Crossing the Chasm...

Reference:

Crossing the Chasm
Geoffrey Moore
• Gaps represent transitional difficulty in moving from one group to the next
• Later groups tend to use earlier groups for referrals (except for the Early Majority)
Innovators: Tech Enthusiasts

• Pursue new technology products aggressively
• Their endorsement assures other players; they are the gatekeepers for new technology
• They want
  – Truth- no marketing gloss, just facts
  – Easy access to technologists to discuss problems
  – First to get access to new stuff
  – Everything cheap (price should not be *their* concern)
• You want one close to the *early adopter big boss*
Early Adopters: Visionaries

• Visionaries that match technology to strategic opportunity
• Looking for a fundamental breakthrough for a business goal: order-of-magnitude return
• Least price sensitive segment- a source of capital on early projects
• Easy to sell, hard to please (dream vs. reality)
  - Need to carefully manage expectations
• Project oriented, structure each phase so:
  - It can actually be accomplished quickly
  - Results in a marketable product
  - Provides a concrete return on investment to be celebrated
• They find you through innovator referrals

Reference: Crossing the Chasm. G Moore
Early Majority: Pragmatists

- Goal is to make a % improvement
- Hard to win, loyal once won
- Care about the company they buy from
  - Standardization
  - Support infrastructure
  - Reliability of product and service
- Dilemma: won’t buy until you’re established, but you can’t be until they buy from you

Reference: Crossing the Chasm. G Moore
Late Majority: The Conservatives

• Against discontinuous innovation; believe more in tradition established by Early Majority
• Tend to invest near end of tech lifecycle when product is an extremely mature commodity
  - Buy pre-assembled packages
  - Products dedicated to a single function
  - Heavily discounted pricing
• Opportunity to create a business repackaging low-cost, trailing-edge technology into a single-function system for a specific business need

Reference: Crossing the Chasm. G Moore
Laggards: The Skeptics

- Only buy if new technology is deeply embedded
- Tend to be naysayers that block purchases
  - Marketing program must neutralize them
  - Continually point out the discrepancies between the sales claims and delivered product
The Chasm

- **Pragmatists need referrals from other pragmatists; visionaries alienate them:**
  - Visionaries discount other’s experience; pragmatists value it highly
  - Visionaries define the future; pragmatists worry about today
  - Visionaries build “state-of-the-art” from the ground up; pragmatists want “industry standard”
  - Visionaries quickly move to the next big thing; pragmatists get left cleaning up the mess
Crossing the Chasm

- Long term goal is to enter & take control of a mainstream market dominated by an entrenched competitor
- Need to transition from an early market base to a strategic target market (big fish in small pond)
- Must assemble an invasion force including other products / services / partners focused directly & exclusively on the niche point of attack: the beachhead
- Use beachhead as a reference to pragmatists to attack related market segments on the way to overall market domination

Reference: Crossing the Chasm. G Moore
Choosing the Beachhead

• **Target a specific market niche and focus *all resources* on achieving a dominant leadership position**
  - Segment market by target customers
  - Evaluate each segment’s attractiveness
  - Evaluate finalists for size, competition, distribution, etc
  - Pick one (and only one)! High risk, low data decision

Reference: Crossing the Chasm. G Moore
Target Customer Scenarios

- Develop scenarios for each target customer. Include:
  - End user of product / service
  - Technical buyer
  - Economic buyer
  - Day in the Life (Before)
    - Scene or situation
    - Desired outcome
    - Attempted approach
    - Interfering factors
    - Economic consequences
  - Day in the Life (After)
    - New approach
    - Enabling factors
    - Economic rewards

Brainstorm scenarios for each segment in the mainstream market

Reference: Crossing the Chasm. G Moore
Market Development Strategy Checklist

- **Checklist includes:**
  - Target customer
  - Compelling reason to buy
  - Whole product
  - Partners and allies
  - Distribution
  - Pricing
  - Competition
  - Positioning
  - Next target customer

Evaluate each scenario against the checklist in two stages

Reference: Crossing the Chasm. G Moore
Stage 1: Rate Against Showstopper issues

- **Target customer**
  - Single economic buyer?
  - Accessible to sales channel?
  - Well-funded to buy whole product?

- **Compelling reason to buy**
  - Are the economic consequences sufficient to motivate economic buyer to fix problem in scenario?

- **Whole product**
  - Can we (with the help of allies) field a complete solution to the compelling reason to buy in one quarter & dominate market in one year?

- **Competition**
  - Has this problem already been addressed by another company (never attack a fortified hill- choose the battleground)?

Best scenarios have high scores for compelling reasons to buy, but usually lower scores for whole product.
Stage 2: Rate Remaining Factors for Surviving Scenarios

- **Partners and allies**
  - Do we already have needed relationship in place?

- **Distribution**
  - Do we already have an established sales channel that fulfills the whole product requirements?

- **Positioning**
  - Is the company a credible provider to the target niche?

- **Pricing**
  - Is the whole product price consistent with the customer’s budget and value gained by fixing the broken process?
  - Are all partners sufficiently compensated (including distribution channel)?

- **Next target customer**
  - Will niche’s customers & partners facilitate entry into adjacent niches?
Choosing the Beachhead

- Do not need to select optimal beachhead to be successful in establishing a base of referenced pragmatists
  - But you must pick just one beachhead
- Pick a target segment that matches your size
  - Must dominate (> 50% market share) to get solid referrals
Whole Product Concept

- Generic product is our new technology
- Everything else supports customers in achieving their compelling reason to buy
  - Supplied by you or…
  - Your partners
    * Tactical alliances exist only to accelerate whole product development

### Whole Product Example

- Standards & procedures
- Additional software
- Training & support
- Additional hardware
- Cables
- System integration
- Installation & debugging
- Generic Product

Reference: Crossing the Chasm. G Moore
Whole Product Concept

- Use the diagram to communicate the whole product
- Reduce the whole product to the minimal set
- Review from each participants’ view so all win
- Develop relationships slowly, build credibility
- Work with decision makers at partners
- Use formalized relationships to drive communication only, not cooperation
- Large partners: bottom-up, local district office
- Small partners: top-down, respect limited resources

Reference: Crossing the Chasm. G Moore
Choosing the Battle

- Pragmatists define competition by comparative evaluation of products & vendors within a common category
- Need to define competition when there is no perceived competing products. Use reference beacons:
  - Market alternative
    - How the job’s been getting done
  - Product alternative
    - Acknowledge, but differentiate your product

Reference: Crossing the Chasm. G Moore
Competitive Positioning

Product

- Visionaries
  - Developing Early Markets

- Specialist

- Technology Enthusiasts

Company

- Conservatives
  - Developing Mainstream Markets

- Generalist

- Pragmatist

Technology

Market

Supporters

Skeptics

Reference: Crossing the Chasm. G Moore
Positioning

- The goal is to make your product easier to *buy*
- Approach depends on life cycle position:
  - “Name it & frame it”: minimum positioning required for a technology enthusiast
  - “Who for & what for”: minimum extension for visionary
  - “Competition & differentiation” → pragmatist
  - “Financials & future” → conservative

Reference: Crossing the Chasm. G Moore
Positioning

- **The Claim**
  - Reduce the fundamental position statement to two sentences

- **The Evidence**
  - Sufficient evidence to support claim

- **Communications**
  - Address correct audience in right sequence with right versions of the message

- **Feedback and adjustment**
  - Respond to holes poked in argument by competitors

Reference: *Crossing the Chasm*. G Moore
Value Proposition

- “Elevator test” is a two sentence summary:
  - For [target customers in beachhead segment]
  - Who are dissatisfied with [current market alternative]
  - Our product is a [new product category]
  - Unlike [the product alternative]
  - We have assembled [key whole product features for the specific application]

Reference: Crossing the Chasm. G Moore
Evidence for Positioning

Supporters

Product
- Benchmarks
- Product reviews
- Design wins
- Initial sales volume
- Trade press coverage
- Visionary endorsements

Company
- Revenue and profits
- Strategic partners
- Top tier customers
- Full product line
- Business press coverage
- Financial analyst endorsements

Specialist
- Architecture
- Schematics
- Demos
- Trials
- Tech press coverage
- Guru endorsements

Generalist
- Market share
- Third party support
- Standards certification
- Application proliferation
- Vertical press coverage
- Industry analyst endorsements

Technology

Skeptics

Market

Reference: Crossing the Chasm. G Moore
Competitive Positioning Checklist

- Focus the competition the market segment established by your value proposition
- Create the competition around a reasonable comprehensive set of alternatives to achieving the value proposition
- Manage all communications to reinforce the value proposition (especially 2nd sentence)
- Demonstrate the validity of the competitive claim

Reference: Crossing the Chasm. G Moore
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