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
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If You Build it They Will Come?

By *Michael Mattis*, Nov 21 2001

Technological and design innovation alone isn't enough.

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Money's tight. Times are hard. Markets - including mobility markets - are lean.

With global stock markets on a steady decline and the world gripped in the throws of what may prove to be a long and deep recession - or worse - mobile device manufacturers, applications developers, and service providers are fighting harder than ever to win over the hearts, minds, and pocketbooks of consumers.

One weapon increasingly employed today is the emerging discipline of segmentation. While hardly new in itself - it's been around since before Ford Motor Company introduced its notorious Edsel model, an egregious misapplication of the discipline that led to disaster in the 1950s - segmentation nevertheless not so long ago occupied a seldom-visited corner of marketing.

In the dot-com era, that marketing tended to be dominated by slick, pony-tailed hipsters and know-it-all techno-geeks with little time or inclination for getting to know in detail just who their customers were and what they actually wanted.

"That was a lot of the problem with the whole Internet age," says Tracy Weatherby, founder of the Mountain View, Calif.-based market assessment and business planning firm, Active Ingredient. "People felt like 'I can do this cool thing. And if I do it then someone is going to need it.'" Call it the If You Build it They Will Come approach.

Often times, however, that mysterious "someone" didn't need or even want what was being offered at all. The technology landscape is veritably littered with the corpses of such hubris.

"You can look over the entire history of technology and see these graveyards, not just the Internet," adds Weatherby, who worked for Momento, one of the early pioneers of pen-based computing. Momento, along with other multi-million-dollar pen computing startups Go and

EO, failed in the early-1990s due in part to a poor understanding of what ordinary people actually wanted.

But with the dot-com downturn, however, segmentation has emerged as a near science. Championed by top mobility companies such as Siemens, Nokia, Kyocera, Cingular Wireless, Sonera ZED, NTT DoCoMo and Verizon - to name just a happy few - careful, data-based but inspired segmentation is leading the way to success in a largely stalled marketplace.

Segmentation - Who are 'They' and what is 'It'?



"You should never let segmentation get in the way of a good idea," says John DeMaria.

The statement, If You Build it They Will Come, notes Weatherby, begs the question, "Who are 'They' and what is 'It?'" That is the fundamental question segmentation attempts to answer.

Segmentation, explains Motaro Ventures President, John DeMaria, can be defined as "the classification and definition of potential buyers of a product based on purchasing behavior, demographic, social behavior and belief system

As a marketing consultant specializing in the mobile Internet sector, DeMaria equates developing segmentation for mobile products and services with developing cars. "Both sectors appeal to the aesthetic, utilitarian, social, technology sensibilities of the consumer mind," he says.

"The key difference is that mobile technologies develop 20 times faster, and that accelerates the idea-to-product cycle dramatically."

Risk and reward

Device companies tend to follow one of two approaches to segmentation, according to DeMaria. The first is what's known as the Brand Management approach. The second, the Product Innovation approach.

With the Brand Management approach companies develop a thorough, quantitative understanding of their market segments first, and then carefully craft products to suit. It's slow, but not risky.

In the Product Innovation approach, companies develop what DeMaria calls a "feel" for its customer segments that's more intuitive and that in turn produces products that can make people "stand up and cheer," - Or, on a bad day, break down and cry. It's risky, but quick.

An example of the first might be a Palm V; the second, a Handspring Visor with a color cover. (Or, using our automotive comparison, a Cadillac Sedan Deville vs. a Chrysler PT Cruiser - the first painstakingly researched and evolved over years, the second simply inspired.)

"You should never let segmentation get in the way of a good idea," says DeMaria. The real champions in the mobile device arena, he adds, tend to favor the quick, inspired, spin-on-dime Product Innovation approach.

"Nokia, Siemens, and Kyocera all make devices that make people say 'wow' but for different reasons. Nokia creates beautiful products that are almost fashion accessories. Siemens creates super-feature-packed, sleek, high tech devices that actually work and deliver on their claims, and satisfy the geeky power-user in all of us. Kyocera creates unattractive but highly utilitarian devices that satisfy gadget lust and enhance productivity. Each of these companies has the capacity for innovation within their market segment, so they can create revolutionary, not just evolutionary products."

Ericsson, on the other hand, has been using an approach closer to the evolutionary Brand Management style. Ericsson's mobiles work well enough, but tend to be clunky in both look and feel. That worked okay when mobiles were a novelty, but now that they have become daily accessories, things are different.

Ericsson has been building the mobile phone equivalent of a 1982 Volkswagen Golf when what people want today is a New Beetle. (Ericsson, in September, announced it was merging its mobile business with that of Sony's, a move that some analysts see as a last-ditch effort to keep its mobile phone business above water.)

To build or not to build? That is the question

Despite the approach there has to be a method to the madness. Inspiration alone can often lead to the kind of If You Build it They Will come failures of Go, EO, Moment, and others.

DeMaria and Active Ingredient's Weatherby agree that the most important step in the developing what the industry calls a "meaningful segmentation" for a given product, application, or service is to get to know as intimately as possible who the prospective users are, and to determine what they want and, more importantly, what they need.

Creating theoretical models in a laboratory simply isn't enough. To develop a really meaningful segmentation, they say, you've got to talk to the end customer. "That sounds incredibly obvious," says Weatherby, "but it doesn't always happen."



To develop a really meaningful segmentation, they say, you've got to talk to the end customer. "That sounds incredibly obvious," says Tracy Weatherby, "but it doesn't always happen."

Determining what to build based on what people want is important. Determining what not to build even more so.

In 1998, Weatherby's firm was instrumental in helping 3Com not build an audio peripheral for the Palm. (Palm was owned by 3Com at the time.) Technology limitations at the time precluded the new device from playing music - MP3 hadn't come on the scene yet.

So 3Com was looking at voice applications such as audio books and delayed broadcast radio programs that people could listen to in the car instead of tapes or radio. What Weatherby and 3Com found, however, was that people liked listening to the radio, that audio books were a tiny market, and that a lot of people liked to just sit and think while driving.

In short, if they had built it, almost no one would have come - there was no viable market segment for the product. So 3Com wisely pulled the plug on the project. Without that careful study 3Com could have lost millions.

Down and dirty

At a time of economic downturn, at a time when both venture capital firms and large, established companies are pinching pennies, segmentation takes on a new urgency. It's more vital than ever to find out, as Weatherby notes, "who has the pain." Who really needs a new solution, how badly do they need it, and, perhaps most importantly, will they pay for a new solution to replace their existing one?

Technological and design innovation simply isn't enough. Innovation has to be tempered by a thorough understanding of the market. To develop that understanding, "the marketing department and the tech department should be collaborators, not opposing forces," says DeMaria.

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