

Interactive Workshop Defining Your Biometrics Niche

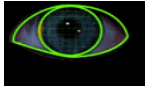
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ACUITY
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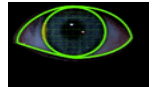
October 2009
London

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“Every market, from the automobile to the computer, began as a niche”

- Regis McKenna

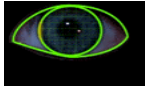


Acuity Market Intelligence

An emerging technology strategy and research consultancy with a proven record of accurately anticipating biometric and associated identification solutions market trends.

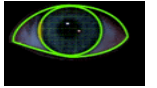
Markets	Identification Solutions, Biometrics, Authentication
Services	Market Research, Analysis & Strategic Planning Opportunity Assessment & Analysis Technology Adoption & Deployment Evaluations
Clients	Vendors, Solution Providers, Integrators, Investors, End Users



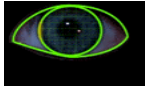


Presentation and Discussion Agenda

- ☛ Concepts & Definitions
 - ☐ What is a “Market”?
 - ☐ The “Biometrics Market”
 - ☐ From “Market” to “Niche”
 - ☐ What is “Market Creation”?
- ☛ Biometric Niche Based Market Development Strategy
 - ☐ Market Development
 - ☐ Critical Success Factors
 - ☐ Biometrics Unique Challenge
 - ☐ Identifying Niches
 - ☐ Biometrics Market Segmentation
 - ☐ Selecting Biometrics Targets
 - ☐ Leveraged Niche Penetration
 - ☐ Positioning
- ☛ Practical Application



Concepts and Definitions



Concepts & Definitions: What is a “Market”?

☞ “Market” as Marketplace

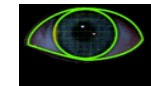
- ☐ The entire infrastructure – individuals and organizations – between the manufacturer and the customer that
 - Influence Buying Decisions
 - Contribute to the Complete Delivered Solution

☞ “Market” as Market Segment

- ☐ A set of actual or potential customers
- ☐ For a given set of products or services
- ☐ With a **common set of needs or wants**
- ☐ Who **reference each other when making buying decisions**

Two or more individuals or organizations buying the same product for the same reason that have no way to reference each other are not part of the same market

Is the Prospect you are speaking to today going to talk to the Prospect you are taking to tomorrow? If not, they are not in the same market.



Concepts & Definitions: The “Biometrics Market”

☛ “Biometrics Market” as Marketplace

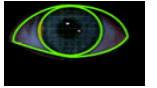
- ❑ Sensors, Algorithms, Devices, SW, BASPs
- ❑ Integrators, VARs, Distributors
- ❑ Analysts, Pundits, Press, Gurus
- ❑ Standards, Testing, Certification Bodies
- ❑ Related Tech - Smart Cards, RFID, Search/Match, NFC
- ❑ Others???

The entire infrastructure
– individuals &
organizations – between
manufacturer and
customer

☛ “Biometrics Market” as Market Segment

- ❑ Can a Biometric Market Segment Include:
 - Multiple Modalities?
 - Customers/Users Across Multiple Industries?
 - Multiple Applications? Physical or Logical Access, Surveillance?
- ❑ Which are Biometrics “Markets”?
 - AFIS, Government, State Criminal Justice Depts.
 - Airports, Border Control
 - Financial Services, Banks, ATMs
 - Mobile Devices, Consumer Authentication Devices
 - Match-on-Card, Single Sign-on

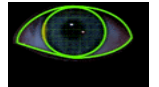
Two or more individuals or
organizations buying the same
product for the same reason
that reference each other



Concepts & Definitions: From “Market” to “Niche”

☞ “Markets” From Vendor Websites

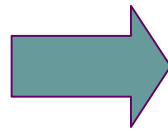
- ❑ Government, Law Enforcement, Commercial
- ❑ Federal, Border Management, Criminal Justice, Civil ID, Commercial
- ❑ Border Management, Civil ID, Traveler ID, Employee Credentialing, Access Control
- ❑ Corporate, Education, Government, Law Enforcement, Systems Integrators & OEMs, Healthcare
- ❑ Access Control, Network Security, Identification Systems
- ❑ Access Control for Corporate Enterprise, Government, Airport Security, Financial Services, Casinos & Gaming, Systems Integrators
- ❑ National, State and Local Governments, National and Local Law Enforcement, Child Safety & Student Security ,Transportation , Financial Services, Hospitality and Gaming, Critical Infrastructure, Healthcare
- ❑ Aviation Construction, Defense, Government, Healthcare, Hospitality, Nuclear & Energy, Police & Law Enforcement, Prison Service, Retail
- ❑ PCs & Peripherals, Wireless, Access Control



Concepts & Definitions: From “Market” to “Niche”

Opportunistic

We do not have, nor are we willing to adopt, any discipline that would ever require us to stop pursuing any sale at any time for any reason



Targeted

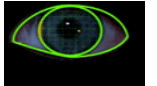
Create a marketplace where our product is the only reasonable buying proposition

☛ Characteristics of Niches

- Market Segment that can be Dominated
- System of Interrelated Organizations (Marketplace)
- Limited Number of Prospects
- Represent Opportunity 2-3X (max) Revenues Over Specific Time Period
- Achieve 30 to 60 Percent Market Share within 12 to 18 Months
- Solve High Priority or Business Breaking Problem
- Credible Competitive Alternative BUT NO DOMINANT Market Player

☛ Which of These Could Be Biometrics Niches?

- Iris Recognition
- Time and Attendance
- Healthcare Single Sign-on
- Facial Recognition for Casinos

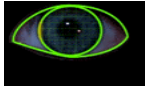


Concepts & Definitions: What is Market Creation?

- ☞ Defining a Marketplace (Infrastructure) and Market Segments (Niches)
 - ☐ New “Interpretation” of Market
 - Customer Perception NOT Necessarily Boundaries
 - Total Market Creation Rare - Radically New Products Service New Customers with New Infrastructure
 - ☐ Feature Improvement/Enhancement Does Not Expand or Create New Market
 - ☐ Innovation/Incremental Improvement Can Be Market Creating
- ☞ Goal of Market Creation is Market Ownership
 - ☐ Definition and Differentiation Strategy – Proven Leadership
 - ☐ Relative Size of Market: Prospects and Revenues
 - ☐ Credible Alternatives
 - ☐ Customer Centric
 - ☐ Creates a Beachhead for Leveraged Expansion into Additional Markets
- ☞ Market Creation Relies on:
 - ☐ Clear Niche Definitions
 - ☐ Solutions NOT Just Technology
 - ☐ Business Innovation
 - ☐ Marketplace Education
 - ☐ Developing Relationships
 - ☐ Creating Standards

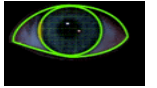


Biometric Niche Based Market Development Strategy



“Too many companies try to be all things to all people. They want to become \$1 billion companies overnight. ... (They) focus on getting orders rather than on developing markets. They go after and get business in diverse and often unrelated markets, taxing their already limited resource. That is a big mistake. A shotgun approach not only taxes limited resources, but also limits the leverage a company might develop by having a significant piece of business in a specific market. ”

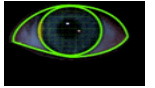
- Regis McKenna, *Relationship Marketing*



Niche Strategy: Market Development

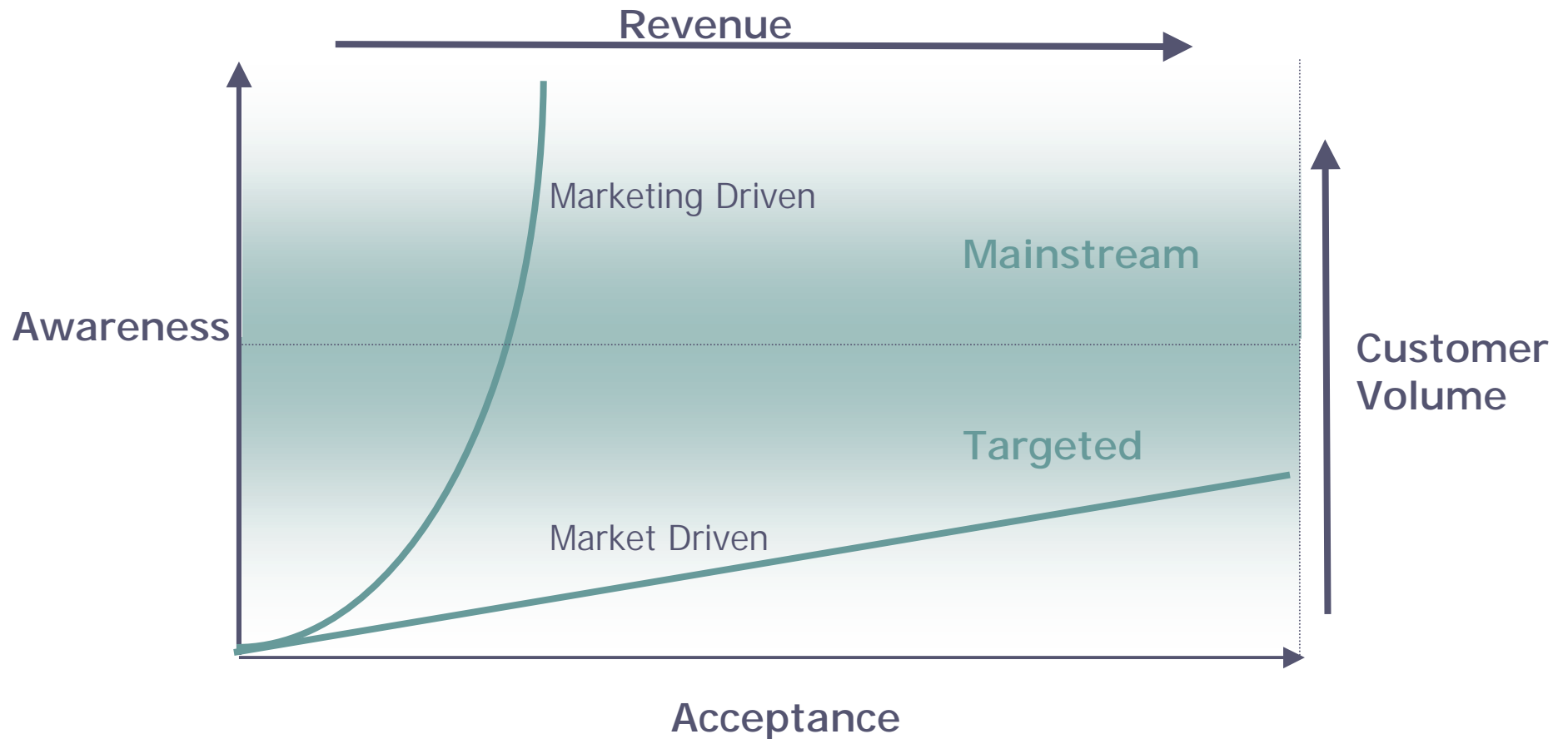
- ☞ Market Development is An Approach AND A Practice
 - ☐ Strategic and Tactical: Identify, Prioritize, Dominate
 - ☐ Quantifiable Methodology With Measurable Results
- ☞ Market Driven versus Marketing Driven
 - ☐ Marketing Driven - Awareness
 - Bag of Tricks, Gimmicks, Promotions
 - 80% of Time in Office Creating Brochures, Promotions, Planning Trade Shows
 - ☐ Market Driven - Acceptance
 - Dialogue Based
 - Select Customers
 - **Products are More Like Services**
 - See Products/Services as Customers see them: thru the lens of Environment
 - 80% of Time in Field, Talking to Customers and Prospects
- ☞ Niche Strategy Counterintuitive: Born of Necessity AND Created by Design
 - ☐ Better Chance of Establishing Leadership in Narrowly Defined Market
 - ☐ Can Do Better Job of Understanding Customers Needs
 - ☐ General Market Focus on Big Opportunities: National ID, Border Control
 - ☐ Niche Opportutnies Best Found and Pursued "Under the Radar"

Complex Technology Based Products Require Acceptance NOT Awareness



Niche Strategy: Market Development

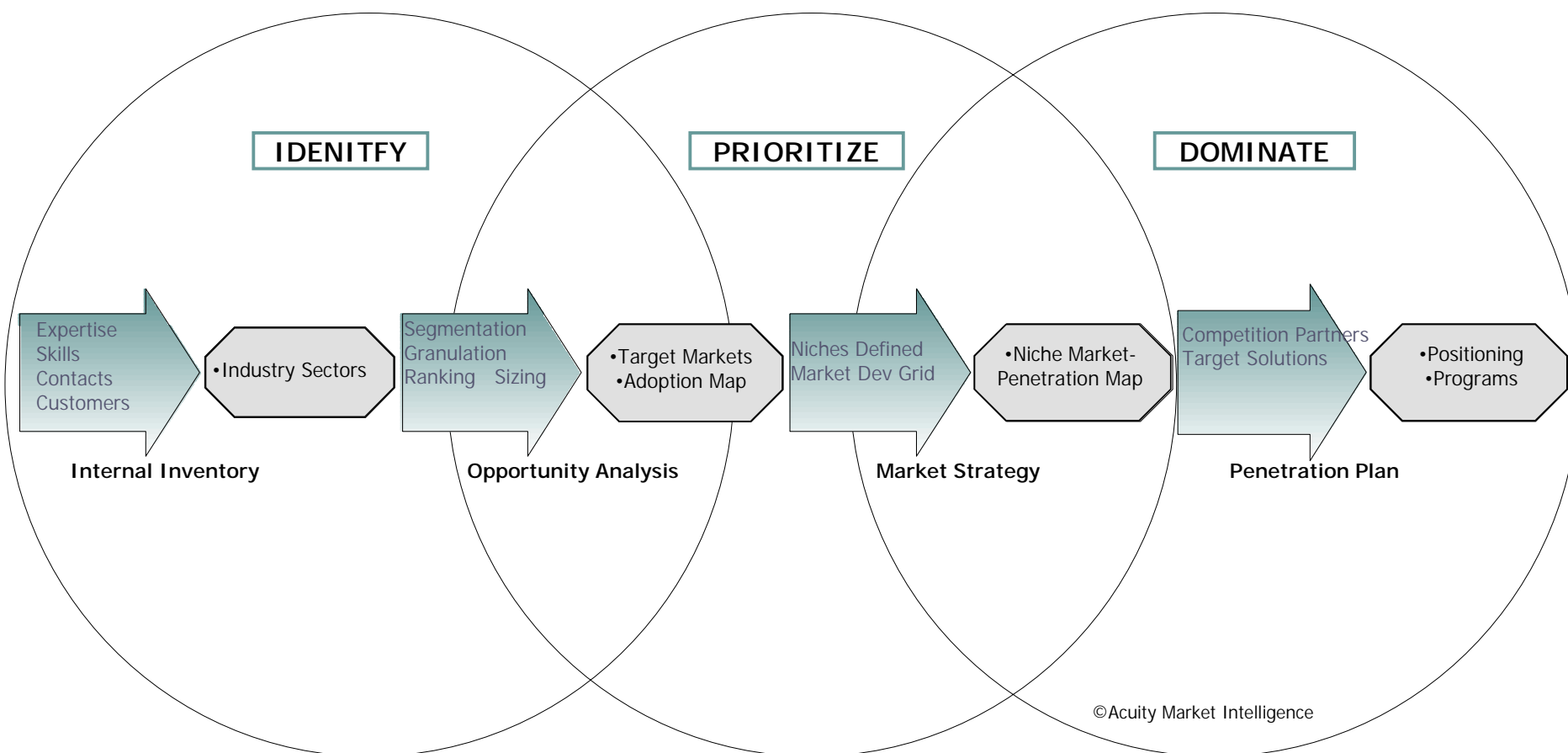
Complex Technology Based Products Require Acceptance NOT Awareness

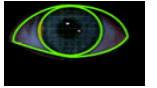




Niche Strategy: Market Development

Acuity's Market Development Methodology (MDM)
"Rigorous Intuition"





Niche Strategy: Critical Success Factors

Foundational Elements

- ❑ Internal Inventory: “Know Thyself” - Organizational Congruence
 - What Business Are You in?
- ❑ Opportunely Analysis: “Know Thy Market” - Application Intimacy
 - Qualitative Market Assessment/Analysis
 - Ask What Are Business Breaking Problems NOT How Could You Use Technology?

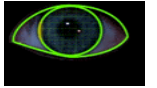
Characteristics of Successful Niche Product/service Strategy

- ❑ Molded to Markets
- ❑ Infrastructure Development
- ❑ Not Inventions but Assemblages of Interrelated Technologies
 - iPhone, Digital Camera – New Class of Products and Audience?Users
 - Automatic Transmission – Significant Numbers of New Drivers
- ❑ Choosing the RIGHT Customers in a Segment Is Key
 - Emerging Leaders NOT Laggards, Future Fortune 500
- ❑ Maintain Focus – Avoid Urge to Expand Into New Areas With Little Expertise and No Market Position

Value Proposition: Complete Solution to *Customer Compelling Reason to Buy*

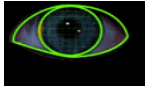
Low Data, High Risk Decision Requires/Relies on Qualitative Analysis

COUNTERINTUITIVE: Limit Focus to Grow



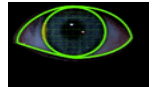
Niche Strategy: Biometrics Unique Challenge

- ☞ Market Creation in an Emerging Market With a Shady Past and High Awareness
- ☞ Biometrics Must Overcome
 - ☐ Government Driven Development
 - ☐ Misinformation
 - ☐ Bad Experiences
 - ☐ Proven Failures
 - ☐ Crowded “Me Too” Positioning on “Technology Leadership”
 - ☐ Limited Self Knowledge
 - ☐ Limited Application Intimacy
 - ☐ Gulf Between Company and Customer
 - ☐ Horizontal Products Mentality
 - ☐ “If we Build it, They will Come”
- ☞ Biometrics is Enabling Technology
 - ☐ What Innovation Are You Enabling?
 - ☐ What Compelling Reason To Buy are you Addressing?
 - ☐ Link Biometrically Enabled Solution to HIGH POINT OF PAIN
- ☞ Evolution or Revolution?
- ☞ Other Market Development Challenges?

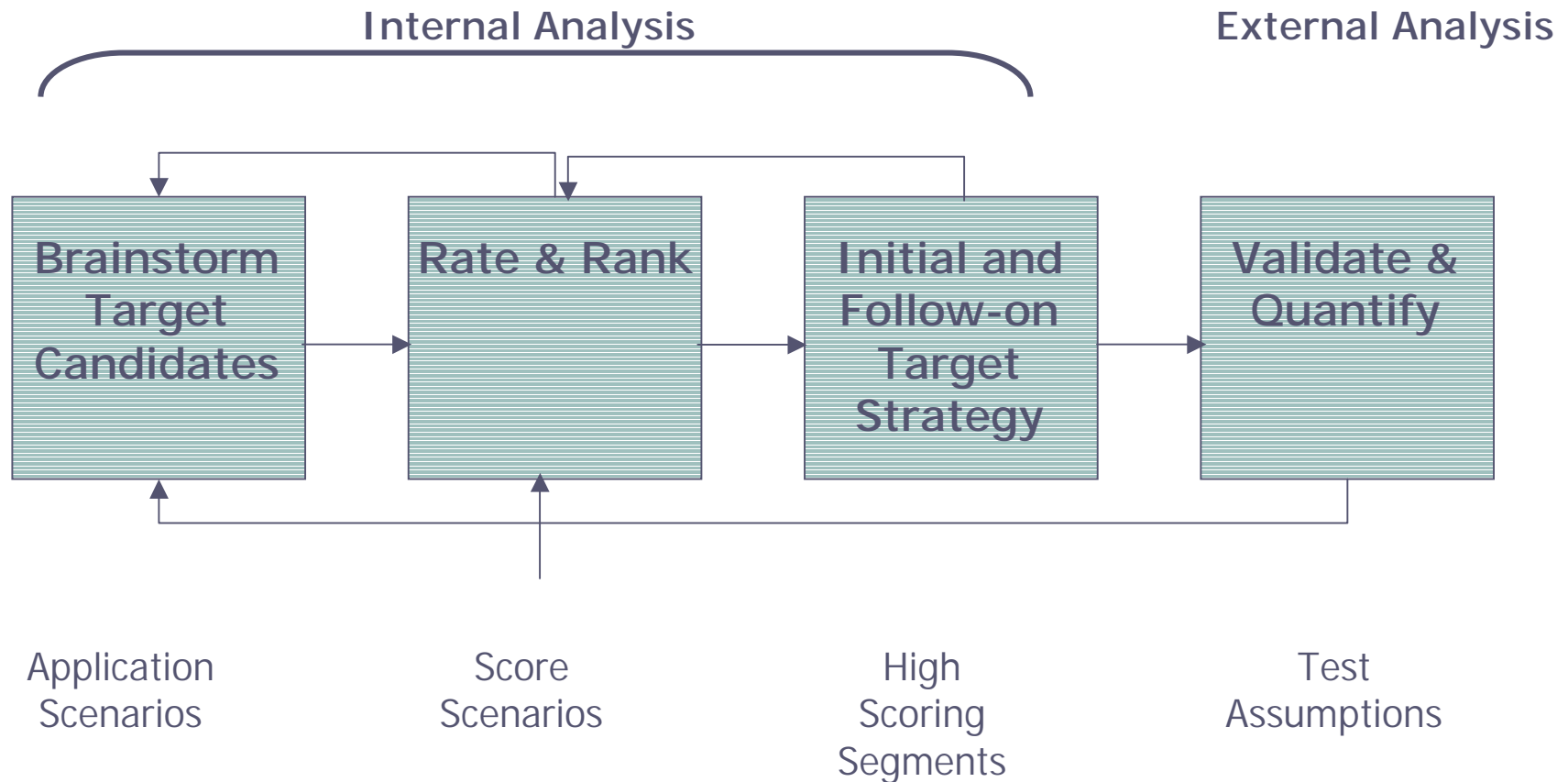


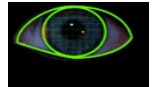
Niche Strategy: Identifying Niches

- ☞ NO GENERIC NICHES – Vendor Based from Customer Perspective
- ☞ Divide the Universe of Possible Customers into Market Segments
 - ☐ All Possible Segments
 - ☐ Granulate Lucrative Segments into Niches
 - ☐ Not a 6 Month Research Project BUT a ONE Day Brainstorm
- ☞ Identify Highest Priority Niches
 - ☐ Evaluate “Attractiveness” of Each Niche
 - ☐ Prioritize and Narrow Down to a Small Number (<10) of Finalists
 - ☐ Biggest Mistake is NOT Finding Enough PAIN
- ☞ Create Target Customer Scenarios
 - ☐ Buyers, Situation, Desired Outcome, Failed Approaches
- ☞ Rate Using Internal Knowledge-Based Customer Characterization
 - ☐ Target Customer, **Compelling Reason to Buy (CRTB)**, Whole Products, Partners & Allies, Competition, Positioning, Next Target Customer
- ☞ Rank and Pick an Initial Niche
 - ☐ Target Market Segment with Business Breaking Problem Creates a CRTB
 - ☐ Follow-on Targets Based on Leveraging References and Proven Solutions
 - ☐ NO Single “Right” Initial Target: Choice Less Important than Relentless Pursuit



Niche Strategy: Identifying Niches





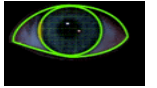
Niche Strategy: Biometrics Market Segmentation

Commercial Market Segmentation

©Acuity Market Intelligence 2009		Enterprise Security				Information Transactions				Financial Transactions				
		Financial Service	Healthcare	Transportation	Other	Financial Service	Healthcare	Transportation	Other	Consumer	B2B	ATM	Inter-bank Transfer	Other
Physical Access – Facility, Access, Secure Area Access, Time & Attendance	Customers			X	X									
	Staff & 3rd Party	X	X	X	X							X		X
Logical Access – PC, Networks, Mobile Devices, Kiosks, Accounts, IP	Customers	X	X	X	X	X	X	X	X	X	X	X	X	X
	Staff & 3rd Party	X	X	X	X	X	X	X	X	X	X	X	X	X
Identity Services – Background Check, Enrollment, Credentialing, Document Issuance,	Customers	X	X	X	X	X	X	X	X	X	X	X	X	X
	Staff & 3rd Party	X	X	X	X	X	X	X	X	X	X	X	X	X
Surveillance & Monitoring – Cooperative & Non-cooperative Including Time & Attendance and Watchlists	Customers	X	X	X	X	X	X	X	X	X	X	X	X	X
	Staff & 3rd Party	X	X	X	X	X	X	X	X	X	X	X	X	X

Chart 2.5

- ☞ Example of a High Level First Step in Segmenting Overall Market
- ☞ Requires Multiple Levels of Granulation
- ☞ NOT a Viable Starting Point for an Individual Vendor



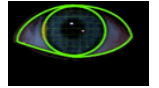
Niche Strategy: Selecting Biometric Niches

Focus

- Qualitative NOT Quantitative
- Where Are You Uniquely Differentiable
- Where Can You Offer a “Whole Product” Solution
- High Point of Pain and/or Business Breaking Problems
- Niches/Customers with Money
- Where Competition or Competitive Alternatives are NOT Meeting Needs
- Minimize Competition – “Coopetition”
- Low or No Hype Opportunities
- Have Ability to Serve Customers Better Than Anyone Else
- Maximize Internal Leverage Points
- Leveraged Market Development

Avoid

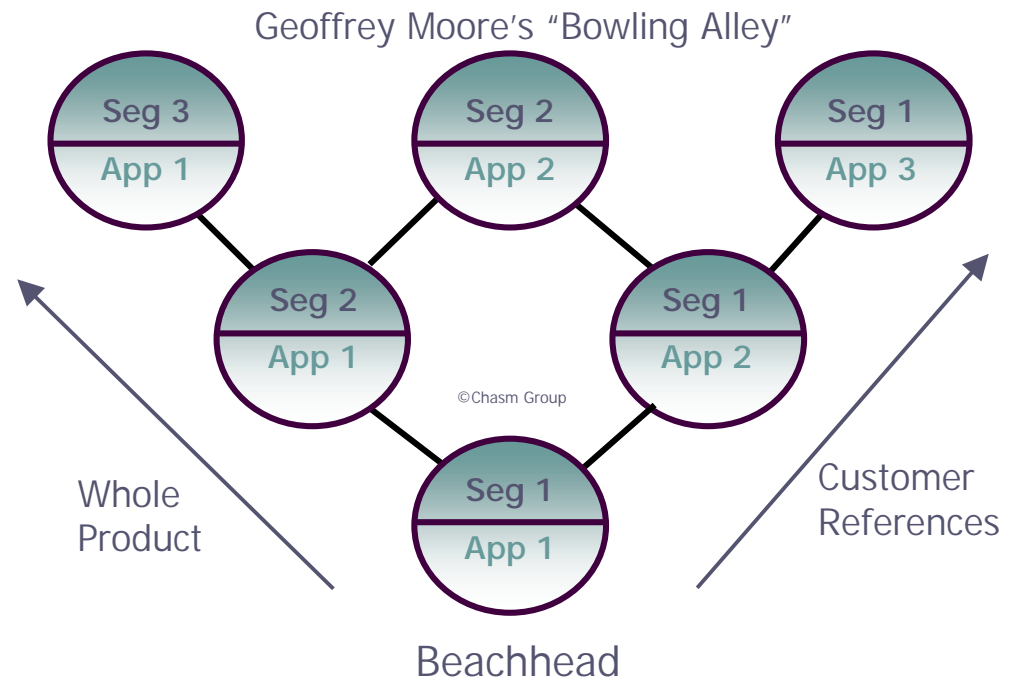
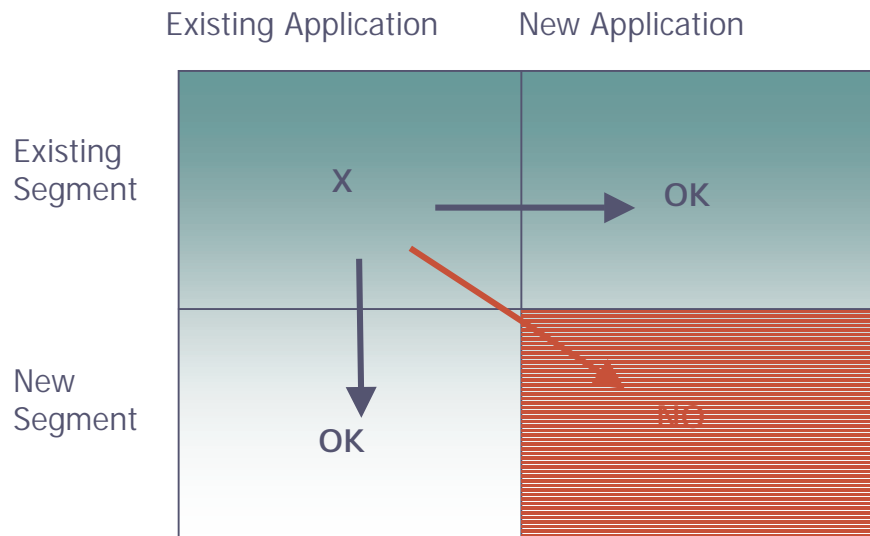
- Entrenched, Effective Competition
- Residual Post 911 Market Hype
- Reliance on Broad Based Market Projections to Assess Opportunity

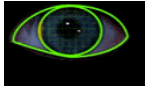


Niche Strategy: Leveraged Niche Penetration

Path to Success

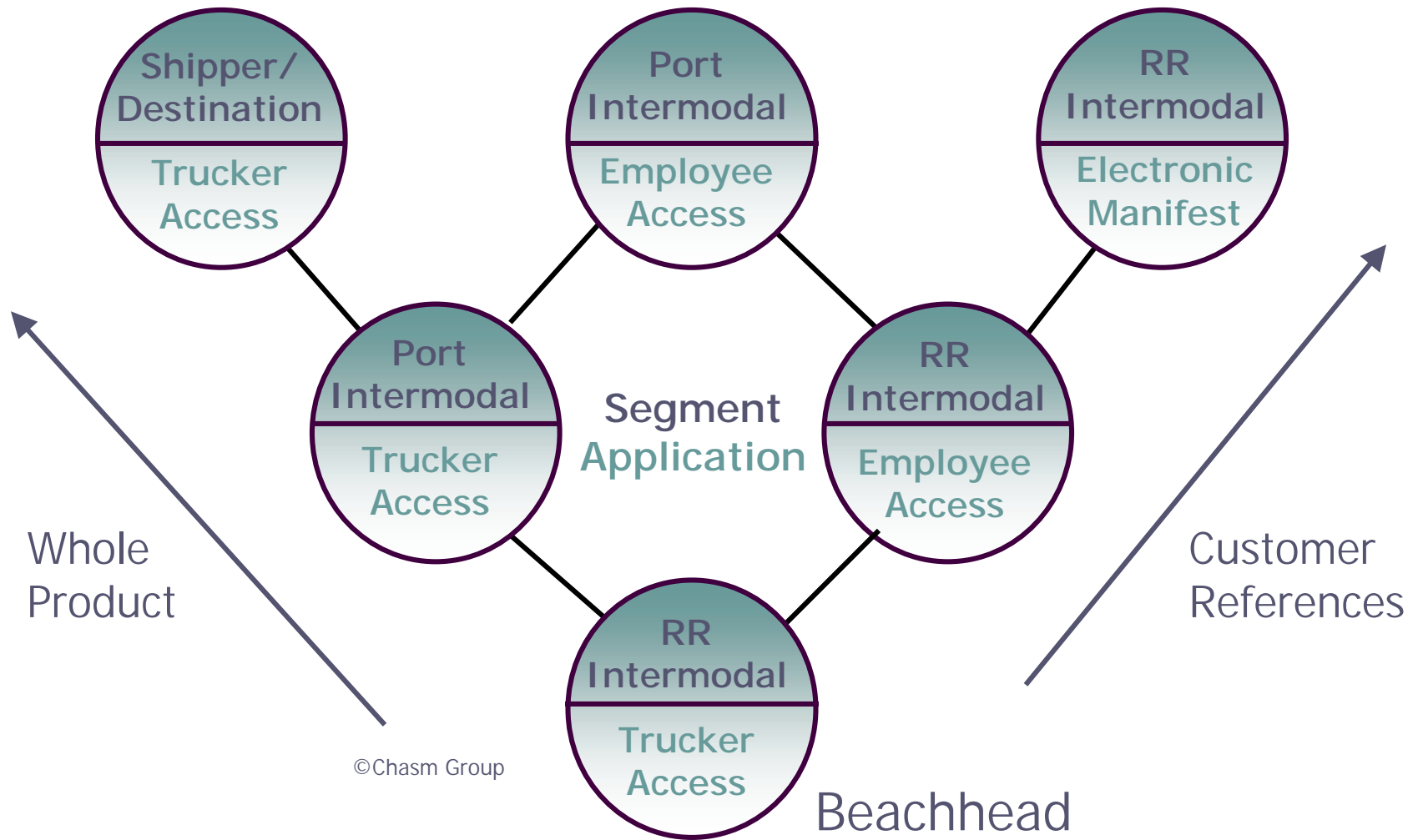
- ❑ Multiple Niche Phased Approach- "Bowling Alley"
- ❑ Leveraged Progression Through Successive Niches
- ❑ Pursue the "Beachhead" RELENTLESSLY

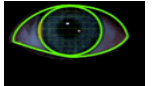




Niche Strategy: Leveraged Niche Penetration

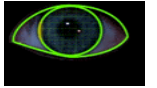
Cargo Transportation "Bowling Alley"





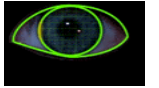
Niche Strategy: Positioning

- ☞ Central Idea of Positioning
 - ☐ Use Market Environment Effectively
 - ☐ Make Products/Services Easier to BUY Not SELL
 - ☐ OFFER 1st VERIFIABLY COMPLETE SOLUTION to Mitigate Risk
- ☞ Positioning Begins With the Customer
 - ☐ Customer NEED Not DEMAND
 - ☐ NEED is Based on PAIN
 - ☐ Dynamic Process Based on Changes in Customer Perception & Attitudes
 - ☐ Validate Intuition With Inquiry
- ☞ Competition Context
 - ☐ Place, Differentiate, and Define
- ☞ Market Positions Products
 - ☐ Must Understand Market to Influence Market Perception
 - Trends, Dynamics, Target Audience, Whole Product
- ☞ Cut Through Noise
 - ☐ Focus on Intangibles
 - ☐ Understand Success and Failure
 - ☐ Market Vs Marketing Driven
 - ☐ Experiment/Evolve Products/Services



“The key to ascertaining a Compelling Reason to Buy and acting on it involves identifying and empathizing with the customer's problems, intimately and completely ”

- Paul Weifel, The Chasm Companion



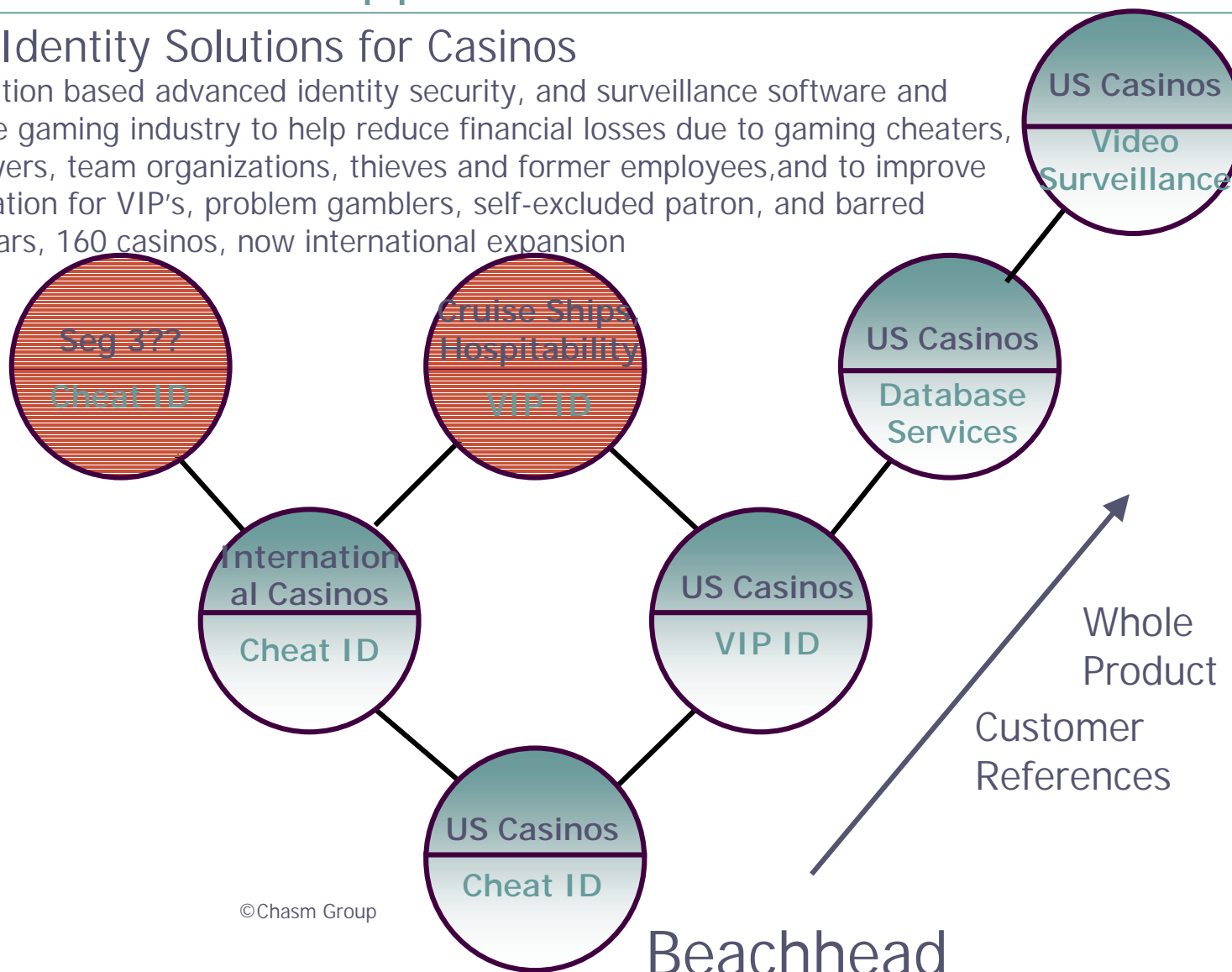
Practical Application



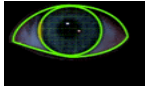
Practical Application: Biometrica

Advanced Identity Solutions for Casinos

Facial recognition based advanced identity security, and surveillance software and systems for the gaming industry to help reduce financial losses due to gaming cheaters, advantage players, team organizations, thieves and former employees, and to improve identity verification for VIP's, problem gamblers, self-excluded patron, and barred patrons. 10 years, 160 casinos, now international expansion



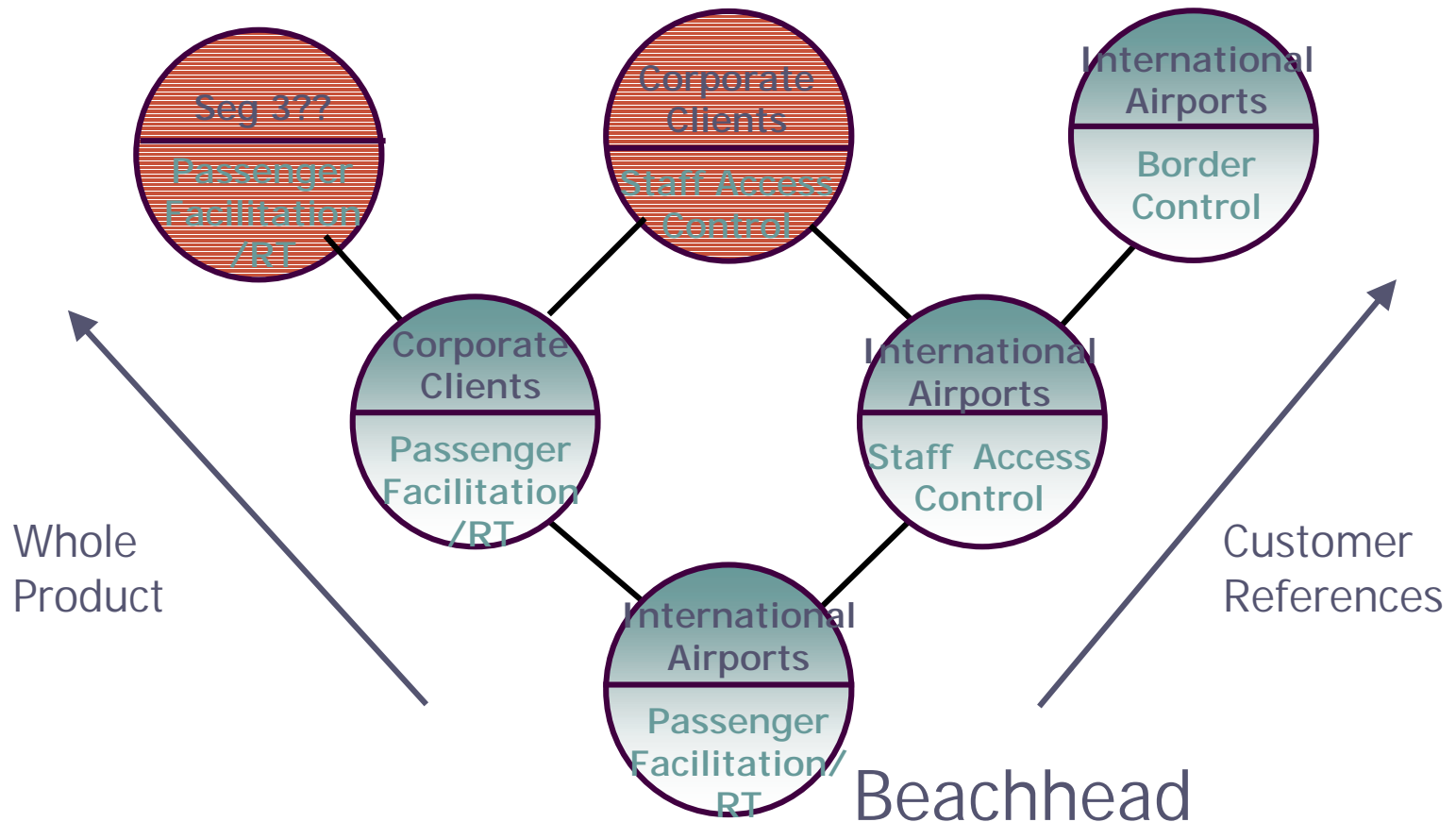
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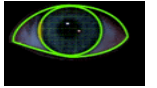


Practical Application: Dartagnan

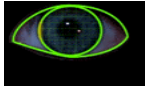
Border Control & RT Programs in Airport Environments

A registered traveler service provider specialized in design, implementation and operation of biometrically enabled border control and registered traveler (RT) programs delivering best of breed application, biometric enrolment and fast lane services at airports to international travelers in close cooperation with local airport and Government authorities- Schiphol, Singapore x2, Global Entry,



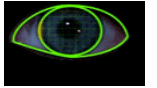


Presentation & Discussion Review



Presentation and Discussion Review

- ☞ What is a Biometrics Niche?
 - ☐ Members Must Be Referenceable
 - Word of Mouth NOT Case Studies
 - ☐ Define/Develop Infrastructure
- ☞ The Difference Between a Biometrics Market and a Biometrics Niche
 - ☐ Well Defined Business Breaking Problem
 - ☐ Size – Relative Your Company
 - ☐ Competition – Credible Biometrics and/or Non-biometric Alternatives
- ☞ Why Do You Care?
 - ☐ Why Does a Niche Based Approach Make Sense?
 - ☐ How/Why Does It Work?
- ☞ How Do You Put This Into Practice?



“A distinct market position is attainable even in a crowded marketplace”

- Regis McKenna



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