



Stanford eCorner

Classes of Innovations in the Product Leadership Zone

Geoffrey Moore, *Mohr Davidow Ventures*

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Moore looks at the different classes of innovation that comprise the product leadership zone: disruptive, application, product and platform innovation. These innovation zones are driven by the technology adoption life cycle and are very R&D intensive and high-risk.



Transcript

So, this is the product leadership zone. The four classes of innovation there are: disruptive innovation, which is the thing that starts technology adoption life cycles. It's the thing that we've, Clay Christensen's written of ton about, I've written a bunch of stuff about, a lot of people hearing stuff about, ventures all about. If you are interested in the venture program on Sand Hill Road, they're interested in things on the left of the chasm that you can invest in and cross. It ventures all about crossing chasms and creating companies and going forward. Now, there are venture investments to start on the other side of the chasm but most don't. OK? Application innovation is the thing that crosses the chasm. It's the thing that says, Hey, not only do we have this way cool technology, we've actually figured out something to do with it, right? And it's something that people will pay money for and get excited about. So, it's probably in the niche market, particularly if you're doing an enterprise. Consumer plays out differently.

But in an enterprise game, that's been the case. So the tradition of crossing the chasm is largely an enterprise market tradition and Sand Hill Road has until quite recently been an enterprise investment vehicle, not a consumer investment vehicle. OK? The internet is changing that but that's relatively new to Sand Hill Road and we are relatively naive about consumer markets. We're extremely sophisticated about enterprise markets and pretty naive about consumer markets. Application innovation. Production innovation is once the thing is really going, zoom, zoom, zoom, now what would I do to get the next bid of market share? Make a better mousetrap, make a better mousetrap, make a better mousetrap. And then the fourth one is platform innovation. Platform innovation is when a product has become sufficiently ubiquitous enough that it's everywhere. And now the company who has the rights to that product comes up with the bright idea of making it a host of a whole generation of future products. And if the value change, the rest of the people in the ecosystem agree to let this company be that host, eat for their stuff, the company itself might propose things. Think of a blade server and lots of little blades or things going in it.

This product becomes a platform, and the power and the future of that company are just dramatically increased. The powers increase and the future is dramatically improved. There's only like six or seven companies who have ever become platform companies. In fact, if you look at top of the gorillas now, every gorilla has a strategy for becoming a platform. SAP is going to take R/3 and be a platform. Cisco is going to take the LAN switch and the router, it's going to be a platform. Microsoft already has said Windows is the platform. Oracle already has said, no, no, Oracle is the platform. EMC is saying I know you think of us as a storage company. We're actually an information life cycle management platform.

So the word platform is like pre-written into the press release. You just have to put the words before and after it to sort of make clear. And the reason why they're doing that is because of how much power there is associated with actually achieving that outcome, improbable as it may be.