

# Demographics

## The Mythical Three Tier Demographic Model

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### Introduction

One of the most common mistakes made by technology companies stems from confusion about technology customer demographics. This leads to a mythical limited demographic perspective. I am not saying this perspective is wrong. It is just too limiting and does not address the realities of the market. Vendors need to rethink how they approach the potential customers by expanding the demographic thinking beyond the mythical three tiers to include the Technology Adoption Life Cycle demographic.

### The Mythical Three Tiers

The traditional thinking is that the designing demographics for targeting customers is done by dividing the customers into size. “How many people are in your company?” is the discussion.

This is an easy discussion; it categorizes the target customer into simple definitions that make it seem easy then to build products that match the demographic.

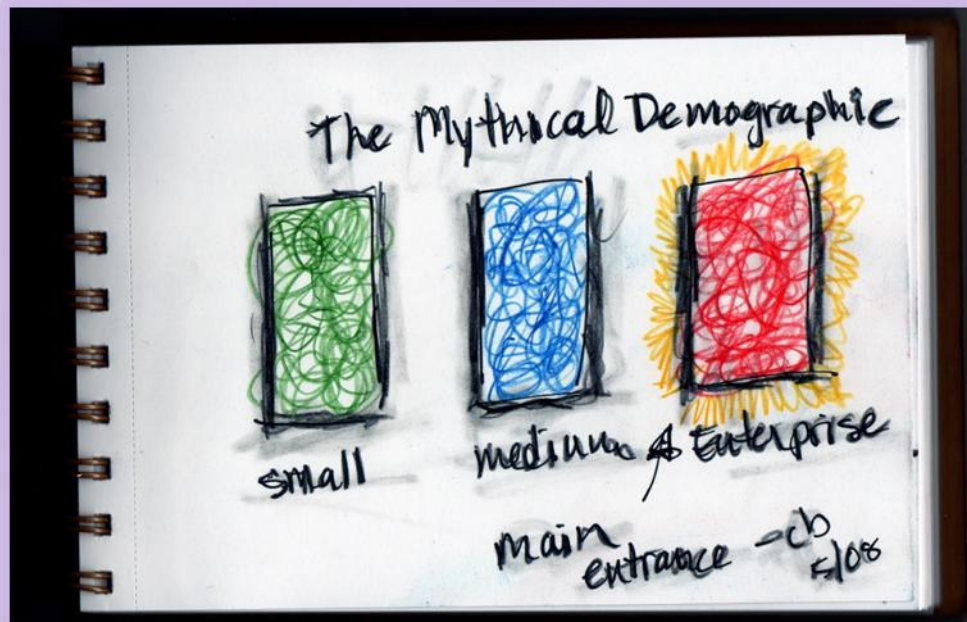
We have our “Standard Edition” for the small business, the “Professional Edition” for the medium size customer and the “Enterprise Edition” for the enterprise customer. It also keeps the pricing relatively simple—one to 10 licenses for the standard edition, 10 to 50 licenses for the Professional Edition and call your sales rep for Enterprise pricing.

*Figure 1—The Mythical Demographic* displays the common approach taken by new and old technology companies when they try to identify their customer demographic.

The thinking continues even further in the narrowness of this approach.

One school of thought usually says:

“There is no money in the ‘small to medium’ business, therefore the only viable target customer is the enterprise. All we need to do is get a few sales in the Fortune 1000 and our job is done! Let’s find a really good direct sales bull dog and bring in the big-bucks!”



**Figure 1—The Mythical Demographic**

This thinking has been the undoing of many a would-be successful startup.

At the other end of the mythical spectrum is the vendor that pursues this line of logic. “The enterprise customer is dominated by the big guys. We can never take the business from them. Let’s focus on the SMB (Small to Medium sized Business) market—the Fortune ‘eight Million’ as opposed to the Fortune 1000.” This type of company then pursues a product, pricing, and channel strategy focused on the SMB customer. Again, I am not saying this is completely wrong, I am saying that it is extremely limiting as a lexicon to describe the target customer and what is happening in the market place as it relates to technology.

Figure 2—*Technology Adoption Life Cycle* provides an additional perspective to the available demographic for new and continuing technology companies. This perspective is much more realistic and useful than the mythical three tier approach by itself.

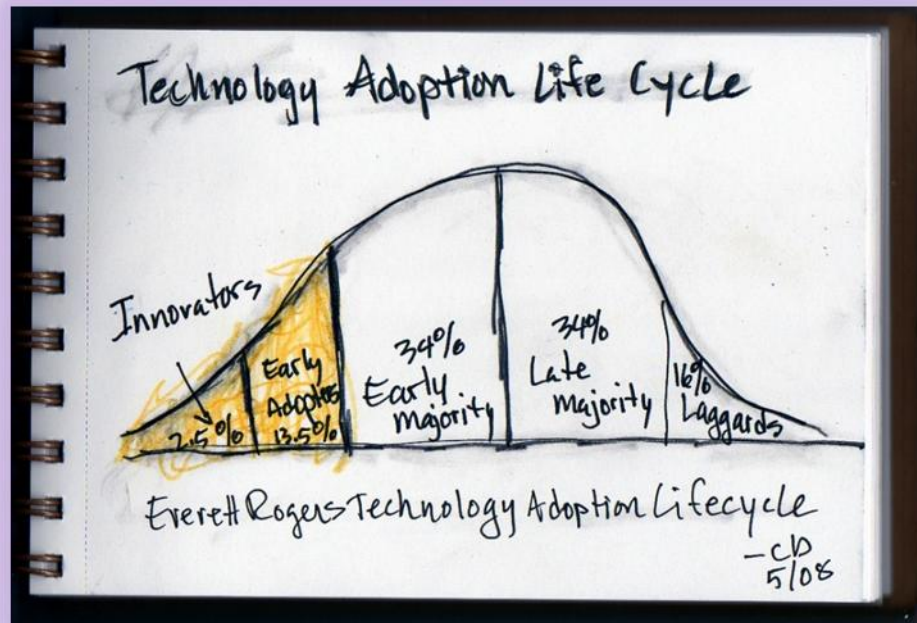


Figure 2—*Technology Adoption Life Cycle*

Figure 3 posits that innovators and early adopters are found across the entire mythical demographic rather than in just one category.



Figure 3—Innovators and Early Adopters

## Conclusion

Most important demographic essay conclusions

1. There are early adopters for technology across the board of small, medium, and enterprise customers. Innovators and early adopters are identified by their practices, enthusiasm, and acceptance of new comers and innovative technologies.
2. Capturing the “enterprise” as a customer demographic is a myth that cannot be achieved. The enterprise is mostly made up of late adopters and laggards. Generally, the enterprise abhors new technology and new vendors.
3. Remove the use of “Enterprise” from all documents and terminology.
4. Move to thinking and talking about “the early adopter.”

Innovators and early adopters make markets. This is where the attention and low hanging fruit is. Pluck it!

## Lexicon

This lexicon is in the context of the technology industry. Obviously there are definitions for each word here. The purpose is not to pull out definitions from Webster's but to put a finer point on the distinction in the context provided.

**Demographics**—*Demographics* or *demographic data* refers to selected population characteristics as used in government, [marketing](#) or opinion research, or the [demographic profiles](#) used in such research.

**Distinction**—The fundamental philosophical [abstraction](#), involves the recognition of two or more things being [distinct](#), i.e. [different](#). The rigorous consideration of a word or precept on a particular topic or direction.

**Early Adopter**—An early adopter or lighthouse customer is an early customer of a given company, product, or technology.

Believe it or not, the following is found in the Wikipedia definition of early adopter. This is crazy talk.

*"Typically this will be a large, sophisticated customer that, in addition to using the vendor's product or technology, will also provide considerable and candid feedback to help the vendor refine its future product releases, as well as the associated means of distribution, service, and support."*

**Early Majority**—This group is found in the adoption life cycle after the innovator and early adopter. In his book, [Crossing the Chasm](#), [Geoffrey Moore](#) proposes a variation of the original lifecycle. He suggests there is a gap or chasm between the first two adopter groups (innovators/early adopters), and the early majority.

**Enterprise**—The large company or entity. Typically the technology companies think of the Fortune 1000 as the "enterprise demographic."

**Innovator**—The unique group of people who are not afraid of new technology or new vendors. This group is only looking for an innovative cost effective way to solve real problems.

***Intentional Innovation***—Burtonian concept of innovation practices that can be designed and executed. It doesn't require finding the next big thing or constant invention.

***Laggards***—The last customer group to adopt any technology. Laggards are still using Windows 98 to run their businesses.

***Late Majority***—A large group for sure, with lots of money, but very slow to innovate or deal with innovative technologies or companies.

***SMB***—Small and Medium size Business. This is usually the mythical demographic the vendors go after when they think the enterprise is too ambitious or is dominated by some other leader.

***Technology Adoption Lifecycle***—The life cycle technology introduced by [Everett Rogers](#) and is highly effective when applied to the technology industry.

***The "Mythical" Enterprise***—In general, the "enterprise" as a target demographic is indeed nothing more than mythical. Vendors must turn this thinking on its side and begin thinking about the market as being made up of innovators and early adopters that exist throughout small business as well as within large corporations. This demographic is *constantly* available to *intentional innovation* vendors.

