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ANTONIO GARCÍA SANSIGRE

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## CROSSING THE CHASM AT TECHX

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RESUMEN DE LA CONFERENCIA DE TOM KIPPOLA

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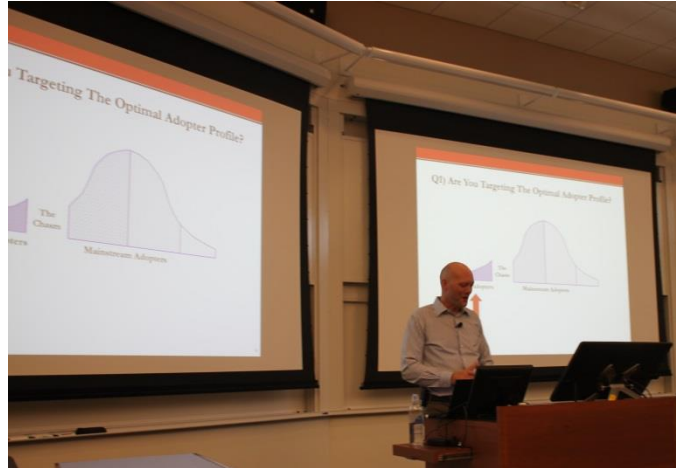
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## Crossing the chasm at TechX (by Tom Kippola)

On Thursday October 10<sup>th</sup>, TechX held its fourth keynote speech by inviting Mr. Tom Kippola, managing director of The Chasm Group.

On his speech, Kippola tried to answer two questions:

- 1) Why do customers not buy new high-tech products?
- 2) What can you as a company do about it?



In 2002, Kahneman received a Nobel Prize on economics for his contributions to psychology economics. One of such contributions was the perception of losses: losses stand 3 more times heavier in our mind than gains. This research has been done for median adopters on products below 100 dollars, and there is reason to think that for higher priced products the ratio is bigger than 3x.

There are also irrational biases, such as the gap between reference points from the vendor and the prospect. In other words, what the company thinks of the product is very different from that the customer thinks of the product. This is explained by two reasons: first, the CEO does not receive adequate feedback and secondly, the CEO has selective hearing.

To solve this, vendors should put themselves in the shoes of the prospects, they must figure out what the customers are thinking they are going to lose and reduce that prospect. This leads us to four additional questions:

- 1) Are you as a company targeting the optimal adopter profile?

Early adopter have different loss-gain ratio (maybe 1 to 1). At the beginning, make a list of potential early adopters and make sure you hire sales people with experience in gaining those clients.

- 2) How to tackle the transition?

The first group of mainstream adopters has a loss-gain ratio of 3:2. What makes them different from mainstream? They have a particular need to solve that other clients do not have. Their reason to buy is more compelling. But to take the step, they want evidence and reference from

mainstream. But mainstream has not caught up yet. How can you break this cycle? Ask yourself the following questions:

- a. Is your solution complete enough? To break the cycle, make sure you have a whole product solution: add complements, fulfill the target's compelling reason to buy.
- b. New product is usually "custom built" whereas mature products are pre-built (repeatable service). Move from custom to pre-built. The objective is to transmit certainty. If you pitch them a program that is not complete, the customer might back-off.
- c. Prioritize a few segments first. Identify a smaller target market in the mainstream first. Once it is conquered, look for adjacencies. You leverage the rest of the segments with the first segment: whole product leverage and word-of-mouth leverage.
- d. Is the solution perceived simple enough? Adoption rates highly correlate with simplicity.
- e. Are customers satisfied? Permanently check customer satisfaction and include it as a key performance indicator (KPI). In Silicon Valley the key measure is revenue, but we should seriously consider customer satisfaction. An excellent measure is the "net promoter score", that moves between -100 and +100, where -100 means everybody is a detractor and +100 that everybody is a promoter. With a +50 the product is excellent.

The Chasm group was founded in 1994 and has been advising hightech companies on how to reach escape velocity and achieve dominant market position.

TechX is a private initiative set up by students at the MsX program to share insights about technologies and companies in Silicon Valley and to provide closer networking opportunities with executives and leaders in the industry.

Visit <http://techxstanford.com/> to learn more.