CHAPTER 1

Some killer products really don't sell

SO MANY PRODUCTS, SO FEW SALES

There are great products in the marketplace, but great products don't automatically mean overnight success – or even long-term success. In many cases, really innovative products not only fail to capture the market, but are swamped by inferior competition. Stories of entrepreneurial success and failure tend to focus on the product, without looking at the company behind the product: the culture, the business model, the sales approach, the back-office support. But this is where the magic ingredients are mixed into the secret sauce.[6]

Despite highly visible failures, the entrepreneurial spirit is stronger than ever in every corner of the world. This is fuelled partially by the relative ease with which a software product or website offering can be brought to market. And now, software is a critical and compelling part of every piece of hardware.

[6] Don't worry – We won't lapse into Harry Potter/Delia Smith similes and analogies. We just got a little carried away.

Consider the iPhone – without the beautifully tactile user interface it would just be another elegant (and expensive) piece of jewelry; or your BlackBerry – which needs layer upon layer of technology to push your messages to you wherever you are in the world, and bill you for the pleasure.

The line between a product and a service is becoming blurred in many areas. Therefore, we will use the term 'product' in the book to mean hardware, hardware + software, software installed on a device, Software as a Service (SaaS), or a pure service offering.

With the constant innovation of the software development platforms, it is easier to develop really exciting and compelling user experiences. Added to this, the range of delivery platforms is expanding: from the wacky Microsoft Surface™,[7] through laptops, to smartphones which are permanently connected to the GPS and the Web. And now the iPhone has been opened up as a development platform. We need to be clear that innovative or disruptive products don't exist only in the technology sector, but often a product or a service is made possible by back-office technology.

On television we watch programs like *The Apprentice* or *Dragons' Den*, where eager, passionate, blinded, and desperate entrepreneurs and inventors believe they have created the killer product. The product which will have the world beating a path to their doors. These people are a microcosm of the greater business world, where large and expensive R&D departments go through essentially the same process.

Possibly the greatest output from R&D departments is blind faith. Many R&D teams adopt the attitude of "Don't trouble us with your talk of sales, delivery, or measurement since we are not just inventors – we are artists in our industry."[8]

[7] Think 'games computer trapped inside your coffee table'.
[8] Although it is said that true innovation is 1% inspiration and 99% perspiration – which is probably why software engineers and inventors smell so bad.

> *A small tangent – Blind Faith. This was formed by Steve Winwood and Eric Clapton when they were both at a loose end after the break ups of Traffic and Cream at the end of 1968. Winwood and Clapton got together in early 1969 at Clapton's house to jam, but word got out and Ginger Baker turned up to join in on drums. Ric Grech, from Family, was the last to join, on bass to free up Steve Winwood. I suppose one could say that this super-group had the makings of a killer product? Anyway, Robert Stigwood got them into a studio where they recorded several excellent songs, but the rush to release an album meant that the second side was filled with a long and rather uninteresting jam. They debuted in front of 100,000 people at a free concert in Hyde Park and then set off for a USA tour. Blind Faith fell apart on tour in August 1969 due to the uncritical hero worship and adulation from the American crowds, which offered no challenge for their musicianship, and the lack of opportunity to develop their music privately. Exit one killer product.*

Ooga Labs is a very good example of this mass production of new products. Ooga Labs is a technology greenhouse based in downtown San Francisco developing four to six consumer Internet businesses simultaneously. Their purpose is to build unique Internet products to be used by millions, and Ooga has a company culture capable of churning these new products out *ad infinitum*. Ooga Labs is self-funded and thus has total control over the direction of its products. It only develops its own ideas and, of those products which it creates, only the ones that appear to Ooga to have a chance of becoming the next big thing will be fully developed. Ooga relies on finding the best software engineers because at Ooga, 'building stuff' is job number one and so engineering is skill number one. By developing multiple products under one roof, Ooga Labs believes it has the best of a start-up, a big company, an R&D lab, a movie studio, and a venture capital firm all under one roof. Ooga has set a goal of eight 'company starts' in four years. Only time and history will tell us if the model works.

These days it is easy to build products, and there are more places where they can be used – which sounds great. But remember, success isn't proportional to the quality or the degree of innovation of the product – and business buyers and consumers are swamped with choice. Paint all this innovation on the canvas of a rapidly evolving marketplace and truly global competition, and the statistical chance of failure is huge.

But that hasn't stopped innovation. More products are being brought to market every year, and probably another 100 will have been launched worldwide before you finish reading this book.[9] That can only spell one thing: 98 of those 100 products launched will be stillborn, with the entrepreneurial flames burning within many talented people being snuffed out, along with their savings or investors' funds.

Surely there must be a better way? Or maybe this is simply technological Darwinism in action: adapt to survive, or you will become extinct.

HEROIC FAILURES

History is littered with promising products which faltered badly or ultimately failed in both the business-to-consumer (B2C) world and the business-to-business (B2B) world. The consumer world has the best-known stories, such as VHS vs. Sony's Betamax in the 1980s.

A replay of VHS vs. Betamax was the battle for the next-generation DVD player market which, in the end, was won by Sony with Blu-ray. Toshiba, which was backed by players like Microsoft, had to resort to slashing

[9]This is not a comment on your reading speed. I love the comment "I've just come back from France – I've been finishing my latest book. I'm a very slow reader."

the prices of its next-generation HD-DVD players as a last-ditch effort to save the format. But Toshiba did not lose the new DVD format battle in the B2C world. No, in 2007 they had 50 percent of the market. And then Sony outsmarted Toshiba by selling the Blu-ray concept to Warner Brothers, i.e. B2B. As Gartner analyst Paul O'Donovan said, "It shows what a highly competitive market it is. When it comes to video, it's the person with the most content that wins." Warner Brother's decision means that an estimated three-quarters of new film releases will only be available on Blu-ray discs, and that signaled the end of an 18-month campaign and a multimillion-dollar investment by Toshiba.

The B2B market has an equal number of examples of 'nails hit squarely on the thumb'. It's just that they are not dinner party or tabloid newspaper stories. One of the reasons is that there is nothing quite so embarrassing as failed technology,[10] and generally speaking major corporates don't like bad PR. They have developed a habit of allowing small companies to take the risks of innovation and then snapping them up when it looks as if they have traction, or standing well back should they fail. If the failures are internal, then they're buried early in life.

There are many examples. Why did a killer product like IP Telephony take so long to pick up? Why weren't SGI's blisteringly fast servers adopted by data centers? And whatever happened to the Psion Organizer? Why is it not up there with the iPhone and the BlackBerry?

List the products that you were convinced should have been killer products, but weren't.

[10] How many of you remember the pride of British automotive technology in 1950, the V16 BRM which failed to leave the starting line at Silverstone? The fans threw pennies onto the track. Ouch!

A very good example of a killer product which did not make it in the B2B world is Radix from TSB International, described by Richard Beasley, now a Sales Director at BT who was tasked with selling it at the time, as follows:

> *"TSB International, Canada worked closely with Nortel who had their global HQ in Mississauga, the same town as TSB. The product they had was called Radix, a network management system aimed at the PBX and voice network service providers.*
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> *Radix was well ahead of its time. It was incredibly powerful, with a UNIX operating system and Oracle database. As a result it was highly available, running on IBM RS 6000 and the HP RISC equivalent, and had the scalability to support thousands of endpoint devices. The functionality was much more advanced than the off-the-shelf systems like HP Open View and IBM's Tivoli. Until Radix, service companies like BT had to have an army of engineers on site to keep their customers' PBXs running and maintained. Radix meant that for every one hundred PBXs connected via an on-site 'black box', technology that TSB manufactured in house, you needed one less engineer; sixty-five to seventy percent of all faults could be fixed remotely, and automatic inventory control meant that in the event of a hardware failure the correct part could be dispatched to site with the engineer. This had a dramatic impact on improving customer service levels and reducing operating costs of the service provider, and on the face of it the ability to create some compelling business cases. There were even plans to extend its capability into toll fraud, a real problem at the time. In the end, poor marketing and a sales team that really didn't understand how to sell the business benefits sealed its fate. The sales effort was all far too technology-focused, and in the end it became too much hassle to continue its development so we ended up selling the IPR. Eventually TSB International was acquired by Peregrine Systems."*

Chris Huggett, Sales VP at 3Com, on a faltered Killer Solution:

> *"I've seen killer solutions that don't sell. When I was Director of Vertical Marketing at Cisco back in 2001/2, we found that retailers were keen to do in-store advertising. They wanted to give customers an in-store experience of something other than just the price ticket and the packaging. This makes sense to lots of product categories, like oral healthcare, or breakfast cereals. It was quite a sensible attempt to pinch some of the advertising dollars from commercial television. It would mean that brands would be advertising to the consumer at the point where they're making the buying decision. The challenge is getting those moving sexy images and sound to the consumer standing in the aisle. Retailers were mucking about with PC based systems, in-store DVDs etc. and it was all pretty rudimentary.*
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> *Anyway, Cisco used its strong brand to pull together the ad agency, WPP, as well as Sony. At the time plasma screen technology was coming down in price, broadband availability was increasing massively and ad agencies were getting their heads around what a message might look like in the five or six second commercial. So, timing was right to go and see the big retailers.*
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> *The pitch was compelling "We know you're concerned about this and it's a business issue. We think the technology is now in place for an in-store advertising solution. There are people who can manage the programming channel for you 24 hours a day. You can do all sorts of clever stuff like changing your prices up and down the country in all your stores from head office. Just change the price through your desktop, through all the stores in the country within seconds." That seemed like an absolute killer product. Anyway we invested a lot of money, created a big marketing budget, created a team of people from WPP/Sony/Cisco talking to Marketing Directors and Managing Directors of big retailers.*

It failed completely. The account managers were classic sales guys who were prisoners of the CIO. The CIO says "I don't want video on my network. I've got enough trouble already keeping the network stable without adding new applications to it." The account managers were cowed by this. They thought "I can see where my $6 million quota is going to come from with this guy, so I'm not going to antagonize him by going over to the business guys and having a conversation about running video advertising across the network."

The retailer in question (a household name in the UK) ran a pilot in three stores. They ended up buying something that looked a lot like the original plan, two years later but not from Cisco. So, a really smart bunch of people came together, created something, put it on the table – us. Then some tiny company ran off with the spoils. It was a real failure of imagination by the account team, playing the percentages rather than seriously trying to add value to the customer's business."

SO FIRSTLY, WHAT IS A FAILURE?

Failure is not just a discontinued product or a bankrupt company, although these are pretty stark measures of failure. At the other end of the 'failure spectrum' are products which fail to gather the expected market share and never become the dominant gorilla in the marketplace. They could still be profitable. But they are burning up resource which could and should be deployed to more profitable areas. Those products are holed up in a niche market being the best at something very, very specific, failing to fulfill their full potential. Their time is past. But how could it have been? Imagine how David Potter and the guys at Psion must feel looking at the success of the iPhone.

Let's play the blame game. Someone must be to blame for all this waste.

> *"Shares in Riversoft, the network management software group, plunged almost 25 per cent on Monday morning as the company warned that 'a sudden and severe deterioration' in the completion of orders led to second-quarter sales significantly below expectations.*
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> *I have never seen a quarter unravel so quickly. Things went from OK to dire in the space of a week at the end of the quarter. We were at the stage where we had met technical requirements, agreed contracts and drawn up the paperwork only for the deals to be closed down in the finance department."*
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> Phil Tee, Chairman and Chief Technology Officer
> Source: FT

News reports like this were quite commonplace in the dotcom bust, but they are far from unknown today. It would be easier and less embarrassing to simply explain away these failures as "too early for the market" or "delivering to a market which evolved too quickly".

There is a saying that "the future is here, it's just unevenly distributed". What that means is, with a global market and the opportunity to market through the Internet to access that global market, you could probably find a group of customers for whom your product is not too early. But, think of this: if you are launching innovative products then you need to be able to market to the Early Adopters who were described in Moore's *Crossing the Chasm*. Therefore, by definition, you need to be world class at educating, shaping, and leading the market.

Alternatively, the blame is laid at the door of sales. The sales teams were inexperienced or were not the A players. Sure they could get the customer interested, but could never close. There are examples where these new innovative products were simply put on the price list so every salesman could sell them. The results have been the same. Nothing.

Perhaps the multimillion marketing budget was not available, a clear-cut argument. But there are examples where the product was beaten by an underfunded product whose marketing budget ran on fresh air.

Anyway, here are some of the more popular types of blame. Pick yours at your leisure:

CDNU – Customers Did Not Understand

WWTE – We Were Too Early

BLUD – Bank Let Us Down

CMIC – Chinese Made It Cheaper

MPUW – Marketing Positioned Us Wrong

MSOI – Megacorp Stole Our Idea

SASS – Salesmen Are So Stupid

There is a common theme across all these acronyms. THE CUSTOMER IS NOT BUYING. Notice, we didn't say the company isn't selling enough of the product – the customer lies at the heart of the problem. So, how should you relate to the very different buyers with their very different ways of purchasing?