



Product/Market Fit: The Goal of Every Young Startup

by Dennis Hammer

Every year, countless startups fail because, even though they have a great product, they can't find a market that wants to buy it. They spend a lot of time and money building something that's basically unsellable.

In fact, [according to CB insights](#), it's the number one reasons startups fail.

BASED ON ANALYSIS OF 101 STARTUP POSTMORTEMS
 Top 20 Reasons Startups Fail

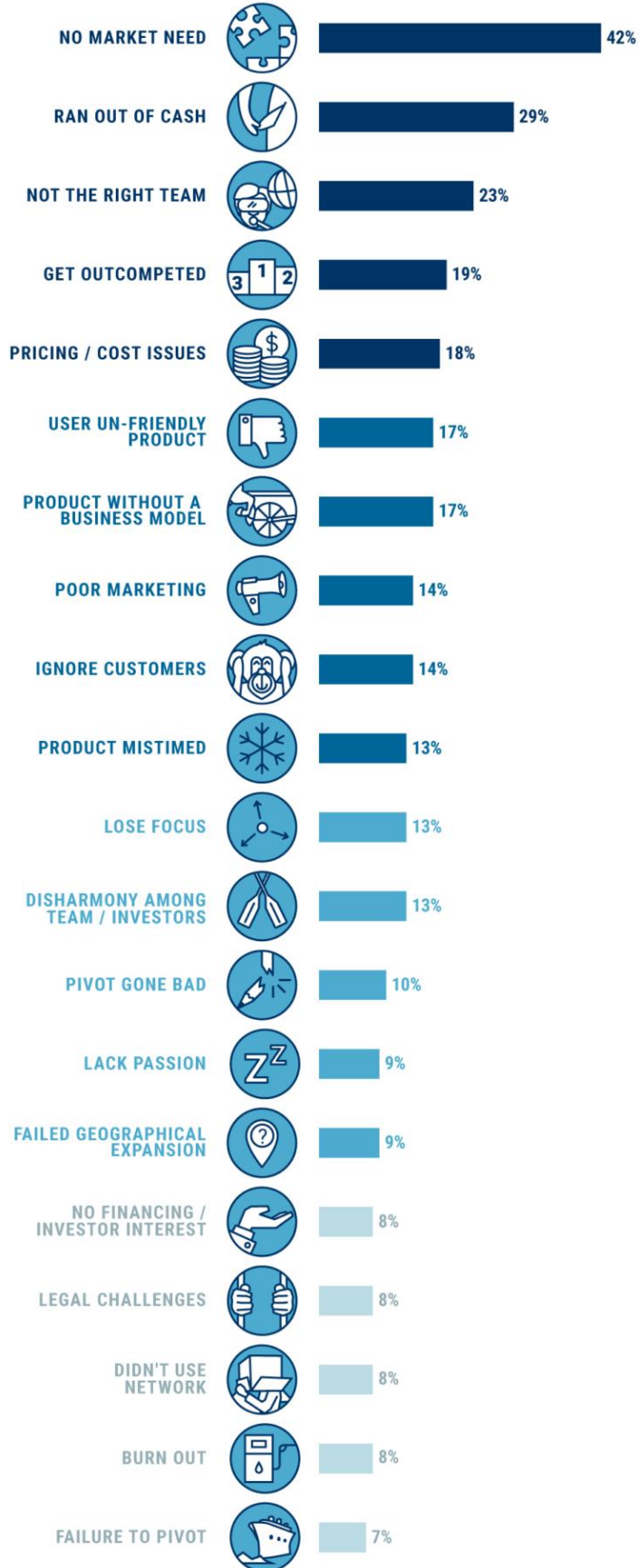


Image: cbinsights.com

Most of these companies never achieve product/market fit: The point where a startup identifies a market and builds a product to serve it. It's one of the hardest challenges of every early startup.

1. What is Product/Market Fit?
2. Focus on Your Customer
3. Finding a Good Market
4. Product/Market Fit Before Scaling
5. How Do You Measure It?
6. Product/Market Fit Doesn't Guarantee Anything

What is Product/Market Fit?

Product/market fit is a mental model [coined by founder and investor Marc Andreessen](#). It signifies the moment a startup has a product that serves a sustainable market. Basically, it's the point where you have a customer and a product that fit well together.

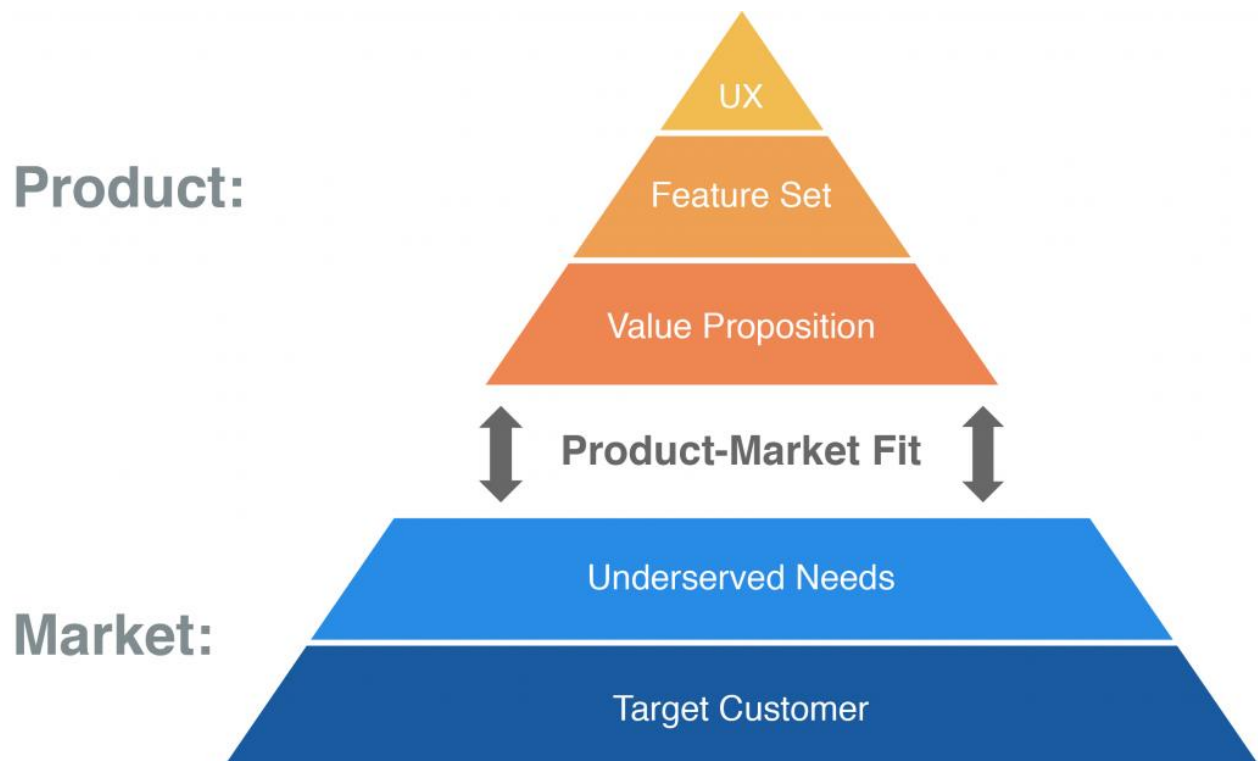


Image: leanstartup.co

Before you find product/market fit, your priorities are two-fold:

1. Learn as much as possible about your customers.
2. Develop a product that meets your customers' needs.

You'll address these priorities in tandem. Sometimes the product you create leads you to a different customer. Sometimes what you learn about your customer changes the product.

By addressing these priorities, you'll be able to build and sell a product that fits the market, as opposed to trying to force a poor-fitting product on to a market that doesn't really want it. If you develop something people want to buy, they'll be receptive to your marketing and even seek you out.

Focus on Your Customer

When we say "market," we're really talking about people. After all, markets are just people who have similar needs and make similar decisions.

So finding product/market fit is really about creating something *people* want to buy. The best way to address that first priority (learning as much about your customer as possible) is to [study your customer](#).

Start by developing [buyer personas](#) for your customers. Buyer personas are fictional avatars of your customer segments. They help you centralize everything you know about your customer, including...

- Basic demographics, like age, company, role/title/job, education, location, income, family, interests, and whether they can make buying decisions at their company.
- Their mindset (goals, problems/pains, objections, and expectations).
- What their buying journey looks like. How do they become aware of your product? What solutions do they consider? What makes them decide on your product over others?
- Their status *before* they use your product and their status *after* they use your product. (Your product is the thing that should take them from their *before* state to their *after* state, so you have to know what both states are like.
- Internal and external triggers that force your customers to take action.

You've probably guessed already that you can't make assumptions about all that information. You'll have to [talk to real potential customers](#) to understand them well. You can also [get feedback](#) through your analytics, surveys, and social listening.

Once you have this information, you can focus on the benefits and features that matter the most to your customer. Identify the *one pain* that supersedes the others, build your product to solve that problem primarily, and adjust your marketing to translate the benefit. This is called your [value proposition](#).

Yes, learning about your customer is time-consuming. Yes, it's more expensive than you expect. And yes, it's not easy for a lot of startup founders, especially if you have more *technical* skills than *people* skills.

Finding a Good Market

Finding a market for your product isn't good enough. You need a *good* market. What's a good market?

1. It's growing, not shrinking.
2. It's large enough to support a large company. (This doesn't mean it has to be *big*, just *big enough* for your company.)
3. It's profitable enough to sustain your company.
4. The customers are receptive to new services.

Further, a big part of product/market fit is being able to clearly explain *why* your product is valuable to your market. You may have the best solution in the world for your potential customers, but if you can't translate its benefits to them, your product won't fit into the market.

This is why understanding your customer is such a critical part to finding product/market fit. If you don't understand them well, you won't build a solution they need *or* find ways to reach them.

Product/Market Fit Before Scaling

Don't think about scaling up until you've found product/market fit. Basically, you shouldn't worry about growth until you have a product that fits the market.

That said, it's okay to *think* about growth before you find product/market fit. Angel investors and venture capitalists will want to hear *at least* your preliminary plans for growth.

But you shouldn't invest any cash into things like sales, marketing, or customer success (except to run experiments, test assumptions, and validate ideas) until you're comfortable that you've found product/market fit.

If you try to scale up before you've found your product/market fit, you'll take a huge risk. You might spend a lot of cash marketing a product you can't sell.

"No amount of sales & marketing savvy can sell a product that nobody needs or wants," [says chief marketing officer and growth expert Ryan Law](#). "And when problems appear, it'll be impossible to determine whether your business is stagnating because of inefficient growth strategies, or because you've developed a product that solves a nonexistent problem."

Change with the Market

Markets change and evolve over time. A solution that fits the market *right now* may not fit the market in the future. This is especially true in the software space where a new idea or new technology (which seem to develop faster and faster) can disrupt a market overnight.

In this sense, it's best to think of product/market fit as something you need to capture and *hold on to*. If you don't pay attention to your customers, you might lose control of it.

This is why big tech companies continually invest in weird projects and technologies that fail more often than they succeed. It's why [Facebook bought Instagram and WhatsApp](#). It's why [Google buys up lots of companies](#). They know they have to continually change to stay relevant.

It's important to regularly ask yourself these questions:

- Is the problem you solve still important to your market?
- Does the problem even exist anymore?
- Is the market still good enough for your business?
- Is your knowledge about the market (your customers) still accurate?

How Do You Measure It?

How do you know if you've found product/market fit? Unfortunately, it's not obvious, and it's not something you can easily measure.

The most popular method to "calculate" product/market fit (and determine whether it's time to start scaling) is the [Sean Ellis Test](#). Sean is a growth specialist with experience at Dropbox, Lookout, Qualaroo, Eventbrite, and LogMeIn.

This test is a simple survey that asks users one question: "How would you feel if you could no longer use [product]?"

Users can answer...

- Very disappointed
- Somewhat disappointed
- Not disappointed (it isn't useful)
- I no longer use the product.

If more than 40% of respondents say they'd be "very disappointed" if they couldn't use the product any longer, you've probably found product/market fit. The 40% threshold comes from Sean Ellis' experience and analysis of startups. He noticed that companies that managed to gain traction always scored over 40% on this survey.

This is a great test because it's user-focused, simple, and fast to calculate. It's something you can test regularly without much work.

Product/Market Fit Doesn't Guarantee Anything

Don't be discouraged if you don't find your product/market fit right away. This is an iterative process. You may have to dig deep into your user feedback and make drastic changes to your product to find the right fit. This learning is important and valuable.

Finding a product/market fit doesn't mean your startup will become enormously successful. It just means that you've created the *opportunity* to be successful. You still have to execute well to exploit that opportunity. You'll still have to sell the product, serve the customers, and compete against other companies that solve the same problem.

Do anything and everything you need to find product/market fit. Change your product, your people, or even your market. Once you find it, and customers start clamoring *to* you, everything else gets a lot easier.

If you're struggling to build a product people want to buy, check out the [10xU community](#). We'll help you position your startup for rapid growth.