

### APPLICABILITY AND DEFINITION OF THE CHASM

Although mainly focused on high-tech industries, this book's content is applicable to all B2B industries introducing discontinuous or disruptive innovations. High-tech industries do so routinely whereas other industries only occasionally.

Disruptive innovations introduce products that require us to change our current mode of behaviour. They demand significant changes by not only the consumer but also the infrastructure of supporting businesses that provide complementary products and services.

The chasm is the deep and dividing gap that separates the early adopters from the early majority in the technology adoption lifecycle. It separates therefore the early market (16% of the total) from the mainstream market (66% of the total). It is by far the most formidable and unforgiving transition in the technology adoption lifecycle.

This is related to the fact that whereas innovators and early adopters appreciate new technologies to a large extent, the early majority is driven by a strong sense of practicality. Any group in technology adoption will have difficulty in accepting a disruptive innovation if it is presented in the same way as it is presented to the group immediately to its left, which poses an opportunity for marketing to lose its momentum. The early adopter expects a radical discontinuity to get a jump on competition, whereas the early majority is looking to minimise the discontinuity with the old ways.

### INNOVATORS - TECHNOLOGY ENTHUSIASTS (EARLY MARKET)

The first people to adopt any new technology are those who appreciate the technology for its own sake. Most often these people are not powerful enough to dictate the buying decisions of others, nor do they represent a significant market in themselves. What they represent instead is a sounding board for product development.

Innovators value the truth without any tricks, access to the most technically knowledgeable support, being let in on a secret and the first to get the new stuff and the lowest possible cost (why not for free?!). Suitable marketing methods for effectively reaching innovators are direct response advertising and direct mail.

### EARLY ADOPTERS - VISIONARIES (EARLY MARKET)

Visionaries are people who have the insight to match up an emerging technology to a strategic opportunity. They are driven by a dream, which involves taking a quantum leap forward in how business is conducted in their industry or by their customers. The core of this dream is a business goal, not a technology goal.

Because they see vast potential for the technology, they are the least price-sensitive of any segment of the technology adoption profile. They typically have significant budgets and are therefore an important source of high-tech development capital. They are also willing to serve as highly visible references.

Visionaries like a project orientation and "productised" deliverables from each phase of the visionary project. They are demanding, impossible to please and expectations must be managed carefully.

### EARLY MAJORITY - PRAGMATISTS (MAINSTREAM MARKET)

Pragmatists represent the bulk of the market volume for any technology product. Their goal is to make an incremental improvement, predictable progress. They keep a low profile, are risk-averse, difficult to win over but loyal once won, often enforcing a company standard. This increases sales volumes and lowers cost of sales dramatically.

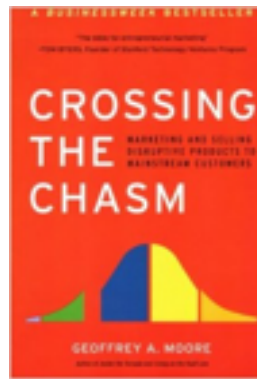
References and relationships are very important and they will not buy from you until you are established. When pragmatists buy, they are planning on living with the decision for a long time to come. Therefore, they care about the company they are buying from, the quality of the product, the infrastructure of supporting products and system interfaces and the reliability of the service.

Pragmatists are price-sensitive, like to see competition get costs down, want to keep the sum total of their supply relationships to a minimum and want to know that third parties will design supporting products around the technology product.

### LATE MAJORITY - CONSERVATIVES (MAINSTREAM MARKET)

Conservatives, in essence, are against discontinuous innovations. They tend to invest only at the end of the technology lifecycle when products are extremely mature and have become commodities that are offered at low prices.

They value preassembled packages, with everything bundled, at a heavily discounted price. Key is to focus on convenience rather than performance, user experience rather than feature sets.



### UNDERSTANDING THE CHASM

The technology adoption model implies a smooth progression across segments over the life of a product, whereas experience teaches just the opposite. The biggest underlying problem is the lack of a customer base that can be referenced at the time of transitioning between adoption segments.

Specifically for the chasm between the early adopters and early majority, there are four characteristics of visionaries that alienate pragmatists:

- (1) they lack respect for their colleagues' experiences;
- (2) they take a greater interest in the technology than their industry;
- (3) they fail to acknowledge the importance of existing product infrastructure;
- (4) they have little self-awareness about the impact of their disruptiveness.

Pragmatists will therefore not easily reference visionaries in their buying decisions. Hence the chasm.

### CROSSING THE CHASM

To enter the mainstream market is an act of aggression. No one wants your presence - you are an invader. The strategy to enter is to replicate D-Day. You concentrate an overwhelmingly superior force on a highly focused target, i.e. a specific niche market where you can dominate from the outset and expand from there onwards.

Most companies fail to cross the chasm because, confronted with the immensity of opportunity presented, they lose their focus, chasing every opportunity that presents itself. The D-Day strategy keeps everyone on point - if we do not take Normandy, we do not have to worry about how we are going to take Paris. You need to become a big fish in a small pond.

The prime goal in crossing the chasm is not to generate as much sales as possible but to secure much-needed references of pragmatist customers. Doing so requires an overabundance of support and the provision of a whole product, i.e. a complete solution.

### CROSSING THE CHASM - POINT OF ATTACK

You want to target a beachhead segment that is:

- (1) big enough to matter;
- (2) small enough to win and dominate;
- (3) a good fit with your crown jewels;
- (4) an entry point into one or more adjacent segments.

Making this choice of target market can only be based on informed intuition, considering the sheer lack of hard data. This uses target customer characterisation to generate "images" of different types of customers and applications for the product.

These characterisations can be brought to life using scenarios in which a day in the life before and after use of the new product are described in scenes with desired outcome, current and new approach, factors that interfere or enable and economic consequences.

Scenarios can then be evaluated, refined and purged using a checklist that rates (1-5) each scenario for showstopper issues and other factors. Low scores on any of the showstopper issues eliminates the scenario from further consideration as a beachhead segment. Scenarios that pass the first cut are rated against the remaining factors and rank ordered by score. Finally, the team will discuss the highest ranking scenarios until one segment is chosen.

The showstopper issues, for which low scores cannot usually be overcome, include:

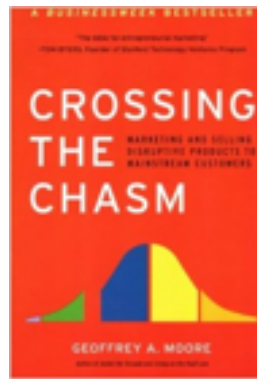
- (1) Target customer: is there a single, identifiable economic buyer for this offer that is readily accessible through our chosen sales channel and sufficiently funded to pay for the whole product price
- (2) Compelling reason to buy: are the economic consequences sufficient to make the buyer anxious to fix the problem
- (3) Whole product: can we field a complete solution to the target customer's compelling reason to buy in the next three months
- (4) Competition: has this problem already been addressed by another company such that they have crossed the chasm ahead of us and occupied the space we would be targeting

Other evaluation factors, for which low scores can usually be overcome, include:

- (1) Partners and allies: readily available relationships
- (2) Distribution: readily available sales and distribution channel
- (3) Pricing: product price in line with budget and value generated
- (4) Positioning: company credible to the target niche
- (5) Next target customer: does the niche have bowling pin potential

To become the de facto standard in the niche, you need to win at least half of the new orders in the segment over the next year.





### CROSSING THE CHASM - INVASION FORCE

In order to secure the dominant position in the niche you need to provide a whole product and organise the market place. The whole product consists of what is shipped in the box and its augmentations through ancillary products. The latter gain importance in the mainstream market as customers are not willing to piece together the whole product themselves.

In order to cross the chasm the focus should be on the commitment to a product that enables the target customer to fulfill their compelling reason to buy. This may include any additional hard-/software, training and support, change management, installation and integration.

Providing the whole product may require tactical alliances with equally matched peers. The sole purpose of which should be to accelerate the formation of a whole product infrastructure within a target market segment in support of a segment-specific compelling reason to buy. The basic commitment is to co-deliver a whole product and market it cooperatively. Pragmatists will look to the number and quality of partners to judge your leadership.

### CROSSING THE CHASM - DEFINING THE BATTLE

Any force can defeat any other force if it can define the battle, i.e. the set of competitive criteria for winning.

Pragmatists loath to buy until they can compare. In the pragmatist's domain competition is defined by comparative evaluations of products and vendors within a common category. This often means you have to create your competition, which involves using two competitors as beacons so that the market can locate your company's unique value proposition:

- (1) Market alternative: vendor that the target customer has been buying from for years, which can be used to address a stubbornly problematic limitation in the traditional offer;
- (2) Product alternative: company that is also harassing the same disruptive innovation as we are (or close to it), which can be used to give credibility; we should show our differentiation by virtue of our segment-specific focus.

This is related to positioning, which exists in people's heads and is the single largest influence on the buying decision. The goal of positioning is to create a space inside the target customer's head called "best buy for this type of situation". Positioning consists of four key components:

- (1) Claim: claim of indisputable market leadership in target segment
- (2) Evidence: present sufficient evidence to support the claim
- (3) Communications: identify and address the right audience
- (4) Feedback: gather and process market response to claim made

The claim can best be developed by using the following template:

- For (target customers in beachhead segment only)
- Who are dissatisfied with (current market alternative)
- Our product is a (product category)
- That provides (compelling reason to buy)
- Unlike (product alternative)
- We have assembled (key whole product features)

### CROSSING THE CHASM - LAUNCHING THE INVASION

The number one priority when crossing the chasm is to secure a distribution channel into the mainstream market with which the target customer will be comfortable. The number one concern of pricing is not to satisfy the customer but to motivate the channel. Set pricing at the market leader price point (pragmatists expect to pay a price premium for market leaders) and allow a disproportionately high reward for the channel, which may be phased out as the product becomes established in the mainstream.

Preferred distribution channels for:

- Enterprise executives: direct sales approach, consultative selling, relationship marketing, professional services team;
- Endusers: transactional sales, web-based self-service, promotional marketing, free offer, avoid personal contact;
- Departmental managers: web-based direct-touch marketing, sales and service, human sales person;
- Engineers: traditional two-tier distribution, web, independent manufacturers' representatives;
- Small business owners: local value added resellers.

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