

If It Don't Fit It Don't Sell

by Andreas Iatridis

Founding your own business is exciting and something to which great pride and dedication is devoted. You have an idea which you personally feel or believe will be the next greatest thing. And whilst enthusiasm is great it does detract from one key virtue, patience.

Today we are going to talk about Product Market Fit, a topic on which a business's success or failure is dependent on. As you may know two thirds of all startups and the number one reason for this is product market fit. In fact this represents 35% of all failures.

In today's show we will look at the key factors impacting product market fit, why companies fail and what success looks like and why.

First off for those who are unfamiliar and because I like to give a good definition, particularly for a topic such as this one, what is product market fit?

Product Market Fit focuses on two elements; what you are selling (the product) and who you are targeting (the market).

As a business owner, you want to be sure that the product/solution you are selling meets the needs of the market and that demand will be sufficient to fuel business growth.

If we recall the second podcast, Making Buyer Lemonade you want the market to see that:

The Price is Fair, the Source of Supply is Satisfactory and the Time to Buy is Now.

So what makes for a decent product market fit?

Well to answer that I think taking a step back first to understand and learn about the person with the idea is necessary as it will be definitive in a business's mid to long term success:

- Does this person have business acumen?
- Does this person have sales and marketing experience?
- Is this person open to advice and guidance?
- Has this person got industry market knowledge?
- Is this person patient?

There are certain traits that lead to an idea being successful a lot of which are dependent on the person with the idea.

Running your own business is incredibly personal, you are proving something to yourself and others which can put you in a very closed mindset.

Looking back at my business which specialised in the importation of top quality Greek food ingredients to Ireland I never properly assessed the target audience for our retail products.

In doing so I priced the products to compete with "value" brands when they should have been marketed as premium. And whilst we were in over 200 supermarkets nationwide, which was great, the rising costs made it difficult to continue.

Here are some initial questions one should ask themselves about a product or service they are exploring to potentially launch:

Is your offering relevant to your potential buyers? If so, What is relevant, how and why is it relevant?

Have you identified a need that your product addresses, but that buyers may not yet be aware of? If so, how are you going to position that?

Does your offering address a direct need that buyers are aware of? Perhaps something already exists on the market that addresses that need.

If so, what's unique about your offering, how does it differ and more importantly how are you going to drive interest to get a buyer's attention?

As a business owner you have to have conviction on the above and be able to confidently answer those questions before you go to market.

In effect this establishes the MVP - The Minimal Viable Product. This is the chassis or foundational offer which will drive sales and business growth.

The key components therefore for good product market fit are:

- There is a significant/sizeable problem faced by the customer which your solution resolves
- The target market and audience have been well defined and identified
- The price represents value and above all covers costs!

Once Fit has been established you will end up with your value proposition, which in very simple terms answers why a customer will buy your product and why that is good for them.

Getting to that stage takes planning and research - for example a SWOT and/or Porter's 5 Forces analysis to establish in detail the viability of your business idea. This is an absolute must!

Many businesses fail due to poor - market fit. In many cases it is because a business is solving a problem that nobody has, but also extends to other reasons as we shall now see.

Dinnr presented an intriguing idea but fell short in accurately assessing the real market appetite. The company aimed to provide a unique 'cooking experience' by delivering ingredients and instructions, allowing users to prepare special occasion dinners for their loved ones.

The concept focused on enabling people to savour the joy of home-cooked meals during significant events like anniversaries and birthdays. However, the startup's downfall stemmed from a failure to comprehend its target audience.

The product originated from personal aspirations and interests, and whilst the founders had carried out some research it was far from conclusive.

Ultimately, the majority of customers preferred acquiring ingredients from local supermarkets or opting for ready-made meals. The lack of alignment with market demand led to Dinnr's closure in January 2014.

Navyd a maps/directions device for drivers also failed to understand their audience.

From the outset, Navyd faced challenges due to a lack of understanding of the market and initial pricing missteps. Customers hesitated to pay over \$799 for a device solely offering directions. Even after price reductions, they encountered stiff competition from cheaper alternatives in a saturated market. Additionally, users criticised the product for introducing a new problem — the HUD's inflexibility with the windshield curve, obstructing visibility.

Conducting prompt market research and validating through an MVP prototype before full production could have preempted this problem.

Further complicating matters, Navyd's singular focus on building a separate navigation ecosystem to rival Google Maps proved both expensive and demanding in terms of ongoing development and maintenance.

The lack of demand and reluctance to pay for an underwhelming solution led to Navyd's downfall. They stumbled by heavily investing without testing and achieving a viable product-market fit, ultimately ceasing operations in 2018.

We've mentioned why businesses fail, but these two examples offer a good summary of those reasons:

- Market research
- Personal Aspiration (note)
- Undefined Target audience
- No Minimal Viable Product
- Pricing
- Competition

In both cases value proposition was unachievable.

Some businesses start off with a poor product market fit, but are able to adapt or pivot to address what the market really wants such as Instagram and Paypal..

Instagram, started off as Burbn, a location-based social app which let customers check-in, plan for future check-ins and post pictures of their meetups.

The app was full of features, too many, making for complex usage and poor adoption. The founder, Kevin Systrom took a very close look at customer usage data and discovered that users were consistently drawn to the photo posting and sharing feature. This realisation prompted a strategic shift, leading to the creation of a simplified, purely photo-based app.

Sometimes simplifying your offering drives and maximises usage. Listening to the customer and understanding how and what they used most in the app was key to Instagram's success.

PayPal started off as Confinity a payment platform for palm pilot users - For those of you who may not remember the palm pilot was a PDA or personal digital assistant. It was one of the earliest successful handheld devices that combined computing, organisation and communication into one device. In 2010 it was discontinued and replaced by smartphones.

PayPal was quick to realise that the palm pilot market was very niche and pivoted instead and created an email based payments exchange platform facilitating the transfer of money online.

They were quick to realise that the target audience was not going to fuel business growth and the problem they were solving had a much much larger audience.

We know how important it is to listen to customers to truly address their needs and that the most successful brands do this consistently. However many do not and that impacts sales and business growth.

Impact on Sales

In any business when product market fit is not there selling those products or services becomes incredibly complex.

A colleague of mine was describing a situation where the initial product they were selling had fit, sales were growing and she was selling consistently. However there were issues with the product's reliability which led to changes or as she described it to me, a reduced offering.

As a result, the narrowed scope of features rendered the product less attractive, shrinking the potential market opportunity. Essentially, the issue addressed by this solution became more limited, diminishing the perceived value for potential customers and making it less compelling.

Clearly this had a huge impact on sales and added complexity to sales conversations. Based on her account, she found herself marketing a compromised solution and attempting to justify to prospects why the features they desired were unnecessary. The reality was that these features had been deprecated.

In some instances, there are solutions that, from the beginning, fail to genuinely solve a problem or tackle an issue significant enough to drive sales. These may manifest as add-on solutions to an existing product, attempts to address non-existent problems, or the introduction of solutions for which superior alternatives are already available.

Conclusion

Passion is a key ingredient for any business to be successful, but not all ideas are good and no matter how passionate one may be, assessing what reality is in terms of potential is critical.

Success lies in understanding the market potential, who your target is, and how your product benefits them. And core to achieving this lies in Research, Observation, Listening and Understanding what the market wants and needs.

