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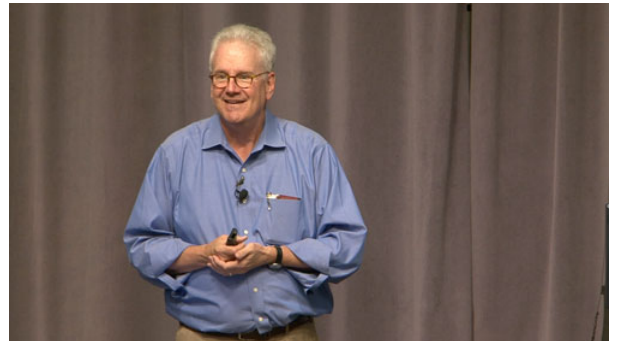
Neutralizing Competition is a Speed Game

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Author and MDV Venture Partner Geoffrey Moore explains why companies must, at minimum, keep up with competitors to be considered by customers. According to Moore, every quarter a company does not catch up to a competitor's offer is just another chance for that competitor to gain momentum. Moore uses numerous examples from the technology sector to illustrate the danger of being too proud to assimilate a competitor's innovations.



Transcript

Neutralization means you know the world's progressing, competitors are innovating and now all of a sudden, it's my job to get back inside that yellow circle because I've kind of fallen out of favor. And I've got to at least -- I don't have to try to beat the blue asterisk. I just got to get my asterisk back inside, back in gears as it were. And so we're focused -- and once I get inside there then I can talk about my differentiation, again, but if I'm missing -- if I'm still out here the market won't talk to me at all. They'll say, you're not even qualified to be in the conversation because you haven't met the minimum table stakes to be in this game. So failure to neutralize, there's some real cautionary tales on this one. So Microsoft brilliantly neutralized the Mac with Windows but Nokia, did you see the memo from Steven Elop a couple -- this was last month or the month before? There's a sentence in that face, the new CEO of Nokia, he writes a memo that say public memo to the world which says how is it possible that Apple came out with an iPhone in 2007 and Nokia does not have response? Would you want to answer that question? Gee, Steven, I wasn't the product manager. But the point was -- so ask yourself why. Why do you think? I don't know but my bet is because the engineers at Nokia were too proud to neutralize because they wanted to differentiate. They wanted to over leap the over leaper.

And when you do that, you live year after year after year of no effective response in the market which is absolutely fatal. Microsoft in the Web -- remember there was a memo when Bill Gates -- where software company were not a Web company and then it was like, oh, no. And then it was like he immediately neutralized Netscape Navigator. Now, Internet Explorer 1.0 was the first. It was a pathetic attempt to pretend it was a browser. The second release, not much better. But the third release, better than Navigator 3.0. So Microsoft actually is a brilliant neutralizer. Lotus Notes did not make the same kind of response. Lotus Notes kind of went inside the IBM world and it's kind of doing its General Motors thing.

Netflix -- Netflix with the Web, don't you think when all of a sudden this stuff comes over. I'm not saying Netflix, right? Netflix is a CD distributor. Not so. Mr. Hoffman is still the scourge of the media industry. He is Conan the Barbarian, they hate -- I mean, they were just like -- they would love to -- but I won't go into assassination, not this week. But they're thinking about it. But Blockbuster -- when Netflix came out, Blockbuster just stood there like they're doing the headlines and charged more for late stuff. Google apps versus Microsoft Office, Google is not trying to beat Microsoft Office, it's just trying to annoy them. It's just trying to keep them busy and to kind of keep something going.

Yahoo on the other hand, was more like Nokia. Yahoo wanted to overtake Google Search. It was kind of like Captain Ahab and the white whale and it was a quest. And it was a fatal quest. And so what Carol had to do is get in and sell off the business because she had to free her company's future from the paw of the past. That was a really, really important thing for her to do. Apple and Kindle, so what did Apple do with Kindle? It co-opted it. Kindle -- most people -- most read their Kindle books on

iPads because they co-opted it. Whereas the borders and their thing, no -- and borders -- OK, next. So the game here is catch up fast and assimilate the innovation.

It's a game of speed. It's how fast can you do it. How fast can you become good enough.