

Crossing the chasm

Understanding the purchasing habits of customers is essential if you want to avoid falling into the abyss, writes **Keith Humphreys**

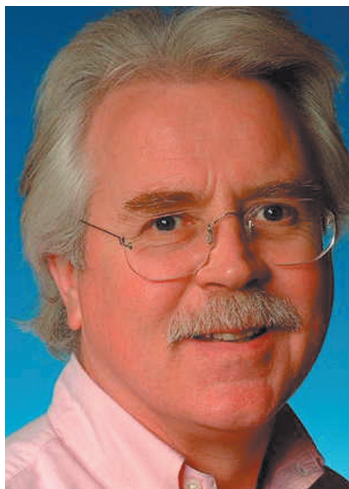
FIRST PUBLISHED IN 1991, *Crossing the Chasm* was, and remains, the seminal work in describing product life cycles. Written by Geoffrey Moore, the high-tech marketing guru (and principal of the Chasm Group), it offers time-tested insights into the problems and dangers facing growing companies, both within the high-tech sector and outside, and is 'the bible for bringing cutting-edge products to progressively larger markets'.

It states that a market is defined as 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.

The final point may be the least intuitive, but Moore says: "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."

Many business plans are based on a traditional technology adoption life cycle, a smooth bell curve of high tech customers, progressing from innovators, early adopters, early majority, late majority and finally laggards. In turn, this model becomes the foundation for a high-tech marketing model that says the way to develop a market is to work the curve from left to right, progressively winning each group of users, using each 'captured' group.

Moore demonstrates that in fact, there are cracks in the curve, between each phase of the cycle, representing a disassociation between any two groups; that is, 'the difficulty any group will have in accepting a new product if it is presented the same way as it was to the group to its immediate left'. The largest crack – so large it can be considered a chasm – is between the early adopters



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and the early majority. Many high-tech ventures fail when trying to cross this chasm.

The sequel, *Inside the Tornado: Marketing Strategies from Silicon Valley's Cutting Edge*, compares early-life products to buffalo milling around on the plain before stampeding – the tornado phase of the product life cycle.

Good examples of products in various stages of their life cycle come from Apple, which recently opened its first store in Europe in London's Regent Street. Personal computer manufacturers originally sold computers through high street shops, which built into large stores, such as First Computer and Bytes. So why has Apple reverted to this model? Not to sell the new iMac G5, but to introduce the concept of a 'digital hub' on the back of the

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success of the iPod. Indeed, the iPod is a great example of a product that has crossed the chasm. The iPod is heading for main street, the town on top of the hill in the diagrams.

For example, in Apple's fourth quarter, ending 25 September, the company shipped 2,016,000 iPods and 836,000 Macs, an increase of 500 per cent and six per cent respectively on the same quarter in 2003. In its 2004 fiscal year, the company shipped 4.4m iPods, making a total of 5.7m since its launch.

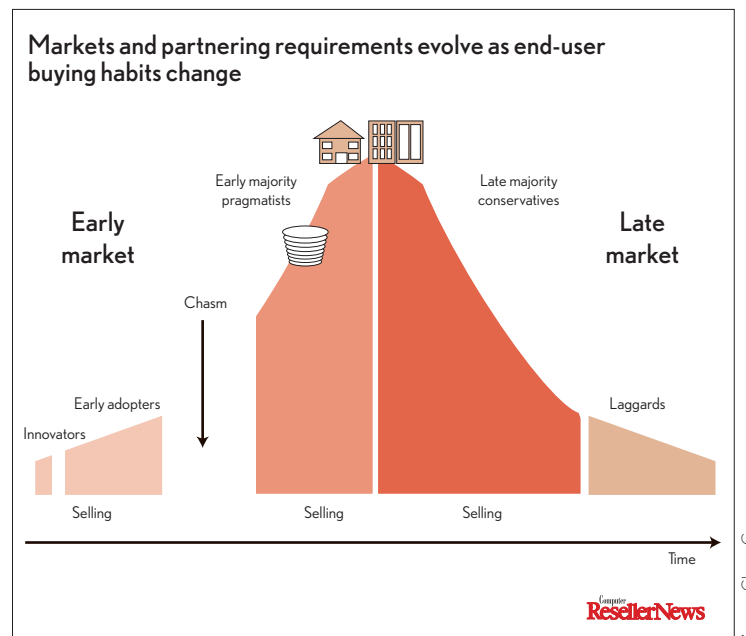
The Apple Mac is an example of a product, which is stuck in the early adopter/innovator segment of the market lifecycle. It is stuck against the chasm, but has managed not to topple in. Conversely, the Apple Newton toppled straight in to the chasm, disappearing without trace, although the Palm and iPAQ have dragged the concept back out and now Palm and Hewlett-Packard are dangling the PDA concept over the chasm once more.

When Apple is challenged on its PC sales, compared with Windows machines, it likens itself to BMW. Well, BMW does have several niches in which it may be successful, but it also has competitors. Apple can safely claim to be number one in market share for Macs.

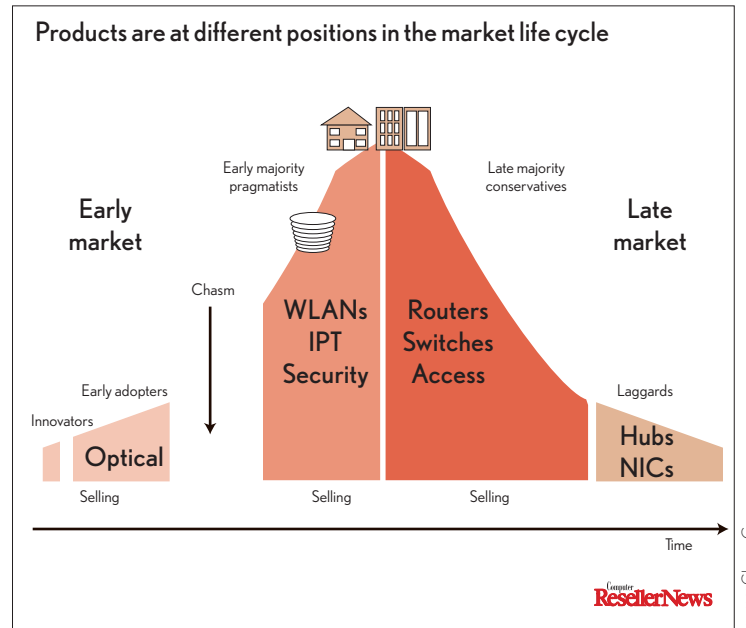
So will Apple's move to high-street shops be successful? Well the beautifully-designed iMac G5 is certainly a desirable object (the 64bit G5 chip is housed within the 17in display), but the main hook will be the generation of iPod users who don't know about Apple's range of computers. One can imagine the conversation: "I didn't know iPod made computers. I must have one."

Keith Humphreys is managing consultant at EuroLAN.

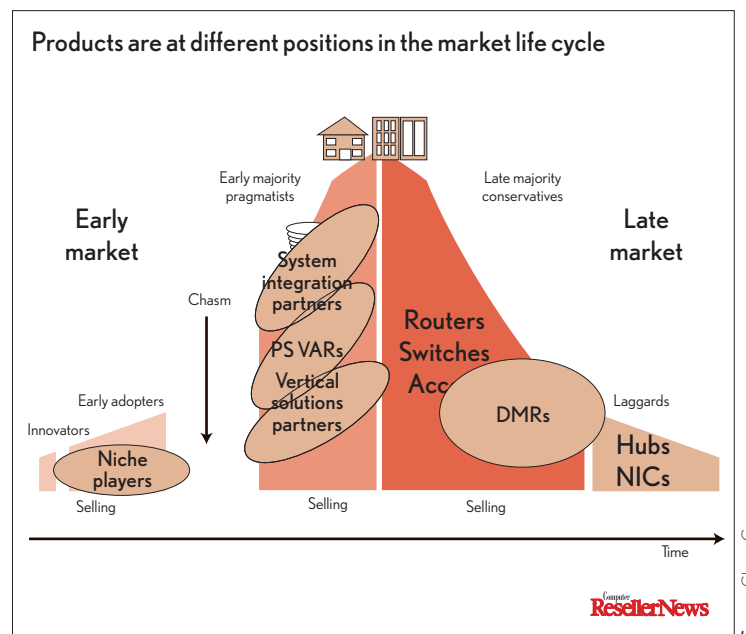
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