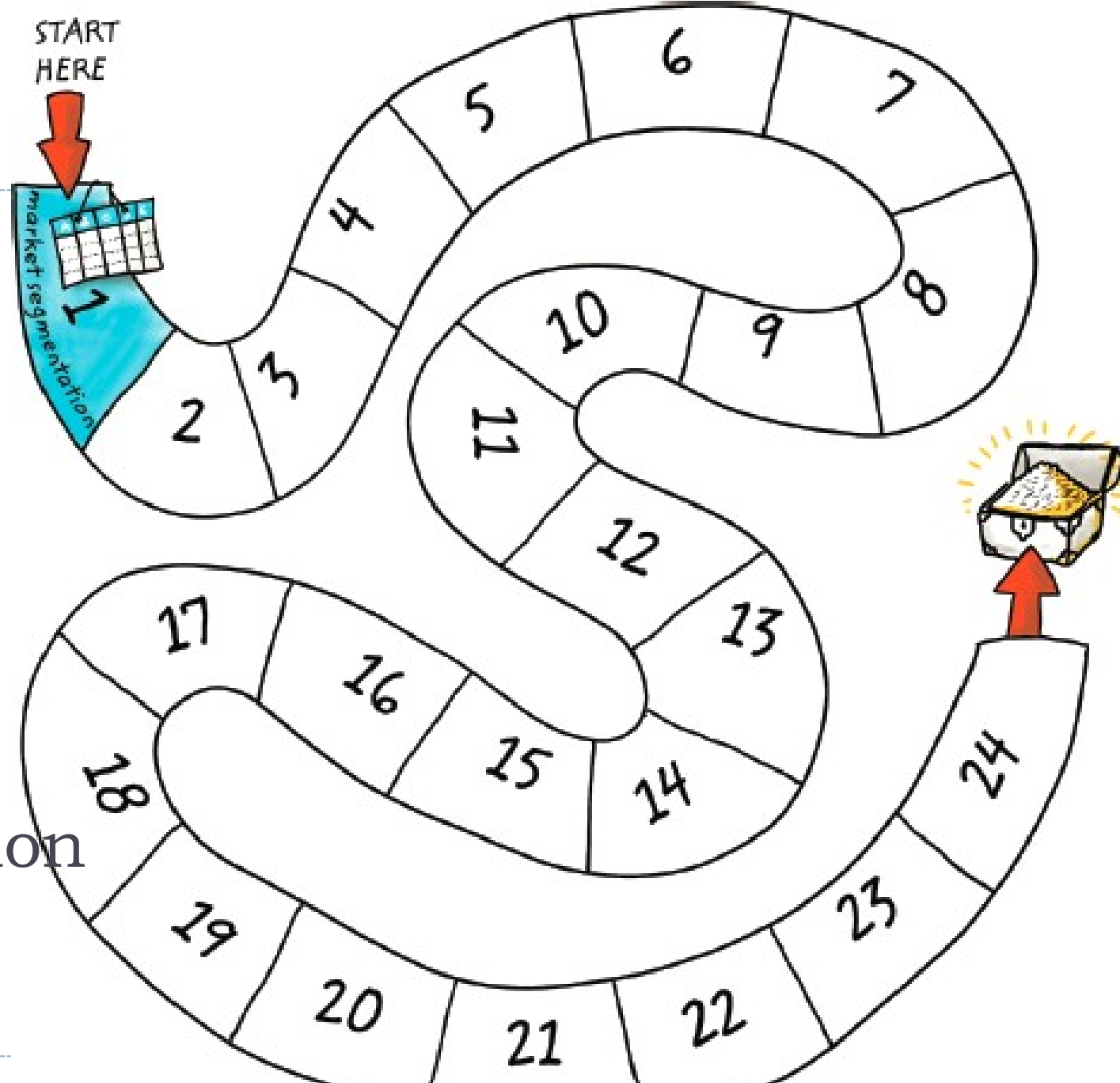


## Lesson 4: Market segmentation

# Lesson Plan

---

- ▶ **Market Segmentation**
  - ▶ Learn how market segmentation helps identify potential customers and narrow down target markets
- ▶ **Selecting one market as a beachhead market**



Step 1:  
Market  
Segmentation

# Objective

---

1. Brainstorm a wide array of potential customers and markets for your business.
2. Narrow your list down to your top 6–12 markets.
3. Gather primary market research on your top 6–12 markets.



Seeing the world  
through  
the eyes of the  
customer

vs.



Seeing the world  
through  
the perspective  
of the company

# The single necessary & sufficient condition for a business

---

- ▶ A paying customer.
- ▶ As a startup, you have few resources, so every action you take must be hyper-efficient.



# Create a new market that you will dominate

---

- ▶ Focus on a target customer.
- ▶ Once you have established a foothold within that target group, you will have enough resources to expand to an adjacent market.



# Beware paying customers that lead you astray

---

- ▶ Two common pitfalls you may encounter if you do not focus on creating a new market.
- ▶ The first is “selling to everyone”
- ▶ The second pitfall is “The China Syndrome”
- ▶ Take your resources and apply them to a narrow, carefully defined new market that you can dominate.



# Complex paying customers

---

- ▶ Customer: entity—such as a household, organization, or individual—who pays for, acquires, and uses your product.
  - ▶ Primary: End user, who ultimately uses your product
  - ▶ Secondary: Economic buyer, who makes the final decision acquiring the product.

Focus on your **PRIMARY** customer at this point in the process.





# Market segmentation

---

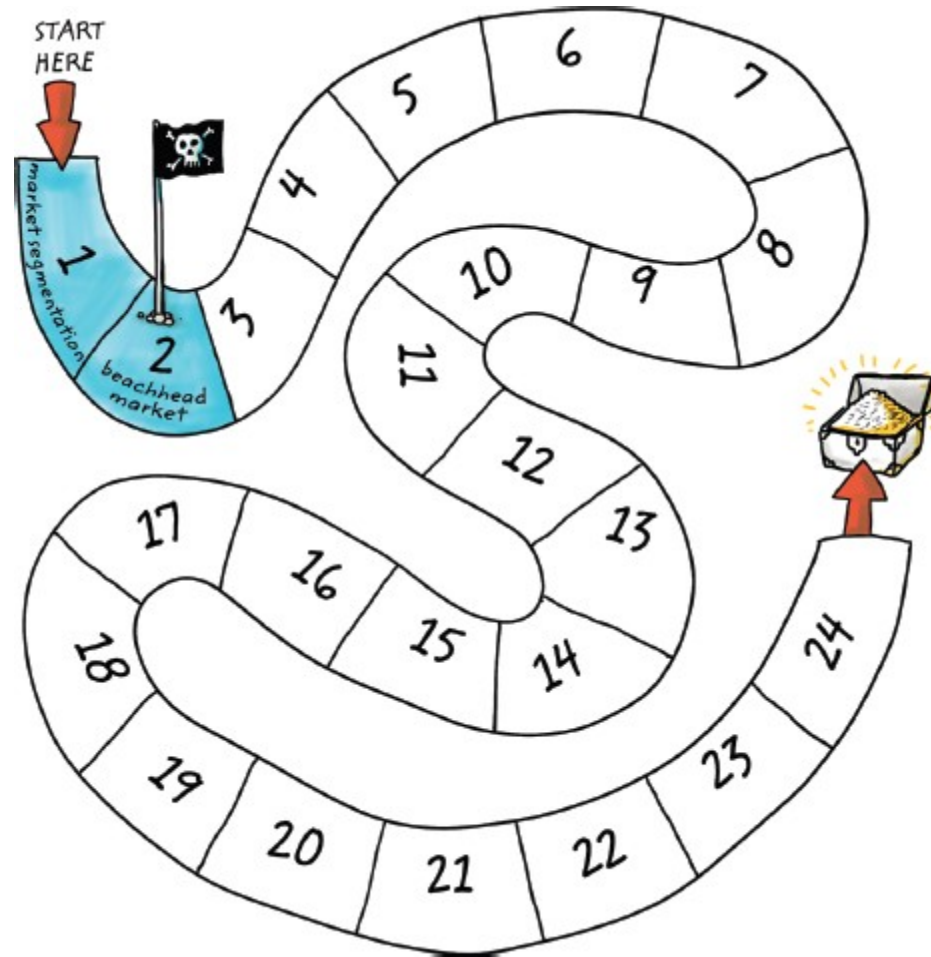
- ▶ 1- Brainstorm
- ▶ 2- Narrow
- ▶ 3- Conduct Primary Market Research



# Market Segments Matrix Example

Industry	Entertainment	Industrial Design	Medical Visualization	Surgical Simulation	Micro Surgery	Geophysical Visualization	Non Visual C.H.I.	Prototyping
End User	• Animator	• Stylist • Designer	• Radiologist • Surgeon	• Med Student • Surgeon	• Surgeon	• Geophysicist	• Blind Person	• Engineer
Application	• Sculpt • Animation • Paint	• Sculpt • Paint • Modelling	• Segmentation • Navigation • Surgical planning • Diagnosis	• Training • Surgical planning	• Ophthalm. Surgery • Neurosurgery	• View enhancement • Drill plan	• H.U.I.	• Design review • Model evaluation
Benefits	• Ease of use • Reduce cycle	• Reduce cycle • Increase accuracy	• Ease of use • Increase accuracy	• Increase use of new tech. • Increase accuracy	• Reduce cycle • Increase accuracy	• Reduce errors • Increase yields	• Increase access, "mainstream"	• Reduce cycle • Improve designs
Lead Customers	• Disney • ILM • Dreamworks	• Toyota • Ford • Rollerblade	• Brigham & Women's • German Cancer Rsrch	• U. of Colorado • Penn • BDI	• Dr. Ohgami • Ottawa Eye	• BHP • WMC / CSIRO	• Certec • U. of Delaware	• Volkswagen • Stratasy • Toyota
Market Characteristics	• Early adopt. • High-priced talent • High growth	• Dislike CAD & computers • High-priced talent	• Mainstream • High-priced talent • HMO	• Mainstream • High-priced talent • HMO	• Early adopt • High-priced talent • HMO • Not computer automated	• Late main. • Oligopoly	• Late main. • No money • Gov't sponsor	• Mainstream • Pressure to reduce prod. cycle
Partners/ Players	• Alias • Soft Image • Discrete Logic	• PTC • Alias • Imageware	• GE • Siemens • Picker	• Smith & Neph • Heartport • Ethicon • US Surgical	• Toshiba • Hitachi	• Landmark • Fractal Graphics	• IBM • Apple • SUN • HP • Microsoft	• PTC • Solid Works
Size of Market	40,000	X00,000	X0,000	X0,000	X,000	X,000	X,000,000	X00,000
Competition	Watcom	None yet	None yet	Immersion	None yet	None yet		None yet
Platform	• SGI • Windows	• SGI • SUN	• SGI • SUN	?	None	• SGI • SUN	• Windows	• SUN, HF
Complementary Assets Required	• NURBS • Stylus • Dynamics	• NURBS • Stylus	• Voxels • Stylus • VRML	• 6 DOF • Custom devices	• 3 Finger scaling	• Voxels • Stylus	• Windows I/F • P300	• NURBS • VRML • Dynamics

## Step 2: Select a Beachhead Market



# How to choose the beachhead market

---

- ▶ Select just one market opportunity from the matrix to pursue as your beachhead market.
- ▶ Your beachhead market is where, once you gain a dominant market share, you will have the strength to attack adjacent markets with different offerings



# Segment your beachhead market further into smaller markets

---

The market opportunity must meet the **three conditions** of a market: (Bill Aulet p. 45)

- ▶ 1. The customers within the market all buy similar products.
- ▶ 2. The customers within the market have a similar sales cycle and expect products to provide value in similar ways. Your salespeople can shift from selling to one customer to selling to a different customer and still be very effective with little or no loss of productivity.
- ▶ 3. There is “word of mouth” between customers in the market, meaning they can serve as compelling and high-value references for each other in making purchases.



# Summary

---

- ▶ Choose a single market to pursue.
- ▶ Keep segmenting until you have a well-defined market opportunity.
- ▶ The market opportunity must meet the three conditions of a market.
- ▶ **Focus, focus, focus!!**

