

So what? who cares? why you?[®]

The Inventor's
Commercialization Toolkit

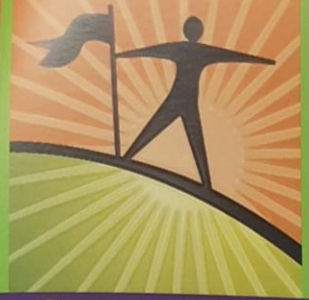
Turn Your Good Idea
Into a Great Opportunity

For Scientists, Researchers, Engineers,
and Technology Entrepreneurs

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Illustrated by Lorrie Maruscak





**So what?
who cares?
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Chapter 3

Where Does Your Idea Fit?

No one likes to have their idea pigeon holed, but without guidance, investors will decide for themselves where your idea “fits.” Often, they’ll decide it fits somewhere that you didn’t intend. In this chapter, you’ll learn how take control and tell people where your idea fits.





Content

- The Market Space
- What's Your Category?
- Draw Your Category Map
- Define Your Category Strategy

Where Does Your Idea Fit?

When you are presenting your idea, the first few moments are critical –

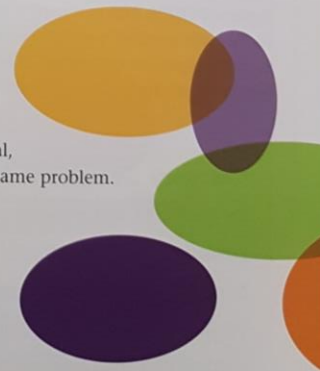
that's when the audience is settling in and trying to understand if you've got something of value to them.

They are also trying to determine where you fit in the market or industry landscape. It's human nature to try to

categorize new ideas into a space that makes sense with what one already knows – and your audience will do this with your idea. In fact, once their minds are made up about where your idea fits, it's very difficult to change that perception. So, you need to ensure that they slot you in the right place. You can control where people slot your idea by using the concept of a "category" and a tool called a category map.

The concept of a category is at the core of turning good ideas into great opportunities; yet, it is one of the least-used business concepts. The category is powerful: if you use it to define your idea, the language barrier will drop exponentially. You will gain credibility by explaining the context for your idea by introducing other competing alternatives or options. You will lose credibility if you say, "There is nothing like this in the market." While it may be true that your idea is completely original, there are always competing (i.e. alternative) ways to address the same problem.

In this chapter, you will learn to use the category concept to anchor your idea in the market landscape relative to more familiar alternatives. This will help your audience engage with you in conversation as you move into more detail.



Try This ...

Take a minute to identify the first three products (by name) that come to mind in each of these categories:

CATEGORY	A	B	C
CELLULAR SERVICE PROVIDERS			
INTERNET SEARCH ENGINES			
MP3 PLAYERS			
PERSONAL COMPUTERS			

For most mature categories, this is a relatively easy exercise – there's no arguing with the success of Nokia™, Ericsson™, Google™, Yahoo!™, Microsoft™, Dell™, and of course Apple's iPod™. The companies you've listed above have worked hard to become leaders in their respective categories. While there are dozens of products in each of those categories,

the companies in first, second and third place **own** the category and the lion's share of the profits. The rest are fighting for the table scraps, so to speak.

The point here is this: winners and losers can be distinguished based upon how well they understand and influence their position in their category. You'll learn more about influencing, or molding, a category later on; for now, you'll begin by defining the market space and category for your idea.

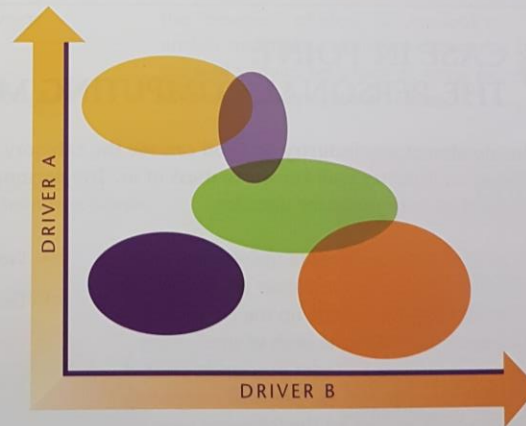
Category presents the landscape for your idea in a manner that a lay-person can understand. It helps people "anchor" your idea relative to other types of familiar or well-established solutions.

What's Your Category?

Markets are made up of categories of solutions; each category has its own competition, rules of engagement, market growth rates, and business practices. If you describe your idea first by identifying the market space and category in which it fits, investors can more easily see the opportunity you are planning to address.

The diagram below is referred to as a category map. The colored bubbles illustrate different categories of solutions in the field or market space that you're addressing. **The size and position of the bubbles represents the general market size relative to other categories in the market space.** The axes are labeled with the two key market forces (called "drivers") that are shaping that particular landscape. This is explained in detail later in the examples.

Category maps help to provide clarity for investors regarding the landscape of the opportunity. So, it is worth the time to "map the market" using one, two or more maps – however many you need to clarify your thinking about the opportunity you are addressing and the alternative solutions that already exist in the field. These maps will provide a useful starting point for articulating the business value of your idea to key decision makers. Starting a discussion with maps that highlight the market space and category in which you plan to compete places your idea into the business context they're looking for.



Identifying the market space and category for your idea distills an opportunity down to its essence.

quick Tip

Competing Alternatives

Think broadly about the competing alternatives used to solve the problem – including non-technology alternatives. Remember the Magasec example from Chapter 2: the competing alternative was paper-based recording systems. "Competing alternatives" include all of the options the customer uses to address the problem. A "category" is a group of like-types of these alternatives.

The Power of a Category

1. Category distills an opportunity down to its essence.

The category concept helps you focus on the essence of the opportunity. It also builds the voice of the market into your idea, which helps legitimize it as an opportunity.

2. Category answers the key question, "So what do you do?" in clear, compelling terms.

The category map can become the way you describe your idea to colleagues, investors, and people in general. Discussions break down when people cannot understand where you fit within the market. The category map helps to eliminate this barrier.

3. Category is a common language that businesspeople speak.

Describing your idea in the context of other categories of solutions helps investors and other business people quickly get on the same page with you.

quick Tip

Defining Your Market Space

Defining your market space and category may also assist with the patent application process, because the keywords you use in your category map can be helpful in patent searches.



CASE IN POINT: THE PERSONAL COMPUTING MARKET SPACE

Look inside almost any industry and you can see the category concept at work. To begin, let's look at an industry well known to most of us. The personal computing industry has been shaped by categories for decades.

As early as the 1970s, there were mainframes and then mini-computers. You may remember the introduction of mini-computers – they shook up the computing market; then in the 1980s the birth of small, more portable systems driven by faster processors created a new market space known as "personal computing." The category map, shown on the following page, illustrates this market space in 2005 with the different competing alternatives to personal computing. Each category is represented by its own bubble, including:

- Workstations,
- Desktops,
- Notebooks,
- Handheld computers,
- Personal digital assistants (PDAs); and,
- Smartphones.

The Personal Computing Market Space *(continued)*

Each category on this map has its own “within category” competition and also faces competitive pressure from other categories. For example, the PDA category is currently under siege by the growing smartphone category. These categories shift as market trends and new ideas impact the market space. The anticipated shift is indicated with dotted lines.

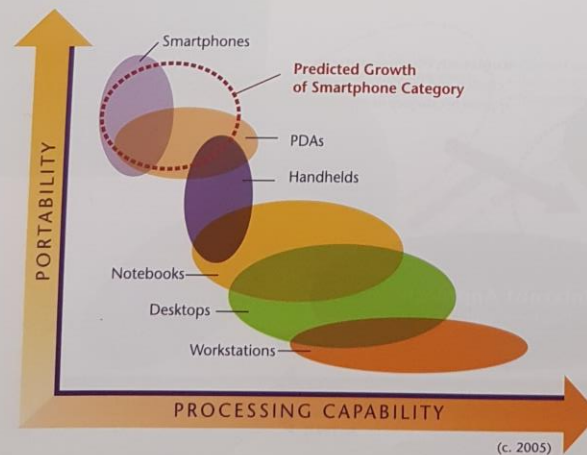
Buyers looking for personal computing solutions expect specific features and product values from each category. For example, those looking for a notebook consider weight a key attribute, whereas consumers buying workstations consider processing capability more important. This map shows that mobile connectivity is now shaping this market space. However, in the late 1990s, this map did not include a category called “smartphones,” and the PDA was not a category of its own.

The axes are labeled with the two most dominant forces shaping this market landscape today: processing capacity and portability (size). Because this landscape is influenced by connectivity, it is likely that these drivers will change as connectivity and computing converge.

Over time, as technologies evolve, as business models are proven or disproved, and as landscapes change, the map also evolves: categories change shape, new categories emerge, and new market drivers enter the picture. Therefore, you should look at the category map as a snapshot of a point in time – the current point in time – and be prepared to monitor developments in your market space and redraw the map as developments occur.

Notice the ease with which we can discuss the market landscape when we break it out into different categories. This is what must occur with your own idea. As is often the case with science and technology ideas, the categories are not well defined due to the “newness” of ideas. So, we look to anchor new ideas relative to categories that are well known. Let’s look at some examples of category maps for new ideas.

The Personal Computing Market Space



quick Tip Terminology

Use the terminology correctly: the “market space” is the entire map, including all competing categories/alternatives. A “category” refers to one of the circles on the map; YOUR category is the circle in which your idea competes.



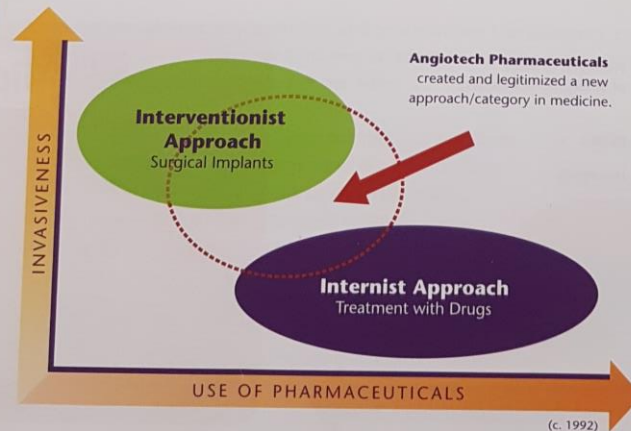
CASE IN POINT: THE DRUG DEVICE MARKET SPACE

Technology has brought many significant advances to the field of medicine. One of the most significant of these in the past decade was accomplished by the founders of Angiotech Pharmaceuticals, a company that “pioneered the science of adding drugs to medical devices and biomaterials.”

The company’s Taxus™ product is recognized as the most successfully launched product in medical history. Back in 1992, it was merely an idea of the company’s founder, Dr. Bill Hunter, and two medical specialists. As with most revolutionary ideas, the market space for the approach was not well understood at the time. Dr. Hunter described the opportunity as “bridging two solitudes, each doing wonderful work – but not together.” Other alternatives (or categories) in the market space were: **intervention**, which focused on surgical implants; and **internists**, who treated these problems with drugs. Hunter saw an opportunity to create a new approach to medicine by combining these two approaches.

Instinctively, Dr. Hunter was describing two different categories. You can imagine a category map being drawn similar to the one below, with the dotted lines indicating the opportunity that Dr. Hunter envisioned. When you are defining a new category of solution, anchoring it between two familiar approaches in this way helps people immediately understand the opportunity that you are presenting.

The Drug Device Market Space



quickTip

Web Link

Visit the ToolShed for a web link to an article about Angiotech Pharmaceuticals, which commercialized its revolutionary approach to medicine.

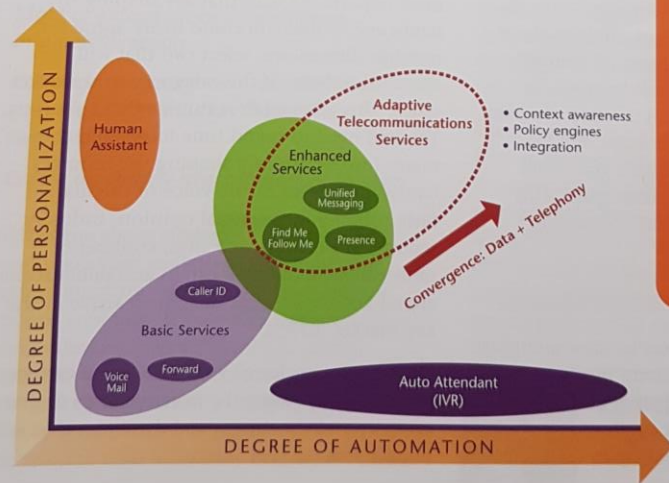
! CASE IN POINT: THE CALL MANAGEMENT MARKET SPACE

The proliferation of mobile devices has created the “always on” problem for individuals, especially professionals. Today, people have limited control over the calls they receive or the context in which they can choose to receive them. You can forward, mute or ignore a call, but there is no intelligence that you can apply to personalize, prioritize, or assign context to each caller.

Two entrepreneurs saw an opportunity to solve this problem by “adding intelligence and relevance to voice communications.” Their category map (shown below) includes the range of competing alternatives to address this problem today, including the “human assistant” (the most personalized alternative) through to the automated attendant (a highly automated but not very personalized alternative).

The opportunity this company is pursuing is to compete in a category extension that is evolving out of the enhanced services category: adaptive telecommunications services (indicated on the map with dotted lines). Solutions in this new category will allow customers to personalize the access of each caller. This category places pressure on both axes: a greater degree of personalization **and** automation of telecommunications services.

The Call Management Market Space



quick Tip

Market Insight

The more market insight you can apply to your category map, the more accurate and useful it will become. Spend time reading industry journals, web sites, and market reports that talk about the market trends and developments.

Draw Your Category Map (in 4 Steps)

A category map is a tool for defining the category into which your idea fits.

Start drawing yours by following these four steps:

STEP 1 Define the market space.

Turn to **Worksheet 3(A)** at the end of this chapter. The starting point for creating your category map is to ask yourself: "In what field or market space does my idea belong?" To answer this question, you'll want to think about the alternative ways that people address the problem you are proposing to solve.

When defining your market space, remember to think broadly about the alternatives that exist. If you tell an investor that, "No one is solving this problem today," that can be interpreted as: "There is no opportunity here." **AngioTech Pharmaceuticals** was able to express a new approach to medicine by anchoring itself between two familiar categories; the call management company on page 41 is doing so by extending an existing category.

Try to think at a high level for now – take the 100,000-foot view rather than thinking about individual products. It helps to ask yourself: "What is the title of the market space I am mapping?" Putting a title on the map can help to keep you focused. At this stage, don't be afraid to create multiple maps if you've got different ideas about the market space. This is the time to brainstorm and experiment.

STEP 2 Identify the alternative solutions.

Now, draw bubbles to show groupings of different solutions, much as was done in the personal computing map. If you've filed disclosure or a patent application for your idea, this information may help to scope out

the alternative solutions/classifications. Refer to those documents, if you have them, to assist in identifying the alternative solutions. You should also consult industry reports, publications, and journals that talk about the market space. These sources will usually describe the categories in the context of industry developments. This is the insight you are looking for, expressed from a market perspective. At this stage, don't worry about the placement of the bubbles on the map or their exact size. Define the alternative solutions now, and you'll plot them more precisely in Step 4.

STEP 3 Define the drivers that shape the market space.

Next, label the axes with the two most important forces that are shaping the landscape. While you could likely argue for multiple dimensions, select two that will impact the shape of the categories and market space. This takes a bit of thinking and analysis. You will need to spend time looking at the major forces currently shaping the industry landscape. Factor in the voice of the market rather than your personal opinion. Industry reports, association web sites, conference proceedings, industry journals and publications are all good sources of insight to arrive at the key market drivers.

Once you've anchored your idea into a category, you can easily watch the developments in that category and the drivers and dynamics that will impact you.

STEP 4**Plot each category on the map.**

With the market drivers labeled on each axis, you can now position each category on the map relative to the axes. Draw the size and shape of each bubble to represent the category's dollar size and position relative to other competing solutions/categories. Label each bubble with the name of the category. The names of the established

categories will become apparent as you research the landscape as well as from your own field experience. Remember to use the terms that the market calls these categories (i.e. refer to the examples earlier in this chapter) and not simply what you think they should be called – your goal is to use standard labels that outsiders will be familiar with.

Industry reports, association web sites, conference proceedings, industry journals and publications offer valuable insight to help you determine key market drivers.

Define Your Category Strategy

Once you have anchored your idea in a category, you'll need to describe what you are proposing to do to win in the category.

There are four different options that you could pursue:

1. *Compete in an existing category.*
2. *Mold or extend an existing category in a new direction.*
3. *Converge two categories – in other words, your idea is the solution that unites two categories.*
4. *Create an entirely new category of solution.*

Which of the above strategies you pursue will depend upon your analysis of the trends and dynamics impacting the market space and the essence of your idea. If your idea improves upon existing solutions or is an enabler to current solutions in the market, then your idea will either be competing in an existing category or molding a category (and perhaps bringing additional value to the receptor who ultimately licenses the idea).

Alternatively, if your idea is a new discovery, you may be converging categories or creating a new category. Explore these strategies with your colleagues to determine which one best describes your opportunity.

Then, draw this on your category map using dotted lines to show the direction that your idea will take the category. Or, if you are proposing to create a new category, draw a dotted bubble to show the size and position of the new category. You should label directly on the map the key market trends that will create this opportunity for you – see the case in point in this chapter for examples.



Visit the ToolShed

for additional category map examples and how-tos. The ToolShed is online at: www.wendykennedy.com

Category Tips

1. Products compete in categories, not markets.
2. An investor's innate thought process is to slot you into a category – make sure they slot you into the right one.
3. Categories evolve out of market dynamics – if you read the market right, you can anticipate the timing of new categories.
4. Don't straddle two categories. Define one by choosing a category strategy.
5. Don't create a category to be unique – it's not necessary to create a new category to be a leader. You can extend and mold existing categories and shape them on your terms.

If you don't categorize your idea, the market will do it for you – for better or for worse.

The best way to control the way your idea is seen is to anchor it relative to a known category in the market space.

Categories That You Don't Want to Lead

Being a category leader brings with it many great benefits, such as a strong customer following, visibility, and typically a river of revenue. But, not all categories bring great benefits to their leaders. There are categories you don't want to lead in – these are a few examples:

- Spyware
- Malware
- Software piracy
- Illegal music download software

Naturally, no one goes into business with the intent of choosing categories like these, but companies do become slotted into them – particularly if they fail to proactively manage their category positioning and educate the market.

The danger is not just in being slotted into a negative category – it's being slotted into the wrong category of any type. For example, a company with educational software that is slotted into entertainment/gaming will find the results just as damaging as if it had been slotted into a category with negative connotations.



Now Over To You!

Use the following Worksheets to define your category strategy.

DO ...

- Determine the two most powerful market drivers that apply to the entire market landscape – these are your axes.
- Draw one bubble to depict each category in the market – try to size these approximately to reflect your sense of the relative dollar size of each category.
- Highlight the category in which you intend to play and write down a summary of how you propose to mold or change the shape of this category with your new idea.
- Use arrows and dotted circles on your category map to show the strategy you are proposing.
- Be willing to experiment with multiple maps.



DON'T ...

- Define products on the category map; instead, define the clusters of alternative solution “types.”
- Straddle categories – instead, pick one in which you intend to win.
- Discard early drafts – you may want to circle back.
- Try this alone – this is best done with a team to brainstorm and debate.



Visit the ToolShed for more category maps, category strategies, and extra copies of the Worksheets. The ToolShed is online at www.wendykennedy.com

Worksheet 3(A)

Your Category Map

Draw a **category map** for the market space into which your idea fits.

Tips:

1. Experiment with multiple maps and different market drivers.
2. Draw several drafts and don't throw anything away.
3. Use a flipchart and work with a few team members to map this out.
4. Hang the various drafts in your work area so colleagues see them and can comment.
View these as works-in-progress.



