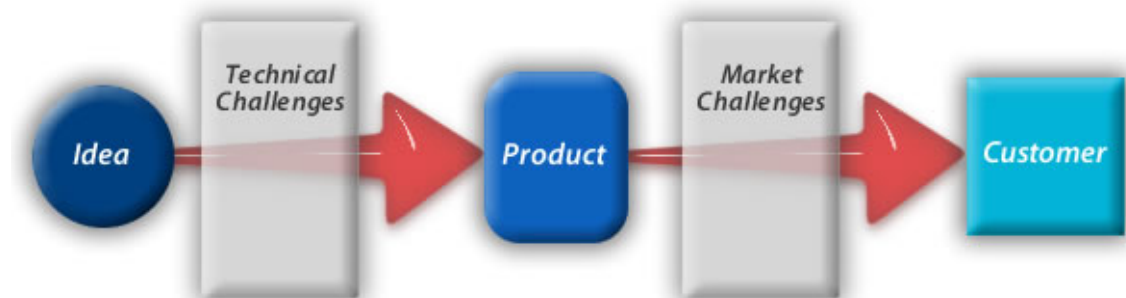


The challenges of taking innovation to market

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Why do new ventures find it so difficult to win customers? If your product is so good, how come customers don't "beat a path" to your door?

The reason is that building your product is only half the battle. Turning innovative ideas into successful businesses actually requires ventures to overcome *two* core sets of challenges. Turning the idea into a product requires the venture to overcome normally significant *technical challenges*. Getting customers to buy the product requires the venture to overcome substantial *market challenges*. Many technology ventures fail to appreciate that overcoming the market challenges to win customers requires *as much, if not more,* effort than overcoming the technical challenges necessary to create the product in the first place.



The technical challenges faced by new ventures vary depending on the nature of the technologies involved. What these are, and how to overcome them, is beyond the scope of this article. The market challenges, by contrast, tend to be relatively consistent across all types of product and service innovation.

New ventures face at least four external challenges when taking new product or service innovations to market.

1. ***It is not clear who would be the best customers for the innovation.*** One of the most central challenges facing any new venture is to figure out “who is the customer”? The innovative idea and the product subsequently developed is typically based on at least a notion of who the customer is, and what their need or problem is. However, new ventures commonly have not thought through in sufficient detail key issues about the target customer, including:
 - a. Who specifically has the need or problem?
 - b. How easy is it to identify and reach that person?
 - c. How urgent is that problem for that person? How likely is he or she to spend time and energy looking for a solution?
 - d. Even if the person is convinced, does that person have the ability to purchase a solution at your price point?

2. ***Customers have a wide range of options.*** Almost all markets are by definition competitive. Monopolies, if they exist, do not last long. There are also nearly always multiple ways to solve any need or problem. So any new innovation must meet the customer’s compelling need *better than all other options*. Buyers will typically, consciously or unconsciously, consider three things when evaluating options:
 - a. **Benefits** – to what extent does this solution meet my needs?
 - b. **Costs** – what is the total cost to me of this solution versus others?
 - c. **Risk** – what risks am I exposed to, and how can I mitigate them, by considering this solution?

New innovations frequently focus on the first of these – product feature superiority over existing alternatives. Often, but not always, this is empirically true, and customers can understand the benefits. However, new ventures are often much weaker in terms of cost and risk. Because they are cash flow constrained, the venture frequently needs to sell at a premium, and cannot match incumbents with the economic ability to discount. In addition, the risks to a customer of a new, relatively untested product are high.

The problem the venture faces is that most customers in most markets are conservative – so costs and risks are bigger considerations than benefits. In many markets, new innovations need to offer a 10x or better improvement in benefits to overcome customer inertia and offset the perceived costs and risks of trying something new.

3. ***Customers don't know about the innovation and its benefits.*** Even if the venture has a clearly identified customer, and a clearly superior offering, it needs to overcome significant problems in reaching and educating customers about its solutions. Everyone is extremely busy and has little time available to even consider their own needs, never mind look for a solution. In addition, everyone is constantly inundated with marketing messages (estimates are in excess of 2,000 per day) and communications of all sorts. Rising above the noise, and getting people's attention just to focus on the problem and how you can solve it, is very difficult, and getting harder all the time.
4. ***Established industry structures work to prevent the entry of new innovators.*** Most industries have evolved over many years, and have a clearly defined structure of established vendors at each stage of the supply chain, investors in the current industry structure, and an established communications structure of media, events, and trade organizations. The internet and other technologies have begun changing this, but in most cases new entrants to a market still encounter a large, established set of vested interests that are initially suspicious of, and likely to fight against, a new intruder.

The result of these market challenges is typically experienced by the venture most fundamentally as a *lack of customers*. Cumulatively these challenges often cause great stress for the venture's founders, investors, employees and other stakeholders, including:

- uncertainty of which markets to pursue
- lack of clarity as to the right product features for the market
- an inability to agree on or even express "who we are" and "what we do"
- lack of visibility and awareness in the market
- lack of a pipeline of sales opportunities.

Recognizing, and thinking through, these market challenges is the first critical step on the path to addressing them effectively.

About the author

Michael Lurie is Founder and CEO of Blue Mine Group in San Diego, CA. Blue Mine Group is an innovation strategy firm specializing in market traction for new products, technologies and lines of business.