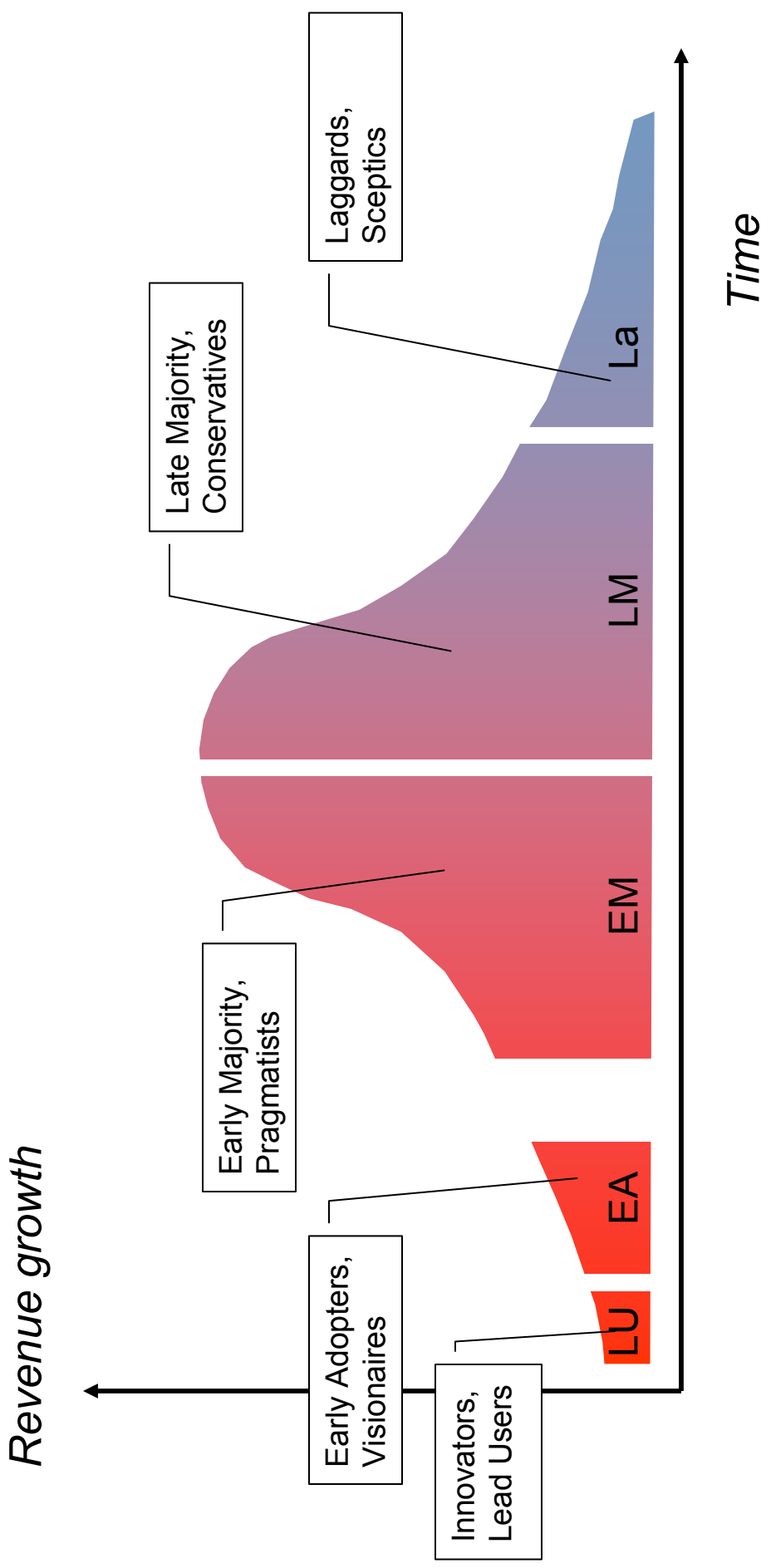


Crossing the Chasm

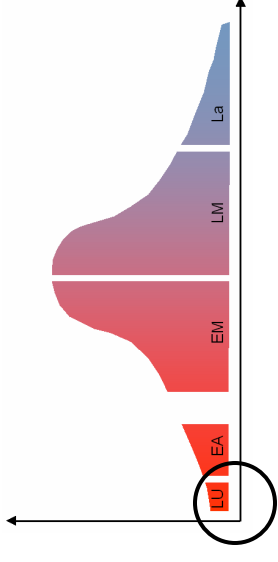
- Marketing and selling disruptive products to mainstream customers.

A presentation of some findings in books and articles by Eric von Hippel, Geoffrey Moore, James Utterback and Clayton Christensen

Participants in the **Technology Adoption** Life Cycle



The Innovators/Lead Users

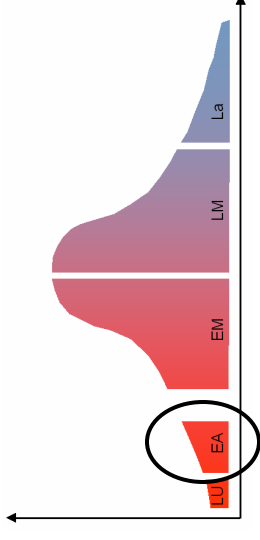


- They are *Technology Enthusiasts*, who want to try it out just to see if it works and start the fire
- ... derive value from the technology itself
- ... are first to adopt any new technology
- ... spend hours trying to get your products work
- They demand:
 - 1. The truth, without any tricks**
 - 2. Access to an expert immediately when a problem occur**
 - 3. They want to be the first to get the new stuff – that is their reward**
 - 4. They want your product (relatively) cheap – but they will pay for it.**

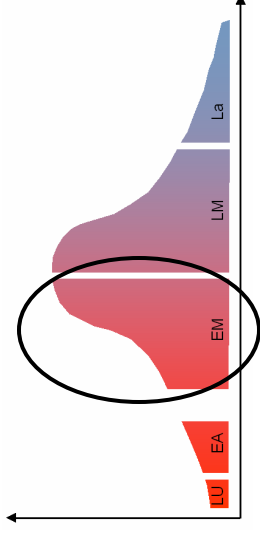
(Look for the enthusiast that the big bosses listen to...)

The Early Adopters

- They are *Visionaires* that have...
 - ♦ the insight to match an emerging technology to a strategic opportunity
 - ♦ the temperament to translate that insight to a high risk project
 - ♦ the charisma to get the rest of their organisation to buy into that project
- They are looking for a fundamental breakthrough, +ROI
- They derive value not from the technology itself (as the Lead Users do), but from the strategic leap forward it enables
- They like project orientation and exert dead-lines that are hard to meet
- They give you the first big break and may generate the first burst of revenue and visibility.



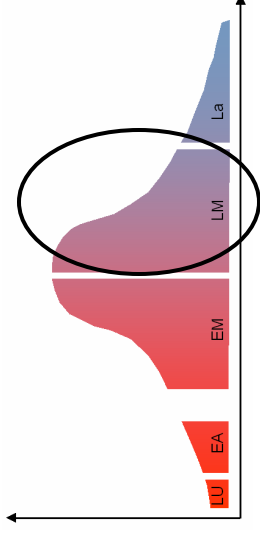
The Early Majority



- They are *Pragmatists*, accepted as “technology leaders” by the late majority
- They feel that *Risk* is a negative word, that may be taken – but with good safety nets in place
- They are reasonably price-sensitive
- Hard to win over to your side, but loyal once won.
- They communicate with others...that are like themselves
- Market leadership is crucial to winning pragmatist customers hence a Catch-22 occurs: They won't buy from you until you are established, yet you can't get established until one of them buys from you...

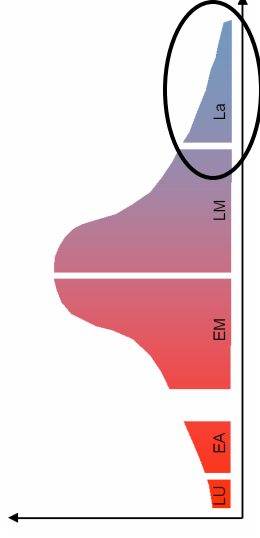
(Here you have to be patient and put time to get a reputation for quality and service)

The Late Majority



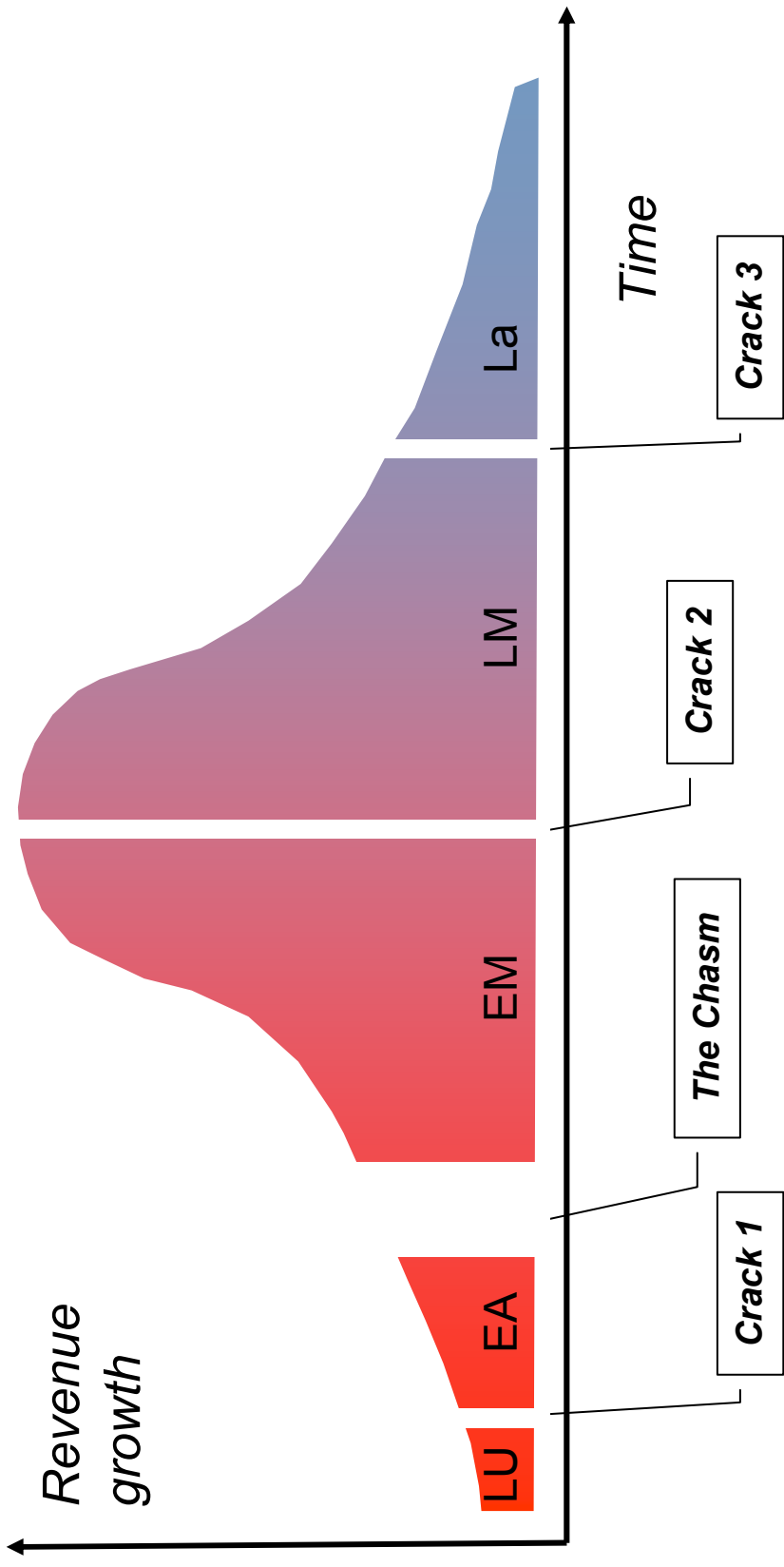
- They are *Conservatives* that are against discontinuous innovations
- They believe far more in tradition than in progress.
- When something works good enough for them, they stick to that
- They like to buy preassembled product packages, with everything bundled, at a heavily discounted price
- The two keys to success here are..
 1. You must have thoroughly thought of the whole solution
 2. You must have lined up a low-overhead distribution channel
- They are **very** important for the product life after the technology development phase.....

The Laggards

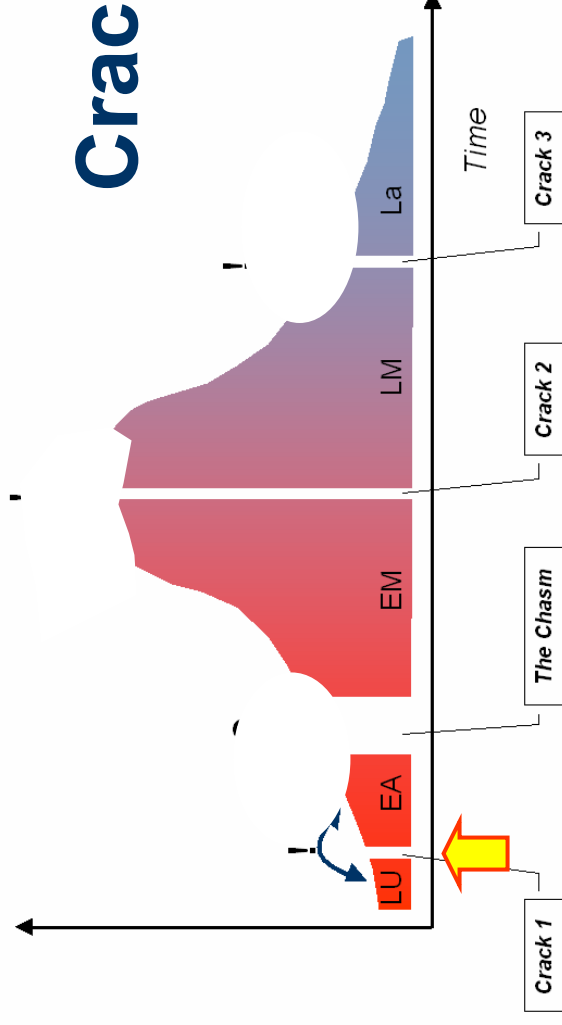


- They are *Sceptics*
- They constitute for ~15 % of the Technology Adoption Life Cycle
- Their main role seem to be to block purchases....
- Most important for us - they can teach us what we are doing wrong

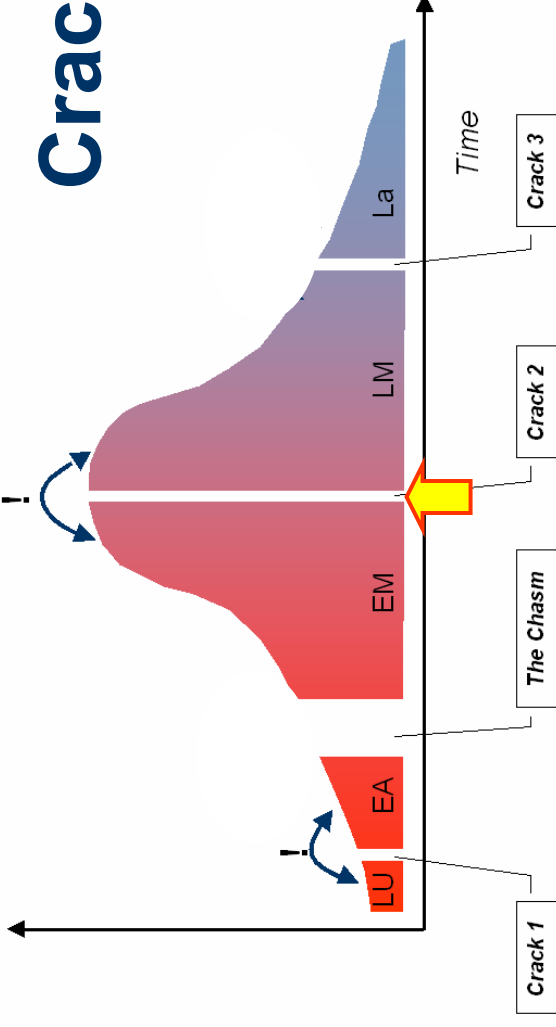
Gaps in the *Technology Adoption Life Cycle*



Crack 1

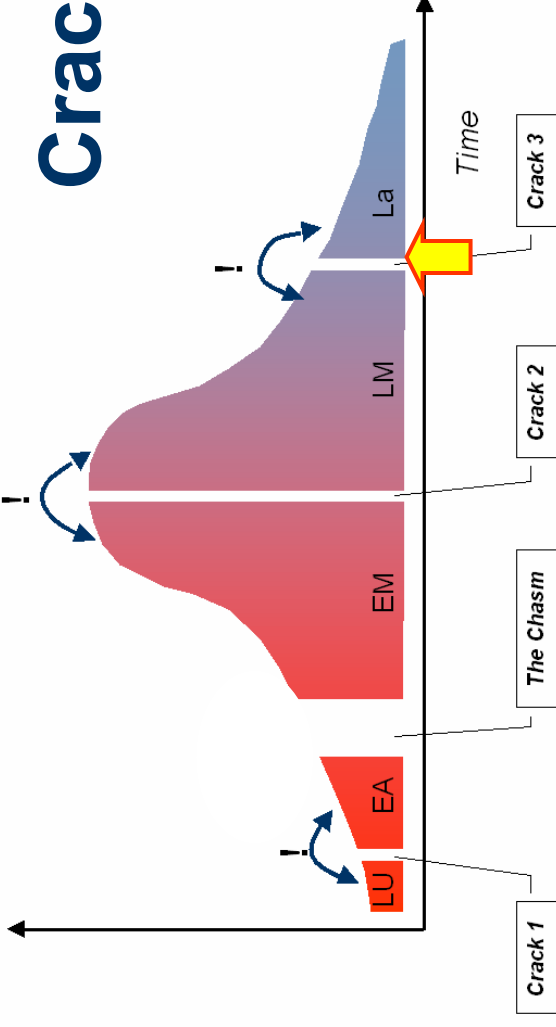


- The Early Adopters talk to the Innovators/LeadUsers, still Crack 1 occurs.
- ♦ Hot technology products cannot be readily translated into major new benefits. Business process problems exist.”
 - Esperanto – sorry, only for the enthusiasts
 - Desktop Video Conferencing did not make it
 - Plastic bicycles - same
- ♦ To pass Crack 1, there is a strong need to enable a strategic leap forward



Crack 2

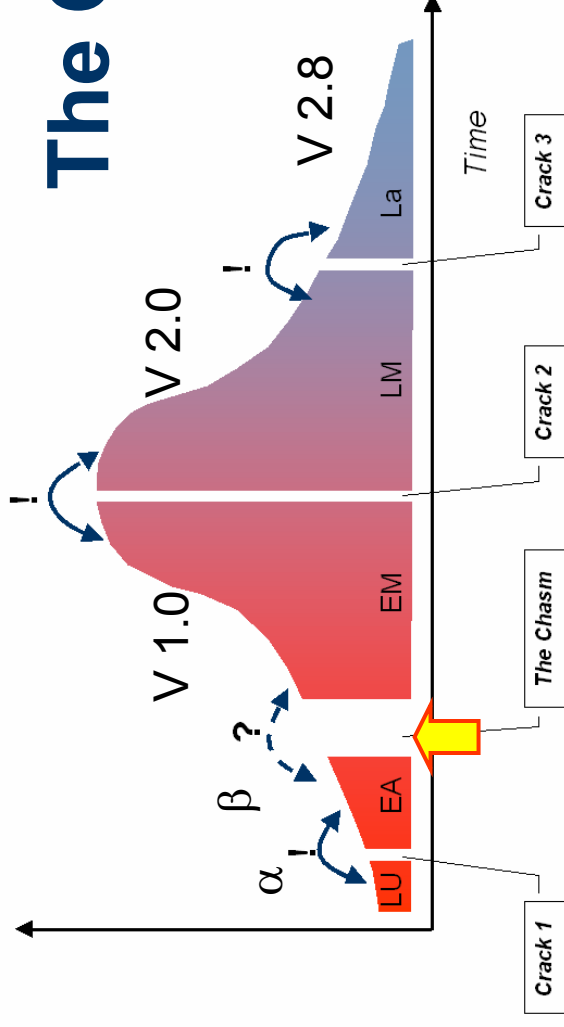
- The Late Majority talks to the Early Majority, still Crack 2 occurs.
 - ◆ Whereas the Early Majority is willing and able to become technically competent, the Late Majority is not
 - ◆ To pass Crack 1, there is a strong need to ensure user-friendliness, and an ease to adopt.
 - Telephone transferring systems did not make it
 - Programmable VCRs are unused
 - Scanners and Photo Shop Programs are underutilized



Crack 3

- The Laggards listen to the Late Majority for economic reasons big enough to make them change.
 - ◆ The laggards are the brakers, the ones that are the last to take on a new technology. They are important for the coming economical success, but not for the technological development.
 - ◆ To pass Crack 3, there must be really no other choice and a clear economic advantage to compensate for a “very cumbersome technology shift” .
 - They start to buy CDs first when no new LPs are made

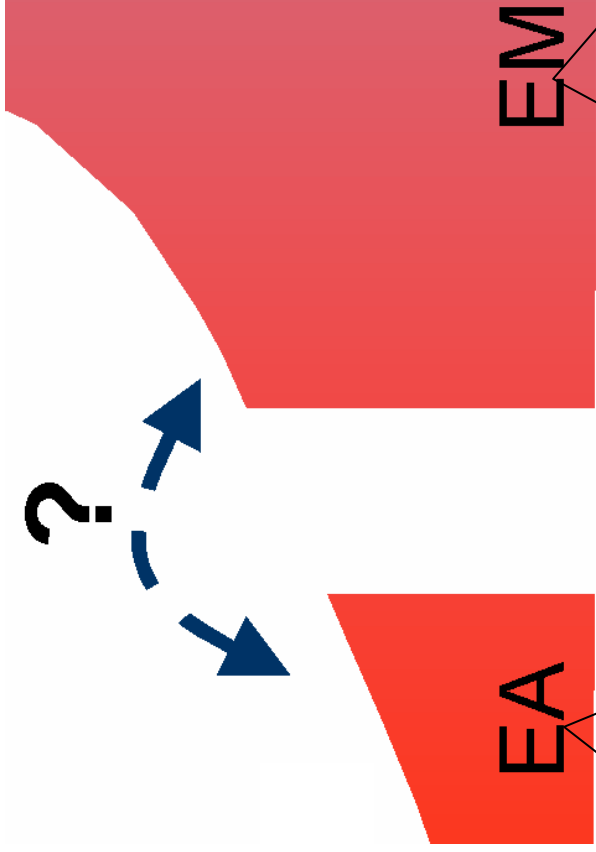
The Chasm



- The Early Majority does not talk to the Early Adopters, hence the big Chasm.
 - ◆ The Early Adopters want a *technical* change agent
 - The EAs expect a *radical discontinuity* between the old and the new
 - ◆ The Early Majority want a *productivity* improvement for existing operations
 - The EMs want to minimize the discontinuity with the old way
 - The technology is to enhance, not overthrow, the established business
 - They want a more or less bug free product, the real 1.0 version

Crossing The Chasm

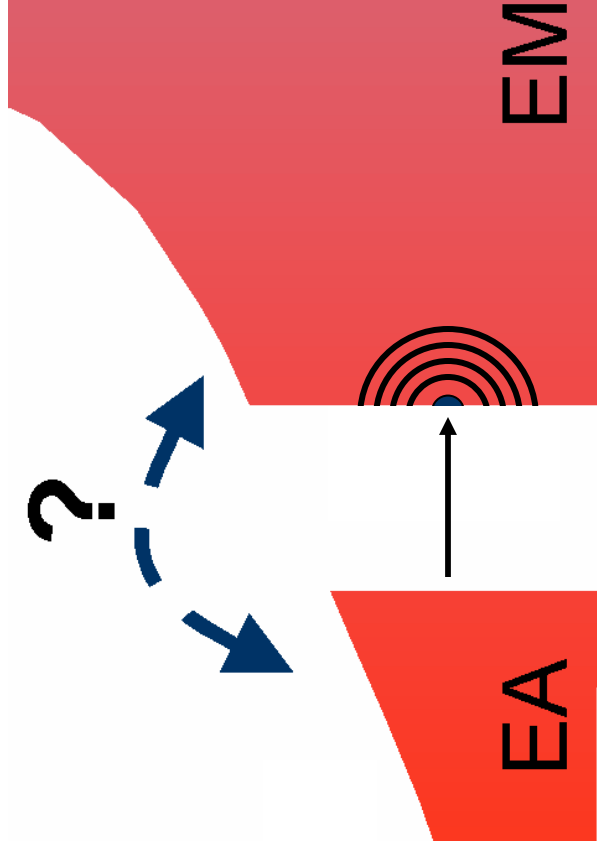
- Different vocabulary



- Fastest product
- Easiest to use
- Elegant architecture
- Product price
- Unique functionality

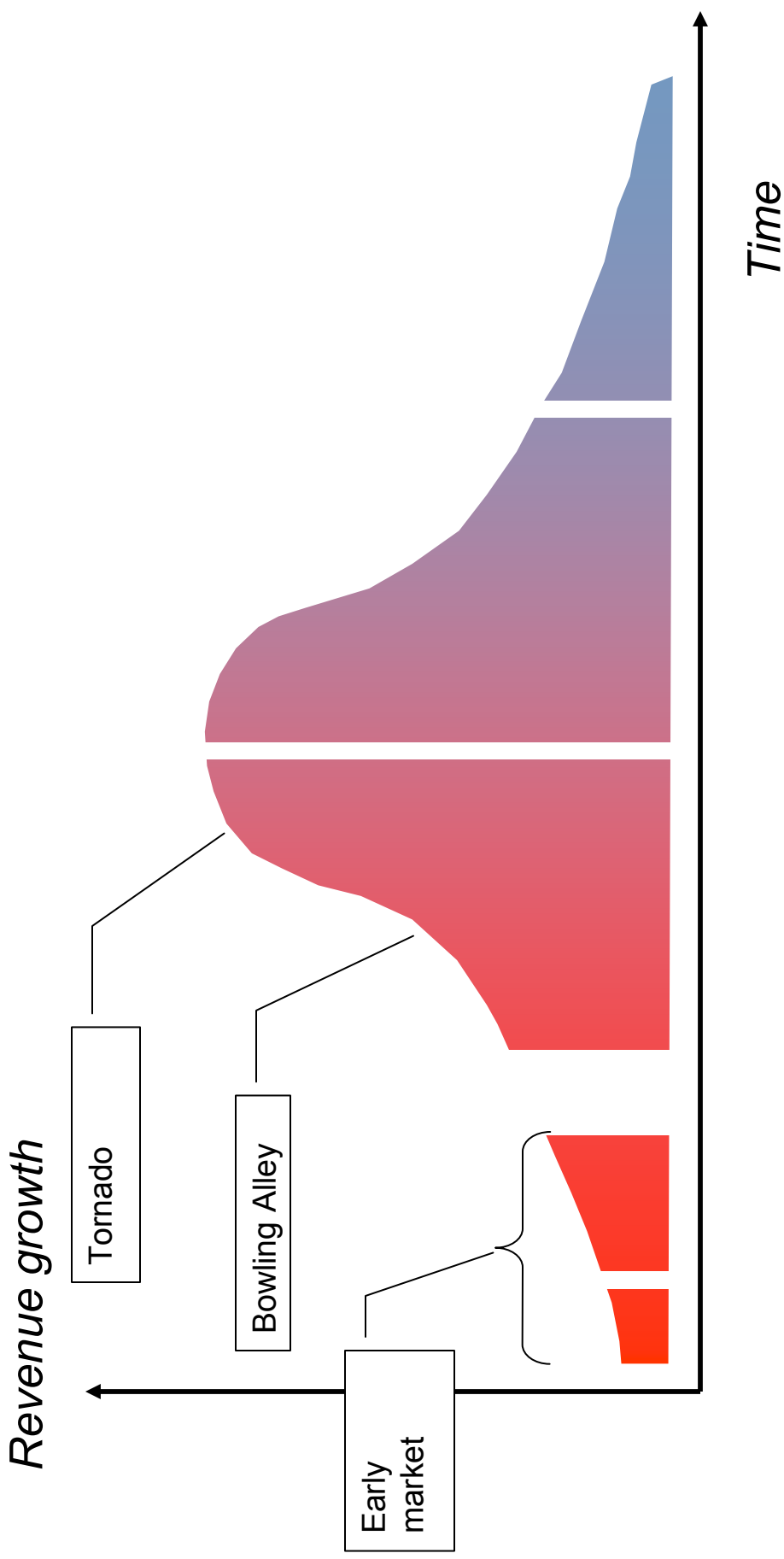
- Largest installed customer base
- Most third party supporters
- De facto standard
- Cost of ownership
- Quality of support

Crossing The Chasm

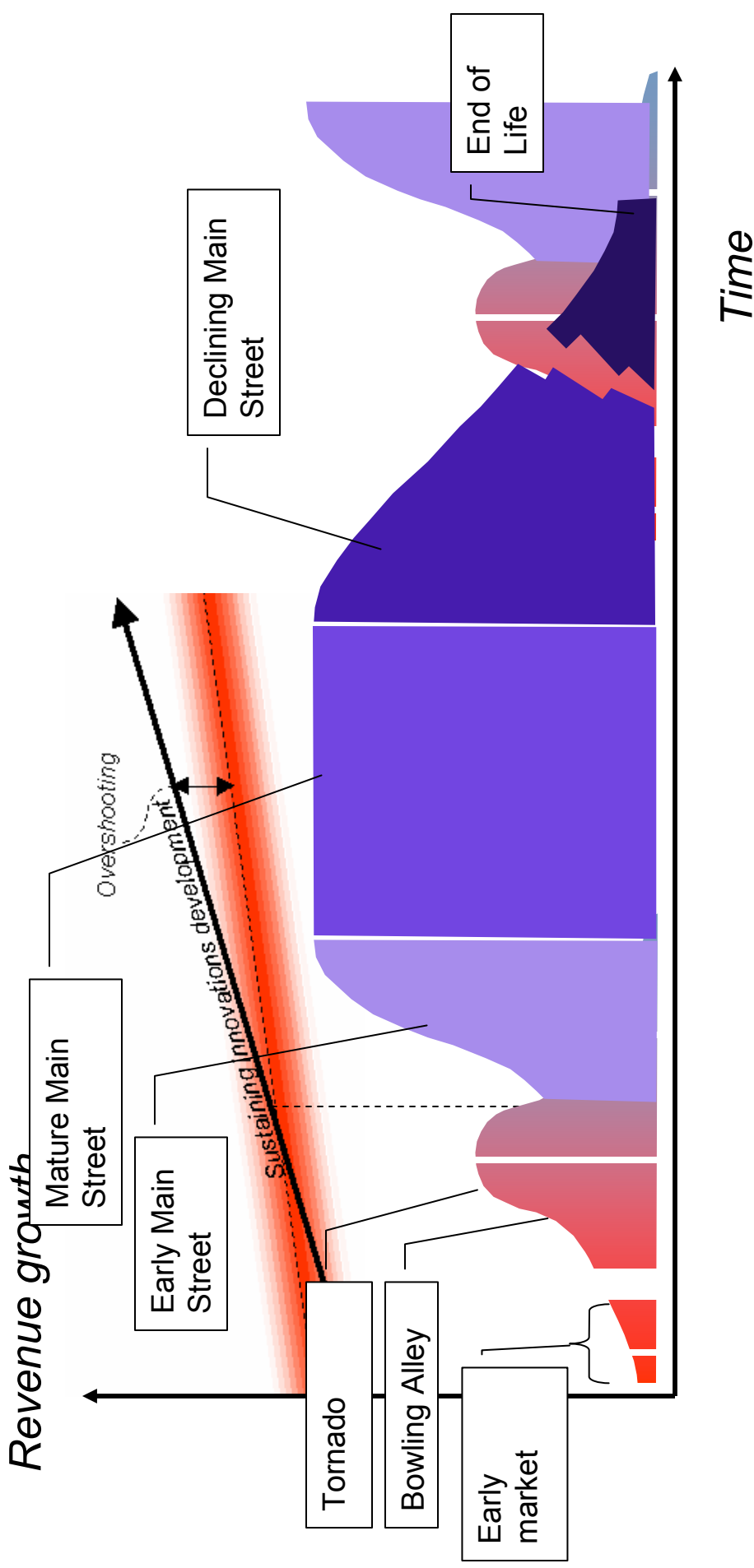


- How to Cross the Chasm?
 - ◆ Use the D-Day strategy - Go for a bridgehead In Normandy first, although you long for the victory parade at Champs Elysees. You are sure to find resistance – so be prepared.
 - ◆ The consequence of being sales-driven instead of strategy-driven during the chasm is **fatal** – *Concentrate!!!*

Phases in the *Market Development Life Cycle*



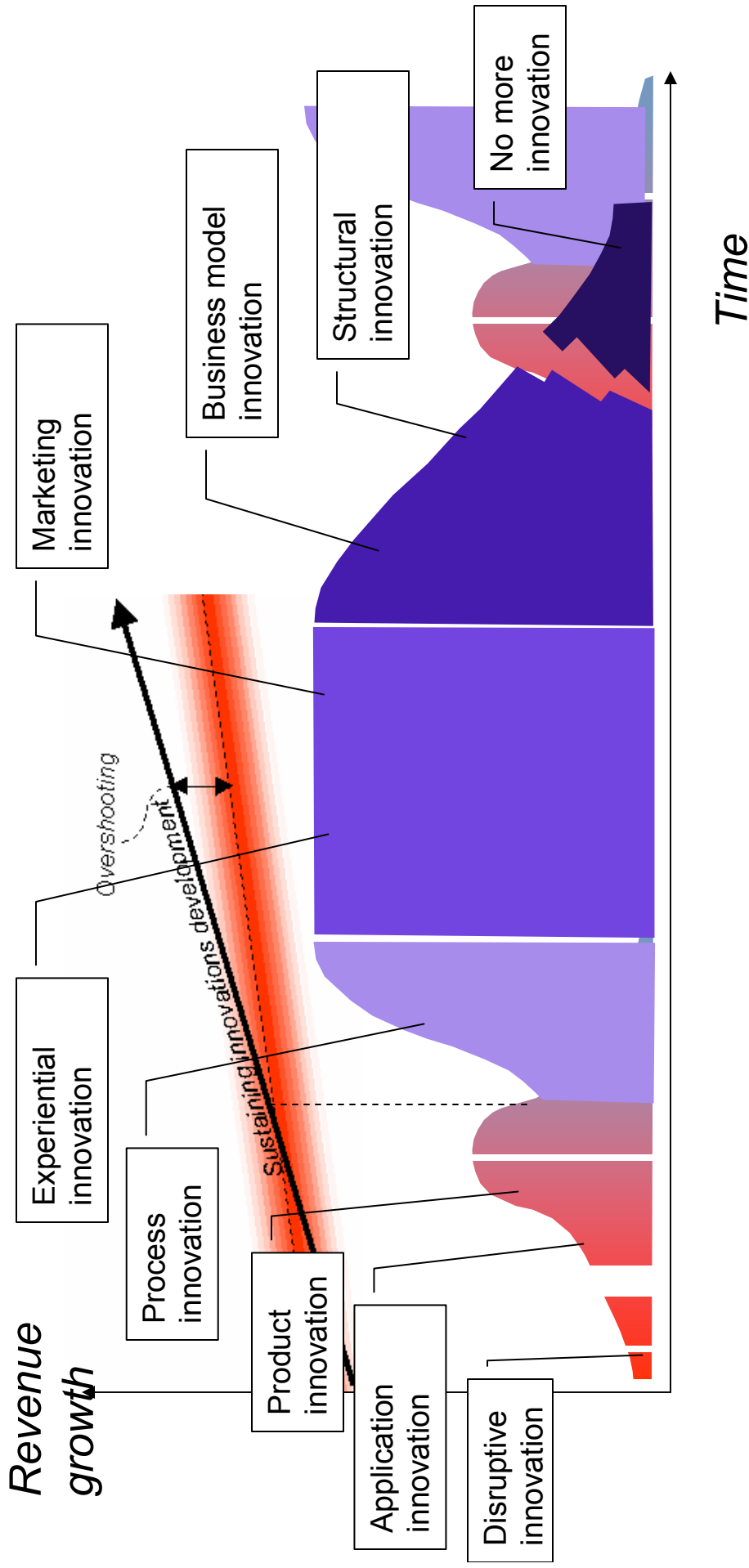
Phases in the *Market Development Life Cycle*



The Market Development eras

1. **Early market** – the Lead Users/Visionaries/Enthusiasts are attracted. Possible first hype.
2. **The chasm** – the technology is caught betwixt and between. No more hype and not yet any market acceptance
3. **Bowling alley** – the technology is getting acceptance by one niche after the other.
4. **Tornado** – the technology has passed the test and is perceived as standard for the mass market. Hypergrowth!
5. **Early main street** – the era of hyper growth has subsided and a more slow and nice growth is the case. The final hesitants subside.
6. **Mature main street** – the growth flattens out and commoditization increases. However no market risks
7. **Declining main street** – the category has become ossified but not yet petrified

Aligning Innovation Types with the Market Development Life Cycle

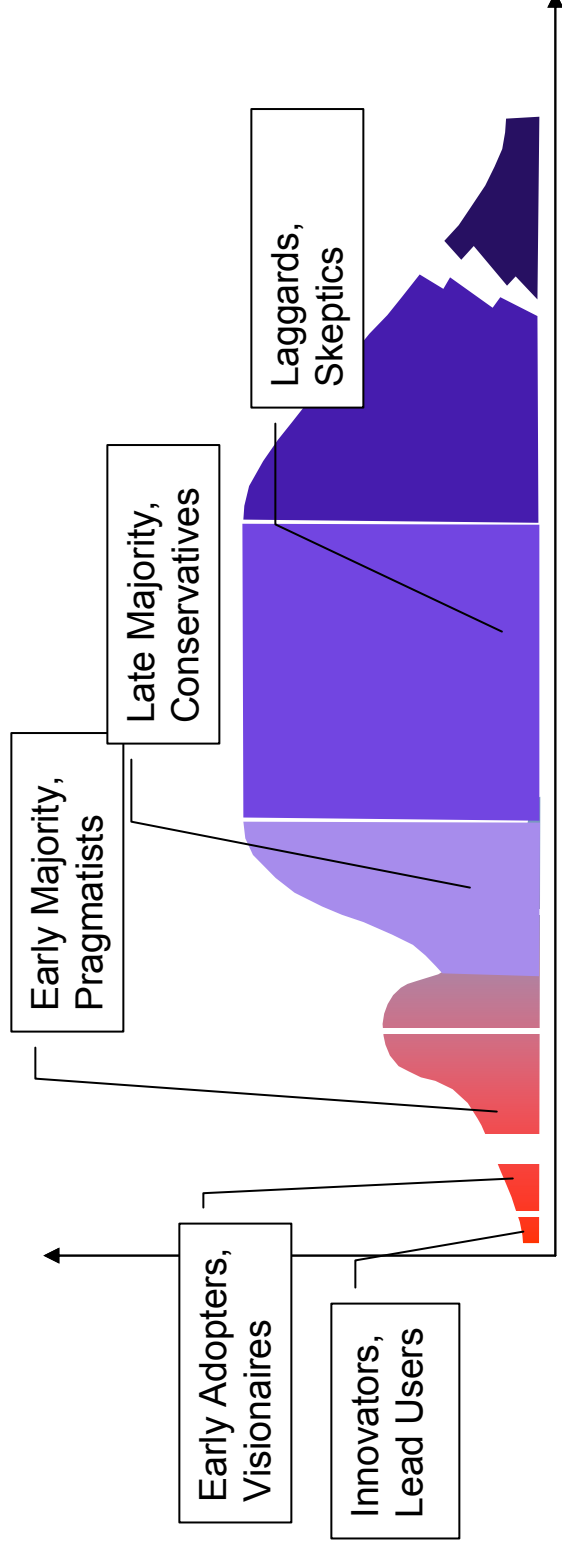


Innovation types

1. **Disruptive innovation** – Takes a cheaper, low-end disruptive or a new-market disruptive innovation to the market
2. **Application innovation** – takes existing technologies into new markets to serve new purposes
3. **Product innovation** – takes established offers in established markets to the next level (a type of sustaining innovation)
4. **Process innovation** – makes processes for established offers in established markets more efficient or effective (also a type of sustaining innovation)
5. **Experiential innovation** – makes cosmetic/surface modifications of established products or processes that improve customers' experience
6. **Marketing innovation** – improves customer touching processes e.g. by marketing communications or consumer transactions
7. **Business Model innovation** – reframes an established value proposition to the customer or a company's established role in the value chain or both
8. **Structural innovation** – Capitalizes on disruption to restructure industry relationships

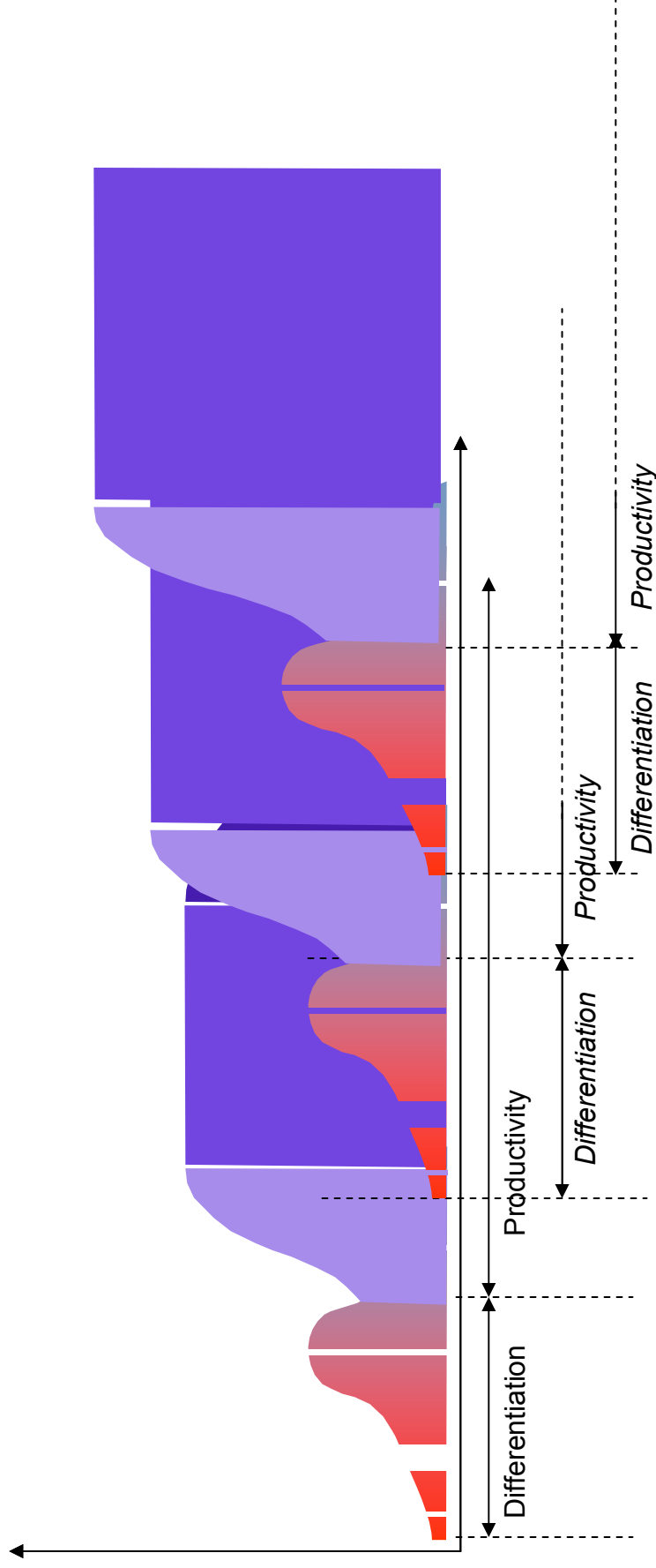
Please note the difference blue-red

- The blue part really consists of the conservatives and the skeptics, they use your technology only because there is no feasible, proven alternative that still can be used.....



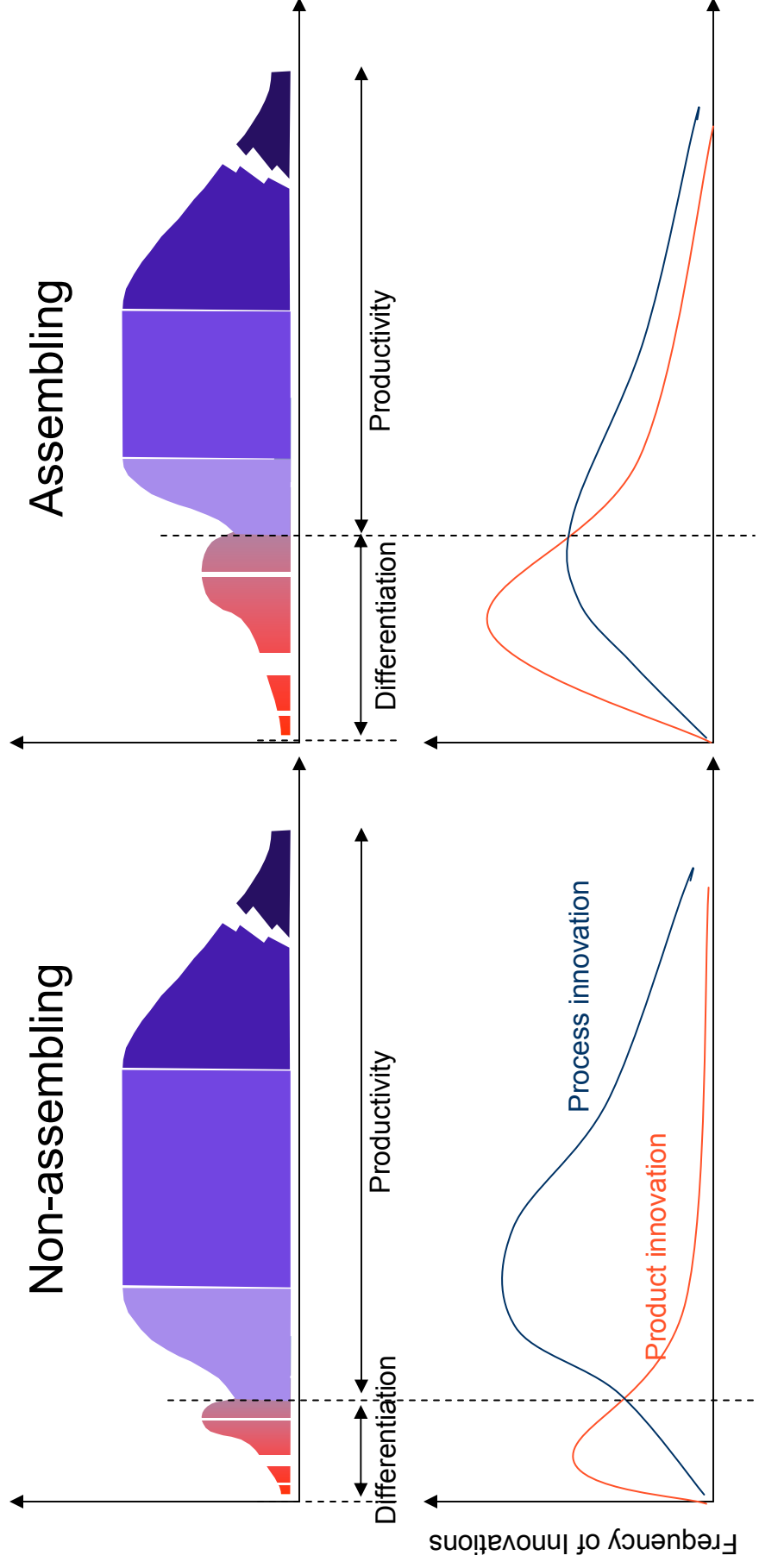
Innovation types run in tandem

- Differentiation-creating innovation and productivity-creating innovation/measures must be conducted in tandem
 - ◆ Productivity measures without simultaneous differentiation innovation allow you endure the forces of commoditization or hostile disruption a bit longer, but never to overcome them
 - ◆ Differentiation innovation without productivity measures ensures a death sentence by the inertia demon



Productivity phase comes faster in the non-assembling industry

- The pulp & paper industry is a typical non-assembling industry, whereas the diaper industry is more assembling

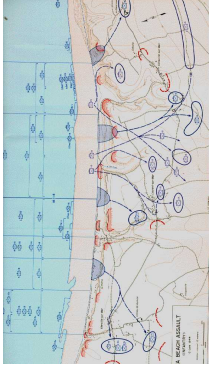


Back to the D-Day analogy

Item	1944	2005
<i>Goal</i>	Free Europe	Get a new main market, serve the new customers
<i>Enemy</i>	The Nazis	Competition
<i>Channel</i>	The English channel	The Chasm
<i>Starting point</i>	England	The Early Adopter phase
<i>Vehicle</i>	Boat	Distribution principle
<i>Fuel</i>	Gasoline/Diesel	Pricing
<i>First Target</i>	Omaha Beach	Highly specific target segment within the mainstream market
<i>Strategy</i>	Normandy secured	To be a Big fish in a small pond
<i>Guns</i>	Canons, artillery	The whole product set-up

Invasion tactics

1. **Target the point of attack** – isolate target customers and their reason to buy
2. **Assemble the invasion force** – use the whole product principle and choose allies to realize this
3. **Define the battle** – create the competition (if there is none, you still need one) and position yourself
4. **Launch the invasion** - select the distribution channel and set your price



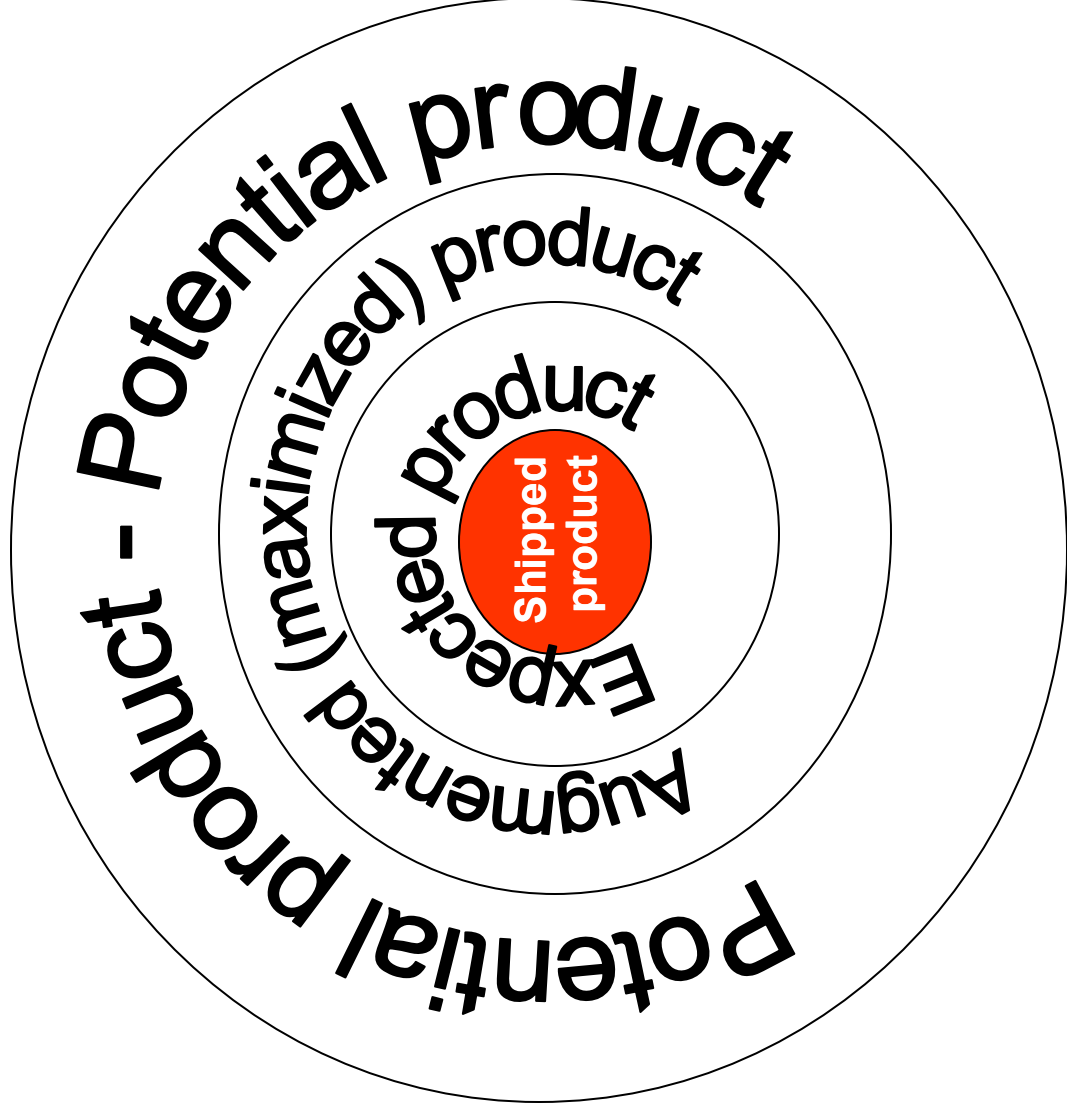
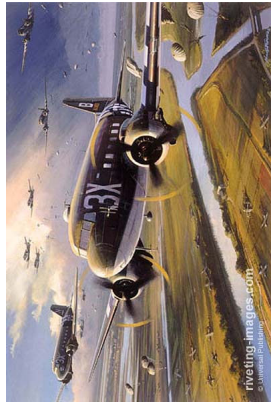
Target the point of attack –



- You have to be a Big Fish in a Small Pond
- You must be able to take and keep at least 50 % of the target market after the invasion
- You must rely on the word by mouth effect of the target customer. Remember - they are pragmatists

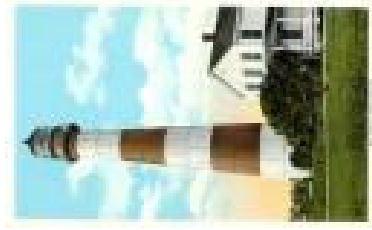
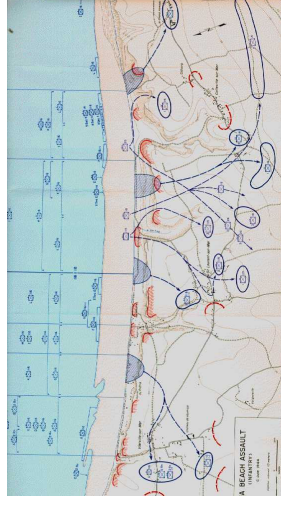


Assemble the invasion force –

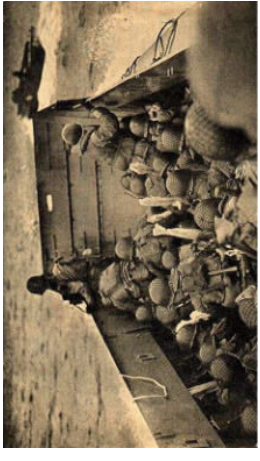


Define the battle – positioning

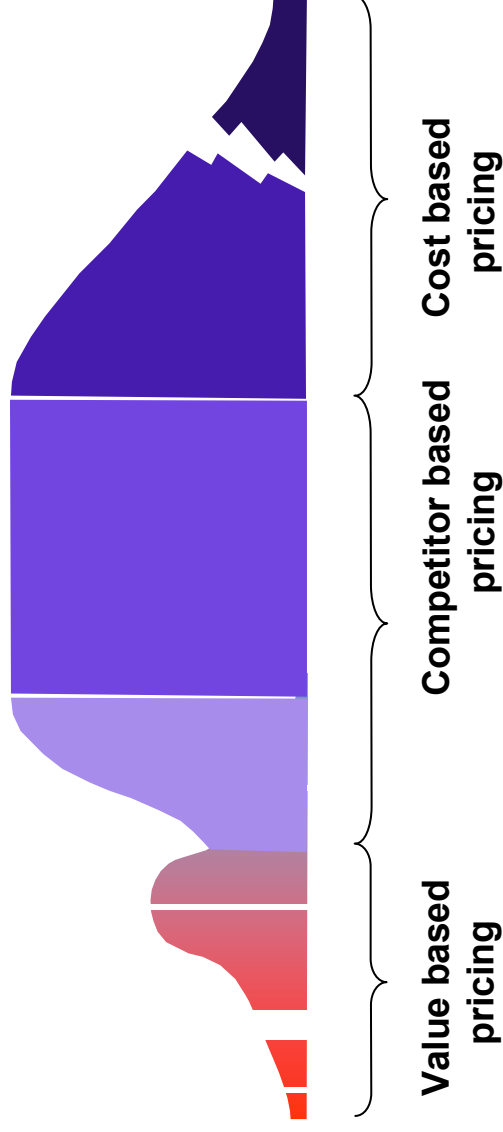
- Name it and frame it – which category is it
- Who for and what for
- Competition and differentiation – you need a comparative context
- Financials and Futures – will you survive this yourself? What is your staying power



Launch the invasion –



1. Secure access to a customer-oriented distribution channel
2. The type of channel you select for long-term is a function of the price-point of the product
3. If you want to (and you do) achieve market leadership in your market you must compare the prices with competition
4. The margins are the channels reward, pay a premium margin the channel in the Chasm period



The 30 s Elevator Pitch

- **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 current *product* alternative
- **We have assembled...**key whole-product features for your specific application

Example

The 20 s Elevator Pitch for Hermes

- For...elderly care institutions
- **Who are dissatisfied with...**the current way to handle the incontinence diaper situation in terms of time and cost
- **Our product is an...**”interactive incontinence diaper”
- **That provides...**the possibility to only change the diaper when it is needed
- **Unlike...**the current passive incontinence diaper
- **We have assembled...**a whole product set up that allows you to increase the integrity of the patient and lower the workload of the institution

Example

The 18 s Elevator Pitch for Galactic

- **For...**the Ducth young female with genital fungal problem !
- **Who are dissatisfied with...**using creme from pharmacy
- **Our product is a...**fempro antifungal pad
- **That provides...**ease and cure of intimate fungal problems
- **Unlike...**traditional fempro pads that only absorb
- **We have assembled...**a combined product that treats, cures and protects the young woman, also between the periods