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Evolution of technology products

by **Harsh Pamnani**, Senior Manager, TiE, Mumbai , June 30, 2011

Why do certain technology products succeed, and others fail? Read this article to understand why certain products have succeeded in creating a new market

Every year millions of dollars are spent and thousands of working hours are put by talented people to develop fascinating technology products. But only 'few' products become market leaders, 'a few' survive, while the rest of them die an unsung death. If two identical products are introduced in the market, customers prefer one and the other is neglected and eventually disappears from the scene.

As mentioned in the famous book '*Crossing the Chasm*' by Geoffrey A. Moore, there are different market segments and customers in every market segment have different psychographic profiles that makes marketing responses of one group different from those of other groups. The companies that are able to understand and analyze different market segments and marketing strategies survive; the rest disappear. Hence it is quite necessary that companies should decide carefully who their 'initial' customers are.

According to my understanding from the book '*Crossing the Chasm*', I have attempted to explain technology adoption lifecycle and what works best for and with a particular customer profile in a market segment. I have also tried to explain it using examples of successful technology product such as facebook.com and how certain others such as myspace.com failed.

In the book, Geoffrey Moore, divides the technology market into five main market segments — Innovators, Early Adopters, Early Majority, Late Majority and Laggards. The marketer should focus on just one market segment at a time, using each group as a base for marketing to the next group, so the movement of the technology product should start from Innovators and move towards Laggards.

Whenever a company introduces a new product in the market, it has to follow the above path else the product would not be able to survive for long. But it is easier said than done, as customers in every market segment have different psychographic profiles; a marketing strategy that works in one market segment would not necessarily work in another. When a product becomes successful in one market segment, the company gets into an assumption that the same marketing strategy would work in all other segments and tends to get into a comfort zone. So, to make a product successful in another market segment, the company has to change the marketing strategies as per the profile of customers in another market segment.

However, as the book explains, there exists a chasm between different market segments. Wider the chasm, difficult to cross it and many start-ups die a natural death during the struggle of crossing the gulf. Innovators and Early Adaptors are small market segments and the chasm between them is miniscule, but the chasm

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between Early Adaptors and Early Majority (the main bulk market) is very wide and difficult to traverse.

Description of various market segments

Innovators: These are the first people to adopt a technology and hence called Technologists. For any innovation, there will always be a small class of these techies who will strive to just to see if it works or not. They are the source of the initial product or service references and the test-bed for introducing modifications to the product.

The Facebook concept was in Innovators' market segment between 2003 and 2004. In October 2003, it was started at the Harvard campus as Facemash, a site to choose the hotter person. In the first four hours 450 visitors visited it and 22,000 photo views happened. Post that Social Study tool, a notes-sharing platform for classmates, and finally, in January 2004, thefacebook.com was launched. Within a month, more than half of the Harvard undergrad crowd was registered, and in March 2004, it expanded to Stanford, Yale, Columbia, other IVY Leagues and later to other universities in the US and Canada.

Early Adopters: After getting the innovators' feedback, one would pitch to Early Adopters. They have the insight to connect an emerging technology with business opportunity. The company would need to tell them the problems and benefits of a new technology as a solution, so that they could imagine and then appreciate. Here, the company doesn't sell a product — it sells a dream of a better future. They act as references and bring in resources such as Seed Funding and Venture Capital on to the table.

In 2004 summer, Sean Parker became President, and then Facebook received its first investment from the PayPal founder, Peter Thiel. In 2005, the domain name, facebook.com, was purchased for USD 200,000 and it expanded its membership eligibility to employees of Microsoft and Apple. In September 2006, facebook.com was opened for everyone of age above 13.

Early Majority (Pragmatists): They represent the bulk of the market volume for any technology product. They adopt technologies and products with a proven track record and prefer to buy from the market leader and provide real opportunity for wealth and growth. To capture them and cross the chasm, a company has to apply proper strategies, such as: establish a pain point; capture the market segment in a particular niche; provide the whole product (a 'whole product' means a product along with whatever else the customers need in order to achieve their compelling reason to buy); collect references and form alliances with customers' preferred vendors; show up in industry conferences and trade shows they attend; get mentioned in features and reports of magazines; incorporate customer evidences; understand whether the solution is a vitamin (nice to have) or a painkiller (must have), as the customers would be much more receptive to a product or service that will alleviate their pain; define its competition and differentiation, as if it has competitors, it would become easier for it to explain the value proposition of its product else a lot of time would go in teaching the customer; should have a proper channel to reach out to customers in the market.

In September 2006-07, the website's ranking among all websites went up from the 60th position to the seventh in worldwide traffic (source: Alexa). In October 2007, Microsoft announced that it had purchased a 1.6 per cent share for USD 240 million. In November 2007, it launched an advertising system: Facebook Ads, to allow "businesses to connect with users and target advertising to the exact audiences they want (Whole Product)" and it got the right partners. In April 2008, it overtook Myspace internationally (based on monthly unique visitors) and in September 2009, Facebook said it had turned cash flow positive for the first time.

Late Majority (Conservatives): Conservatives fear high-tech a bit and therefore, they tend to invest towards the end of the technology lifecycle, when products are extremely mature, the market share competition drives low prices, and products themselves are treated as commodities. For a seller they represent a low margin market and are extremely service-oriented; they wait for a product to develop roots in a market via proper service channels.

The traffic to Facebook increased steadily after 2009. More people visited Facebook than Google for the week ending March 13, 2010. In April 2010, an estimated 41.6 percent of the US population had a Facebook account. In November 2010, Facebook was valued at USD 41 billion and became the third-largest US web company after Google and Amazon. And today, like other famous brands, the Mumbai vada pav is also present on Facebook.

Today, facebook has more than 600 million active users.

Laggards (The Skeptics): They continually point to the discrepancies between the sales claims and the delivered product, are not able to appreciate the technology much, and use it only when it becomes a

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necessity for doing certain work.

Example: Facebook has not entered the laggard market segment yet, as people of our parents' and grandparents' age don't use it much and are not positive on it because as per them the usage of Facebook affects relationships, causes health issues and wastes a lot of time.

Conclusion

It's very important for a company to select initial customers carefully, because if customers are not chosen in the right market segments then a lot of resources would go waste in reaching out to wrong target. When a company tries to enter a new market segment, it should identify a niche, where it could play a dominating role and should move fast, as competitors will not appreciate new player entry and longer the time it takes to establish itself, more is the cash required to survive. Once it has customers back it up, they should back it as a preferred vendor. So it is important for a company to first serve its niche audience and then apply extra resources to the next segment.

If we take the example of myspace.com, it was not able to cross that chasm. In June 2006, it was the most popular social networking website in the US. In 2007, News Corp attempted to merge it with Yahoo!; it was valued at USD 12 billion. In April 2008, it was taken over by Facebook. It has made huge losses and between January and February 2011, lost 10 million users and in the start of 2011, the media speculated that it would be auctioned during the year worth at USD 50-200 million.

A few decades ago, when computers came into the market, they were in the form of circuit boards and only technologists used them. Today, they are used by kids, our parents and even villagers, but they are still not a necessity for a vegetable vendor. They have captured till late majority market segment but have not entered into Laggards' segment. But, if we talk about mobile phones, which were in hands of CEOs and scientists a few years ago, they have now become a utility for everyone including a vegetable vendor. So, mobile phones have captured even the laggards' market segment.



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