PREFACE: WHY FOLLOW ME?

Before we stroll towards the Path to Revenue, you should meet your tour guide. Navigating this path has been my life's work. I didn't always know the secrets of those successful tech leaders who beat the odds.

I discovered it the hard way.

The year was 2000. The place was Silicon Valley, California and my career was going gangbusters. After many years learning the ropes in a variety of corporate marketing roles for technology companies, I became VP of Worldwide Marketing for Cylink, a network security company. I was only working half time: twelve hours a day, seven days a week.

The role was global. Each quarter, I met with our people in Europe for two weeks, then visited their counterparts in Asia for another two weeks. After several seemingly endless transoceanic flights, I would split the remaining eight weeks of the quarter between the East and West Coasts. I wasn't home much. But I *loved* my job.

Despite the frequent international trips, my personal life was full. I couldn't wait to raise a family with my husband, a purchasing manager

at a Fortune 100 company. Our gorgeous baby girl was healthy. Overall, attaining the desired balance was a delicate dance, but life was good.

Then the scariest event of my life blindsided me.

My marriage ended.

Suddenly, I had this new baby—godsend that she was—and we were splitting up and selling our house. I would become the sole bread-winner of my newly formed family of two, and I had to figure out how to make that work.

One thing was for sure: I couldn't keep up the status quo. The eighty-hour work weeks and frequent international travel were the first things to go. I needed to be in control of my schedule and my time. I wanted to be there to raise my daughter. It was clear: I had to reorganize my life. So, I thought about consulting.

What did I know about running a consulting business? Two sages in my life would shed light on 'making it' on my own, while two points of good fortune triggered my successful consulting career.

Back in the day, Regis McKenna Inc. was Silicon Valley's premier marketing and PR firm. Launching giants like Apple and Intel, no agency was better known for putting tech companies on the map. Being hired by Geoffrey Moore was a stroke of luck. He was Regis' business unit manager for enterprise software clients. He had not yet authored the highly successful book, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers,* but we were living the experiences that would later add color to that book. Together we managed accounts with an emphasis on growing Regis' technology PR business.

During that time, Geoff taught me two valuable lessons:

- to understand and apply the "technology adoption life cycle curve" and
- how to win clients.

Working at Regis was a training ground like no other. It was *the* premiere technology marketing firm for good reason. The people were brilliant, and the clients were the innovative powerhouses of Silicon Valley. I remain grateful to Geoff Moore and to Regis McKenna, Inc., for these valuable lessons, even though I didn't realize at the time how well they would serve me.

Even back then, there was a small voice in my subconscious hinting that I would be a consultant one day. I had a feeling that my independent streak would catch up with me.

The other gift of good fortune was fabulous parents.

When my sky was falling, I sought the counsel of my #1 hero, my Dad.

"So, you'll start your own business!" my Dad proclaimed. "It won't be easy, Hon, but you're a Marcroft, and you're quite persistent."

Persistent is his code-word for stubborn.

"You can do this." And then he gave me this advice: "Tell your clients the hard truth. You're not there to make friends; you're there to help them succeed and thrive. You've been training for years in your other tech marketing roles. Speak the truth with heart and you'll be doing them a great service."

Then he asked, "So, what is your big goal?"

"Dad, I have two goals. First, to be as great a parent to Sydney as you and Mom were to me. Second, to take on one client at a time, lead their marketing, and help make them successful. I'll dig in, roll up my sleeves, and devote myself to each company that I engage. With that focus, I believe I can eventually help about ten young Silicon Valley firms succeed."

Well, I'm here to say that my dear Dad was right: it was *not* easy! Fast forward through two decades of tech marketing. I worked with each client full-time, on contract, for six to twenty-four months. I've helped not ten but twelve different companies get onto the path to revenue.

I went *all in* with each of those companies, working with them as their interim chief marketing officer—doing the CMO job on a consulting basis.

And here's the kicker. Not only did I always have a paycheck, working with my Silicon Valley clients blessed me with the ability to raise my daughter the way *I* wanted. I got to teach math weekly in her parent-participation school; I got to chaperone the fifth-grade science camp, the seventh-grade trip to Mexico, and the eighth-grade trip to DC. As our house was just a block from the high school, I got to provide the cookies and ice cream so that *my* home became the after-school gathering place.

Clients came to me as I needed them and money was never an issue. On average, I invested about eighteen months in each client. A few longer, a few shorter. I wrapped up all the loose ends at the completion of each engagement, often interviewing VP Marketing candidates for them and providing a smooth transition from my work to the "permanent" executive.

I won't claim that each client took my advice about *everything*, but they went with most of my recommendations.

I've learned a lot about leveraging the power of marketing to make companies successful. I saw many CEOs make decisions that led to the demise of their companies. I also witnessed several CEOs embrace tough decisions; strategic calls that turned out to be the most important choices they made to put their companies on the path to revenue.

With the benefit of hindsight and my firsthand experiences, we can apply those lessons to lead to *your* success.

This is my parting gift to the next generation of tech company leaders. I've distilled the knowledge I gained over twenty years of "interim VP marketing" consulting work into eight key concepts of customer-centric businesses. If you take this advice to heart, and put your customer at the center of your focus, your company *will be* on the path to revenue.

—*Theresa Marcroft*

INTRODUCTION

An entire career in Silicon Valley technology marketing has afforded me a unique vantage point. Not a striking view of the distant horizon—like the one you observe from atop the Eiffel Tower. If you want to your business to grow and succeed, my vantage point is far more helpful.

Through my technology marketing firm MarketSavvy, I've advised many public and private company CEOs on marketing strategy. My consulting career has thrived in Silicon Valley: I have guided three companies to successful IPOs, five to profitable acquisitions under favorable terms, and four companies now reach over $10 billion in annual revenues today.

That experience has been captured and condensed in this book, because I want to help you thrive. If you embrace the lessons ahead, your company will vastly improve its chances for success.

The principles in this book apply to any entrepreneurial organization; be it a young "startup", a small- to medium-sized company, or a Fortune 100 spinoff.

The concepts in this book have consistently helped many young companies go to market, avoid fatal mistakes, and find the path to sustainable revenue.

One thing is for sure; it's a *heck of a lot harder* to go from zero revenue to $1 million annually than it is to increase revenues by ten percent—by $50 million—if you are a $500 million company. Of course. It's harder for a car to go from zero to 60mph than it is to go from 60 to 70mph. The speeding car already has the momentum. The car that's just getting started has to overcome inertia, find a driver, chart a course, fill the tank, etc.

I've helped companies make that leap to sustainable revenue countless times.

I'm an insider who's seen some companies succeed and entirely too many fail.

Here's what failure looks like.

A CEO with a great idea for a new technology product assembles a small team. They work together closely, ten or twelve hours a day, for twelve or eighteen months. Maybe for two or three years.

All that time, they're individually and collectively investing their blood, sweat, and tears into their exciting venture. Each work day is long and packed, family time is minimal, and their social life takes a backseat like a tourist in an Uber.

The focus for one and all is on completing development. Finishing this product. When that's done, they'll have succeeded.

But they don't.

Nine times out of ten, ventures like that never become more sustainable than a surf shop in Alaska. I've observed this cycle firsthand, as it repeats itself. Over and over.

My career has been all about being customer focused. From my client work, I've identified the top eight strategies for implementing a customer-centric focus. These can make or break your company.

In this book, I'll impart real life anecdotes from my decades of work with Silicon Valley companies. My motivation is to share these insights so that others can succeed.

These are my lessons learned.

I hope that the coming decade will see many more startups and small businesses transition successfully from superb idea to sustainable company. I want your company's journey to be smoother than most, and hope you will travel, and enjoy, the path to revenue.

All the stories in this book are true. They are actual case studies based on my memory of my work with clients. I have not mentioned client names for confidentiality and I've changed all individual names to protect privacy.

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90 PERCENT OF START-UPS FAIL: HERE'S WHY

> " This material focuses primarily on marketing, because that is where the leadership must come from."
>
> —Geoffrey A. Moore, *Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers*[1]

Nine of every ten start-ups fail.

They go bankrupt. The owners throw in the towel. They cease to be.

The first time I heard that startling statistic, it was hard to wrap my brain around that. How could that happen?

But it's true. Nine of every ten companies don't make it beyond their first five years in business.

They never get to a revenue run rate that even comes close to covering their expenses. They don't successfully navigate the rocky path to a sustainable business, and, as a result, never get to enjoy the fruits of their labor.

Why is that?

It's because they are missing out on this secret: If you want to avoid being a mere statistic—drowning in a sea of failed companies and doomed startups—you must adopt a *customer-centric mindset*.

The Customer-Centric Mindset

The concept is simple but vital.

The customer mindset should influence (not dictate) all major decisions involved in starting and growing a business. Run your business with your customer in mind. Let your customers' preferences, expectations, and mindset influence all your key business decisions.

The customer mindset is a key reason Netflix' streaming option conquered Blockbuster's "pickup-and-return" model. It provided greater convenience to the customer. That same customer mindset played a role in the train replacing the horse as a daily mode of transportation, then the car replacing the train. They each made life more convenient for the customer.

However, this isn't as simple as creating a better product, and it involves so much more than marketing.

You must bake the customer mindset into the company, like chocolate chips in a cookie.

Adopting a customer-centric perspective will benefit your business at every turn. Running your business with your customer in mind will put you on the path to revenue.

And there is no better path.

Let's address one thing right up front: adopting a customer-centric mindset is the business of the *entire* company. *All* of your employees should think about the customer.

Limiting that responsibility to just the marketing and sales departments is like asking only one police precinct to worry about crime, rather than expecting this to be the focus of the entire police force. If

the marketing and sales teams are the only people in the company thinking about the customer mindset, you're in a precarious position.

Often, it's the marketing leadership that reminds others of that. Given that responsibility, marketing is a key discipline that should be a top priority of your company.

Too often, I've met with CEOs who are unclear on what marketing brings to the business. As a result, it's often the last role hired in the C-Suite. One CEO I talked with boasted that he had grown revenues from X to Y without marketing. Then he confessed, "I'm not even sure what marketing would do for me."

Really?

This is like wondering what a co-pilot brings to the airplane.

Marketing charts the course from Point A to Point B, from a revenue level of X to Y. From one product to many. From one niche market to several vertical markets. From unknown brand to market leader.

The short answer is marketing will help you achieve your goal and realize your vision. You accomplish this by keeping the customer focus front and center. That's often the difference between success and failure.

To be clear: Having a customer-centric mindset does not mean customer *driven*. Don't allow your customers to "drive" your business, or customer requests to create your priorities. You don't need to add every feature they ask for or every bit of functionality on their wish list. (Saying "no" enables you to focus on your chosen market, satisfy those early customers and then move on to the next market niche.) There's a time and place for customer input to be thoughtfully considered as you define your roadmap.

Reacting to each customer demand is not what I'm advocating here.

Instead, a customer-centric mindset adopted throughout the organization means keeping the customer perspective in mind. How does a change you're considering impact the typical customer? How can you

best serve all your customers? What trends are your customers living with and adapting to now? All of this goes into your customer-centric mindset and forms the backdrop to your decisions.

How We Think About Marketing

Here's a rather universal definition of marketing that shows traditional thinking:

Marketing is the process of defining, declaring, and delivering *products and services that your customers want or need.*

The last word of this definition is the most important: *Customers.* The 90 percent of companies that fail in the first five years did not concentrate foremost on the customer.

For many companies, marketing is really just the 'communicating' part. They likely focused their efforts and marketing budget on pushing the message out over Twitter and Instagram. With all due respect for the power of social media, it's not enough. That one-way, short-lived communication it isn't the best onramp to the path to revenue.

A *customer-centric mindset* elevates your marketing effort to an entirely new level. Let's take another look at this definition of marketing, putting the emphasis on the *customer…*

Marketing is the process of defining, declaring, and delivering products and services that your customers want or need.

Consider these points:
Define your product or service. Base the decisions about your product offering on customer need and refine them with customer input. Allow the market to influence your decisions about what to make … in the big picture as well as the granular details.

You must gather customer feedback every step of the way. Career marketers cringe when they hear their CEO say, "Our customers don't

know what they're talking about!" Customer feedback is vital. The larger question may be, "Is that company hearing what their customers are saying?"

Customer need and customer input are the yardsticks that guarantee there's a market for the product you're making.

Or not.

Declare your offering. Declaring, or communicating, is not only about persuading your customers to buy from you.

> *Communication, by definition,*
> *is a* two-way *exchange of information.*

It is how you articulate your competitive value, how you choose words that will resonate with your customer, and how you digest the feedback you get.

If you've completed this step well, if you've really been listening to your customers, both you and your target customer will be convinced that your product is a superior solution compared to competitive products.

Deliver, or make available. Delivering your product or service has to do with pricing, packaging, sales and distribution channels, special promotions—everything involved in making your product accessible and easy for your customer to buy. It also may mean making the product *itself* customer accessible; easy to use, intuitive, cool. You remove all obstacles to finding, buying, and using your product or service.

Customer-centric marketing begins with the very first steps you take in refining your idea and forming your business. It shapes your daily outlook more effectively than your breakfast of champions. The *customer-centric* outlook becomes the frame of reference for each decision you make.

You can firmly plant your feet on the path to revenue if you embrace customer-centric marketing as the secret to viability, sustainability, and growth.

It's your key to success.

Customer-centric marketing is the mindset that gives you a fighting chance. Deploying customer-centric marketing correctly will increase your odds of success exponentially.

Why not widen the goalposts before you kick?

When 90 Percent Of Start-ups Fail

So many entrepreneurs dream of being the next Steve Jobs.

If *only* we could be the next Apple. And why not? Many become entrepreneurs because they've developed a breakthrough technology. Something innovative. Something never before accomplished or offered.

Sad to say, many start-ups get the Wile E. Coyote treatment and are led off of a cliff by the very entrepreneur that gave them life. It's a heartbreaking truth that approximately 90 percent of Silicon Valley's technology companies fail in the first five years.

As Katie Benner put it in her New York Times article, "Silicon Valley is always eager to celebrate its success stories, but many tiny start-ups (that few ever hear about) form the tech industry's dysfunctional underbelly."[2]

According to New York data and research company CB Insights, 70 percent of upstart tech companies fail within about twenty months of initial financing. The failure rate is even worse for consumer hardware start-ups with 97 percent of seed crowdfunded companies failing.[3]

And when the company implodes, the *cost*—in venture capital, in everyone's time and energy, in missed market opportunities, in unproductive career detours—is nothing short of staggering. Not to mention the personal disappointment and heartbreak.

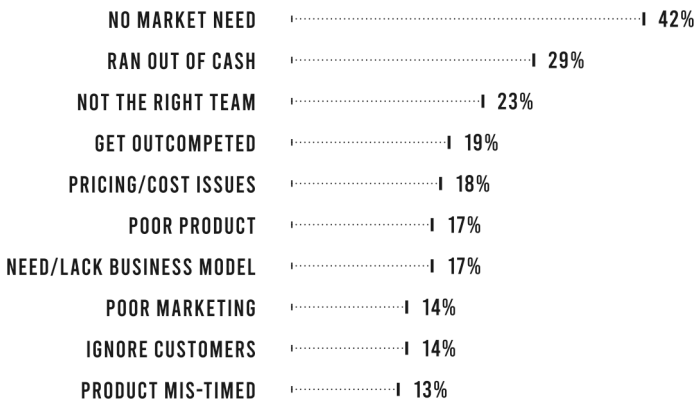All while social lives fizzle and family ties strain.

The backstory doesn't have to remain a mystery. Thanks to recent research, we can analyze the reasons most of these new companies go belly up like your childhood goldfish.

This insight, along with some practical tips and case studies, will improve your odds of getting on the path to sustainable revenue growth.

The Reasons So Many Start-ups Die

A 2019 survey conducted by research firm CB Insights lists the top ten reasons, based on their analysis of detailed post-mortems, for the failure of 101 start-ups[4]:

TOP 10 REASONS STARTUPS FAIL

Reason	Percentage
NO MARKET NEED	42%
RAN OUT OF CASH	29%
NOT THE RIGHT TEAM	23%
GET OUTCOMPETED	19%
PRICING/COST ISSUES	18%
POOR PRODUCT	17%
NEED/LACK BUSINESS MODEL	17%
POOR MARKETING	14%
IGNORE CUSTOMERS	14%
PRODUCT MIS-TIMED	13%

RESEARCH BY CB INSIGHTS, 2019 — CBINSIGHTS.COM/RESEARCH/STARTUP-FAILURE-REASONS-TOP

CB Insights conducted a postmortem review and analysis of 101 failed startups. While there is rarely just one single reason for any startup's failure, CB Insights detected patterns in the stories. The chart above reveals the most common reasons start-ups fail.

#1: Market Need

The most often-cited reason is "no market need." There is a connection between adopting a customer-centric mindset and ensuring that there is an actual customer for the product. There's much more on that to come.

Sometimes a business can succeed without existing demand simply because it's quirky. An example of this is PotatoParcel.com, a direct-to-consumer business that allows people to mail potatoes with personalized messages written on them to someone else.

Yes, potatoes with writing on them.

You can do this anonymously, if you prefer.

The owners of Potato Parcel appeared on ABC's *Shark Tank*, made a deal with shark Kevin O'Leary, and it remains one of O'Leary's top five favorite investments. The business makes more than $25,000 profit each month.[5]

Silicon Valley start-up execs fail 90% of the time, while the Chief Potato Officer is living a good life.

That concept is laughably simplistic, yet profitable. It didn't fulfill a market void, but it was quirky enough to gain traction. The potatoes were novel and entertaining.

That's a rare exception.

The tech world, however, requires a consumer in need. A lot of them.

#2: Sufficient Cash

"Ran out of cash," the #2 reason cited, means that something *else* went wrong— the company misjudged demand or sales price. They underestimated the cost to make the solution or made an unwise choice of distribution strategy. The design was missing key features. Many things can delay revenues as cash reserves dwindle.

#3: The Right Team

"Not the right team," the #3 reason cited, seems like a cop-out for a few reasons. Executives in Silicon Valley are often not the best interviewers and have been known to hire for all the wrong reasons. They hire friends, in-laws, fellow alumni—not because they are qualified for the job at hand, just *because*. We can become much better at hiring well if we make it a priority.

#4: Competition

Another top reason (#4) that start-up companies die a painful death, according to CB Insights, is that they get out-competed. This is key.

If one of your competitors is doing a better job of meeting your customers' needs, it might be because you're not listening to your customers. The competition might be offering a product that suits your customer just fine, while your product or service is just not right for the user. Perhaps the competitor's delivery is superior, or their customer service is more user-friendly, or they have more desirable features.

#5: Pricing and Cost Issues

#6: Poor Product

Notice a Trend?

Upon closer examination, the real cause of death for most start-ups is either market-related or market*ing*-related, by an overwhelming majority.

Quickly avoiding that fate, and successfully traveling the path to revenue, is the challenge at hand.

Technology In Search Of A Market

The number one reason small companies fail is "No market need." Despite their good intention, the founders of almost half of the startups built a business around something for which there is no demand.

Novelty items like pet rocks, mood rings, and message-bearing potatoes aside, if there's no real need for the product or service they're making, the venture is doomed from the start. Yet, a surprising *42 percent* of young companies learn the hard way that there's not a significant market for the product they've created.

These companies are creating *a technology in search of* a market. This is the case with many start-ups—too many!

The engineers are proud of their technical accomplishments with all the functions and features ("speeds and feeds," as we say in Silicon Valley), but the practical application was just not in high demand.

The delay in getting that product in front of customers so that the engineers can add this extra feature is a kiss of death —especially when that added functionality was not deemed desirable or needed by the customer.

You're better off if you identify the market need first, confirm it by talking with actual customers, and then develop the technology to meet that need.

If that sounds obvious, here's an example. One technology start-up company I worked with wanted to sell a product to DIY homeowners, but it required customers to be computer-savvy. They had to figure out complex screens and even do a bit of coding. Even the handiest contractor-type DIY homeowners may not be super savvy with computers. And this was the target customer.

Ease of use can be a benefit, but if it's missing, it's an obstacle. Here, it was a deal-breaker.

It turns out there *was* a market need for this particular DIY product, with the features and functionality offered. But, since handy do-it-yourself guys were the target user, the product also had to be intuitive and easy to use. This product, however, required coding skills that the target customer did not possess, and didn't want to learn.

Success comes when people want to buy and use what you're offering, at the price you're asking, with the features they need that you have. Anything else will just not fly.

The "Build A Better Mousetrap" Myth

Many start-ups believe, "If we build it, they will come." They spend their time engineering the "best" product. They define "best" and then they refine it. And then they refine it some more.

They create version 1.0, then v2.0, then v2.1, then v2.1.2, adding feature after feature—ever increasing the coolness factor. They obsess over the technology itself rather than the (tech-based) *solution* they are providing for the customer.

The customer is—quite literally—an afterthought.

Their internal dialogue looks something like this: *"If we use a 'Six Sigma' approach, we could make it 10 percent faster! If we add another port.... If we increase functionality..... If we comply with this standard..... If we add these bells and whistles... If. If. If ... then the world will be in awe. Our product will be a thing of beauty. Of course, it will sell."*

But it doesn't.

This mentality is literally *killing* companies. It's a fatal and presumptuous miscalculation to think that if you keep adding features to your product, it will soon be perfect.

Then, when it's perfect, you'll be the market leader. You'll take market share from the competition and customers will flock to you. It's a common misperception that the best product will win the day.

The best product does *not* always win the day.

Is Microsoft the best software on the market? Absolutely not. Does McDonalds offer the best cuisine? Stop laughing. Is Budweiser the best beer? Not even close. Is Domino's the best pizza? *No, no, no*. And yet these companies dominate their respective markets.

Microsoft dominated, bought, or crushed the competition in court.

Any company that had Microsoft as its principal competitor in the 1990–2010 timeframe is long gone. Microsoft is an undisputed market leader. But not because they had the best product.

McDonalds does not take first place in a taste test, in nutritional value, in breadth of menu, or even in convenience. Yet it's number one in fast food (and awkward clown mascots).

Bud Light became America's favorite beer in 1982 and remains the market leader today by a two-to-one margin.[6] There is no way you could convince me that Bud Light is the tastiest beer in America, but their brilliant marketing in Super Bowl ads proves they are king and it helps them stay there.

Dominos reinvented themselves in 2009. An employee video had forced a wake-up moment in which the company realized that both their image and their taste rankings were poor. They set out to correct both—with a passion. Improving ingredients, promoting their delivery vehicles, and encouraging online ordering paid off. By 2015, half their orders were placed online and half of those came via mobile.[7] Pizza scored higher on consumer tests. These factors accounted for a rise in market share from 9% in 2009 to 15% in 2016—the fastest growth rate among top chains.[8]

Which poses this question: What makes a company a market leader? The best product? No. The first product? No. The lowest price? No. It's not the best product that wins. It's not even the most customer-centric product that wins.

It's the companies with a *customer-centric focus* that win.

One In Ten Find The Path To Revenue

Hopefully, it's crystal clear by now that it's not the best mousetrap that wins. It's the company that best understands its customer. To be one of the 10% that survive and thrive, you *must* embrace the concept of customer-centric marketing.

This book contains actual case studies— examples of customer-centric marketing put into action. Each of the coming chapters contains at least one "lesson learned" along with examples of a scenario that called for application of that lesson. When you apply these customer-centric marketing lessons, you can overcome the most common obstacles, confront the many pitfalls, and conquer the challenges to which most young companies succumb. You can win these battles. They *are* surmountable.

Only one in ten young companies can survive, thrive, and win because so few know the secrets of successful tech leaders who beat the odds.

The vast majority failed because they didn't create a product that fully met their customers' needs and wants. Their marketing wasn't customer-centric. Their *company* wasn't customer-centric.

But when they file for bankruptcy, at least we can mail them a "condolences potato."

Satisfying your customers is always paramount. The case study in the next chapter teaches another important lesson: even a desirable product requires precise marketing to avoid the graveyard of failure.