

Product-market fit: Essential steps to measure and achieve it

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Product-market fit describes how well your product meets the demand of a viable market. (That is a textbook definition, anyway.) Here is another definition that we like better: Product-market fit is when your product is something that people really want to buy and you have enough customers to support your growth over time.

Finding product-market fit is vital to getting product development right. Maybe this seems obvious — who would build a product that no one wants to buy? No one. At least, not intentionally. But it happens more often than you might think.

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You can find countless cautionary tales. Many well-meaning founders and product builders have put passion above product-market fit. Those that do so often confuse their own excitement for a solution to a problem that may not exist in the market. If a product does not fit, it tends to fail.

Product-market fit is essential to lasting product success. It is like a special ingredient with no substitutions. But the process of finding it (and recognizing when you have) is not always straightforward. Many product experts have shared their take on what product-market fit really looks like. As a product builder, it is wise to seek out varied perspectives to inform your understanding of the topic. But this guide will walk you through the fundamentals as a start.

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Why is product-market fit important?

You can have a brilliant idea. A compelling story. A talented product team. And even a fully functional product that manifests all of these things. But if no one wants to buy what you are offering, then you will not get anywhere. This is why product-market fit matters.

While you may think product-market fit is primarily a startup issue, it is just as important for established companies with successful product portfolios. New and existing products require the same level of attention to product-market fit.

Some startups fall into the trap of conflating early enthusiasm from a few people with a real market opportunity. For established businesses, the challenge is looking beyond positive feedback and requests from a few to an actual need by many. No matter how innovative you believe your idea is or how badly someone wishes your product had a certain feature — this does not mean you should build it.

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In both scenarios, product-market fit is a counterbalance to egos and excitement. If you cannot confirm that enough demand exists to sustain growth and eventually turn a profit, it will be hard to win. Maybe even impossible. Finding product-market fit requires you to question what you think you know and prove how you will succeed. This is challenging, ongoing work — it is core to ensuring your long-term success and continuously delivering product value.

Of course, those other elements still contribute. A solid strategy, bold leadership, and a high-achieving product development team — getting all of these strong building blocks in place bodes well for the future of any business.

Certain frameworks can also help you to validate your likelihood of product-market fit success. For example, completing a proof of concept upfront is one way to examine the feasibility of your product idea from multiple angles. Try it out with this template in Aha! Notebooks.



Proof of concept

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Proof of concept Example

Proof of concept: Group adventure challenges Date: Q1

GOALS

Describe what you are trying to achieve with your POC.

- Encourage users to participate in groups
- Attract a new segment of users
- Foster new community base

CHALLENGES

List the problems you are trying to solve.

- Lack of adventure-centric challenges
- Appeal to climbers and hikers
- Creating diverse community base

TEAM

- Chris, Engineering lead
- Sarah, Sr. Product manager
- Mia, UX designer

CONCEPT

Identify feasible solutions by brainstorming features, determining effort, and defining constraints.

Feature	Effort	Constraints
Challenge creation	0 <input type="range"/> 10	Significant backend and frontend work Requires strict enforcement Flexibility of criteria
Adventure categories	0 <input type="range"/> 10	Consistency across platform Creating a comprehensive list of categories
Leaderboard	0 <input type="range"/> 10	Moderate backend work Ensuring accuracy of data Preventing potential misuse

SUCCESS CRITERIA

List the criteria that you will use to determine if the POC was successful.

- User engagement
- Positive user feedback
- Community growth

PROPOSAL

List action steps if the POC is successful.

- Create more development phase
- Establish marketing plan
- Continue to monitor impact

TIMELINE

Estimate the time to complete the POC based on key phases, milestones, and project requirements.

Q1 2024

Kickoff ☒ Prototype ☐ Demo ☐ Customer interviews and feedback ☐ Decision ☐

70%

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What are the components of product-market fit?

Product-market fit has two main components: your product and the market. Self-explanatory? Yes. But these components are usually expressed in terms of value and growth. Both can be written as a hypothesis explaining what you believe will drive success.

Product-market fit component	Description
Value hypothesis or proposition	A value hypothesis or proposition outlines what makes your product attractive to customers. It is a short statement that describes the problems you want to solve and how you will do it differently than anyone else. It considers customer needs and wants, the uniqueness of your product, and the advantages of working with your company.
Growth hypothesis	A growth hypothesis summarizes your plan for validating and sustaining your market success over time. It explains the market opportunity you have identified and your assumptions of how new customers will discover your product.

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How to find product-market fit

Product-market fit can be elusive. Some product builders will describe it as the stuff of legends but it is certainly obtainable. You can assume that any highly successful company has found product-market fit at least once.

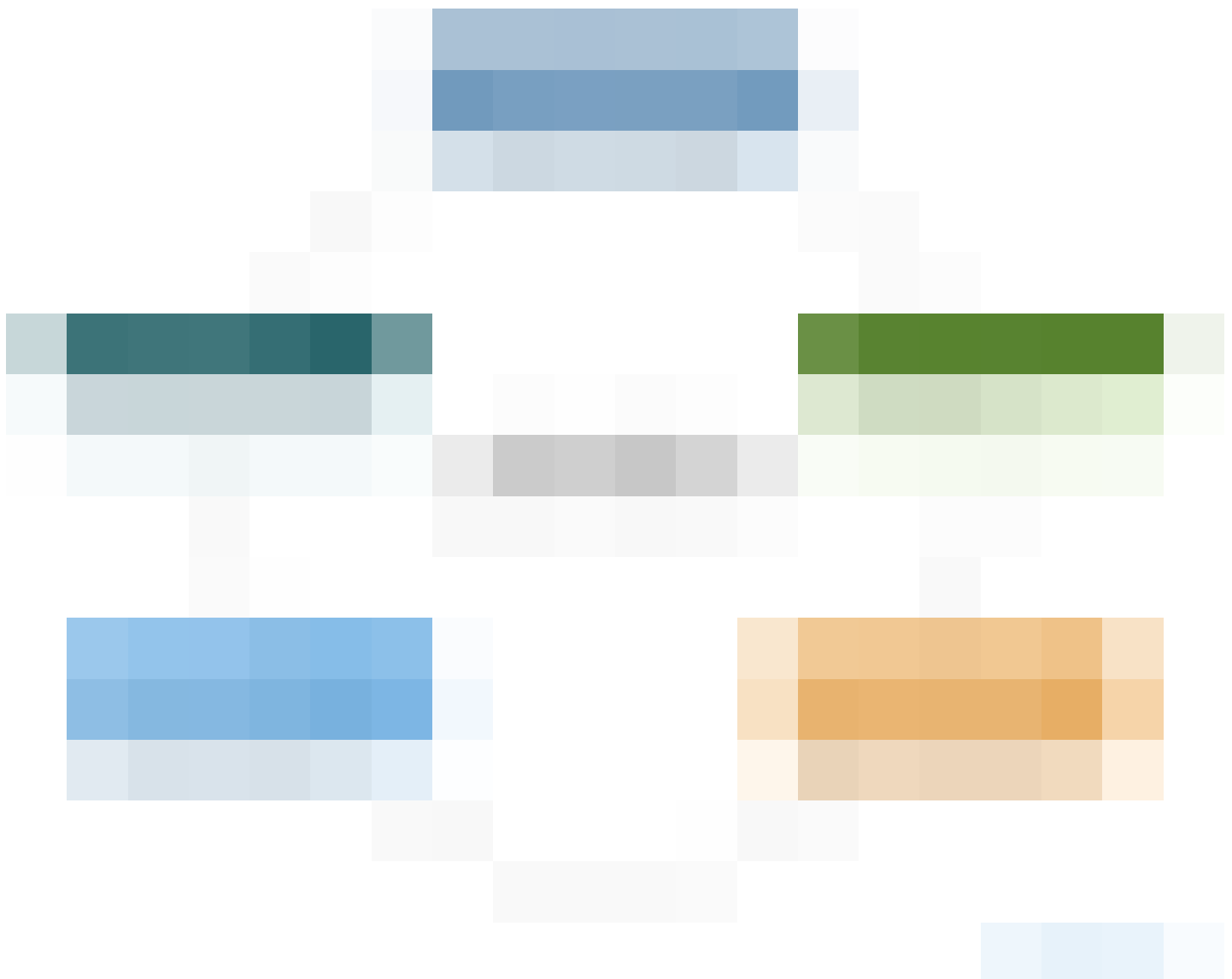
There is no rulebook but many successful companies follow similar pathways to find product-market fit. Above all, the most important component is market research. You need extensive, up-to-date knowledge of potential markets to unearth viable opportunities.

This comes with a few caveats. Sometimes a market will not yet exist for your product. It is difficult to establish a new market but it has been done — though it requires much greater innovation, customer research, and confidence to do so. In other cases, external factors like world events or faster competitors may affect your success, even in a good market.

With that in mind, here are five steps to finding product-market fit that apply to most scenarios:

- 1. Identify the growth opportunity.** First, conduct market research to find a good market. The definition of a "good market" can vary, but usually means there is a sufficient number of existing users, potential for growth, and ease of customer acquisition. Writing a market requirements document can help you articulate the market opportunity. Summarize the results in your growth hypothesis.
- 2. Understand customer needs.** Dig into your target market and research potential customers. Seek to understand their deepest pain points and underserved needs. Then, develop customer personas based on what you learn.

3. **Define product value.** Think hard about what value means to your business — then capture how you plan to deliver it and solve the problems you have identified in the market by forming your value hypothesis.
4. **Build value first.** Develop an initial version of your product to start validating your hypotheses. (You may know this as a Minimum Viable Product — or a Minimum Lovable Product as we call it.)
5. **Iterate and adapt as necessary.** Despite your best research, you may not achieve product-market fit on the first try. Even if you do — it takes diligence to maintain. Keep working to improve your understanding of market opportunities and enhancing your product to meet them.



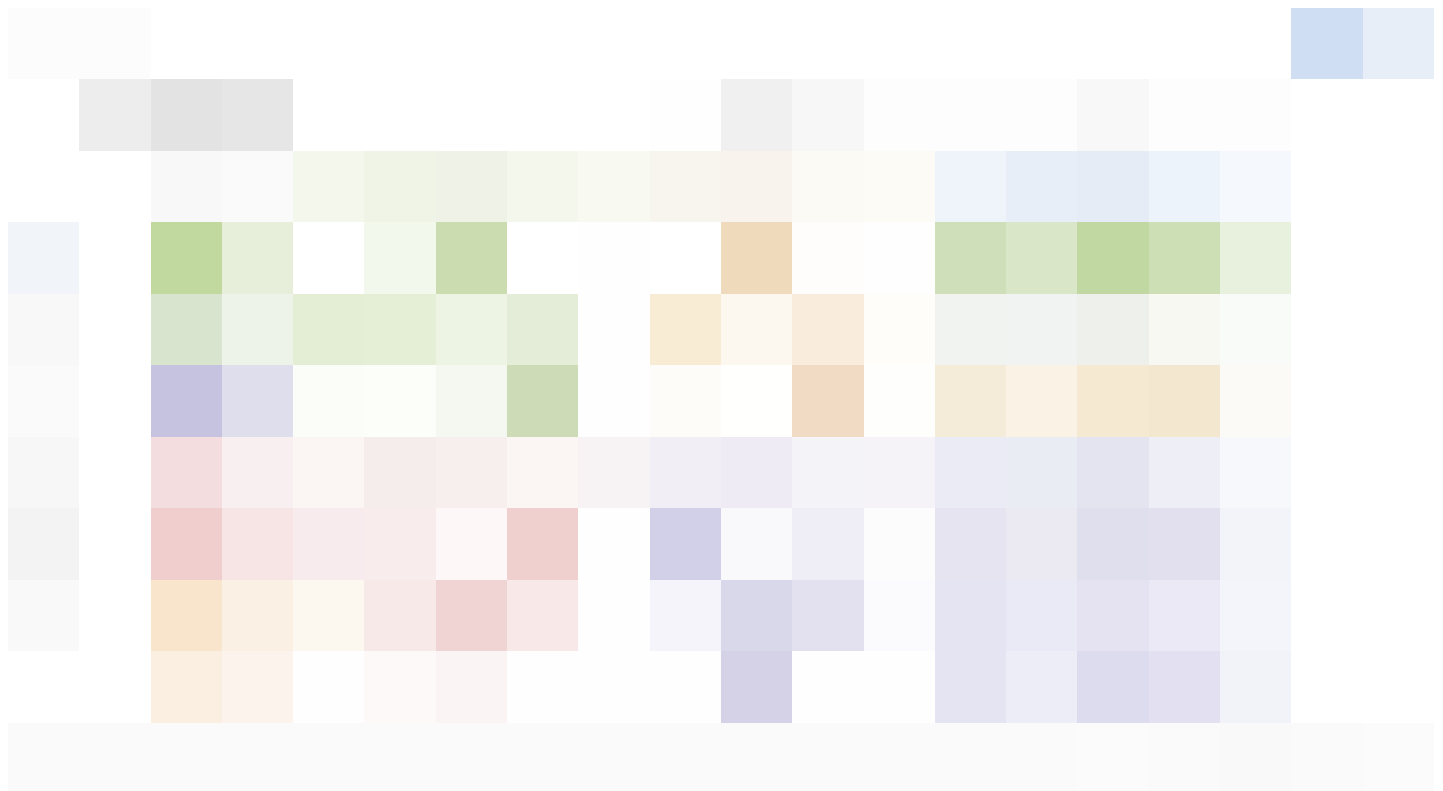


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Who is responsible for product-market fit?

This varies by company stage. In startups, finding product-market fit is what founders do. Much of it falls under executive leadership in established companies too as part of setting the overall business strategy. Product management also plays a considerable role — conducting customer and market research, validating ideas and opportunities, and delivering the product itself. Typically all of these inputs will be used to do a formal analysis of the product's strengths, weaknesses, opportunities, and threats (SWOT).

You can conduct a SWOT analysis of your own using the template below — a whiteboard in Aha! Notebooks. (A similar template is also built into Aha! Roadmaps.)



SWOT analysis

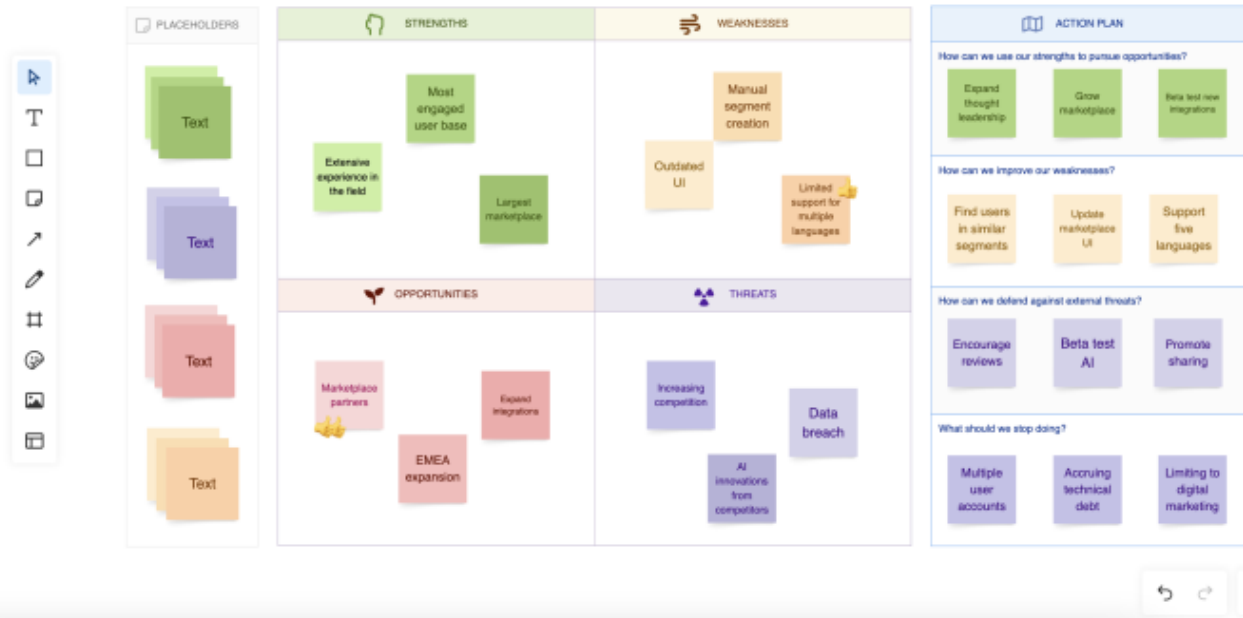
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SWOT analysis

Example

SWOT analysis
Fredwin Cycling

Date
Q1



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That said, product-market fit should be the concern of the entire product development team. It affects everyone's ability to deliver value to customers and meet business goals. For example, engineering should consider how the product's technical foundation supports user needs — while product marketing must consider how product positioning will resonate with the target market.

How to measure product-market fit

It can be difficult to pinpoint successful product-market fit. Some say to measure it with benchmarks while others describe it as a feeling. This ambiguity is tricky — it can even lead some companies to believe they have found product-market fit when they have not. But the most obvious sign of product-market fit is a steady stream of customers excitedly buying from you.

Keep in mind that product-market fit does not suddenly happen one day. Reaching it is gradual — it relies on you consistently prioritizing, delivering, and measuring product value in your decision-making. Practicing value-based product development is integral to how successful companies encourage this deeper level of thinking.

In addition, some other metrics and methods can be indicators of product-market fit:

- Growing demand for new product features
- Major increases in product usage
- High Net Promoter Scores (NPS)
- Responses to customer survey questions (e.g., "Would you be disappointed if you could no longer use this product?")
- Long-term customer retention and/or low churn

Examples of product-market fit

We can learn from plenty of good product-market fit examples (Uber, Netflix, and Slack) and bad product-market fit examples (Quibi, Segway, and MoviePass). You can also read about examples of very similar products that failed at first but gained traction later on with better product-market fit (Vine and TikTok).

Many of these examples are of failed startups, but as we mentioned before, product-market fit is just as pertinent for established companies. Let's look at two examples from Google. Google has experienced both sides of the product-market fit problem. The examples below help to show how product-market fit is usually a greater success factor than ambitious technology, well-known branding, vast resources, and even highly-skilled development teams.

Example of bad product-market fit	Details
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Google Glass	<p>Product: Wearable tech that displays real-time information via "smart glass" lenses.</p> <p>Product-market fit: Failed. After an 18-month run with extremely low adoption, Google halted sales.</p> <p>Why?: Customers were confused about why and when they would use Google Glass. Privacy concerns also outweighed any potential interest. Despite the futuristic technology of the product, this failure proved that no viable market demand existed when it was launched.</p>
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<p>Example of good product-market fit</p>	<p>Details</p>
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Google AdSense	<p>Product: Display advertising program that enables paid ads on a network of websites.</p> <p>Product-market fit: Achieved. Nearly two decades later, Google AdSense has gained millions of users and generated billions in revenue.</p> <p>Why?: After successfully selling ad spots in search results, Google recognized there was a notable demand for more ad space. Google met this demand by developing Google AdSense — allowing businesses to advertise on relevant websites while giving those websites an opportunity to monetize.</p>
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Finding product-market fit and building a product that fulfills customer needs is complex work. If your team is still using disparate tools like spreadsheets and documents to store information, it can be challenging to connect the dots between your research, strategy, and daily product work.

That is why most modern product development teams rely on purpose-built software that brings all of these elements together in one place — so you can create real value for customers and the business.

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