

What Is Product Market Fit?

In software businesses, a product is the digital solution a company delivers to customers. Product market fit exists when that product solves a clear and important need for a defined set of customers, who rely on it to run essential workflows. For example, think of a payroll system designed to ensure employees are paid on time.

Common indicators of product market fit include:

- Strong customer engagement
- High retention and renewal rates
- Recurring and growing demand

Together, these signals suggest the product delivers measurable, durable value.

How Product Market Fit Can Impact the Software Business Model

Product market fit is the foundation of scalable, durable economics for a [software business](#). These businesses can scale more efficiently once they build a product that customers truly need. When product market fit is present:

	Unit Economics Strengthen	Clear demand enables more efficient customer acquisition and expansion.
	Pricing Power Increases	Products that address mission-critical problems command durable pricing.
	Scalability Accelerates	With traction established, companies can grow through repeatable sales motions supported by recurring value.
	Retention Improves	Sticky products reduce churn and create more predictable recurring revenue.

For investors, these dynamics can translate into more resilient performance and stronger long-term value creation.

Product Market Fit in the Context of Investment Strategies

Different investors engage with software companies at different stages of the life cycle. One way to understand these phases is by examining whether product market fit is being discovered, strengthened or scaled.

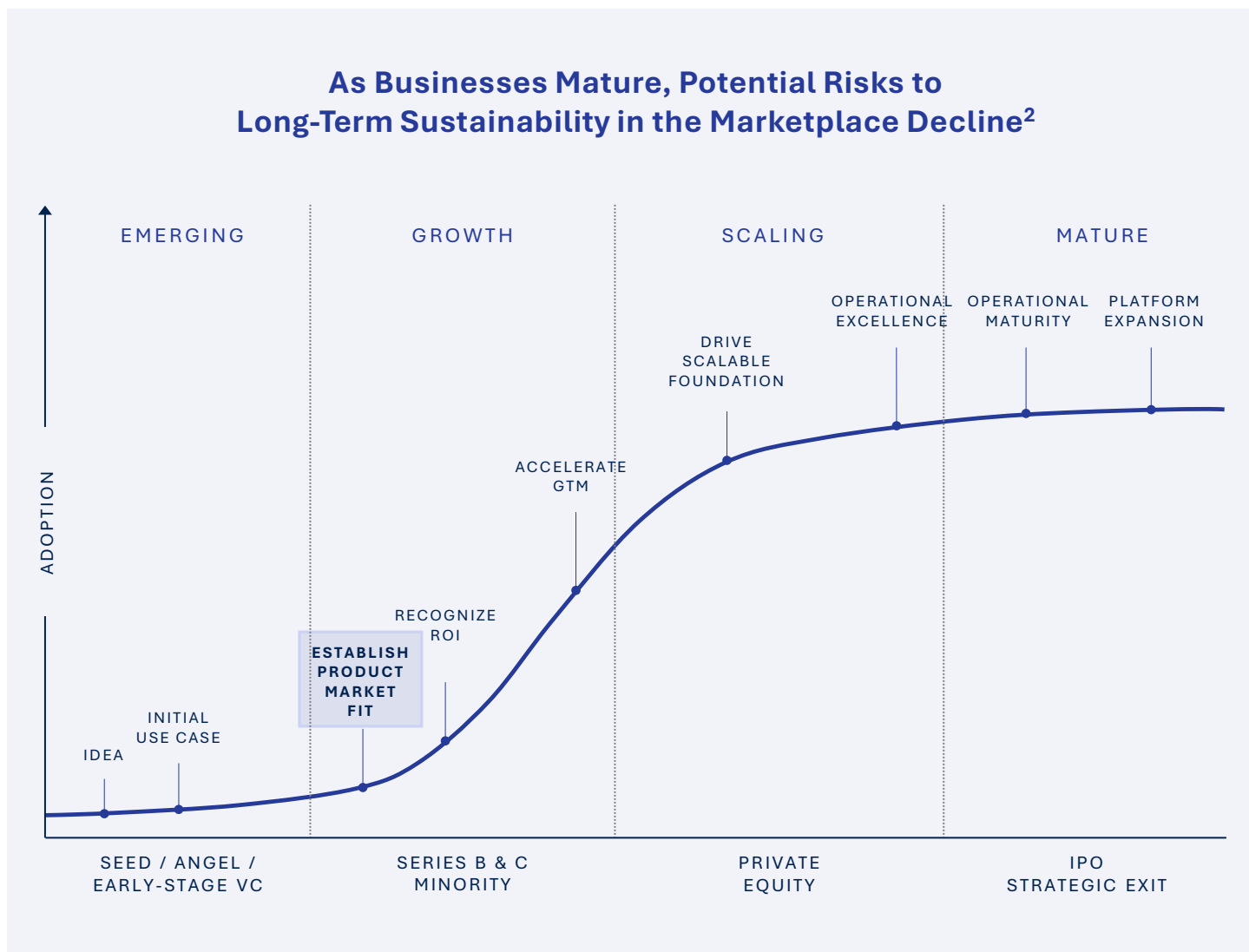
Illustrative Differences Between Consumer and Enterprise Software¹

	VENTURE CAPITAL	GROWTH EQUITY	PRIVATE EQUITY
Stage of Investment	Early lifecycle	Expansion stage	Established businesses
Product Market Fit	Not yet proven	Emerging or partially proven	Clearly demonstrated
Primary Focus	Discovering and refining a product that meets an unmet need	Accelerating growth and strengthening product-market alignment	Scaling a proven, mission-critical product
Key Underwriting Question	Can this team find product market fit?	Is product market fit strong enough to scale faster?	Can this product scale efficiently and durably?
Product Maturity	Evolving; core use cases still forming	Core use cases validated, extensions underway	Products are stable, embedded and mission-critical
Source of Risk	Market discovery and execution	Go-to-market execution and scaling discipline	Operational optimization and sustained performance

1.) Vista analysis, 01/2026. For illustrative purposes only.

How Vista Evaluates Product Market Fit

Across Vista’s [private equity strategies](#), we focus on identifying companies that demonstrate clear evidence of product market fit. During diligence, we assess qualitative and quantitative signals to understand whether the product resonates with its market and can scale efficiently.



2.) Vista analysis, 01/2026. For illustrative purposes only.

KEY AREAS OF FOCUS FOR OUR INVESTMENT TEAMS INCLUDE:³

	Retention and Expansion Patterns	Renewal behavior, cohort performance and net retention metrics that demonstrate recurring value. Vista often looks for gross retention of 90 percent or higher as a sign of strong product relevance.
	Market Traction	A meaningful and growing customer base that extends beyond a narrow set of early adopters.
	Revenue Momentum	Sufficient scale to indicate that the product can support repeatable growth.
	Customer Engagement	Deep and frequent use across workflows, teams or data sources that reflect the product's true value.
	Economic Efficiency	Customer acquisition costs, payback periods and sales productivity that reflect repeatable demand.
	Competitive Positioning	Favorable comparison to alternative products and whether customers view the solution as essential.
	Voice of the Customer	Direct feedback that validates the depth of the problem being solved and the value being delivered.

Together, these inputs help Vista determine whether a company has reached the level of durable traction required to support [disciplined growth](#) and sustainable financial performance.

3.) Vista analysis, 01/2026. For illustrative purposes only.

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