

## TRAVERSE MARKETING: LAUNCHING INTO A NEW MARKET SEGMENT

*written by: Jon Sherrington*

You have your product and your partners in place and core of customers that value what you offer who maintain your cash flow and profitability. Opportunities beckon in other markets, providing chance to duplicate your success. You scope out the potential and speak to a few people. The board is supportive, you give it your best shot and in a few months you are seeing a sizeable return on your investment. If only it were that simple.

Businesses are frequently frustrated that their initial success is not so easy to replicate as they diversify into different markets. It is one of the main reasons that technology innovation fails to achieve its full potential.

Making a traverse from one market segment to another is one of the most tantalizing and complex manoeuvres your business can make. Tantalizing, because you already have the trademarks and patents locked up and are simply hungry for the new customers. Complex, because you have to unlearn the marketing that succeeded in the first place, to be able to learn what you need to be successful in the second place. This is counter-intuitive. Our intelligence teaches us to capitalize on our experience. But that very intellectual capital can undermine your investment.

*- Once the Board approves a venture into new markets there are risks that can melt a solid bank balance -*

To explain why, consider this parable: *You recruit seven-time Tour de France winner Lance Armstrong as your team leader for the Tour de Kentucky. He is a cinch to win in a field that lacks anyone of his first-class athletic ability. On race day you find that there is a small difference in the format of the race. No biggy. It's a unicycle race.*

*95% of Lance Armstrong's natural abilities will give him a supreme advantage in the race. The other 5%, the core muscle development that controls fine balance, will make him a non-starter without the proper training*

There is nothing intuitive about retraining the muscles that launched seven consecutive Yellow Jerseys. It takes a lot of guts to admit that these skills just won't work here. The same is true of CMOs, CEOs, and increasingly, CFOs that built their reputations on the template of their achievements, whose reputations are at stake to deliver what they know. Yet once the Board approves a venture into new markets, there are risks that can melt a solid

bank balance: price sensitivities, competition, customer priorities, purchase influencers, language barriers and many other variances between one market segment and another.

*A not-to-be-named CMO invested \$5 million personal dollars into a company, burned through the annual marketing budget in 3 months and was promptly ejected for failing to repeat the success of his former achievements. An IBM rep blew a sale through a foolish blunder and expected to be sacked. "It just cost me \$5 million to train you! Why would I sack you now?" thundered his sales director.*

Mistakes can teach lessons, but there are easier ways to navigate new waters than ramming your hull into oncoming traffic.

### What Does It Take To Navigate Different Waters?

The quick and dirty answer: a pilot who knows those waters already. There is just one problem. The pilot knows the waters, but not the crew and cargo. The crew knows the ship and the cargo, but not the pilot. The potential for discord and doubt can ring a very un-harmonious bell, as mentioned above.

There is a different way to box the compass, by applying a customer-centric marketing technique. It is a method that appears counter-intuitive to the goals-centric marketer. It is not a top-down approach. It is a bottom-up approach that requires the business to unbundle any segment-sensitive components of their success in one market, and repackage the entire marketing proposition around the new customer segment. Not a fundamental change to the core offering, but a fundamental translation of that offering as it relates to the new segment. It is counter-intuitive because many marketers cannot easily distinguish what elements are generic and what need to be retooled. This is because popular marketing methodology places the product as the hero, its success is the sum of the marketing parts that made it so, whereas customer-centric marketing places the customer as the hero and the product as the enabler. You have to think around a different hero.

To illustrate the point: *The most common resistance to changing the approach to marketing the core offering from one segment to another is the apparent futility of reinventing the wheel. Think for a moment how many varieties of car wheel are in use today: the tire tread, the compound, the belt, the radius, the rims, the hub cap, the tire pressure, the width, the terrain, it goes on and on. Why do the creators of the wheel keep reinventing the wheel? It's still a wheel. But the adaptation to different customer segments is ironically most acute in the marketing of the product that other marketers refuse to reinvent.*

It is not actually reinventing the wheel that is taking place: a wheel is a wheel is a wheel. But each time you retool for a different

market segment, you work with that basic premise: How can this wheel be adapted to fit that market's values?

Do what the tire companies do. Examine all the conditions of that customer segment, look at their priorities and come up with a solution that supports their expectations.

To navigate in new waters you need the customer that lives and works there to be your guide.

### **How To Embrace Customer Values**

The best navigator for your business in a new market segment is the customer you are seeking. In order to harness customer focus the marketer needs to unbundle from the traditional perspective of what made it successful in its past achievements:

- Leadership
- Profitability
- Intellectual Property
- Productivity
- Asset Value
- Innovation
- Technology
- Functionality
- Price

All these attributes view the product as the hero and make the customer subservient: "We have the best product at the best price – just book the ad."

*- No customer will admit out loud what it is thinking -*

*When entering a new customer/market segment you cannot afford to assume that success is easily duplicated. Global marketers launching into different cultures have learned such wisdoms: for instance, McDonalds does not sell beefburgers through its India franchise. But moving from sports shoes to leisure shoes, or regular produce to organics, or computers to mobile digital organizers: these seemingly logical, traverse marketing moves need the right preparation and strategy to make sure that they really are a logical and simple traverse, not a leap from a crag into the abyss.*

The key indicators of customer values can be summarized into 6 decision criteria, all of which precede the consideration of price. You have to step into the customer's shoes to understand these criteria.

**Achievement:** how will this decision achieve my goals?

**Convenience:** how easily can I buy this product or service?

**Comfort:** can I use this with peace of mind?

**Esteem:** will I be respected for my decision?

**Pleasure:** will I gain pleasure from this decision?

**Trust:** can I trust that my expectations will be met?

To answer these from the viewpoint of the marketer you will award yourself a gold star on every count. But, if you give these over to the customer then start from the assumption that each time you enter a new market you start with a Zero for each one. Developing the proper way to traverse the market means figuring how to convert a Zero into a gold star from the launch throughout the continuing development of the marketing relationship.

*These criteria are as applicable to bubblegum as they are digital electronics, but they are never voiced. No customer will admit out loud what it is thinking. This humanistic element to the evaluation is never articulated. How many customers almost bought and then left the store never to be heard of again. No reason given.*

These inherent values are well, inherent, and not exposed. They are yours to discover only if you have the desire to learn about them and from them. The ACCEPT criteria of customer values are formulated to dig them out.

### **Boxing the Compass of a New Market Segment**

There are actual, practical marketing mechanisms that the business can put in place to leverage these decision criteria to build a compelling presence in the new segment. The first requirement is research into the customer intelligence. The second is the willingness to fully embrace these values. The third is the sensitivity to implement a 360° marketing program that demonstrates to the audience how these values are fulfilled through their investment in your solution.

What is essential to the process of entering a new market segment is the need to position your offering to fulfil these criteria for each new segment that you enter. These will give you the navigation tools that you need to be successful in each segment. As you prepare to enter each new market segment your due diligence has to be: to size up the market and competition, and to enlist direct contact with potential customers in qualitative research to answer the following questions:

- A) How well will this decision help me to achieve my goals?
- C) How easily can I acquire this product or service?
- C) Can I use this with peace of mind?
- E) Will I be respected for my decision?
- P) Will we gain pleasure from the outcome of this decision?
- T) Can I trust that my expectations will be met?

Then develop a marketing plan that fulfils all of the answers. This should affect every part of your deliverables from advertising to support infrastructure, proposal to presentation location, strategic alliances to public platforms. The nuances are all driven by the customer, derived from this ACCEPT, segment-specific, customer intelligence.

*- HP's share of the digital camera market in the U.S. shrank precipitously -*

### **Start From the Bottom Up**

*There is a strange phenomenon, practiced within billionaire dynasties, of planting heirs at the lowest level of the business to start to learn what makes the body corporate function. Those that don't may find their empire collapse in succeeding generations.*

The philosophy is true moving from one market segment to another. If you don't start from the bottom up, you could be at risk of mismanaging one of the most important moves in your business. Traverse marketing requires a Board-level commitment to unravelling its existing presumption of corporate achievement and re-wrapping the business goals through the lens of these customer-centric ACCEPT value criteria.

It may require only a few tweaks, or it may take a complete overhaul. Either way, the company will be strategically prepared for the market.

### **Limiting Investment Risk**

In the IT market, where the value of the solution is defined by its relevance to a sophisticated audience, failing to perform this segment-specific due diligence will expose the corporation to risk.

There are two types of risk:

**All out failure** – *the inability to establish profitability in the segment and withdrawal at a loss.*

**Partial success** – *the business underperforms, relative to the potential.*

By failing to undertake this customer-centric due diligence, the marketer's idea of the scope of opportunity can be exaggerated or underestimated. The tendency to exaggerate invokes marketing excess. Underestimation fails to capitalize on the potential and leaves room for the competition to insulate their market share.

In either case the business will not be adequately supported in its entry into the new segment.

### **Example 1: HP Digital Cameras**

Hewlett Packard, the most profitable manufacturer of the colour printer, saw digital cameras as a natural extension of segment profitability. It already had a captive customer through the desktop and printer. The camera should close the loop and be a lock for a continually growing profit resource from a stable pool of customers. Instead, a recent posting in TechCrunch revealed:

*Hewlett-Packard is retreating from the digital camera business. It will stop manufacturing its own cameras, and take a \$30 million charge to refocus investments on its Print 2.0 strategy, which involves making Web content easier to print and encouraging more printouts. The writing was on the wall on this one. HP's share of the digital camera market in the U.S. shrank precipitously this year—from 7 percent at the end of 2006 to 4 percent at the end of June, according to the latest figures from IDC. Back in 2001, HP's market share peaked at 15 percent, ranking it third among all digital camera brands. It now ranks No. 8. This is a typical move for CEO Mark Hurd—cut your losses and move on.*

So where might the failure lie? In the commitment to customer values.

HP's position was in the easy, convenient and affordable consumer range, competing with Kodak.

Canon, Sony and Nikon sell to a more sophisticated user and bring the higher values downstream to build brand equity through esteem, achievement, pleasure and trust. Both Kodak and HP lost market share to these brands as the technology became cheaper to deliver, but Kodak is a long-distance runner in this sector and HP chose not to go the distance, lacking total commitment to customer values. A nice, expensive, opportunistic and ultimately fruitless attempt to make a traverse marketing move.

The only way for HP to continue would have been to maintain the price gap between its product and the Canon/Sony/Nikon values. But that is a money-losing business, and it would still have to compete with Kodak for low-end market share. HP saw red and ducked out.

*Mitigating risks through accurate analysis of the customer segment enables the solution to develop in the market according to its potential for a productive ROI. It avoids the pitfalls of choosing the wrong media or message, or misreading the effort and commitment required to be successful in the market. Avoid presumptions made either by the Board, or the marketing agency.*

## Example 2: Apple iPod

Most consumers have forgotten how Apple developed, out-of-the-blue, the neatest consumer gadget since the cell phone. The origins came via Napster's huge customer approval rating. Apple saw an opportunity to leverage its iTunes desktop jukebox and create a legal, affordable, and massive online catalog of downloadable web-tunes. To do this Apple simply expanded the creative application of its technology to provide customers access to music server farms, with the consent of music publishers desperate to find a revenue model for downloads, at \$1 a pop. While other manufacturers were busy dukeing it out over the more sexy and complex online video and gaming processors, Apple racked up a tidy profit in a 'money-for-rope' iTunes business. Apple then did the next most logical thing: it made its customer digital content portable, expanding its creative branding of technology.

*Apple correctly supported every single one of its existing customer's values, achievement, comfort, convenience, pleasure, esteem and trust. It has kept a lock on these values and no competitive brand is trusted to the degree that the iPod is.*

*- Your sales and marketing have to be drenched in these customer values -*

## Making Your Move

Traverse marketing can be the best way to multiply the equity of your existing intellectual property. It can also put a lot of egg on the face of businesses that achieved one good thing but failed to convert other opportunities in other markets. Boxing the compass of each segment's customer values helps to insulate your business against excessive risk and avoid costly assumptions that are not true in fact. Proper utilization of the ACCEPT value system will develop a degree of market intelligence that would not be revealed in the RFQ process, or in the industry press.

While this article was still in draft form it was submitted for review to two companies, both of whom I know from personal experience have no affinity for this approach, and both have struggled to achieve their potential. One is now changing its approach and sought guidance, the other maintained it had always used this approach and thought it was a good article.

This last response serves as a warning: It is advisable to hire a third party agency to perform this due diligence within the marketplace and present the results back to you. It is only through objective reality checks that a business can claim to have truly represented its customer's interests. Subjectively, you can pay lip-service to the idea yet overlook all the stumbling-blocks.

## Next Steps

You are now ready to begin rethinking your approach to entering into a new market segment. Dedicate a research budget to the venture, hire in a marketing firm skilled in this type of analysis, determine your objectives and let the process begin.

Even after the analysis comes back and you determine the need to retool components of your product or service to better align to each segment's customer values, be aware that your sales and marketing programs to each segment have to be drenched in their specific customer values. Talking and walking are indivisible in the eyes of customer expectations. Set checks and balances to keep yourself on track. It is easy to get distracted, particularly if you are responding to corporate mandates outside of your immediate task.

By maintaining the customer-centric orientation you will always be able to validate your actions to senior management or board executives with clear evidence of customer preference.

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### About the Author:



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