Thought in Brief

Innovation Not Selling?

Five Rules for Faster Startup Growth

If you're part of a new venture, you know the odds of success are long–about one in ten. Most chalk this up to "market risk." But as a practical matter, you can do much better, if you recognize that the way to drive business growth is not through bigger marketing and sales campaigns, but faster *Innovation adoption*.

Innovation Sales Depend on Learning

Every new venture starts with great expectations. But as investors and teams soon find, even brilliant plans and well-executed marketing and sales programs rarely yield "hockey-stick" revenue growth. The reason: unlike established products and services, innovation takes learning by both customers and company before buying occurs. Only then can repeatable sales be expected.

Gaining Adoption is a Process

Conventional wisdom says that marketing and selling effectiveness is a matter of "staying close to the customer." But in innovation-based markets, the customer is a moving target. Figuring out who, what, and where to sell nearly always requires actual engagement and "innovation matchmaking," i.e., fitting innovation with real needs and vice versa.

Unfortunately, due to financial pressures, most startups focus almost singularly on sales and revenue generation. In turn, this leads to market and customer-centered initiatives like lead generation, events, and press tours. All too often, these efforts drive up activity levels, but do little for innovation purchases. For these companies, investments in glitzy promotions without demonstrated adoption is like trying to sell sizzle without the steak–they may create lots of interest but offer little substance to prospective customers. As a result, sales quickly stall.

[5] Rules to Help You Grow

If you're an entrepreneur or investor who's invested a lot of resources without getting the results you need, here are five rules to help grow your business through innovation adoption:

[1] **Build adoption first, sales second** In the early market, innovation adoption influences the speed of customer acceptance much more than added promotional and selling activities. The reason: the buying decision for innovation differs from established products or commodities. At introduction, innovation benefits are mostly intangible — they can neither be felt nor proven — and prospective customers will balk unless they believe what they're being told. The faster you can develop understanding and credibility among customers, the faster you can overcome their reluctance to try the innovation. Sales follow as a matter of course.

Example. *When Sun Microsystems brought its JavaStation NC (network computer) to market in 1996, the company promised to push "fat client" PCs off the desktop by eliminating administrative support needs. However, in its hurried pursuit of new enterprise customers, Sun ignored deployment evidence showing the Java OS and software were too immature to replace most PC applications. Two years later, Sun's COO Ed Zander admitted that rather than pushing JavaStation hardware, Sun could have offered a full-function, end-to-end Java WebTop software to turn PCs into NCs without new hardware. Unfortunately, this recognition came too late, and Sun was forced to discontinue the JavaStation line.*

[2] Focus on jobs, not customers. When an innovation is introduced, neither company nor customer has prior experience with it: adoption requires learning by both seller and customer. To borrow a phrase, the seller must find the "jobs" (i.e., applications) for which customers want to "hire" their product or service. Learning makes this a process of continual discovery and adjustment. Trying to target customers without understanding the fit between job and innovation puts the cart before the horse. Without this knowledge, promotions and sales pitches ring hollow, wasting valuable time and resources. To gain adoption, you need to find jobs that fit your innovation, identify groups of users with similar job needs, and then promote your innovation among those groups.

Example. *Despite tremendous pressure to explain its commercial direction and business model, Twitter co-founders Biz Stone and Evan Williams continue to resist "putting too much fidelity on Twitter too early." Mr. Stone argues their interface and platform have taught the Company that it needs to leave room for "emergence to take place." A key motivation behind this reluctance is to keep things simple, allowing users to "continue doing interesting things" with the tools Twitter provides. Twitter offers a similar explanation for its development of a workable business model. Simply stated, Twitter is learning from its users, and expects that it will be able to choose from the best opportunities when the time comes.*

[3] Build, don't declare, your credibility. Adoption hinges on buyer belief in the innovation and company behind it. This belief is based on a social process in which would-be customers validate claims they hear from peers and opinion leaders. But since references are scarce in the early market, trying to get customers to make their decisions when few affirmations exist is a slow process. Active marketers can counter this by building a portfolio of references and proof-points that support a clear position in the market, and then cultivating the ecosystem of analysts, press, partners, etc. that shape market opinion. Like their audiences, these influencers want real examples of innovation usage and commercial progress, and not just product or technology announcements. Managing the flow of information into this ecosystem and providing not only customer stories, but also coherent proof of innovation value is essential for promoting successful adoption.

Example. *After seven years and $110 million in venture funding, Hammerhead Systems was shut down in 2009 despite its early billing as a promising contender to Cisco Systems. An epitaph article by the San Jose Mercury News said that Hammerhead had fallen victim to recessionary forces, but a closer look at the company's public communications tells a different story. Among 18 press releases and 80 articles on its website, the Company failed to offer evidence of a single customer success. Instead, the Company touted its technology. Hammerhead did intimate that it counted MCI and other carriers as customers, but confirmation and testimonials are notably absent from its literature. Because telecom carriers need suppliers with staying power, Hammerhead's failure to "prove" its commercial success undoubtedly raised serious credibility issues for the Company's sales team.*

[4] Drive from the bottom up, not top down. While strategic goals provide direction for a company, the course of an innovation-based business is seldom predictable. In innovation-driven markets, the faster a company can adjust its offering and communications, the sooner its marketing and selling efforts can take effect. Thus, it makes much more sense to drive an emerging business from the adoption process up, rather than top-down. By organizing to process and act on discovered information, you can keep execution aligned with the factors that drive adoption and innovation sales.

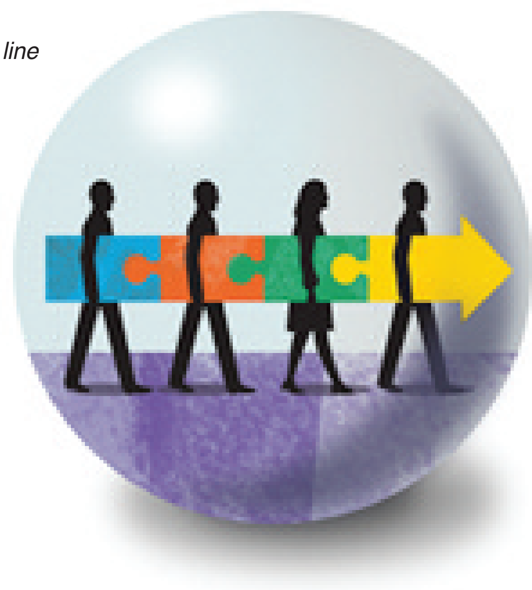
Example. *Online grocer Webvan serves as one of the most spectacular failures to come out of the dot com era, burning through $400M in 17 months. As Webvan learned, grand ambitions, disruptive Internet trends, and a large war chest, are not enough to compete in an industry of entrenched, and highly efficient competitors that thrive on 1-2 percent net profit. How Webvan expected to create industry disruption is unclear: the grocery industry is driven either by high volume or specialty trade. Except for Internet ordering and an automated warehouse, Webvan offered customers nothing unique—in fact, Peapod, an online grocer founded in 1989, pioneered remote ordering and continues to operate today with 1,800 employees. Webvan's demise demonstrates the risk of blindly pursuing a vision-driven plan, rather than building a business based on "jobs" customers want their supplier to perform.*

[5] **Make early engagements your proving ground.** Early sales engagements provide an excellent means for testing and refining how you communicate the benefits of your innovation in addition to establishing initial references. These are best conducted through a collaborative, "active engagement process" in which Sales sets up and manages the engagement, and Marketing delivers the core value proposition. Unlike the more conventional approach of using Sales to engage prospects and then report results up the management chain for follow-up, active engagement provides immediate, first-hand feedback to marketing and sales. Planners become doers and vice versa. This makes it possible to quickly evaluate and adjust the Company's offering, including all-important market and customer communication. The collaborative approach also reduces the inherent bias of sales-only intelligence, which tends to prioritize the seller's needs over the customer's — a mistake commonly made by startups.

Active customer engagement should not be considered a best practice. Rather, it should be viewed as a tool that allows the Company to test its effectiveness in the marketplace in real time. Successes, as well as failures, provide a wellspring of insights on how the innovation is being received and used.

Example. *Early in its history, the peripheral controller company Adaptec, created a workstation for developing a new class of data storage devices. While designed for engineers, the system found its way into quality assurance and production, where it was used with proprietary testing programs. By partnering with a third-party application developer to offer multi-purpose programs that provided a common testing platform for engineering, operations and quality assurance, Adaptec's development system quickly became the testing standard across the data storage industry.*

In another case, a major systems company acquired a novel data storage line only to face negligible sales after more than a year, despite major introduction efforts and press. A special marketing and sales team assigned to the problem learned through field engagements that the systems-oriented direct sales force was ill-equipped to sell the new product line. To jumpstart sales, the team enlisted third-party storage resellers to support early deployments. Within months, these resellers proved the business potential of the new line and generated most of the company's revenues until a direct sales force was brought up to speed.



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