URL: https://stvp.stanford.edu/clips/create-serious-differentiation

Real differentiation is about going well beyond the limits of your competitive set, not just being best in class, says author Geoffrey Moore. Here he encourages product managers and other members of management to consider how far they can take their company's offers to create real separation from competitors. Moore also shares real world examples of companies that created separation in the technology sector.
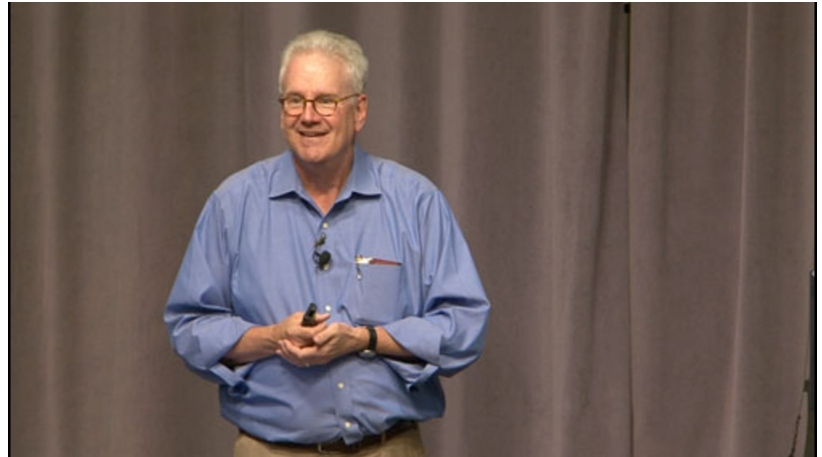


## Transcript

So this idea about differentiation is most of the time most offers live inside the yellow circle here which means that they have to compete against each other, mano-a-mano for winning a customer's business.. Shell gasoline, Chevron gasoline, Union 76 gasoline, you don't go like, whoa, that was amazing gasoline, right? That's not what happens, OK.. But periodically, people do get separation from the competitive set.. And your job as an offer manager is to imagine that blue arrow and that blue asterisk and to say what could we do with my offer to take it that far.. Now, you may not get permission but the company may say back to you, you know what, I'm sorry, it's your first product you every got, we're not spending any money on your product.. Rats.. But sooner or later as a product manager you will get an offer that says, you know what, if you could do that I would like to see your plan for doing that.. So do that and if you don't do it, now you're just back in to doing mano-a-mano So if you look at some case examples, the people on the left all got competitive separation and the people on the right did not.. So IBM PS/2, it was not quite compatible to everything else.. It never kind of made it..

The Kindle versus Sony's PRS 500, OK, good.. Got a glass screen, OK.. iPhone versus Palm Treo and this is really tough if you're Palm because it was very different but it just didn't get the separation.. It just didn't happen.. Cisco TelePresence versus HP Halo, almost identical but not quite.. Not quite.. So in innovating to differentiate, separate yourself from the pack so stay in the gap.. This is an investment moment, you get to champion the idea somebody above you is actually will give you the go ahead or not but you need to champion, you need to create a vector that somebody could believe, wow, you really are going to get separation.. And typically, what you have -- the reason why they believe it is there's something that the company owns that's unique to that company that can create what Andy called the 10x effect.. So Andy Grove will say 10x will get you apart from the crop..

So sales force was using SAP against Siebel against SAP, Oracle whatever, and they put themselves up.. SkyPad, peer to peer technology, Wikipedia had its open source model and look how massively these things have changed the planet.. VMWare with its virtualization technology, Akamai with its overlay routing network, all of these companies are like do not have any -- do not have -- they have unmatchable offers at this state in the game.. Now, are people catching up? Yes.. Are there CDN people attacking Akamai? You bet.. Are there virtualization technologies attacking VMWare? Sure, of course there are.. But look where they set themselves apart and how long -- how much power those offers had to change the trajectory of a company.. So -- because there were companies that didn't have company power.. They were all kind of start-ups.. Who'd heard of Skype? Who'd heard of Akamai? Who -- VMWare? And Wikipedia for God's sakes had no money, right? How could they take the Encyclopedia Britannica and Encarta and make them irrelevant? Through offer power..

Offer power did it...