



Stanford eCorner

Create Categories for Competitors

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Play Bigger Advisors Co-Founder AI Ramadan describes the evolution of the category for software that manages business customer relations, and how Salesforce founder Marc Benioff came to dominate it by inventing a category for incumbents that made their software seem antiquated compared to the cloud service he was offering.



Transcript

- Categories aren't static. They have tend to have these technology cliffs that companies can fall off. In this particular case, this axis at the bottom is about 35 years that you're looking at. It's the CRM category which stands for customer relationship management. It's a very well know category in technology. And the current king of the CRM category is, right, Salesforce, so but it didn't start out like that. It actually started out as contact management. You folks weren't alive when this started many of you weren't at least, we used to write paper cards, they were called filofaxes. I can see some of the folks in the audience smiling already. We used to take these paper cards and we'd write your name and address on them and we'd put them in a file that was a circular file and when I wanted call you, I would look up your name in the file, I would call you on our landline.

That's how it went. Now I know that's ridiculous for most of you in the room right now, but that's how it started. And then we the PC revolution came, what happened was, a couple of companies, ACT! was one of them and GoldMine was the other. Essentially automated your contacts. I know this doesn't sound dramatic for you folks in the room cause you do it everyday naturally on your iPhones, but they automated it. You then took all your filofax, put it in your PC and there were your contacts. That was the contact management category, relatively small, but it was the start of this journey. What then happened was, people said, well gee, if I've got my contacts in the computer whenever I talk to somebody, why don't I just put notes associated with that so that I know what's going on with my customers? And ultimately, the Salesforce automation phase of this story started to develop and then ultimately, customer relationship management as a function took that plus a number of other things that you had to do with your customer, customer support, field support, all of those sorts of things, bundled it all together guy called, Sebold, Tom Sebold. Put your hands up if you've heard Tom Sebold's name. All right, so he was the guy in the middle of this part, and he drove this thing.

His problem was, anyone know what Tom Sebold's problem was? I'll tell you what his problem was. They had on premise software. It meant that the installations took a long time and were really hard to do and actually most of them, actually never even happened. So, along comes this guy called Marc Benioff and says well hey, we're gonna do all that in the cloud. And he took, he ate their lunch, completely. And so CRM in the cloud as we think of it today does not have on premise software. And you may not believe this but on prem software was not even a term that anyone invented. You know who invented that? Marc Benioff, why? Cause that was the bad thing over there called on prem software, cloud software was the good thing, and that you'll find as part of the category design things that Dave's gonna be talking about. That's a lot of what you've got to do. You've got to position yourself.