Guide to

Product Marketing

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Technology Multipliers

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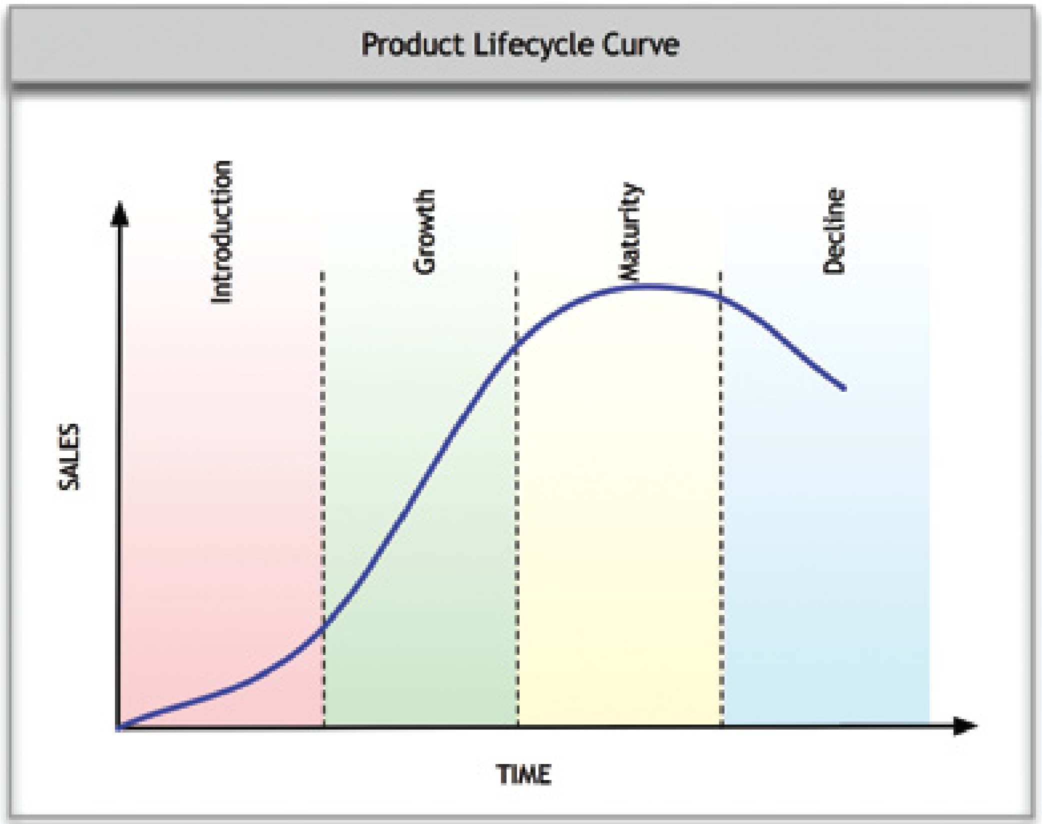
Life Cycle of Products and Technology Adoption

Success with marketing technology products requires understanding of three key concepts and related curves:

1. Product Lifecycle Curve
2. Technology Adoption Curve
3. Hype Cycle Curve

Like all products, technology products, have limited lives – the difference being they are shorter for technology products. Products go thru distinct stages, each posing different challenges and opportunities to the creators and marketers. Marketing high tech products require different strategies in each life cycle stage.

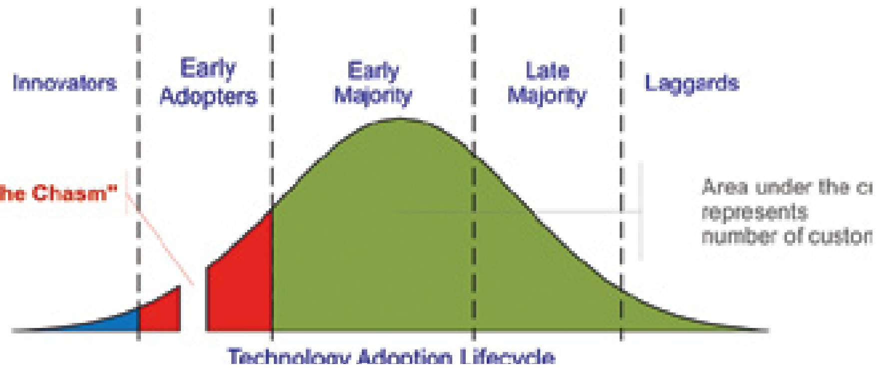


1. Launch - costs are very high, slow sales volumes to start, demand has to be created, customers have to be enticed to try the product, makes no money at this stage.
2. Growth - costs reduced due to economies of scale, sales volume increases, brand awareness increases, competition increases, increased competition leads to price reductions.
3. Maturity - costs are lowered as a result of production volumes increasing and development process maturity, sales volume peaks and market saturation is reached, increase in competitors entering the market, prices tend to drop due to the proliferation of competing products, brand differentiation and feature diversification is emphasized to maintain or increase market share.
4. Decline and EOL - costs become counter-optimal, sales volume decline or stabilize prices, profitability diminish, profit becomes more a challenge of production/ distribution efficiency than increased sales.

Product life cycle and technology life cycle curves are two different concepts. Product life cycle is a function of sales over time whereas technology life cycle is a function of technology adoption by different types of buyers.

Technology buyers respond to new products in different ways. Diffusion of innovations theory, pioneered by Everett Rogers, claims that people have different levels of readiness for adopting new innovations and that the attributes of a technology product affect overall adoption. Rogers classified technology buyers into five groups: innovators, early adopters, early majority, late majority, and laggards. In terms of the S curve, innovators and early adopters make up small fractions (2.5 percent and 13.5 percent respectively. The early majority and late majority make up 68 percent (34 percent each), and the laggards 16 percent.

Geoffrey Moore's popular book titled "Crossing the Chasm" expanded on the different expectations of buyers in each stage of the technology adoption. Moore focused on the gap between the visionaries and pragmatists. He described specific strategies for crossing the chasm by focusing on one group of customers at a time, using each group as a base for marketing to the next group.



Another related concept to technology adoption is Gartner's hype cycle. There is usually "technology hype" at the introduction of any new technology. Hype cycles characterize this premature over-enthusiasm and subsequent disappointment that typically follows the peak of inflated expectations. Each stage in the hype cycle drills down into the five key phases of a technology's life cycle.

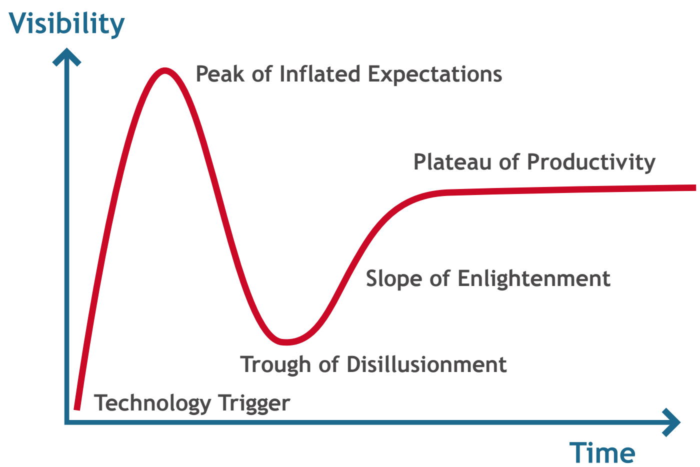
1. "Technology Trigger" — The first phase of a hype cycle is the "technology trigger" or breakthrough, product launch or other event that generates significant press and interest. Often no usable products exist and commercial viability is unproven.

2. "Peak of Inflated Expectations" — In the next phase, a frenzy of publicity typically generates over-enthusiasm and unrealistic expectations. There may be some successful applications of a technology, but there are typically more failures. Investment community pours in funding to promising providers.

3. "Trough of Disillusionment" — Technologies enter the "trough of disillusionment" because they fail to meet expectations and become unfashionable. Consequently, the media coverage drops. Producers of the technology run out of funding. Investments continue only if the survivors make improvements that meet early adopters' needs.

4. "Slope of Enlightenment" — Although the media may have stopped covering the technology, some businesses continue through the "slope of enlightenment" and experiment to understand the benefits and practical application of the technology. Second- and third-generation products appear from technology providers.

5. "Plateau of Productivity" — A technology reaches the "plateau of productivity" as the benefits of it become widely demonstrated and accepted. The technology becomes stable and scalable enabling mainstream adoption. The final height of the plateau varies according to whether the technology is broadly applicable or benefits only a niche market.



Whether it is truly a hype or reality can only be judged after some time has passed. However, following the media coverage of its technology and related technologies can be helpful to a small high tech company in separating the hype from reality.

Strategic and Tactical Roles of Technical Product Marketing

Good technology and effective salespeople aren't sufficient for successful technology products. Technical product marketing and product management are two critical roles in a winning technology product team. A competent, technical product marketer with domain expertise can be a significant contributor to success.

In high tech startups and small companies, product marketing and product management roles are usually assumed by the same individual. However, as the company grows, someone needs to focus more on outbound marketing processes such as analyzing the market, gathering and disseminating competitive information, influencing the analysts, and understanding longer term market direction.

In the strategic role, activities include:

- What are the offerings (products and services) that make up the whole product?
- Who are the target customers (boundaries of the market segments to be served)?
- How are offerings distributed and delivered to the target customers?
- How are the offerings priced?
- How are customers introduced to the products (advertising, traditional and internet marketing)?

In addition, ad hoc business related activities such as ROI and NPV analyses on technology investments are part of the strategic role. These strategic activities require product marketing managers to be skilled not only in market research, competitor analysis, technical writing, and presentation development but also in business analysis.

In the tactical role, activities include:

- How are leads generated, qualified, converted to customers, and repeat buyers?
- What tools, training, and support does the sales team need to generate revenues?
- How do industry analysts learn about the product, its differentiation, implementations, and roadmap?
- What product information do the marcom and internet teams need for messaging via traditional media relations, web site, and social media?

Most internal and external customers don't realize and appreciate the amount of time it takes to research and prepare for these tactical activities, in particular the creation of high value content and fact checking.

Balancing strategic and tactical activities is one of the toughest challenges of technical product marketing managers who are bombarded with daily demands from internal and external customers.

Product Marketing Process

At a high level, product marketing process has four major sub-processes.

1. Market Research & Analysis
2. Marketing Strategy
3. Marketing Mix
4. Measurement and Improvement

Market Research and Analysis

Market research is the process of systematically tracking, gathering, and analyzing information about the market, customers, and competitors. Market research for technology products, in particular, B2B market research, is inherently more complex than consumer research. Precisely targeting the market opportunity is one of the most critical pre-requisites to successful new product development. So why is that most small and medium size technology companies invest very little time and resource on market research and analysis? One reason is that they "think" they know their market, target customer, and competition. Another reason is they are fooled by the hype cycle. Yet, another reason is lack of budget and resources.

SWOT ANALYSIS

SWOT analysis is a commonly used framework for assessing where the product stands with respect to its competitors in the market and what opportunities and threats may be in the horizon. Another popular framework is Porter's Five Forces model which addresses market dynamics. Each of the forces is used to evaluate the competitive intensity of a market.

One approach for classifying market research techniques is primary research and secondary research.

- Primary Research is targeted and focused on a specific topic and requires detailed input. Therefore, it requires time and expertise to setup, conduct the research, and analyze the results. Examples: distinctive competence, technology assessment, competitive analysis, market sizing, customer satisfaction.
- Secondary Research uses routine input from customers which is broad in coverage, and usually in high volume of already collected data Examples: sales data for a product line, customer support logs, analytics data from website. While these are valuable inputs, they are not sufficient because they are not targeted. Secondary research data may also come from external sources such as research organizations, governments, or third party data providers.

POTTER'S FIVE FORCES MODEL

Another approach for classifying market research methods is qualitative and quantitative.

1 Qualitative Market Research: Research conducted with a small group or individually, to gain an impression of their beliefs, motivations, perceptions and opinions. Qualitative research can help obtain initial reactions to product ideas as well as estimates to quantify when quantitative data are not available. Results are not representative of the market in general or projectable. Examples are focus groups, usability studies, in-depth interviews, observation, field trials

2 Quantitative Market Research: Research conducted with a large enough sample of consumers to produce statistically reliable results that can be used to project outcomes to the general population. Quantitative market research helps determine importance levels of different customer needs, satisfaction with current products, performance ratings, product preferences, etc. It is reduce the uncertainty associated with subsequent decisions in the product marketing process and product development. Examples are surveys and polls.

The evolution of web technologies has made a significant impact on market research and analysis. Using online tools like Google Search, Compete, Quantcast and Google Trends, market research analysts can answers questions such as:

- What companies are competing in a given market?
- What are their web site traffic and visitor statistics?
- What other sites do their visitors (prospects) visit?
- How do the strength of different brands and the seasonality of different search phrases for those brands compare?

Another valuable web technology solution is the integration of custom survey panels and a custom community site with moderated and member-initiated discussions. These integrated online market research solutions from companies such as VisionCritical combine quantitative and qualitative data.

For technology products, industry analysts such as Gartner Group, Forrester Research, and TechTarget provide useful quantitative, independent market research.

Market research is an iterative process which is hardly ever complete. Inputs to market research can provide valuable insights throughout the segmentation, marketing mix, and implementation processes.

Marketing Strategy

Segmentation

Technology market segmentation is an important process for understanding the categories of customers and prospects. Segmentation enables proper targeting, positioning and branding.

There are two fundamental approaches for segmentation. One is based on benefits sought by customers. The other is based on observable characteristics of customers.

Let's take the example of enterprise CRM software. Companies may evaluate CRM software in terms of "complete compatibility with back-end systems" and "SaaS". One segment may prefer compatibility with back-end systems even if it is not offered as SaaS. The other segment may prefer SaaS even if there is partial compatibility with back-end systems. These two segments clearly represent benefit segments.

Most market segmentation, in practice, is done based on customer attributes such as:

- Size - Large, Medium, Small
- Geography – Americas, EMEA
- Sector – Commercial, Government, Education
- Industry – Business & Finance, Consumer Products, Healthcare, Manufacturing, Telecommunications, etc.
- Supply chain - OEM (Original Equipment Manufacturer), Supplier, Distributor
- Customer status - Current customer, New customer
- Target user – Business, Prosumer (professional consumer), Consumer
- Distribution Channel – Direct, Solution Partner, Reseller, Online Self-service

The reason why companies usually use this segmentation approach is because most available data to build a business case and quantify the segmentation process are about product attributes, demographic and psychographic profiles of potential customers.

In an ideal world, proper market segmentation would be based on a combination of benefits sought by customers, circumstances for which customers need to use the products, and some observable attributes that are aligned with the benefits.

One of the critical mistakes technology companies make is they avoid segmenting their market and neglect to focus on one or two key segments during the introduction stage. As a result the company is unable to adequately serve any one particular market segment well. Management and development resources are then overwhelmed with service and support problems weakening its position against competitors.

Successful companies not only segment and focus, they also understand the interrelationship and dynamics between various market segments and leverage them. For example, MatLab became a huge commercial success as a result of understanding of the interrelationships and dynamics between academia, research institutions, and business enterprises.

Target Market Selection

Target market selection is all about understanding differentiation and conducting an objective, differentiation analysis including competitors. The analysis involves assessing and scoring the company and its key competitors on five or six relevant dimensions, for each target segment:

- Ability to design and develop
- Ability to manufacture
- Ability to market and sell
- Ability to deliver and implement
- Ability to finance
- Ability to manage/execute

Once the company's scores and relative strengths and weaknesses are analyzed for each target segment, the process yields fact-based results for selecting and prioritizing the target markets.

Positioning

Positioning is what the company communicates to the market defining how it differentiates its product from competition. As the company executes, the market forms opinions about the company and product. The brand, then, is what the market says (explicitly or implicitly) about the company or the product. For a brand to be successful, the company's execution that substantiates its positioning must succeed. "Intel Inside" is a vivid example of successful positioning and branding. Had Intel processors not delivered on their promise, the branding exercise would have been a failure. When the market responded positively to the branding campaign, the positioning became stronger.

Positioning of technology products is quite different than consumer products because:

- the number of target customers is a relatively small yet high in buying power,
- the intellectual content of technology products are high and complex,
- high-tech product sales have a large dollar value from a price per unit perspective.

Successful technology companies differentiate their products from competitors in the market. Classic vectors of differentiation have been function, time utility, place utility, price, and perception. Additional new vectors of differentiation include sustainability, regulatory compliance, and social.

There are two factors that make positioning of high tech products more difficult than consumer products:

- positioning with respect to changing target customers (techies, early adopters, late adopters, laggards) throughout the technology curve
- positioning with respect to changing differentiation strategies throughout the product life cycle (introduction, growth, maturity).

Targeting techies in the new product introduction phase and positioning based on features makes the most sense. As the technology product moves along its life cycle from introduction to growth, targeting early adopters and positioning based on price-performance works better. The most lucrative target customers for a technology product are the pragmatists (early majority and late majority). Positioning based on quality, cost-of-ownership, integration with existing systems, and channel support become more relevant.

Successful technology products become successful because of initial strong positioning followed by strong branding. This is why expert product marketing managers,

- Continuously monitor their own organizational performance to the extent that it influences the customer's total "brand experience,"
- Probe and listen to what customers really think about the product and company,
- Ask, the most profitable customers, questions like "which marketing messages resonated with them?" "What was the true differentiator in the sale?" "Why were they willing to pay more for a stronger brand?"
- Pay close attention to how the customer implements and integrates the product into its business process,
- Watch for changing market conditions.

Marketing Mix

FOUR P'S OF MARKETING MIX

Marketing mix helps define the marketing elements for successfully positioning the technology product for the target market. There are various marketing mix models. The most popular one is the 4 P's model where the P's refer to Product, Price, Place (Distribution) and Promotion. Another popular model is the 7 P's model which adds three additional concepts – Packaging, People, and Process.

Each company has its unique product mix decisions and there are so many outcomes for each given decision. Since marketing budgets are limited, there are tradeoffs among 4P's. For instance, two companies with the same marketing expenditure would possibly have different performance outcomes just because of their different marketing mix developments. The critical factor to determine this outcome is to ensure consistency in every given decision to support the product's position in the market. For example, for a high end product, a company needs to label a high markup price at a specific location with a unique message to "narrowcast" a compelling message to its focus population. Here is a analysis for each P's in high technology product mix:

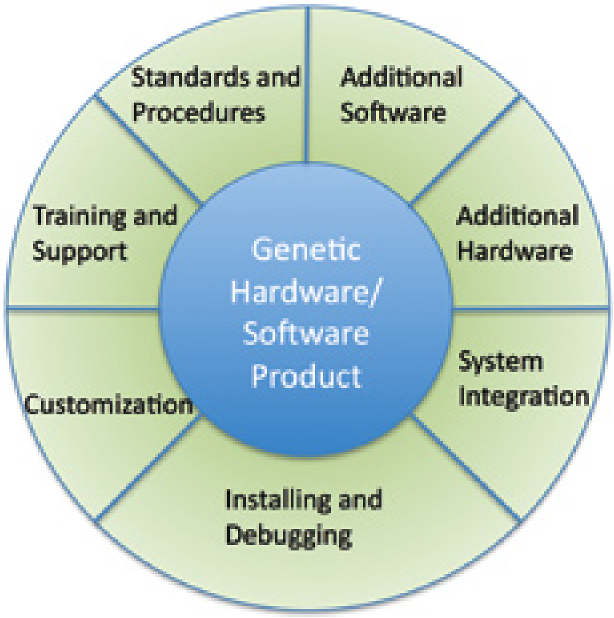
Product

To determine a product strategy for high technology firms, there are some key decisions to be taken into consideration. These decisions are:

- New product development process (innovation management)
- Licensing strategies with potential partners
- Intellectual property rights
- Services provided to augment the revenue stream from base-products
- Product name/brand decisions
- Development of complementary products by partners
- Creation of industry standards
- Packaging, and so forth

For high-tech products, there is a gap between the product's compelling value proposition and the abilities of the shipped product. Customers may need additional products and services to receive the maximum benefits or they may feel disappointed. The whole product model concept is the minimum set of products and services required to fulfill the compelling value proposition that is promised to the target customer. To better understand the concept, here are key questions to be answered for a whole product model concept for medical diagnostics device manufacturer:

- What types of standards procedures does the product have? Does it need to comply with FDA procedures?
- Is there a need for additional software or hardware integration?
- How does the product integrate to the hospital environment?
- What types of training and support is planned to offer with the product?



THE WHOLE PRODUCT MODEL

Software as a service (SaaS) is software that is deployed over the Internet and licensed to customers either as a service on demand through a subscription, or at no charge when there is opportunity to generate revenue from streams other than the user, such as from advertisement or user list sales. According to InformationWeek Analytics survey of 281 business technologists, 47% now use SaaS. About one-third describes their SaaS apps as mission critical. Another 59% say it's a tactical point solution, and only 32% consider it part of their long-term strategy. Here are benefits of having SaaS strategy:

- Reduction in Capital Expenditure by not purchasing servers of full copies of software
- Faster implementation
- Possible removal of a non-core activity saving time to focus more on core activities.

Price

To determine a product strategy for high technology firms, there are some key decisions to be taken into consideration. These decisions are:

- Pricing models
- Cost to produce/manufacture the goods
- Margins along the distribution channel
- Competitor's prices (pricing relative to a specific firm's market position)
- Customer value
- Total cost of ownership for the customer
- Profitability

Depending on the product and customer segments, the business models and pricing models may vary. For example pricing SaaS products and pricing medical technology products are quite different.

For medical technology products, pricing level may depend on the mix of hardware, software and biology. The medical technology marketplace is changing so rapidly that pricing models may evolve with increased price elasticity or reimbursement driven pricing.

For SaaS products pricing level may start with a freemium model, and then include tier pricing or utility pricing.

Below are different pricing models for SaaS:

- Freemium model: In most cases, there is no benefit to reach a large volume of users. A business plan to reach many more users freely and to convert 1-3% of them for upgrades is not a good plan for those products that are well designed and well architected with strong sales potential only if they are charged for service out of the gate.
- Tier pricing: In this model there has to be a clear delineation between product tiers. In many cases, companies offer a base level that includes all of features of their product and then offer little more of each feature at various incremental pricing levels. Since the prospective customers are not expected to understand every feature of product, different price tiers create confusion on which product to buy in consumer’s side. Considering the fact that sales process already takes much time from awareness to purchasing decision, too complicated pricing tiers would only create more confusion.
- Value pricing: In this model, vendor prices based on the value it provides. Although it is very ideal in theory, value can be very hard to measure.
- Utility pricing: This model is based on pricing of unit of consumption. This concept is different than value pricing in the way that prices focus on the input, making it much clearer to measure. Examples of utility pricing are:
    - Price per CPU
    - Price per unit time
    - Price per end user
    - Price based on type of use
- Pricing as a tax: It is basically pricing unlimited usage of software as a percentage of the enterprise’s performance metrics such as sales revenue, operating income. Although the software’s net value becomes much clearer for C-level decision making process, there are challenges for measuring the time interval and billing process.
- Lifetime perpetual: In this model, there is one down payment to access the product. This model is suitable for simple products with ongoing support and upgrade needs.

Cloud computing pricing is different from software pricing models. Below are the pricing models:

- On-demand pricing: There is no long-term commitment for compute capacity. It charges the hour you use the compute capacity. Benefits of transforming large fixed costs into much smaller variable costs.
- Reserved pricing: Make a low one time payment before using the capacity and receive a significant discount for hourly capacity usage. After the one time payment is made, the instance is reserved without any further obligation.
- Spot pricing: It enables the user to bid for unused capacity. The prices fluctuate due to upply and demand capacity.

Small and medium high tech companies should consider the following guidelines while determining their pricing strategy:

- Pricing shouldn't be based on the size of the company. A common mistake that small medium high tech companies usually make is to set prices lower than their larger, better known competitors.
- It is a mistake to think that a high-tech product would be widely used and adopted if it were priced low enough. Price reduction alone does not guarantee mainstream market acceptance.
- There is also a psychological effect of pricing in the market. A lower price for a new product of a small high tech company is perceived that the product and company are incomplete.
- When price performance is the differentiation strategy, setting pricing low is an acceptable practice.
- If the shareholder interest is at paying back R&D expenses, then pricing may be set different For growth, pricing is different There should be a strong motivation to cover costs such as paying back R&D expenses, and still having a margin to business growth.

Promotion

Promotion is the combination of personal selling, sales promotion, advertising, events and tradeshows, direct marketing, public relations, and sponsorships for the purposes of creating a brand image, informing and convincing potential customers, and reassuring buyers.

Promoting technology products is a complex undertaking, especially for B2B products. One of the reasons is the timing of the promotion mix along the technology adoption curve. In the early stages of the product lifecycle, promotion is all about addressing the information needs of early adopters and convincing them to try and purchase the product. Such promotion elements as advertising and sales promotion are less likely to be effective with early adopters compared to personal selling and direct marketing using information-rich content marketing tools. On the other hand, public relations (and social media), advertising, direct marketing, and sales promotion are critical elements of the promotion mix to market effectively to the early majority and late majority.

Another important factor is resource and cost of the promotion elements. Each and every promotion element has associated costs and requires people with proper training and skills. Small high tech companies have limited financial resources majority of which are allocated to product research and development. So, justification for proper marketing promotion mix is a challenge.

Internet has become the most effective means to promote products especially for technology products, because sales cycle is long and sales cycle is complex. What makes internet marketing ideal for small high tech companies is that it costs a fraction of traditional methods of promotion such as offline advertising (print, radio, TV), events, and tradeshow. In addition, you can track every single marketing activity and result with analytics.

Most small companies underestimate the expertise, time, and money required to manage an effective promotion mix. Yes, internet marketing reduces the costs somewhat but it requires expertise in new and rapidly changing methods such as online advertising, social media, websites, e-mail marketing, and analytics.

1. Word-of-mouth Marketing and Personal Selling – This is the oldest and most effective form of promotion. While it is cost effective in the development and introduction stages of the product lifecycle, word-of-mouth marketing and personal selling does not scale for products that reach the growth stage and must be complimented with other elements of the promotion mix.

2. Sales promotion – Like personal selling, sales promotion is a time-tested method of promotion. It is intended to generate an action by stimulating the customer to buy the product. A sales promotion can be directed to the end customer asking the customer to order. Alternatively, a sales promotion can be directed at the channel to encourage the channel to sell. Regardless of the sales promotion strategy, the tactics are usually the same. For example, every sales promotion has a discount (or some other incentive) with a time limit to take advantage of the offer. For most technology products targeted for businesses, sales promotions are most effective when aligned with such events such as product launch or end of fiscal year for target customer segments (typically December for commercial and September for government buyers).

3. Advertising

    a. Online advertising – Advertising had been somewhat an inefficient means of promotion until online advertising and analytics came about. Paid search advertising is now the most cost-effective form of advertising for small high tech companies ecause it is a pay-per-response (Pay-per-click) model and every response can be tracked as to measure impact. The primary purpose of paid search campaigns is direct response whereas the primary purpose of display ad campaigns is branding. Paid search campaigns combined with selective display advertising campaigns can generate the best ROI, especially when the campaigns are aligned properly with the buying cycle.

    b. Off-line advertising – This has been the traditional means of advertising until five or six years ago. While advertising high tech products in trade journals is a viable off-line advertising option, it is becoming less and less effective. Why? Because more and more technology buyers spend their time researching products on the internet. And, growing number print publications now offer their content on mobile devices such as netbook computers and tablet PCs.

4. Events and tradeshows – Event marketing is expensive and time-consuming. Yet, in marketing technology products where sales cycles are long, event marketing can be a powerful weapon in shortening the sales cycle. It can open doors to new prospects, deepen relationships with customers, partners, and analysts. When planned and executed properly and consistently, events and trade shows can increase brand awareness, demonstrate new products, capture feedback, inform and engage those prospects in the consideration stage, and help with closing sales.

Traditionally, event marketing was limited to physical events such as conferences, trade shows, seminars, and user conferences. In the past 5-6 years, virtual events such as webinars have become the most cost effective event marketing activity. It does not take much to setup a webinar, line up speakers who can present from their own office, invite and engage participants. Virtual trade shows have also become an effective way to achieve the benefits of event marketing without the costs of traditional event marketing.

For small technology companies, internal strategic events such user conferences are essential elements of the event marketing portfolio. Other than that, the decisions between sponsorship, exhibiting, or attending marketing events require careful examination of answer to three questions:

- Does the event increase brand awareness?
- Does the event generate leads?
- Does the event provide an opportunity to demonstrate thought leadership?

External events that provide the greatest return are those that enable reach to key decision makers in executive forums of large trade shows, and summits or seminars hosted by leading industry analyst firms on specific topics, technologies, or industries.

5. Direct Marketing – Telemarketing, e-newsletters, and e-mail marketing is examples of direct marketing. Use of direct marketing requires access to up-to-date contact information for potential buyers. Contact information for direct marketing can be obtained by purchasing lists from third parties. However, they are not as complete and current as the database or lists that have been created by the company. Furthermore, the response rates of direct marketing are much higher when explicit permission to call or e-mail is obtained from the recipient and opt-out is easy. Direct marketing campaigns for technology buyers are most effective during the consideration stage of the buying cycle. For example, e-mail campaigns promoting upcoming webinars, telemarketing campaigns to qualify those who attend a webinar.

6. Sponsorships – For small high tech companies, sponsorships present a unique and effective means of differentiated marketing. With targeted sponsorships, brand visibility, product awareness, and sales can be achieved at the same time. Trade shows and Industry analyst conferences provide plenty of opportunities for sponsorships. While it is difficult to measure the hard ROI of sponsorships in a single event, the soft benefits (developing relationships, increasing brand loyalty, etc.) over consistent sponsorships are definitely worth including sponsorships in the promotion mix.

7. Public Relations – PR is one of the critical elements of the promotion mix because it enables direct or indirect visibility to the product and company – free of charge. Public in the PR refers to various groups including Customers, Prospects, General public, Shareholders, Employees, Partners, Industry analysts, and financial analysts. Direct public relations campaigns such as press releases, product announcements, and customer success stories are initiated by the product marketing team.

Indirect PR happens as a result of a customer advocate, a credible industry analyst, or a partner sharing their opinion publicly. This externally generated PR is much more effective in that it can quickly become viral and have a compounding affect. The driving forces behind most viral campaigns are credibility of the source, the passion of the messenger, the place and timing. Popular social media tools such as Twitter, LinkedIn, and Facebook have significantly increased the ability to monitor and leverage the benefits of indirect PR. While the product marketing team does not initiate indirect PR, a social media specialist needs to be an active participant in the relevant social media channels. Successful technology companies manage their reputation by continually tracking mentions in the media, displaying positive mentions on a separate page in their website, and taking immediate steps to neutralize negative mentions.

Place

Distribution and sales resources are typically the most underutilized resources in high technology companies. One of the reasons is that high tech companies do not give distribution strategy as much thought as they should. Planning, training, and supporting distribution and sales resources requires.

First of all, it is important to define the value-add and limitations of each role of the distribution and sales resources in the chain.

1. Direct sales force – Salespeople know their customers, understand customer challenges and problems. More importantly, good salespeople create and maintain strong relationships with their customers built on trust. For these reasons, a direct sales force is the most effective way to sell technology products. A properly trained, directed, and supported direct ales force is the most lethal weapon of any technology company. However, a direct sales force is capable of reaching a limited number of market segments or geographic territories.

> “Giving the wrong sales force the wrong direction is a formula for disaster

2. Solution Providers – This channel is necessary to crossing the chasm and effectively selling to the early majority and late majority in new market segments and territories. Their value add comes from in-depth knowledge of customer requirements and organizations in a particular segment or region, pre-sale services such as proof-of-concept or pilot projects, and post-sale services such as customization, integrations, training, and support.
3. Resellers – This channel is a viable option for mature technology products targeted at late majority and laggards. A key value that resellers bring to the channel is their relationships with purchasing agents and efficiency in processing orders. Most effective value-added resellers specialize in training and support.

Secondly, it is critical to understand the requirements to select, allocate, train, retrain, and support the distribution resources.

- Specialization - Sales and distribution channels of technology products need to be specialized. Knowledge of the customer challenges, target market, competitive landscape, and familiarity with technology are essential ingredients to success with success.
- Geographic and Market Segment Coverage - Distribution resources need to be targeted and focused on both geographic and market segment coverage perspectives. Most distribution resource allocations are based on geographic coverage. There is no guarantee that opportunities will be discovered and target customers will be sold with just geographic coverage.
- Technology adoption & product lifecycle alignment – The types of salespeople requires to reach early adopters of technology is very different than selling to the late majority. Or, selling technology products in the development and introduction stages require different distribution resources than selling the same products in their growth, maturity, and decline stages. Therefore, it is necessary to evolve the distribution strategy and align the channel resources with technology adoption and product lifecycle stages.

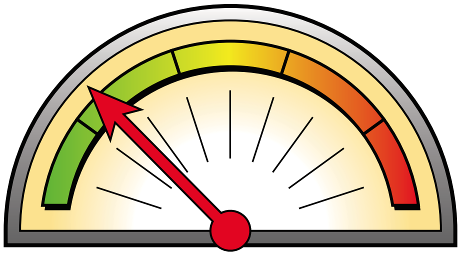
- Training and Retraining - As technology companies succeed in selling their products to initial target market segments, they begin attacking new segments. One of the toughest challenges at this stage is growing sales capacity and capability. A common mistake is to take salespeople or distribution channels that are successful at selling to a specific market segment, redirect them at the new target, and expect them to generate rapid revenue growth within unrealistic timeframes. The results are usually disappointing unless realistic time and money is allocated to redirecting the sales channel to a new market segment. Realistic companies budget and allocate 5 percent of targeted sales revenue from the new segment to retraining and redirecting the sales and distribution channel. Depending on the technology and product, 9-12 months is not an unreasonable timeframe.

- Lifeline Support - Another often overlooked process in creating a new channel or redirecting an existing channel is the support system -- the people, process, and technology. No army would go to war with a supply chain logistics system. Similarly, technology companies should not launch their products to new market segments without setting up their pre-sales engineering, customer support, training, and solution provider supply chain.

Personal experience – taking salespeople who were successful at selling a mature enterprise text search product and redirecting that sales force to selling a new multimedia search product. One challenge was the sales people were not familiar with image, audio, and video technologies for creating, indexing, storing, editing, publishing, and playing multimedia content. Management completely underestimated the time it would take to establish the pre-sales engineering lifeline for the sales people and to redirect the sales team. The other challenges had nothing to do with the sales people. One had to do with the maturity of the underlying technologies in the technology lifecycle. Video media standards, browser capabilities, video encoding and players, broadband, storage networks and other related technologies were all going thru a massive transformation. Yet another challenge had to do with the new product development process. The engineering organization that had created the new multimedia product using an ad hoc process was expected to adopt a repeatable development process. This crippled the sales team's ability to respond to sales opportunities and address problems in the field a timely fashion.

Finally, it is important to optimize the distribution costs and manage channel conflicts. A good channel strategy is focused on effectively meeting end user customer needs in a cost efficient fashion. However, successful distribution resource management can be difficult to attain if channel members have different objectives, if incentive programs or margins create conflicts between channel members, and if new channels (such as Internet) cannibalize revenues from existing channels. Best practices distribution channel management is demand-driven. It harmonizes the various roles in the channel, creates synergies, and focuses on customer requirements.

Measurement and Improvement



Implementing a marketing measurement and improvement process is not a one-time project. It is virtually impossible to come up with an optimized marketing process right off the bat. Optimization comes in time from lots of testing, measuring, analyzing, and making adjustments.

First step in the process is to define the business goals and KPIs. There are four types of marketing metrics:

1. Lead Generation Metrics – These metrics have to do with measuring the effectiveness of marketing campaigns. They include such metrics as response rates, MQL (Marketing Qualified Leads), Opportunities in pipeline, and SQL (leads that have closed). The availability of marketing automation software and integration with CRM systems has greatly simplified measurement of marketing campaign effectiveness and marketing ROI.

2. Customer Metrics – These metrics measure a customer's reactions to the product and its benefits after the customer buys and uses the product. They include such metrics as customer satisfaction rating, loyalty, customer profitability, and CLV (Customer Lifetime Value). Subscription renewals, upgrades, or add-on sales are strong indicators of customer satisfaction, loyalty. Automated customer sentiment analysis is an emerging trend for measuring customer satisfaction and loyalty in near real time. Sentiment software use text analytics, which extracts insight from text, such as in social media, news articles, or internal documents and databases. The tools, then, mine the comments to gauge the customer sentiment.

3. Financial Metrics – These metrics are typically reported by financial management systems on a quarterly basis. The hard metrics include product sales, profits, revenue growth, and market share. Return on Marketing Investment (ROMI) is somewhat of a challenging metric in that not all returns on marketing investments can be quantified within the period the investments were made. For example, developing a new channel may take a year and the payoff may take a few years to quantify.

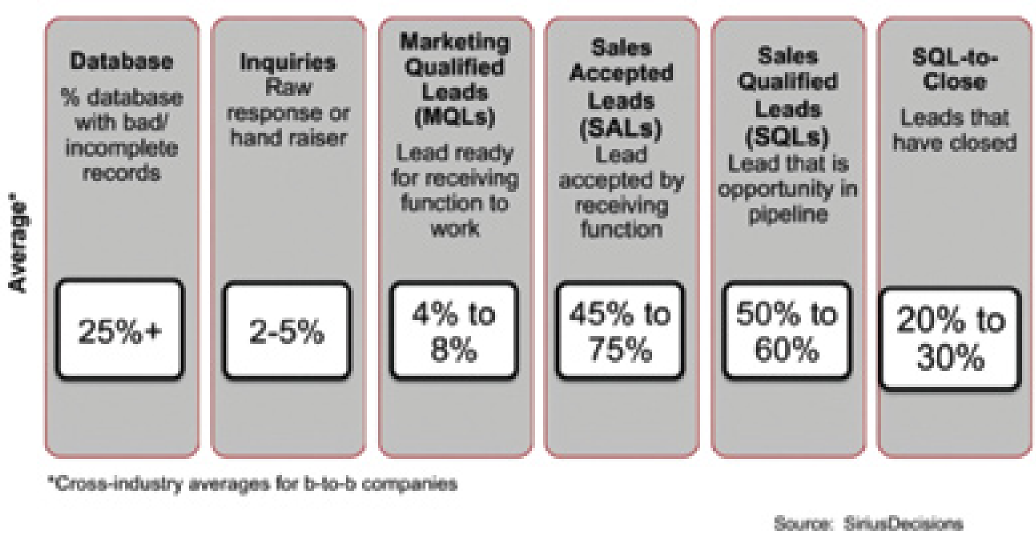
4. Internet Marketing Metrics – There are two categories of internet marketing metrics: website metrics, and business metrics. Website metrics measure unique visitors, unique visits, repeat visits, page views, session duration, bounce rate, etc. These metrics are tracked and reported using web analytics software. Business metrics measure conversion rate, cost per lead, return on ad dollars spent, etc. These metrics are tracked and reported using performance media management tools. These tools track and analyze data across all channels including pay-per-click, social media, and display ad networks and apply an attribution model to create a consistent comparison of campaign conversion and revenue data.

Once the metrics are defined for the high level KPIs, granular KPIs for each campaign need to be assigned and sources of data needs to identified.

For the data sources, it is important to engage the individual campaign owners and to develop campaign attribute tracking. Without proper assignment of campaigns attributes, it will be impossible to create an enterprise marketing performance view that is consistent across all data sources for multiple channels and campaigns.

Sales transaction information needs to be integrated into the enterprise marketing performance view in order to close the loop and calculate ROMI and attribute the granular ROI to each channel and campaign.

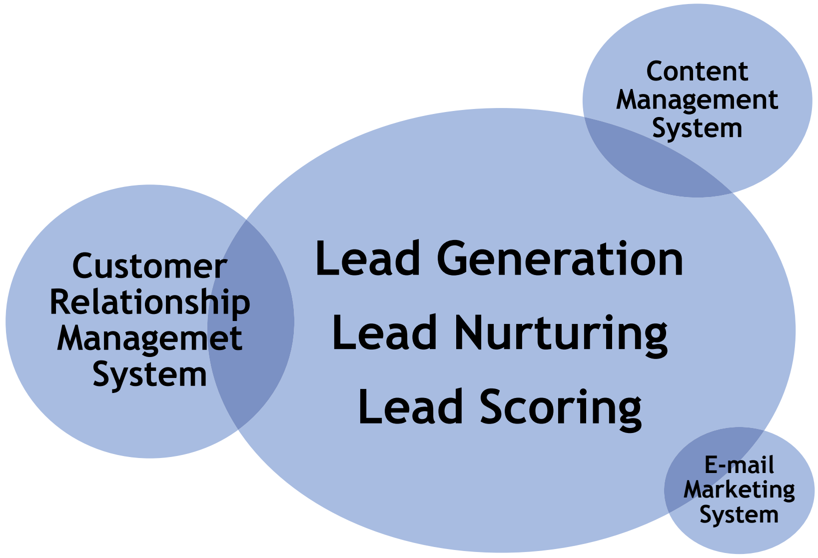
There are two secret ingredients to success with marketing improvement: 1) Marketing performance dashboards, 2) Buy-in from stakeholders who will provide, consume, and benefit from the enterprise marketing performance dashboards and how they relate to the business goals.



Product Marketing Automation Software

Technology product marketers utilize multi-channels for both inbound and outbound marketing. These channels include Email (Inbound, Outbound), Paid Search and Display ads (Inbound), Landing Pages and Microsites (Inbound), Telemarketing (Inbound, Outbound), Social Media (Inbound, Outbound).

Marketing Automation Software (MAS) provides integrated suite of tools for lead generation with multi-channel marketing programs to drive awareness and interest in a company's products and/or services and nurture leads from first interest through to sale. MAS products are complimentary to CRM systems and e-mail marketing systems and offer the greatest benefits when integrated with them.



Key functions of marketing automation software are:

- Lead Management - Lead assignment, CRM integration, lead scoring, sales enablement
- Campaign management - Email Marketing integration, Email Deliverability, Campaign Automation, Lead Nurturing, Multi-Channel Marketing
- Marketing Campaign Measurement - In-depth analysis of campaign results, integration with web analytics, CMO dashboards (Marketing Qualified Leads, conversions)
- Contact Management – Profiling and Segmentation (where is the prospect in the customer lifecycle or buying cycle?), Database integration and list management.

Leading marketing automation software products offer additional productivity features such as website forms and microsites that product marketing managers can implement without programming. Website forms enable creation and deployment of custom fields and actions such as sending an auto-response e-mail, alerting a salesperson, or adding a prospect to an automated nurturing process. Microsites enable creation and deployment of contextually relevant content-driven, personalized pages that deliver targeted content and increase conversion rates.

Primary benefits of MAS include: 1) monitoring performance of all marketing campaigns with dashboards in one place, 2) identifying hot leads and routing to sales automatically, 3) gathering and presenting vital, up-to-the-minute data on campaign ROI.

Secondary Benefits include: 1) reducing reliance on sales staff for reporting and feedback, 2) making prudent investment decisions in online and offline marketing spend, and 3) being prepared for situations when you are asked to justify or provide advice on advertising priorities.

MAS products for small to medium size companies include Active Conversion, Eloqua, Neolane, Marketing Pilot, and Marketo.

Marketing Automation Software is an integrated function of enterprise CRM systems such as NetSuite CRM+ and Oracle Siebel CRM.

Keys to Success with Product Marketing

- Understand the fractal nature of product life cycles. Develop and evolve your marketing strategy based on the pos.
- Classify prospects into the five groups of buyers as defined in the technology adoption curve. Focus on one group of customers at a time, using each group as a base for marketing to the next group.
- Treat analyst reports about your technology adoption curve with a grain of salt. The technology hype is a natural phenomenon and only time will tell where the technology was at a given point in time.
- Hire a technical product marketing professional who has domain expertise in your market and technology. Create a team with the product management professional(s).
- Technology product marketing is a process. Like any other process, it needs to be planned, managed, measured and improved.
- Use both routine and targeted inputs for complete market analysis. Use both quantitative and qualitative methods but give qualitative research results more weight.
- Segment the market based on the benefits sought by customers and circumstances for which customers need to use the products – not based on customer attributes.
- Understand the interrelationships and dynamics between market segments and leverage them.
- Focus on one or two key markets where you have clear differentiation and distribution advantage.
- Use the whole product model to identify everything the target customer needs to succeed with your product. Leverage partnerships that increase value-add and differentiation.
- Do not price technology products low because your company is smaller than competitors or because you think you can sell more if price were low enough. Pricing alone is never a basis for differentiation.
- Specific skills are required to effectively manage each type of distribution channel. Develop those skills internally. Begin with the direct sales force and then roll out to solution providers and resellers.
- Plan and align the types of promotion with the product life cycle. Leverage the power of internet as much as possible, especially in the introduction and decline stages. Use advertising and event marketing dollars sparingly during growth and maturity stages. Integrate the promotion elements to achieve brand visibility, lead generation, and thought leadership in every promotion campaign. Limit the use of advertising and event marketing to growth and maturity stages
- Practice and master data driven marketing. Start with defining the business goals and KPIs. Create an enterprise marketing dashboard for lead generation, customer, financial, and internet marketing metrics. Test, measure, analyze, and optimize.
- Invest in marketing automation software and integrate with your CRM system and e-mail marketing programs. MAS can improve conversion rates by up to fifty percent.

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For further reading on product strategy, please visit our recommended reading list.