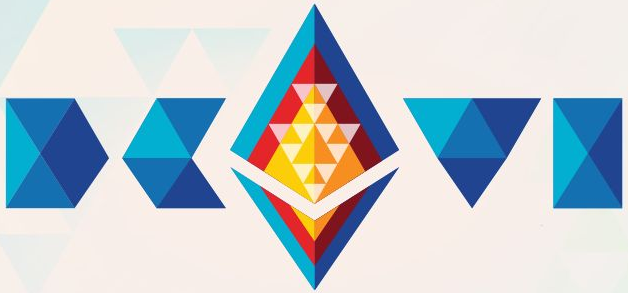


A Playbook for Product Development in DeFi

Alim Khamisa
Product Manager, Element Finance

Oct. 13, 2022

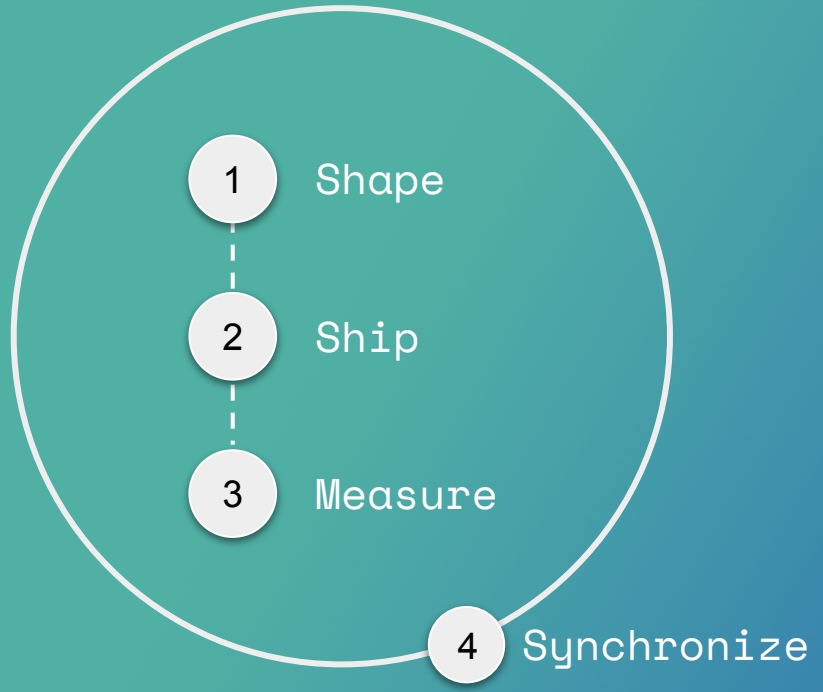
The Role of a Product Manager in Four Words

Shape: Set the direction for the product bringing in key stakeholders to build a vision.

Ship: Coordinate requirements, UI/UX Design, and engineering efforts to deliver a great product.

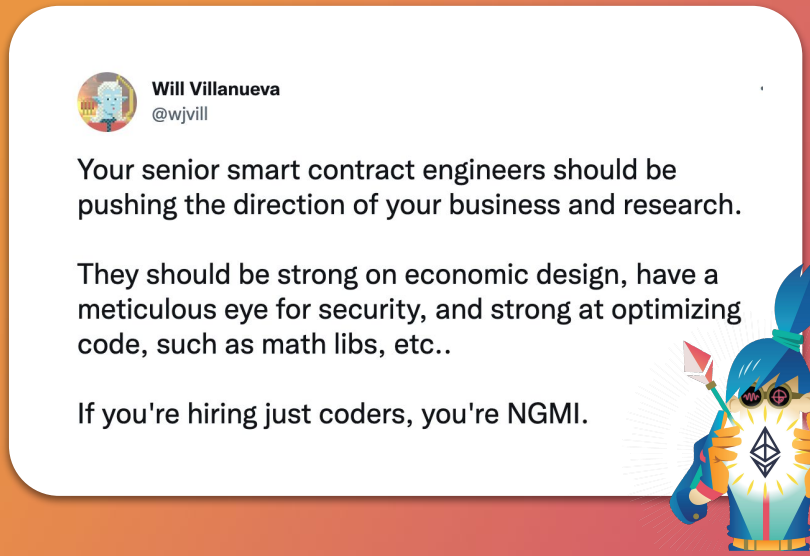
Measure: Quantify product performance to measure against stated goals; focus on outcomes over output.

Synchronize: Interface with all team members to ensure alignment on requirements, timelines, roles and responsibilities, while ensuring accountability.



Building the Roadmap

R&D creates new opportunities



DeFi Teams Need a Strong Research Focus to Succeed

1. **Commit to experimentation** rather than simply rehashing existing solutions

2. **Take an additive vs. extractive approach**, contribute new primitives and leverage existing DeFi “lego pieces” in new ways

3. Have a **pipeline of research projects** that will contribute to protocol evolution and potentially new products

Reference: The Core Principles of Element Finance

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R&D driving the Product Roadmap

*R&D isn't the only input driving the Product Roadmap; for illustration purposes only

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The **Now, Next, Later** approach to roadmapping is ideal for teams:

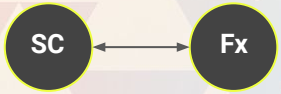
- in fast-changing environments like DeFi
- working on a new product (i.e., v1) that's in the early stages of development

Product Framework

Finding a process that works

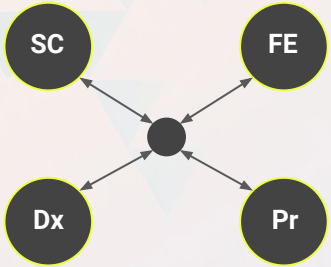
High-Level Product Dev Process

Stage 0: Concept/Vision



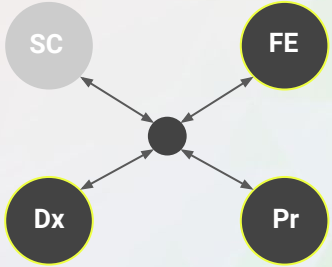
Smart contracts (SC) team and Founders discuss concept

Stage 1: Formative



SC team discusses functionality with Frontend, Product & Design teams

Stage 2: Scoping + Prototype



Scoping, UI/UX, requirements, and project plan are hashed out

Stage 3: Development (sprints)

Sprint planning & execution
(1) SC & (2) FE

internal/external stakeholder feedback

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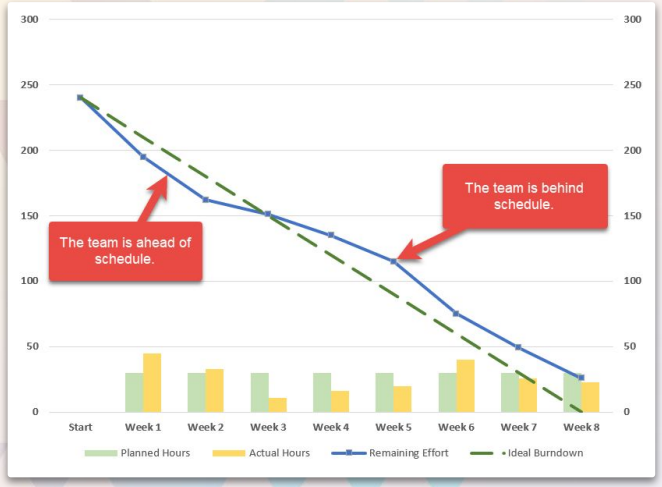
Agile Estimation is notoriously difficult

Measuring development velocity is key to achieving high performance



Poor task estimation leads to timelines slipping

Better estimation

1. **Time**
   rough estimate of the time to complete the user story/task

2. **Collaboration Cost**
   level of collaboration with other team members

3. **Confidence**
   level of confidence in the time estimate and collaboration cost

Avoid blowing up your timelines with too many high-collab, low-confidence tasks in a single sprint.

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Simulation-based Modeling

Validate Assumptions & Tune the Protocol

Simulation-based Modeling: Explore the ‘what if’ Questions

- Validate cryptoeconomic assumptions
- Tune key parameters in order to improve capital efficiency, fees, incentives, and risk
- Simulate interactions among actors to observe what macroscale effects emerge

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Tools for Agent-based Simulation

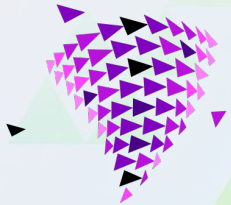
Types of simulations that can be run include:

- Monte Carlo methods
- A/B testing
- Parameter sweeping

cadCAD
by BlockScience

GAUNTLET

EVM Agent-based Token Simulator for Token Engineering



TokenSPICE

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Product Market Fit + KPIs

A data-driven approach to measuring PMF

How do you know when you've attained PMF?

TVL? Sure, but there are problems

TVL is not necessarily sticky – traders look for the best yield opportunities across DeFi and may shift capital frequently

TVL is also subject to market cyclicality and doesn't speak to the long-term sustainability of the protocol across various market regimes

TVL is not an ideal metric to measure **long-term** protocol health and success

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sources: https://l2beat.com/ , https://defillama.com/

Critical metrics to track

Ecosystem Engagement

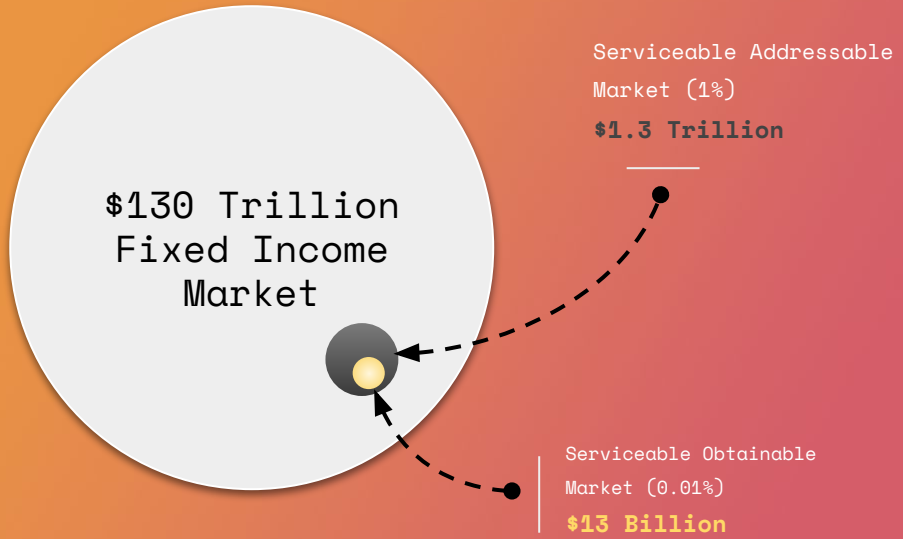
- Community engagement frequency and sentiment
- Developer activity
- Integrations
- # of unique token holders

Financial KPIs

- TVL
- Volume
- Revenue/TVL
- Market Cap/Revenue …

Product Engagement

- DAUs / MAUs ↑
- Churn and Retention metrics
- User actions (deposit, trading, redeem, etc.)
- User activity by segment (retail vs. whales vs. institutional)
- Avg session duration
- Page-specific analytics (clicks, time on page, etc.)



Note: Figures for illustrative purposes only

Market Share as an Indicator of Product Market Fit

- What % of market share that you initially set out to capture have you captured?
- Both top-down and bottom-up approaches taken together can be more effective
- Consider CAGR of the space

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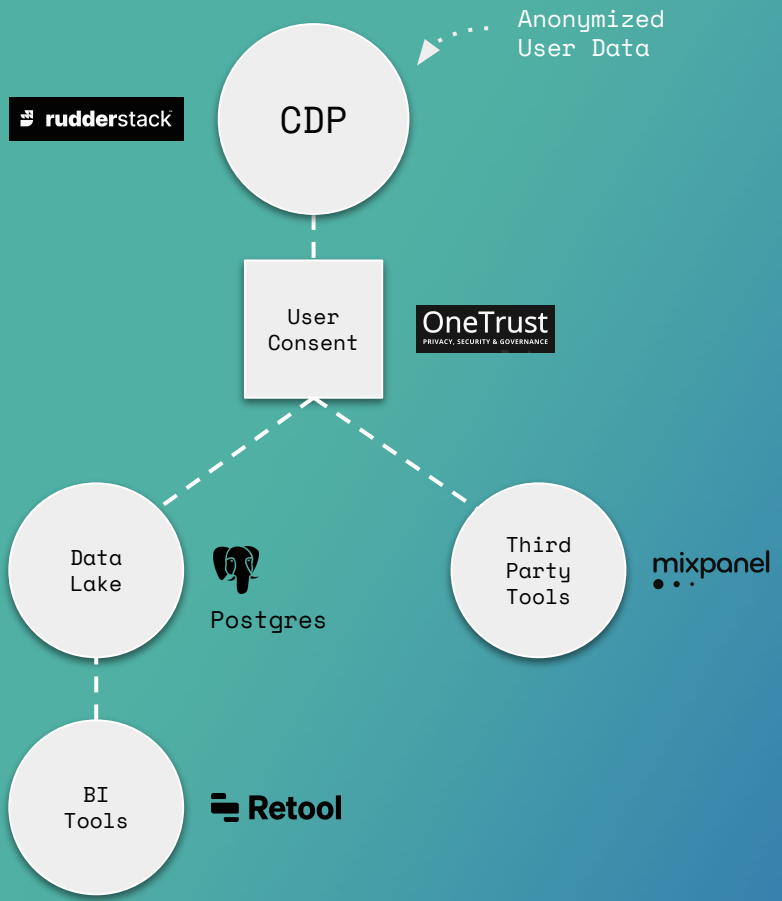
Measure via Open-Source Tools with User Controlled Data

All major DeFi protocols (Maker, Aave, UniSwap, dYdX) **collect user data** to inform product decisions

Consent management allows users to opt-out of anonymous data collection

Open-source tooling can be used throughout the stack and can be housed by the team rather than third parties



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“A Playbook for Product Development in DeFi” article!

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