

The High-Tech Marketing/Business Model Boot Camp (Part 2): Don't Be the Dinosaur Brought Down by Mosquitoes

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We work in Silicon Valley... and there are a few hundred new acronyms and technologies introduced each year that we need to understand. Being a trusted advisor means that clients need us to be really smart, on top of the latest trends, and interpreting what really matters so we can engage with them to design new, winning business strategies.

And one thing I've noticed: Many of the things that get hype today won't matter down the road. But there are always a few in the mix that need to be considered deeply. Figuring out the difference is hard, especially with the high volume of noise that can exist in coverage of the next big thing the business press.

One That Counts

One item is going to change the paradigm of how products get brought to market. The term I'm specifically asking you to be alert to is mashups.

Mashups are when two technologies can easily get mixed to create another of value. I often think of it as Reese's Peanut Butter Cups: two great things that when combined create something new and better. Mashups are fundamentally that. Two ideas or "solutions" that are interesting become better when brought together.

A couple of examples: put a publicly available database of housing transactions together with easy mapping technology and housingmaps.com or zillow.com get created so home value appraisals can be done on the fly. A related model: A Ford Mustang collector might mashup his database of Mustang clubs (by GPS coordinates) with the functionality and content of Google Maps. The resulting visual would produce club locations overlaid interactively on top of a map within the context of a web browser—a mashup.

Why does it matter?

There are two answers.

The first answer is technology-focused. Product development cycles will need to change.

Ask five developers why mashups matter, and you'll probably get at least that many answers. Typically, mashups use the functionality and/or content from two or more sources to create a new work. At least one of the sources is third-party to the developer. The most common type of mashup is a combination of multiple sources that the mashup developer had nothing to do with. John Musser maintains an index of all types of mashups at ProgrammableWeb.com. Some Web

site operators want to increase usage of their content and functionality and provide application programming interfaces (APIs) for developers who use Javascript and AJAX for mashup development. In addition to keeping an index of those APIs, Musser also [charts their popularity](#) based on the number of mashups that use each one.



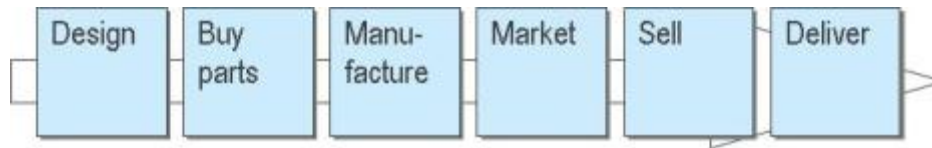
As a result, engineers can create software anywhere (anywhere = cheaper), and do quick integration with other pieces of modular software. Ease of development is hugely enhanced. And that's the real risk to existing folks. Smaller companies with very low cost overhead can be speedy and build little bits of solutions that can be mashed with other bits and ultimately new value is created. Fast. Oh, did I say that already? That's the key here so it's worth stating more than once.

Companies that continue in the "old" development model—18 month release cycles—are using "Titanic" engineering models and they are vulnerable. I call them dinosaurs, with some affection. They are the big guys who have built the packaged application business.

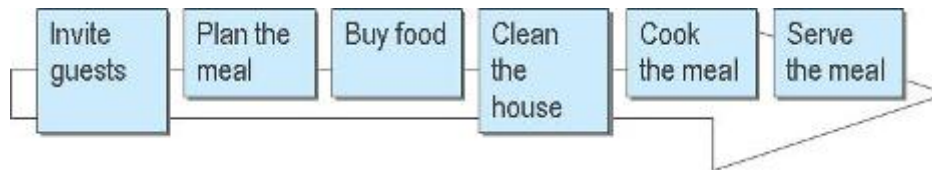
The second answer is related to the customer value chain.

And the other interesting element is that the way in which customer value is created has shifted, dramatically. Mashup business models allow different, somewhat disparate technologies to be brought together fast. The underlying social aspect is that the way in which customer value is created and delivered can become more a mix-and-match model.

Think back to the 80's and early 90's. The value chain examples used back then were Dell and Intel. Value was created in what seems a linear fashion. First a product was designed, then parts purchased, then manufactured, then marketed, sold and delivered. The one who could own the full design to delivery could generate most customer value. The goal in optimization back then was to look at how to get good customer insights early in the process, because you needed a long ramp to get to market.



In the mashup world, one company doesn't have to innovate all the development pieces. In fact, the idea isn't to think about the value as the "thing," such as a computer, is. Instead, customer value can become really about the usage of what someone needs.



In the new era, different parts of the value chain can operate as silos. Let's use a non-technology example. Safeway, a grocery chain, might think they are in the business of supplying groceries, and possibly meals. But the reality is that they are one part of a larger effort. Those who are going to throw a dinner party might use Evite to generate a list of guests and gather RSVPs, and they might use Microsoft Excel to put together the recipes and calculate the recipe sizes. Effectively, they would go offline to plan the meal. Then they would use Safeway to buy the food. Another part of the value chain is to clean the house (if you're into that kind of thing), cook the meal, and serve the meal. There is no one company in the chain that thinks of itself as serving this unique value chain. But the customers have a unique value chain they must assemble for themselves. Through mashups, it could be possible for Evite to link to recipes and recalculate the supplies needed based on RSVPs, and then generate a shopping list and complete the solution.

And that is the big idea. Through mashups, any one company can link easily to other parts of the chain. If Evite ends up delivering the full "party creation value chain," then Safeway could be circumvented. Any part of the value chain can end up connecting the dots for the customer and thus create the value the customer is truly trying to generate.

And disruptive as the idea of getting displaced by adjunct businesses is, know that parts of the value chain can be "free" and supplemented by the economics of another. Effectively, it's become a "mosquito world." Mosquitoes could surround the dinosaur's revenue stream, draining it of its nutrients. We don't have to go too far down the path to see the dinosaur being killed by mosquitoes that can survive and thrive on 10% (or less) of the dinosaur's take.

Tips to Survive and Thrive

Being fit for this new type of competition is going to be challenging. Partly because you don't know where the competition is going to come from. So here are some ideas for surviving and winning this new type of circuit.

1. **Acknowledge that you're not in control.** Your entire approach will shift to meet the changes that are occurring as Web 2.0 continues to roll out. More than anything, it's a perspective that things as they've been is not how they are, or will be. In fact, go beyond

that and embrace change. It means you'll be able to offer a continuous supply of products to meet current and future customer needs. Know that when you've historically done research, you've been getting answers in your context, not necessarily in the customer's context.

2. **Develop some flexibility.**

Training to survive in this new paradigm of mashups is a unique training philosophy. And so for this summer's boot camp, I need you to know what to look for. First off, the natural instinct of most my clients is what I'd call "get tough." In that case, it would be much like training for a marathon. If you were training for a marathon, you'd likely create a predictable schedule: one full of long, steady, grind-out-the-miles days, and work-out-harder model. Being consistent and dutiful would be the key to survival if you were running a marathon.

But the world of mashups is exactly the opposite of running a marathon. It's more like being an acrobat. An acrobat actually doesn't know which muscles they're going to use. They could be doing handstands, pull ups, dangling from one leg, or jumping from one thing to another. It's a multi-disciplinary level of fitness. Think about how to have a diversity of talents available to you.

When you're hiring, make sure you're building a team that is diverse enough to allow your efforts to be flexible.

3. **Rethink the value chain you are involved in.** You might think you are in the grocery chain business, but you could be replaced by the real customer values of "needing to throw a party."
4. **Think about how to replace other parts.** Or at minimum to pass orders from step to step. Look at combining services in such a way to make yourself integral to the customer solution.
5. **Play well with others.** You can partner rather than build it all. Partnerships and strategic alliances generally improve your whole product marketing and delivery system. It gives you the opportunity to identify valuable third-party relationships needed to provide a complete service solution to the customers. In the case of a new market segment, this can mean multiple companies growing the category.
6. **Work on speed.** Think you can't invest in developers and next-gen technology? Think again. The recent [launch](#) of Sidekick 3 set off a flurry of interest and buying by loyal T-Mobile customers. Why? They have an insatiable appetite for technology. So, establish ways customers can provide input. Whether it's an advisory board, a customer service wiki or blog comments, make sure you're open to hearing the customer value chains they're developing real time. Then listen.

Remember that the key to winning this new market model is flexibility and ability to adapt to highly changing conditions. So jump and skip and hang. And then leap forward. August, 2006

