



Questions answered:

- How does my product bring value?
- How can I monetize my product?
- Can product value always be measured and analyzed?
- What is a value moment?
- Which metrics should I pick to measure product success?
- Where do product leaders typically go wrong when defining their value metric?
- When it comes to choosing product metrics, what's the difference between a good PM and a great PM?

QUESTION ANSWERED

How does my product bring value?



[See the answer in Mixpanel](#)

The idea of value (as opposed to physical or digital features) is at the core of every product. If customers find value in your product, they use it. If they don't, they stop using it. This simple truth explains why defining your product's value comes first. Later in the book, we'll cover many questions that you can answer with product analytics. But this question—Why are people using my product?—is not one of them, because no product analytics tools can define that for you.

But you probably already know why. Depending on your product, your customers usually have very clear and obvious reasons for using it. Fitbit users, for example, buy the watch and download the Fitbit app because they are looking for motivation. Netflix users keep



To understand your product's value, you need to step back and ask, "What are my users hoping to do with my product? And what is my product really about?"

Product	Value	Value Exchange
 therapy app	Improving mental health	Subscription
Hinge dating app	Finding a date	In-app purchases (e.g., preferred membership, unlimited number of likes)
classpass fitness & health app	Motivation to work out and eat healthy	In-app purchase and subscription
 live streaming	Being entertained	User attention; in-app purchases ("bits"); subscription
DocuSign electronic signature solution	Convenience	Subscription

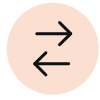
If you look at the most successful digital products today, they have one thing in common: they make it easier, cheaper, or more convenient for people to live their lives and get what they want. Identifying the specific behaviors that indicate that people are getting value is key to building a lasting product. Further, knowing *when* your users get value from your product can help you clear the path to that critical value moment for more users, which means more people get value and are willing to keep coming back, and perhaps even pay.

QUESTION ANSWERED

How can I monetize my product?



profit model, the most common types of value exchange are:



Transactional

Users pay a fixed price per unit of the product, such as \$3.99 for a mobile app.



Subscription

Users pay a fixed price per unit of time, and then receive a fixed number of units (such as 3 audio books monthly) or unlimited use over the subscription period (such as unlimited number of movies and shows monthly on a video streaming app).



Licensing

Users pay a license fee to use, sell, or copy a product. For example, a ride sharing app pays a fixed fee to the provider of mapping software.



Freemium

Some users get a version of the product for free, while others pay for a premium version (with more/better features). For example, an audio streaming service sells a subscription that allows uninterrupted listening.

The moment of value exchange between a user and a business isn't always tied (directly) to money. User attention (monetized, for example, through advertising) and data (used for training machine learning models) can be just as valuable. For product managers, these new types of value exchange require new ways of thinking about user experience and clear communication around data-sharing practices to earn people's trust.



product analytics, you're going to have a hard time grappling with this complexity. Without easy access to the data you need to make decisions quickly, it's challenging to grow and successfully monetize your business.

On monetization post-COVID-19

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“While the fundamentals of monetization are unlikely to change, Covid-19 has two significant implications for how companies think about pricing and monetization in the near and medium term:

At the heart of monetization strategy is always a deep understanding of customer willingness to pay, and how it differs for different customer segments and use cases. Covid-19 changed customer behavior and their option set so dramatically that, in many cases, willingness to pay is fundamentally different. It is worth assessing whether this is the case and whether monetization strategy needs to change as a result.

A surprisingly high percentage of companies designed their monetization early in the company lifecycle with limited rationale. However, they are often reluctant to enact change, because big changes to monetization take a lot of work, and the risk of getting it wrong or suffering customer backlash is scary. A major event like Covid-19 brings so much change that it can give companies air cover to make the big changes they've been considering, and we're seeing many companies take advantage of this.”

Dan Hockenmaier

Founder, Basis One; Growth Mentor and Contributor at Reforge



Can product value always be measured and analyzed?

Yes. No matter how “fuzzy” or intangible the value may appear, you can apply quantitative measurements to any product. For example, while it’s tough to gauge precisely how much fun and entertainment users are getting from a video streaming service, you can measure how many videos they watch weekly, or how much time is spent on each.

Similarly, while finding a 100% precise way of measuring anxiety reduction in users of a meditation app might seem difficult without a qualitative study, you can measure completion rates for meditation sessions, and the percentage of people coming back each week to use the app again and again. In addition, you can observe in what ways people who do come back behave differently from those who don’t.

In short, fuzzy measurement is still a useful measurement if it tells you more than you knew before.¹

A helpful tool in measuring value for your product is defining the so-called “value moments”—user events or actions that indicate that a person is getting value out of your product.

QUESTION ANSWERED

What is a value moment?

Your product’s value moment is an event, an action, or a series of events and actions that represent the moment that a user found value in your product. Here are a few examples of value moments:



Hinge	dating app	Like a photo or message
classpass	fitness & health app	Complete a workout
twitch	live streaming	Watch 5+ minutes of live stream
DocuSign	electronic signature solution	Sign a contract

Depending on your product, a user journey might look very different. To get to the value moment for the first time, some user flows require registration, verification, adding friends, or entering credit card information before a user can “activate” and experience the product’s value for the first time. (Reforge alumni will recognize this as the “setup moment.”) This initial journey to value is critical: the more quickly you can get your users to value, and the more you can signal during that journey what value is to come, the better the chances they’ll stick around for more value moments.



“From the traveler side, **booking** is our number one objective—any test we run from the homepage all the way to the end of checkouts is going to have that as a primary goal. That said, we’re a two-sided marketplace—we also want partners to accept those booking requests.”

Jamie Kapilivsky

Data Insights, Vrbo, part of Expedia Group





software. In this flow, we show what we have to offer. For the new users, this is the moment where they get impressed.”

Stephan Brenner

Vice President - Product, Avira



“To grow in new markets, or maintain our current market presence in countries where we have strong presence, it’s super critical for new users to start a conversation. But if they don’t have anyone to communicate with, then eventually they’ll probably just drop. For existing users, a referral is what we’re hoping for.”

Idan Dadon

Product Manager, Viber

It’s important to remember that, in designing a user journey toward the value moment, the steps you ask a user to take should reflect your unique brand values. For example, the CTO of Primephonic, the Amsterdam-based music streaming service sometimes called “the Spotify of classical music,” has this to say about requiring a lot of user information at the outset of the relationship:



“We’ve made a very clear decision to keep credit cards out of the signup process. And yes, that has a negative impact on our conversion numbers: the people that you let through the funnel are not as qualified as somebody who enters their credit card.

If we were to add a credit card, like a paywall, or a credit card wall on top of our funnel, our conversion numbers would immediately just jump, because we’d be blocking those uninterested people right up front. On the flip side, that’s also just a very crappy user






Henrique Boregio
CTO, Primephonic

QUESTION ANSWERED

Which metrics should I pick to measure product success?

Think of your value moment as a building block for successful product adoption. More value moments means a user has more opportunities to build a habit around your product and remain a customer in the long term. Turning value into a single key metric (known as the “north star metric” or “focus metric”) can help your teams set tangible goals and measure what really matters.

To learn more about defining your focus metric, check out [Mixpanel’s Guide to Product Metrics](#).

Product	Value Moment	Example Metric
 therapy app	Complete a therapy session	# of users who complete a therapy session weekly
Hinge dating app	Swipe right and get a match	# of users who swipe right and get a match
classpass fitness & health app	Complete a workout	# of users who complete a workout weekly
 live streaming	Watch 5+ mins of live stream	# of users who watch 5+ mins of live stream weekly
DocuSign electronic signature solution	Sign a contract	# of signed contracts monthly
 OpenTable® reservation app	Make a reservation	# of users who make a reservation monthly



“Our key focus metric is the number of bookings per customer. This is how we track how well we’re doing, as well as our year-on-year growth rate.”

Karim Mouahbi

Head of Marketing, Mad Paws



“One of our most important metrics is the conversion rate, which helps us determine what percentage of job seekers come into our platform, find a job that’s relevant to them, and then complete the Apply flow.”

Akio Bandle

Senior Product Manager, ZipRecruiter



“My team uses AI technology and conversational units to create engaging and effective ads. We track active user sessions (when a user clicks on the front screen and activates the ad) as well as conversation rate (when users click a button and/or type something in). The final metric we look at is engagement: if a user performs any action at all. We watch how users engage with our various ad units according to those three metrics, and optimize toward the better performing ad units, whether they be for desktop or mobile.”

Shannon Ferguson

Director of Measurement, The Weather Company





Henrique Boregio

CTO, Primephonic

DocuSign

“Given that the DocuSign Agreement Cloud simplifies and accelerates the way people prepare, sign, act on and manage agreements, one of our key metrics relates to speed. We’ve seen that 82% of DocuSign agreements are completed in less than 24 hours, and 50% in less than 15 minutes—that means the average turnaround time for a signature is reduced by >80% compared to paper . . . and that in turn means significant ROI!”

Drew Ashlock

Lead Product Manager, DocuSign

Often, a rookie PM will attempt to track every single user event, come up with an array of metrics, and consider them all equally. This is risky because it can give you a false sense of how many active users you have and how often they get value from your product. Is everyone who logs into a messaging app, clicks into a profile, changes status, and goes to settings truly active and getting value? Maybe it’s only those who send messages? Prioritizing a single value moment is hard, but it’s a more straightforward way of gauging the value that your product brings to market.

Though initially your retention numbers might dribble down if you are no longer considering every single user action as a valuable moment, in the long term, retention and value are intrinsically the same. So, for a PM, focusing on value at all times is a surefire way to set up for long-term retention.



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QUESTION ANSWERED

Where do product leaders typically go wrong when defining their value metric?

“Great PMs understand that their specific product’s context is a more important factor for defining metrics than any industry best practices. Creating a north star metric has its benefits—chiefly, simplicity in measuring progress and communicating it within and outside the team responsible for the product.

When picking a north star metric, Great PMs look for a metric that (a) is responsive to product changes, (b) is an aggregate measure of the product’s value for its users, (c) can be readily tied to value for the business or to broader company goals, and (d) is expected to remain relevant for a reasonable duration of time (e.g., at least 2-3 years). Great PMs typically also complement a north star metric with balancing metrics that can help measure any major negative user impact or business impact from moving that north star metric in the desired direction.”



REFORGE

“The most common pitfall is relying either too much on intuition or too much on data. You have to start with a qualitative hypothesis of what the value moment is, based on first principles of your product’s problem, target audience, differentiation, and other elements. You then need to validate that hypothesis with certain analyses. Teams that let the data drive the definition are letting the data dictate the strategy, when the data should be used to measure whether or not you are achieving the strategy. Those two things are fundamentally different.

The best leaders understand that a [single metric](#) can’t capture the entire picture of their business, but that one metric at any given time can be the most important. It is a balance.

Most products should have four high-level metrics: an acquisition metric, retention metric, engagement metric, and monetization metric. The four of these act as a system where one can influence the other. They each capture a different dimension of what is happening with a product. But trying to improve all metrics at once typically isn’t possible until you get to a much later stage and are able to dedicate teams to each area. Instead, leaders need to understand which one is most important at any given moment and make sure the teams understand that and are properly resourced to make meaningful progress.”

Brian Balfour

CEO, Reforge



“An effective north star metric is a product manager’s best friend. It provides cross-functional alignment on goals and tasks, and an objective barometer for success when a product ships. Even products that generate direct revenue require an alternative product



metric the most?”

Akio Bandle

Sr. Product Manager, ZipRecruiter



“Don’t be data-driven—be data-informed. Data can tell you what is happening, while intuition tells you why it’s happening.”

Lenny Rachitsky

Advisor & Former Lead PM, Airbnb

QUESTION ANSWERED

When it comes to choosing product metrics, what’s the difference between a good PM and a great PM?

“Great PMs understand that metrics are not the mission. At the macro-level, metrics are useful markers for whether the product is achieving its mission and is doing so in a way that creates value for the company (i.e., that the execution is in alignment with the product strategy). At the micro-level, it’s important to recognize that certain products lend themselves well to metrics-based product decisions whereas others don’t.

For example: there is little to gain (and a lot to lose) from largely metrics-based product decisions for an early-stage product whose current usage is infinitesimal



Great PMs will still diligently define and track metrics for such a product, but they will use metrics as one of many inputs for their product decisions.”

Shreyas Doshi

PM Lead at Stripe, Former PM Lead at Twitter, Google and Yahoo



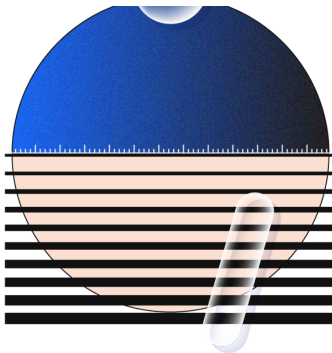
“A good PM understands and tracks user behavior in the product that correlates with users getting value. A great PM prioritizes each new product feature based on how it can move the key value metric.

A great PM is one who can think about innovation and incredibly technologically forward features. . . but never loses sight of their customer. She continually puts herself in the place of her customer, evaluating themselves at every step, behaving and thinking like the average user.”

Vinati Malik

Senior Vice President of New Product Development, TataSky

1. Hubbard, Douglas W. How to Measure Anything: Finding the Value of ‘Intangibles’ in Business, 3rd ed. Wiley: 2014.



NEXT UP

Get to know your users

Read Chapter 2



PRODUCT

- Team Boards & Alerts
- Interactive Reports
- Limitless Segmentation
- Group Analytics
- Data Integrations
- Scalable Infrastructure
- Security & Privacy
- Integration Directory

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- Engage
- Retain

RESOURCES

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- Customer Stories
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