Stanford eCorner

Create New Categories

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Companies that top their category don't just sell more product than their competitors, they likely created the category and made people see the world in a new way, according Mike Maples Jr. of Floodgate, which has invested in groundbreaking startups such as lyft, TaskRabbit and Twitter. He points to how Apple essentially created the categories of digital-music players, smartphones and tablets.

Transcript

Category kings, they don't just make something to sell to people. They introduce the world to a new category of product or service. Category kings, they replace our point-of-view from what we understood yesterday to what we now believe. And ultimately, they change how people in businesses spend money. Here's some examples. When I was a kid, people didn't pay multiple dollars for a cup of coffee. But Starbucks convinced me and a whole bunch of people to rethink our spending habits, as it related to coffee. Amazon Web Services, not just a service, a whole new category. There weren't any digital music players that would play thousands of songs in your pocket before the original iPod. In fact, I would argue that Jobs' great genius in his second act was he invented three new categories-- the digital music player, the smartphone, and the tablet.

This is an example I kind of like, Elvis. So Elvis changed our point-of-view from jazz on steroids to rock and roll. So Elvis defined the category of rock and roll. Category kings usually capture 70% to 80% of the profit pool in a given market. These guys, I think, are doing some really interesting work. playbigger.com. Christopher Lockhead, Al Ramadan have been friends for a long time. They're going to come out with a book pretty soon that talks about category design, but I think their website does a good job of talking about some of these issues. I believe that category design is going to become an increasingly prevalent topic in how people think about building value in their startups.