A Summary of “Crossing the Chasm”

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The high-tech marketing guru (and principle of The Chasm Group marketing consultants), Geoffrey Moore offers time tested insights into the problems and dangers facing growing software companies, and a blueprint for survival. This classic text (first published in 1991) is widely accepted as “the bible for bringing cutting-edge products to progressively larger markets.”

For the benefit of the reader, while I do not presume to do justice to Moore's book, I attempt to summarize key points here:

- 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-- is absolutely key to successful high-tech marketing."

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 which 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 as a reference for the next.
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 and the Early Majority. Many (most) high tech ventures fail trying to make it across this chasm.

![The Revised Technology Adoption Life Cycle](image)

- **Early Adopters** are the rare breed of visionaries "who have the insight to match an emerging technology to a strategic opportunity, ... driven by a 'dream'. The core dream is a business goal, not a technology goal, and it involves taking a quantum leap forward in how business is conducted in their industry or by their customers... Visionaries drive the high-tech industry because they see the potential for an 'order-of-magnitude' return on investment and willingly take high risks to pursue that goal. They will work with vendors who have little or not funding... As a buying group, visionaries are easy to sell but very hard to please... because they are buying a dream... They want to start out with a pilot project, which makes sense because they are 'going where no man has gone before' and you are going with them. This is followed by more project work, conducted in phases with milestones, and the like."

  "You can succeed with the visionaries, and you can thereby get a reputation for being a high flyer with a hot product, but that is not ultimately where the dollars are. Instead, those funds are in the hands of more prudent souls who do not want to be pioneers"

- **The Early Majority** are pragmatists... "they care about the company they are buying from, the quality of the product they are buying, the infrastructure of supporting products and system interfaces, and the reliability of the service they are going to get... Pragmatists tend to be 'vertically' oriented, meaning that they communicate more with others like themselves within their own industry than do technology
enthusiasts and early adopters… It is very difficult to break into a new industry selling to pragmatists. References and relationships are very important… Pragmatists won't buy from you until you are established, yet you can't get established until they buy from you…

"On the other hand, once a startup has earned its spurs with the pragmatist buyers within a given vertical market, they tend to be very loyal to it, and even go out of their way to help it succeed. When this happens, the cost of sales goes way down, and the leverage on incremental R&D to support any given customer goes way up. That's one of the reasons pragmatists make such a great market…

"They like to see competition… Pragmatists want to buy from proven market leaders because they know third parties will design supporting products around a market-leading products… aftermarket…

"Overall, to market to pragmatists, you must be patient. You need to be conversant with the issues that dominate their particular business. You need to show up at the industry-specific conferences and trade shows they attend. You need to be mentioned in articles that run in magazines they read. You need to be installed in other companies in their industry. You need to have developed applications that are specific to their industry. You need to have partnerships and alliances with the other vendors who serve their industry. You need to have earned a reputation for quality and service.

➢ "Pragmatists are not anxious to reference visionaries in their buying decisions. Hence the chasm. Four fundamental characteristics of visionaries that alienate pragmatists:
  1. Lack of respect for colleagues' experiences.
  2. Taking greater interest in technology than in their industry.
  3. Failing to recognize the importance of existing product infrastructure.
  4. Overall disruptiveness.

[picture pg 135]
To cross the chasm, Moore advocates that a company focus on a single market, a beachhead, win domination over a small specific market and use it as a springboard to adjacent extended markets to win. See the D-Day analogy, below.

Applications vs. Platforms: "For actual chasm crossing applications have a huge advantage. That is because disruptive innovations are more likely to be championed by end users than by the technology professionals that operate the current infrastructure. Applications are what an end user sees… And if the application fixes a broken, mission-critical business process, they can insist on its deployment in spite of an IT department's reluctance… To accelerate the adoption of platforms, then, vendors must clothe them in applications clothing. That is, they must tie them directly to an application in order to gain the end-user sponsorship necessary to secure a beachhead."

Briefly, the way to cross the chasm requires the following steps (Moore spends an entire chapter on each of these):

- **Target the point of attack:** "Target a specific market niche as your point of attack and focus all your resources on achieving the dominant leadership position in that segment." Includes identifying the primary market identifiers: target customer, compelling reason to buy, whole product (see below), and competition; and
secondary market factors: partners and allies, distribution, pricing, positioning, next
target customer.

- **Assemble an invasion force**: Create the whole product, "by thinking through your
customer's problems-- and solutions-- in their entirety". This includes the core
product plus everything else you need to achieve your compelling reason to buy,
including additional software, hardware, systems integration, installation and
debugging, training and support, standards and procedures, etc. These may be
provided in-house or by using partners and alliances.

- **Define the battle**: that is, create the competition, define positioning, develop the
elevator pitch, build this into all your company communications. "1. Focus the
competition within the market segment established by your must-have value
proposition…2. Create the competition around what, for a pragmatist buyer,
represents a reasonable and reasonably comprehensive set of alternative ways of
achieving this value proposition. Do not tamper with this set artificially excluding a
reasonable competitor… 3. Focus your communications by reducing your
fundamental competitive claim to a two-sentence formula…in every piece of
company communications… always be sure to reinforce the second sentence of this
claim, the one that identifies your primary competition and how you are differentiated
from it… 4. Demonstrate the validity of your competitive claim… [to conclude you
are] the indisputable leader"

- **Launch the invasion**: distribution and pricing. "The direct sales force is optimized for
creating demand. At its center is the consultative salesperson who works with the
client in needs analysis and then, supported by a team of application and technology
specialists, develops and proposes solutions, which, after additional interaction with
the customer, and a competitive procurement, turn into purchase orders. This is a very
expensive way to sell…Direct sales is the optimal channel for high tech. It is also the
best channel for crossing the chasm."
The key to moving beyond one’s initial target niche is to select *strategic* target market segments to begin with. That is, target a segment that, by virtue of its other connections, creates an entry point into a larger segment.
The following excerpt discusses the tendency to ignore niche marketing even though business leaders “know better”.

This isn’t rocket science, but it does represent a kind of discipline. And it is here that high-tech management shows itself most lacking. Most high-tech leaders, when it comes down to making marketing choices, will continue to shy away from making niche commitments, regardless. Like marriage-averse bachelors, they may nod in all the right places and say all the right things, but they will not show up when the wedding bells chime. Why not?

First, let us understand that this is a failure of will, not of understanding. This is, it is not that these leaders need to learn about niche marketing. MBA marketing curricula of the past 25 years have been adamant about the need to segment markets and the advantages gained thereby. No one, therefore, can or does plead ignorance. Instead, the claim is made that, although niche strategy is generally best, **we do not have time—or we cannot afford—to implement it now**. This is a ruse, of course, the true answer being much simpler: *We do not have, nor are we willing to adopt, any discipline that would ever require us to stop pursuing any sale at any time for any reason*. We are, in other words, not a market-driven company; we are a sales-driven company.

Now, how bad can this really be? I mean, sales are good, right? Surely things can just work themselves out, and we will discover our market, albeit retroactively, let to it by our customers, yes? The true answers to the previous three questions are: (1) disastrous, (2) not always, and (3) never in a million years.

The consequences of being sales-driven during the chasm period are, to put it simply, fatal. Here’s why: The sole goal of the company during this stage of marketing development must be to secure a beachhead in a mainstream market—that is, to create a pragmatist customer base, we must ensure that our first set of customers completely satisfy their buying objectives. To do that, we must ensure that the customer gets not just the product, but… the whole product, the complete set of products and services needed to achieve the desired result… Whole product commitments, however, are expensive… Therefore must be made not only sparingly but strategically… This can only happen if the sales effort is focused on one or two niche markets…
One of the keys in breaking into a new market is to establish a strong word-of-mouth reputation among buyers… Seeding this communications process is expensive, particularly once you leave the early market, which in general can be reached through the technical press and related media, and make the transition into the mainstream market. Pragmatist buyers, as we have already noted, communicate along industry lines or through professional associations… Winning over one or two customers in each of 5 or 10 different segments—the consequences of taking a sales-driven approach—will create no word of mouth effect… *This lack of word of mouth, in turn, makes selling the product that much harder, thereby adding to the cost and the unpredictability of sales.*

Finally, there is a third compelling reason to be niche focused when crossing the chasm, which as to do with the need to achieve market leadership. Pragmatist customers want to buy from market leaders… Now, by definition, when you are crossing the chasm, you are not a market leader. The question is, How can you accelerate achieving that state? This is a matter of simple mathematics. To be the leader in any given market, you need the largest market share—typically over 50 percent at the beginning of a market, although it may end up to be as little as 30 to 35 percent later on… So, if we want market leadership early on—*the only right strategy is to take a “big fish, small pond” approach…*

For all these reasons—for whole product leverage, for word-of-mouth effectiveness, and for perceived market leadership—it is critical that, when crossing the chasm, you focus exclusively on achieving a dominant position in one or two narrowly bounded market segments. If you do not commit fully to this goal, the odds are overwhelmingly against your ever arriving in the mainstream market.

*Chasm, pp 67-71*
The following excerpt gives a fictional account that is only too real of a high tech startup roller coaster ride.

**A High-Tech Parable**

In the first year of selling a product—most of it alpha and beta release—the emerging high-tech company expands its customer list to include some technology enthusiast innovators and one or two visionary early adopters. Everyone is pleased, and at the first annual Christmas party, held on the company premises, plastic glasses and potluck canapés are held high.

In the second year—the first year of true product—the company wins over several more visionary early adopters, including a handful of truly major deals. Revenue meets plan, and everyone is convinced it is time to ramp up—especially the venture capitalists who note that next year’s plan calls for a 300 percent increase in revenue. (What could justify such a number? The technology adoption profile, of course! For are we not just at that point in the profile where the slope is increasing at its fastest point? We don’t want to lose market share at this critical juncture to some competitor. Strike while the iron is hot!) This year the company Christmas party is held at a fine hotel, the glasses are crystal, the wine vintage, and the theme, a la Dickens, is “Great Expectations.”

At the beginning of the third year, a major sales force expansion is undertaken, impressive sales collateral and advertising are underwritten, district offices are opened, and customer support is strengthened. Halfway through the year, however, sales revenues are disappointing. A few more companies have come on board, but only after a prolonged sales struggle and significant compromise on price. The numbers of sales overall is far fewer than expected, and growth in expenses is vastly outdistancing growth in income. In the meantime, R&D is badly bogged down with several special projects committed to in the early contracts with the original customers.

Meetings are held. The salespeople complain that there are great holes in the product line and that what is available today is overpriced, full of bugs, and not what the customer wants. The engineers claim they have met spec and schedule for every major release, at which point the customer support staff merely groan. Executive managers lament that the sales force doesn’t call high enough in the prospect organization, lacks the ability to communicate the vision, and simply isn’t aggressive enough. Nothing is resolved, and, off line, political enclaves begin to form.
Third quarter revenues results are in—and they are absolutely dismal. It is time to whip the slaves. The board and the venture capitalist start in on the founders and the president, who in turn put the screws to the vice president of sales, who passes it on to the troops in the trenches. Turnover follows. The vice-president of marketing is fired. It’s time to bring in “real management.” More financing is required, with horrendous dilution for the initial cadre of investors—especially the founders and the key technical staff. One or more founders object but are shunted aside. Six months pass. Real management doesn’t do any better. Key defections occur. Time to bring in consultants. More turnover. What we really need now, investors decide, is a turnaround artist. Layoffs followed by more turnover. And so it goes. When the screen fades to the credits, yet another venture rides off to join the twilight companies of Silicon Valley—enterprises on life support, not truly alive and yet, due in part to the vagaries of venture capital accounting, unable to choose death with dignity.

… What the company staff interpreted as a ramp in sales leading smoothly “up the curve” was in fact an initial blip—what we will be calling early market—and not the first indications of an emerging mainstream market. The company failed because its managers were unable to recognize that there is something fundamentally different between a sale to an early adopter and a sale to the early majority, even when the company name on the check reads the same.

*Geoffrey Moore, “Crossing the Chasm (revised edition)”, pp23-25*
The following excerpt explains Moore’s analogy for how to successfully cross the chasm and win.

### The D-Day Analogy -- Fighting Your Way into the Mainstream

The perils of the chasm make this a life-or-death situation for you. You must win entry to the mainstream, despite whatever resistance is posed. So, if we are going to be warlike, we might as well be so explicitly. For guidance… [we look at] the Allied invasion of Normandy on D Day, June 6, 1944…

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). For our product to wrest the mainstream market from this competitor, we must assemble an invasion force comprising other products and companies (the Allies). By way of entry into this market, our immediate goal is to transition from an early market base (England) to a strategic target market segment in the mainstream (the beaches of Normandy). Separating us from our goal is the chasm (the English Channel). We are going to cross that chasm as fast as we can with an invasion force focused 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 (liberation of Europe)…

The key to the Normandy advantage, what allows the fledgling enterprise to win over pragmatist customers in advance of broader market acceptance, is focusing an overabundance of support into a confined market niche. By simplifying the initial challenge, the enterprise can effectively develop a solid base of references, collateral, and internal procedures and documentation by virtue of a restricted set of market variables. The efficiency of the marketing process, at this point, is a function of the “boundedness” of the market segment being addressed. The more tightly bound it is, the easier it is to create and introduce messages into it, and the faster these messages travel by word of mouth.

*Geoffrey Moore, “Crossing the Chasm (second edition)”, pg 66*