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Segmenting for Assault

Claiming and Established Market

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Dividing is Conquering

Imagine a battlefield. You, the marketing general, are perched atop a cresting hill and below you lies the market – the land you must conquer. It may be an open plane separating you and an opposing army, or it may be littered with an enemy arrayed in massive forces, or there may be just a lone castle awaiting your attack.

In all battles, there is one prevailing rule that applies – the concentration of force wins. In his masterwork "On War," Prussian general Carl von Clausewitz noted:

> *"Keep forces concentrated in an overpowering mass . . . The greatest number of troupes should be brought into action on the decisive point."*

The point old Carl was making is that war is force precisely applied. Since marketing is merely civilized warfare where profits replace casualties, the same principle applies. And that is why segmenting is the most critical element of your marketing strategy, because:

Segmentation tells you how to concentrate your forces

Sounds simple enough, but the "whys" of militaristic segmentation are as important and as interesting as the "hows."

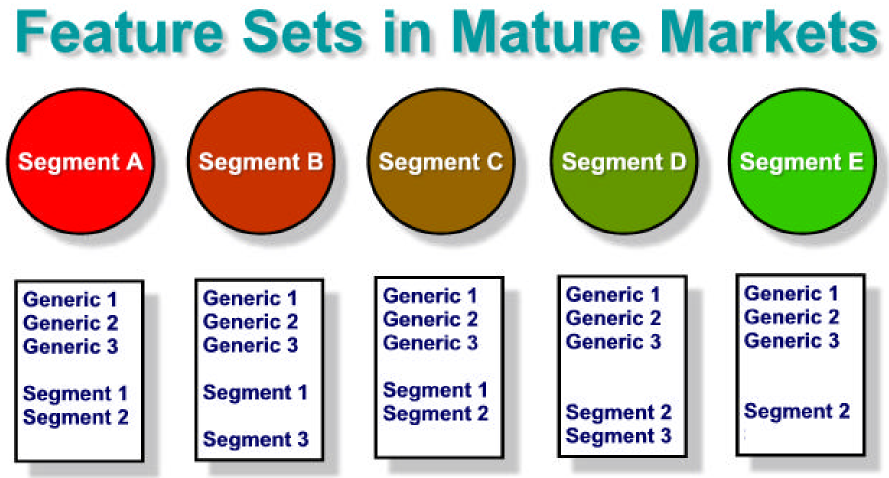
Old markets and new products

I have endured the distinct pain of moving a new product into an old market – twice. It is a process only slightly less pleasant than death, and a little more traumatic. But segmenting and the resulting concentration of force make such market entries possible.

Before we get into the benefits of segmenting, let's have a look at the dangers a marketing battle in progress brings to you.

Features as ammunition

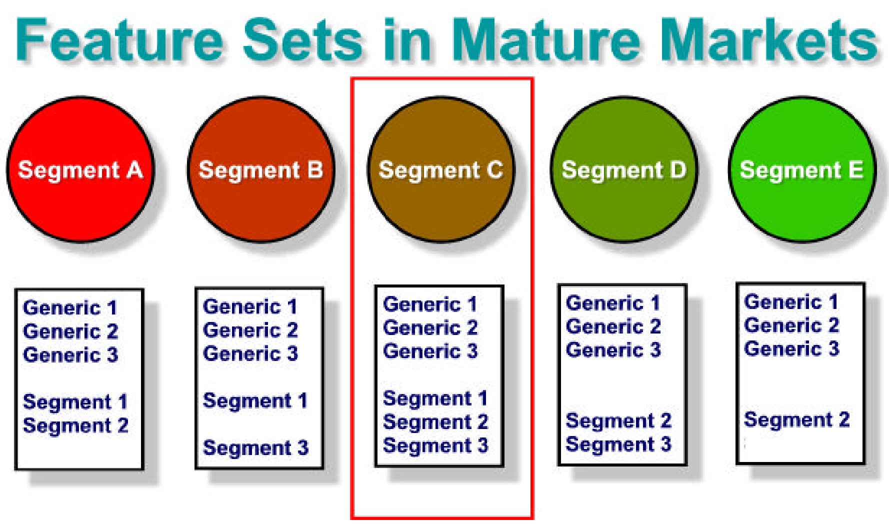
In an established market, one or more competitors have already invaded most, if not all, available market segments. In doing so, they have already provided the market a nearly complete set of generic features (features that apply to buyers in all segments) and varying degrees of segment-specific features. Within any segment, there may be gaps in the whole product offering provided by one or all of your competitors, but odds are, they are minor and easy to address and not particularly valuable in recruiting or converting customers.



What you, the astute student, have already realized is that in order to compete:

1) You must offer all of the generic features and . . .
2) You had better fill-in the whole product offering that the competitors left out, and . . .
3) Trying to provide all features for all segments is expensive and won't happen in your lifetime

If you attempt to sell to all segments with a product that had merely the generic feature set, you would starve. Yet, I routinely hear marketing professionals bemoaning that they cannot "get traction" with their products in a market when they have tried to address the entire market with a mere generic product.



The reason is astoundingly simple. Customers don't buy generic feature sets when near-whole-product feature sets for exist. As a buyer, would you prefer to buy a product that met 90% of your needs or the basic 50% of your needs? Barring huge price differences, the decision is a no-brainer. And if the segment-specific features are mission-critical in nature, then even discounting will not suffice.

Given that your company has limited engineering resources, it becomes important for marketing to select one segment in which to focus all resources and thus create a superior whole product for that one segment. As Clausewitz told us, concentrate your forces "in an overpowering mass . . . on the decisive point". In marketing parlance, this translates into "put all engineering and marketing resources into one segment."

By focusing on the one segment, you have the best opportunity to create the "whole product" necessary to satisfy buyers and to do so better than competitors attempting to serve multiple segments. Some deride this philosophy as "niche" marketing. But the alternative is to be a market place casualty.

Money as artillery

If you are entering an established market, then odds are you are going to be outspent by your competitors. If they have "traction", then they have money – sales based cash flow, investments cash, or IPO wealth. Money is the artillery of marketing, and as Microsoft has shown time and again, it can be an A-bomb to drop on competitors.

I recently acquired a client who is a competitor to an established operating systems vendor. The leader in that market was the proverbial 900-pound gorilla, tough I think 900 pounds understates their strength by an order of magnitude. As the following diagram shows, my client was spending significant amounts of money to market their product into every conceivable segment, and faltering in each segment by over-extending themselves.

So what was my poor client to do? There was no way they could outspend the mad hatters on all fronts. They simply didn't have that kind of cash. And even if they did, it would have been a suicidal effort that would have crushed my client and not the more established competitor. Segmenting and the "concentration of forces" again provided the answer.

My client wisely settled on one market segment to focus almost their entire marketing budget. They still offered products in the other segments (in this market is was practically required, and not all that costly to do in terms of engineering effort). But by focusing on one segment, my client could match the leading competitor dollar-for-dollar. As Clausewitz noted:

> *". . .where an absolute superiority is not attainable, . . . produce a relative one at the decisive point, by making skillful use of what we have . . ."*

Interestingly, all but the wisest competitors will not counter such a concentration of force by shifting marketing funds from the other segments. They are loath to give ground in safer segments in order to defend against a “niche” player. And with web and media being inexpensive tools, my client kept the appearance of fighting on all fronts while not actually fighting on all fronts. This allowed them the luxury of applying force and gaining ground on one key battlefield. In short, they found traction in one segment and dragged collateral sales into other segments.

New markets and new products

All of what has been discussed concerning established markets applies to new markets. The only real difference is the “competitor.”

As Moore noted in “Crossing the Chasm”, Intuit was not competing against any software when the invented Quicken – they were competing against the status quo, the ability to use pen, paper and checkbook to manually track ones expenses. Thus, in new markets, your chief competitor is typically momentum.

The same issues of feature creation and budget apply. I won’t repeat Moore on how selecting a segment and building a whole product for that segment as a means to crossing the technology buyer chasm. But I will note that the marketing budget must be applied appropriately on the other side of the chasm.

It is a temptation to branch out from your initial segment quickly after a chasm crossing. Like most temptations in life, it is dangerous and occasionally fatal. The reason is that as you enter a segment, competing products will develop and clone your feature set. This creates in the minds of segment buyer’s choices and slows your sales, revenue, and your ability to extend effectively into the next segment.

Herein lies where many marketing professionals fail to win their wars. To quote Clausewitz:

> “Next to victory, the act of pursuit is most important in war. Only pursuit of the beaten enemy gives the fruits of victory.”

The point is that a war is not won in a battle, and market victory is not won when one has gained traction within a segment. A company must pursue a segment until they have created such significant barriers to competition that no sane newcomer would select that segment as a launching pad. Hewlett Packard pursued the network management market with then hyper-extended OpenView product to the point of near ubiquity. Microsoft pursued the desktop office until the feds intervened (and they are still at it).

Only after such dominance has been achieved can and should a market leader change focus to the next segment. Diversification is desirable, but premature diversification is deadly.

Guy Smith heads Silicon Strategies Marketing, a marketing consultancy devoted to helping high-technology vendors dominate their markets. He has consulted with technology firms in such diverse fields as high-availability software, interactive television, wireless messaging middleware, pure e-commerce plays, and Collaborative Software Development suites. Smith focuses on guiding his clients through the rigors of developing precise market strategies and educating his clients on both the theory and tactical necessities of their strategic implementations. His marketing expertise is matched by more that 20 years as a technologist specializing in high-availability IT processing.