
Market Dilemma for emerging companies, new technologies, services and products

Having a great technology, an innovative new product or service is only part of the equation of making a great company. Technology does not develop new needs; it develops better ways to satisfy existing ones. The focus of this article is on some of the issues that many of us face as we take new products and services to the market, competing against large corporates and/or having to create new markets – making it up as we go.

We all know the frustration of having a great product or service offering which the potential target customers do not want to buy as it is still unfamiliar and unproven even though the promised benefits are attractive to these target customers.

Larger corporates have the luxury of having more time and more resources to get products into markets. They also have communication experts, advertising campaigns and brand strategies. Smaller companies do not and deployment is often occurring at the same time as development is completing. The clock is ticking and resources are running out and the need for revenue is pressing. Launching new products or services has never been easy. The potential for growth may be large, but resources tend to be small and strategic thinking, planning and implementation is called for.

Why large corporates need technologies and emerging companies

Smaller and emerging companies are the most prepared and able to innovate. Last year the Prime Minister Hon. John Howard confirmed this view and said “ ***We have also recognised that often the most exciting developments may emerge from smaller companies***”.

On January 7th 2002, the Wall Street Journal ran an article by Steve Liesman who cited a research paper written by Dale Jorgenson of Harvard University and Kevin Stiroh of The New York Federal Reserve Bank. In this research paper both authors predicted that US productivity growth over the next decade would be an average 2.24%, which compares favourably to the actual growth experienced in 1995 to 2000 of an average of 2.36%.

One of the main reasons for the researchers optimism in productivity growth is the ongoing forces that will continue to require companies to continue to invest in productivity enhancing technology and innovation that improves their operating efficiencies.

The good news is that much of the innovation that will drive this growth is already in the portfolios of emerging and smaller businesses. The issue is not the need or requirement of corporates to use and embrace innovation, new technologies, new products and new services but how we effectively link and sell into these requirements.

Defining Your Benefit

We all are guilty of getting too close to our technologies, products and services. It is important to approach what we are doing with ‘fresh eyes’ and when we cannot do this, recognise it and use others – staff, advisers, consultants, partners, selected clients, other directors, and suppliers – to provide fresh insights.

Questions I find useful to answer using as much independent feedback as possible are:

- How clear is the benefit of the offering?
- How relevant to the potential users is this benefit?
- How better is it compared to alternatives?
- How easy is it to understand?
- How easy is it to use?
- How easy is it to trial?
- How does it compare in price and value to comparables?
- What other barriers to entry may exist in the mind of the potential purchaser real or imagined - (service requirement, performance risk, guarantees, integration etc)?

The Tipping Point – Insight into market and individual behaviours

The best way to understand the emergence of fashion trends, the transformation of books into bestsellers, the phenomena of word-of-mouth is to think of them as epidemics. Ideas and products and messages and behaviours spread just like viruses do”

Malcolm Gladwell “ The Tipping Point”

Over the Christmas break I read the Tipping Point, which book I highly recommend. This book adds to the work of Geoffrey A Moore who wrote “Inside the Tornado” and “Crossing the Chasm” and Clayton Christensen’s “The Innovators Dilemma” and I found added further insight and understanding into key market and adopter drivers.

The precept of Tipping Point is that there are three rules, which cause the market to pull through new ideas, products, messages and behaviours:

The Law of the Few – finding the few key people that are influencers in a market segment or niche who will promote and help make your product/service viral;

The Stickiness Factor – requirement to solve real problems and provide real benefit so that market traction and further uptake can be gained;

The Power of Context – requirement for the product or service to be relevant and problem solve which causes laggards and conservative purchasers to buy.

In the last few weeks I have been experimenting with these ideas, both in our organization and with some of our clients. We are finding that the benefit of this construct is that it provides a robust framework in which to prequalify, determine, define, focus and strategically enter markets and locate the best possible customer base. The more strategically a market is entered, the easier it is to work out the real customer benefits, the more time efficient, the less costly, the shorter the sales cycle and the more immediate and larger the revenue is as the sell is to customers who understand the value of what is being provided.

The Need for Flexibility – The Final word

In everything it is important that we retain our flexibility and remember that in the heat of the battle our best laid plans may need to be changed, refined and rethought. Feedback may require that we reflect, consider and alter our markets, positioning and target end customers.

In 1996 I read a “State of Small Business” article in Inc Magazine by Peter Drucker who cited four entrepreneurial pitfalls, which involved the follies of:

- Chasing profits rather than cashflow;
- The entrepreneur putting himself/herself before the business;
- Failing to recognize when the company has outgrown your management skills and management base.

The number one pitfall Peter Drucker identified was when the entrepreneur had to face the fact that the new product or service was not successful where he or she thought it would be but is successful in a totally different market. Some entrepreneurs that he cited who fell into this pitfall were John Wesley Hyatt who developed the roller bearing, and Alfred Einhorn who invented Novocaine. Both were incapable of changing their market strategies and others ended up successfully commercialising these inventions into other markets from what they were intended.

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January 2002

Books cited and referred to in this article:

- Clayton Christensen “The Innovators Dilemma”
- Geoffrey A Moore “Inside the Tornado” and “Crossing the Chasm”
- Malcolm Gladwell “The Tipping Point”

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