

Preface

One of the benefits of working in Silicon Valley is the somewhat regular ritual of cleaning out your desk when you are moving on to a new job. There is nothing close to job security in the high-tech world, and you end up getting real good at starting over. If my dear father, who worked for one company his entire life, had lived to see his son change jobs more often than he changed cars, he would have been appalled. Today the following story seems closer to the truth: someone looking for a new job after twenty years with a prestigious computer company is told, "I like your background but I don't understand why you'd work for those guys for so long. There must be something wrong with you."

About twenty-five years ago, while cleaning out my desk when leaving one of my first marketing jobs, I clearly remember finding a sales lead listing from one of the early trade shows that we had attended to introduce a new product. I was struck by the fact that stuck in among a couple of hundred names on that list were names of people that I was quite familiar with because they eventually became our customers. In fact, most of our biggest customers' names were on that list. At the time I thought it interesting, but odd. If only we knew then what we knew now, selling directly to the names on this list would have saved us years of marketing time and lots of advertising money.

A few years later, while I was once again cleaning out my desk from a sales assignment the same thing happened. I found a list of names from an early trade show and—you guessed it—scattered throughout this list were the names of our most important customers. And, of course, the same thoughts crossed through my mind—what if we had

just zeroed right into this list instead of scattering our marketing and sales efforts across a much wider universe only to find that our core constituency was right here in front of us all the time?

As they say, some things come in threes. The third time this happened I was in a company that was in a somewhat different position. Our company was nearly out of money. Before I had arrived there, the company had gone through several rounds of venture capital funding to develop its core technology without ever figuring out just what its product should be. With barely enough money to keep our engineering team together for a year, and after having disappointed investors through several funding rounds, we needed a new idea—fast. Instead of building the next great thing and seeing who would buy it (something the company had tried and failed to do already), why not put the process in reverse and find out what the heck it was that the initial group of people expressing interest in our core technology wanted in the first place. It was not so much about listening to what customers wanted since we did not have any real customers anyway and the technology that we were working on was only half-baked. I set out to crawl through a set of discussions with an eclectic group of individuals representing ultimate customers, other vendors, competitors, researchers—anyone who had expressed an interest in the technology—to find some common threads that would allow a company like ours to weave into a product idea. The results were fantastic in that we were able to find ourselves, our product, and ultimately our market. The really good news is that the company succeeded in launching a product that was a big success and eventually took the company public. The really bad news is that due to investor impatience, the ultimate beneficiaries of our success would be others. Nevertheless, I took away an understanding of something that is a sort of missing link in high tech—the ability to use research to improve and refine a business strategy.

It was not long after I left that last experience that I started the company that eventually became known as the Internet Research Group. Although it took several years to figure out what I was trying to do, what we eventually came up with was a business that combined market and technology research with strategic business planning. It took the better part of ten years to find out that a process I had been using to do research, something that we now call Expert Interviews, was, in fact, a potent process for exploring market opportunities that had not yet developed. Expert Interviews are a blend of sales and marketing because it uses a sales process—a situational analysis type

discussion—to develop an overall picture of an incubating opportunity and a marketing process—profiling and categorizing clusters of business opportunities—to understand the strategic possibilities.

Although most of the high-tech world ignores it, market research is a huge business. If you worked at Pepsi, you would never think of introducing a new product without having lots of good focus-group session evidence confirming your strategies. If you are running a political campaign, you spend hours researching polling data before you finalize your media buy. If you are bringing a major motion picture to market, you gather lots of research including audience exit surveys from “sneak previews” as you develop your strategic plan. If you are managing a mutual fund, again, research is key to helping improve your odds. Research is not only a big business—it is a *fundamental* part the strategic planning process.

Why is it then that, in our world of high tech, research is dismissed as being irrelevant or that it barely exists at all? It is not because of lack of money. Entrepreneurs proposing new business opportunities to venture capitalists are asking for tens of millions of dollars in start-up funding. If they really wanted to spend some money on research in support of the development of their business plan they would only have to say something like, “Hey, Conrad (or Blair or whatever), I know that you’re writing us a check for \$25M but I need a little more because I actually want to do a little research to help improve my business strategy, is that OK?” The answer would, of course, be “Sure, go right ahead.” The ultimate affect on the dilution of their founding stock would be inconsequential, but the ultimate affect on the value of that business would be extraordinary.

The simple answer that we have for why high-tech companies do not do much research in parallel with their strategic planning is that there is a long tradition in high tech of the “engineer turned entrepreneur”—the guy with a vision who figures it all out on his own. That might have been true for Bill Hewlett and Dave Packard who were starting their company in the days when Nixon was running for president talking about his “silent majority” (AKA unpolled masses). But the world has changed since then. Clinton would not have become president had he not figured what the polling data was saying. Likewise, the potential for success in high-tech ventures in today’s markets can be vastly influenced by market input.

This research problem in the high-tech world is not just due to these problems on the demand side. The supply side of research is not so hot either. Out of the Gartner Group and the seven dwarfs, pick your

favorite and then go back and read what they were writing during the early days of the Internet boom—that is, if you can find anything. The leading high-tech market research companies *completely missed* the Internet. Only after Netscape went public and the Internet was well covered by the *Wall Street Journal* and the financial press did any serious coverage of the Internet occur by the big research companies. (When Jupiter bought our company, the Internet Research Group, they were a third owned by The Gartner Group, and the strong rumor at the time was that Gartner's original investment in Jupiter was because Gartner did not want to be bothered having to deal with the Internet.) In our newsletter, we like to refer to these researchers as "those English majors from Connecticut" because of the fact that they have essentially turned into journalists focusing more on the entertainment value of what they are doing while forgetting completely that the role of research is to improve business strategy. As anybody in the political polling business will tell you, the answers are not in the numbers but in how you apply what you have learned to the problem of getting elected.

So, the problem with high-tech research is that it is broken both on the supply side and the demand side. Any MBA will tell you that if the customers are asking for the wrong thing, then it is not going to take much time for the supply side to start delivering just what the customers want, albeit the wrong thing. I cannot tell you how many times I have had CEOs tell me, "John, I can't afford to spend any money on research now but, don't worry, once we're successful, I'll buy all that I can." That is completely upside down. This attitude ends up wasting time and money as the company is forced to learn what they need to know "in the field." They should be saying, "I can't afford *not* to do research now." It is not about the money—it is about getting it right—the first time.

What we are attempting to accomplish with this book is to build the case for doing research up front in the planning process and to integrate research into the strategic planning process. We also introduce a new research technique, "Expert Interviews," as a peer instrument to polling, surveys, and focus groups that is uniquely suited for high-tech companies bringing exciting new innovative products to the market. We hope you will both find the subject useful and the book enjoyable.

My wife, Robin, has been an inspirational part of the journey that has led to this book, and I am thankful for her patience and support while it all sorted itself out.

John Katsaros

When I first started working with John in late 1997, I was already heading in the right direction. My early background had been as a technologist (operating system designer and programmer), but I was always drawn to the adjacent topics of strategy or long-term direction. Over the years I had done pieces of that for Digital Equipment, HP, Sun, and Apple as well as helping found a computer start-up (MasPar). For the immediate years before joining John, I ran MicroDesign Resources (MDR), at the time certainly the leading boutique research firm specializing in microprocessors. I learned a lot from MDR's brilliant founder Michael Slater about the interesting territory where technical insight crossed business opportunity. Michael had built a strong franchise around those issues and the rapidly evolving world of microprocessors and Intel-watching. It had been hard to extend the MDR business into many other areas of semiconductors because they could not match the lucre of microprocessors. Michael had always thought that there might be analogous issues with the Internet. He turned out to be exactly right.

John and I have spent the last seven years immersed in the intersection between applications and networks. The exploitation of the Internet has created the perfect business opportunity to drive innovation and investment. Most innovation requires understanding the challenges posed by the reality of networking. As with microprocessors, bright technologists with deep insights drives progress, but as with microprocessors, business success requires understanding markets.

This book is all about bridging technology and business—marketing. There are no simple solutions. The kinds of people who create brilliant technical invention are fundamentally unlikely to see the market issues clearly. There are some renaissance “bilingual” individuals, but they are few and far between. Conversely, most brilliant marketers do not have nearly enough grasp of how technology evolves to drive fundamental direction. Brilliant business success requires a partnership. This book frames that partnership and shows how marketing and business analysis can be done early, in parallel with and as a contributor to early product development.

Having spent many years on the technical side of the coin, I am continuously amazed at the value of external insight. It is too easy to lock a team in a conference room and think that is the right way to solve a problem. If the answer depends on understanding the market, there is no substitute for talking to the market. We certainly cannot claim to have invented this concept; it is a fundamental tenet of marketing. Our innovation comes in *how* you do this, where the

answer just is not clear. Surveys and focus groups work well when the right answer is understood by many and you do not have to think a lot about who to talk to, but that is never true for really interesting questions. Our fundamental insight is that for essentially all future market questions there is a set of experts who do know the answer. Using these methodologies you can find them, you can ask them the right questions, and you will get the right answers. I am regularly amazed at how well this works.

We live in a very complex and rapidly changing world, and there does not seem to be much likelihood of that changing anytime soon. But complex questions usually yield relatively simple answers when you find the right framework: “follow the money” is that kind of clarifying insight. At some level engineers love complexity; it is something they are very good at. If you are not sure what the right answer is precisely, add some more bells and whistles so you cover all the bases, and then let the market decide what the right answer is. It is a much better business idea to rotate the problem until it is clear what really counts, and then to focus on solving that problem well. This book is about how to do that.

My wife, Heidi Mason—a noted marketing and entrepreneurial strategist in her own right—has been an important part of my marketing education. As the “Car Talk” guys point out, there is nothing like a good dope slap at the right moment!

Peter Christy