

TECHNOLOGY SOLUTIONS
TO TURN YOUR PROJECT INTO REALITY

Program Management – One Customer



One customer, one focus or not.

A critical issue for all Startups is where to focus its minimal resources. MnoTech won its first customer but became distracted trying the raised capital and win new customers rather than focus on the customer the and nearly lost it all.

scaling to the extreme. Forfeiting almost everything in place of scaling the company, outgrowing the competition, and winning customers at a phenomenal rate.



Small companies can scale very quickly. This is partly because they are not weighed down by bureaucracy and can make decisions quickly. Additionally, their smaller size allows them to be nimbler and react to changes in the market more quickly than larger companies. Finally, small companies typically have a lower overhead, which allows them to reinvest more of their profits back into the company. This combination of factors means that small companies often experience much faster growth than their larger counterparts.

Every Unicorn must start somewhere, and many an entrepreneur will focus on being the next one.

Before my involvement in the company, MnoTech had raised around \$1.5m over several years, and in Feb 2021, they had their first MVP1, the TVBox Box, and the Web portal and signed on their first customer, ABCare. TVBox is a device plugged into a home TV set and allows video calls directly using the TV as the monitor. There were multiple other features targeted at Telehealth. The ABCare deal was for MnoTech to install 425 TVBox boxes (installing 80 per month), and for that, they would invoice \$32,000 per month – the contract was for 2 years.

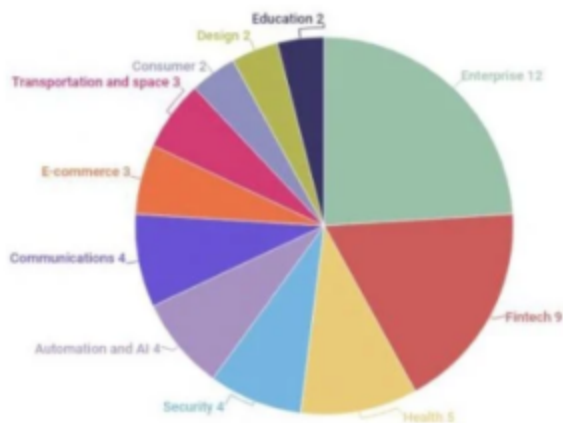
MnoTech set about raising significantly more capital, and the goal of a further \$10m was desired.



MnoTech might be on track for Unicorn status.

They had a few things that looked right:

1. A product that was unique and patented
2. A first customer
3. A path to a \$1B valuation
4. A story about helping the veterans
5. Success in raising capital
6. Being US-based
7. A market segment with many Unicorns (health care)



<Source Statitica>

To be a \$1B company, a good rule of thumb for a SaaS company is that the revenues are at least 1/10th of the valuation, i.e., \$100m per year. SaaS is Software as a Service like LinkedIn. To achieve this, at \$100 per TVBox box installed per month would require approximately 85,000 units installed across 200 organizations. If MnoTech could ramp the production and sales by 10 x a year over the next four years, this could be possible... But they?



was made clear that things had not gone well in 2021, and 2021 was said to have been “a wasted year”.

Also, at ABCare, of the 425 TVBox contracted to be installed, only 80 were online. When we interviewed ABCare, the utilization was almost negligible. There were multiple “dropped calls” or “failures to connect” calls, and the staff had no desire to use them.

As head of operations on contract, it fell to me to figure out how to manage the product in the field, the installations, the uptake of utilization, and ultimately the value to the customer(s). This meant starting with ABCare.

How we turned things around is not the topic of the case study, you can read about it on this website. We will discuss how MnoTech got into this situation and what it may mean for their future.

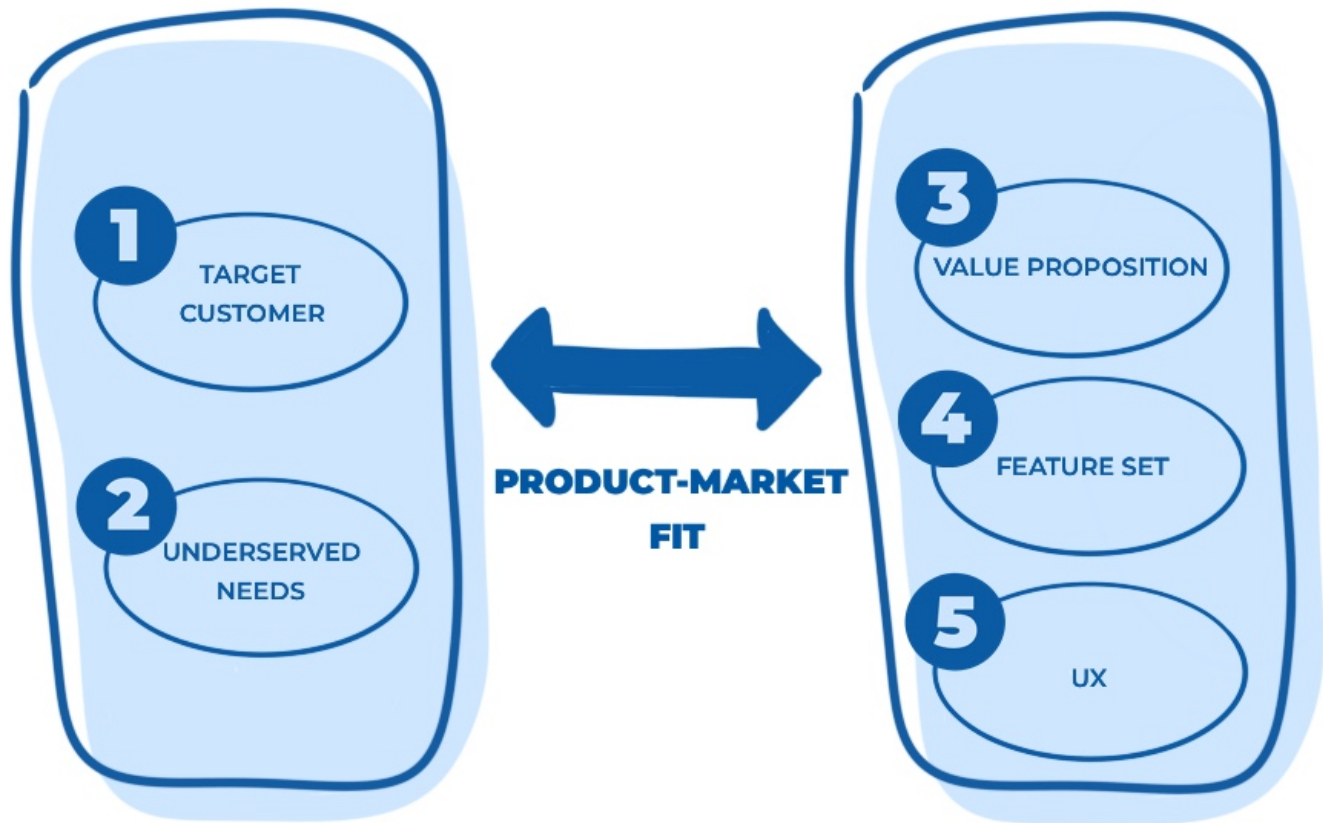
As we dug into the program, it became clear we were not in a good situation.

Firstly, MnoTech management had no focus on this, their first and only customer. This was a critical error as they needed to ensure product-market fit. They had outsourced the account manager role to a contractor to handle the installs and look after them. They did not engage the customer with the value of the product. The sale was only the first step in this customer journey, and the customer had trusted them to come through with value at some point. At no point did MnoTech nor the contractor care to understand the customer’s needs and how to address them.

Businesses and ABCare are no exception; they need ways to increase revenues or reduce costs. TVBox could potentially do both, help with branding ABCare as a Telehealth leader but mostly to reduce operating costs. MnoTech had a “set and forget” mentality. “We sold to this customer. Now move on” let the minions handle this customer whilst we focus on the big picture.

At one point, the management was so flippant about ABCare as a customer they said don’t worry about fixing the situation with them, “just keep them going until we have the next customer, this is a huge customer, and it will only be a few months.”

The risk, therefore, is that ABCare would terminate the deal as it was not helping their business. But the more serious issue is that MnoTech and TVBox had not demonstrated any value to this customer and therefore had no demonstratable proof that it could be for others. There may be no product–market fit.



The second issue was that the TVBox product was failing, and MnoTech was not fixing it. Instead, they were trying to scale rapidly with this poorly working device. Specifically, most of the TVBox boxes would “brown out” and often fail during a video call due to an overload of the power circuits. Also, there were multiple issues with the user interface being hard to operate. Also, the remote control was overly complex, poorly designed, would break easily, and needed a cradle and its charger (like remotes in the 1990s). Most seriously the were system-wide crashes that left up to 50% of the TVBox boxes offline and unable to connect – in many cases until an installer could visit the premises.

At MnoTech, I was highly active in trying to engage the development team in addressing these issues. At one point, there were 50+ issues and bugs that needed to be resolved; after many months, there were still as many.

I was expecting the CTO to be interested in fixing his only product, but he wasn't. His response was usually an excuse or “this is not a major problem” or “log it into the bug list” then, these would be completely ignored. It was a total denial that the product was unstable. The word “unstable” was prohibited from use.

It surprised me that they purchased a further 1000 units of the existing product for a “new” customer despite that customer not having made any commitment and rather waiting for a new version of the hardware would have resolved many of the serious issues.

Scaling, especially a hardware product, is hard. The phrase “hardware is hard” is often used. This refers to the fact that hardware must be built in a factory for a design, and once it is in production, it is hard to fix and even harder in the field. The car industry often has recalled their product for exactly this reason, and this hits with millions of dollars being spent and a drop in the company's share price.

Was MnoTech trying the Blitzscale? As pointed out by Reid Hoffman in an HBR interview: “Blitzscaling is what you do when you need to grow quickly. It’s the science and art of rapidly building out a company to serve a large and usually global market, to become the first mover at scale.”

How should MnoTech have behaved differently?

Steve Blank is famous for his comments about talking to customers and advocates always to find out what the customer needs and how to address those needs. Whilst I was at Agilent, they hugely succeeded with the optical mouse. At that time, there were only ball mouse products. Agilent developed an optical device that could be used on a TV screen. Point it at the screen to select the icons; as the device moves, it senses its direction. They took this to Microsoft, but they were not interested. However, they did have a problem with the ball mouse, as it would clog up with hair and other debris, and customers would complain that the Microsoft system was failing when it was the ball mouse. They suggested they adapt the idea by pointing it downwards at the table and incorporating it into the mouse. This was a massive success, and Agilent became the world leader in this technology.

Who knows what will come of deep customer interactions? MnoTech needed to work closely with them to find out what they needed and adapt the product to suit them. For example, some of the key issues I found were that many patrons did not have internet, they had old TVs, and they liked to watch TV a lot.

Whilst at Nokia, I was involved with manufacturing cell phones in high volumes, often running into the millions. Around 2000, Nokia management announced that Nokia would go broke if we did not solve the field failure issues. This was because the field failure rate was growing at over 12%. 12 people in 100 would have to return the phone for repair or replacement.

By comparison, the field failure of TVBox was at about 50% when combining the problems at installation, the system-wide crashes, and the breakages and usage issues. This is in no way sustainable.

If time could be done over, what could they do differently? Or even now, what could they do now?

FOUR KEY AREAS OF IMPROVEMENT

Firstly, in the words of Steve Blank, “there are no small issues for a small company”. Every issue needs to be handled. Not to say that every issue must have the CEO’s attention, but the CEO is responsible for ensuring the organization works to resolve every issue. Leaving issues for the minions to deal with means they won’t be. The leadership needs to ensure they are organized for success and all levels. In MnoTech’s case, simple things like setting up KPIs for the teams, basic monitoring, and leadership would have corrected the situation and avoided “a wasted year”.

Secondly, a focus on the customers and market needs rather than forcing the product into where it does not work. Entrepreneurs can easily begin to believe their rhetoric, “the product is great, we’ll sell a million, and we’ll all get rich.” The trouble is this may not be true. Being able to detach from their ego and see reality rationally is critical. Talking to customers about real issues, implementing “the mom test,” and not trying to sell at every discussion will help. Just saying, “how’s the product going?” and listening for key feedback and making sure it is enacted in a meaningful way is crucial. Also, looking at the competition, how others solve these issues, what can we learn, how much better (or worse is our solution). For example, TVBox may be better as an App on a TV rather than a alone box.

Thirdly, invest heavily in the first customer, “do things with this customer that don’t scale” is often quoted. This seems to be the opposite of Blitzscaling, but it underlines the need to make one customer happy. Then armed with what you know, work out what parts can scale and build the business model. In MnoTech’s case investing in product stability should have been a priority. Investing in staff to help with utilization and finding new ways that MnoTech can help ABCare succeed.

Fourth, beware of applying the wrong framework to your business. Is MnoTech a SaaS company like LinkedIn or a car company like Tesla? In the case of MnoTech, they are more like Tesla, built around the TVBox hardware. In that case, they need to focus on production and stability in the field. In the words of Elon Musk, he went through “production hell” for three years sleeping on the office floor and being as hands-on as possible to get the production of the Tesla 3 stable. MnoTech is small-scale by comparison, but they have very high costs for failed hardware in the field, just like a car company, so they need to ensure the product is highly stable before trying to scale.

There is no formula to bringing a company to success. However, the MnoTech story illustrates that trying scaling too fast, not being customer focussed and ignoring product issues will not help.

(*) The numbers in the Case Study are illustrative only and not intended to be accurate.