CHAPTER THREE

Breaking into the Mainstream

HOW TO MOVE FROM EARLY SUCCESS TO MAINSTREAM MARKET LEADERSHIP

By Geoff Moore, Geoffrey Moore Consulting

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It was a Wednesday afternoon, and I was hard at work. My feet were up on my desk, a cup of coffee resting comfortably on my stomach, my eyes focused somewhere between my desk and the door. I was just about to have a flash of marketing insight—you get to where you can feel one coming, sort of like a migraine, only different—when the phone rang.

"Hello, Geoff?"

Drat. It was him again. The same guy who’d called up a couple of months ago to find out how to position his product with the elevator test. That’s what you get, I thought, for answering your own phone.

"Say, Geoff, I understand you got a new book out, something called Crossing the Chasm," he said, pronouncing the ch as in churl instead of as in charisma. "I think maybe we are in the chasm, and I can’t wait around to read the book. Just give me a few pointers—you know, like last time."

From past experience, I knew I wasn’t going to shake this guy, so I reluctantly put my feet back on the floor.

DEFINING THE CHASM

The basic idea, I explained, is that high-tech markets do not develop in a continuous fashion. Specifically, when you factor in the time element, they do not follow the bell-shaped curve predicted by the traditional technology adoption life cycle curve (see Figure 3-1).
Instead, they develop in the following phases (see Figure 3-2):

**Phase 1: The Early Market**

The bulk of customers in this phase are technology enthusiasts and visionaries, the two customer types that populate the very front end of the technology adoption life cycle. The former get involved with high-tech products early on simply because they love technology and like to play with the latest and greatest toys. The latter, the visionaries, get involved early because they want to revolutionize some aspect of their business to gain a dramatic competitive advantage. Both these groups, in other words, see an advantage to being the first to adopt a new product.
Phase 2: The Chasm

This is a "nonmarket" phase, during which there are really no natural customers for your high-tech product. It is as if the front part of the life cycle has broken off from the rest of the curve; this phase represents the gulf separating the two.

During this time, the product has by now been on the market long enough for technology enthusiasts and visionaries to have heard about it and, if they are interested, to have bought it. But the product is not yet established as a "safe" buy; it has not, in other words, secured a market leadership position in any particular segment of the market. From the point of view of a pragmatist or a conservative, it is simply too soon to take a chance on the purchase. As a result, during the chasm phase, sales dip precipitously—often just at the point where you have promised your investors a surge in revenue.

Phase 3: The Mainstream Market

This is the phase of market development in which all high-tech wealth is generated. It is represented by the bell part of the life cycle curve. The primary customers now driving sales are the pragmatists. Later on, if the company stays in the market and continues to support its product, it will sell more and more to conservatives.

Pragmatists use technology products to improve productivity in a nondisruptive way. They prefer to go with the leading product, because it is one they'll be able to live with for a while and because market-leading products tend to attract third-party support, thereby augmenting the value of the product at no cost to the customer. Winning acceptance among pragmatists is what causes the dramatic acceleration in revenues that characterizes the most successful high-tech products.

The conservatives who follow in the adoption cycle are looking to get by with the safest, cheapest technology they can find. Fundamentally, they are afraid of technology purchases—afraid they will choose the wrong thing, afraid they won't be able to make it work right, afraid they will break it or just make themselves look stupid trying to use it; so they will choose only a fully proven, absolutely bulletproof solution—and even then will worry about it. Finally, because they delay their purchases until the back end of the product's life cycle, conservatives also expect—and get—low prices.

During the mainstream phase, the product has been accepted as an established part of the high-tech landscape and usually is the leader in at least one market segment. (Products that are not leaders—that are simply third, fourth, or fifth in the market—typically get "shaken out" over time; they are eventually acquired by the market leader or go out of business.)
"So how can I tell if we are in the chasm?" my caller asked. I asked him to tell me about his product.

"How about if I give you my elevator test positioning statement?" he asked. [Editor's note: For more information about what the "elevator test" is and how to use it, see Chapter 2, "Positioning Your Product Using the 'Elevator Test': How to Nail It in 14 Floors—or Less."] The guy knew how to go after my soft spot.

"Here goes: For market researchers and marketing executives who use census data to target prospective customers, Infomagic is a CD-ROM database and data-retrieval tool for the Macintosh that puts this information at your fingertips. Unlike on-line census information databases, Infomagic is usable by anyone in the marketing organization and does not generate expensive phone-access charges." (For budding entrepreneurs in the information business, Infomagic is not the real product name; if it passes the trademark test, it's yours.) "How was that?" he asked.

Pretty good, I had to admit.

"So am I in the chasm?"

Well, I asked, how are sales? Not as good as he was hoping. Why not? "Well," he explained, "at first they took off like a rocket. We even had back orders for a while. But lately they are going nowhere."

How come? All kinds of reasons, he complained. "First of all, not that many people have CD-ROM drives for their Macintosh computers yet. And second, a lot of people think that market analysis is just for specialists. Furthermore, the distribution channel doesn't want to carry the product because it is too specialized. But when we give it to VARs, they try to make the distribution too complicated. For a while we were successful with a money-back free trial, but now even the response to that offer has dried up," he said.

"It definitely sounds as if you are in the chasm," I said. "That free-trial offer is a great tactic when your product is in the early market phase, but mainstream pragmatists aren't worried as much about the cost of purchase as the cost of ownership. They simply don't like to be the first people to experiment with new things."

"Help me out here," he said. "Who isn't in the chasm?"

Who's In, Who's Out

As with everything else, I told him, it is often a matter of opinion, but let me give you some of my picks for 1992.

Early Market:

- any QuickTime product
- any pen-based product
- any kind of collaborative application

Chasm:
- any user programming product
- any kind of scheduling or calendaring groupware
- any CD-ROM–based product

Mainstream (just arrived):
- fax-based products
- remote E-mail products
- any product especially suited to Macintosh PowerBooks

Editor’s note: This chapter was written in 1992. Here are Geoff’s picks for 1993: Early Market: any QuickTime product, pen-based product, and wireless computing (communications) product. Chasm: any user programming product, scheduling or calendaring groupware; and natural language. Mainstream: CD-ROM–based products, fax-based products, and remote E-mail products.

“You just make this stuff up or what? What’s the idea here?” he asked.

Articulate chap, I thought. Actually, I explained, the key difference that determines whether a product has made it into the mainstream is the existence of the “whole product.”

THE “WHOLE PRODUCT” CONCEPT

I continued my explanation: The whole product is the complete solution, the entire set of products and services needed by users to achieve the value proposition promised by the product you are selling. Pragmatists evaluate products based on whether the whole product is a proven solution and one that is readily available. Until it is, they won’t buy.

In the case of new entrants to the mainstream—fax, remote E-mail, PowerBook software—all have been enabled by the emergence of the PowerBook as a suitable Macintosh portable. This was the last piece of the solution that was necessary, since other PC laptops had already established the need for, and had driven the adoption of, such things as support for data and fax modems and the installation of remotely accessible E-mail packages.

The reason why QuickTime and pen-based products are still in the early market phase is that the whole product is nowhere near ready for “prime time.” Only people who have either the skill (technology enthusiasts) or the
immediate goal is just to gain a beachhead on the continent. So you direct all
your forces solely to that end.

"I've never been to Normandy." My caller was nothing if not literal.
The key to getting out of the chasm, I began again, is to target one specific
segment in the mainstream and focus all your efforts on accelerating the formation
of a whole product and affecting a paradigm shift just for that one segment. The
idea is to achieve a visible market-leadership position within that segment—
proven acceptance by at least one group of pragmatists—and then use that beach-
head as a basis for moving into related "adjacent" segments of pragmatist customers.

"Wait a minute, wait a minute. Our product is truly horizontal. It works
across many different vertical segments. Why should we narrow it to just one?"
The problem, I explained, is that although all the segments may share
common needs, each also has its own unique ones. In the case of Infomagic,
this might be special data sets, or special metrics for different industries, or
some industry-specific database that most customers merge with their other
data, or simply a vocabulary unique to that industry. Accelerating the whole
product typically involves doing some custom work to ensure that these
pieces all fit together correctly. Most developers simply do not have enough
resources to accelerate the formation of multiple whole products at the same
time, so they should choose just one.

"Well, it's true that a lot of the fast-food people wanted us to interface to a
Geographic Information System mapping program to help with their site-
location planning, and the recording industry was looking for additional data
about dependents under the age of 18, and the snack-food people needed to
correlate data with their scanner-output records. I see what you mean. But
how do I pick which segment to focus on?"

SO MANY SEGMENTS, SO LITTLE TIME
This is indeed, I explained, a tough problem. If you don't pick a segment
quickly, you can easily become permanently stuck in the chasm. But since all
segments at this point in the product's life cycle look pretty much alike and
since there are so many of them, how to proceed is often confusing. The best
approach is to begin defining possible target segments through a process
called application-scenario generation—each scenario is built around a before/
after-your-product-was-adopted "day in the life" for a potential target customer.
These scenarios are then ranked against each other, with two key criteria.

- How compelling is this customer's reason to buy your product?
- How feasible is it for you to ensure the availability of the whole product
  needed to fulfill this target customer's compelling reason to buy?
The rating and ranking process is conducted in-house, leveraging whatever expertise you have readily available from your own employees or from informal advisers to your company.

Editor’s note: There’s a complete discussion about how to create application scenarios in Chapter 4, “Target Markets—Easy to Pick, Hard to Stick: How to Choose and Stick with the Best Target Market.”

“So, what I have now is a bunch of made-up stories about what might be the possible applications of my product?”

Basically, yes, I said, reminding myself once again that marketing is, in essence, just another literary form. Each of these “stories” functions as a kind of placeholder for a possible target market. Segments that score highly, based on the previous two criteria, warrant further attention and should be assessed with a variety of additional criteria, including the following.

• Where we need the help of a partner or ally to provide some piece of the whole product, do we already have a relationship with this company or must we start building one from scratch?

• Are target customers likely to want to buy from our existing distribution channels?

• Is our current pricing consistent with the value proposition that motivates these particular customers and with their estimated purchasing power?

• Are customers already well served by a competitor, or are their needs largely unmet?

Again, prioritize the scenarios, based on what you believe you already know about the market.

Finally, ask one last question: If we win over these target customers—if we dominate the market segment that they, as a group, constitute—will that provide an entrée to additional market segments (the way, for example, that winning over graphic artists to desktop publishing eventually provided an entrée into sales and marketing departments)?

The one or two scenarios that fare best in this entire rating and ranking process are the ones you should nominate as target segments.

“Look, I’m happy that I’m not spending a lot of money on you high-priced consultants, but don’t I run the risk of bathing in my own bathwater?”

Now there’s an appetizing image, I thought. “Yes, you do, so at this point you’ll want to bring to bear whatever market-research resources you can to get an external perspective on the problem,” I replied. At a minimum, I explained, you need to phone a representative sample of people who meet the criteria for
your target customers and simply interview them to see if you’ve understood their needs and issues. Typically, you also call other third parties who have market knowledge—distributors, consultants, industry analysts, hardware evangelists, other software developers, and the like. The goal of these conversations is to validate or correct your marketing assumptions so that at the end of the process, you have a confirmed strategy.

BUILD THE BRIDGE

“What I have at this point, I guess, is a top-priority target market segment. But what do I do now?”

I looked at my watch. How much longer was I supposed to humor this guy? I covered the mouthpiece, made some rumbling noises, and let him know that I had just been called into an important meeting. So real quickly, I said, what you have to do now is communicate your whole-product strategy to the key players in your target market—the customers, of course, but also every other constituency that will play a role in either delivering the whole product or establishing your reputation as the leader of this particular market-development effort. The communication is a two-way dialogue because every player in your scenario has to win something from the endeavor—and you need to confirm both that you understand what constitutes that win and that the others see how your effort supports it.

This win/win approach to all the constituencies is what allows the market segment to develop at an accelerated pace, catapulting your product to early acceptance and your company to the status of perceived market leader. I was doing my best to end on a high and glorious note: “Once you’ve won one segment, it becomes a lot easier to leverage your reputation into adjacent markets, transforming what begins as a highly focused marketing effort into what eventually becomes broad-sector leadership.”

“OK,” he said. “Say, this has been good advice.”

“You think I should write a book?”

“Oh, yeah. Sure. Send me a copy.”

And with that he hung up.