

**Tab 1**

# Why you need to understand Market Sophistication before creating an Avatar.

## Eugene Schwartz's Market Sophistication Theory

Eugene Schwartz's Market Sophistication from "Breakthrough Advertising" in 1966 remains relevant today.

However, the rate at which these markets sophisticate is now faster than ever.

50 years ago, it would take word of mouth to reach others around whether or not a product actually worked well in their local areas.

But also, keep in mind that global commerce was not the same 50 years ago as it is today.

So, as the scale of selling has increased

So has the scale of customer feedback & word of mouth.

### The five stages of market sophisitcaiton

Markets progress through five stages based on customer exposure to competitive messaging and product claims.

**Stage 1 - First to Market:** The pioneering phase where simple benefit statements suffice. Customers haven't encountered the product category before, making direct claims effective.

**Stage 2 - Competition Emerges:** Multiple players enter, forcing benefit amplification. Brands compete through enhanced promises and superlatives.

**Stage 3 - Market Saturation:** Customers become skeptical after hearing repetitive promises. Success requires introducing new mechanisms explaining HOW products work differently.

**Stage 4 - Mechanism Competition:** Multiple brands claim unique mechanisms, forcing enhancement and elaboration. Brands must make their mechanisms "easier, faster, surer" than competitors

**Stage 5 - Complete Sophistication:** Customers actively resist all claims, seeking reasons NOT to buy. Only emotional connection, identity, and brand experience drive decisions.

## Market Evolution in Sophisticated eCom Markets

eCommerce has changed from simple product sales to extremely sophisticated psychological positioning battles.

Which is why most people say:

"eCommerce is too saturated"

"eCommerce is too hard"

**(Skill Issue)**

Nowadays more than  $\frac{3}{4}$  of potential consumers research products before purchase, with the average eCommerce category containing 15+ direct competitors.

Traditional "bigger, better, faster" claims no longer resonate with customers who have "heard it all before."

Success requires understanding your market's sophistication level and deploying appropriate strategic responses.

## Why Stages 3-5 Dominate Modern eCommerce

**Most eCommerce markets operate in Stages 3-5** due to the internet lowering entry barriers and the overall abundance of information online

Consumers are more educated than ever.

Reports and studies actually show that 67% of purchase decisions are now influenced by brand story and values rather than features.

This confirms Stage 4-5 characteristics across big categories.

**As a result, you get something called the Avatar-Market Sophistication Gap**

Meaning, even though your:

- Avatar is perfectly defined.
- The desires are crystal clear
- And your product actually delivers your claims.

You fail to communicate to those avatars in a way that breaks through the sophistication level.  
And as a result, your ads don't work.

## Important Things To Note About Market Sophistication:

1. This is what makes Facebook advertising extremely hard when you have no true USPs
2. This is the reason why bad marketers can get rich quickly when they find a product with a New Mechanism or in early stage 1-2 markets
3. This is not something you test on your ads... You don't test "different levels of sophistication" Your sophistication just exists
4. Market Sophistication is NOT Market Awareness.

## Three Strategic Responses for Sophisticated Markets

### New Mechanism: Revolutionary delivery and technology

The New Mechanism strategy introduces a NEW processes, technology, or delivery system that makes familiar promises fresh and believable.

Rather than claiming bigger benefits, you reveal the "secret thing" behind your solution.

**Psychological foundation:** Sophisticated & educated customers crave a CLEAR understanding of HOW products work. (*however this can be over complicated - more on this later*)

### Examples of Great New Mechanisms:

- **Purple's GelFlex Grid** departed entirely from traditional foam with visible, demonstrable properties
- **Seed Health's ViaCap® dual-capsule system** ensures 95% probiotic survival versus competitors' 20%
- **Oura Ring:** Developed a NEW way for users to achieve their fitness & health goals.

The biggest mistakes people make with this are over-technical communication that alienates audiences, claiming false uniqueness for industry-standard processes, and explaining mechanisms without connecting to customer value.

### **The Apple Ipod Story:**

South Korean company first created the MP3

But only until Apple marketed the MP3 as “1,000 songs in your pocket” did people start buying it.

### **New Information: Education as competitive advantage**

The New Information strategy reframes product understanding through consumer education, positioning brands as trusted authorities rather than sellers.

This approach helps reveals problems customers didn't know existed while providing solutions.

**Psychological foundation:** Education builds authority and trust with skeptical audiences.

The reciprocity principle means customers feel obligated to support brands that provide genuine value.

Problem awareness creation helps sophisticated buyers recognize unmet needs they hadn't articulated.

### **Market-leading examples:**

- **Athletic Greens (AG1)** invested \$5+ million in clinical studies, created comprehensive educational content about 75 ingredients, and built a \$600+ million business through science-first positioning.
- **The Ordinary** disrupted luxury skincare through radical ingredient transparency, naming products after active ingredients with concentrations
- **Ritual vitamins** provides complete supply chain transparency with interactive ingredient maps showing exact source locations

The information strategy requires real expertise on the niche.

Surface-level education or overly promotional content undermines credibility.

Remember, your potential customers are educated. But you can still be an expert.

### **New Identity: Lifestyle movements and tribal belonging**

The New Identity strategy creates emotional connections through lifestyle movements, focusing on WHO customers become rather than what products do.

This approach builds communities around shared values and aspirations.

It also massively INFLUENCES status (how other perceive them)

**Psychological foundation:** People make purchases to maintain identity consistency.

Maslow's hierarchy shows belonging as a core human need that brands can fulfill.

Emotional responses to advertising have 23% greater influence on purchase intent than rational content.

#### **Breakthrough implementations:**

- **Liquid Death** created a \$1.4 billion water brand through punk rock identity and environmental activism
- **Glossier** built a beauty empire around "skin first, makeup second" philosophy and authentic self-expression
- **Peloton** transformed exercise equipment into status symbols with celebrity instructors and competitive communities

Identity strategies fail when positioning feels inauthentic, values misalign with actual brand behavior, or attempts to appeal to everyone result in meaningless positioning.

### **3 The Big 3 Recapped**

#### **1. New Mechanism** - *Provides new HOPE to the user that the claim will be delivered through new technology developed into a sophisticated product*

- Different way of delivering the same result
- "Not another supplement, but the first one that..."
- Technology angle, process angle, or ingredient angle

#### **2. New Information** - *Makes users aware of problems that they were previously unaware of and/or helps them better understand why previous mechanisms failed.*

- Previously unknown "why" behind the problem
- Reframe the entire problem
- Reveal hidden obstacles others miss

**3. New Identity** - *Builds relatability in sophisticated markets & creates buy-in for what the product represents more than just the mechanism & information*

- Redefine what using the product says about the customer
- "Not another [category], but for people who..."
- Cultural angle, tribal angle, or anti-establishment angle

**New Mechanism** requires R&D investment in proprietary technology, patent protection or trade secrets, technical communication capabilities, and demonstration/proof systems.

**New Information** needs subject matter expertise, content creation resources, educational platform development, and long-term commitment to authority building.

**New Identity** demands brand strategy expertise, influencer relationship building, and authentic storytelling capabilities