

15. Investing Aggressively in the Most Appropriate Early Customer Engagements Has Proven to Be a Difference Maker

If there is one strategy in The Startup Playbook that is underrated in terms of the role it plays in guiding early success, it is this one. It is difficult for upstarts to get their technology in front of large customer prospects with consistent spending budgets and a desire to allocate resources to testing emerging technologies. Inevitably, these customers can pick up the phone at any time to get what they want from their large incumbent suppliers. With installed bases to protect, these slower-moving brand-name companies are quick to offer concessions on existing service contracts or new purchases to keep more nimble, forward-thinking competitors at bay. The bigger the opportunity, the more tenacious these lumbering giants become in defending their incumbency, even resorting to taking losses on new business where it makes sense. As a result, even the well-funded startups need to be highly strategic and selective when it comes to investing precious resources in early customer engagements. When the stars do align, the greatest startup successes have not been shy about investing ambitiously in those opportunities.

With limited resources and capital, the first important decision for the startup to make is to determine the selected few customer prospects that are willing to engage in collaborative discussions and provide invaluable feedback to help guide the product development efforts. In the best-case scenarios, the customer prospect will consistently commit resources to the partnership and oftentimes agree to participate on the Technical Advisory Board with the startup. These positions are typically accompanied by a stock grant that vests over a 2 to 4 year period. The most effective Technical Advisory Boards make it a point to bring the group

together, typically on a monthly or quarterly call, to share their findings and requirements, providing an important feedback loop to the startup's technical leaders.

As these important customer engagements move forward, the most efficient startups invest in highly technical systems engineers who are then rotated into position and begin to bridge the conversations between the customer and the product development team. With architects and engineers working around the clock to deliver the right product in the shortest amount of time, the ability to remove them from all of the detailed customer dialogue frees up important cycles to restore focus on building the product. The system engineer becomes the primary conduit to the customer, most often before there are any dedicated sales resources in place to handle that function.

The next phase of the process entails building functional teams to support the most strategic early customer engagements. Typically, these teams will include the systems engineer and ultimately a sales counterpart, a product manager, a product development/architecture resource, and a sponsor from the executive leadership team. Together this team will work to further define the customer's specific use case in an effort to position them to participate in the Beta program. There are unique circumstances when the customer prospect will commit to testing an earlier version of the code in what might be considered an Alpha program. Most, however, prefer a more stable version of the product before they commit resources to work testing the feature set and scaling attributes of the solution. This process most often spans many months, but the learning that takes place during that time plays an enormous role in readying the startup's technology for General Availability (GA).

While rigorous and costly from a resource perspective, these investments in early customer engagements can result in an all-important customer reference which further validates not only the technology but also the incredible level of support the customer received throughout the testing process. Press releases can follow, giving the startup air over to leverage in other opportunities it may not be pursuing. These milestones boost company morale in unthinkable ways, galvanizing the team and putting wind in the sails of the troops that have invested heavily in moving the ball forward with the customer. In *True North*, Bill George reflects on a conversation with ShareFile CEO Jesse Lipson, who credited his company's success to the intense customer focus they employed, which set them apart. "I didn't focus on media coverage, investors, or the analysts. I just listened to what the customers wanted." My experience has consistently confirmed that a startup's willingness to invest aggressively in the most appropriate early customer engagements has been highly correlated with the level of success they go on to achieve.