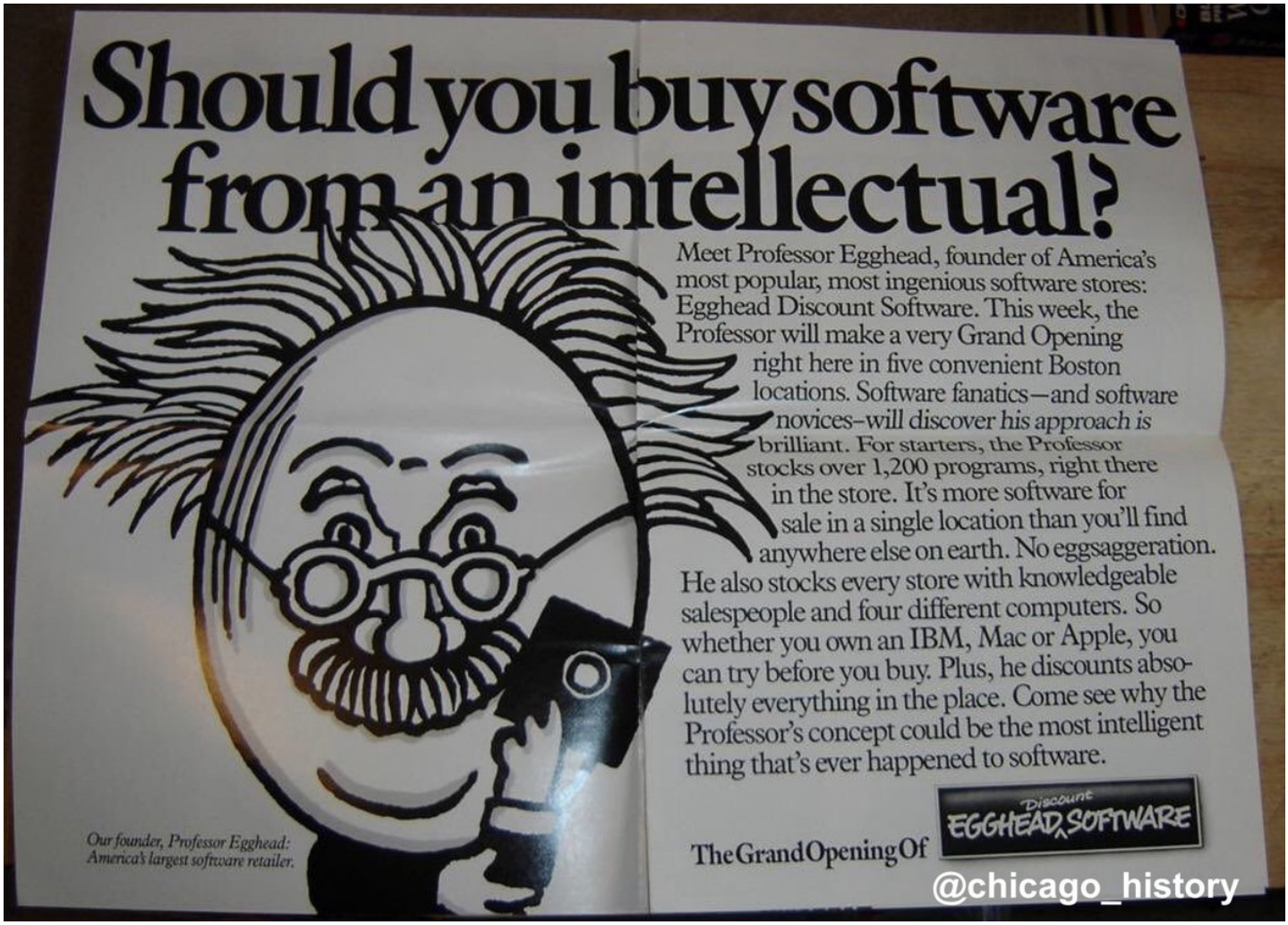
Twitter Thread by Steven Sinofsky



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1/ "Consumerization of IT" bit of tired phrase. There's a much more important shift with changing role of biz productivity software. We're in a new era where software solutions can be more like office "supplies" than office "buildings".



IMPORTANT: TAM for productivity s/w is going UP and not just because h/w & svcs dollars shifting to MS365 from on-prem, but because most cost/spend was hidden as spreadsheets, old templates, one-offs, or internal custom dev. So cloud+commercializaton=BIG TAM.

Consumerization attributes include buyer, user experience, pricing, etc. Key is productivity is minimizing usage or time to complete task, maximizing the value of single use case. Design point very different than consumer services MAU, MPU so

"consummation" can be misunderstood.

PC era was "bring your own" with ppl buying s/w at computer stores, using for work. IT took over—*all* software was bought, deployed, controlled. Always some "leakage" of course. SaaS (eg SFDC, DBX, Gmail) showed people do go around IT but this was rough.

Important part of this whole model (especially early) was a "departmental customizer". Ppl writing VBA macros, templates, even big Access database apps. Or buyers of first gen SaaS infrastructure. Created infrastructure highly dependent on single employee or contractors. FRAGILE.

IT constantly playing whack-a-mole with these "solutions" but for the most part these homegrown tools would run their course as they were hard to maintain, improve, etc. Interns would build new ones or IT might take over but not invest but definitely lock down and "freeze".

There’s a "rose-colored" glasses view of small, custom, departmental solutions. While there’s a spectrum from "some VBA in a spreadsheet" to "core business system used by a whole team", these were often points of frustration and fragility. Unserved big middle is where action is.

So your choices were to sell as part of an enterprise bundle OR sell one "copy" (or subscription) to a rogue user inside company. Today you can "right-sell" to the department, VP, or functional leader for a whole team.

Today’s IT is MASSIVELY occupied in moving core Ent. Infrastructure to cloud AND securing (privacy) those assets. Depts/functions unable to get software service from IT. Functions like marketing, sales, HR, engr (not finance) are now/will be huge unaided s/w buyers.

At same time, cloud, tools, mobile, etc. provide both technology and distribution to bring domain-specific and job-specific s/w to market. These "narrow-cast" services are literally "out of box" (old school name0 capabilities for teams/functions even divisions.

Consider tools like Qualtrics, Textio, Envoy, Eventbrite, SurveyMonkey, Notejoy, Workramp, Docusign…. (just examples) Tools solving specific biz problems for biz ppl—can be acquired, used easily—perhaps viewed by IT as ~"point solutions" not worthy of time/support but needed!

Previously solutions would be owned by IT, suffer massive procurement Hell or a long queue awaiting IT budget/support. Resulting tools would just land on biz users who probably would go back to spreadsheets, import/export and human labor.

Today’s workplace filled w/S/W savvy ppl, many coded sites or used python in school. But building from scratch is out of the question and designing a "system" is remarkably difficult. Startups responding by solving biz problems end to end without custom coding/high tech needs.

What are characteristics creating opportunity:
• Cloud distribution, mobile usage
• Articulated problem/soln

• Solves problem right away
• Network and/or viral component
• Bundled solns bloated and horizontal (old tools do too much/not enough)
• Min. Infrastruct Reqs

Minimum infrastructure requirements are key. The solutions that "take off"/ successful services essentially stand on their own. If step 1 of deployment is "connect to AD", gmail, or "get the API key for SAP" there is no way for a department to use. IT is pro-actively blocking.

Even most "integrations" will prove challenging because IT is not going to sponsor connecting to core enterprise infrastructure. BUT if tools can just get "used" and over time spread then integrations become huge opportunity.

Tools that are "disrupting" IT are decidedly NOT disrupting IT, but rather filling in gaps that IT simply has no bandwidth for—go as unnoticed as office supplies. Clearly huge burden on makers: privacy, PII, security, GDPR, etc. Growth means beingIT-savvy w/o customer work.

Traditional GTM model has been build product, provide free/cheap tier and expensive tier that solves IT problems. Now must consider how to basically grow the business and find tiering that supports growth into IT at later scale. Early growth on productivity scenarios.

Suggestions building towards product-market fit w/ this class of solutions:
• Design for end-users incl onboard—duh!
• Require no IT infra
• Use language of target biz ppl
• Growth "work products", not growing amount of usage
• Leverage "producers" and "consumers"

"Work products" mean to measure the output, not the process used to create output. Process is "wasted" time in biz, not productivity. Goal is a report, a transaction, a deal, a decision, a plan, a summary, etc. Demos should be real world—count clicks/taps not "flash" or "depth".

Producer is the acquirer of a product. The one that gets going. Sets up workflows. Creates a first work product. Consumers participate, maybe just read or acknowlegde. Over time consumers become producers—a viral or network attribute.

This matters because ppl will figure out how to pay for "one account" and share it if tool can be used as single producer and share results over email. Being a consumer of your solution needs to be rich/cool so ppl participate. Collaboration, analytics, interactive viewing, etc.

As you move from PMF to scaling (you can measure success, know land/expand):
• Start IT acceptance (integrations!)
• Partner w/ BigCo even competitors
• Amplify producer/consumer w/ analytics, data about work, extranet collab
• Expand breadth, not depth—solve new problems

Point solutions work best when they solve point problems. Competitive advantage v bigco is product is understood & easy. Point solutions expand not in depth but by adjacent scenarios. Depth is easy (listen to customers) but hard to sell or get credit for once you have PMF.

Perhaps biggest competitive advantage is that even if incumbents try to address a point problem, it will undoubtedly get lost in a massive bundle. Every great point solution competes with some bundled feature of BigCo bundle—successfully! TAM for all but 365 is same size as 365!

Cautions:
• Organic takeup doesn't scale forever. CAC for n+1 >> n. Careful spending too much too soon.
• Pricing needs to be friction free early on
• GTM matters immensely. @martin_casado offers super smart insights https://t.co/XaCMrZF5PH

> 0/ Traditional enterprise GTM strategies are being eaten from the bottom by bottoms up adoption (SaaS, open source, dev tooling) and from the top by services.
>
> — martin_casado (@martin_casado) September 30, 2018

Finally, like office supplies, tools aren't forever. Biggest positive change for biz using s/w is that it isn't buying a "forever" solution. Reduced friction means customers can and should change productivity tools as needs change. Oppty for your Co to do new things, refresh.

PS/ No need to think of this as "expense account" or Corp credit card. Modern world means ppl spending own money to be stars at work (teachers, soldiers, sales do this already). Marketing, engineering, product, ops will do this as well.