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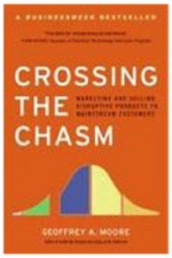

YOUR KINDLE NOTES FOR:

Crossing the Chasm: Marketing and Selling High-Tech Products to Mainstream Customers (Collins Business Essentials)

by Geoffrey A. Moore, Regis McKenna

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94 Highlights | 1 Note

Highlight (Yellow) | Location 68

> it’s the Technology Adoption Life Cycle, after all. Thus it is spreadsheets, not VisiCalc, Lotus, or Excel, that is the adoption category, just as it is browsers, not Navigator or Explorer. In the early days products and categories were synonymous because technologies were on their first cycles.

Highlight (Yellow) | Location 111

> The chasm represents the gulf between two distinct marketplaces for technology products—the first, an early market dominated by early adopters and insiders who are quick to appreciate the nature and benefits of the new development, and the second a mainstream market representing “the rest of us,” people who want the benefits of new technology but who do not want to “experience” it in all its gory details. The transition between these two markets is anything but smooth.

Highlight (Yellow) | Location 122

> marketing must refocus away from selling product and toward creating relationship. Relationship buffers the shock of change. To be sure, the specific product or service provided remains the fundamental basis for economic exchange, but it must not be treated as the main event. There is simply too much change in this domain for anyone to tolerate over the long haul. Instead, we must direct our attention toward creating and maintaining an ongoing customer relationship, so that as things change and stir in our immediate field of activity, we can look up over the smoke and dust and see an abiding partner, willing to cooperate and adjust with us as we take on our day-to-day challenges. Marketing’s first deliverable is that partnership.

Highlight (Yellow) and Note | Location 224

> the point of greatest peril in the development of a high-tech market lies in making the transition from an early market dominated by a few visionary customers to a mainstream market dominated by a large block of customers who are predominantly pragmatists in orientation. The gap between these two markets, heretofore ignored, is in fact so significant as to warrant being called a chasm, and crossing this chasm must be the primary focus of any long-term high-tech marketing plan.

Art

Highlight (Yellow) | Location 253

> most important lessons about crossing the chasm is that the task ultimately requires achieving an unusual degree of company unity during the crossing period. This is a time when one should forgo the quest for eccentric marketing genius, in favor of achieving an informed consensus among mere mortals. It is a time not for dashing and expensive gestures but rather for careful plans and cautiously rationed resources—a time not to gamble all on some brilliant coup but rather to focus everyone on making as few mistakes as possible.

Highlight (Yellow) | Location 279

> change-sensitive products are called discontinuous innovations.

Highlight (Yellow) | Location 343

> companies must use each "captured" group as a reference base for going on to market to the next group. Thus, the endorsement of innovators becomes an important tool for developing a credible pitch to the early adopters, that of the early adopters to the early majority, and so on.

Highlight (Yellow) | Location 392

> Each of these gaps represents an opportunity for marketing to lose momentum, to miss the transition to the next segment, thereby never to gain the promised land of profit-margin leadership in the middle of the bell curve.

Highlight (Yellow) | Location 412

> early adopters. As we shall see in the next chapter, the key to winning over this segment is to show that the new technology enables some strategic leap forward, something never before possible, which has an intrinsic value and appeal to the nontechnologist. This benefit is typically symbolized by a single, compelling application, the one thing that best captures the power and value of the new product. If the marketing effort is unable to find that compelling application, then market development stalls with the innovators, and the future of the product falls through the crack.

Highlight (Yellow) | Location 444

> early adopters expect to get a jump on the competition, whether from lower product costs, faster time to market, more complete customer service, or some other comparable business advantage.

Highlight (Yellow) | Location 448

> the early majority want to buy a productivity improvement for existing operations. They are looking to minimize the discontinuity with the old ways. They want evolution, not revolution. They want technology to enhance, not overthrow, the established ways of doing business.

Highlight (Yellow) | Location 453

early adopters do not make good references for the early majority. And because of the early majority's concern not to disrupt their organizations, good references are critical to their buying decisions. So what we have here is a catch-22. The only suitable reference for an early majority customer, it turns out, is another member of the early majority, but no upstanding member of the early majority will buy without first having consulted with several suitable references.

Highlight (Yellow) | Location 571

who reference each other when making a buying decision. People intuitively understand every part of this definition except the last. Unfortunately, getting the last part—the notion that part of what defines a high-tech market is the tendency of its members to reference each other when making buying decisions—is absolutely key to successful high-tech marketing.

Highlight (Yellow) | Location 591

no meaningful marketing program can be implemented across a set of customers who do not reference each other.

Highlight (Yellow) | Location 673

visionaries tend to be recent entrants to the executive ranks, highly motivated, and driven by a "dream." The core of the dream is a business goal, not a technology goal, and it involves taking a quantum leap forward in how business is conducted in their industry or by their customers. It also involves a high degree of personal recognition and reward. Understand their dream, and you will understand how to market to them.

Highlight (Yellow) | Location 683

Visionaries are not looking for an improvement; they are looking for a fundamental breakthrough. Technology

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Highlight (Yellow) | Location 698

visionaries are also effective at alerting the business community to pertinent technology advances. Outgoing and ambitious as a group, they are usually more than willing to serve as highly visible references,

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Highlight (Yellow) | Location 721

visionaries is that they are in a hurry. They see the future in terms of windows of opportunity, and they see those windows closing.

Highlight (Yellow) | Location 725

goal should be to package each of the phases such that each phase 1. is accomplishable by mere mortals working in earth time 2. provides the vendor with a marketable product 3. provides the customer with a concrete return on investment that can be celebrated as a major step forward. The last point is crucial. Getting closure with visionaries is next to impossible. Expectations derived from dreams simply cannot be met.

Highlight (Yellow) | Location 734

Because controlling expectations is so crucial, the only practical way to do business with visionaries is through a small, top-level direct sales force.

Highlight (Yellow) | Location 768

winning at marketing more often than not means being the biggest fish in the pond. If we are very small, then we must search out a very small pond indeed.

Highlight (Yellow) | Location 769

To qualify as a “real pond,” as we also noted before, its members must be aware of themselves as a group, that is, it must constitute a self-referencing market segment, so that when we establish a leadership position with some of its members, they will get the word out—quickly and economically—to the rest.

Highlight (Yellow) | Location 829

if the goal of visionaries is to take a quantum leap forward, the goal of pragmatists is to make a percentage improvement—incremental, measurable, predictable progress. If they are installing a new product, they want to know how other people have fared with

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Highlight (Yellow) | Location 837

If pragmatists are hard to win over, they are loyal once won, often enforcing a company standard that requires the purchase of your product, and only your product, for a given requirement.

Highlight (Yellow) | Location 847

When pragmatists buy, they care about the company they are buying from, the quality of the product they are buying, the infrastructure of supporting products and system interfaces, and the reliability of the service they are going to get. In other words, they are planning on living with this decision personally for a long time to come.

Highlight (Yellow) | Location 864

the path into the pragmatist community is smoother if a smaller entrepreneurial vendor can develop an alliance with one of the already accepted vendors or if it can establish a value-added-reseller (VAR) sales base.

Highlight (Yellow) | Location 871

Pragmatists want to buy from proven market leaders because they know that third parties will design supporting products around a market-leading product. That is, market-leading products create an aftermarket that other vendors service.

Highlight (Yellow) | Location 879

> to market to pragmatists, you must be patient. You need to be conversant with the issues that dominate their particular business. You need to show up at the industry-specific conferences and trade shows they attend. You need to be mentioned in articles that run in the magazines they read. You need to be installed in other companies in their industry. You need to have developed applications for your product that are specific to the industry. You need to have partnerships and alliances with the other vendors who serve their industry. You need to have earned a reputation for quality and service. In short, you need to make yourself over into the obvious supplier of choice.

Highlight (Yellow) | Location 992

> The key point here is that mainstream customers truly abhor discontinuous innovations.

Highlight (Yellow) | Location 1110

> Failing to recognize the importance of existing product infrastructure.

Highlight (Yellow) | Location 1122

> Visionaries, successful or not, don't plan to stick around long. They see themselves on a fast track that has them leapfrogging up the corporate ladder and across corporations. Pragmatists, on the other hand, tend to be committed long term to their profession and the company at which they work. They are very cautious about grandiose schemes because they know they will have to live with the results.

Highlight (Yellow) | Location 1126

> This situation can be further complicated if the high-tech company, fresh from its marketing successes with visionaries, neglects to change its sales pitch.

Highlight (Yellow) | Location 1182

> our product to wrest the mainstream market from this competitor, we must assemble an invasion force comprising other products and companies (the Allies).

Highlight (Yellow) | Location 1189

> Cross the chasm by targeting a very specific niche market where you can dominate from the outset, force your competitors out of that market niche, and then use it as a base for broader operations. Concentrate an overwhelmingly superior force on a highly focused target. It worked in 1944 for the Allies, and it has worked since for any number of high-tech companies.

Highlight (Yellow) | Location 1193

> focusing an overabundance of support into a confined market niche. By simplifying the initial challenge, the enterprise can efficiently develop a solid base of references, collateral, and internal procedures and

> documentation by virtue of a restricted set of market variables. The efficiency of the marketing process, at this point, is a function of the "boundedness" of the market segment being addressed. The more tightly bound it is, the easier it is to create and introduce messages into it, and the faster these messages travel by word of mouth.

Highlight (Yellow) | Location 1208

> although widely acknowledged in theory, it is rarely put into practice.

Highlight (Yellow) | Location 1212

> Trying to cross the chasm without taking a niche market approach is like trying to light a fire without kindling.

Highlight (Yellow) | Location 1224

> the true answer being much simpler: We do not have, nor are we willing to adopt, any discipline that would ever require us to stop pursuing any sale at any time for any reason. We are, in other words, not a market-driven company; we are a sales-driven company.

Highlight (Yellow) | Location 1228

> The consequences of being sales-driven during the chasm period are, to put it simply, fatal. Here's why: The sole goal of the company during this stage of market development must be to secure a beachhead in a mainstream market—that is, to create a pragmatist customer base that is referenceable, people who can, in turn, provide us access to other mainstream prospects.

Highlight (Yellow) | Location 1270

> if we want market leadership early on—and we do, since we know pragmatists tend to buy from market leaders, and our number one marketing goal is to achieve a pragmatist installed base that can be referenced—the only right strategy is to take a "big fish, small pond" approach.

Highlight (Yellow) | Location 1281

> it is critical that, when crossing the chasm, you focus exclusively on achieving a dominant position in one or two narrowly bounded market segments. If you do not commit fully to this goal, the odds are overwhelmingly against your ever arriving in the mainstream market.

Highlight (Yellow) | Location 1342

> because of the dynamics of technology adoption, and not because of any niche properties in the product itself, platforms must take a vertical market approach to crossing the chasm even though it seems unnatural. The good news for them is that, later on, when a mass market emerges, it is much easier for the platform vendor to take advantage of the opportunity.

Highlight (Yellow) | Location 1408

It is normally the departmental function who leads (they have the problem), the executive function who prioritizes (the problem is causing enterprise-wide grief), and the technical function that follows (they have to make the new stuff work while still maintaining all the old stuff).

Highlight (Yellow) | Location 1526

disruptive innovations are more likely to be championed by end users than by the technology professionals that operate the current infrastructure.

Highlight (Yellow) | Location 1532

To accelerate the adoption of platforms, then, vendors must clothe them in applications clothing. That is, they must tie them directly to an application in order to gain the end-user sponsorship necessary to secure a beachhead.

Highlight (Yellow) | Location 1636

most crossing-the-chasm marketing segmentation efforts get into trouble is at the beginning, when they focus on a target market or target segment instead of on a target customer.

Highlight (Yellow) | Location 1678

Almost all successful crossings happen in business markets, where the economic and technical resources can absorb the challenges of an immature product and service offering.

Highlight (Yellow) | Location 1714

take the same situation, and the same desired outcome, but to replay the scenario with the new technology in place.

Highlight (Yellow) | Location 1744

issues around which go-to-market plans are built, each of which incorporates a chasm-crossing factor, as follows: • Target customer • Compelling reason to buy • Whole product • Partners and allies • Distribution • Pricing • Competition • Positioning • Next target customer Processing

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Highlight (Yellow) | Location 1843

the rule of thumb in crossing the chasm is simple: Pick on somebody your own size. If you find the target segment is too big, subsegment it.

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Highlight (Yellow) | Location 1905

> There is a gap between the marketing promise made to the customer—the compelling value proposition—and the ability of the shipped product to fulfill that promise. For that gap to be overcome, the product must be augmented by a variety of services and ancillary products to become the whole product.

Highlight (Yellow) | Location 1954

> Pragmatists evaluate and buy whole products. The generic product, the product you ship, is a key part of the whole product, make no mistake. But once there are more than one or two comparable products in the marketplace, then investing in additional R&D at the generic level has a decreasing return, whereas there is an increasing return from marketing investments at the levels of the expected, the augmented, or the potential product. How to determine where to target these investments is the role of whole product planning.

Highlight (Yellow) | Location 2042

> by thinking through your customer’s problems—and solutions—in their entirety, you can define-and work to ensure that the customer gets—the whole product.

Highlight (Yellow) | Location 2047

> while you are crossing the chasm, there is no hope of any external support that is not specifically recruited by you for this purpose.

Highlight (Yellow) | Location 2205

> Tactical alliances have one and only one purpose: to accelerate the formation of whole product infrastructure within a specific target market segment.

Highlight (Yellow) | Location 2287

> Develop the whole product relationships slowly, working from existing instances of cooperation toward a more formalized program.

Highlight (Yellow) | Location 2290

> With large partners, try to work from the bottom up; with small ones, from the top down. The goal in either case is to work as close as possible to where decisions that affect the customer actually get made.

Highlight (Yellow) | Location 2307

> The fundamental rule of engagement is that any force can defeat any other force—if it can define the battle.

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Highlight (Yellow) | Location 2312

> one of the key things a pragmatist customer wants to see is strong competition. If you are fresh from developing a new value proposition with visionaries, that competition is not likely to exist—at least not in a form that a pragmatist would appreciate. What you have to do then is create it.

Highlight (Yellow) | Location 2317

> where there is no competition, there is no market.

Highlight (Yellow) | Location 2329

> In the pragmatist's domain, competition is defined by comparative evaluations of products and vendors within a common category.

Highlight (Yellow) | Location 2334

> Pragmatist buyers do not like to buy until there is both established competition and an established leader, for that is a signal that the market has matured sufficiently to support a reasonable whole product infrastructure around an identified centerpiece.

Highlight (Yellow) | Location 2364

> In the mainstream, where decisions are dominated by pragmatists and conservatives, the key domains are market and company. Crossing

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Highlight (Yellow) | Location 2366

> The Competitive-Positioning Compass illustrates these dynamics:

Highlight (Yellow) | Location 2391

> You develop an early market by demonstrating a strong technology advantage and converting it to product credibility, and you develop a mainstream market by demonstrating a market leadership advantage and converting it to company credibility.

Highlight (Yellow) | Location 2393

> By contrast, the "chasm transition" represents an unnatural rhythm. Crossing the chasm requires moving from an environment of support among the visionaries back into one of skepticism among the pragmatists.

Highlight (Yellow) | Location 2417

> Creating the competition involves using two competitors as beacons so that the market can locate your company's unique value proposition. The first of these two competitors we will call the market alternative. This

> is a company that the target customer has been buying from for years. The problem they address is the one we will address, and the budget that is allocated to them represents the money we as a the new entrant are going to preempt. To earn the right to this budget, we are going to use a discontinuous product innovation to address a problematic limitation in the traditional offer. The second reference competitor we will call the product alternative. This is a company that has also harnessed a discontinuous innovation—perhaps, but not necessarily, the same one we have—and is positioning itself like us as a technology leader. Their very existence gives credibility to the notion that now is the time to embrace a discontinuity. Our intent here is to acknowledge their technology but to differentiate from them by virtue of our own niche market focus.

Highlight (Yellow) | Location 2442

> your market alternative helps people identify your target customer (what you have in common) and your compelling reason to buy (where you differentiate). Similarly, your product alternative helps people appreciate your technology leverage (what you have in common) and your niche commitment (where you differentiate). Thus you create the two beacons that triangulate to teach the market your positioning.

Highlight (Yellow) | Location 2538

> one of the challenges that a start-up like Diffusion faces is that customers have no budget set aside for purchasing the new offer because they didn’t even know the category existed, much less the company or the product. Here again choosing the right market alternative is key. Basically, you are choosing the budget upon which you intend to poach.

Highlight (Yellow) | Location 2585

> If you try out this exercise of choosing the competition, and have trouble finding a single, clear market alternative, this is a clue. It means that you are not ready to cross the chasm. Chasm-crossing requires a single target beachhead segment, and in that segment, there needs to exist already the budget dollars to buy your offer. To be sure, the budget will be “misnamed,” because it will be allocated to some brain-dead, ineffective Band-Aid approach to solving what has become a broken, mission-critical process. But it must exist, or else you will lose a full year just in educating the market to put aside money that might be used to buy your product in the following year.

Highlight (Yellow) | Location 2599

> market alternatives call out the budget and thus the market category, and product alternatives call out the differentiation.

Highlight (Yellow) | Location 2604

> Positioning, first and foremost, is a noun, not a verb. That is, it is best understood as an attribute associated with a company or a product, and not as the marketing contortions that people go through to set up that association.

Highlight (Yellow) | Location 2607

> Positioning is the single largest influence on the buying decision. It serves as a kind of buyers' shorthand, shaping not only their final choice but even the way they evaluate alternatives leading up to that choice. In other words, evaluations are often simply rationalizations of preestablished positioning.

Highlight (Yellow) | Location 2609

> Positioning exists in people's heads, not in your words. If you want to talk intelligently about positioning, you must frame a position in words that are likely to actually exist in other people's heads, and not in words that come straight out of hot advertising copy.

Highlight (Yellow) | Location 2612

> People are highly conservative about entertaining changes in positioning. This is just another way of saying that people do not like you messing with the stuff that is inside their heads. In general, the most effective positioning strategies are the ones that demand the least amount of change.

Highlight (Yellow) | Location 2616

> When most people think of positioning in this way, they are thinking about how to make their products easier to sell. But the correct goal is to make them easier to buy.

Highlight (Yellow) | Location 2623

> Most people resist selling but enjoy buying. By focusing on making a product easy to buy, you are focusing on what the customers really want. In turn, they will sense this and reward you with their purchases. Thus, easy to buy becomes easy to sell. The goal of positioning, therefore, is to create a space inside the target customer's head called "best buy for this type of situation" and to attain sole, undisputed occupancy of that space. Only then, when the green light is on, and there is no remaining competing alternative, is a product easy to buy.

Highlight (Yellow) | Location 2631

> Name it and frame it. Potential customers cannot buy what they cannot name, nor can they seek out the product unless they know what category to look under.

Highlight (Yellow) | Location 2647

> Who for and what for. Customers will not buy something until they know who is going to use it and for what purpose. This is the minimum extension to positioning needed to make the product easy to buy for the visionary.

Highlight (Yellow) | Location 2653

> Competition and differentiation. Customers cannot know what to expect or what to pay for a product until they can place it in some sort of comparative context. This is the minimum extension to positioning needed to make a product easy to buy for a programatist.

Highlight (Yellow) | Location 2668

> The claim. The key here is to reduce the fundamental position statement—a claim of undisputable market leadership within a given target market segment—to a two-sentence format outlined later in this chapter. 2. The evidence. The claim to undisputed leadership is meaningless if it can, in fact, be disputed. The key here is to develop sufficient evidence as to make any such disputation unreasonable. 3. Communications. Armed with claim and evidence, the goal here is to identify and address the right audiences in the right sequence with the right versions of the message. 4. Feedback and adjustment. Just as football coaches have to make half-time adjustments to their game plans, so do marketers, once the positioning has been exposed to the competition. Competitors can be expected to poke holes in the initial effort, and

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Highlight (Yellow) | Location 2698

> define your position based on the target segment you intend to dominate and the value proposition you intend to dominate it with.

Highlight (Yellow) | Location 2703

> For (target customers—beachhead segment only) • Who are dissatisfied with (the current market alternative) • Our product is a (new product category) • That provides (key problem-solving capability). • Unlike (the product alternative), • We have assembled (key whole product features for your specific application).

Highlight (Yellow) | Location 2734

> the goal of positioning is to create and occupy a space inside the target customers' head.

Highlight (Yellow) | Location 2752

> Positioning is not about hype. It is about clear and precise direction.

Highlight (Yellow) | Location 2753

> The statement of position is not the tag line for the ad. Ad agencies come up with tag lines, not marketing groups. The function of the statement of position is to control the ad campaign, to ensure that however "creative" it may become, it stays on strategy. If the point of the ad is not identical with the point of the claim, then it is the ad, not the claim, that must be changed—regardless of how great the ad is.

Highlight (Yellow) | Location 2769

> to the pragmatist buyer, the most powerful evidence of leadership and likelihood of competitive victory is market share. In the absence of definitive numbers here, pragmatists will look to the quality and number of partners and allies you have assembled in your camp, and their degree of demonstrable commitment to your cause. The kind of evidence this buyer is looking for is signs of comarketing, such as joint sales calls and cross-

> referencing each other's products in sales literature, and consistent mutual support even when the other party is not present in the room.

Highlight (Yellow) | Location 2803

> sponsor a conference on the core issue that is driving the development of this market. The key objective in either case is to communicate the bandwagon effect in progress.

Highlight (Yellow) | Location 2823

> Correctly framed, these sessions put the customer, rather than the vendor or the vendor's product, at the center of things.

Highlight (Yellow) | Location 2856

> during the chasm period, the number-one concern of pricing is not to satisfy the customer or to satisfy the investors, but to motivate the channel.

Highlight (Yellow) | Location 2972

> Do we have a partner or ally who already has a relationship with our target customer and who can help open the door from the inside? Without that sort of leverage, a direct sales force, particularly in its first year of existence, can be very expensive indeed, as you can end up paying very high wages to people who are essentially spending most of their time doing low grade prospecting—and resenting every minute of it.

Highlight (Yellow) | Location 3265

> Set pricing at the market leader price point, thereby reinforcing your claims to market leadership (or at least not undercutting them), and build a disproportionately high reward for the channel into the price margin, a reward that will be phased out as the product becomes truly established in the mainstream, and competition for the right to distribute it increases.

Highlight (Yellow) | Location 3516

> To leave the chasm behind, to cross it and not fall back into it, involves a transformation in the enterprise that few individuals can span. It is the move from being pioneers to becoming settlers.

Highlight (Yellow) | Location 3583

> The key here is to remember that pragmatists are not interested in hearing about who you have sold to but rather who has a fully implemented system.
