



Stanford eCorner

Customer Intimacy Zone

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Video URL: <http://ecorner.stanford.edu/videos/1324/Customer-Intimacy-Zone>

Moore delves into the "customer intimacy zone" to explain the innovations that comprise this zone: line extension, enhancement, marketing, and experiential innovations



Transcript

So these are the four forms of innovation that we sort of use as iconic for customer. Let me say it, I think we all feel there's probably more but I don't think this model needs more. So we had line extension innovation, enhancement innovation, marketing innovation, and experiential innovation. I'll just put them up here. So line extensions pretty classic stuff in consumer right? When I gave you the example from cars, if I gave you the examples from PCs, you start saying well you know we have desktops and then we had, you know, we had servers and file servers and then we had laptops, you know. And then we're starting to get forward, you know, iPad to pocket PC kinds of things, etc. etc. Those are line extensions. And they're just more fit for purpose for particular applications. Suns got a bunch of metal low ended Suns line right now.

They'd be actually to use Opteron chips not SPARC chips at the very high end of their world. They have very expensive symmetric multi-processing servers and they got a whole lot of ones in between. That's all line extension. HP is doing the same thing with printers. Kodak's doing with cameras. It's a fact of all of our lives and we take it for granted but it's only a good strategy in a mature market. If you over-line extend too early in the growth parts of a market, you're just creating more friction than you need to do. So Henry Ford was right for his period and this is right for this period. Enhancement innovation is the next step. OK.

We've done the line extensions and there does come a point by the way where adding another line extension actually reduces your success, not increases it, because it creates too much confusion in the market. Too much overhead. Too many spare parts. Too much, you know, inventory returns start going down, all the bad things to those kind of world. But now you start looking at things like consumable. So if you look at the enterprise market DNA testing, really powerful market place AlphaMetrics is the market leader there. But every time they make a new test, they just put it on a new chip or they put out a new chip and the same infrastructure can process this. Just like putting on a new record if you're a singing group, they can process the new chip and do different kinds of DNA testing and pay the premium for the new test, right? So the value now migrates from the infrastructure to the consumable. That's one of the ways you get to the surface as opposed to being at the core going forward and in terms of enhancement innovations with laptops or cellphones. You're getting thinner and thinner cellphones with, you know, more and more enhancements.

The camera on your camera phone is probably an enhance, well it is an enhancement going forward and one that appears to work. Whereas bluetooth on your camera is an enhancement. It doesn't work, right? Pretty clearly. Or it might work for folks in this room, but it's not working very well economically. Marketing innovation and experiential innovation what we're noticing

here as you go from the top to the bottom is we're getting more and more out of the product and into the mind. So in a marketing innovation, it's not about the product at all. It's either about the channel or how you're encountering the customer. How you're creating a relationship and experiential innovation is all about the mind. It's like how, if you think about something like Coca-Cola, we know it's not about the chemistry. Coke proved it, right? Fifteen years ago, when they did new Coke, they proved that people preferred new Coke to Coke.

They put out new Coke and they said we hate it we want the old Coke, OK? Even though they knew the chemistry was better because it wasn't about the chemistry. It wasn't about the physical experience of the sugar water. It was about the funny wavy line and the scripty cola-cola, right. That's what it was. So we have tons and tons of evidence that people put their identities into brands and those brands can become part of experiences. This is extremely powerful in consumer markets. It's not very powerful in enterprise markets. You can talk about thought, leadership program and enterprise. I gave the example here of Cognos, which is a kind of an executive dashboard. It's a better experience of information but experiential innovation is much more powerful in consumer markets than it is in enterprise market.