

downtown locations, such as bus stops, where people tended to wait a few minutes and hence had time to read and be influenced by advertisements. JCDecaux reasoned that if it could secure these locations to use for outdoor advertising, it could convert second-tier noncustomers into customers.

This gave it the idea to provide street furniture, including maintenance and upkeep, free to municipalities. JCDecaux figured that as long as the revenue generated from selling ad space exceeded the costs of providing and maintaining the furniture at an attractive profit margin, the company would be on a trajectory of strong, profitable growth. Accordingly, street furniture was created that would integrate advertising panels.

In this way, JCDecaux created a breakthrough in value for second-tier noncustomers, the municipalities, and itself. The strategy eliminated cities' traditional costs associated with urban furniture. In return for free products and services, JCDecaux gained the exclusive right to display advertisements on the street furniture located in downtown areas. By making ads available in city centers, the company significantly increased the average exposure time, improving the recall capabilities of this advertising medium. The increase in exposure time also permitted richer contents and more complex messages. Moreover, as the maintainer of the urban furniture, JCDecaux could help advertisers roll out their campaigns in two to three days, as opposed to fifteen days of rollout time for traditional billboard campaigns. In response to JCDecaux's exceptional value offering, the mass of refusing noncustomers flocked to the industry, and street furniture took off as a medium of advertisement. By signing contracts of ten to twenty-five years with municipalities, JCDecaux gained long-term exclusive rights for displaying ads with street furniture. After an initial capital investment, the only expenditure for JCDecaux in the subsequent years was the maintenance and renewal of the furniture. The operating margin of street furniture was as high as 40 percent, compared with 14 percent for billboards and 18 percent for transport advertisements. The exclusive contracts and relatively

high operating margins created a steady source of long-term revenue and profits. With this business model, JCDecaux was able to capture a leap in value for itself in return for a leap in value created for its buyers.

Today, fifty years later, JCDecaux remains the number-one global leader in the street furniture-based ad market space it created. The company now has nearly five hundred thousand street furniture advertising panels in eighteen hundred cities in forty-eight countries around the world.² What's more, by looking to second-tier noncustomers and focusing on the key commonalities that turned them away from the industry, JCDecaux also increased the demand for outdoor advertising by existing customers of the industry. Until then, existing customers had focused on what billboard locations or bus lines they could secure, for what period, and for how much. They took for granted that those were the only options available and worked within them. Again, it took noncustomers to shed insight into the implicit assumptions of the industry that could be challenged and rewritten to create a leap in value for all.

What are the key reasons second-tier noncustomers refuse to use the products or services of your industry? Look for the commonalities across their responses. Focus on these, and not on their differences. You will glean insight into how to unleash an ocean of latent untapped demand.

Third-Tier Noncustomers

The third tier of noncustomers is the farthest away from an industry's existing customers. Typically, these *unexplored* noncustomers have not been targeted or thought of as potential customers by any player in the industry. That's because their needs and the business opportunities associated with them have somehow always been assumed to belong to other markets.

It would drive many companies crazy to know how many third-tier noncustomers they are forfeiting. Just think of the long-held