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## How to Break into a Crowded Industry—and Succeed

Sometimes a little disruption is exactly what a market needs—especially an over saturated and mature market. Take the bottled water industry. On the upside, this market offers a proven sales opportunity. People are buying lots of bottled water. Even Donald Trump is selling his own branded water. However, getting in the market and taking share is another story. Case in point: someone with the marketing ego and muscle of Trump hasn't toppled the existing water barons. So what does it take for an entrepreneur to really break through in an established market?

Sujal Patel, founder and chief technology officer of Isilon Systems, Washington's newest billion-dollar company, might have the answer. At a recent Northwest Entrepreneur breakfast meeting, Sujal talked about his big gamble. Isilon used a strategic approach to outsmarting entrenched billion dollar data storage companies like EMC, NetApp and HP by finding a way to sneak in the back door with the right product, at the right time. Accomplishing this in an established market provided a great pay off. In December 2006 Isilon Systems completed an IPO and in just six short years after it's founding. Today Isilon Systems has a company valuation of \$1.5 billion.

Sujal Patel doesn't fit the profile of the typical data storage entrepreneur. In fact, although Sujal had significant technical acumen, he brought no data storage industry experience to his new venture. However, this proved to be a key, early advantage. Without being steeped in the why's and how's of data storage, Sujal was able to outline an advanced data storage approach from a fresh perspective. This led him to see a market

opening that his competitors missed. Ultimately Isilon developed a new, more cost effective way to store data. More

### Executive Insights



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than that, Isilon's approach met the needs of the fast emerging, high growth and underserved digital content storage market. However, even with an innovative idea, getting the technology to the market wasn't easy. Back in the post dot.com days of 2001, Sujal had to convince investors that the idea was worth funding. He also had to create a cadre of believers in Isilon. He had to prove that they could battle billion dollar entrenched market leaders, and topple upwards of 250 other aggressive competitors. Although the data storage industry was a proven market, getting in as a new comer required a unique approach. Obviously, Isilon's story had a happy ending. Along the way Sujal and his team unraveled the secret to successfully changing behavior and disrupting a market's old guard.

### Disruption is Key

According to Sujal, "For a technology to be adopted in a mature market the product can't just be a little different or a little better. It has to be at least 10X better." Harvard Business School Professor Clayton M. Christensen calls this type of market change a "disruptive innovation". He defines it as a technical innovation, product or service that eventually overturns the existing dominant technology or product in the market.

One example is digital photography vs. analog. Digital provides at least a 10X value improvement and a compelling reason for buyers to switch. This is especially evident in Kodak's statement that it doesn't expect to sell film in another ten years. Other disruptive innovations include the semiconductor and the impact it had on the market for transistors. Likewise with broadband and what it did to the modem market. The common theme is that each technology totally disrupted an existing, mature market.

However, examples abound of companies with disruptive innovations that weren't fully capitalized. One key reason is the temptation for a company to lose focus. Consider MySpace vs. YouTube. MySpace has a broad focus on music, photos and blogs...whereas YouTube focuses exclusively on videos. What's the market value difference in their focus? MySpace, was acquired for \$327 million compared to YouTube's \$1.68 billion dollar acquisition fee.

According to Sujal, "The temptation for market distraction and to broaden the product focus is real, but the winning strategy is to keep a disruptive innovation narrow in focus." For example, in Isilon's early days an entire new data storage market in the compliance area emerged. Most companies jumped on the opportunity. However, Isilon fought the urge and stayed focused on their core markets where they could offer a 10X better improvement with their existing product. "Avoiding distractions and not running after new markets enabled us to focus on growing the business and build a solid brand reputation in our core market."

explains Sujal. This proved a key element in their rapid growth.

Likewise, Isilon stayed consistent with their vision and positioning. The benefit of not wavering enables a company to deliver a consistent vision to customers over and over again. This is the foundation for building a strong brand and goes hand in hand with the need to build a unique position in the market. For example, in 2001 there were two main storage types. With a crowded market, this translated into most competitors using the same buzz words and saying the same things to describe their offerings. There was little market differentiation. To breakthrough, Isilon chose not to position its disruptive innovation as the next generation of

storage. “Even with phenomenal growth the best we could expect with that positioning was to be number three and that wasn’t a winning strategy,” confirmed Sujal. Instead Isilon invented, named and positioned itself in an entirely new storage category. This led to being number one in that category and positioned the brand as a market leader.

At Isilon, a disruptive innovation carefully nurtured with a clear focus, consistent vision and positioning, provided a solid foundation. However, Sujal says the company still had a little luck and took advantage of situations that came up. They hired exceptional people early on. They put everything they had into landing a crucial early customer (Kodak). Most importantly, they let the

two big market gorilla’s compete with each other on their own terms, while they designed a new door to walk through.

These “Executive Insights” are based on monthly presentations provided by leading entrepreneurs at the Northwest Entrepreneur Network (NWEN.org), a non-profit organization dedicated to helping entrepreneurs succeed. The column is written by Cheryl Isen, founder of Isen & Company, a strategic marketing and public relations firm that helps emerging companies increase corporate visibility and brand awareness. Contact Cheryl at (425) 222-0779, Cheryl@IsenandCo.com or on the web at www.IsenandCo.com.