Have You Really Hit Product-Market Fit? Here's How to Know for Sure

You need PMF before you start scaling or monetizing. Why? Because scaling a product that doesn't fit the market is like pouring water into a leaky bucket—it'll drain everything. PMF tells you if people actually want what you're offering and if they'll stick around to use it.

To keep things actionable, I've split the key metrics into Pre-Monetization and Post-Monetization phases. Your product's maturity will determine where your attention should go first. Let's dive in.

PMF Is Essential—But Measuring It Takes Strategy

Everyone talks about Product-Market Fit (PMF) like it's a magic finish line—but the truth is, finding and measuring it is way more complex. And whether you're just getting started with your product or looking to scale, PMF isn't something you "guess" at. It needs to be measured.

The catch? There's no single metric that screams, "Congrats, you nailed it!" Instead, it's about tracking a set of metrics that give you the clearest possible view of whether your product is actually resonating with your market. In this post, I'll walk you through the most important metrics to track for PMF—and when to focus on which ones.

✨ Pre-Monetization Metrics

Before the dollars start rolling in, it's all about engagement, retention, and satisfaction. Here are the core metrics to watch early on:

1. Daily Active Users to Monthly Active Users (DAU/MAU)

This metric tells you how engaged users are by measuring how many monthly active users interact with your product daily.

Formula:

$$\text{DAU/MAU} = \left(\frac{\text{Daily Active Users}}{\text{Monthly Active Users}} \right)$$

What Good Looks Like:

- ✔ **B2C Products:** 20% - 50%
- ✔ **B2B Products:** ~13%

Why It Matters:
If users are coming back daily, it's a good sign that your product is becoming part of their routine. Think of it like the social media app you swear you'll stop checking—but don't. That's the kind of habit-forming engagement you want. Remember that DAU is just how many users are interacting with your product on average each day, it is not necessarily the same users day to day, and that's totally normal.

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With 10+ years of leadership experience spanning product, design, and engineering, I bring a unique, well-rounded approach to growing SaaS products.

Want to chat more about hitting your PMF goals? Drop me a message on LinkedIn or apply to work with me.

2. Retention Rates (1-Month & 3-Month)

Retention rate measures how many users stick around after they first engage with your product. It's a straightforward way to see if people find value—and keep finding it.

Formula:

$$\text{Retention Rate} = \left(\frac{\text{Total Users at End of Period} - \text{New Users}}{\text{Total Users at Start of Period}} \right)$$

What Good Looks Like:

- ✔ **1-Month:** 40% - 60% is strong; under 30%? Not so much.
- ✔ **3-Month:** Aim for 25% - 40%; anything under 15% is a red flag.

Why It Matters:
High retention rates show that users value what you're offering over time. If you lose users quickly, it's time to dig into the "why."

3. PMF & CSAT Surveys

Direct feedback from users through PMF and CSAT surveys is one of the most effective ways to measure if your product hits the mark.

Key Questions to Ask:

- *"How would you feel if you could no longer use this product?"*
- *"What problem does this product solve for you?"*
- *"How satisfied are you with the product?"*

What Good Looks Like:

- ✔ **High "Very Disappointed" Responses:** If more than 50% of your users say they'd be *very disappointed* if they couldn't use your product, you're onto something.
- ✔ **Clear Value Proposition:** When users easily explain how your product solves their problems, it's a sign your product's value resonates.
- ✔ **High CSAT Scores (75%-90%):** A high Customer Satisfaction (CSAT) score shows that users are not only happy but also more likely to advocate for your product, driving organic growth.

Why It Matters:
These surveys are gold. They give you actionable insights into how your users feel about your product and whether it genuinely solves their problems. Plus, this feedback helps you validate whether your product fits your market—or if you need to pivot.

4. Net Promoter Score (NPS)

NPS measures how loyal your users are by asking a simple question:

"On a scale of 0-10, how likely are you to recommend this product to a friend?"

Formula:

Net Promoter Score = **% Promoters** - **% Detractors** x 100

0 1 2 3 4 5 6 7 8 9 10

What Good Looks Like:

- **70+:** Excellent
- **50-70:** Good
- **30-50:** Average
- **Below 30:** Needs improvement

Why It Matters:
When users actively recommend your product, you're doing something right. A high NPS can drive organic growth without you having to lift a finger—or spend a dollar.

5. Organic Growth

Organic growth is the holy grail: new users showing up without paid marketing.

Measurement Methods:

- **Referral Rate:** Percentage of new users from referrals
- **Viral Coefficient:** How many users each existing user brings in (Applicable if you have a referral or invite program)
- **Organic Traffic:** Traffic from non-paid sources

What Good Looks Like:

- **Referral Rate:** >10% of new users from referrals
- **Viral Coefficient:** >1 (each user brings in more than one new user)
- **Sustained Organic Traffic Growth:** Consistent month-over-month increase in organic traffic without proportional increases in paid marketing spend.

Why It Matters:
If your product can grow organically, it means people love it enough to spread the word—no expensive ad campaigns needed.

💰 Post-Monetization Metrics

Once your product starts generating revenue, the focus shifts to retaining and expanding revenue. These metrics help ensure that your paying customers stay—and spend more over time.

1. Free to Paid Conversion

This metric tells you how well your free users convert to paying customers.

Formula:

$$\text{Conversion Rate} = \left(\frac{\text{New Paid User Conversions}}{\text{New Visitors who Remain Free}} \right)$$

What Good Looks Like (Freemium Self-serve Products):

- **Good:** 3%-5%
- **Great:** 6%-8%

Why It Matters:
A strong conversion rate shows that users find enough value in your free

offering to pay for more. It's the ultimate vote of confidence.

2. Net MRR Churn Rate

This tracks the percentage of Monthly Recurring Revenue (MRR) lost to churn, adjusted for upsells and expansions.

Formula:

$$\text{Net MRR Churn Rate} = \left(\frac{\text{MRR Lost} - \text{Expansion MRR}}{\text{Total MRR}} \right)$$

What Good Looks Like:

- ✔ **Enterprise:** <1% monthly churn
- ✔ **SMBs:** 2%-2.5% monthly churn

Why It Matters:
Churn hurts, but upsells help. Tracking both gives you a full picture of how well your product retains and grows revenue over time.

3. Net Revenue Retention (NRR)

NRR measures how well you retain and expand revenue from existing customers.

Formula:

$$\text{NRR} = \left(\frac{\text{Starting MRR} + \text{Expansion MRR} - \text{Churned MRR}}{\text{Starting MRR}} \right)$$

- ✔ **Median SaaS NRR:** 103%-105%
- ✔ **Enterprise:** 125%
- ✔ **Top Performers:** >140%

Why It Matters:
If your NRR is above 100%, it means customers are not only sticking around—they're spending more. That's the dream for SaaS growth.

Final Thoughts: Keep Tracking, Keep Improving

Achieving Product-Market Fit isn't a one-and-done milestone. It's a continuous process of learning, adapting, and improving. Tracking these metrics ensures you're always on top of what's working—and what's not.

If you're not quite there yet, don't stress. The key is to stay curious, experiment, and lean into what your users are telling you.

Ready to level up your product strategy? Let's chat! Apply to work with me, or message me on LinkedIn.

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