

Hardware Startups Have Options, But It's a Mistake to Explore Them All

 tenorpr.com/2018/10/hardware-startups-have-options-but-its-a-mistake-to-explore-them-all

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October 16, 2018

Few things are as difficult as launching and scaling your own business. For every success we read about in TechCrunch, there are dozens of companies that flame out before we get the chance to read about them.

Seventy percent of startup companies fail within 20 months of raising their first funding round, a detailed post-mortem by CB Insights said. But those numbers are far more dire in the world of consumer hardware, where 97% of seed or crowdfunded companies eventually turn into “zombies” or go out of business altogether.

Hardware startups face their own unique challenges, and according to researchers, these companies are most likely to fail over a lack of consumer demand, a high burn rate, decreased enthusiasm and product strategy mistakes.

There is one product strategy mistake that hardware companies frequently make as they scramble to build out products and services to appeal to as many consumers as possible, and the mistake is putting too much value on “optionality.”

The Danger of Optionality

In a bid to be all things to all people, consumer hardware CEOs keep a range of options open on the company's roadmap, in case the business needs to pivot to tap a new base of customers. Flexibility is good in theory, but this kind of optionality can easily turn into a lack of focus or commitment.

Keeping every option on the table can mean the failure to do one thing well, and in hardware, this is a death knell.

The CEOs at the helm of startup hardware companies are doing business in a subscription-based economy that is increasingly defined by software and driven by brand experience. Many want to build

one product after another and one feature after another to win consumer mindshare and keep a competitive advantage. This makes these CEOs vulnerable to the pitfall of overvaluing optionality. Creativity and flexibility are admirable, but in consumer hardware, a company can't keep "iterating" forever. It's prohibitively expensive. What works far better is setting clear goals and boundaries in the beginning, and then executing on those before embarking on a new adventure. While it might be feasible to create new features or services to keep up with consumer demand, tapping whole new markets or customer segments can mean remaking the product from the ground up.

A Costly Failure

One-time consumer hardware leader Jawbone was once worth more than \$3 billion, but is now in the process of being liquidated. A failure this massive can't be attributed to a single factor, but optionality looks like a top culprit in the company's demise. The company began as a developer of military-grade audio equipment, which turned into Bluetooth earpieces that consumers loved. The company later pivoted into fitness tracking and health-data products, raising more than \$900 million from investors along the way.

Jawbone's health-tracking rival FitBit—which now trades on the New York Stock Exchange—does one thing well, and went from launch to IPO on a fraction of what Jawbone raised. Things have changed since the height of the Jawbone-FitBit rivalry, and the kind of focus shown by a company like FitBit is more important now than it's ever been.

The Gauntlet

Now isn't the time for a hardware startup to try to be all things to all people, or to constantly move the goalposts to reach multiple customer segments. Hardware companies today are trying to square off with tech giants like Samsung, Google, Apple and Amazon, who are rolling out a series of interconnected products for the office and the home. At the same time, Chinese companies are bringing similar products to market at lightning speed, and for a fraction of the cost. This means a hardware company starting up today is running a gauntlet, competing with the scale of

established tech companies and the speed and prices of Chinese firms. And running this gauntlet takes focus.

To succeed, hardware companies need to take options off the table, not constantly add them. A

company starting today should have a very specific customer segment in mind, and design a product to solve a specific problem.

Solve that problem, and get those customers. If you make it more complicated than that, optionality could be your undoing.