Crossing the Chasm
What’s New? What’s Not?

Stanford Mayfield Fellows
Palo Alto, April 22, 2014

Prolog: Category Maturity Life Cycle
Putting Technology Adoption in Perspective

Emerging Market (pre-Tornado)
Technology Adoption Life Cycle

A

B
Growth Market

C
Mature Market

D
Declining Market

Indefinitely elastic middle

Fault Line!
End of Life

Revenue Growth

Time
Technology-Enabled Business Models
Sources of Disruption for this Decade

• Eating other people’s lunch
  • Software eats hardware
  • Op ex eats cap ex
  • Services eat products

• Leveraging next-generation technology
  • Social
  • Mobile
  • Analytics
  • Cloud

Marketing Disruptive Innovation
What Makes High-Tech Marketing Different?

• High Risk
  • Unproven products and promises
  • Incompatible and incomplete infrastructure
  • Social resistance to change

• Low Data
  • No product history
  • No company track record
  • No best practices
The Technology Adoption Life Cycle
The Challenge Facing Every Disruptive Innovation

Innovators - Technology Enthusiasts

Geoffrey Moore
Innovators - Technology Enthusiasts

- **Primary Motivation:**
  - Learn about new technologies for their own sake
- **Key Characteristics:**
  - Strong aptitude for technical information
  - Like to alpha test new products
  - Can ignore the missing elements
  - Do whatever they can to help
- **Challenges:**
  - Want unrestricted access to top technical people
  - Want no-profit pricing (preferably free)

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Early Adopters - The Visionaries

[Image of Steve Jobs]

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Geoffrey Moore
Early Adopters - The Visionaries

- **Primary Motivation:**
  - Gain dramatic competitive advantage via *revolutionary* breakthrough

- **Key Characteristics:**
  - Great imaginations for strategic applications
  - Attracted by high-risk, high-reward propositions
  - Will commit to supply the missing elements
  - Perceive order-of-magnitude gains — so not price-sensitive

- **Challenges:**
  - Want rapid time-to-market
  - Demand high degree of customization and support

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Early Majority - Pragmatists

[Image of a group of business people in a meeting]

Geoffrey Moore
Early Majority - Pragmatists

- **Primary Motivation:**
  - Gain productivity improvements via *evolutionary* change
- **Key Characteristics:**
  - Astute managers of mission-critical applications
  - Understand real-world issues and tradeoffs
  - Focus on proven applications
  - Like to go with the market leader
- **Challenges:**
  - Insist on good references from trusted colleagues
  - Want to see the solution in production at the reference site

Late Majority - Conservatives

[Image of Geoffrey Moore]
Late Majority - Conservatives

- **Primary Motivation:**
  - Just stay even with the competition.

- **Key Characteristics:**
  - Better with people than technology
  - Risk averse
  - Price-sensitive
  - Highly reliant on a single, trusted advisor

- **Challenges:**
  - Need completely pre-assembled solutions
  - Would benefit from value-added services but do not want to pay for them

Laggards - Skeptics
Laggards - Skeptics

- **Primary Motivation:**
  - Maintain status quo.
- **Key Characteristics:**
  - Good at debunking marketing hype
  - Disbelieve productivity-improvement arguments
  - Believe in the law of unintended consequences
  - Seek to block purchases of new technology
- **Challenges:**
  - Not a customer
  - Can be formidable opposition to early adoption
Discussion

Crossing the Chasm: B2B Markets
Two Key Principles

- **Target a “beachhead” segment**
  - Highly focused approach to “rekindling the flame”
  - Niche market with an intractable problem, not solvable by conventional means
  - Process owner is under pressure to find a solution
  - Pragmatists are willing to consider disruptive approach

- **Commit to provide the “whole product”**
  - Bring all the ingredients with you
  - Complete solution to the intractable problem
  - Typically involves products and services from partners and allies
  - Lead vendor takes responsibility for ensuring customer success
## Target Market Initiative Framework
### A Checklist for Crossing the Chasm Planning

<table>
<thead>
<tr>
<th>Key sponsor</th>
<th>Complete solution</th>
<th>Legitimate alternatives</th>
<th>Next growth segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Next Target</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Key motive**
- **Fill in the gaps**
- **Maps to all the above**
- **Core differentiation**

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## Before the Chasm

<table>
<thead>
<tr>
<th>Target Customer</th>
<th>Visionary business executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compelling Reason to Buy</td>
<td>Dramatic competitive advantage</td>
</tr>
<tr>
<td>Whole Product</td>
<td>Application focus, differentiated</td>
</tr>
<tr>
<td>Partners and Allies</td>
<td>BPR and SI service providers</td>
</tr>
<tr>
<td>Distribution</td>
<td>Direct sales</td>
</tr>
<tr>
<td>Pricing</td>
<td>Value-based, gain motivated</td>
</tr>
<tr>
<td>Competition</td>
<td>Category vs. category</td>
</tr>
<tr>
<td>Positioning</td>
<td>Technology-based leadership</td>
</tr>
<tr>
<td>Next Target Customer</td>
<td>Another visionary in a different industry</td>
</tr>
</tbody>
</table>

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This playbook is about **creating budget**
Crossing the Chasm

<table>
<thead>
<tr>
<th>Target Customer</th>
<th>Pragmatist function manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compelling Reason to Buy</td>
<td>Fix a problem business process</td>
</tr>
<tr>
<td>Whole Product</td>
<td>Application focus, standardized</td>
</tr>
<tr>
<td>Partners and Allies</td>
<td>Recruited for specific whole product</td>
</tr>
<tr>
<td>Distribution</td>
<td>Direct sales transitioning to VARs</td>
</tr>
<tr>
<td>Pricing</td>
<td>Value-based, pain motivated</td>
</tr>
<tr>
<td>Competition</td>
<td>Market vs. market</td>
</tr>
<tr>
<td>Positioning</td>
<td>Niche market leadership</td>
</tr>
<tr>
<td>Next Target Customer</td>
<td>Adjacent niche market</td>
</tr>
</tbody>
</table>

This playbook is about redirecting budget

The New Examples

- **Salesforce**  
  - Target Market
- **VMware**  
  - Target Market
- **Aruba**  
  - Whole Product
- **Lithium**  
  - Whole Product
- **Rocket Fuel**  
  - Partners & Allies
- **Infusionsoft**  
  - Partners & Allies
- **Mozilla**  
  - Partners & Allies
- **Box**  
  - Positioning
- **Workday**  
  - Positioning
Discussion

Crossing the Chasm: B2C Markets
What’s New?  There is No Chasm!!

• Digital Services
  • Light to deploy, focus on user experience
  • The Lean Start-Up
  • Minimum viable product, rapid agile learning
  • In consumer use cases, leap to the tornado

• Critical Success Factors: The Four Gears
  • Acquire
  • Engage
  • Convert
  • Enlist
The Four Gears
Technology Adoption in B2C Markets

Referrals
Contributions
“Sharing”

Traffic
Eyeballs
“Hits”

Advertising
Retail
Subscription
‘Bus. Model’

Time on Site
Interactions
“Liking”

ENLISTMENT

ACQUISITION

STARTER MOTOR

MONETIZATION

ENGAGEMENT

Deconstructing The Dynamics
The Performance Gears

The Good
Performance drives revenue & growth

The Bad
Performance makes demands on brand’s good will

The Ugly
Performance-only focus liquidates brand’s good will

Performance Gear
How many? How fast?

Performance Gear
How much? How profitable?

Geoffrey Moore
Deconstructing The Dynamics
The Power Gears

The Good
Enlistment creates good will to drive acquisition

The Bad
Investment in power requires deferring performance

Power Gear
How often?
How wide?

The Good
Engagement creates good will to drive monetization

Power Gear
How often?
How deep?

Slowest Gear Theory

• Thesis
  • Prior to the tornado
  • At any given point in time
  • One of the four gears is slowing the other three down

• Examples
  • Bing  Acquisition
  • LinkedIn  Engagement
  • Snapchat  Monetization
  • Groupon  Enlistment
Slowest Gear Theory

Actions Required

• Identify the slowest gear
  • Focus everyone on speeding it up
• Maintain attention on the other three gears
  • You really do have to be a circus performer!
• Repeat every quarter until
  • You reach a tipping point or
  • You run out of gas

Case Examples

• Google
• Facebook
• Wikipedia
• LinkedIn
Discussion

Thank You

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