By Elizabeth Pontikes

Creating a Sector

You have developed a new product, and it has the potential to revolutionize your industry. Now what? A dilemma faced by every entrepreneur is how to market something new. Should you position your product as an "improved version" in an existing software sector? Or should you try to carve out a new space that your company can dominate? Apple could have marketed the iPad as an eBook reader or a mini-computer, but instead chose to promote it as an entirely new type of product—a "tablet"—which has spurred a growing hardware market. What is the right choice for your business?

Choosing to create a new sector can garner large rewards, but it's a risky endeavor. On the upside, if you can successfully establish a new market space, you will be the leader of a growing sector. But although this best-case scenario might seem very appealing in the security of your executive suite, for the folks on the ground, pitching a new product in a new sector can lead to blank stares and empty calendars. As a result, the first step to creating a new sector is to ensure it becomes recognized; otherwise, you can be stuck trying to sell a product that your customers don't understand. But even with massive media efforts, new ideas may not catch on.

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Context Matters

To create a new business sector, most entrepreneurs mistakenly focus only on technical or functional aspects of their products. But to successfully define a sector, you need to have more than a groundbreaking technology; you also must clearly differentiate your new space from other sectors. This is less problematic when existing markets are clearly defined and unambiguous.

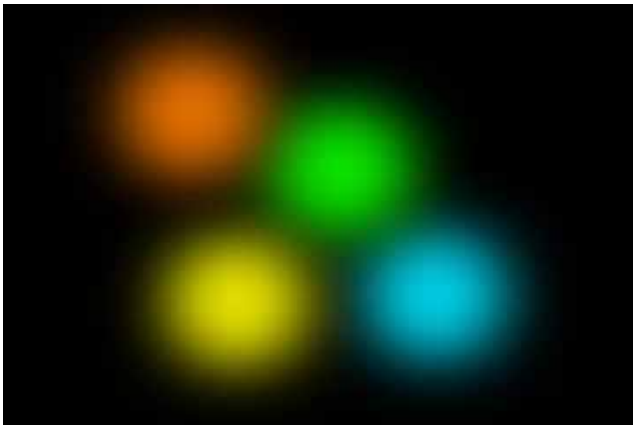
Why should *other* markets matter to *your* endeavor? Well, when customers try to understand a new market space, they do so by comparing it to related business sectors. If the comparison makes things clear, the customer may take interest in the new market and take the time to investigate what is valuable about your product. If adding a new sector muddies the landscape, the customer will move on to something that's easier to grasp, and won't give your product a second look.

Developing a cutting-edge product is necessary to create a new business sector—but it's not enough. You also need to take into account whether a new sector will add clarity or confusion to an already complex industry. (See Fig. 1.)

For example, NetApp pioneered a sector for "server appliances" in the early 1990s with a technological breakthrough that enabled its FAServer to run 10 times faster than existing products. Not only was the company's technology revolutionary, but NetApp was also building the new market in contrast to products that fell into two easily understood categories: file servers and database servers. In this context, the new product type was easily juxtaposed against existing markets, and the market for "server appliances" caught on.

Compare this to ongoing attempts to define the partner relationship management (PRM) space. PRM products are technically savvy solutions for the complex relationships that businesses have with their channel partners, which cannot be fulfilled by simply tweaking a traditional customer relationship management (CRM) solution. But PRM emerged in the shadow of CRM, a well-established business sector that is ambiguously defined.

Potential customers generally know what CRM is, but a particular CRM solution could be focused on sales or customer support or used for marketing, merchandising, or competitive position-



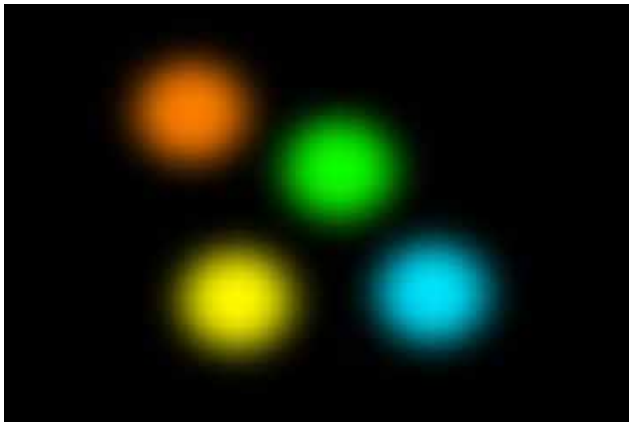


Figure 1

Source: Elizabeth Pontikes

Successfully defining a sector involves clearly differentiating your new space from other sectors, but a comparison between your new sector and related business sectors needs to make things clear, not fuzzy.

ing. Because CRM encompasses so many different types of products, defining a new business sector in its context is tricky. Given the uncertainty about what a CRM solution would look like, adding another label for PRM invites confusion rather than clarity. The existence of CRM hampers the ability for PRM to be distinguished and catch on, regardless of technical or functional advances in the space.

It's Not Just Fluff

Paying attention to creating a new sector, rather than focusing on improving your product, may seem like a waste of time. Often, issues of framing are undervalued by technically minded people. But framing is not fluff; the way potential customers respond to frames stems from basic cognitive processes.

For example, some languages use the same word for the colors "blue" and "green," and people who speak these languages do not distinguish between blue and green hues as strongly as English speakers do. So, how people categorize concepts affects how they evaluate them.

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This has also been studied in business. When the minivan market was emerging, there was a lot of confusion about what types of features a "minivan" should have, and many models were rated equally. But once people came to agreement about what it meant to be a "minivan," many of the *same* models were evaluated differently. The way customers understood the *sector* affected how they evaluated the *products*.

If your new sector becomes entrenched in business parlance, your product will seem natural to potential customers, and competitive offerings won't measure up. How—and whether—potential customers understand your business sector can make all the difference to your company's success.

What to Do?

What if your company develops a revolutionary product, but in analyzing the market you find that related business sectors are broad and ambiguous? How can you differentiate your offering?

First, be realistic. It is tempting to focus on what you can control, falling back into a product-focused mentality and convincing yourself that the context will take care of itself. It won't.

Next, recognize that you don't need to define a new business sector in order to make a splash on the market. Ambiguous contexts are poor backdrops for introducing yet another market space, but they provide an opportunity to shape an existing sector around the strengths of your offering.

Spend your time illuminating what it means to be a "real" offering in this sector, perhaps by joining forces with a similar competitor. Potential customers will appreciate your efforts to clarify a confusing market—and may even give your product another look. SW