


THREE TIERS OF NONCUSTOMERS


W. Chan Kim and Renée Mauborgne created the three tiers of noncustomers. Typically, to grow their share of a market, companies strive to retain and expand their existing customer base. This often leads to finer segmentation and greater tailoring of offerings to better meet customer preferences. The more intense the competition is, the greater, on average, the resulting customization of offerings. As companies compete to embrace customer preferences through finer segmentation, they often risk creating too-small target markets.

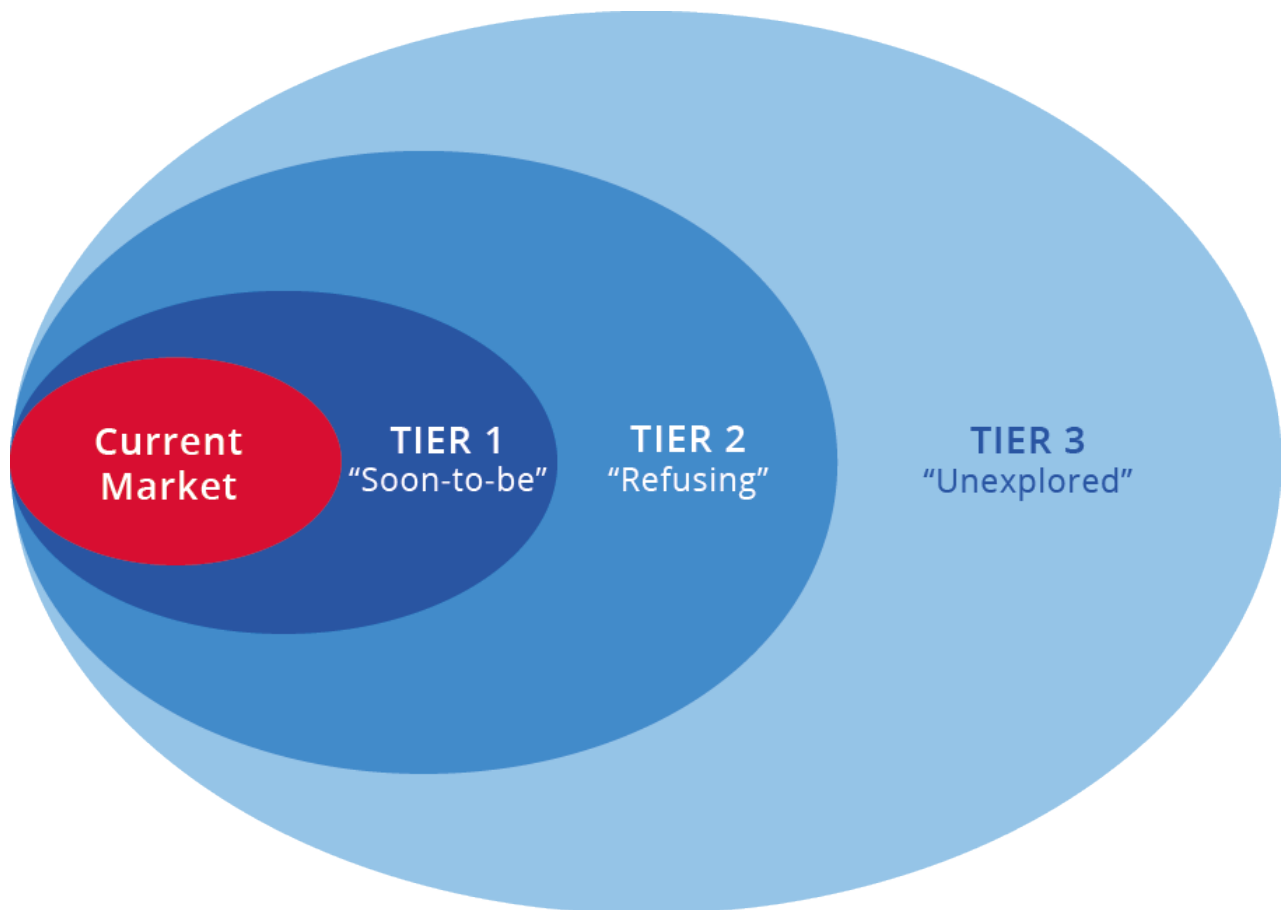
To maximize the size of their blue oceans, companies need to take a reverse course. Instead of concentrating on customers, they need to look to noncustomers. And instead of focusing on customer differences, they need to build on powerful commonalities in what buyers value. This reorientation allows companies to reach beyond existing demand to unlock a new mass of customers that did not exist before.

 Customers of your industry.

 1 “Soon-to-be” noncustomers who are on the hedge of your market waiting to jump ship.

 2 “Refusing” noncustomers who consciously choose against your market.

 3 “Unexplored” noncustomers who are in markets distant from yours.



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Although the universe of noncustomers typically offers blue ocean opportunities, few companies have keen insight into who noncustomers are and how to unlock them. To convert this huge latent demand into real demand in the form of new customers, companies need to deepen their understanding of the universe of noncustomers.

Kim and Mauborgne outline the three tiers of noncustomers that can be transformed into customers. They differ in their relative distance from the current market.

The first tier of noncustomers is closest to the current market, sitting just on the edge. They are buyers who minimally purchase an industry's offering out of necessity but are mentally noncustomers of the industry. They are waiting to jump ship and leave the industry as soon as the opportunity presents itself. However, if offered a leap in value, not only would they stay, but also their frequency of purchases would multiply, unlocking enormous latent demand.

The second tier of noncustomers is people who refuse to use an industry's offering. These are buyers who have seen the current offering as an option to fulfill their needs but have decided against participating.

The third tier of noncustomers is farthest from the market. They are noncustomers who have never considered the market's offering as an option.

By focusing on key commonalities across these noncustomers and existing customers, companies can understand how to pull them into their new market.

