



MARKETING FOR VALUE™

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I. EDITOR'S REMARKS

Customers matter. I'm almost embarrassed to have write that sentence since industries outside of high-tech--even ones using outdated technology to solve critical business challenges, for example, successful retailers and consumer packaged goods companies--have known how critical the customer is both pre-product and post-product for decades. But somehow, the customer hasn't evolved as a key factor among companies in the general high-tech industry. Sure, there's CRM, but customer relationship management software, which is rather new, addresses only a portion of the problem.

In this issue--where we deliver more value-based marketing practices--this time from the customer perspective--we illustrate the importance of customers in the pre-product stage. First, the journalist Peggy King offers an engaging interview with Piyush Gupta, President and CEO of Promeria, a company that provides sourcing software to manufacturers, on how to obtain funding when venture financing purse strings are in a Gordian Knot. Then, Jennifer Young, a usability advisor and former executive producer at a major television network, outlines for our readers what usability engineering is and how it can be used for both consumer and enterprise technology offerings--and why it should be used.

Enjoy!

Sarah Autrand
Editor-in-Chief
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NETWORKING CLINIC: Strategy - Skills - Success!
Saturday, August 3rd, 9am - 3:15pm, San Francisco
Not just more "tips" on how to network, this "hands-on" clinic is
where you'll learn how to create and implement a networking strategy
that will produce results in any area of your business and life.
<http://www.workit.com/networking/>

II. ENTREPRENEUR SPOTLIGHT: “Promeria President and CEO Piyush Gupta on How to Obtain Funding When Venture Financing Purse Strings are in a Gordian Knot”

Interview by Peggy King

He may not be Alexander the Great, but Piyush Gupta knows what it’s like to attain venture funding, both in flush and in lean times. In early 2000, he obtained 16 million in second round funding for LiquidPrice, a reverse auction company aimed at the consumer market. Like many other companies that were created and amply funded in 1999 and 2000, LiquidPrice did not survive in its present form. LiquidPrice has been re-positioned as Promeria, a company that provides sourcing software to manufacturers.

Gupta’s success obtaining venture funding (\$18 million so far this year) during these tough times gives him excellent credentials for offering advice about how to obtain funding when so little is being given out in the business-to-business software space. “Running a venture funded company used to be like making a movie in fast forward. Everyone would want you to accelerate and to achieve ROI in 12 months, and an IPO in 18. And a lot of exit strategies were available, all of them promising great returns. Now we come back to the boring basics. But boring is good. It now forces the remaining enterprise software industry participants to a focus on delivering fundamental value to customers.”

In an interview with **MARKETING FOR VALUE**, Gupta shares some fundamental suggestions for building the type of enterprise software company that will be able to obtain funding despite today’s challenging market conditions:

1. As for obtaining subsequent rounds of funding, it’s all about the customers. Venture capitalists expect to hear testimonials from the CEOs and CIOs of your earliest customers. Find customers who can speak to the business benefits that they achieved from their prototype implementation of your company’s technology.
2. Put together an experienced team. In 1999 it was okay to include several kids fresh out of school without “adult supervision.” Now venture capitalists are looking for managers and leaders with depth of experience. I believe that the venture community looks much more at the team that you have put together than at any single business idea you may be presenting. VCs know and expect that ideas will change. What’s less certain is whether the team can survive the demise of the idea that brought them together. If you can build an experienced team, your prospective funders are more likely to allow you the leeway to go through a few ideas that don’t work while you work toward getting it right.
3. When seeking early stage funding, it’s more important to go to the venture community with a business development person on your team, even if hiring a salesperson may be several months away. If you can present a strong management team that has the capability of finding customers, venture capitalists may provide the seed money that your company needs to pull in given the first five or six customers you have on board.
4. Execute on a straight line. Provide evidence that you can produce a product that customers are willing to pay for. The most compelling references are dealers or customers who are willing to tell you what they would pay to carry or use your product. Having dealers or customers signed up at an early stage gives evidence that your company has established a pipeline for follow-on sales to even more customers.
5. It’s essential to come to the table with a value proposition that’s easy to implement without expensive consulting. Gone are the days when venture is available for enterprise products whose implementation would require consulting fees in excess of ten times the

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cost of the initial software license. I attribute Promeria’s success in securing funding in large part to our ability to get customers up and running with our sourcing solutions within 30 days. Customers simply won’t pay \$50,000 to set up a pilot system. They don’t buy unless they can expect immediate value.

“In the dotcom heyday, too many companies were running on the after-burners fueled by an excess of venture funding. Most of that fuel has been burned up, but venture funding is still available for companies that can demonstrate that they have the right basics in place. These are companies that can present an experienced management team, top-notch reference-able customers, and the ability to offer these customers tangible value and accelerated returns on their investment,” says Gupta.

About the Author:

Peggy King, a technology journalist located in the San Francisco Bay Area, has over 17 years of technical and business writing experience, and has spent the last 10 years writing for leading computer trade publications. Since 1995, she has occasionally conducted press training sessions for executives and entrepreneurs at technology companies. Peggy can be reached at peggyking@aol.com.

Right-Hand Partners (www.rhpartners.com) is a BizDev Agency. Our mission is to catalyze business transactions.

Upcoming event: Carpe Diem! (August 9, 2002) --This is a lunchtime event connecting companies with capital in an intimate setting. We use a roundtable format that lets entrepreneurs present their business and funding pitch to angel and venture capital professionals, receiving immediate feedback and advice. Participating investors include: Interwest, Draper Fisher, iMinds, and Earlybird. Register at <http://www.mollyguard.com/event/1982931>

III. FEATURE ARTICLE: Usability Engineering--A Traditional Practice Comes to High-Tech

by Jennifer Young

Last fall I ran across this sage advice in the San Jose Mercury News business section: "Stop emphasizing complex features that people don't use and make usability a top priority...Given the serious economic slump that is ravaging tech industry profits, this warning has a sense of urgency."

Ever notice how cocktail conversations get lively when the topic turns to why so many technology products that barely work get to market? Granted, this is in part because consumers and businesses continue to consume tech products, a phenomenon associated with the PC boom of the last decade. But, no other industry has had such a high troubleshooting overhead and low level of accountability. If a car engine fails or a teeth whitening toothpaste fails to deliver the right shade, warranties, guarantees or insurance policies exist to minimize the end user’s risk. Not the case in high tech, where users have been left to feel somewhat inept--even personally responsible-- for software crashes and device malfunctions.

Today, most end users are still digesting the impact the technology industry has brought into their lives thus far, and not eager to take on more unless they’re ease-of-use improvements. In fact, what consumer and business end users really want now is for the

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functionality that they already own to perform better, more consistently and more easily. That's not asking too much when you think about it.

The "latest-functionality-in-a-hurry" technology releases of recent years were the result of competitive and internal business pressures, rarely customer demand. Future applications, in order to enhance a company's long-term profitability, will need to apply quality practices that focus on customer needs as the products or services are developed. These practices, well established in traditional industries such as automotive and consumer packaged goods, represent a real change to the processes and environment of high tech go-to-market strategies.

But one of the most significant, emerging trends among technology market leaders is the incorporation of Usability Engineering methodologies during product development. The Customer--or User--Experience is no longer something that can simply be tacked on to the end of a project to fix up the "look and feel" before shipping. Important usability-related decisions are now being made early in the development process to derive long-term customer and financial value. Why the trend? Some of the larger, established technology companies, during their search for ways to cut costs, have learned that ignoring usability issues until later causes significant financial challenges related to product quality, revenues and escalating support costs.

So what is usability engineering? It's a structured, systematic set of processes for delivering a product that works for users. The concept is based on three key, strategic, fundamentals that I've outlined below:

1. Knowing your customer. It is critical to understand customer's needs upfront and to design products that allow them to achieve their goals. And avoid the compelling assumption that you, other internal executives, and your design firm are your customers.
2. Incorporating methodologies that use empirical measurement. These include qualitative research (interviews, focus groups) and quantitative research (metrics assessment) during the development and testing of prototypes.
3. Planning for an iterative design process. Not only do your customers become part of the development process from the beginning, helping you evaluate design alternatives, analyze and solve usability problems, but they also become an ongoing resource for testing on live product.

What you will discover as you watch potential customers work with your product will be amazing. By observing their actions and their body language, and understanding their issues, and then documenting the information, you'll have facts to the development team. Soon even your most resistant developers will begin to understand the value of aligning functionality with user's needs.

Furthermore, usability engineering doesn't have to be expensive and the ROI can be significant. The cost benefit can be demonstrated by a method I ran across years ago, first published by Clare-Marie Karat of IBM who used it to show a hundred-fold return on investment for a particular software product. In that case, spending \$60,000 on usability engineering throughout development resulted in savings of \$6 million in the first year alone. (Source: *Usability.gov*)

There are also some easy-to-use usability ROI tools available at <http://www.weinschenk.com/tools/roi.asp> that can help you explore the potential cost benefits of relatively small investments in ongoing Usability Engineering practices. For

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instance, a typical online store's conversion rate (that is, the percentage of visitors converted to buyers) of 2% can easily be doubled to 4% after basic usability improvements. Even small increases in the conversion rate will lead to large increases in revenue, for example, a company with a current annual site revenue of \$1 million that spends \$50,000 on usability can reasonably expect a net increase in annual site revenue of \$950,000.

The time to incorporate usability engineering is now. As usability guru Jakob Nielsen says, "You sit somebody down in front of the screen and see immediately if they click on the right button or the wrong one. As soon as you see three people make the same mistake, you're better off just fixing it."

About the Author:

Jennifer Young, a Market4Demand's Marketing Educational Series for Entrepreneurs speaker panel member with **over 26 years experience** in live and interactive media. Jennifer can be reached at youngj@theyounggroup.com.

BoldFocus is a full-service Internet solutions company that develops corporate web sites (extranets, portals) and provides a suite of online marketing campaign and content management solutions. Since 1995, BoldFocus has provided Internet solutions for many prominent companies including Broadcom, Honeywell, KLA-Tencor, MarketFirst, PeopleSoft, Xilinx, and many other B2B and B2C corporations. To experience their showcase of digital solutions, visit www.boldfocus.com/clients/clients.html.

IV. FEEDBACK

We want to hear from you. If you'd like to know more about value-based marketing or if you know of companies applying value-based marketing ideologies to improve profitability and customer satisfaction, drop us a line at (415) 218-6041.

Want to learn more about Market4Demand's Marketing Educational Series for Entrepreneurs, including upcoming events? Visit www.market4demand.com.

V. THIS MONTH'S RECOMMENDED MARKETING BOOK AND LINK

Book Recommendation: Dr. Jakob Nielsen, Designing Web Usability: The Practice of Simplicity (2000) (an excellent resource written by the leading expert on web usability engineering)

Marketing Link: www.useit.com (Nielsen's site offers a comprehensive assortment of both general and detailed web usability information)

Interested in Market4Demand and **MARKETING FOR VALUE** advertising opportunities? Give us a call us at (415) 218-6041.

VI. UPCOMING MESE EVENTS

September 10
"The New Definition of Marketing Launch"

September 19
"How to Establish, Draft and Manage a Marketing Budget"

To learn more about the above upcoming events or register, visit
www.market4demand.com.

About Market4Demand

Market4Demand, a technology marketing services firm located in San Francisco, delivers strategic and tactical marketing services that help increase shareholder and customer value. Market4Demand specializes in marketing planning and implementation, interim marketing management, and marketing communications. The company offers expertise in both enterprise and consumer technology solutions. In 2001, it launched Market4Demand's Marketing Educational Series for Entrepreneurs (MESE), a sequence of workshops developed to empower entrepreneurs with practical, value-based technology marketing best practices. For more information about Market4Demand's services and Market4Demand's Marketing Educational Series for Entrepreneurs (MESE) visit www.market4demand.com or call (415) 218-6041.
