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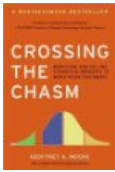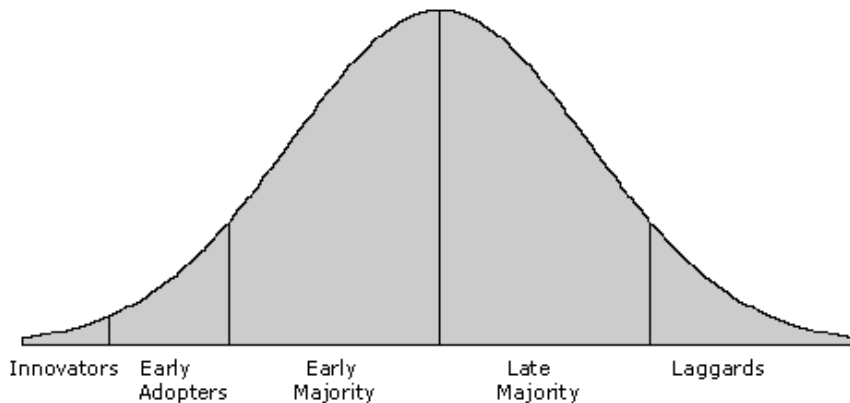
Book: [Crossing the Chasm: Marketing and Selling Disruptive Products to Mainstream Customers](#)
Author: [Geoffrey Moore](#)

High-Tech Marketing Illusion

The Technology Adoption Life Cycle

Innovators
> They "pursue new technology products aggressively. They sometimes seek them out even before a formal marketing program has been launched. This is because technology is a central interest in their life, regardless of what function it is performing. …Winning them over at the outset of a marketing campaign is key… because their endorsement reassures the other players in the marketplace that the product does in fact work."

Early Adopters
> They "buy into new product concepts very early in their life cycle, but unlike innovators, they are not technologists. Rather they are people who find it easy to imagine, understand, and appreciate the benefits of a new technology, and to relate these potential benefits to their other concerns. Because [they] rely on their own intuition and vision, they are key to opening up any high-tech market segment."

Early Majority
> They "share some of the early adopter's ability to relate to technology, but ultimately they are driven by a strong sense of practicality. … They want to see well-established references before investing substantially. Because there are so many people in this segment—roughly one-third of the whole adoption life cycle—winning their business is key to any substantial profits and growth."

Late Majority
> They share "all the concerns of the early majority, plus one major additional one: Whereas people in the early majority are comfortable with their ability to handle a technology product… members of the late majority are not. …They wait until something has become an established standard… and tend to buy [from] large, well-established companies. Like the early majority, this group comprises about one-third of the total buying population…"

Laggards
> They "simply don't want anything to do with new technology, for any variety of reasons, some personal and some economic. … Laggards are generally regarded as not worth pursuing…"

The High-Tech Marketing Model

"The way to develop a high-tech market is to work the curve left to right, focusing first on the innovators, growing that market, then moving on to the early majority, growing that market, and so on… In this effort, 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."

Illusion and Disillusion: Cracks in the Bell Curve

However, the High-Tech Marketing Model is not accurate. A more accurate model is this revised Technology Adoption Life Cycle. "Between any two psychographic groups [are] gaps [that] symbolize the… difficulty any group will have in accepting a new product if it is presented in the same way as it was to the group to its immediate left."
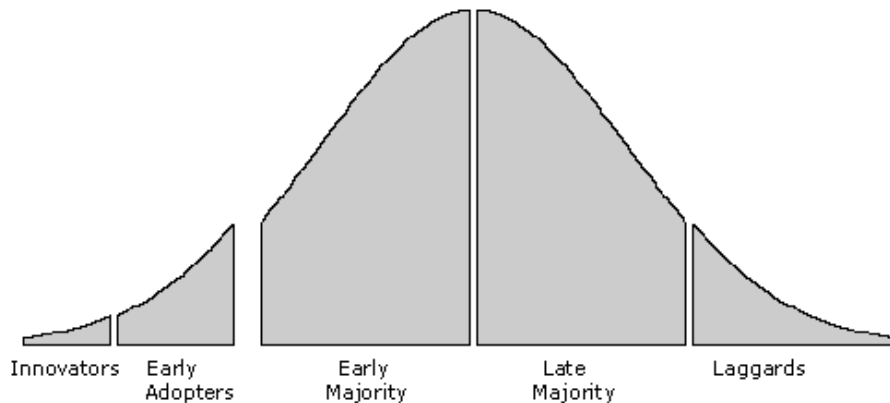
- **The First Crack**

  This is the gap between the innovators and early adopters. It "occurs when a hot technology product cannot be readily translated into a major new benefit."
- **The Other Crack**

  This is the gap between the early majority and the late majority. "When a product reaches this point in the market development, it must be made increasingly easier to adopt in order to continue being successful."
- **Discovering the Chasm**

  This is a wide chasm between the early adopters and the early majority. It often goes unnoticed because "the customer list and size of the order can look the same", though "the basis for the sale… is radically different."

    - **Change Agent**

      "What the early adopter is buying [is a] change agent. By being the first to implement this change in their industry, the early adopters expect to get a jump on the competition… They are also prepared to bear with the inevitable bugs and glitches."
    - **Productivity Improvement**

      "By contrast, the early majority want to buy a productivity improvement for existing operations. … They want technology to enhance, not overthrow, the established ways of doing business." And "they do not want to debug somebody else's product."

  Also, "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."

High-Tech Marketing Enlightenment

First Principles

Marketing
Definition, in the context of this book: "Taking actions to create, grow, maintain, or defend markets."
Markets
Definition, in the context of this book:

- "A set of actual or potential customers"
- "for a given set of products or services"
- "who have a common set of needs or wants, and"
- "who reference each other when making a buying decision."

Early Markets

- **Innovators: The Technology Enthusiasts**

  They are "the first people to adopt any new technology [and] appreciate the technology for its own sake."

  - "First, and most crucially, they want the truth, and without any tricks."
  - "Second, wherever possible, whenever they have a technical problem, they want access to the most technically knowledgeable person to answer it."
  - "Third, they want to be first to get new stuff."
  - "Finally, they want everything cheap."

- **Early Adopters: The Visionaries**

  They are "that rare breed of people who have the insight to match an emerging technology to a strategic opportunity, the temperament to translate that insight into a high-visibility, high-risk project, and the charisma to get the rest of their organization to buy into that project."

  - "Visionaries are not looking for an improvement, they are looking for a fundamental breakthrough."
  - They "see the potential for an 'order-of-magnitude' return on investment and willingly take high [and potentially expensive] risks to pursue that goal."
  - They "are also effective at alerting the business community to pertinent technology advances."
  - They "are easy to sell but very hard to please. This is because they are buying a dream—which, to some degree, will always be a dream."
  - They want to "stay very close to the development train to make sure it is going in [their] direction", which can sometimes be "at odds with the entrepreneurial vendors who are trying to create a more universally applicable product."
  - They "are in a hurry. … As a result, they tend to exert deadline pressures… to drive the project faster."

The Dynamics of Early Markets

"To get an early market started requires:"

- "An entrepreneurial company with a *breakthrough technology product* that enables a new and compelling application,"
- "a *technology enthusiast* who can evaluate and appreciate the superiority of the product over current alternatives,"
- "and a *well-heeled visionary* who can foresee an order-of-magnitude improvement from implementing the new application."

"There are [also] numerous other scenarios where the early market does not… get a proper start."

- "The company simply has no expertise in bringing a product to the market." (i.e. insufficient capital, inexperienced sales & marketing, inappropriate distribution channels & positioning, etc.)
- "The company sells the visionary before it has the product." (i.e. vaporware)
- "Marketing falls prey to the crack between the technology enthusiast and the visionary by failing to discover" or articulate the compelling benefits.

Mainstream Markets

- **Early Majority: The Pragmatists**

  They are "the bulk of the market volume for any technology product."

  - They "are hard to characterize because they do not have the visionary's penchant for drawing attention to themselves."
  - They dislike risk. It connotes a "waste [of] money and time."
  - They "are loyal once won" and will make your product the company standard.
  - They "care about [the reputation of] the company", "the quality of the product", "the infrastructure of supporting products", "and the reliability of the service."

- They tend to "communicate more with others like themselves within their own industry" instead of those outside their industry.
- They "want to keep the sum total of their distribution relationships [and channels] to a minimum."
- They "like to see competition" in the product's industry. They "want to buy from proven market leaders."
- They "are reasonably price-sensitive. …In absence of any special differentiation, they want the best deal."

- **Late Majority: The Conservatives**

  They "represent approximately one-third of the total available customers [and] are rarely developed as profitably as they could be, largely because high-tech companies are not… in sympathy with them."

  - They "are against discontinuous innovations. …When they find something that works for them, they like to stick with it."
  - They purchase only "when products are extremely mature, market-share competition is driving low prices, and the products themselves can be treated as commodities."
  - They "like to buy preassembled packages, with everything bundled, at a heavily discounted price."
  - They prefer products that are "dedicated to a single function." They don't always like all-in-one products.
  - They "have enormous value to [the] high-tech industry [because they] extend the market for [non-cutting-edge] high-tech components."
  - They want a product package that provides a comprehensive, "whole solution" for their needs.
  - They prefer "a low-overhead distribution channel."

The Dynamics of Mainstream Markets

"To maintain leadership in a mainstream market, you must:"

- "At least keep pace with the competition. It is no longer necessary to be the technology leader, nor… have the very best product. But the product must be good enough."
- "Make at least a catch-up response [if] a competitor [makes] a major breakthrough."

There are also scenarios where you can "lose a mainstream market" such as:

- "Stop investing in the market [and] cease funding R&D to match the competition."
- Release an undesirable product. "Mainstream customers truly abhor discontinuous innovations."
- Be "overly focused on what [is] going on in early markets and [ignore] the underdeveloped elements in the mainstream."

Laggards: The Skeptics

- They make up "the last one-sixth of the Technology Adoption Life Cycle [and] do not participate in the high-tech marketplace, except to block purchases."
- They claim "that new systems, for the most part, don't deliver on the promises that were made at the time of their purchase."
- They usually attack individual products, so delivering a "whole product solution" is key.
- The "primary function of high-tech marketing in relation to skeptics is to *neutralize their influence*."

Back to the Chasm

"If we look deep into [the chasm between visionaries and pragmatists], we see four fundamental characteristics of visionaries that alienate pragmatists:"

- Visionaries tend to lack "respect for the value of colleagues' experiences. …They see themselves as smarter than their opposite numbers in competitive companies."
- Visionaries fail "to recognize the importance of existing product infrastructure." They would rather build "systems from the ground up."
- Visionaries take "greater interest in technology than in their industry."
- Pragmatists "tend to invest their… time in industry-specific forums discussing industry-specific issues."
- Pragmatists see visionaries as "people who come in and soak up all the budget for their pet projects."

The D-Day Analogy

Fighting Your Way into the Mainstream

Look back to "the Allied invasion of Normandy on D Day, June 6, 1944â€³:

- "Our long-term goal is to enter and take control of a mainstream market (Eisenhower's Europe)"
- "that is currently dominated by an entrenched competitor (the Axis)."
- "We must assemble an invasion force comprising other products and companies (the Allies)."
- "Our immediate goal is to transition from an early market base (England)"
- "to a strategic target market segment in the mainstream (the beaches at Normandy)."
- "Separating us from our goal is the chasm (the English Channel)."
- "We are going to cross that chasm as fast as we can [and focus] directly and exclusively on the point of attack (D Day)."
- "Once we force the competitor out of our targeted niche markets (secure the beachhead),"
- "then we will move out to take over additional market segments (districts of France),"
- "on the way toward overall market domination (the liberation of Europe)."

In other words:

- Target "a very specific niche market… where you can dominate from the outset."
- "Force your competitors out of that market niche."
- "Use it as a base for" expanding your market offerings to the mainstream.

How to Start a Fire

To cross the chasm, the goal "is to create a pragmatist customer base that is referenceable," so they can "provide us access to other mainstream prospects," since pragmatists use references in their buying decisions. They "want to buy from market leaders." Therefore, "the only right strategy is to take a 'big fish, small pond' approach." Aiming for a niche market can lead "directly to you 'owning' a market."

Target the Point of Attack

A High-Risk, Low-Data Decision
"Crossing the chasm is a high-risk endeavor… with little or no useful hard information" because it is a new market. We should "acknowledge the lack of data as a condition of the process [and] understand that *informed intuition*, rather than analytical reason, is the most trustworthy decision-making tool to use."

Informed Intuition
This "involves conclusions based on isolating a few high-quality images—really, data fragments—that it takes to be archetypes of a broader and more complex reality." These are known as "characterizations" or personas.

Target-Customer Characterization: The Use of Scenarios
This is the process of creating characterizations and putting them in buying scenarios. "The idea is to create as many characterizations as possible, one for each different type of customer and application for the product." They should include relevant demographic and psychographic information.

Processing the Scenario: The Market Development Strategy Checklist
This "consists of rating each scenario against each of these issues" in two stages:

- In stage 1, "all scenarios are rated against four 'show-stopper' issues. Low scores in any one of these typically eliminates" as a potential target niche.
    - "Target customer"
    - "Compelling reason to buy"
    - "Whole product"
    - "Competition"
- In stage 2, all scenarios are rated against the nice-to-have issues. "Low scores can usually be overcome, given investment and time."
    - "Partners and allies"
    - "Distribution"
    - "Pricing"
    - "Positioning"

       ○ "Next target customer"
Committing to the Point of Attack
      Scenarios that score high on the checklist make good candidates for a target niche. "You do not have to pick the optimal beachhead to be successful. What you must do is win the beachhead you have picked."
**And Yes, Size Matters**
      Too large of a market can spread your sales resources too thin. "If you find the target segment is too big, subsegment it. … If the target segment is too small… augment it."

Assemble the Invasion Force

The Whole Product Concept

This solves the "gap between the marketing promise made to the customer… and the ability of the shipped product to fulfill that promise", by augmenting it with ancillary products & services.
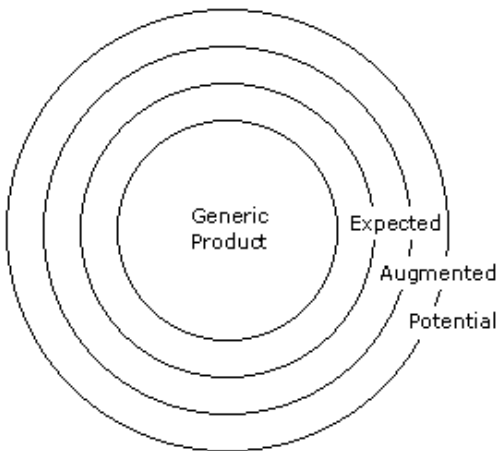
Generic product
      "This is what is shipped in the box and what is covered by the purchasing contract."
Expected product
      "This is the product that the consumer thought she was buying when she brought the generic product."
Augmented product
      "This is the product fleshed out to provide the maximum chance of achieving the buying objective."
**Potential product**
      "This represents the product's room for growth as more and more ancillary products come on the market."

The Whole Product and the Technology Adoption Life Cycle

As the market moves from left to right of the technology adoption life cycle, the product must move from the inner to the outer circles. "Pragmatists evaluate and buy whole products."

Whole Product Planning
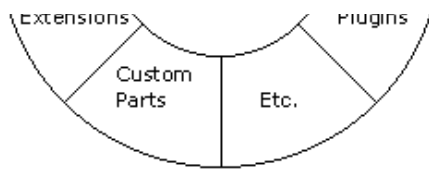
This is the *simplified whole product model*. In this model, there are only two categories:

- "What we ship" (the generic product)
- "Whatever else the customer needs in order to" arrive to a buying decision (the generic product + additions = the whole product)

Define the Battle

Creating the Competition

In early markets
- Competition comes from "alternative modes of operation."
- Competition also comes from "pragmatists who are vying with visionaries for dollars to fund projects."

In mainstream markets
- Competition is "defined by comparative evaluations of products and vendors within a common category."
- Competition, for pragmatists, are "a fundamental condition for purchase."
- Competition should be credible comparative products.

The Competitive-Positioning Compass
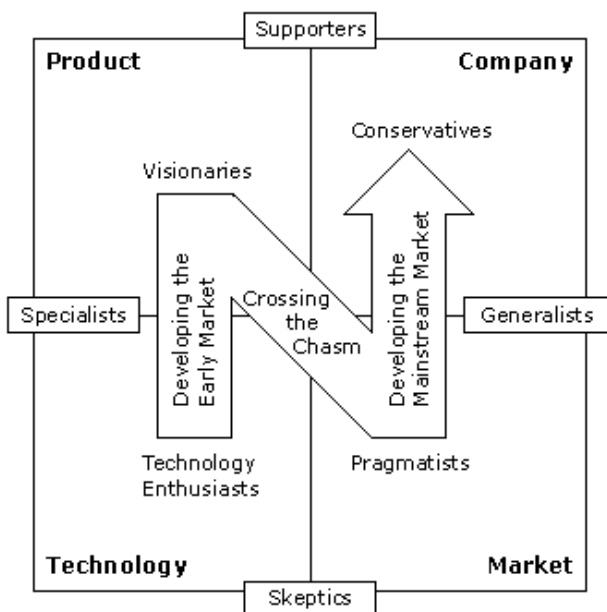
This diagram "is designed to create a value profile of target customers" to help you position your product with respect to your competitors.

"The horizontal dimension shows the range of buyer interest in and understanding of high-technology issues."
　"The early market is dominated by specialists who… are more interested in technology… than in market standing.
　…The mainstream is dominated by generalists who are more interested in market leadership" than technology.
"The vertical dimension [shows] the buyer's attitude toward the proposed value proposition, ranging from skepticism to support."
　In early markets, "the technology enthusiasts are the skeptical gatekeepers." In mainstream markets, "it is the pragmatists."
"The model also points to the fact that people who are supportive of your value proposition take an interest in your products and in your company."
　In early markets, "basing communications on product or company strengths is a mistake."

"Even the most skeptical specialists are always on the lookout for new technology breakthroughs."

Win over skeptics by getting "them involved in understanding [your product's] technology."

"Skeptical generalists may not take an interest in an unproven company but are always interested in new market developments."

Win over generalists by showing them "that there is an emerging unmet market requirement" that your product covers.

The two "natural" marketing rhythms in high-tech are "developing the early market and developing the mainstream market."

"You develop an early market by demonstrating a strong technology advantage [and] product credibility, and you develop a mainstream market by demonstrating a market leadership advantage [and] company credibility."

"The 'chasm transition' represents an unnatural rhythm."

This "means moving from the familiar ground of product-oriented issues [and like-minded specialists] to the unfamiliar ground of market-oriented ones [and uninterested generalists]."

Positioning

What is positioning?

- It is "an attribute associated with a company or a product, and not as the marketing contortions that people go through to set up that association."
- It "is the single largest influence on the buying decision."
- It "exists in people's heads, not in your words."
- It is difficult to change once it's been established.

These are the "four fundamental stages in this process, corresponding to the four primary psychographic types":

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."
Who for and what for
"Customers will not buy something until they know who is going to use it and for what purpose."
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."
Financials and futures
"Customers cannot be completely secure in buying a product until they know it comes from a vendor with staying power who will continue to invest in this product category."

The Positioning Process

This process has four components:

The claim
"Reduce the fundamental position statement… to a two-sentence format"
The evidence
"Develop sufficient evidence as to make any such disputation unreasonable."
Communications
"Identify and address the right audiences in the right sequence with the right versions of the message."
Feedback and adjustment
Make adjustments to your positioning as the competition responds to you.

The Claim: Passing the Elevator Test

"Can you explain your product in the time it takes to ride up an elevator? Venture capitalists use this all the time as a test of investment potential. If you cannot pass the test, they don't invest. … Here is a proven formula for getting all this down into two short sentences.":

- **For** (target customers, beachhead segment only)
- **who are dissatisfied with** (the current market alternatives)

- **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).

The Shifting Burden of Proof
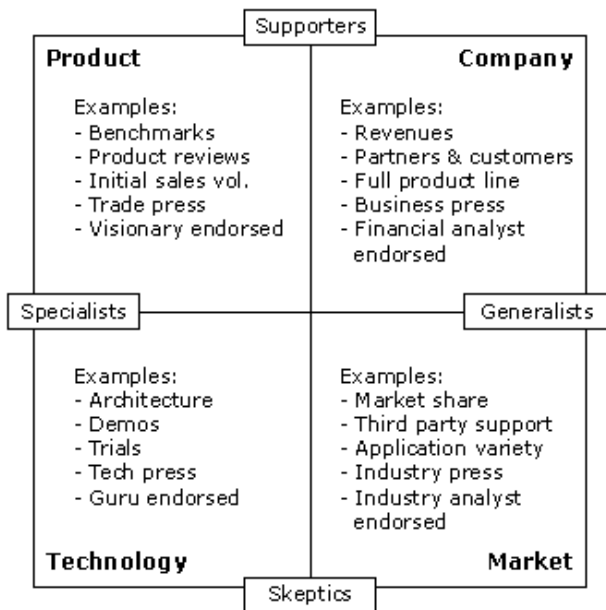
"By working your way up the left and then up the right of the compass, you can trace the evolution of desired evidence as the market evolves from the technology enthusiast to the visionary to the pragmatist and conservative."

Whole Product Launches

When marketing to the mainstream, the message is not "Look at my hot new product" but "Look at this hot new market."

"The message typically consists of a description of the emerging new market, fed by an emerging set of partners and allies, each supplying a part of the whole product puzzle, to the satisfaction of an increasingly visible and growing set of customers."

Launch the Invasion

The Structure of High-Tech Distribution

"There are currently a wide variety of distribution channels" for the high-tech market:

Direct sales
> This "consists of a dedicated sales force in the direct employ of the vendor."

Two-tier retail
> This consists of vendors shipping to "the first tier which stages inventory and manages credit for the second tier."

One-tier retail
> This consists of superstores "that for the bulk of goods sold fulfill both the wholesale and retail functions."

Internet retail
> This consists of one or two tiers with sales occuring on the Internet.

Two-tier value-added reselling
> This consists of "products that are too complex for retail [where the companies] specialize in a particular technology [or] vertical market."

National roll-ups
> This consists of local VARs (value-added resellers) rolled-up into national chains.

OEMs (original equipment manufacturers)

This consists of at least a two-tier (and can be up to four-tier) transaction where manufacturers integrate purchased products into their own systems.

System integrators

This "is not a channel per se… Rather, it is a project-oriented institution for managing very large or very complex computer projects."

"Channels are optimized for different purposes":

Demand creators versus demand fulfillers

"Direct sales forces, for example, are optimized for creating demand, while retail superstores are optimized for fulfilling it."

Role in providing the whole product

"System integrators and VARs are optimized for playing a very large role in providing or developing the whole product…" Retail and Internet channels are the opposite.

Potential for high volume

"Channels optimized for whole product development are not effective for high volume delivery. … The low-cost, low-service channels are just the opposite."

Direct Sales

The direct sales channel is "the best channel for crossing the chasm [because] it gives us maximum control over our own destiny." Important principles to consider:

- "For the customer, the key condition is that the vendor supply a broadly comprehensive and reasonably competitive set of offerings."
- "For the vendor, the key condition is both the volume and the predictability of revenues."
- "There is a price point below which this method of distribution cannot work."
- "There has to be a fundamentally uncompetitive agenda" between a company and its vendors.

Factors hurting direct sales are:

- Vendors who "exploit the [uncompetitive-agenda] relationship through unfairly expensive maintenance agreements [and] new releases."
- Dropping retail prices and rising overhead costs and margins.
- The increasing "complexity of total solutions… to the point where no single vendor can cover" it all alone.

Retail Sales

"The retail system works optimally when its job is to fulfill demand rather than to create it. … Because it does not create demand [or] help develop whole products, retail distribution is structurally unsuited to solving the chasm problem."

"Once [our product] is established in the mainstream market [it] will be a natural candidate for retail distribution." These approaches can be an intermediary step to prepare the product for this channel:

Direct response advertising

These are trial versions of the product that can be directly sent to potential customers.

Telesales (and teleservice)

These are well-trained customer service personnel that offer better-than-retail services for all of the pragmatists' questions.

Value-added resellers

These are resellers that tend "to be dominated by problem solvers rather than salespeople" who promote your products.

VAR-Land or No-Man's Land?

"VARs are problematic as mainstream distribution channels. They are best used to support product lines that are forever dedicated to niche markets." The factors that limit their effectiveness in mainstream markets are:

- "Developing this market requires marketing, and few VARs have either the resources or the inclination to do any marketing."
- "There are not enough VARs to go around."
- "Because its best margins come from labor, not product, it tends to sell enough to fill its plate and then stops selling."

Adaptations and Alternatives

"From a chasm perspective, [these are] either inappropriate or too specialized to warrant a lot of attention."

System Integrators
They "focus on servicing early market opportunities sponsored by visionary customers."

Super-VARs
They focus on "pragmatist buyers in medium to large-scale companies."

OEMs
They focus on "big-ticket products that come out of the company's own R&D labs, not the add-on product coming in from another vendor."

Selling Partnerships
This involves coselling "with a whole product partner." Unfortunately, this is an expensive method.

Outbound Retail
This involves delivery to the customers. Unfortunately, this is a demand fulfillment tactic.

The Internet

"For direct sales of chasm-crossing" high technology, this channel is ineffective because "crossing the chasm requires face-to-face meetings with the target customer." The Internet should still be part of your overall marketing mix, however.

So What's the Right Choice?

- First, "use direct sales and support as a demand-creation channel to penetrate the initial target segment"
- Then, "transition to the most efficient fulfillment channel for your offer"

Distribution-Oriented Pricing

"Set pricing at the market leader price point… 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."

Pricing models:

Customer-Oriented Pricing
- Visionaries "are relatively price-insensitive." For them, use "value-based pricing."
- Pragmatists "expect to pay a premium price for the market leader." For them, use "competition-based pricing."
- Conservatives are price-sensitive. For them, use "cost-based pricing."

Vendor-Oriented Pricing
This "is a function of internal issues" such as costs of goods, sales, overhead, etc. However, this "represents the worst basis for pricing decisions during the chasm period [because] we must be entirely [externally] focused" on gaining new customers and new relationships.

Distribution-Oriented Pricing
- "Is it priced to sell?" The price shouldn't "become a major issue during the sales cycle."
- "Is it worthwhile to sell?" The price should incorporate "a sufficient margin to reward the channel" for selling this new product.

Getting Beyond the Chasm

"Prechasm commitments… are all too frequently simply unmaintainable in the [postchasm period]. That is, they promise a level of performance or reward that, if delivered, would simply destroy the enterprise. This means that [we'll

need to] manage our way out of the contradictions imposed by prechasm agreements."

"The first and best solution [is] to avoid making the wrong kind of commitments during the prechasm period."

Financial Decisions: Breaking the Hockey Stick

"The purpose of the postchasm enterprise is *to make money*. …We need to recognize that this is not the purpose of the prechasm organization." The purpose then, is to prove there is customer demand.

Hockey stick forecast of revenue growth
>   This is where revenue first grow slowly, then shoot upwards. It is the most common model currently, and is "traditionally endorsed by the venture capital community." It is also flawed.

Staircase forecast of revenue growth
>   This is where revenue grows in spurts, then flattens, like a staircase. The flat/slow periods are where the company is entering new markets.

The Role of the Venture-Financing Community

"The call to action to the investment community is, Make your client companies incorporate crossing the chasm into their business planning."

The Role of the Venture-Managing Community

"Once early market leadership has been established… this is when you want to spend your money—not before." Also, profitability may not be possible from the outset because:

- "The price of entry [and product development] is too great", especially with manufacturing-intensive products.
- "The market is expected to develop so rapidly that you cannot afford to" be a small player.
- It is more expensive to cross the chasm to the mainstream than to build the early market with technology enthusiasts and visionaries.

Organizational Decisions: From Pioneers to Settlers

Crossing the chasm "involves a transformation in the enterprise… from being pioneers to becoming settlers." The people that helped you win the early market can now be a liability in the mainstream market.

Two New Job Descriptions

"To initiate the transition" from being pioneers to settlers, introduce these two new and temporary roles:

- **Target market segment manager**
  - "Transform a visionary customer relationship into a potential beachhead for entry into the mainstream vertical market" of that customer.
  - "Expedite the implementation of the first installation of the system."
  - "During the implementation of the first installation, introduce into the account his own replacement, a true account manager."
  - "Leverage the ongoing project to create one or more whole product extensions that solve some industrywide problem."
- **Whole product manager**
  - This role's goal is to ultimately be a product marketing manager (in the marketing department, responsible for bringing the product to market).
  - Manage the growing list of bug reports and product enhancements.

Coping with Compensation

Pioneering salespeople
>   Reward them immediately, for winning new accounts

Settler account managers
>   Reward them for longevity of the account, customer satisfaction, and predictability of revenue stream.

Pioneering developers
    Reward them for early market penetration. Since early market returns are usually small, equity is used instead. However, equity should be used to reward settlers, not pioneers.

R&D Decisions: From Products to Whole Products

"Whole product R&D is driven not by the laboratory but by the marketplace. It begins not with creative technology but with creative market segmentation."

- Focus groups are effective for whole product R&D in mainstream markets.
- Packaging studies help "ensure a successful experience right out of the box."

"Engineering must be a direct partner in" these efforts, not just marketing alone.