

Anatomy of a Successful Start-Up Launch

The New Economy may be shaking out, not every new technology venture has been an e-commerce dud. Infrastructure companies continue to be hot properties, as evidenced by AppStream, which put a dent in the technology landscape in May 2000 and continues to broaden its bandwidth as a category leader.

In fact, AppStream's debut offers further proof that PR is still the best strategy for putting unknown technology brands on the map ... even when economic times are tight.

In February 2000, AppStream founder Uri Raz hired the San Francisco PR "incubator" LaunchSquad at the suggestion of the VC firm Draper Fisher Jurvetson, which had granted Raz \$6.5 million in initial financing.

Raz and his engineers had a golden egg: they'd developed technology that would speed the delivery of software applications over the Internet by breaking software into pieces and delivering the most frequently used pieces to individual users on an as-needed basis. The ability to stream software in smaller chunks would make application deployment more manageable.

"One study of Netscape, for example, found that 95 percent of all Netscape users use only 3 to 5 percent of the application, yet every [employee's] computer had every Netscape feature loaded on it," says Jason Mandell, LaunchSquad co-founder. "The thinking was, why not deploy only the parts of the application they needed?"

Message Critical

The biggest challenge for the Palo Alto, California-based start-up was nailing down a hard positioning strategy *before* word one was uttered to analysts or the media.

"Our goal wasn't just to enter the marketplace, but to define a whole new space," says Neal Fink, VP of marketing at AppStream. The team faced the burden of treading a well-worn path already muddied by pitchmasters touting less-inspiring tech start-ups to analysts and the media. The not-so-new objectives were to tell the company story in a way that differentiated AppStream from existing competitors, to explain the technology's relevance and to develop relationships with as many reporters and analysts as possible prior to its launch, thereby stimulating coverage out of the gate.

At the suggestion of one of its VC firms, AppStream applied for--and won--distinction in a special "10 to Watch" feature on new technology companies that *Red Herring* was preparing for its May 2000 issue. After learning AppStream had, indeed, been selected as one of *Red Herring's* chosen few--to be unveiled at the Venture

2000 conference in early May--LaunchSquad set a company launch date of May 1 and backloaded the rest of its buzz building strategy.

Mandell and fellow LaunchSquad co-founders Jesse Odell and Jason Throckmorton pored over tech trades and analyst reports to pinpoint journalists and researchers who were covering similar technologies and competitors in the marketplace. They media-trained Raz and Fink, and organized face-to-face meetings in early April with more than 30 carefully cultivated reporters and analysts, including writers at *The Wall Street Journal*, *BusinessWeek*, *Industry Standard*, *Upside*, *Computerworld* and 10 research firms (including Jupiter, Gartner and others).

To keep news from leaking prior to the anticipated launch date, Raz and Fink went into the aforementioned meetings on the condition that the information they shared would remain embargoed until May 1. This included news about AppStream's first round of VC funding (which, by then, was old news to them, but not to the rest of the world). By the time AppStream execs met with journalists, they'd cobbled together a tasty selection of news pegs, including:

- m The introduction of the company for the first time
- m The introduction of breakthrough technology
- m The announcement of \$8 million in funding
- m Analyst references
- m Initial customer commitments from companies such as Korea-based LG Telecom and Computer Associates (which was also an investor)
- m A heads up about *Red Herring's* "10 to Watch" feature (which would inevitably pique the interest of competitive tech magazines).

I Stream, You Stream...

And...? On May 1 (launch date) AppStream was featured in eight stand-alone stories in the trade press, not to mention features in *Red Herring* and *The Wall Street Journal* Interactive edition. Not too shabby for one day of press coverage.

Members of the VC community, in turn, read the coverage and began placing curiosity calls to AppStream. AppStream subsequently raised \$35 million in second-round financing--news that LaunchSquad used, in turn, to pitch an exclusive story that landed in *Forbes.com* in early September. Among the investors in round two: Sun Microsystems and Intel.

As *Forbes'* Dan Ackman wrote, "AppStream has attracted plenty of fans in the venture capital community who want a piece of what one VC calls the next 'must have' technology."

(*AppStream*, 650/251-2500;
LaunchSquad, 415/625-8555.)

CounterIntuition

Neal Fink, VP of marketing at AppStream, says the fact that LaunchSquad itself was a start-up (the agency was founded in January 2000) created a winning agency/client dynamic.

"I've done marketing for other companies and have worked with major international agencies. As a brand new start-up, it's hard to get the attention and the handholding you need from a bigger firm. The fact that LaunchSquad chose as its niche the opportunity to work with early stage companies [boded well] for us. And they understood our technology right away, which was critical," he says.

Interestingly, LaunchSquad itself has become somewhat of a media darling in light of its PR successes and unorthodox approaches. The firm is highly selective about when and where it distributes news and works with only two to four clients at a time, nurturing them onto the tech scene until they become strong enough to be passed off to larger PR firms. In a September profile, editors at *Business 2.0* wrote, "LaunchSquad is to public relations what angel investors are to venture capital."

Launch Statistics

Campaign time frame: February-May 2000 (pre-launch); May 2000 - present (post-launch)

Budget: \$150,000 for first six months (includes agency fees and travel expenses)

Billing model: Flat fee retainer

Key players @ AppStream: Founder Uri Raz and VP marketing Neal Fink

Key players @ LaunchSquad: Co-founders Jason Mandell, Jesse Odell and Jason Throckmorton--all of whom are under age 30 and previously worked for Schwartz Communications.

Other LaunchSquad clients: MedChannel, GadgetSpace, comScore Networks, OneName