Hit the 'sweet spot' and you'll get your investors

By Ilse van den Berg

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The SA Innovation Summit was an explosion of, well, ideas and innovation. One talk that particularly intrigued me was one by Tmara (Target Market Adoption Risk Assessment).

The presentation was led by Tmara co-founder, Henning du Preez, who focussed on a different, more effective way for startups to attract funding.

This is is imperative for startups because, as the head of Nedbank says:

> *My motto has definitely become 'I choose what to say no to, long before I choose what to say yes to.*

Du Preez showed how Tmara is helping both the startup and investor to know if and when the business will hit product market fit (PMF) and attract the right investment, at the right time, for the right purpose (the sequential stages towards achieving PMF).

What is PMF exactly?

In essence, there are two startup worlds, the one before PMF (the business shows no clear sign of traction yet) and one after PMF (it shows a clear sign of traction), and it's very obvious which stage a startup is at, and when its transition to the other has occurred.

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The term "product market fit" was initially coined by Andy Rachleff, venture capitalist veteran and president, CEO, and executive chairman of Wealthfront. According to him, for early-stage startups, few things are as crucial or inescapable as PMF. "If you achieve product market fit you can mess up almost everything else you've done in the business and you'll still succeed", says Rachleff.

The basic idea of PMF is when the market demands your product, or 'pulls it out of your hands'. When sales generated through indirect efforts (word of mouth) exceed the sales generated through direct effort (sales team) and you get an undeniable market pull.

That's a fit: when products are 'bought' not 'sold'.

A market that 'pulls' is mostly the effect of presenting them with an un-refusable offer of value, which Tmara calls a value guarantee that counts (VGTC).

The stage before PMF poses challenges for funding in general as it presents a limitation few can overcome:

> *You have to invest in an early business yet, you don't know, if and when, it will take off.*

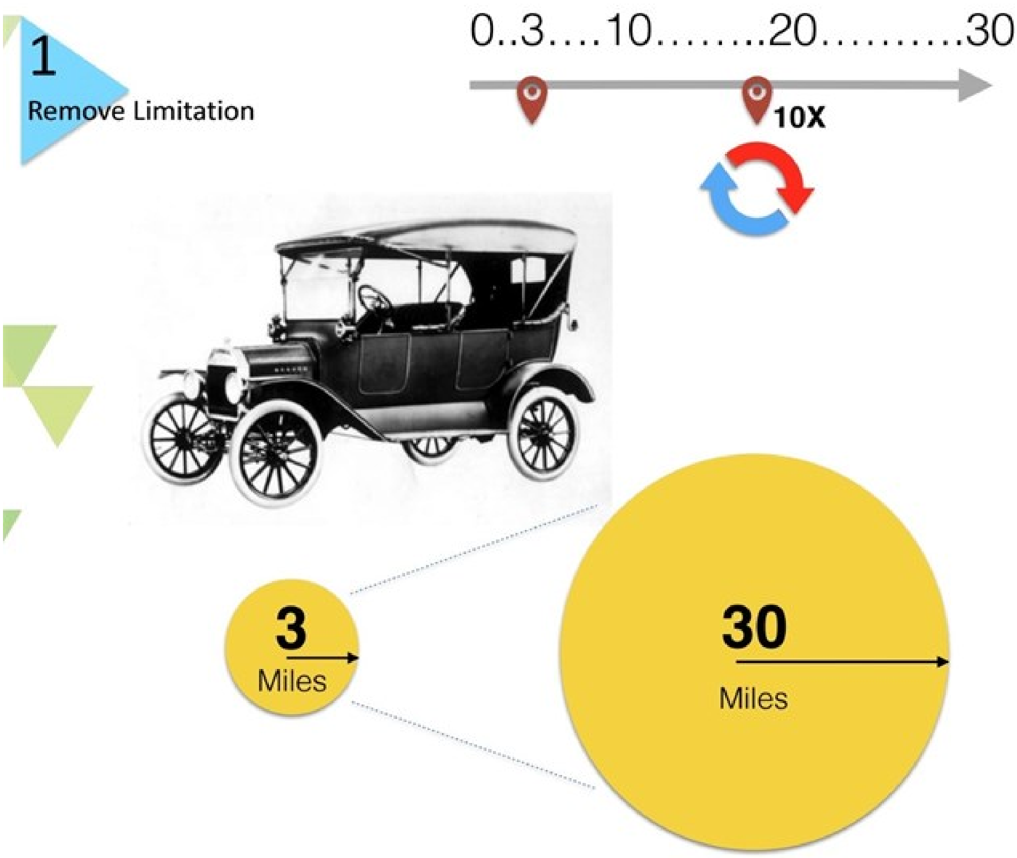
Mastering PMF

An entrepreneur or innovator will always be convinced that their product is a 'must have', but for an investor (who's looking from the perspective of the market), it might just be a 'nice to have'.

Du Preez explained the concept of the minimum viable value (MVV) level. The MVV (or 'must have') specification is governed by two principles:

1. Innovation can create ‘must have’ value only if it removes a limitation for the market
2. ‘Must have’ value can be realised only if the market adopts new rules.

A great example Du Preez used was Henry Ford and his idea of a car for the mass market. In those days, people were limited to a lifestyle (living and working) space of roughly three miles. If for example, someone were to change jobs, they would most probably have to move house as well. This was because people were limited to either walking, going by horse or by bicycle. A car would remove this limitation and allow people to increase their lifestyle space to a 30-mile radius.



Removing this three-mile limitation - that most people probably weren't aware of - enabled people to go from living with only the essential small shop, one doctor, a teacher, a small church to larger retail stores with a wider range of products and lower prices, a group of doctors sharing facilities, hospitals, schools, and churches.

"Henry Ford could have said: 'If I had asked people what they wanted, they would have said faster horses.'" noted Du Preez.

But another thing Ford realised, Du Preez highlighted, was that, if he was going to sell a lot of cars, he would have to focus on selling the benefits of adopting this 30-mile radius lifestyle. Only his invention would enable this new lifestyle.

If he had a product-centric approach, focussing on selling only the technical benefits of the car (such as fuel economy, speed, endurance, night lights, fun factor, etc.), he would never have justified enough value to get people to pay for it. Instead, he was consumer focussed

Push vs pull system

Du Preez moved on to explain the concept of a 'push vs pull system' to find the 'must have' sweet spot (i.e. the limitation you can remove for the market). He calls these limitations leverage points.

The reason why around 10% of all startups survive, and why less than 0,1% actually thrive is because they simply come up with an idea and 'push' it into the market, hoping to eventually hit the sweet spot.

In his article called [How to make "must have" products - it's a crazy but amazing story!]() Du Preez put it like this:

> *"The easy solution would be to come up with a minimum viable* ***product*** *(MVP) and show it to the market, to test the level of value match. Based on the level of mismatch, you continue to iterate this process, by making changes to the product, based on educated guessing.Most of the experts would immediately tell you, that you are still product-centric and not customer-centric and that you are pushing, instead of allowing the market to pull.The simple solution would be to come up with a minimum viable* ***value*** *(MVV), and show it to the market, to test the level of value match. At least you will now be focusing on the minimum viable value, that would attract the market.Most of the experts would agree, that you are now more customer-centric and that you are now creating pull from the market.Simple solutions do not mean easy solutions."*

It is not the power nor the impact, but rather the power to hit an impact point, that will unleash amazing benefits that count.

"As long as you are begging for money, you are in the wrong seat. You need to present your business idea in such a way that investors feel they *need* to have a piece of the pie," says Du Preez.

The most critical thing for a startup is to find a product market fit. Hit the sweet spot and you'll get your investors.

For more, go to www.tmara.biz.

ABOUT ILSE VAN DEN BERG

Ilse is a freelance journalist and editor with a passion for people & their stories (check out Passing Stories). She is also the editor of Go & Travel, a platform connecting all the

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