

Beating the Odds:


Bringing New Technology to Market Successfully



Why Most Technology Introductions Fail

The fundamental problem for technology companies developing an innovative product or service is to make it succeed in the marketplace. No matter how innovative the product or service, market success is not assured. In fact, according to researchers, many new technology introductions are unsuccessful. Research suggests 75% of development projects don't succeed commercially, and 30% to 50% of product launches fail.¹ This has major implications for startup technology companies. A recent study of nearly 200 such firms that received venture capital in the mid-to-late 1990s found that 44% had failed by the end of 2000.²

The lesson here is that even though a company may think it has a great idea for a new technology, its success in the marketplace is far from a sure bet. Why is it more likely to fail than succeed? Research over the past twenty or so years has uncovered a number of elements associated with innovative technology failure and success. There are two fundamental reasons why technology introductions fail.

 **The company doesn't fully understand the market and intended customer.** This includes:

Uncertainty about the intended market.

Company decision makers usually don't know key elements about the technology's intended market that will affect its success.

The error inherent in predispositions.

Decision makers think they know everything about the market, but are unwilling to test or modify their assumptions.

Decision making on the wrong signals.

Decision makers may be sensitive to market information but make judgments on irrelevant or even incorrect information.

 **Marketing (and, sometimes, development) strategies are off target.** Entrenched routines and marketing strategies – the attitude that "it's always been done it this way" – can make a company run smoothly, but can also torpedo the success of a new product. A company must be willing to modify and support the product offering and positioning, marketing, and selling on the basis of valid market feedback loops to be successful.

Two themes run through this list of reasons for technology introduction failure. The first theme is that product development and marketing done in isolation from market and customer feedback all but guarantees failure. The second theme is that lack of objectivity by company decision makers to external market information leads to misinterpretation, denigration, or even complete disregard of important data – with disastrous results.

What Companies Can Do to Increase Market Success Odds

Large technology companies like IBM and Oracle that Customer Insights team members have worked with have robust procedures for bringing market and customer information into product development and marketing at relatively early stages. For the most part, their messaging – including positioning, market segmentation, and competitive assessment – are tested and validated throughout the process. But not every company has IBM and Oracle's resources for defining and refining their technology offerings.

An effective alternative for most companies is to get objective market and customer information from a firm that specializes in bringing innovative product technologies to market. Customer Insights has developed a process that includes both best-practices and client flexibility. By best practices, we mean that we concentrate on those factors that are most critical to obtaining technology market success. By client flexibility, we mean that no two companies or product offerings are exactly alike. Each brings a set of expectations and

resources to the offering, and requires a creative and flexible approach to ensure market success. The ensuing discussion of the Customer Insights best-practices approach is, therefore, intended as a roadmap at the 10,000 foot level; your company's roadmap at the 500 foot level may contain different routes and milestones.

Messaging Assessment

Customer Insights' messaging assessment service helps a company get a quick and objective reading of its messaging strengths and weaknesses, with recommendations for positioning and key messages. Typically, this is conducted with senior decision makers and covers your technology's positioning, customers, and competitors.

Validation Methodology

Our goal is to bulletproof your positioning and messages through unfiltered responses from customers, competitors, and analysts. Our validation methodology consists of several inter-related steps that build a cumulative knowledge base.

Product Definition and Strategy

The focus is on the technology product, and an in-depth understanding of product features, intended uses, and target markets. We uncover important elements of the offering that you intend for customers, and clarify how you want to describe and present the technology.

Product Definition and Strategy

- ▶ What problem does the technology solve?
- ▶ For whom?
- ▶ How does it solve the problem?
- ▶ How does it do this better than other technologies?
- ▶ What are its liabilities compared to competing technologies?
- ▶ How is it offered? (how packaged, sold)
- ▶ What does it cost?

Customer Expectations Research and Analysis

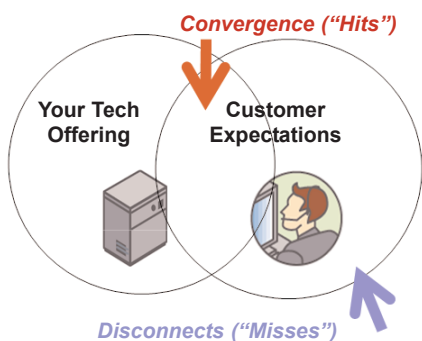
Customer Insights research gives you hard data early on how and why your technology will hit or miss customers in the marketplace. This is an opportunity to test customer expectations about the product, as well as confirm target markets. While approaches will vary from product to product, we make every attempt to combine rigorous quantitative and statistically defensible work with in-depth interviews.

Customer Expectations Research

- ▶ Does the technology serve a problem better than others? (upsides)
- ▶ Are there problems with the technology? (downsides)
- ▶ How important is the problem to them?
- ▶ Why would they adopt the innovation? (drivers)
- ▶ Why not? (obstacles)
- ▶ How would they adopt it?
- ▶ How do they learn about technologies?
- ▶ How would they prefer to buy?
- ▶ What is their speed/urgency?

Customer Insights' unique convergence analysis compares the results of the product definition and strategy with customer expectations research. The analysis identifies areas of convergence between your expectations for the product and customer expectations; in other words, product "hits." And it identifies areas of disconnect; that is, where your product "misses." The convergence analysis provides a data-rich basis for making strategic decisions about technology positioning, placement, and other go-to-market planning. In some instances, it can lead to rethinking the product offering, and can further refine your target markets.

Convergence Analysis



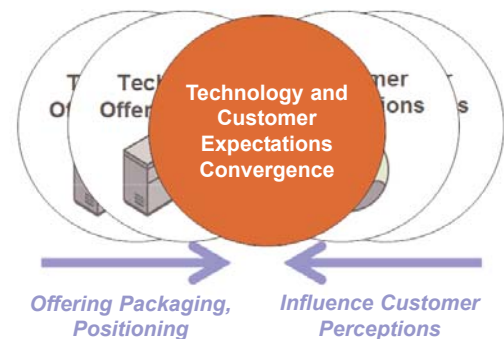
Analyst Research

An often overlooked, but critical part of validation is what analysts think about the technology and the industry. We conduct discussions, in collaboration with your team, with analysts and other technology experts that give readings on receptiveness. Findings are incorporated into messaging and positioning.

Market Action Executes on Messaging Assessment and Validation

Market action consists of concrete programs and activities aimed at maximizing the convergence between your technology offering and market expectations. Higher convergence translates into higher market acceptance and success. In plain language, market action is where the "rubber meets the road." On the product side, market action includes how the product is packaged, sold, and positioned. On the marketplace side, it works to target prospects and customers and to influence their perceptions about the product.

Market Action Maximizes Convergence



Customer Insights' market action planning and execution service designs action-oriented and time-sensitive marketing activities and programs. Based on our messaging assessment and validation methodology, these programs will make a positive impact on your market. Customer Insights can assist you with go-to-market planning, marketing execution, and sales-oriented segmentation and lead-generation. We can manage execution of some or all activities and programs, complementing what you already have in place.

Go-To-Market Plan

This is a strategic roadmap to positioning (branding, messaging, taglines) and placement for your technology product. The plan also covers timelines and makes budgetary and resource recommendations for specific marketing approaches that are appropriate to your product. These can include website, advertising, analyst and press relations, and direct and indirect marketing programs. We work closely and collaboratively with you to develop a plan that will make an impact on your target audience.

Marketing Execution

In order for you to gain traction with your product, various key elements must come together to provide a strong and consistent presence across numerous venues. We have deep experience in market plan execution, and roll-up our shirtsleeves for you. We can manage part or all of the marketing execution for you, and have access to a high-quality network of affiliated partners.

Segmentation and Lead Generation Strategy

We work with you to identify the segments and customers most responsive to your products. Then we jumpstart building the sales pipeline by creating a database of target prospects. As the product hits the marketplace, we can "close the loop" by bringing actionable information about customer response to the product, and key messages to refine the sales development process. Bottom line: we shorten your sales cycle.

References:

¹ Robert Cooper, "Stage-Gate Processes: A New Product Road Map to the Marketplace," *inKNOWvations*, October 2001.

² Sophie Manigart et al, "The Survival of Venture Capital Backed Companies (working paper)," Ghent University, September 2001.

About Customer Insights

Customer Insights helps companies bringing new technologies to market achieve success through customer understanding and market execution. Our team consists of senior-level technology professionals who believe that customer input, actionable information, and time are key to market success. Customer Insights is devoted to giving every client the benefits of marketing expertise usually available only to large enterprises. Customer Insights is headquartered in Cupertino, California. For more information contact any one of the following senior partners:

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