

# Kno, Inc. Case Study

## Obligatory Case Study Setting

It was late August 2010. Osman Rashid glanced down at his iPhone and looked back up, brow furrowed. Two of the best interns he had ever had were presenting three weeks of their go-to-market findings. But even despite their help, he knew this upcoming debut wouldn't be simple. He reflected on everything he had done right so far – built an outstanding team from scratch, designed a brand new product to take on the biggest giants of Silicon Valley, and proven naysayers wrong at every milestone; he had promised impossible deadlines, delivered impressive prototypes, and earned the rapt attention of geeks, bloggers, and investors alike, including an overwhelming financial vote of confidence by Marc Andreessen. But as the final months ticked by, the big question loomed ever larger: would the Kno be accepted by the very customers he had sought to help in the first place?

## How Did He First Kno?

Osman had come up with the concept of the Kno years earlier. Prior to founding Kno, he had been the founder of Chegg, a textbook rental company. There, as he laid the ground plans for the rental business, he considered the potential threat of an entry by a technological competitor. At the time, he cast it aside a premature notion, as the technology was not yet ready. He therefore proceeded with his initial plan, knocking out the competition and firmly establishing Chegg as the market leader in textbook rentals.

A few years later, as a respected entrepreneur, he revisited the concept. Apple's iPhone had by now proven the mass market appeal and acceptance of touch screen technologies. Amazon's Kindle had paved the path for online book purchases, as e-book sales were set to surpass sales of physical books (a milestone accomplished in July 2010). Taking a step back and reconsidering the general market, Osman felt that it was time to create the Kno, the first digital book reader aimed for students.

Starting in the late summer of 2010, he gathered a team of trusted friends and capable experts. This was to be an immense endeavor, creating a product involving hardware, software, and even an application store. It required manufacturing in China, a large, outsourced development team in Lahore, Pakistan, and a seasoned design and management team in Silicon Valley. Osman's recent success at Chegg earned him a seed investment from Floodgate Ventures, attracted a software architect who had helped designed the Kindle's technical framework, and

helped recruit operations executives who could, despite the company's small size, help land a contract with Foxconn, one of the most well-known manufacturing companies in China. His trust in and empowerment of user researchers led to the recruitment of a highly experienced team of user experience gurus who had helped deliver the Zing, a critically acclaimed music player ultimately acquired by Dell. Surrounded by a small but well-rounded army of experts inspired by his vision, Osman set forth on one of the most ambitious startup projects in years.

## You Kno You Want It

In the first six months, the young company quickly made a number of critical decisions. First, their reader was to hone in on the college student population. While the high school students might face a greater daily struggle with stacks of burdensome textbooks; and while there was a greater level of standardization in specific subject texts, the fledgling company simply didn't have the time or resources to convince schools one hesitant school board at a time. They needed the capability to directly market to their target users, an opportunity uniquely embodied by college freshmen stretching their financial wings for the first time. Second, the company wanted to truly simulate the experience of reading a textbook. To that end, it was determined that they would not only tackle the technical challenge of creating a dual-screen device to flip open as a book, they would also make the controversial decision of creating two 14-inch screens at a time when the netbook and iPad indicated a consumer trend toward shrinking digital devices.

Throughout the decision-making process, Osman relied obstinately on the power of customer feedback. Even before the development of a functional prototype device, Osman insisted on bringing in college students week after week to support every major decision. For example, three weeks were spent testing students' reading comfort level and knowledge retention with a 14-inch paper prototype as compared to a 12-inch design. One of Osman's key strengths was the ability to remain open-minded and reverse decisions upon presentation of new evidence. As such, almost every decision made by the company was supported by continuous user research and feedback. Despite all the technical hurdles, logistical obstacles, and organizational issues, the team was confident that they had a well-researched product that the public would absolutely love.

## Kno-pe

But Kno's first public unveiling at the D8 conference proved otherwise. The company's demo was well-received critically and even prompted a few "love letters" of admiration from students and instructors worldwide. However, it seemed that bloggers were interested in only two questions: *"Why are the screens so large and heavy?"* and *"How much will it cost?"*. Taking to the streets at Berkeley University in search of early beta users disappointingly yielded the same responses from students. The team was confused. Their original impetus for creating this product and disrupting the market was twofold: *1) Decrease the load on students' backs and 2) Decrease the financial burden of pricy textbooks.* Every product decision was made with those

two motivations in mind. Yet the audience seemed to be questioning the tablet on what should have been its greatest strengths!

What had gone wrong?

## Public Knowledge?

One key consideration to solving this puzzle was how Kno's competition had evolved in the course of the past 12 months. Since the company's birth, the industry had visibly shifted toward larger touchscreen devices. The media was abuzz with rumors of dozens of touchscreen electronics flooding the market in 2010, most prominent of which was the iPad. Aside from this, Windows 7 promoted its built-in support of a touch interface and hardware companies were eager to take advantage of these features. There was also the 5-inch Dell Streak, Barnes & Noble's Nook E-reader, Borders' Kobo E-reader... Consumers were getting bombarded with devices promising overlapping features to the Kno and suddenly the small start-up was having difficulties getting its voice heard. And for better or for worse, the iPad turned out to be a resounding success. Every new touchscreen device was quickly measured up against the iPad. The Kno's relative size made it "bulky" and suddenly its niche of targeting students and education made it something of a luxury item compared to the all-purpose iPad.

In addition to combating these labels and reversing public opinion, Kno had to face more traditional marketing challenges. What demographic among students would it target? Low-budget students looking to cut costs? Tech geeks eager to sport the latest device? Wealthier students looking for a leg up via the new technologies? Through what channels would they sell the device? The neighborhood Best Buy? The University bookstore? Furthermore, as the summer wore on, it became increasingly clear they would not be ready for a public launch at the start of the academic school year. How would they deal with the additional difficulties of a mid-school-year January launch? Finally, at a higher level, how could Osman still rise above the feature fray and sell users on his original vision? At Chegg, there was an easy analogy. Chegg would become the Netflix for textbooks. How could he most clearly define the Kno?

## Kno Rest for the Weary

Osman snapped out of his reverie as the interns began discussing specific strategies they would like to implement on campus. He chuckled. This was good advice, and he always appreciated hearing from his target demographic. But how would he address all the issues now facing him? Through long, sleepless nights in the past six months, he'd addressed his technical risk, his organizational risk, and with his latest round of investments, even covered his financial risk. But could he face his final test and overcome the market risk? As CEO, he had built a reputation over the years for making quick, resolute decisions at critical times. But in this case, how could he Kno?