

# Market Based Technology

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This article describes how successful companies source, screen and select winning ideas and transform them into winning products.

Main Points in this article:

- 1 Successful market-based technology is driven by keener market insights, understanding the customer experience and leveraging core skills.**
- 2 Successful companies seem to spend more time trying to understand the customer experience.**
- 3 CEO's of innovative companies put more time into making new ideas successful.**
- 4 Successful companies understand where the money is made in the value chain, along with where it will be made in the future.**
- 5 The most common reason for product or technology failure is not meeting the customers needs.**

Today's successful companies understand that it is not only innovative technology that drives sustainable advantage; it's also the links between the technology, the products and the customer.

Great products, developed with new and novel technologies, offer customers unique benefits and provide better price/performance characteristics than those products offered by their competitors.

Early market support for new technology is critical. This can be achieved by targeting the "innovators and early adopters" rather than the "majority" market, and collecting valuable customer feedback.

By establishing proof of concept and customer usability, the final technologies or products can be fine-tuned to meet the customer's needs. This approach needs to be repeated for each new segment or each new market, as there are sometimes significant differences between customer segments or markets (particularly overseas).

Meeting customers' needs may not be an easy task since they are continually changing. Customers, due to their access to more and more product information, are becoming far more sophisticated and more discriminating.

Product or technology benefits need to be easily explained, since success can be inversely correlated with the level of product/use information required. Products or

technologies need to be easy for the customer to understand and use.

So, how does a company identify winning products or technologies to offer to its customers?

Research suggests that a number of factors are important, and these relate to culture, leadership, and strong business processes. This article concentrates more on the processes that companies use to source, screen and select the winning ideas that are transformed into successful products.

Research also suggests that winning products arise due to the "fit" with the company's vision, its existing skills, and the dynamics of the industry. Aligning new products or technologies with the company's vision, and having a detailed understanding of the value chain, separates successful companies from the less successful ones. Understanding the value chain highlights where the money is being made, but more importantly, where the money is likely to be made in the future.

How do successful companies source new ideas?

## Sourcing Ideas

Successful companies tap into ideas from a range of sources. Ideas come from sales and marketing, competitors, leading edge customers, or from detailed customer and market research.

To capture these ideas and turn them into winning technologies or products, systems need to be

established. The process of capturing new ideas is very important and needs to bring in ideas from unrelated fields.

Technological developments in one industry may substantially reshape another. With the markets becoming more and more fiercely competitive, technology and product life cycles are shortening.

It is therefore important to develop an “ideas portfolio” to sustain profitable growth and meet the changing needs of customers.

### Selecting Winning Ideas

The main reasons for technology or product failure are:

- ❑ Not satisfying customer needs,
- ❑ Distribution and marketing problems,
- ❑ Poor project management, and
- ❑ Technology/product outside core skills.

The first reason is fairly obvious, but it is responsible for the majority of technology or product failures.

The solution is to better understand what the customer needs, and how the customer will use the technology or product.

Successful companies seem to spend more time trying to understand the “customer experience”. It is not unusual to find their product engineers following customers around to find out what they do.

For example, one leading Australian technology supplier to the retail banking sector had its staff observing tellers to understand how and why they do things.

This gives the company developing new products or technologies a clear idea of how it will be used as

well as the potential benefits for establishing product differentiation.

It’s all about developing keener insights into the customer experience.

Successful companies seem to involve their “innovator and early adopter” customers in the whole design and development process. Companies may also involve their suppliers, manufacturers or distributors.

One thing is clear; a marketing person is always there from start to finish, from creation to launch.

The other areas related to product or technology failure arise due to internal considerations, such as poor project management, lack of key skills, or marketing and distribution problems.

Leveraging core skills and understanding where the money is made, or to be made in the value chain, will determine whether the company is to be a long term survivor.

If the core skills are not readily available, the company needs to ask “why should we pursue this idea?” or “who do we outsource or venture with to access these skills?” Where the money goes in the value chain is very important. Is it the developer, or the manufacturer or the distributor that captures the most profit?

### Driving Success

Research suggests that the CEO’s of innovative companies put more time into making new ideas successful. Their involvement seems to be at critical stages rather than all the way through the process.

The critical stages relate to the generation and screening of new ideas, initial testing and launch implementation.

Although apprised of ongoing developments, CEO’s seem to have less involvement in the detailed feasibility studies or the product/process development stages.

Success will be influenced by how long a company takes to go from concept to market.

Research suggests that US companies generally take half the time that Australian companies take. This may be driven by the scale of the US economy and the number of potential customers.

Speed to market will also be influenced by the company’s ability to shift resources and to run overlapping development phases. Greater strategic flexibility is achieved if the development time is shortened.

At the end of the day, successful market-based technology is driven by keener market insights, understanding the customer experience and leveraging core skills.

However, success may be elusive if the industry dynamics and value chain are not carefully understood. Success is also less likely if there are dominant players or players strategically placed within the value chain.

Unfortunately, it is not always the world-beating technology that succeeds.

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