U~T San Diego

Chasm: It's a big leap from startup to up and running

By Neil Senturia and Barbara Bry

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Evel Knievel once jumped 14 buses, but when he tried to cross the chasm — when he tried to jump the Snake River Canyon — he crashed, broke 11 bones and nearly drowned. This chasm thing is not so easy.

Entrepreneurs often build a cool product that they and their pals think is great. They get some early adopters, a little traction, some buzz in the tech blogs, and then reality shows up — also known as crossing the chasm. This phrase means going from cool to product scale, it means going from early adopters to mainstream customers, it means going from startup to up and running.

How to start with enthusiasts and then move to the mainstream is the topic of one of our favorite business books, "Crossing the Chasm" by Geoffrey A. Moore. And we have faced this challenge in several of our companies — sometimes successfully, sometimes not.

At Atcom, which we started in 1995, our first product was Internet and email kiosks in airports and other public places. Our first customers were two telecom companies who were eager to pursue new technology in order to differentiate themselves from larger competitors. They found out about us through an article in Business Week magazine as we've written in an earlier column. To find other early customers, we participated in technology conferences and trade shows, did a free demo at the San Diego Convention Center, and identified "experts" who talked about public Internet access as an important emerging trend.

After a few years, our software morphed from kiosks to laptops and finally to high-speed access in hotels. But it was difficult to convince the hotel industry that their guests would want (and eventually demand) this service. Again, it was a small company — one that owned boutique hotels — that gave us our first order. Small companies trying to cross the chasm sometimes run out of money — which we almost did as well.

In the end, it took a giant company, Cisco, who bought our company, to take the technology into the mainstream. This is not an uncommon story. The startup gets to the Snake River but it takes a Fortune 100 to actually get across in one piece.

The trap that the entrepreneur must avoid is the "if I build it they will come," only to find later that the "they" are no more than a small group of cutting-edge enthusiasts.

The "crossing the chasm" dilemma is particularly relevant to the fast-growing digital health market that is estimated to reach $5.7 billion in 2015, according to a report by Parks Associates. This could mean more than 300 million body-worn wireless sensor-based gadgets by 2016, according to a report by Smithers Apex. That is

a lot of blood pressure and glucose monitors with apps to track your calorie intake and exercise, and services that check on the elderly. Whoa, we are talking Grand Canyon type chasm now.

"Early users pursue technology aggressively, they love technology and derive pleasure from exploring it," said Denise Lee Yohn, formerly VP/general manager brand and strategy for Sony Electronics, who spoke at a recent seminar sponsored by the San Diego chapter of Women in Technology International. In contrast, she said, mainstream customers are driven by practicality; they wait for someone else to try out the product, and they want it to be easy to use.

To get across the chasm, Yohn contends that digital health companies need to develop emotional appeal, a long-term relationship with their customers, and form communities. "You have to win people's hearts so that they love you," she said. But standing directly in the way of this challenge is how to overcome regulatory hurdles and how to market to the digital health consumer — to the doctor, to the hospital, to the insurance company — a dense thicket indeed of egos and old ways of doing things.

The tension between early innovation and mainstream adoption often depends on forces outside your direct control.

Neil Senturia and Barbara Bry, serial entrepreneurs who invest in early-stage technology companies, take turns in writing this weekly column about entrepreneurship in San Diego. Please email ideas to Barbara at bbry@blackbirdv.com