RULE 6
CONVERT CHAMPIONS NOT DEALS

"If there's lots of technology, we won't understand it."

- Warren Buffet

"It is not raw numbers that we've gone after; it is those key people who would attract a network of users."

- Konstantin Guericke

LinkedIn was a provider of an online business network based in Mountain View, California. It was founded in May 2003 at a time when there were dozens of other companies offering some type of social or business networking. Two and a half years later it had grown to about 4 million registered users. This number made it the leader in a category that had grown to include more than 50 players[93]. The company had no sales department and a marketing staff of two people. They had never paid to promote its service beyond hiring a small public relations firm to generate publicity. A full 97% of LinkedIn users joined as a result of a direct personal invitation from other users. Only 3% have joined by going to the website and registering without an invite (possibly because they read an article or heard about it from a colleague).

LinkedIn, like most technology-based businesses, had users who championed its cause. "During the critical first six months 8% of the users have brought in the other 92%," said co-founder and Marketing Vice President Konstantin Guericke. "They were what we call 'Power Inviters.'" While the numbers were satisfying, it was the quality of the users that gratified the company management. "It is not raw numbers that we've gone after; it is those key people who would attract a network of users."

The story of how LinkedIn went from being a late entrant into its marketplace to being the acknowledged leader is described later in this chapter. It is a story of how a bright set of founders used several

smart strategic marketing rules to pull their company ahead of its rivals. Importantly, they were determined from the beginning to use champions as a strategic asset.

Technology product or service adoption is a social process. Buyers look at others for guidance before adopting new technologies or for validation that they have made the right purchasing choice. This is especially true of technologies that are hard to evaluate or innovations that challenge the status quo. When decision-making conditions are tough, potential users look to experts' advice, and at what their peers are buying and using. By investing their money in influential users and opinion leaders, technology companies can multiply their chances of success. These "champions" can further leverage the vendor's marketing and sales dollars by serving as guiding lights to the marketplace, encouraging others to adopt the vendor's specific technology or standard. By lowering customer uncertainty, champions can also help accelerate adoption speed. As we will see later in this chapter, Paypal's whole product partner, eBay, was its main champion. LinkedIn's "power inviter" users were the company's champions. Starmine's champions included media such as Forbes and Yahoo! Microsoft's new product champions included software programmers. Look around your company and you may find champions in the most unlikely places.

Let's review some concepts and tools that are available to the product strategist before coming back to how LinkedIn used them to create a winner.

ADOPTION OF INNOVATIONS IS A SOCIAL PROCESS

When in doubt, human beings usually look to others for guidance before making decisions. The newer and more complex the new product, technology or innovation, the more we're in doubt and need reassurance. Furthermore, there are so many new products and service categories to choose from! Even if we wanted to do research before purchasing every new item we buy, there's not enough time in the day to do it properly. Uncertainty seems to rule our decision-making life.

Have you noticed how the more packed a restaurant is the more it seems to attract patrons? What about the converse: the emptier it is the fewer people want to go there? One of my favorite little restaurants in San Francisco is a Chinese eatery in the Chinatown district called *House of Nanking*. It's always packed. Day in and day out there's a line of people who are willing to endure heat, cold and rain in order to eat there. What makes this even more interesting is that there are other restaurants next door that are mostly empty. They are clean and inviting. Furthermore, there are literally dozens if not hundreds of restaurants just around the corner. There is a similar (albeit magnified) phenomenon in high technology markets.

Here's the conundrum: a full restaurant gets fuller and an empty restaurant gets emptier. How do you turn an empty restaurant into a full restaurant? Clearly, at some point the House of Nanking or PayPal or LinkedIn had no customers. They were empty. How did they go from empty to full? More to the point: how do you get a market to adopt your new tech-based product?

We look for leaders and experts to help us make decisions. We talk to our friends or peers and read newspaper reviews to decide what movie or concert to go to. We read *Consumer Reports* before buying a high-definition TV. We see what performance artists are wearing as guidance to buying our clothes. We look closely at best-seller lists and movie reviews and opening numbers.

Technology as Magic

Arthur C. Clarke, who wrote more than 70 popular science and science fiction books and the screenplay for the Academy Award-winning film *2001: A Space Odyssey* said that "any sufficiently advanced technology is indistinguishable from magic." An exaggeration? Hardly! Warren Buffet is arguably the most successful American investor of the 20th century. Starting with $10,000 in 1956 his 30% stake in Berkshire Hathaway (a fund he still runs) has grown to $43 billion, making him one of the world's wealthiest people.[94] He has amassed this wealth by buying into companies like Coca Cola, Gillette, and Capital Cities/ABC. He has six clear acquisition criteria for the companies he acquires. One of those criteria is that he won't

buy technology companies. He says: "If there's lots of technology we won't understand it." This despite playing poker with his friend Bill Gates.

GE's Global Research Center, home of Nobel-Prizewinning scientists and groundbreaking inventions like the MRI (Magnetic Resonance Imaging) and Solid State Lasers used to be called the "House of Magic." Technology is by definition complex and getting more so. A version of Moore's Law, which famously states that the complexity (or price/performance) of semiconductors doubles every eighteen months, seems to apply to many areas of technology these days: semiconductors, networking, light emitting diodes, software, genetics, or biotech. Semiconductors grew by about 1,000,000 times in complexity the last two decades and were predicted to grow by the same amount over the next two decades. Nathan Mhyrvold, Microsoft Chief Technology Officer, has said that software expands until the growth is limited by Moore's law.[95] The Windows operating system, already bursting at the seams with tens of millions of lines of code, was still growing in size by more than 30% per year!

New pharmaceuticals and medical treatments are no different from integrated circuit (IC) technologies in this respect. Consumers don't understand what about them makes them work, what the potential side effects are, and how they compare with existing cures. They hear horror stories about side effects: will it improve my heart problems but burn my liver? How will it work with other medicine I'm using? The news reports about Vioxx, the arthritis pain medicine that Merck recently recalled because the drug had been shown to double the risk of heart attacks and strokes in long-term users. According to CNN, "adverse reactions to prescription and over-the-counter medicines kill more than 100,000 Americans and seriously injure an additional 2.1 million every year."[96] Is it any wonder many people are afraid to adopt new prescription drugs, especially from smaller companies?

Our PCs are populated by an endless stream of ever more unintelligible programs: virus protection, spam filtering, wireless networking, spyware, adware, and channel encryption. Most users don't understand what these programs do or how they do it anymore. Making decisions on what to buy and who to buy it from is very difficult and risky. This is especially true of innovations. What's this

new new thing? Why do I need it? Who can I buy it from? Will it work with what I've got? What damage can it cause?

Many vendors don't make it any easier on tech users. I recently uninstalled a spam protection program only to find out that it was still attached to my email software program. I couldn't get rid of the darn thing! Resistance is futile!

This is why choosing what technologies to adopt is hard for most mortals. As the world gets more complex, we have less and less time to do proper product research. We feel we have lost control. The explosion of the web means that the information to base our decision on is there somewhere. The problem is that it's hard to find the right information and to trust the source of the information. Uncertainty rules the day when adopting into a new product category. How do we make decisions?   We look for sources of certainty.

Think back to the restaurant in San Francisco's Chinatown. Most new customers there went there for one of four reasons:

1. They read about it in a travel guide or restaurant review (a trusted source).
2. A friend told them about it (trusted source).
3. They saw the crowd and assumed it's a good (or at least safe) place.
4. They looked in the window and saw customers they identified with who displayed signs of gastronomic happiness.

Notice that in all of the above cases, prospective customers looked at what others were doing or saying before making a purchase decision. In the first two cases, they appealed to trusted sources, in the third case to the collective intelligence or the safety of crowds, and in the last case to happy peers. The decision-making process for technology adoption is not very different from the above. Whether we're looking to adopt a new Business Process Management System or a virus protection program, we look at what others are doing. At best, we assume they must know what they're doing. At worst, there is safety in numbers. Psychologists call it "Social Proof."

Social Proof

Buyers look to others for guidance before adopting new technologies or validation that they made the right purchasing choice. This is especially true of technologies that are hard to evaluate or innovations that radically challenge the status quo. They look to experts' advice, and at what their peers are buying.

Think about it. We all know someone we call when we need advice on what to buy. Digital cameras? My friend Alex just bought one after extensive research. I'll ask him. Spam filtering? Cindy down the hall is always tinkering with such programs. Vitamins? Fred takes them; let me ask him!

Every group has influencers and opinion leaders that many members look up to, reference, or trust before making a technology adoption decision. Identifying and converting your target segment opinion leaders can be one of the surest ways to wider adoption. It's a much better use of your marketing dollars than blanketing the whole segment with promotional material. Who are the opinion leaders in the market segment you are targeting? There are probably a few dozen of them in each market segment. They might be the analysts, media columnists, industry pundits and academics, industry leaders, standards group leaders, opinionated individuals, and writers. Examples of opinion leaders include Walter Mossberg of The Wall Street Journal and David Pogue of The New York Times, newsletter pundit George Gilder in networking technologies, and Linux creator Linus Torvalds for open source technology.

Marketing to champions and opinion leaders is not a high-tech specific strategy. Take the wine industry. Consumer uncertainty reigns supreme in the wine business. There are thousands of brands with tens of thousands of unique variations in their wines. Not many of us can tell the earthy spiciness from the longer finish, the depth and complexity from the sweet-to-acid balance. Even if we made an effort to know our wines, guess what? It is all going to change next year! We have to repeat the process again! How do we choose? We ask the expert! American wine critic Robert Parker probably exerts as much influence in the wine industry as any individual does in any other sizeable global industry. Popularity and prices of wines from

Napa Valley to Bordeaux to South Australia are determined by Mr. Parker's wine ratings.

Music also has its opinion leaders. For instance, music critic Ben Ratliff of *The New York Times* exerts huge influence on what succeeds in jazz in the United States.

Finding and influencing opinion leaders is so important in high tech because of the inherent speed of high-tech market development. Multiply high uncertainty and high speed and you get high tech consumer angst. Markets develop so quickly that successes as well as mistakes get magnified. Mistakes can mean a quick death. Have your product endorsed by key opinion leaders and you have incredible wind behind your back to build life-giving market momentum. Lose that endorsement or get a negative one and you have much more work to do to convince a skeptical marketplace.

Let's look at two important concepts that will help us realize why speeding up market adoption of your product is so important in technology: critical mass and network effects.

CRITICAL MASS

National Geographic Traveler magazine runs a photography contest every year. Keith Belows, the magazine's editor, wrote in December 2004 that "just three years ago…90% of our photo contest entries were shot on film. This year? About 20%."[97] Digital photography technology had been improving for a couple of decades but hadn't made a major dent in the film business. Sometime after reaching 10% or so of the market, it achieved critical mass. It then took only three years for this technology to topple film and dominate the market.

Critical mass is the point beyond which adoption of an innovation is a self-reinforcing process. Before your product reaches critical mass you focus on generating demand. Once critical mass is achieved user adoption can just explode. Your company would then focus on fulfilling demand--a totally different ballgame! This is the process that fills up the restaurant and helps keep it that way. Conversely, innovations that fail to achieve critical mass can fall into a death spiral-- the process that empties the restaurant and helps

keep it that way. Once the market achieves critical mass the adoption uptick can be astonishingly quick. It took LinkedIn 15 months to attract its first million users, 6 months to attract the next million and then 4 months for the next millionth user to sign up.[98]

You have probably heard that this or that tech product has "viral" qualities. The reason is that behavior of markets is very similar to the growth of viruses and bacteria. After long and seemingly slow growth, a market achieves critical mass and user adoption just explodes – demand seemingly feeds on itself. The mathematical curve mapping that behavior is called the "S-curve." (This curve is also used for mapping technology price/performance improvement).

Time	New Bacteria	Cumulative Bacteria Count	% ot Total Capacity
0	1	1	1%
1	2	3	2%
2	4	7	4%
3	16	23	13%
4	32	55	32%
5	64	119	68%
6	32	151	87%
7	16	167	96%
8	4	171	98%
9	2	173	99%
10	1	174	100%

FIG. 6.1 – BACTERIA GROWTH NUMBERS

The dotted line in Fig. 6.2 is the "S-curve". It represents the sum total of all bacteria. The solid curve underneath it is the "Bell-curve" or new bacteria. These curves are used to represent the technology adoption lifecycle. The "S-curve" would represent all market adopters while the "Bell-curve" would represent new adopters. Notice that in the beginning the curves rise slowly. Look at the percent of Total Capacity column in Figure 6.1. It is the equivalent of the percent of the market who have adopted a product or technology. It takes three time cycles to move up to 4% market adoption. Time cycle equivalents would be quarters, years, or decades. Over the next three

time cycles market adoption just explodes. First it triples to 13% and then it bursts up to 32% and finally doubles again 68% market adoption. In just three time cycles two thirds of the market adopts the technology. Then it rises smoothly over five time cycles to reach 100% market adoption.
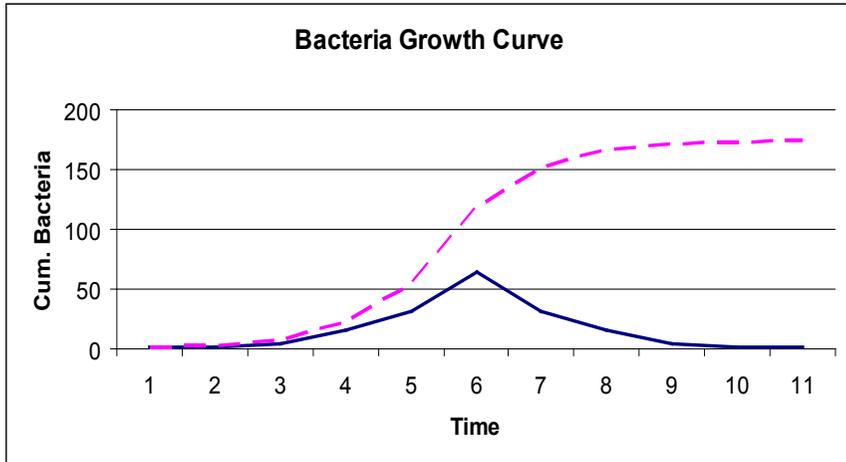

FIGURE 6.2 – BACTERIA GROWTH S-CURVE

The Microsoft Internet Explorer vs. Netscape Navigator fight is an example of how these vicious and virtuous cycles work. In 1995 Navigator was the de facto standard-setter and leading web browser. Navigator still had near market dominance (90%+) when Microsoft unleashed version 2.0 of its Explorer browser in 1996. By the time Microsoft came out with version 4.0 in October 1997, Netscape still had 72% of the market vs. 18% for Microsoft (and 10% others.)[99] For Netscape it was downhill from there. Microsoft had not just caught up technically; it hit critical mass. Microsoft garnered tremendous momentum and by the middle of 2000 its share was above 65%–vs. 30% for Netscape [100]–on its way to garnering more than 90% of the market–versus less than 5% for Netscape.

NETWORK EFFECTS

To understand network effects, think of the telephone in its initial days. One telephone is basically useless. If there's a second telephone user, then you can call one person. Once a third user adopts, then each existing user can call two people. By the time a tenth user joins the network, each user can call nine other people, and the total combination of possible calls is about 90. Once the millionth person joins, there are just under a trillion (exactly 999,999,000,000, if you really want to know) possible phone calls. Note two things: the first is that each time a new user adopts the telephone the value of the network increases for existing users. Secondly, the value of the network increases exponentially. The formula is calculated to be around $N^2 - N$, where N is the number of users.

The issue with the telephone network is that every single user needs to be using compatible technology standards. Anyone who is not is shut out of the network. Other technologies for which network effects apply include fax machines, email, and operating systems. Network effects are the main reason you might be stuck with a Windows PC (whether you like it or not) and can't swap it for a Macintosh. Most software and hardware companies develop only for the Windows platform, not for the Mac.

This means that network effects almost guarantees a winner-take-all market. That's why you see so many high technology companies with products and services that have huge market share: eBay, PayPal, Microsoft, Cisco, and Oracle, to name a few. Network effects may also mean that a specific standard (not a product) is the winner. In the 1980s and 1990s there were many different private email standards, such as Compuserve, Minitel, and AOL. The winner, however, was the public Internet email system based on Internet Messaging Access Protocol (IMAP). While there was one email technology standard that won it all, no individual company did. The reason was that the winning protocol was an open, not proprietary standard.

How LinkedIn won and became the Network

When LinkedIn was started in May 2003, its founders had a tough nut to crack. There were more than two dozen companies within the business networks market that they wanted to enter. The founding staff made a decision that they wanted to focus on business networks market rather than "social" networks. The latter field was already too crowded and companies such as Friendster.com were growing their membership into the millions. The business network field had many entrants but no clear leaders. Ryze.com was thought to have the most members (40,000). LinkedIn's founding team thought that neither Ryze.com nor any of the other competitors was anywhere near the critical mass or the momentum to run away with the market. They thought that no one was providing the value that would attract businesspeople to sign up to an online network.

How did LinkedIn go from a horizontal tool to an Internet site where business people could find value and conduct business? Marketing Vice President Konstantin Guericke was a LinkedIn co-founder and was a member of that original strategy team. The question that Guericke and the LinkedIn strategists wanted to answer was: How do we develop a service that is valuable enough to a business audience for them to come and register and find attractive enough that they will invite their business peers, associates and friends to the network? The team went to work

To answer this question theLinkedIn team had to consider three aspects of a network:

1. Growth: the size of the network–how many members have joined the network. This is what externally most people measure. You need to have a critical mass of members so the network is useful.

2. Usage: how often the network is used. Are members using the network every day or once a month? What are they using it for? You want to have high usage members, that is, members who respond to a reasonably high number of inquiries generated by other members in the network.

3. Revenues: how much money is the company making from the network? Needless to say you want high revenues and margins.

These three aspects of a network can sometimes be in conflict with the goals of the company. At the end of the process the company wanted to build a sustainable business with high revenues and margins. That means it was looking for a large number of users who would make high use of the network. The company would therefore prefer to have a member that invited 30 people who would use the network a lot than 1,000 members who did not. The desirable members are those for whom relationships matter and for whom an online service would facilitate trusting business transactions that they already performed offline (introductions, hiring, business deals). They were turned off by "networking" and the online equivalent of gladhanding. The use of the network for gladhanding would further prevent users from adopting an online network. Of course, when you start a network, you don't have this problem.

The company decided that it would focus on each one of the three critical aspects in three stages:

1. First it would focus on growth, and work to create a network that could achieve a critical mass of members.
2. Then it would focus on usage, and work to create a higher-value network for high-usage members.
3. Finally, it would focus on generating revenues from the network.

Breaking down the evolution of the company through the network lifecycle was a great first step. Not many tech companies include a strategic vice president of marketing when first designing its product or service. However, a healthy dose of experienced paranoia about high tech evolution led them to assume the competition had gone through a similar analysis. LinkedIn resolved to do to launch their enterprise quicker and better. They understood that the nature of networks is such that there could only be one winner. Everyone else would be shut out.

The original question then became: how do we create a network service that will generate growth (the first step above) without diluting the future value?

They decided that they would start by focusing geographically in a business area they all knew well: the San Francisco Bay Area/ Silicon Valley. Things move very fast in this area: ideas, technologies, products, people, and money come and go before most of us have had

the time to digest lunch. Engineers, business managers, salespeople, investors, consultants, recruiters and other service providers, are usually on the lookout for new opportunities. Was there anything that was common amongst these diverse groups? LinkedIn management concluded that entrepreneurship and jobs were the staples of the business conversation in Silicon Valley. The next big thing always seemed to come from a new company, whether it was Cisco, Intel, Yahoo!, or Apple. These companies were the ones who would provide the job and wealth opportunites that many were after. "Entrepreneurs start the companies that generate the jobs that people are looking for," said Guericke. "If we could attract the entrepreneurs to our site, they could attract the people who were looking for new job opportunities." The latter would in turn attract the job recruiters who were looking to connect with both the hot new companies who were hiring, as well as the employment seekers.

Recruiters would probably derive huge value from the ability to get candidate leads and check references. Recruiters get paid a hefty commission for finding engineers and managers--up to the equivalent of about three months of the employee's yearly package. Recruiters would probably pay dearly for the ability to both post job opportunities and for quickly and effectively finding employees and getting them hired.

How would the company find the recruiters who would adopt this network? According to Guericke, in 2003 there were an estimated 160,000 job recruiters in the U.S. This market was quite fragmented, since recruiters specialized in narrow fields like medical staff recruiter, financial services recruiters, software developer recruiters, and so on. Guericke and the product strategy team thought that recruiters would follow job seekers, who would in turn follow entrepreneurs.

Attracting entrepreneurs was then the key to the growth of the network. But finding them is hard. What are most entrepreneurs looking for? Capital to start or grow their startup companies. In Silicon Valley this usually means venture capital. The answer seemed to be getting clearer: LinkedIn needed to attract venture capitalists (VCs) to its network. VCs are easy to identify and find. There are lists of them. For instance, the National Venture Capital Association website (http://www.nvca.org/members.html) has the

names of dozens of VC firms and links to their respective websites, which in turn have the names of their general partners prominently displayed.

The new question became: how do we attract VCs? How do we create value for them?

Just like the recruiters mentioned above, venture capitalists are in the people business. For instance doing due diligence on potential investments is an important part of the VC workflow. Due diligence involves fact-checking assumptions about the business plan, people, and opportunity that VCs are looking into. This means they have to check the backgrounds of the executive team they want to invest in. They have to check their assumptions about markets they usually know very little or nothing about. They need to talk to industry or functional experts, and hire consultants to help them review the assumptions of the company business plan, review the underlying technology, patents, and so on. All this work involves finding and talking to people. The ability to help VCs find these people so they can perform due diligence quickly and effectively would be very valuable to them.

Venture capitalists also have outsized influence in Silicon Valley. They are seen as experts in the industries they invest in–even when they have no experience working in those industries. Their words are spread by the media as gospel. They are invited to industry panels, entrepreneurship events, and academic meetings. Furthermore, many VCs receive hundreds if not thousands of business plans every year. Most of these plans go unread. The only way most VCs will even consider reading one is if it's recommended by someone within their network. VCs can pull in this network, which in turn can bring in the entrepreneurs network, which in turn can bring in job seekers and everyone else. Venture capitalists, in other words, could be the perfect champions for LinkedIn's network.

Both Venture capitalists and job recruiters would find the network extremely valuable and would likely pay to use it. LinkedIn decided that they would build a product to attract two main audiences: Venture capitalists and job recruiters. VCs would be its main champions. Entrepreneurs would go where VCs are. Job seekers would go where entrepreneurs are, and job recruiters would go where job seekers are. The team went to work.

Finding Your Champions

Champions can help you grow your business faster and further. They multiply your marketing efforts and give you credibility. Champions can make a huge difference in technology markets that move quickly. Who can be your champion and where can you find then? Just as LinkedIn did, finding and converting champions should be an integral part of your product development and marketing strategy. Look around you. Champions can be found in many places within your business ecology, including users, partners, media, newsletter editors, and leading practitioners. For instance, leading practitioners are important champions. General Electric's Healthcare is a $14-billion division that produces medical imaging, diagnostics, monitoring, and information technologies. They mainly sell big-ticket items to large hospitals. Hospital purchases tend to be influenced by well-published medical researchers, especially from leading medical institutions like Massachusetts General, Mayo Clinic, Johns Hopkins, and Stanford. GE Healthcare has a board of advisors of exactly this type of doctors who help the company develop new technologies, products and services. This group of "luminaries"[101] act as both an early-customer sounding board for GE's products, and later as experts and opinion leaders.

Users

Many of your customers will be promoting your products directly or indirectly. Directly by actively telling others what the product is and why they should buy it; indirectly by being reference customers and helping to generate a critical mass. Think about it, would you trust what your peer or friend who uses a product or service you are considering adopting says, or what the vendor says? In today's world, people would likely discount many claims made by vendors. People instinctively trust their peers and friends. That's precisely why they're friends! They instinctively trust their opinion leaders. That's precisely they choose to follow them! Product users are the best champions a company can have. They can recommend your products within their companies, professional groups, and peer

networks. As we saw in the case of LinkedIn they can also attract a whole network of users.

Microsoft has invested in an army of insiders who act as Microsoft champions within their companies. Microsoft is by far the world's largest software development company. One of Microsoft's greatest assets is its Microsoft Developer's Network (MSDN). MSDN is a multi-billion dollar infrastructure that Microsoft has used to support and encourage millions of developers around the world who are developing software that is compatible with and dependent on Microsoft. MSDN provides education, tools, software samples, downloadable programs, and nearly everything MS programmers need to run their IT shops. By giving full support to MS programmers, Microsoft has created a cadre of customers who go beyond just using their products. These programmers champion Microsoft products within their companies, throughout their personal and professional networks, and to their clients and partners. Microsoft could not hire better salespeople if they tried.

Leading practitioners

In any given industry there are practitioners that are early adopters of technology. They may work at companies that are fairly open about sharing--or even boasting about--success stories. They are not shy about saying what technologies or processes they used to achieve advantage over their competition. They go to trade shows and conferences and speak at panels. More conservative (or late) adopters will look to these leading practitioners before considering adopting a new product or service.

When Alphasmart was a small startup educational computer company working to get the word out, they seeded about a dozen free evaluation units to select industry leaders. This was an extremely successful program. Industry leaders such as David Thornberg used to talk about the Alphasmart Dana computer at many national and international education conventions. He truly believed that this was an important technology for educating children. This publicity was priceless at a time the company had no money to pay for it.

You should go to trade/industry conferences frequented by your target customers. Look at the speakers list and find them there. Furthermore, look at the proceedings from the last year or two to

find leading practitioners of years past. They may be working on new projects and therefore on the lookout for new technologies. They may also have changed jobs and be looking for the next big thing to help their new organization and get on the road again.

Partners

Your partner can also become your number one champion. In 2005 Paypal was the Internet payments industry leader. Founded in 1998, they entered a market that had seen a number of e-payments technologies such as DigiCash, CyberCash, and Mondex fail. Several technology consortia like Visa and MasterCard's Secure Electronic Transactions also failed to gain any traction. Paypal soon became the standard payment mechanism by finding not just a channel partner but a mighty champion: eBay. The online auction king promoted the payment system to its millions of users and Paypal soon became the standard form of payment for eBay users everywhere. These users in turn took Paypal everywhere else online they went, and this form of payment became the standard for person-to-person online payments. Paypal became so powerful in this market that eBay's later efforts to develop and promote its own payment system (BillPoint) as an alternative all but failed. In 2002 eBay gave up on BillPoint and decided to acquire Paypal and its 45 million account holders for $1.5 billion.[102]

Media experts and industry analysts

Starmine found champions in both the traditional and the online media. Starmine was a leader in the financial analyst measurement software category (see Chapter 3). Founded in 1998, it entered a tough market with many competitors with longer histories and deep funding. It quickly established its presence in the financial services industry with its "Bold Estimates" predictions. CEO Joe Gatto was so confident that his software would predict surprises in earnings announcements that he started publishing them beforehand. *Forbes* magazine started featuring them in September 2000, and Starmine soon became a magazine staple. Not only do Starmine's target customers read *Forbes*, their customers' customers also read it! With *Forbes* as its champion Starmine soon gained other powerful media

that not only uses its software but which in turn act as champions for yet more prospects. Talk about influencing a target from several angles: no sooner had *Forbes* published Starmine's data than Yahoo Finance and the San Francisco Chronicle started carrying Starmine's earnings surprise predictions.

There are opinion leaders in each product category. Finding media opinion leaders and converting them to your cause can be a huge shot in the arm for your company. For instance, if you make personal technology products, two of the most followed opinion leaders are David Pogue, the technology editor at *The New York Times*, as well as Walter Mossberg, of *The Wall Street Journal*. Whether your product is the Handspring Treo, Adobe Photoshop Album, or XM Satellite Radio, you can do much worse than getting a positive review from Mossberg or Pogue. When, in 1992, Mossberg recommended America Online over Prodigy (which then had almost ten times the number of subscribers as AOL), it "really helped put AOL on the map," admits founder Steve Case. "It turbocharged our growth."[103] Sales of spam filter Mailblocs *tripled* the day after Mossberg endorsed the product in 2004. CNET's stock went up 33% the week after Mossberg endorsed this service, and XM Satellite Radio's stock went down 8.5% the day he blasted the poor design of their car radios.[104]

Newsletter and weblog editors

Many high-tech pundits (and self-appointed pundits) write newsletters. Some of them are sent for free–via email, while others have paying subscribers. When George Gilder recommended Excellera in his *Gilder Technology Report* on February 17, 2000, the company's stock (XLA) shot up from 32 to 48 within hours. Three days later it stood at 68, and in March it hit 111.[105] Surely, the winter of 2000 marked the height of the stock market bubble and as of this writing XLA was a penny stock. Still, the mere mention of the XLA stock by Gilder's newsletter moved the market to triple the price of a stock within a few weeks. Newsletter editors can have huge influence with technology purchasers, media, and investment markets. Companies that may have been too risky to do business with, may suddenly become certified "safe" because an opinion leader like Gilder praises it in his report. Of course, as a company

manager your goal is to achieve market leadership, not to pump your company's stock. God knows, there are too many executives, directors, and venture capitalists who have crossed ethical or legal boundaries between company building and stock hawking, and too few have landed in jail instead of the corporate boardroom. That said, the truth is that investors, pundits, buyers, media, and policymakers have become more intertwined. Sometimes you don't know where one ends and the other begins. Because of this permeability of spheres of influence, it is important for you to have champions across the board. In technology markets many of these pundits are respected as opinion leaders and move markets.

Academics

Champions and opinion leaders have the ability to bring bigger market champions to companies large and small. You may find your champions writing, teaching, or doing research in academia.

Alien Technology co-founder and former CEO Jeffrey Jacobsen was a guest lecturer in my high tech strategy course at Stanford University in 2002. As much as he loved to speak in my class, he called me twice that quarter to reschedule his presentation due to meetings in Boston. What was he doing there? I found out when the press release went out months later. Alien Technology was a company that made RFID tags–microscopic versions of the sales tags found in your books, audio CDs or shirts. For Alien Technology to succeed as a company, RFID tags had to be adopted across a supply chain large enough to need not just millions, but billions of tags. As a startup company, Alien didn't have the resources to convince hundreds of companies to adopt its technology. Someone else did: Gillette. When Alien got a purchase order from Gillette for 500 million RFID tags[106] the world took notice. What was remarkable about this purchase order was that it came early in the lifecycle of this technology and made Alien an instant leader in the category. Alien got not just a customer, but also a champion.

How did Alien gain the credibility to talk to, let alone sign up Gillette? A champion in academia: Massachusetts Institute of Technology. Alien worked closely with MIT's Auto-ID Center to create an open standard for RFID tags. That gave tiny Alien a seat at the same table as giant Gillette–which is headquartered in Boston

not far from MIT. Gillette was a top supplier of Wal-Mart, which in turn was the largest retailer in the United States, with just about $258 billion in sales in 2003, or about 2.6% of the whole US economy. When Wal-Mart decided to use and require the use of RFID in its supply chain infrastructure, Gillette was ready to recommend Alien as a key supplier. One of the most influential information technology users on earth soon highlighted tiny Alien for hundreds of the largest IT buyers in the world. Finding a champion in academia helped Alien find bigger champions who helped the company become a market leader.

Industry analysts

Industry Analysts are an obvious place to find champions. Analyst influence is of two kinds: first, they directly influence buyers when they endorse specific products, technologies, or standards. Secondly, they influence other influencers; for instance they are quoted by the media when they write about the space. Given the panoply of new technologies, products, and services and the fast change in the industry, and the high stakes involved, many buyers look to these specialists and experts for advice and guidance. A whole industry of analysts has developed around the need for technology product advice. In information and communication technologies (ICT), some of the most influential companies include IDC, Gartner, Forrester, Meta, and Giga. Their analysts generally specialize in specific markets and technologies and develop frameworks that can help facilitate their understanding. Some of them develop forecasts that extrapolate industry growth into the future.

Gartner's Magic Quadrant, for example, is anticipated with hope and apprehension by legions of technology vendors who depend on good ratings for their sales success with more conservative buyers. A high mark means getting additional deals and a poor mark can mean longer phone calls to prospects explaining why analysts "don't get it" or why their latest product overcomes the analysis shortcomings. The "sweet spot" is of course to be on the upper right quadrant, where the vendor is classified as a "leader" in both "completeness of vision" and "ability to execute" (whatever that means!). Remember,

the market likes to go with the leader and the opinions of these analysts do matter. For smaller vendors converting these analysts can provide an additional boost in their quest for market leadership. While some analysts have lost credibility, they still exert remarkable influence amongst many buyers, especially the more conservative ones.

Rule 6 Summary: Convert Champions Not Deals

Buyers look at others for guidance before adopting new technologies or validation to assure themselves that they are making or have made the right purchasing choice. This is especially true of technologies that are hard to evaluate or innovations that challenge the status quo. They look to experts' advice, and at what their peers are buying and using.

Technology markets have characteristics that make it important to achieve market leadership quickly. Network effects basically guarantee winner-take-all markets. Second place in a network means being shut out of the network. Understanding the importance of generating critical mass is critical for the tech strategist. Given these dynamics in tech markets, it is important that you gain market leadership as quickly as possible. Champions can help you do this.

Champions come from many sources and they may change over time. Technology companies multiply their chances of success by investing their promotion money in key users and opinion leaders,. These "champions" can further leverage the vendor's marketing and sales dollars by serving as guiding light to the marketplace and encouraging others to adopt a specific technology or standard. By lowering customer uncertainty, champions can also help accelerate adoption speed.

LinkedIn is a provider of a business network that successfully made use of the tools in this chapter to achieve market leadership. They developed a service that would attract champions who would generate increased demand and eventually critical mass. They understood the importance of network effects and used it to beat

dozens of other companies that aspired to the market leadership prize.