

The Three Tiers of Noncustomers

Although the universe of noncustomers typically offers big 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 thriving new customers, companies need to deepen their understanding of the universe of noncustomers.

There are three tiers of noncustomers that can be transformed into customers. They differ in their relative distance from your market. As depicted in figure 5-1, the first tier of noncustomers is closest to your market. They sit on the edge of the market. 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 your industry's offerings. These are buyers who have seen your industry's offerings as an option to fulfill their needs but have voted