Under the Buzz

Commentary on Strategy & Management Issues for
Executives & Professionals in Enterprise Systems & Software Companies

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Upcoming Events

Event 1: Vortex 2005

My colleague Geoffrey Moore will once again join up as co-host with John Gallant for the Vortex 2005 Conference to be held at the Palace Hotel in San Francisco, October 24-26. The theme of the conference is "Breakthrough to Value" and the audience will be primarily composed of CIOs and other enterprise leaders. To find out more, go to: www.idgexecforums.com/vortex05/index.html.

Event 2: Fundamentals of High-Tech Marketing

One of our sister firms, Chasm Institute, is offering a one-day public seminar entitled "Fundamentals of High-Tech Marketing." It is based on principles from Geoffrey Moore's books "Crossing the Chasm" and "Inside the Tornado" plus "The Chasm Companion" by Paul Wiefels, coupled with insights gained from literally hundreds of consulting engagements over the past 10 years. Dates are October 18 in the San Jose, CA area and October 20 in the Boston, MA area. For more information go to: www.chasminstitute.com/seminars.html.

This edition's main article:

Nine Adoption Risks that Deter Customers from Buying

"It's Not About the Bike"

- Title of bestselling book by Lance Armstrong, winner of seven consecutive Tours de France, 1999-2005

It's not about the product either. OK, the parallel I am drawing here may be a stretch. Then again, maybe not such a stretch. The point I wish to make here is that, for the most part, adoption of discontinuous technologies, and sometimes even of relatively established products, is not (just) about the integral promise of deliverable functionality in a given product offering. Ninety percent of the problem resides in the mix of tangible and intangible factors that actually sway people's minds in an eventual decision to buy, delay buying, or not buy at all (notice that two out of these three outcomes are negative as far as the vendor is concerned). This article is about those factors that worry customers most.

First, a bit of background. Today, 50 years or so after the birth of the commercial IT industry, many entrepreneurs and executives in tech companies – start-ups and established companies alike – have still not learned much about how buying decisions involving relatively new product offers occurs. In fact, the industry is still so caught up in its own self-interest and impatience to win, that managers still routinely pursue instant acceptance at any cost. Furthermore, spurred on by faulty recollection about how such-and-such a company achieved overnight success – Intel/Microsoft have been cited countless times in the recent past, and Google/Salesforce.com tend to be among the most often cited examples today – executives egg each other on to ever more futile strategies aimed at manipulating customer demand and thus artificially stimulating a “tornado” of demand for their product.

Typically, they spend considerable energy on marketing and selling their offer, often trying to convince enterprise customers (or consumers, as the case may be) that their ‘new new thing’ can be adopted without the risk of any unwelcome problems occurring. Needless to say, this promise seems too good to be true to any customer not born on the previous day.

If only companies decided to really understand how customers regard new product categories instead of using their creative energy to create manipulative and, yes, dishonest messages to talk up the “risk-free” benefits of their shiny new objects, they would be rewarded in spades. Unfortunately, as we have said, tech company executives are so anxious to achieve quick results that they generally avoid thinking too deeply about the possible barriers that might deter customers from adopting their new offering. This is the same impatience that prevents companies from asking potential customers the tough questions that will help to determine what factors will come into play to delay adoption, as well as those that will help prospective customers to decide to take the plunge (an unfortunate phrase as it relates to adopting IT products).

When vendors eventually discover that they have missed the mark and customers are deferring more than buying (a good example is when the same company name keeps recurring on the sales forecast month after month, with ever more hollow-sounding explanations from the sales team as to what’s happening), executives are left wondering what’s going on and why the customer isn’t buying. This is not the optimal time to be asking what motivates prospects to buy or not buy, and in any case it often results in an inaccurate or at best partial explanation from which no one learns very much.

In the end, what prospective customers are after is definitely not a fairy tale about one more “seamless solution” that they will have to toil to integrate into their already overly-complex environment. What they would appreciate, however, is a truthful description of how your organization can actually help them to (a) mitigate the inevitable risks of implementing relatively new technology, (b) reduce the often unpleasant impact associated with obliging their employees to modify their work procedures and habits, and (c) minimize the (impact of the) unpleasant surprises that are sure to crop up in the process.

After many experiences as an active participant and observer in this industry, I have concluded that on the whole vendor organizations are conditioned to behave as if the main risks for customers in adopting their product offerings is related to what (they claim) the product can provide in terms of features and functionality, and whether it will eventually work as described in the customer’s IT environment.

What they *don’t* tend to focus so much of their attention on are the less visible, though often more weighty, issues on customers’ minds. As implied earlier in this article, vendor sales teams and executives often “forget” to ask enough of the right questions during the course of their marketing and selling activities, and this reluctance only gets worse as they get closer to the climactic closing of the sales contract.

Thus I would submit to you, dear reader, that the main risks that cause deep varying degrees of worry to potential customers include the following nine items, any two or three of which (and sometimes only one) are sufficient to make the customer baulk temporarily or indefinitely. Let me make it clear that these risks pertain even when customers clearly grasp the promise and the limitations of a new product category, which is not always the case.

The 'Nasty Nine' Adoption Risks

Risk 1: W*ho are you, and how do we know you'll still be in this space in a year from now?*
Risk 2: *What does your product do, and what does it not do?*
Risk 3: *Do you actually have a product we can install and use?*
Risk 4: *How is your offering different from the other ones we (could) use?*
Risk 5: *What critical problem does your product help me to solve?*
Risk 6: *Which companies in our industry use your product with positive results?*
Risk 7: *How difficult is your product to install and implement?*
Risk 8: *How will your product impact the way I/we work?*
Risk 9: *What proof do you have that I/we can achieve the results you promise?*

In the paragraphs below I explain my perspective on what each of these questions really means for tech companies that are anxious to get their products adopted, and what vendors can consider doing to either eliminate the specific objection or neutralize its importance as an obstacle.

Risk 1: *Who are you, and how do we know you'll still be in this space in a year from now?*
This double question gets at two different but connected factors: (i) If you are a newcomer to the category, why should the customer regard you as a credible provider and, (ii) Whether you are a start-up or an established company new to the category, why should customers take you seriously? After all, tech companies have a habit of trying to get a new category adopted – or entering one speculatively – only to change their tune if they can't make suitable headway in it.

For start-ups: If your category is populated by a number of other young companies, you need to let potential customers know why they should take you more seriously than your competitors; remember, as a start-up, you are member of a species that is known among other things for its high mortality rate, which in itself raises a red flag for most potential customers. I suggest that the most effective way of overcoming this obstacle is to describe your organization – and thus by implication your offering – in terms of your commitment and ability to helping customers solve the problems that the product addresses, rather than in terms of the technology and features/functions of your product.

For established companies: Avoid assuming that just because you have made your bones in a related product category (or categories), you are entitled to credibility based on your past achievements in that other product area. Instead of resting on your laurels, stay humble enough to show potential customers how your proven expertise in other market segments provides real leverage to help these new customers to address painful problems using the new offering.

Risk 2: *What does your product do, and what does it not do?*
Instead of telling prospective customers about all the new capabilities and the daily miracles that your new product helps them to achieve, describe exactly what it will allow them to do differently and – even more important – mention related problems that it does not address. Even if they still need additional information to assuage their doubts, this approach will at least allow customers to feel that you are trying your best to establish clear distinctions between what the product *does* and what it *doesn't even attempt* to do. For some reason, many vendors are loath to draw these distinctions, believing that such straightforwardness might limit their opportunities. As it turns out, their reluctance to speak clearly on this point usually inhibits customers from deciding to move forward with them.

For start-ups: Although it may seem that you lose if you have to admit that your product has certain limitations, it actually makes customers feel relieved that you are honest enough to admit to functionality that you do not provide, whether by design or because you're not there yet. After all, if you are a start-up, no one expects that you have covered all the bases yet.

For established companies: Instead of overwhelming customers with PowerPoint-based 'evidence' that you have built all desirable functionality into your product, let them know what's missing, and show them how you intend to plug gaps via partnerships, or show a detailed roadmap that outlines the phased introduction of the missing features. If it's a case of features that belong in an adjacent product category, don't be shy about pointing this out early and clearly.

Risk 3: *Do you actually have a product we can install and use?*
This question crops up because most customers at one time or another have been 'bitten' after acquiring a new product that doesn't behave as described. Vendors commonly focus much of their energy on getting version 1.0 out of the door and asking customers to buy the product, without making sure that they have the appropriate implementation plans, installation procedures, user interfaces, and basic support services in place. Thus, customers have to guess their way through the opaque language used by vendors in their polished PowerPoints and the plausible-sounding commitments they make at contract-signing time.

My advice to vendors who are committed to establishing a pattern of effective first-time adoption followed by successful full-scale client deployments is to explain clearly the commitments they can live up to, while also challenging customers to play their part in the success of the installation and initial usage – even to the extent of agreeing on one or two basic metrics for gauging progress toward agreed goals.

Risk 4: *How is your offering different from the other ones we (could) use?*
In my experience the #1 sin that vendors commit in discussions about differentiation between their offering and those of competitors is to default to a discussion of the superior 'speeds and feeds' of their product versus the others that are being looked at.

My advice in situations like this is firstly, to focus the customer's attention on the complementary products and services surrounding their core product that will be key to rounding out the solution to the specific problem at hand, before (b) limiting themselves to statements of fact about one or two (but not more) factual advantages they possess in terms of product functionality. This approach will keep the customer's attention focused on the 'strategic issue' of how their problem can be solved, and away from the more tactical (and usually less important) issue of product pricing.

In response to this line of reasoning, the customer will tend to spend less energy on a bake-off between competing products, and more energy on building an understanding with the vendor sales team that demonstrates greater interest and expertise in addressing their business problem(s). In other words, everyone will be spending more energy on the catalyst that brought them together in the first place.

Risk 5: *What critical problem does your product help me to solve?*
This question refers to the tendency of vendors to describe a host of business problems that their product was designed to solve. There are at least three problems with this approach: (i) customers don't like being lumped in with every other company 'like them' because their particular situation usually differs from those of peer organizations in one or other key dimension, and (ii) they know that products don't solve problems on their own, and (iii) they also know that no single product solves all their problems, despite the claims of enthusiastic sales reps and techies.

This is where vendor sales teams must demonstrate that they have taken the trouble to sift between the various 'pain points' that might apply to the customer's organization in order to identify the single issue that the customer must address if they are to stanch the bleeding and achieve the most significant benefit from this investment. In past articles I have written about the importance of sales teams progressing beyond a description of generic 'pain points' that every company in a given market segment might reasonably be assumed to experience at one time or another, and the specific broken process(es) that they must fix in order to avoid or eliminate unacceptable economic consequences that are bothering them.

Once again, what the customer is saying is: “Talk to me about the specific business issues that you help to solve and that I care about, but don’t go telling me that you solve everything outright or overnight. Relate what you do to my business processes, to the way I and my people have to think and operate in our organization.” And, once again, be sure to demonstrate your professionalism and good faith by telling the customer in clear terms what problems your product definitively will *not* address. They will almost invariably be relieved to hear this from a vendor, and may even start thinking of you as more of a potential value-adding advisor.

<u>Risk 6: *Which companies in our industry use your product with positive results?’*</u>
This doubt arises because vendors frequently abuse their right to poetic license, and misinform prospective customers (or investors, or analysts, or competitors) about the real status of customer ‘commitments’ to their product offering or solution; for example, they might claim that company X has made a corporate commitment to their product when they have only signed up for, say, one unit (or one seat) on a pilot basis; or they try to equate the fact that the customer has acquired the product with success in using the product, or they treat successful use with effective business results.

The key here is not to spout generalities about what customers are using your product for. Translate into terms that your pragmatic or conservatively-minded customer will understand and relate to, the benefits that the more adventurous customers have achieved in their earlier adoption of your new product offering. And even if you have to complete any major customer project, let your prospect know what stage of implementation they are at – because this feels real, you will almost gain credibility with them (unless of course all your closest competitors have managed to help their customers get further down the road than yours).

<u>Risk 7: *How difficult is your product to install and implement?*</u>
This is another place where the classic geek mindset comes out in spades, to the detriment of the vendor company. Often techies are the only vendor personnel who have the faintest notion of how to install or implement a new-ish product; unfortunately, this is also where they tend to explain to their potential customer how easy the product is to *install* rather than *implement* – an enormous difference indeed. The snag here is that the techie sees this situation from the viewpoint of one who is (a) technically inclined to begin with, (b) fascinated by their own product, and (c) more familiar with it than anyone else – all three conditions which are not necessarily conducive to a successful dialogue with the customer.

It is important in this situation to make sure that you mention the caveats about what customers have to do in order to assure themselves of a successful implementation, as well as the difficulties they will experience while implementing it for the first time (remember the oath of honesty – there are *always* difficulties, so don’t pretend there aren’t any – it will just make customers more suspicious and this more reluctant to move forward).

<u>Risk 8: *How will your product impact the way I/we work?*</u>
One area that vendors tend to regard by default as ‘the customer’s province’ (and problem) is the impact of the new product on the customer’s working environment. Most enterprise customers absolutely detest this facet of vendor behavior, because it truly reveals the vendor’s superficiality and lack of interest in an effectively solved customer problem. Unfortunately, however, this is frequently one of the most critical obstacles in customers’ minds.

Be sure to demonstrate that you have thought deeply about how your product will interact with your customer’s existing systems infrastructure and their business workflows. And avoid sounding glib in your statements about “business processes” and “workflows.” It’s always best to leverage the successful results of past experiences to address this issue. Since not all vendor personnel are schooled on this topic, this is where the business-focused professional services folk should be able to contribute significantly.

<u>Risk 9: *What proof do you have that I/we can achieve the results you promise?*</u>

Naturally enough, no vendor can be expected to have actual proof that the customer will be successful with the product, but they can describe what they will do to minimize the risks and enhance the chances of successful results.

Such items as diagnostic services prior to any proposal, past project plans showing implementation phases and resource allocation (suitably sanitized, as appropriate), joint project planning activities specific project execution commitments you are accustomed to making, all of these factors act to mitigate risk, which is what prospective customers want so badly to do. Also, be sure to point out what resources customers must allocate to the project in order to prepare for the installation of software and/or equipment, as well as for the execution of the overall project.

This way of 'challenging' your customer will actually reinforce your credibility with them. Only those individuals who have no intention of doing a serious evaluation or are just out of their depth will object to your line of questioning here. In which case, you have learned something – either you need to be talking to someone else in the organization, or you may be talking to the wrong organization.

Conclusion

In the end what counts is that you recognize the potential concerns felt by your prospect, elicit their help to find out the ones that are bugging them most, and then set out to address each concern in a business-like manner. What is not forgivable is to oversimplify the adoption issues, or ignore what is on your prospect's mind.

And remember, nine times out of ten it's not about the product.

Under the Buzz offers commentary on enterprise software and systems business and management issues. The goal is to provide provocative and accurate insights into the latest events and thinking shaping this continually evolving technology sector. *Under the Buzz* also provides commentary on strategies for building sustainable competitive differentiation and maximizing market valuation.

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