



Stanford eCorner

Great Products Aren't Enough

Greg Ballard, *Glu Mobile*

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Greg suggests that a good product is a solid foundation, but not enough to guarantee success. He illustrates his point using the examples of Betamax, and his own experience in competing with NVIDIA.



Transcript

If you have good products, you can typically figure out some way to be successful. It starts with the products, but as we will talk about just a moment. It doesn't always end there. In fact, one of the biggest lessons that I've learned in Silicon Valley is that great products don't always win. You can find plenty of examples that you're probably aware of yourself of people who have had the best product. Going way, way back how about the Betamax losing out to VHS recorders - maybe that's too far back. But at any rate, trust me when I say, you can have the best technology, you can have the best product and still not have a successful strategy and you lose to somebody who you can't believe actually beat you with their product. Let me give you a couple of examples. My first start up was a company called, "Personics". Personics is actually the first company to think about breaking albums into individual songs and allowing people to mix those into a compilation of their own.

It was way before that music was digital. In fact, this music that we did this with was actually analog and it was delivered onto a cassette - you probably you have seen those in museums, but they were a very, very powerful medium. And what we did was we allowed people to go into a record store, choose from a catalogue of songs - the songs that they most wanted to put on their cassette, and then they could have it recorded while they waited and the walked out of the store. It was a brilliant innovation. Nobody had ever done it before. Nobody had ever thought about breaking an album down like that before even though people were doing it at home on their own. It was probably to this day one of the best business ideas outside of CNN that I've ever seen. Unfortunately, the company that was built around that idea was one of the worst executions in business history. It was riddled with young people like myself who had never done it before. The CEO was a brilliant, brilliant guy, he came up with the idea, but he also had never run a company before, so he was making a lot of mistakes.

The CFO was his brother, who no longer - who not only didn't have an accounting degree, but in fact had actually never been in accounting position in his life. He was actually a psychotherapist. So, if you didn't like the numbers that we had on a monthly basis, he could make you feel a lot better about it. But unfortunately over the course of three or four years, the feel-good feeling out of the CFO's office and out of the CEO's office and even out of the head of the marketing's office, sort of couldn't make up for the fact that we weren't executing well, even though the idea was absolutely brilliant. And over time that company did not succeed and time passed and the digital revolution came and we were the natural successors, had we still been in business, we would have been the ones instead of iTunes for example, that drove the music revolution. But instead, we failed to execute and Personics is now in the dustbin of history. There are still a few people who remember it and it's typically on a slide on business ideas that went awry. But it was basically a great product around which we did not execute particularly well. One of my biggest business success was a company called "3D Effects Interactive". For those of you who are

PC users in the 90s, we are the ones who essentially created the whole concept of 3D gaming on PCs.

3D effects graphics are what in video graphics or ATI graphics are today. We were the leaders. We were the leaders by 18 months to two year in terms of our technology. There wasn't anybody close to us when I took over the company. And for about two or three years it stayed that way. I'll tell you a story for those of you who pay attention to numbers, sort of listen to how this company grew. When I joined the company it was a four-million dollar company. The next year we went public, it was a \$44 million company. The year after that it was a \$210 million company and the year after that when I finally left the company, it was a \$450 million company. It was a rocket ship.

The problem was, beneath that rocket ship was a caboose basically that was ricketing and rocketing down the tracks, and never quite ready for prime time. And we had never really built the infrastructure because the company was growing so quickly to be able to execute day-in and day-out. In the mean time, there is a company across the railroad tracks called Nvidia, run by a person by the name of Jen-Hsun Huang who is still there today, running now a multibillion-dollar company and Jen-Hsun didn't have the same technology we had. He didn't have the same great marketing and sales that we had but he had one thing that we didn't have which was an absolute laser focus on execution. So, while we were out swinging for the fence, occasionally hitting great products out at the door, Jen-Hsun was just going along. If you've ever seen "Butch Cassidy and the Sundance Kid", the reaction we had to in video was much like the reaction when they train opens up and the horses come out and they asked the question, "Who are those guys?" Because the fact of the matter is they kept on after us day after day after day. And there was an example where we had the best product but better execution day-in and day-out in the market place ended up beating us.