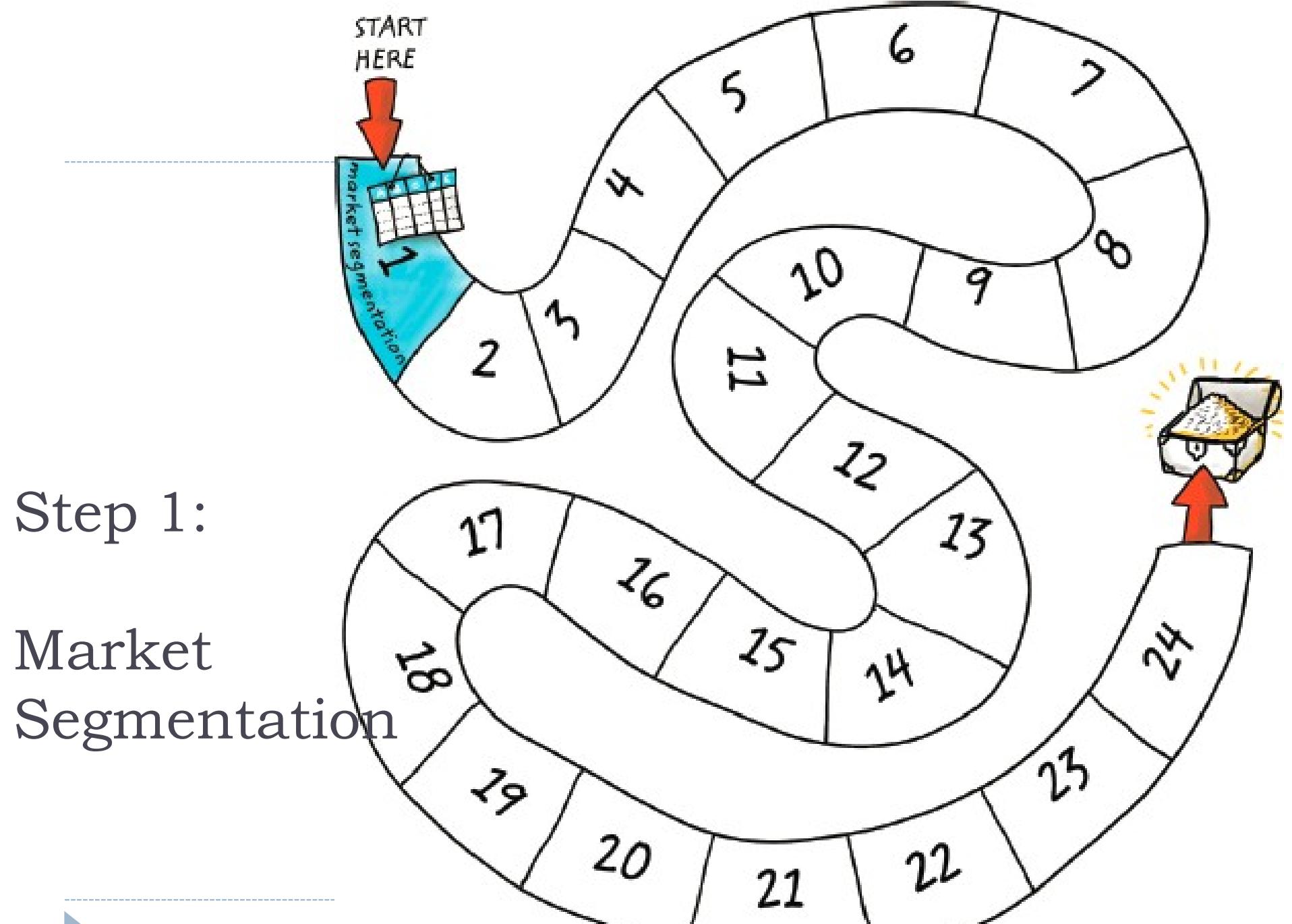


Lesson 4: Market segmentation

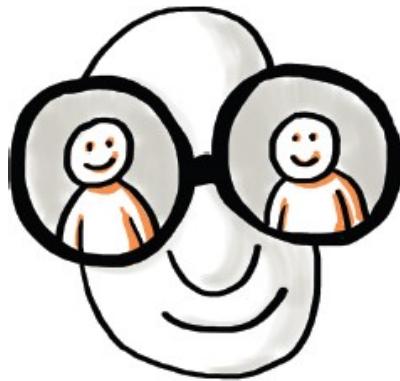
Lesson Plan

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



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

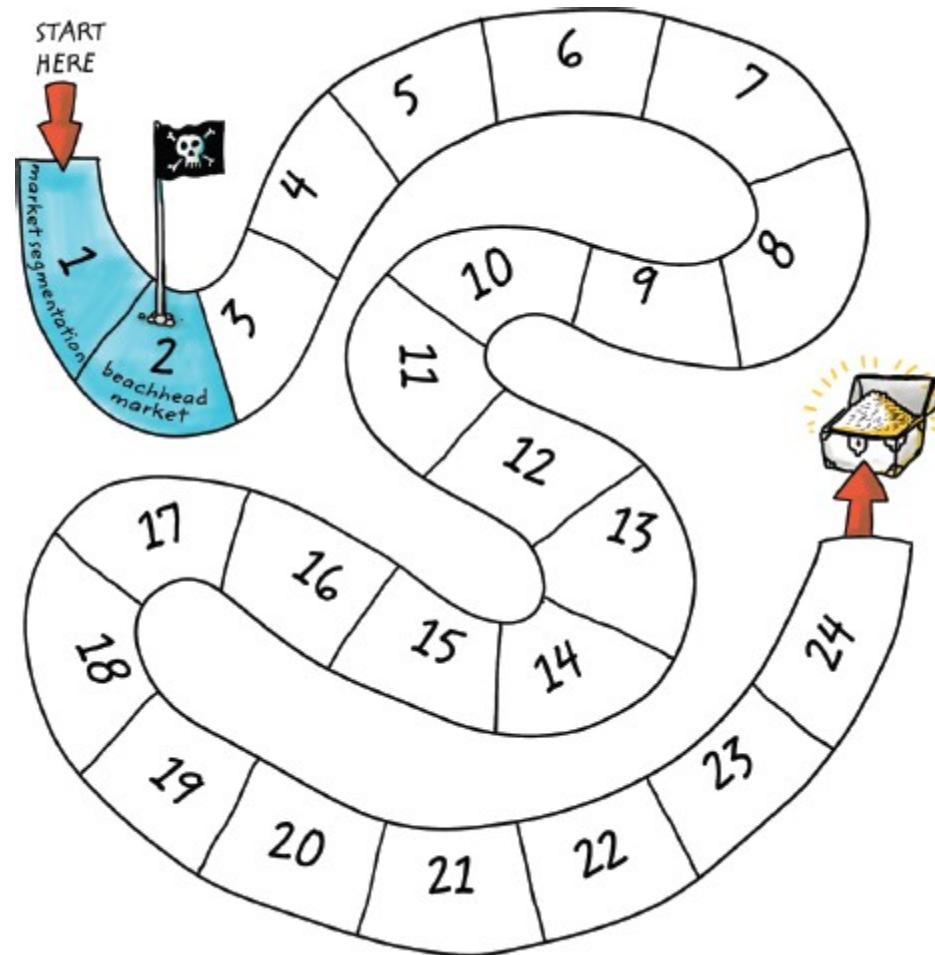
- ▶ 1- Brainstorm
- ▶ 2- Narrow
- ▶ 3- Conduct Primary Market Research



Market Segments Matrix Example

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

