Zen Segmenting

Accelerating Market Dominance

by Guy Smith
Silicon Strategies Marketing
www.SiliconStrat.com

Divided attention and undivided markets

My client was a NASDQ listed company who had one of the most successful IPOs in history. They contracted me to help accelerate a new product launch. As is my way, I started this engagement by asking a number of questions designed to educate me on the work that had lead to their existing marketing plans.

"So, what is your market segmentation model?" I asked without fear.

"We're using industry verticals," the marketing director replied.

I nodded sagely and followed-up by asking "Why did you decide on that model?"

With the confidence that only completely misinformed people possess, he replied "It's as good as any other model."

His broad and amiable smile quickly faded. I suppose I unconsciously allowed my normally stoic expression to fall. He knew something was amiss from my gaping jaw and the suffocating silence in his office.

Market segmentation is so pedestrian an exercise that it tends to get overlooked in the mad rush to launch new products. Shame really. Though it may appear simplistic, the results of poor segmentation often spell the difference between success and bankruptcy. This situation is especially acute in technology markets where combinations of technologies and partnerships often define both the market and valid segmentation strategies.

Segment or die

Segmenting is essential for technology markets, and for more reasons than I have paper and toner to describe. But let's note some of the more important reasons just to instill the appropriate degree of fear and dread into you, the otherwise happy reader:

Rapid domination of a market

The art of dominating a technology market comes from gaining early traction. Early traction comes from generating many early adopter and early majority sales. This cannot be done if you try to sell to the entire market in one grand sweep (for the best explanation on record for this phenomenon, read Moore's *Crossing the Chasm*). Segmenting and prioritizing/dominating one segment at a time achieves dominance, buzz, and media mindshare in the shortest time possible.

Raise barriers to competition
A robust segmentation and execution plan is one of the best barriers to entry for your competition. Your competitors cannot outsell you if your entire company is focused on one or two segments. This applies even if your competitor is more established and you both are in a mature market.

Lower costs for campaigns
Segmenting and prioritizing segment dominance is more cost effective than broad, market-wide sales and promotional efforts. The cost per lead and cost per sale is lower when you focus on a segment. This occurs because your messaging, promotions, and customer referencing create more highly qualified leads.

Greater buzz generation
Dominating a market one segment at a time creates more market "buzz" (which I'll loosely define as the "cumulative non-vendor discussions about your products"). As we will learn later in this paper, the way people communicate depends a lot on what segment they are in. Focus on one segment, and you'll generate a lot more buzz in that segment than you would addressing every possible customer in all available segments.

Not over extending intellectual capital
Marketing people don't sell. Telemarketers, inside sales, outside sales, receptionists, executives, press, analysts and even your technical support department sell your products. Your job is to get all of those people to focus on one market segment and share their verbal, written and intellectual capabilities. Spread their attention over too many markets or segments and your customers will receive many conflicting messages and no depth of communications.

Greater focus in mature markets or during tough economic times
Finally, segmentation provides tactical advantages in mature markets and in tough economic times. In these circumstances you are fighting harder for sales. By focusing on the most viable part of a market (segment), you generate more sales and more revenue with the same amount of effort while establishing your strongest possible beachhead. This helps companies entering mature markets to grab market share from established competitors who are defending many segments at once.

Inspired segmenting – what a difference a demographic makes
At Silicon Strategies, we have developed group processes for finding and evaluating market segmentation options. I'd love to share these processes with you, but that would be giving away one of our better trade secrets. However, there are interesting topics any good marketing manager should be aware of when deciding on a segmentation model for technology products.

Referencing
Your products gain market traction quickly when people that have "tried or buyed" your product talk about it, or you talk about them (forgive the poor English – I didn't invent that phrase). Your segmentation model should create groups of buyer genotypes that routinely communicate

with one another and thus carry your message and benefit statement to their peers.

Different buyer genotypes

Each segment may have different buyer genotypes (people and job titles that influence the buying decision). These genotypes often reference like genotypes in other companies at conferences, online and in trade publications. A great segment is one where the genotypes are similar as this helps to improve the odds of referencing within the segment.

Common jargon

A great segment is one where there is a common language, a common set of beliefs and jargon. Using this jargon in your sales campaigns will build credibility and familiarity within that segment. This reduces the sales cycle and speeds references between customers and prospects.

Synergistic products

Technology has become so complex and interrelated that your "whole product" definition likely requires strategic partners or compatible technologies. A segmentation model that creates exploitable co-product synergies without spending all profits on broad R&D efforts will drive demand, adoption and sales.

Matching to corporate goals

Lastly, your segmentation model and the segments you prioritize must address corporate goals. It is not enough to say "we can make industry verticals work as a segmentation model." You must pick a model that most expediently addresses corporate objectives and milestones. Some models will do so much better than others.

It's all about slices, not the whole pie

Just like most people cannot eat a whole pie in one sitting, technology firms cannot dominate a whole market in one pass. But like a sliced pie, a market can be consumed one segment at a time. It all depends on how you slice it.

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 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.