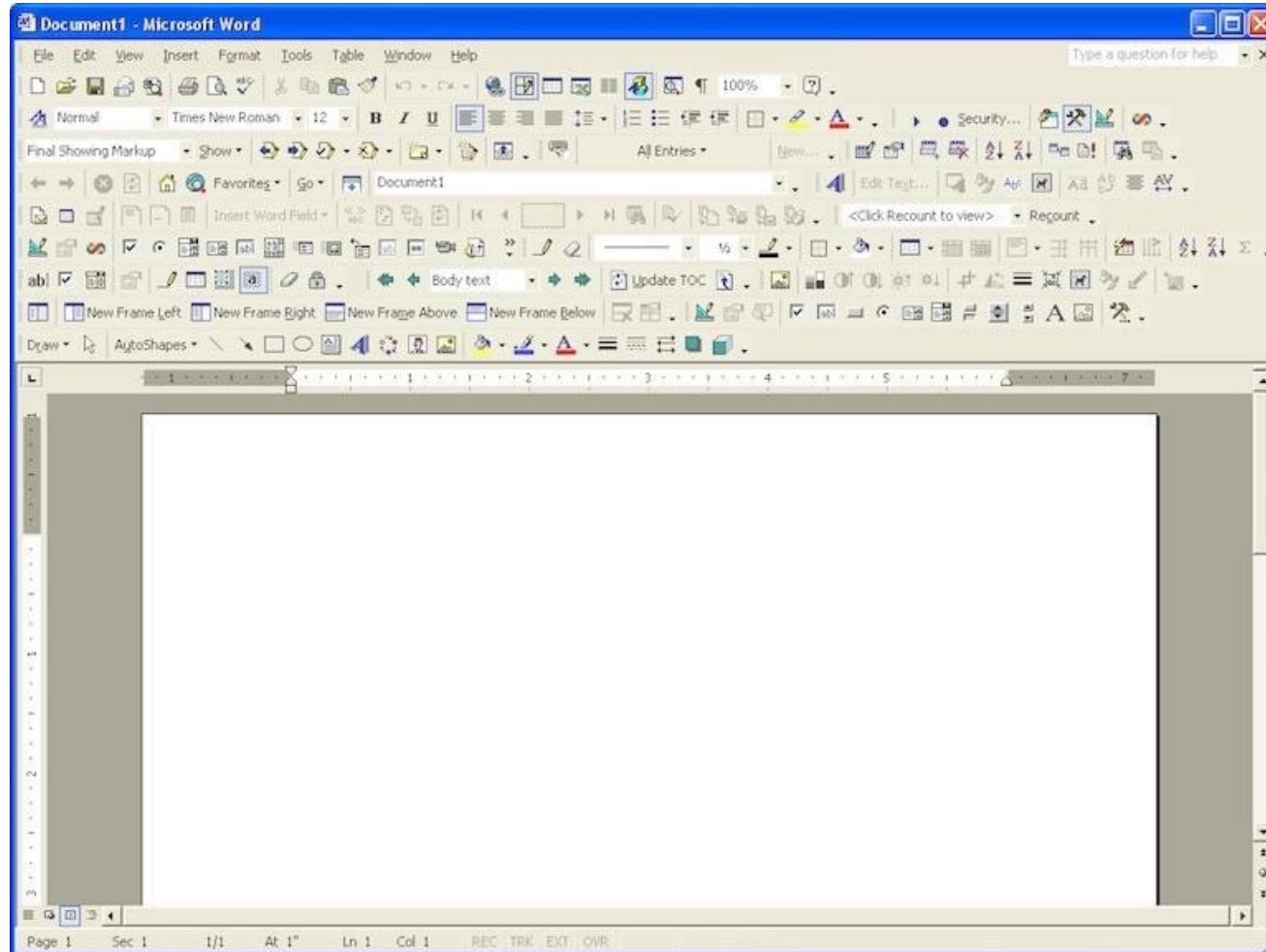


Driver “View”

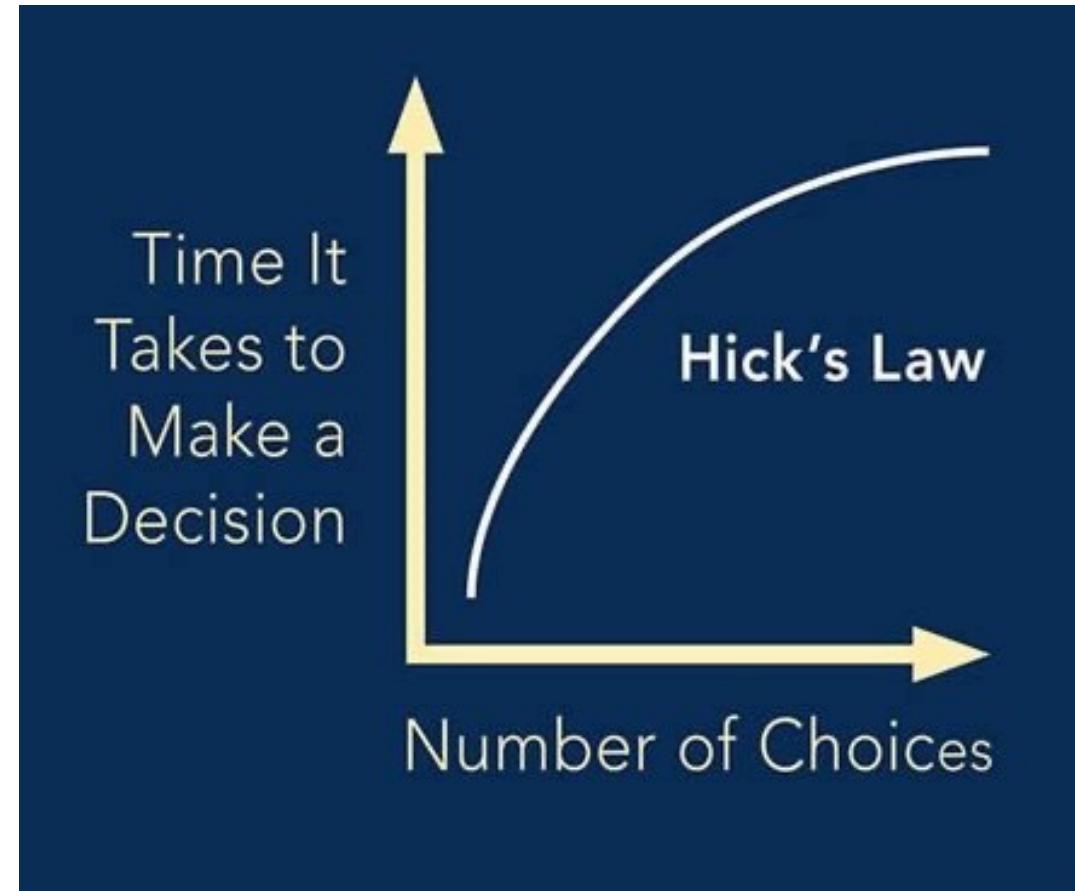
## ■ Killed Feature: Surge Pricing

- Removed from rider view
- Not removed from driver side

# EXAMPLE: NOT KILLING FEATURES



# KILLING FEATURES: Hick's Law (1952)



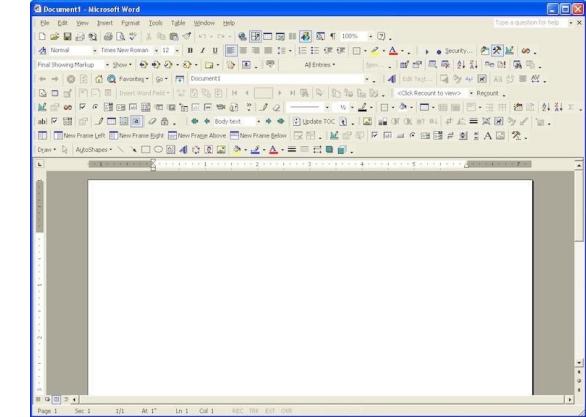
The more features the user sees, the longer she takes to choose

# COMMON PITFALL: “THE BUILD TRAP”, “FEATURE CREEP”, “FEATURE BLOAT”



## ■ Common Pitfall: Not killing features

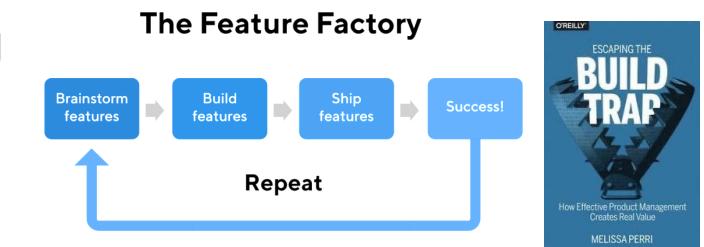
- Features take up “product surface area” & user mindshare.
- This reduces “value” proposition to the customer.



Microsoft Word 2000

## ■ “The Build Trap” / “Feature Creep” / “Feature Bloat”

- Product teams focused on “shipping” features and not measuring if features satisfy needs
- More common with engineering-heavy product teams.



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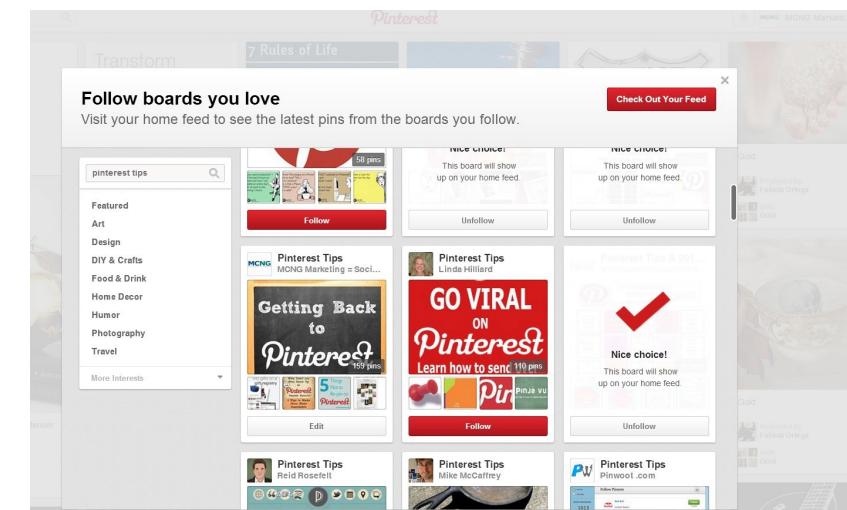
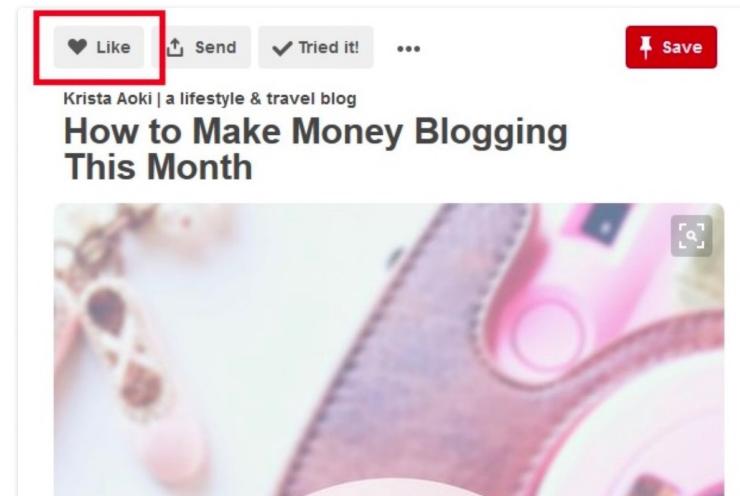
# EXAMPLE: KILLING FEATURES - PINTEREST

- Pinterest was getting too complicated for new users.

– [Casey Winters](#) (Product Lead, Pinterest)

## ■ Solution:

- Killed “redundant” features (e.g., “pin it” → “like”)
- Killed features for new users. First 30 days, no Pinterest boards. Users went straight to content.



# EXAMPLE: KILLING FEATURES - TWITTER WEB APP VS TWITTER MOBILE APP



The screenshot shows the 'Account' settings page of the Twitter Web App. It includes sections for basic account information like Username and Email, language and time zone settings, and content preferences such as country and tweet media settings. A 'Request your archive' button is also present.

The screenshot shows the 'Settings' screen of the Twitter mobile app. It lists various options like General, Image upload quality (set to Medium), Sound effects (on), Image previews (on), Notifications timeline, Text size, Accessibility, Services, Read later (with a Reading List link), More, and About.

# WHAT HAPPENED TO SKYPE?



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<https://www.youtube.com/watch?v=wc5MNTKLnns&t=275s>

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# IN-CLASS DISCUSSION: WHAT HAPPENED TO SKYPE?



- [skype.com/en/features/](http://skype.com/en/features/)
  
- Any unique feature?
- Any feature to be added as a main feature?
- Any feature to be killed?
- Any feature to be improved?
  
- How can Skype differentiate from other communication platforms in terms of product features?

# TODAY'S LEARNING OBJECTIVES

## ■ 3 Types of Product Feature Decisions

- Improve existing features
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- Many possible product feature goals.
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- Motivation for measuring Metrics: Product and Growth Metrics

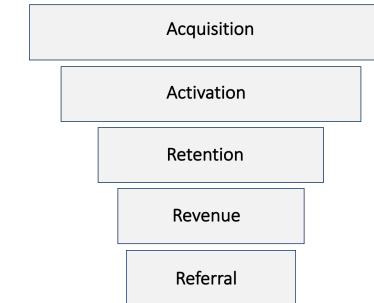
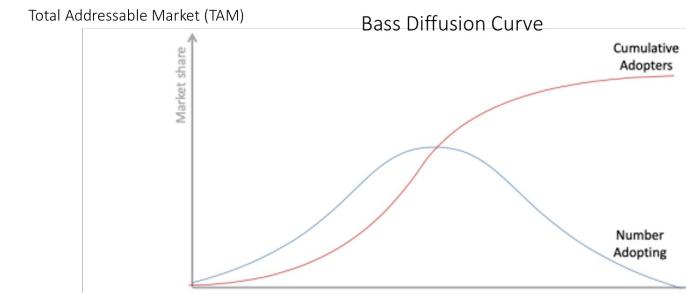
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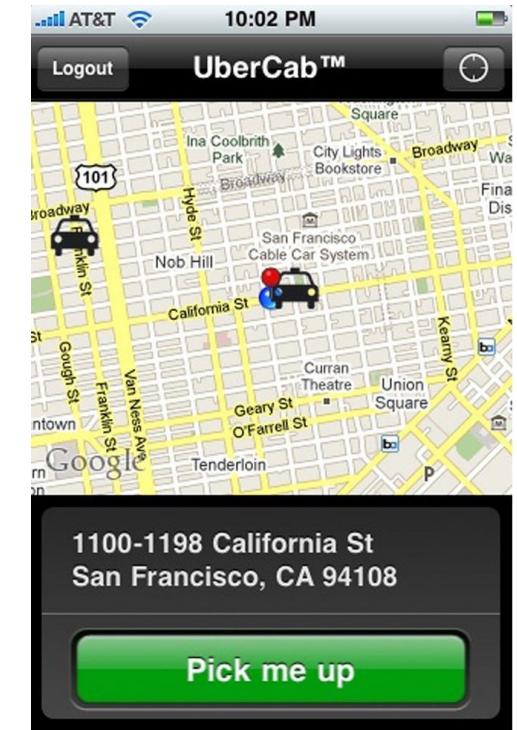
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# OVERVIEW OF PRODUCT FEATURE STRATEGY

- Many possible goals for product feature strategy
  - Increase value of product to customers
  - Increase product-market fit (PMF)
  - Increase alignment with strategic product goals (i.e., OKRs)
- Generally, multiple goals at the same time.
- General Key Question: how do we measure whether we are achieving our product feature “goal(s)”?

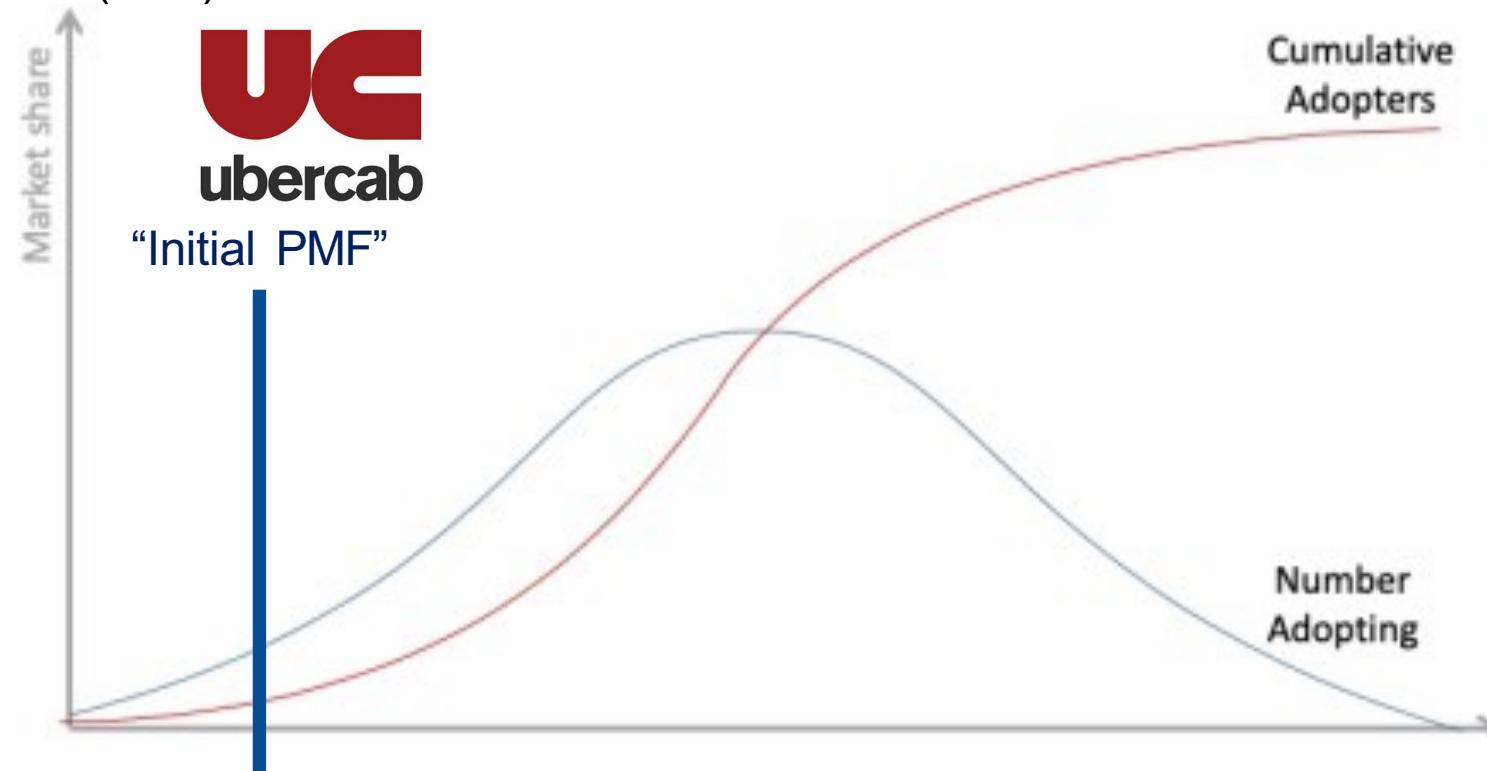


Should we focus on increasing value of our product for product-market fit?

# RECALL: FIRM STAGE IN CURVE AFFECTS PRODUCT STRATEGY (AND THEREFORE, YOUR ROLE AS A PRODUCT MANAGER)



Total Addressable Market (TAM)



Early goal: Achieve initial product-market fit (PMF) via minimal set of product features.

Note: Initial PMF does not mean we have the best product.

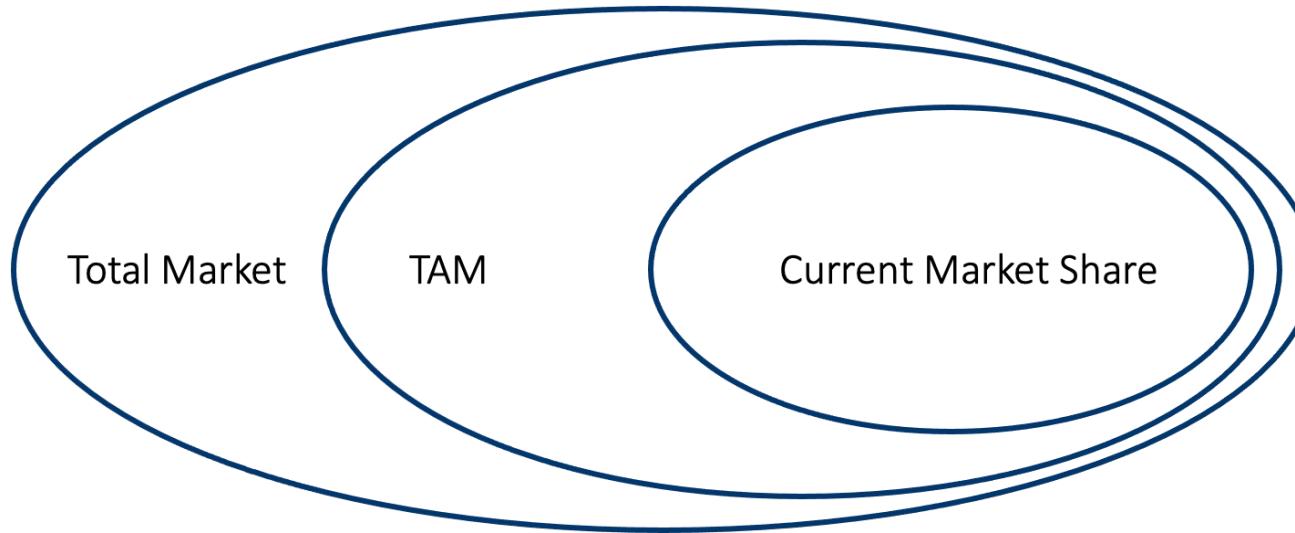
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Source: Bass (1969) A new product growth model for customer durables.

# RECALL: FIRM STAGES GOALS FOR PMF: FOR NEW PRODUCTS / STARTUPS - ACHIEVING INITIAL PRODUCT-MARKET FIT IS THE GOAL FOR A GIVEN TAM



Product-market fit (PMF) - Product is known by customers in TAM, product's features satisfy customer needs to give “value” to customers, and product gives more “value” to customers in TAM than competitors so that customers choose (or retain) our product.

# RECALL: IMPROVING PMF VIA BETTER PRODUCT FEATURES



- Customer is a bundle of needs and “importance” of those needs.
- Product is a bundle of features and how they satisfy needs.
- Improving “value” to customer improves product-market fit (PMF).

# RECALL: IMPROVING PMF VIA BETTER PRODUCT FEATURES



## ■ UberCab (2009) Product Features

- Request a ride
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- Login/Registration
- Fare Calculator
- Automatic payment
- Driver GPS tracking
- Push Notifications and SMS

## ■ Uber (2010-Present) Product Features

- Driver profile and ratings
- Surge pricing
- Split Fare
- Scheduled Rides
- ...

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The screenshot shows the original Uber website design from 2009. At the top right are links for "Sign Up", "Learn More", and "Sign In". The main heading "LEARN MORE" is above two sections: "Request from Anywhere" (with images of phones) and "Ride with Style and Convenience" (with an image of a black Lincoln Town Car). Below these are sections for "Hassle Free Payments" (with an image of a laptop and coffee cup) and a summary of fare calculation. At the bottom are links for "Info", "Phones", "Drivers", "Social", and "Legal", along with a "SIGN UP NOW" button and copyright information.

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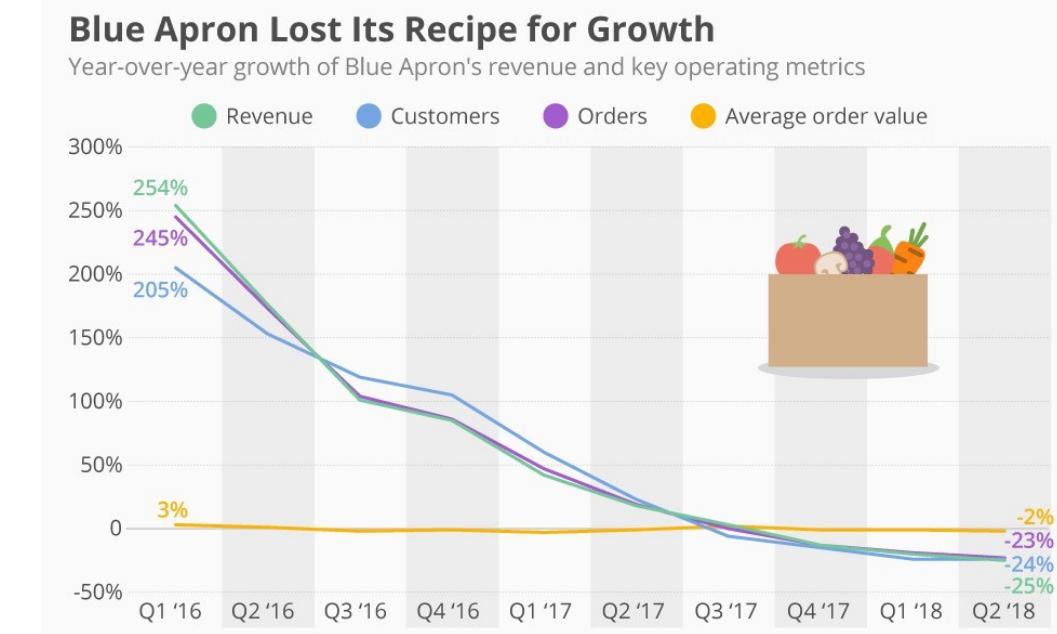
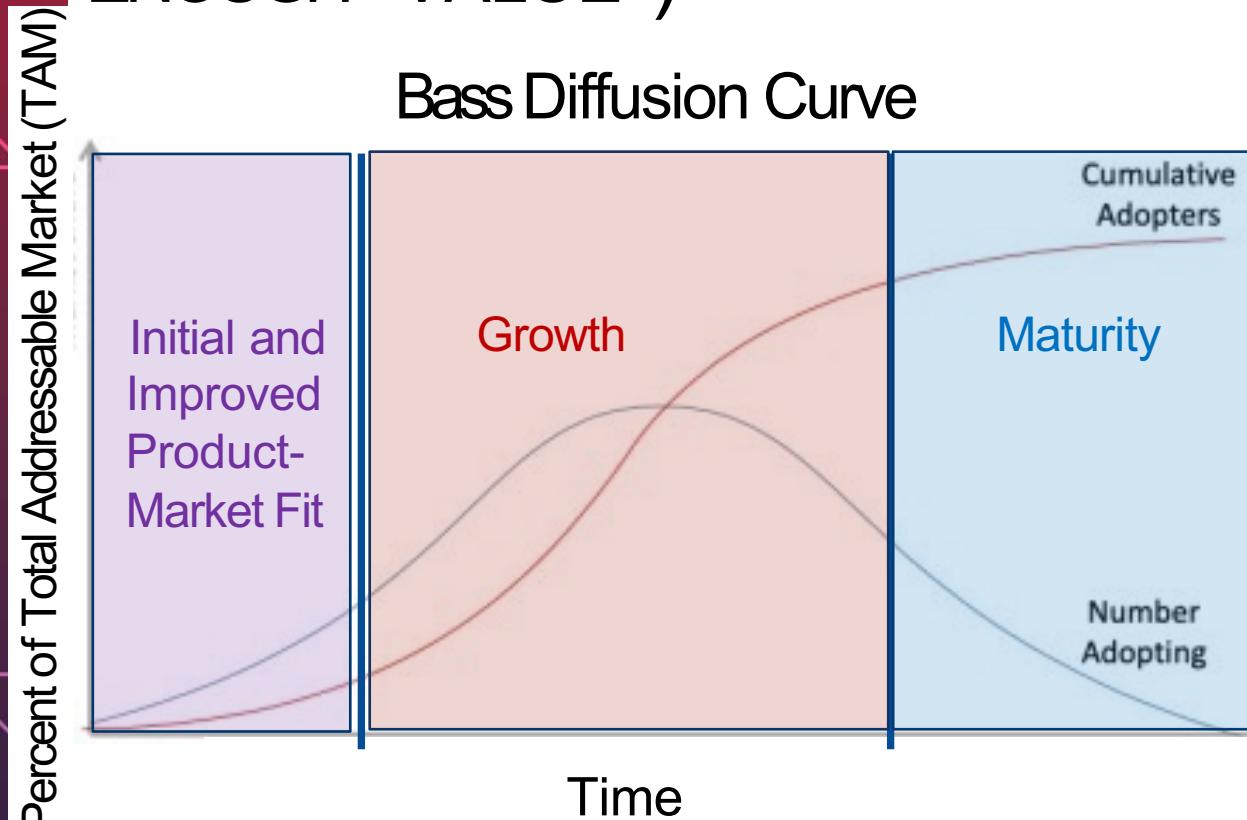
# PRODUCT FEATURE STRATEGY VS PRODUCT GROWTH STRATEGY



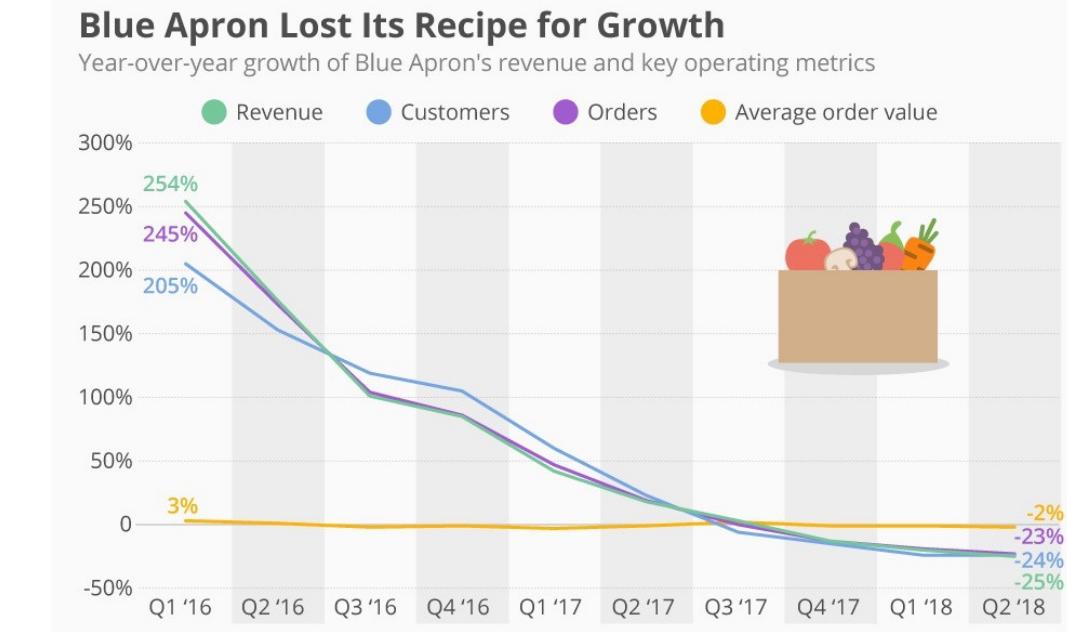
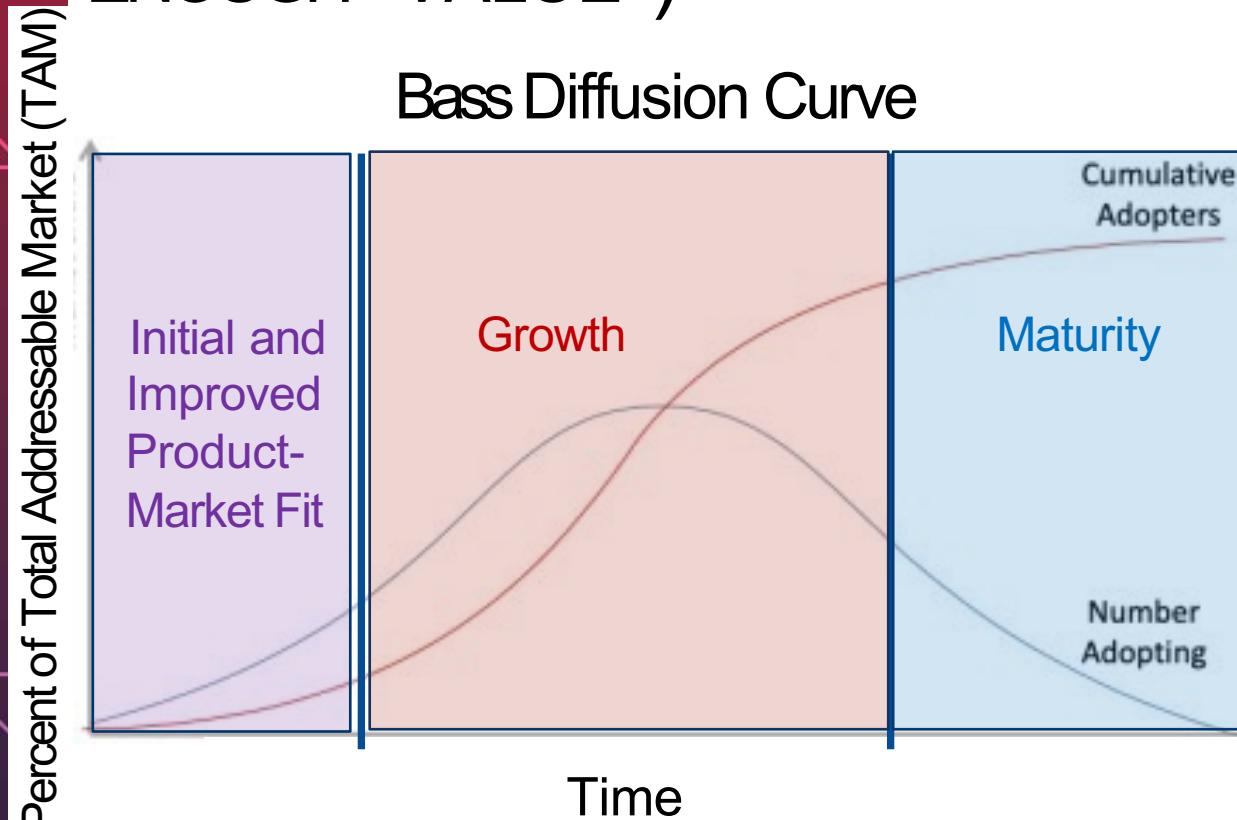
- Product feature strategy focuses on our *product features AND how an average customer behaves*, and 3 decisions we (the PM) can make:
  - Improve existing features
  - Add new features
  - Kill existing features
- Product growth strategy focuses on our *product AND our total new and existing customers*, and how to increase the # of customers or revenue
  - Tradeoffs between acquisition, retention, revenue
  - Market expansion strategy
- Corollary: *Product Metrics and Growth Metrics are Different*
  - Feature: Which product feature will help us increase retention?
  - Growth: Do we tradeoff overall acquisition with revenue in the short term?



(1/2) WHY THIS MATTERS? MANY PRODUCTS “FAIL” BY TRYING TO GROW BEFORE HAVING ENOUGH PRODUCT-MARKET FIT (DELIVER ENOUGH “VALUE”)

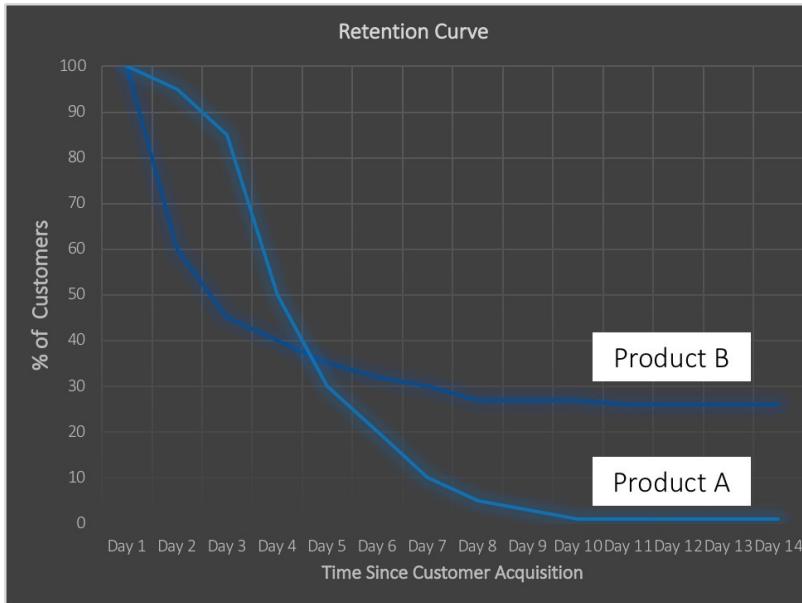


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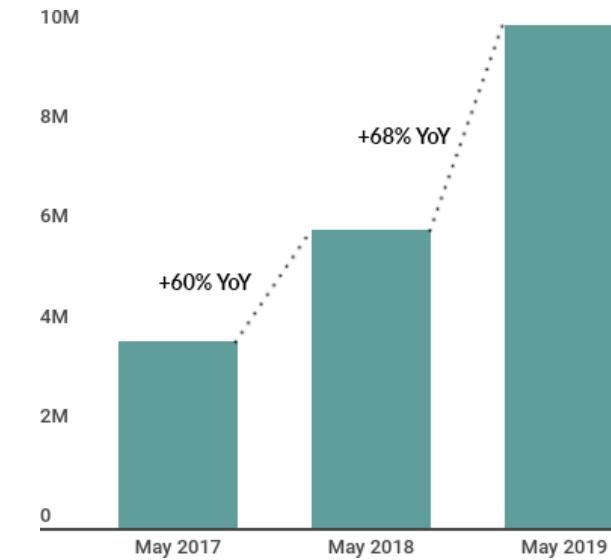


Growth without enough product-market fit (PMF) leads to <sup>26</sup> overwhelming customer churn (i.e., lack of retention).

## (2/2) WHY THIS MATTERS? EASY TO BY MEASURE THE “WRONG” METRICS



Example *Product Metric*: Retention



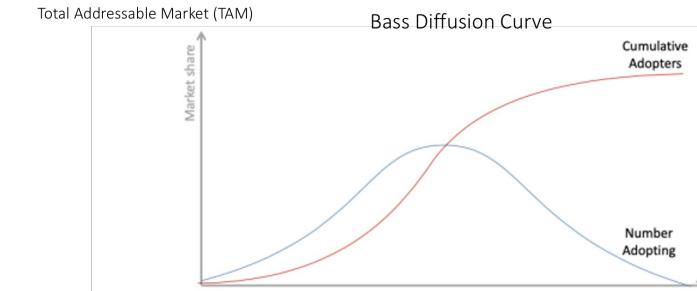
Example *Growth Metric*: DAU  
Daily Active Users (DAU)

Product-market fit (PMF) - Product is known by customers in TAM, product's features satisfy customer needs to give “value” to customers, and product gives more “value” to customers in TAM than competitors so that customers choose (or retain) our product.

# TODAY'S LEARNING OBJECTIVES

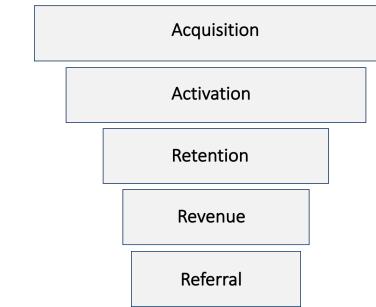
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## ■ AARRR Framework

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## ■ Headspace Case Study

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# AARRR FUNNEL FRAMEWORK



## ■ AARRR Funnel

- Main framework used in this class for measuring and analyzing our product
- Sometimes called: “pirate metrics”

## ■ Used for both

- Product *feature* strategy
- Product *growth* strategy

## ■ Sidenote: Many variants of basic funnel

- AAARRR Funnel includes customer “awareness” before “acquisition”
- AIDA - Awareness, interest, desire, action
- GAR - Get visitors, activate members, retain users

Acquisition

Activation

Retention

Revenue

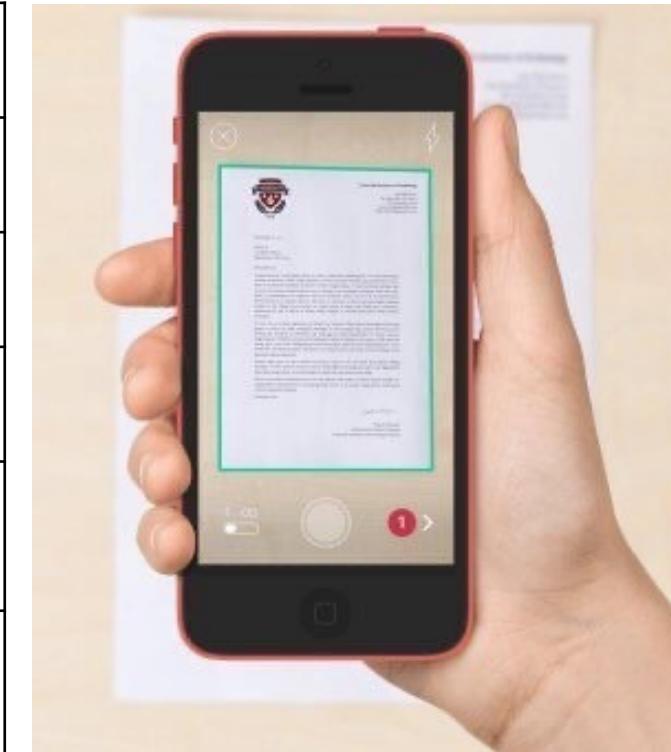
Referral

# QUICK EXAMPLE: AARRR FUNNEL FRAMEWORK



Imagine your product is a SaaS app that scans documents using your phone

AARRR Stage	Example Product Metric
Acquisition	User downloads app
Activation	User scans document with phone
Retention	User scans documents 3x a month for at least 1 year
Revenue	User upgrades to paid version (no ads)
Referral	User sends scanned document to friend via app



# (1/5) ACQUISITION

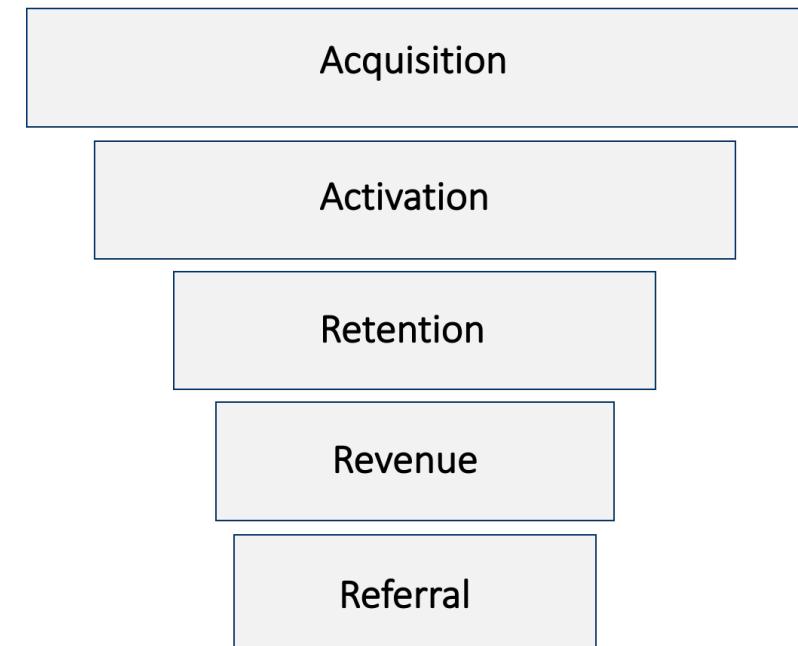


## ■ “How do customers know / find our product?”

- If we don't know where they are coming from, how can we understand our customer journey?

## ■ Example Metrics:

- # Downloads / # Installs
- App Store Page Visits / Website Visits
- User Registrations
- Initial Session Length
- Bounce Rate
- Cost per Click (CPC)
- Cost per Sign Up (CPSU)



# ACQUISITION: LANDING PAGE OPTIMIZATION



**facebook**

Email or Phone Password Log In  
 Keep me logged in [Forgot your password?](#)

Facebook helps you connect and share with the people in your life.



**Sign Up For Facebook**  
It's free and always will be.

First Name Last Name  
Your Email Re-enter Email  
New Password  
Birthday Month Day Year Why do I need to provide my birthday?  
Female Male  
By clicking Sign Up, you agree to our Terms and that you have read our Data Use Policy, including our Cookie Use.

**Sign Up**

Create a Page for a celebrity, band or business.

Turkish Kurd English (US) Español Portuguese (Brazil) Français (France) Deutsch Italiano Mobile Find Friends Badges People Pages Places Apps Games Music About Create Ad Developers Careers Privacy Cookies Terms Help

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SOLUTIONS + PLANS & PRICING CONTACT

**Dropbox** For Teams For Individuals Login Signup

**Focus on work that matters**

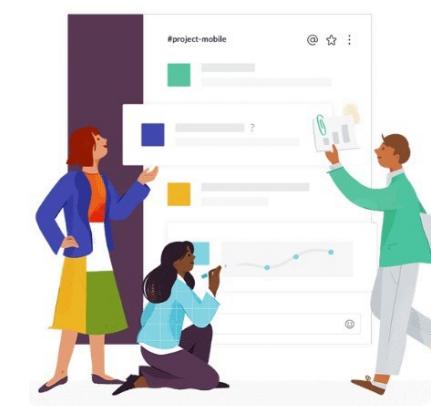
Dropbox is the world's first smart workspace. We bring all your team's content together while letting you use the tools you love.



**Sign Up**  
Sahil Design sahildesign@sddart.com   
 I agree to the Dropbox Terms

**Sign In** [Sign in with Google](#)

**Say goodbye to busy work**  
Most "productivity" tools get in your way and constantly disrupt your flow.



## Where Work Happens

When your team needs to kick off a project, hire a new employee, deploy some code, review a sales contract, finalize next year's budget, measure an A/B test, plan your next office opening, and more, Slack has you covered.

Email address **GET STARTED**

Already using Slack? [Sign in](#).

# ACQUISITION: CHANNEL ATTRIBUTION



# ■ Example Questions:

- Which channels are customers coming from?
  - Which has lowest customer acquisition cost (CAC)?

## Channel attribution

Which channels are new users coming from?  
Use this data to optimize marketing spend and improve ROI.

Makeapicon.com  
Makeapicon Site Data ▾

Search reports and help

AUDIENCE

ACQUISITION

Overview

All Traffic

Channels

Treemaps

Source/Medium

Referrals

AdWords

Search Console

Social

Campaigns

BEHAVIOR

DISCOVER

ADMIN

Jul 18 Jul 19 Jul 20 Jul 21 Jul 22 Jul 23

Primary Dimension: Default Channel Grouping Source / Medium Source Medium Other

Plot Rows Secondary dimension Sort Type: Default advanced

Default Channel Grouping	Acquisition			Behavior			Conversions		
	Sessions	% New Sessions	New Users	Bounce Rate	Pages / Session	Avg. Session Duration	Download (Goal 1 Conversion Rate)	Download (Goal 1 Completions)	Dt 1
	17,036 % of Total 100.00% (17,036)	58.40% Avg for View 58.25% (0.26%)	9,949 % of Total 100.26% (9,923)	1.38% Avg for View 1.38% (0.03%)	2.19 Avg for View 2.19 (0.00%)	00:03:34 Avg for View 00:03:34 (0.00%)	58.08% Avg for View 58.08% (0.00%)	9,895 % of Total 100.00% (9,895)	\$ 1
1. Organic Search	12,455 (73.11%)	59.24%	7,378 (74.16%)	1.03%	2.20	00:03:36	57.23%	7,128 (72.04%)	\$ 1
2. Direct	3,636 (21.34%)	53.52%	1,946 (19.56%)	1.87%	2.25	00:03:38	65.04%	2,365 (23.90%)	\$ 1
3. Referral	603 (3.54%)	64.01%	386 (3.88%)	5.31%	1.98	00:03:29	46.93%	283 (2.86%)	\$ 1
4. Social	248 (1.46%)	68.55%	170 (1.71%)	1.21%	1.57	00:01:49	42.74%	106 (1.07%)	\$ 1
5. (Other)	89 (0.52%)	76.40%	68 (0.68%)	4.49%	1.29	00:00:59	11.24%	10 (0.10%)	\$ 1
Email	5 (0.03%)	20.00%	1 (0.01%)	0.00%	1.80	00:04:03	60.00%	3 (0.03%)	\$ 1

Show rows: 10 ⌂ Go 1 1 - 6 of 6 ⌂

This report was generated on 7/24/17 at 4:25:34 PM - Refresh Report

# (2/5) ACTIVATION



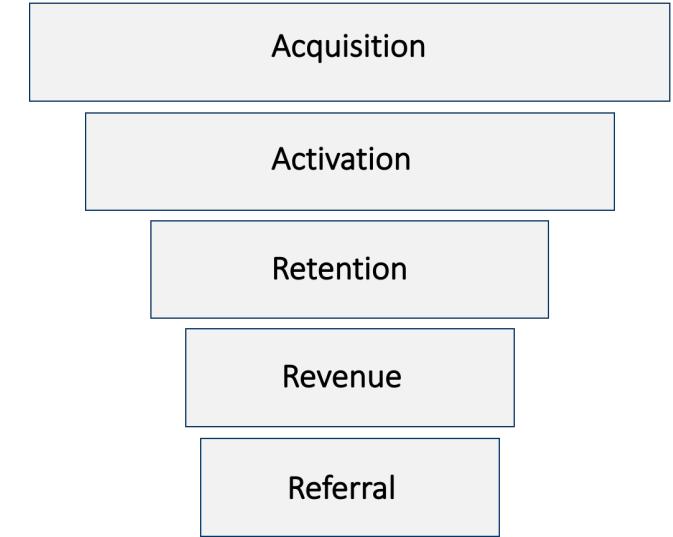
- First time customer gets “value” from product

- “Ah ha!” Moment

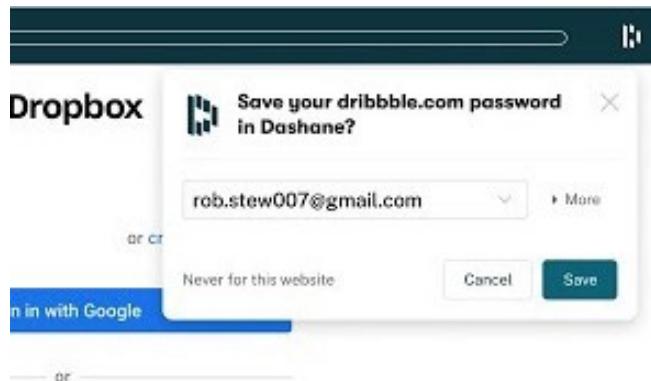
- Experienced “value proposition”

- Metric depends on product

- Critical to define metric for this correctly – different for every product



# ACTIVATION



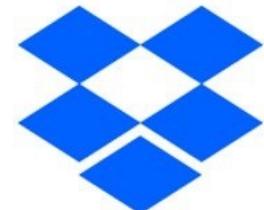
Dashlane (Password Manager)  
User logs in with a saved password

# Uber

First ride / Arrive at Destination

# facebook

Connects with 7 friends within first 10 days



# Dropbox

First time accessing file uploaded to cloud

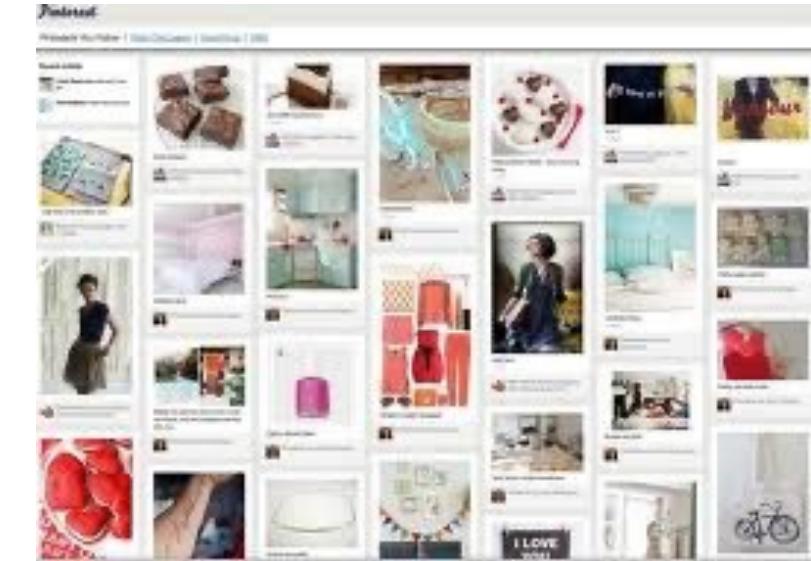
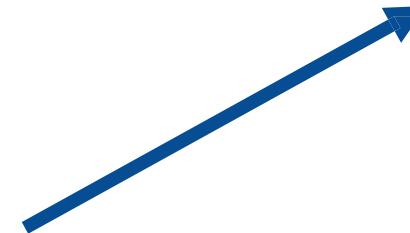
# ACTIVATION: REDUCING ONBOARDING FRICTIONS



## Example Questions

- When do customers first get value from product?
- How many onboarding steps do customers go through before seeing value proposition?

First 30 days, no Pinterest boards.  
Users went straight to content.



Pinterest was getting too complicated for new users.  
– [Casey Winters](#) (Fmr. Product Lead, Pinterest)

# (3/5) RETENTION



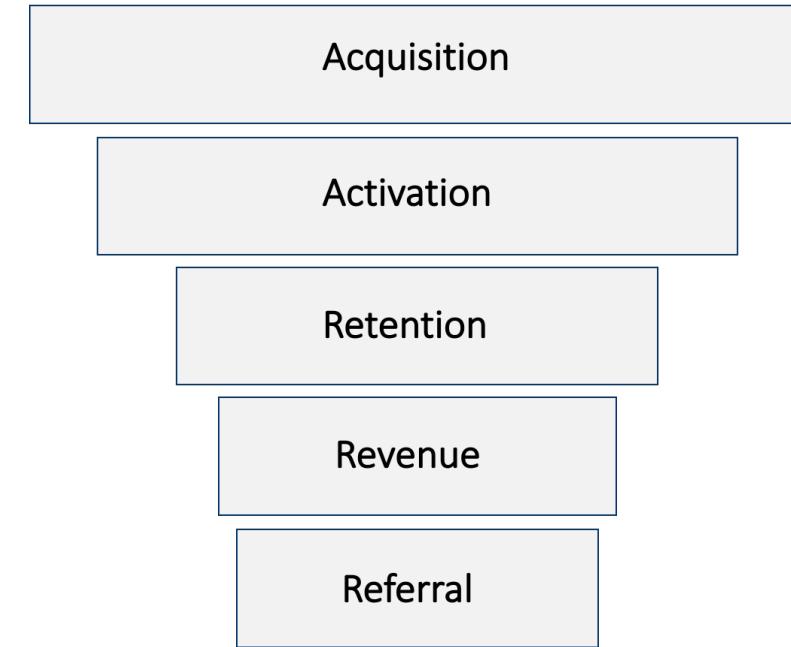
■ Does customer continue choosing our product?  
(because it gives more value than competition)

■ Timescale or Expected Frequency of Use

- Does our product satisfy customer needs, to give more value than competition, given the timescale?

■ Example Metrics:

- DAU/WAU/MAU (daily/weekly/monthly active users)
- Uninstalls
- Average Session Length
- App on home screen
- Repeat Purchase Rate



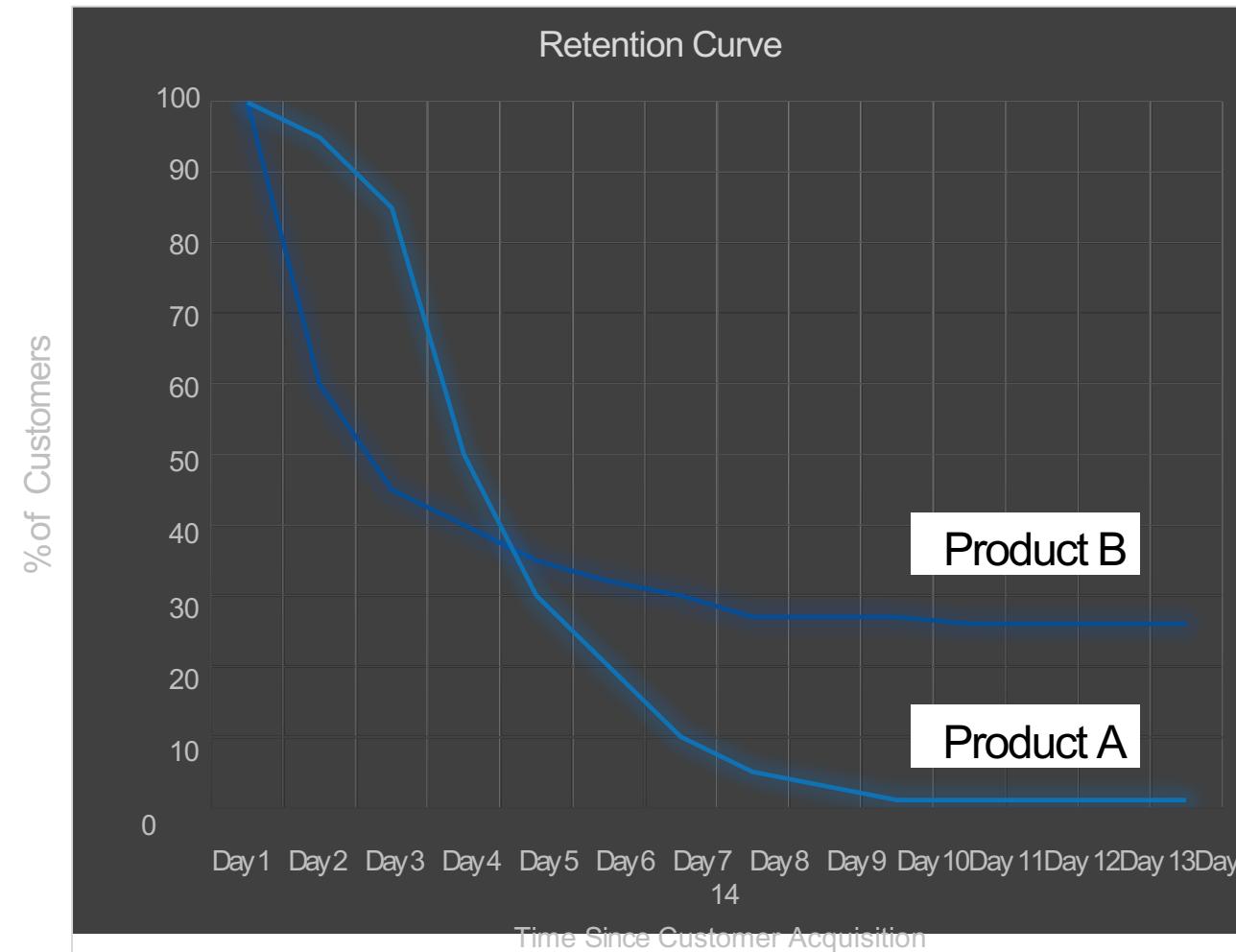
# PRODUCT-MARKET FIT (PMF) MEASURED BY PLATEAUED “RETENTION CURVE”

## ■ Retention Curve

- Why? Retention curve is one way of conveying how much PMF our product has.
- What? Retention curve shows **for a given set of customers, how long do they stay using our product** (before “churning”)?
- How? Plot out retention metric vs time since customer acquisition.

## ■ Retention Metric

- “Value” Metric / Frequency
- Retention metric defined for target segment



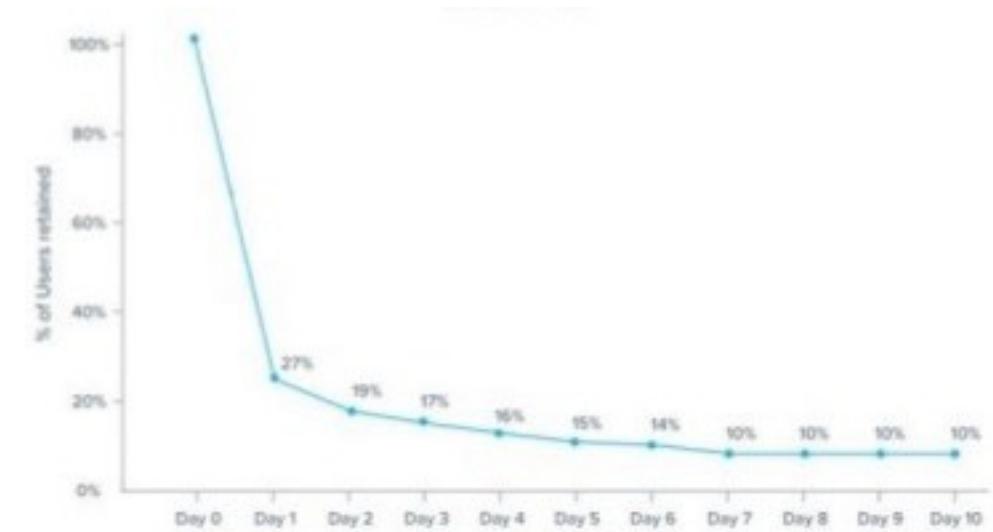
# RETENTION CURVE



- N-Day Retention Rate
- Cohort based
- Example:
  - TurboTax retention rate is 77%



$$\text{Customer Retention Rate} = \frac{\text{Customers at the end of the period} - \text{New customers}}{\text{Customers at the beginning of the period}} \times 100$$



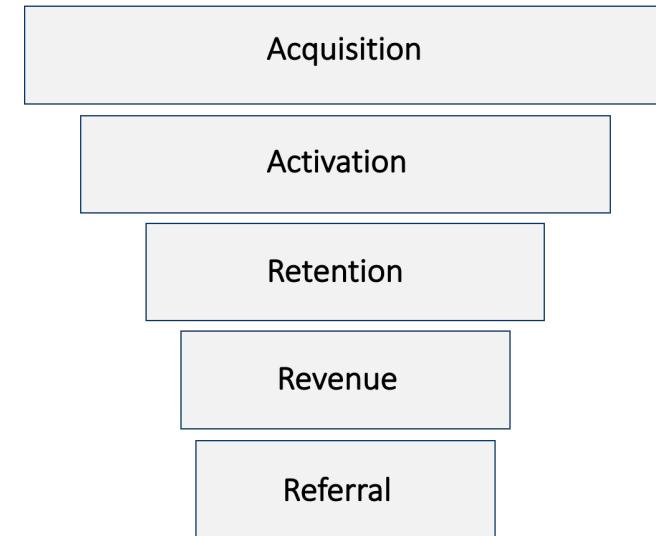
# (4/5) REVENUE (OR, “MONETIZATION”)



- “Are customers willing to pay for our product?”

## ■ Example Metrics

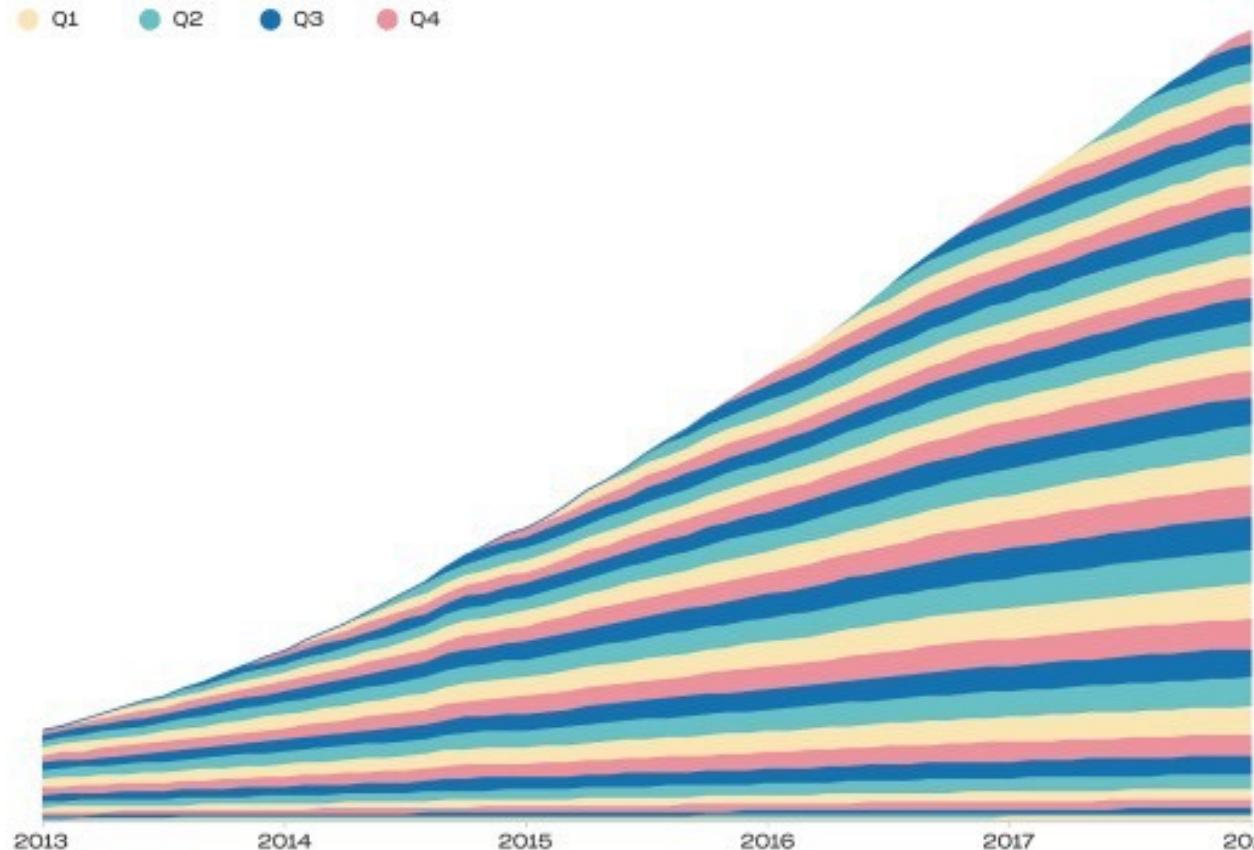
- Average Revenue Per User (ARPU)
- Customer Lifetime Value (CLV)
- # App Purchases or Subscriptions
- Ad Revenue
- IAP - in-app purchases
- ARPPU - Average revenue per paying user
- ARPDAU - Average revenue per daily active user
- Average Order Value
- Return Rate
- Shopping Cart Abandonment (SCA) or Abandonment Rate (AR)



# EXAMPLE: DROPBOX USERS ARE WORTH MORE OVER TIME



**Monthly subscription amount**  
By quarterly cohort



Dropbox, 2018 S1 Filing with SEC

<https://www.sec.gov/Archives/edgar/data/1467623/000119312518055809/d451946ds1.htm>

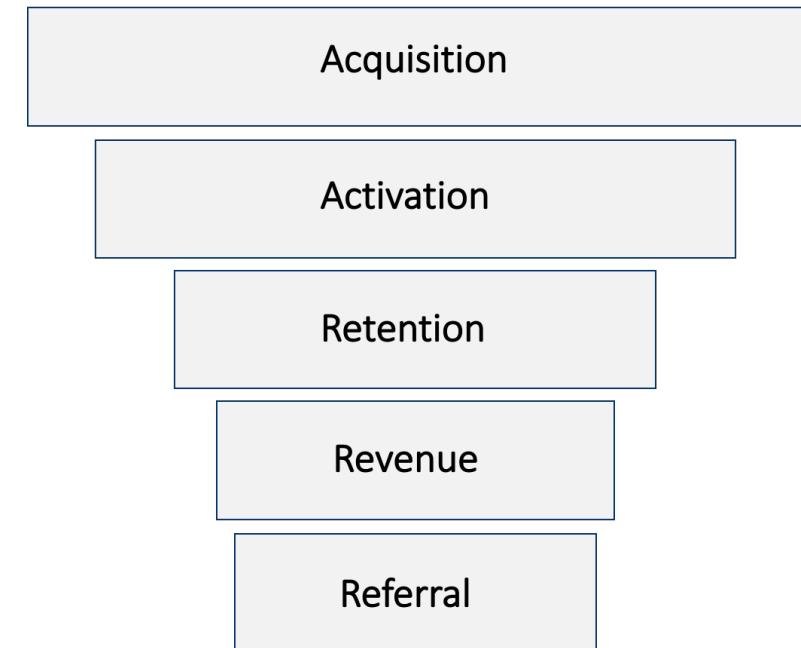
# (5/5) REFERRAL



- “Do customers refer our product to others?”

- Example Metrics:

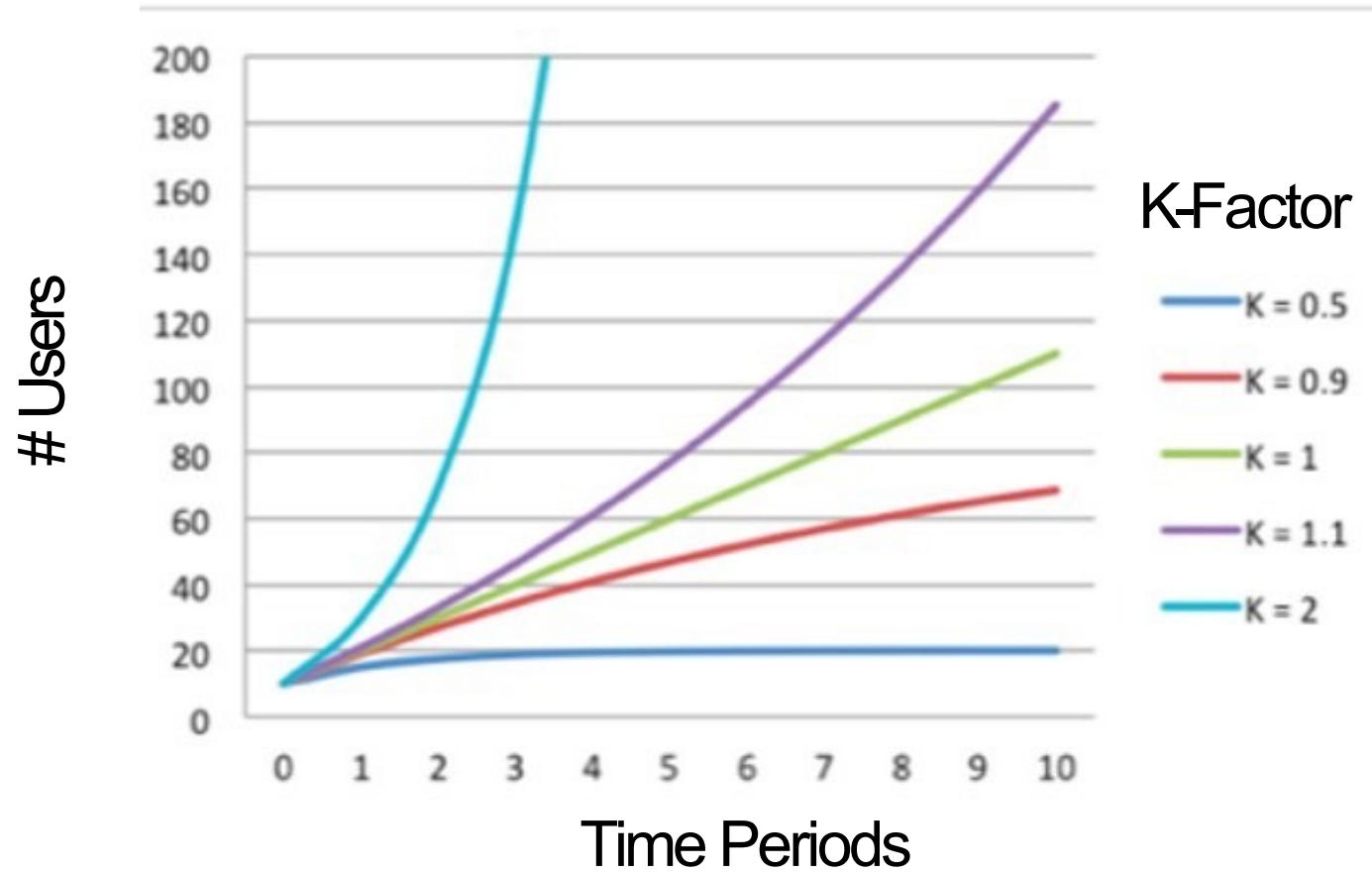
- Direct Referrals
- App Store Ratings
- Social Media Mentions
- Referral Rate (RR)
- Net Promoter Score (NPS)
- Viral Coefficient (VK)
- K-Factor



# EXAMPLE: REFERRAL VIRALITY

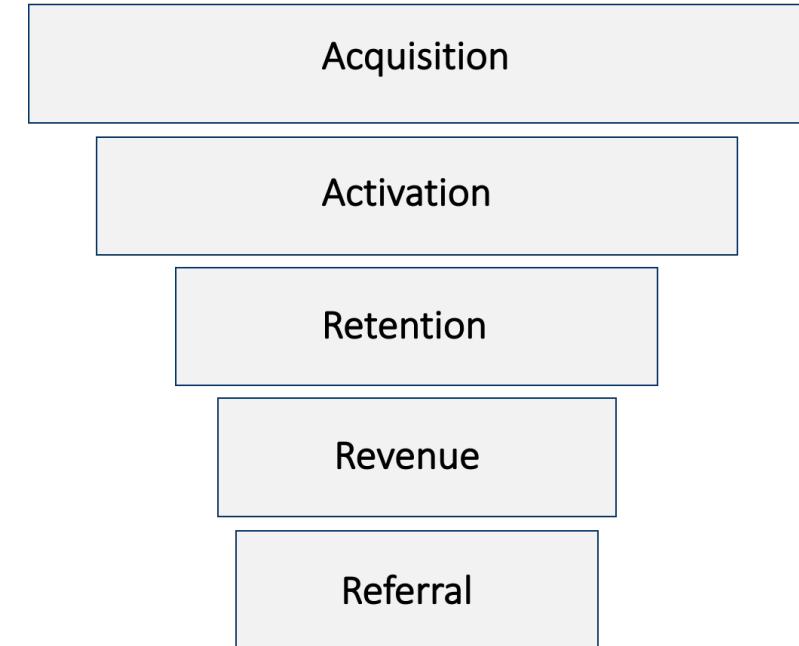


Virality from K-Factor  
(# app invites per csr \* avrg conversion rate of each invite)



# WHY THIS MATTERS? AARRR FRAMEWORK HELPS US UNDERSTAND OUR PRODUCT

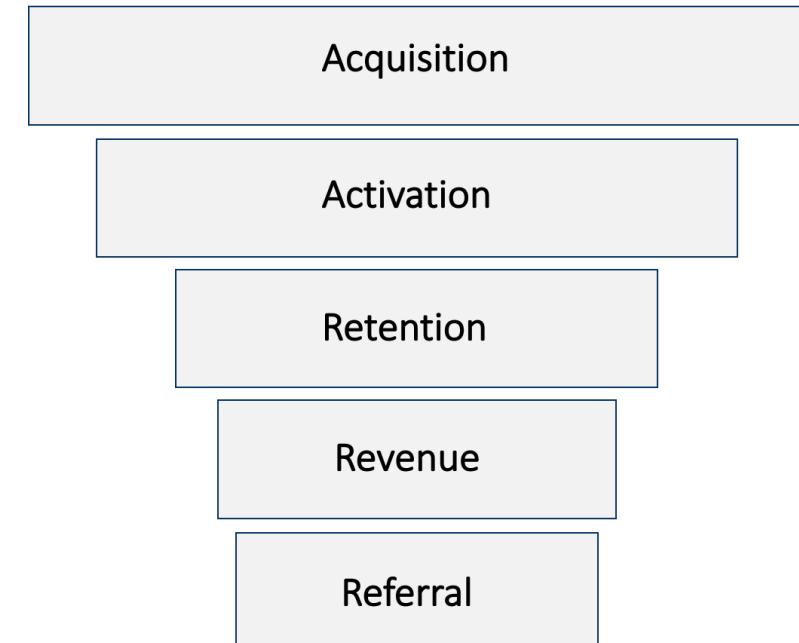
- Where are the problems with our product? Where are the bottlenecks?
- How are we relative to competition? Are we near industry benchmarks?
- What product features should we add, improve, or kill?
- How do product feature changes affect different stages of AARRR funnel?



# IN-CLASS DISCUSSION: YOUR TEAM'S METRICS



- What are good metrics for your product's
- Acquisition, Activation, Retention, Revenue, Referral;
- And why?

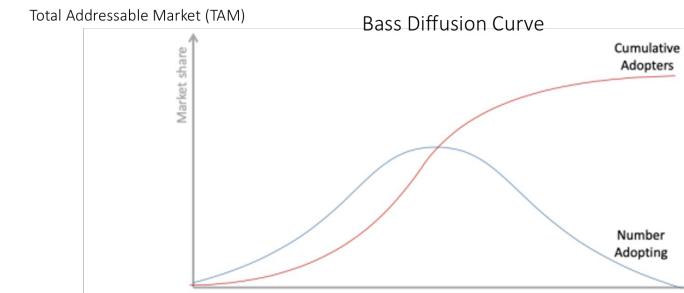


# TODAY'S LEARNING OBJECTIVES



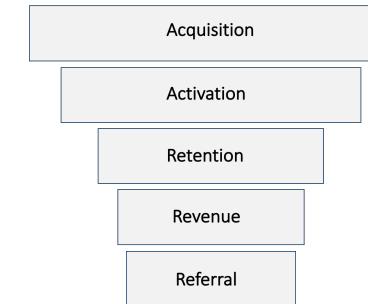
## ■ 3 Types of Product Feature Decisions

- Improve existing features
- Add new features
- Kill existing features



## ■ Product Feature Strategy

- Many possible product feature goals.
- Product *feature* strategy vs product *growth* strategy
- Motivation for measuring Metrics: Product and Growth Metrics



## ■ AARRR Framework

- Acquisition, activation, retention, revenue, referral
- Tradeoffs between AARRR stages



## ■ Headspace Case Study

Carnegie Mellon University

Tepper School of Business

# CASE STUDY: HEADSPACE

## ■ Headspace

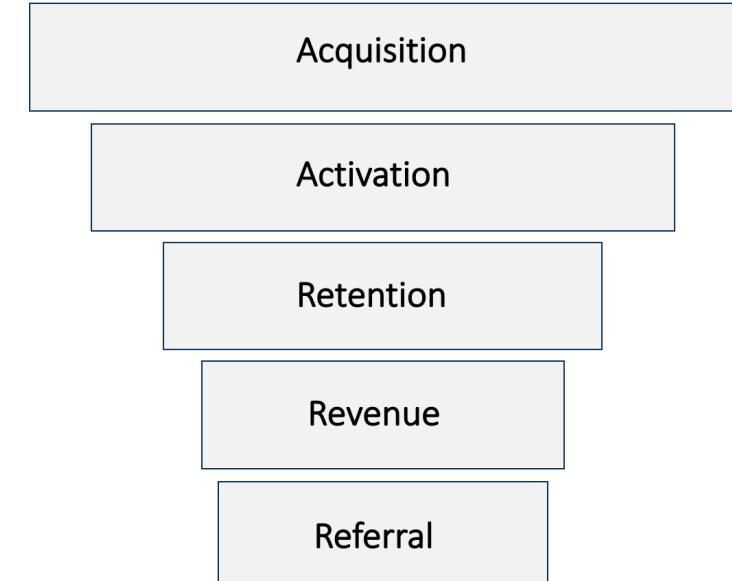
- Guided meditation app aimed at beginners
- Launched in 2012
- Vieira: MBA -> PM -> Product Leader

## ■ By 2017

- 11 million downloads
- 400,000 paid subscribers
- 75% user growth in 2017

## ■ By 2018

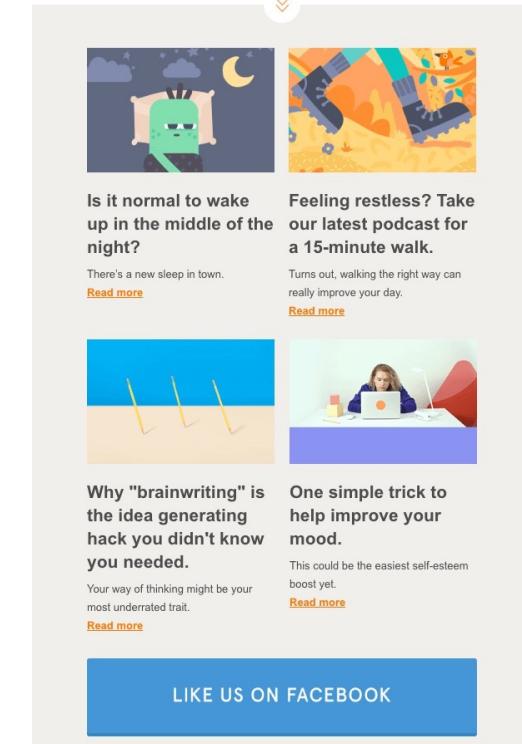
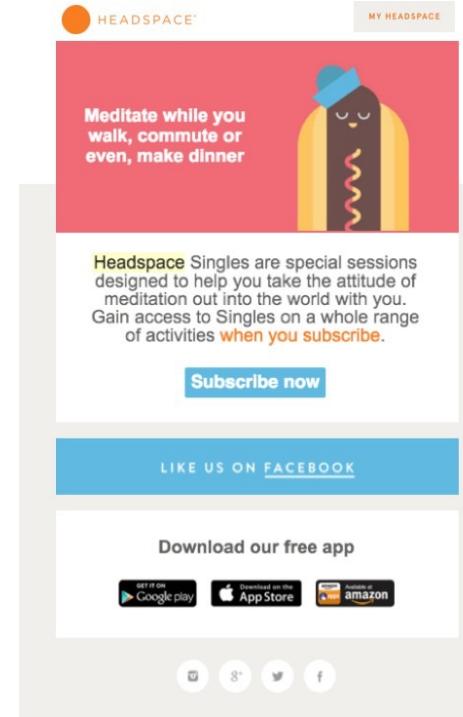
- 30 million downloads
- 1MM paid subscribers
- Annual recurring revenue (ARR): \$50MM+



# HEADSPACE: ACQUISITION



- Paid acquisition
  - Ad campaigns
  - Email campaigns



## Paid Acquisition

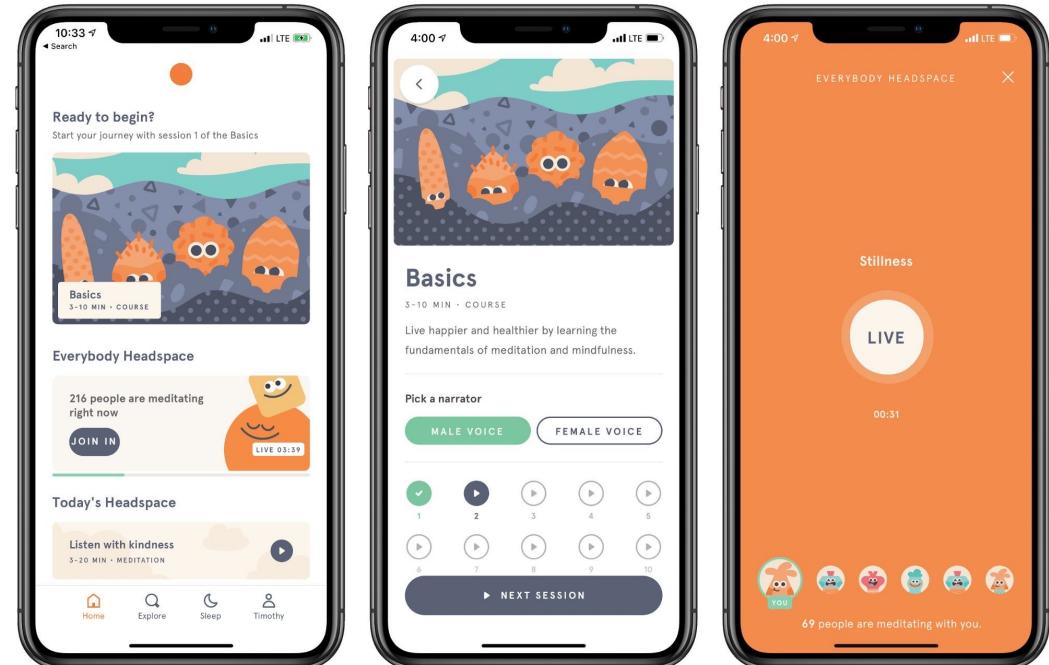
At the time, Headspace was rolling out an aggressive advertising strategy, with millions of dollars dedicated to ads in the app stores, display ads, and some search advertising. User numbers were rising exponentially just as competitor

## Content Marketing

# HEADSPACE APP: ACTIVATION



- Question 1: What was Headspace's initial "activation" metric?
- Question 2: how would you improve the product for this activation metric?



# HEADSPACE APP: REVENUE

## ■ Question: What was Headspace's revenue model?

HEADSPACE®  
TREAT YOUR HEAD RIGHT



Good night,  
sleep right

Life's too short to feel so stressed



Get my 2 free months now

For the next few days, if you buy a year's subscription to Headspace, you'll get 2 months free. That works out at just **\$6.66 USD\*** a month. Less than a fancy sandwich (and far fewer crumbs on the carpet).

Just visit [Headspace](#) and enter the code: HS2M-O79J2E.

\*Offer only applicable to the yearly subscription



Studies have shown that meditation can cause parts of the brain associated with learning and memory to grow in size and those connected with stress and anxiety to shrink. \*\*

Get my 2 free months now

The Headspace team

\*\*Goldin, P. R., & Gross, J. J. (2010). Effects of mindfulness-based stress reduction (MBSR) on emotion regulation in social anxiety disorder. *Emotion, 10*(1), 83-91.

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You have received this email as a registered user of [Headspace.com](#). You can unsubscribe from these emails [here](#) (Don't worry, we won't take it personally).

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CHECK THEM OUT



Sleep Sounds NEW  
Soothe the mind with gentle sounds as you fall asleep.



Sleep pack  
Create the inner and outer conditions you need for a truly restful night's sleep.



Sleep singles  
Recharge body and mind with meditations for both falling asleep and waking up.

CHECK THEM OUT

If you have any questions, please email us at [help@headspace.com](mailto:help@headspace.com) or visit our [FAQs](#). You can also chat with a real live human during our operating hours. They can answer questions about your account or help you with your meditation practice.

f i g+ y t p

Headspace | How it works | FAQs | T&Cs

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# HEADSPACE: REFERRAL

- Incentivized Referral
  - 1 month free Headspace

- See also:
  - Dropbox
  - AirBnB



## Hats off all round



Did you hear that? The noise of 30 straight days of Headspace whooshing by.

It's great work - you're really building a solid practice now. Keeping up that daily session isn't an easy feat, but it's already worth the effort...

## Get Some / Give Some



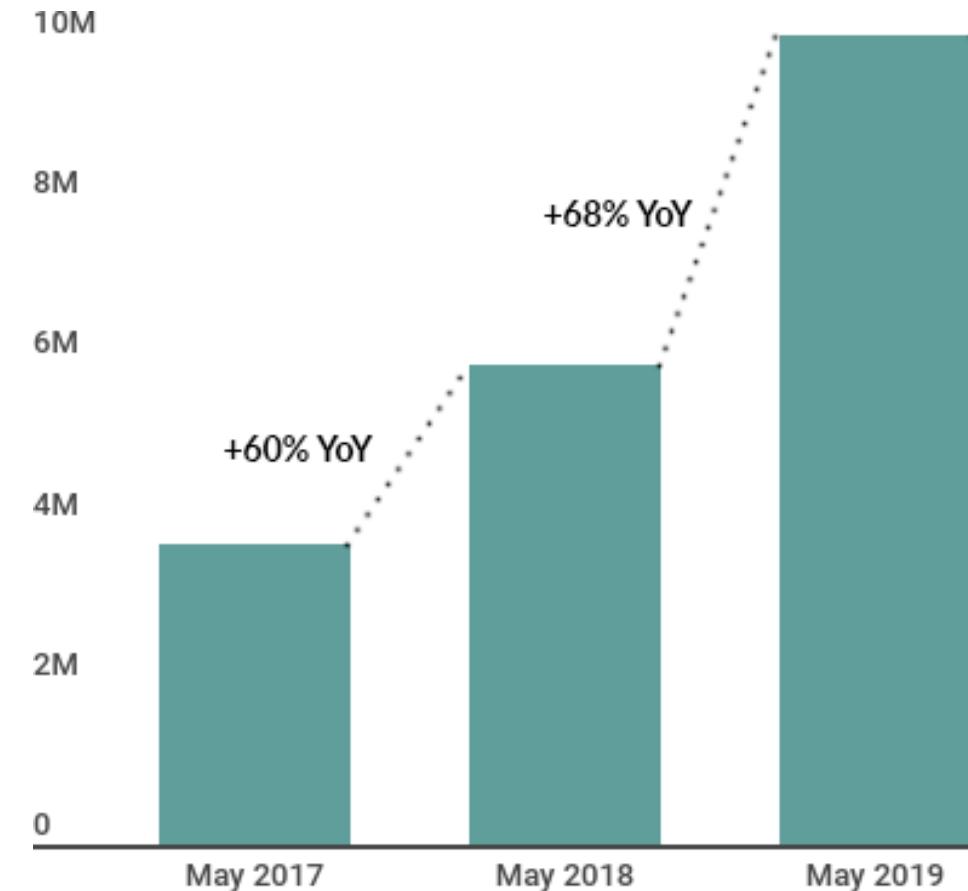
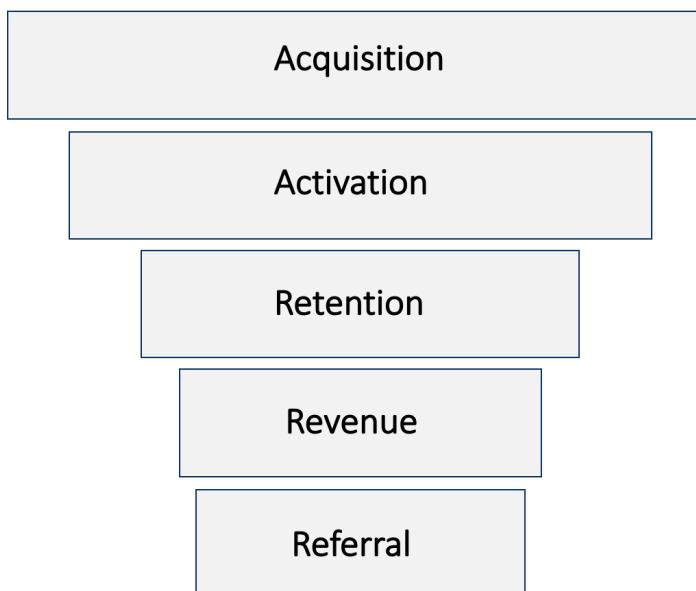
You've earned a free gift code - **1 month of Headspace access** for you to share with a friend. (We all know someone who should treat their head right... right?)

# PROBLEM: VERY GOOD “ACQUISITION” BUT...



“We are growing very aggressively. In 2017, we grew 75 percent. But when we look at the underlying metrics, we are buying our growth. We’re building up this bigger and bigger snowball that could potentially be very hard to control.”

- Robert Viera, Head of Product, Headspace

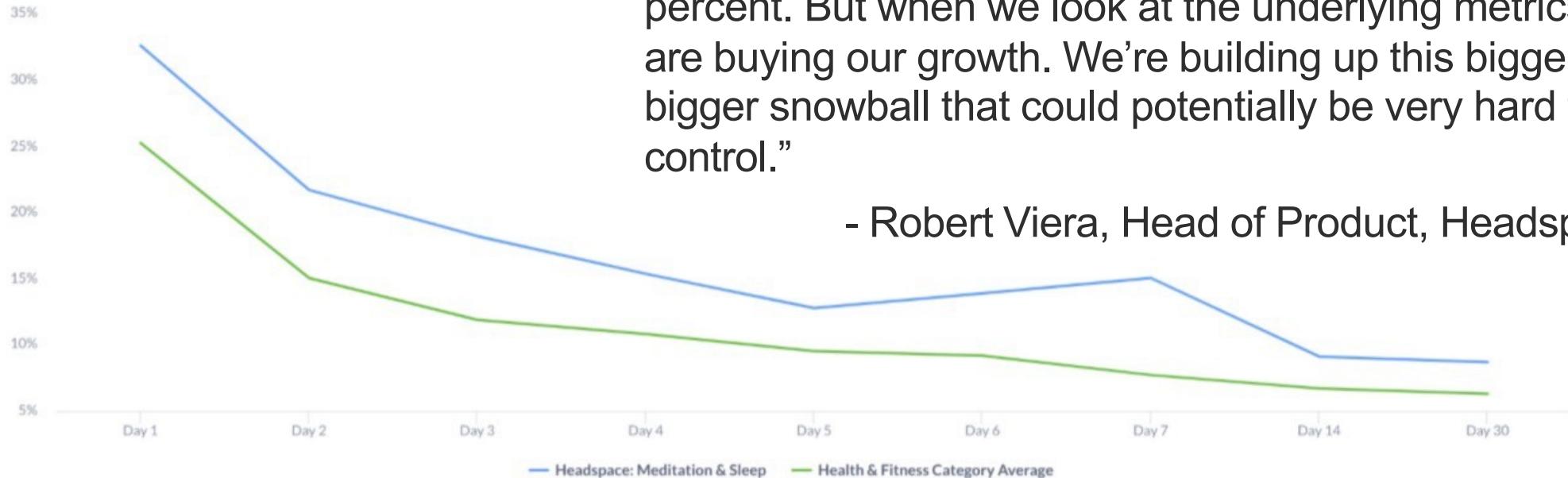


# RETENTION CURVE: HEADSPACE



"We are growing very aggressively. In 2017, we grew 75 percent. But when we look at the underlying metrics, we are buying our growth. We're building up this bigger and bigger snowball that could potentially be very hard to control."

- Robert Viera, Head of Product, Headspace



Less than 10% of users retained after 1 month

(Recall: retention “plateau” is quantitative measure of product-market fit)

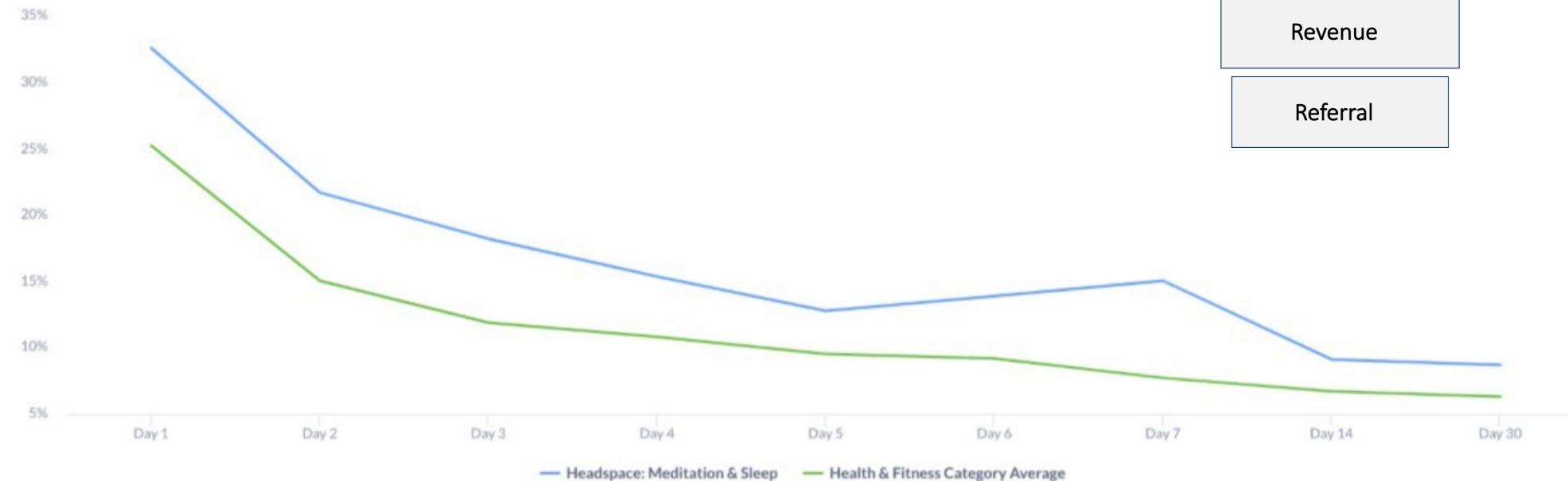
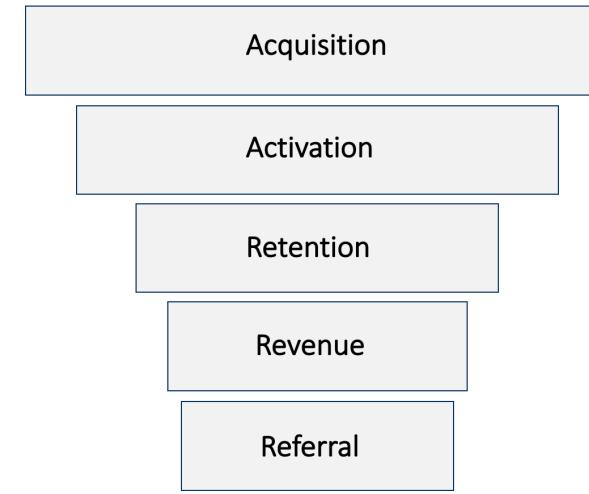
Question: This is a very common killer of companies. Why?

# PROBLEM: HEADSPACES RETENTION CURVE



Question: What did they try first? What would you do?

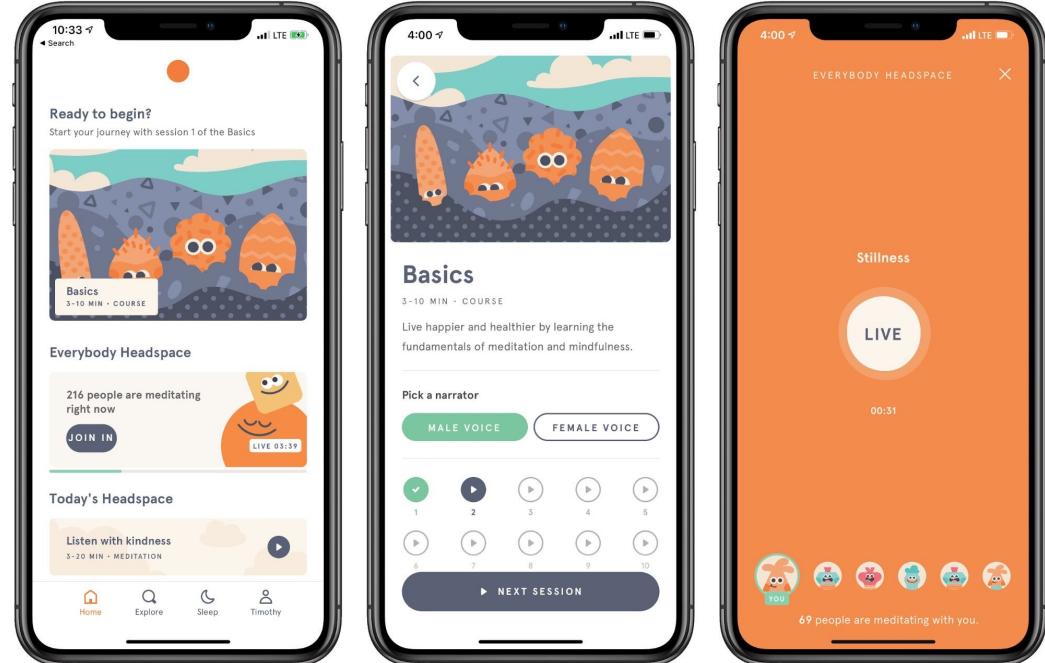
What stage of AARRR would you look at?



Less than 10% of users retained after 1 month

# WHAT WAS THE PROBLEM?

- 40% percent of users completed only “the basics” before churning
- But in talking to churned users, they were very satisfied with product...  
...over 7/10 Net Promoter Score (NPS)



- Why were customers not getting “value”?

“Essentially, people were buying into the value proposition of meditation, but once they learned the essential ingredients of the practice, they were saying, “We love you guys. We learned to meditate. Thank you very much, I’m going.”

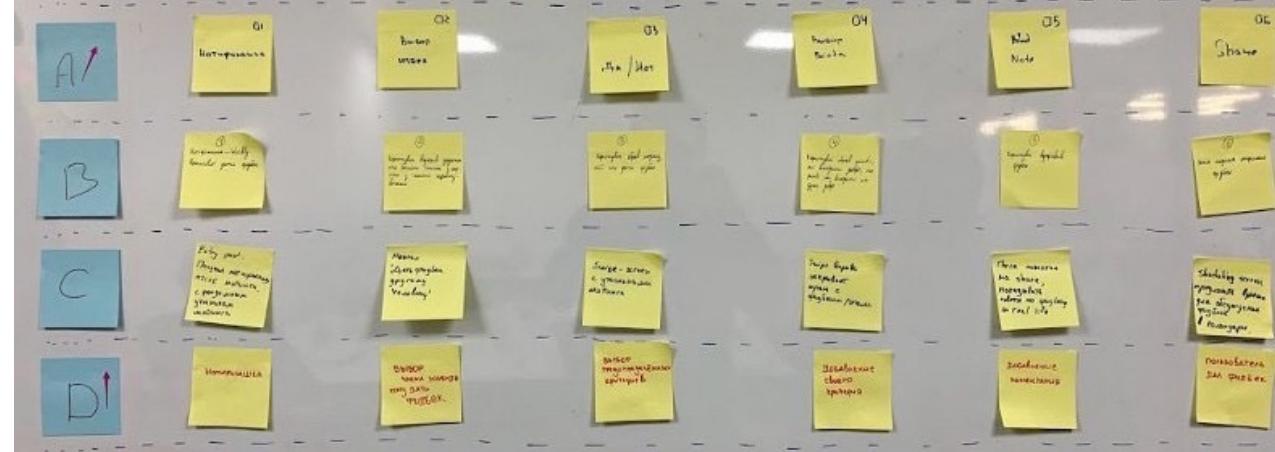
- Robert Viera, Head of Product, Headspace

# RECALL: CUSTOMER JOURNEY AND USER PERSONAS (NEED STATES)



## Steps of Customer Journey

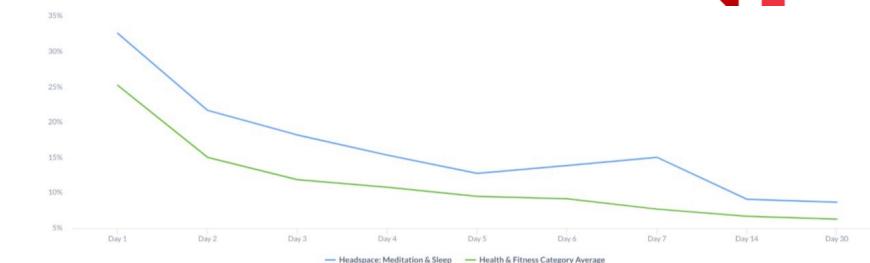
User Personas



- Question 1: What was the customer journey for Headspace customers in the beginning?
- Question 2: What were the different customer needs of Headspace customers?
- Question 3: How would you change their customer journeys based on need states?

# WHAT DID WE JUST DO?

- Identified problem using product metrics and the AARRR framework.
- Used customer journey as tool to understand customer needs and value from features. This included different cohorts of customer needs.
- Proposed product features that better satisfied unmet customer needs. Feature affected different stages of AARRR.
- Experimentation for evaluation of product feature.
- Product feature improved “value” proposition to customer and increased Product Market Fit.



High Acquisition, Low Retention



Steps of Customer Journey



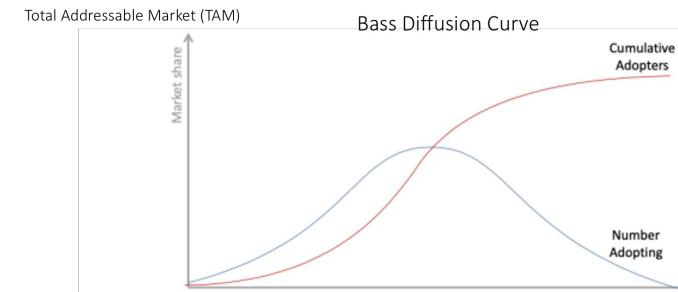
High-Friction, Personalized Activation

# KEY TAKEAWAYS



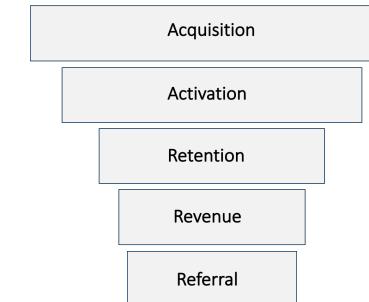
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## ■ AARRR Framework

- Acquisition, activation, retention, revenue, referral
- Tradeoffs between AARRR stages

## ■ Headspace Case Study

Carnegie Mellon University

Tepper School of Business



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## ■ Topic 1: A/B testing 1

- Required reading: Uber Pool case (no case questions/no writeup)
- Topic Presentation (Section A: Team 4; Section E: Team 3)

## ■ Topic 2: A/B testing 2

- Case assignment: Booking.com
- Topic Presentation (Section A: Team 5; Section E: Team 4)

Watch videos for other teams' topic presentations!