



Geoffrey Moore

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Escape Velocity

**Free Your Company's Future
from the Pull of the Past**

Alliance of CEOs
August 3, 2012

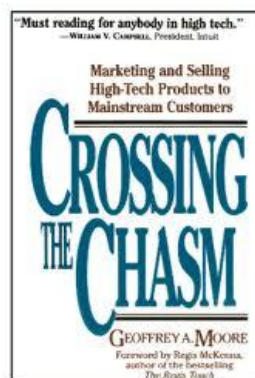
Introduction

The Perennial Challenge of Growth

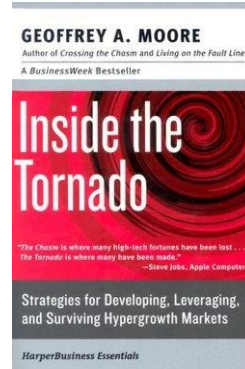
Circumstances Have Changed

Technology Has Become Mainstream

- The Old Tech Challenge
 - Leveraging disruptive innovations
 - Breaking into developed markets
 - Navigating the technology adoption life cycle



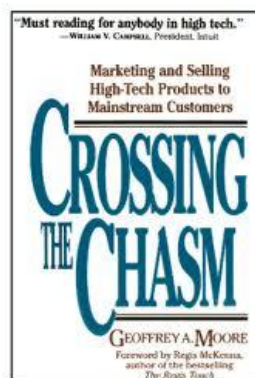
1990



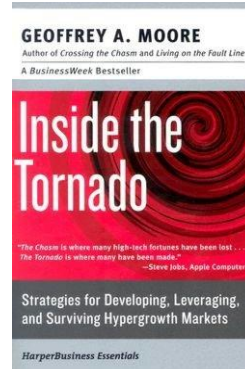
1995

Circumstances Have Changed Technology Has Become Mainstream

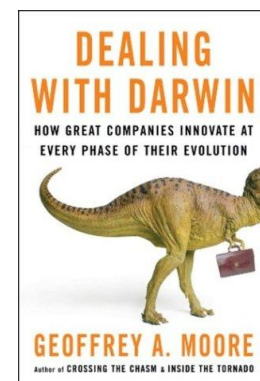
- The Old Tech Challenge
 - Leveraging disruptive innovations
 - Breaking into developed markets
 - Navigating the technology adoption life cycle
- The New Tech Challenge
 - Leveraging established enterprises
 - Breaking out of developed markets
 - Creating new engines of growth



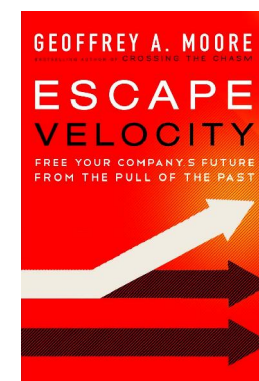
1990



1995



2006



2011

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The Hierarchy of Powers

A Framework for Building Growth Engines

Category Power

Growth born from **category expansion**

Secular growth increases spending in your area

Company Power

Growth born from **competitive advantage**

Partners go out of their way to send you business

Market Power

Growth born from **customer commitment**

Customers go out of their way to give you business

Offer Power

Growth born from **unmatchable offers**

Competitors cannot or will not copy your efforts

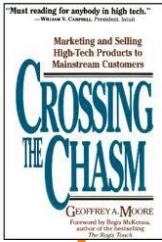
Execution Power

Growth born from reaching **tipping points**

Your initiatives become the next status quo

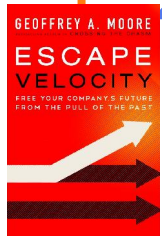
Setting the Starting Point

Which of These Three Best Describes You?



1. Growing a company in its first category

- Leveraging disruptive category power against the incumbents
- Lacking company power to go toe-to-toe with the big guys
- Need to develop market power where my size is an advantage



2. Adding a new line of business to an established enterprise

- Leveraging company power for working capital or M&A currency
- Lacking enough mass in the new category to be material
- Need to develop execution power to drive past the tipping point



3. Under growth pressure, but no new engine to bet on now

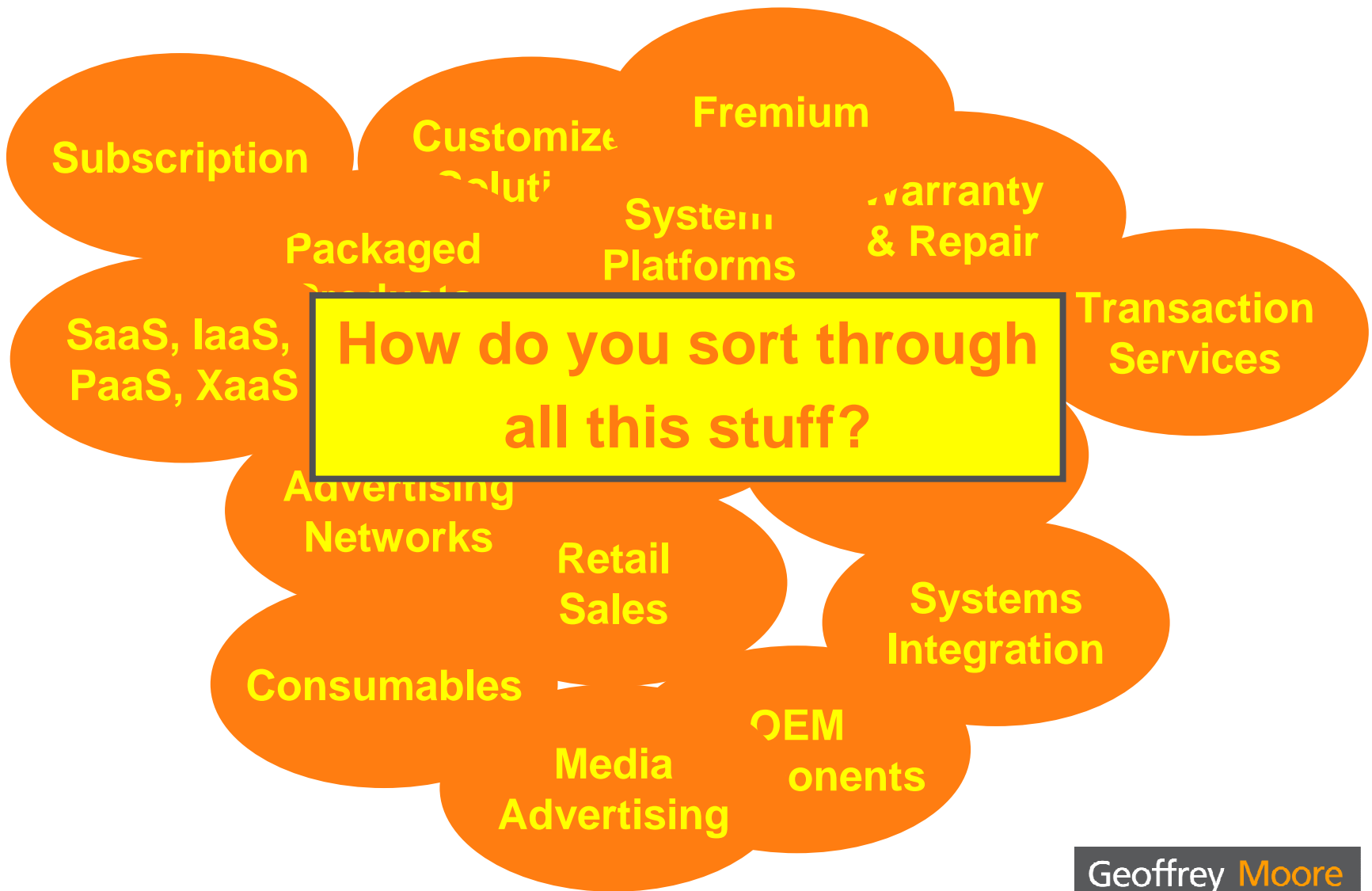
- Leveraging inertial category power against the challengers
- Lacking offers with sustainable competitive advantage
- Need to develop company power to make do and buy time

Company Power

**Under Growth Pressure,
But No New Engine to Bet on Now**

Business Model Migration

Many Value Creation Options in Play



A Business Model Is

- **A way of setting expectations**
 - The form an offer takes
 - The manner in which it is paid for
- **A way of organizing a market**
 - The roles that make up a value delivery system
 - The responsibilities entailed by each role
- **A way of focusing strategy**
 - Where is the value being created?
 - What differentiation will create the most value?

Implications for Positioning

- **Customer:**
 - Quality, price, customization, support
- **Partner:**
 - Sales role, delivery role, margins, power
- **Competitor:**
 - Level of threat, angle of attack
- **Investor:**
 - Gross margins, risk, asset category
- **Employee:**
 - Core vs context, rights of the customer

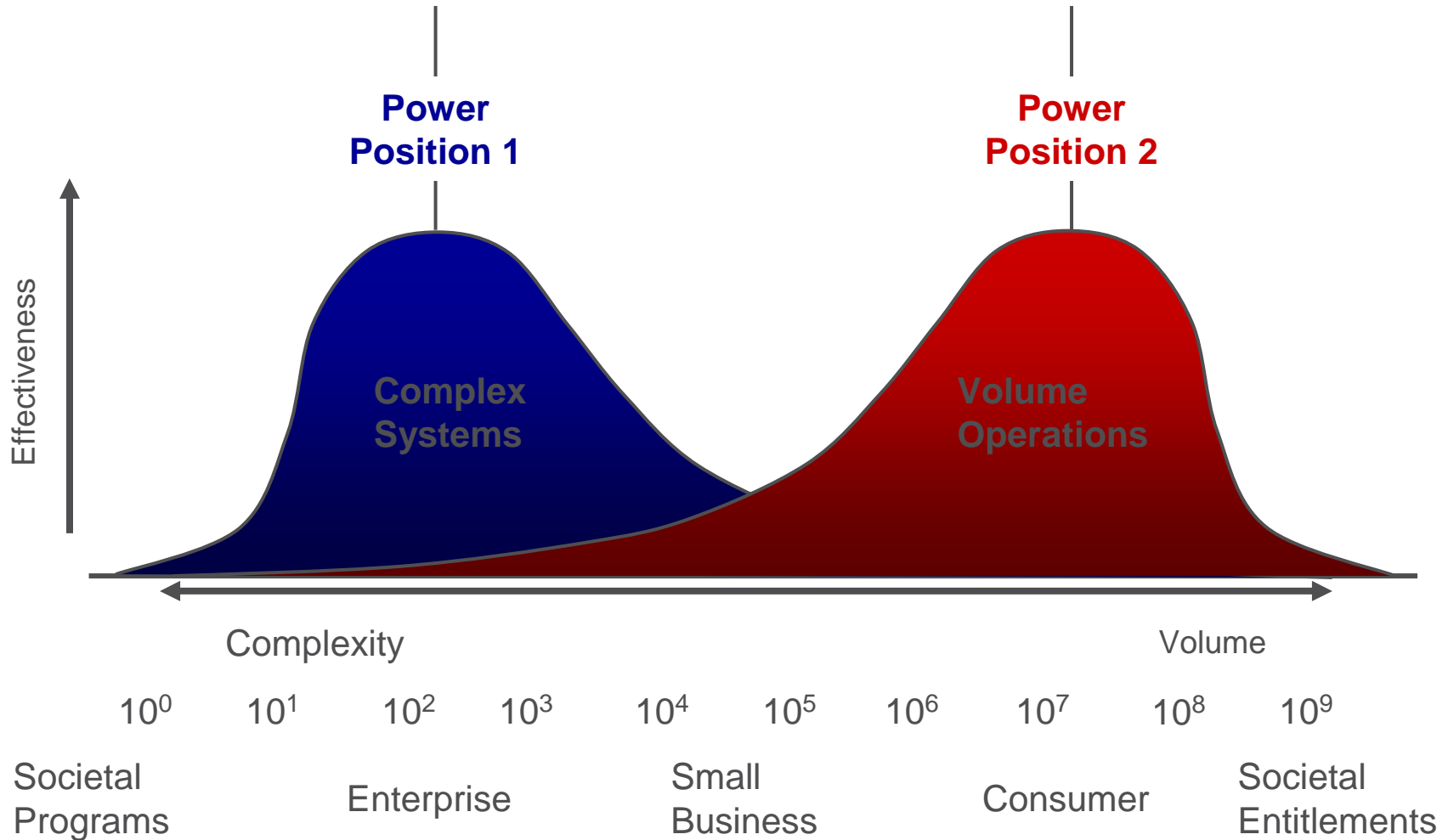
What Changes with Model Migration?

- Vendor commitment to customer
- Infrastructure to meet the commitment
- Gross margin to fund the infrastructure
- Operating ratios to achieve the gross margin
- Resource deployments to match operating ratios
- Management systems to govern the resources
- Plus the ecosystem of partner relationships
- Not to mention investor expectations

Damned Near Everything!
Hence the need to choose wisely

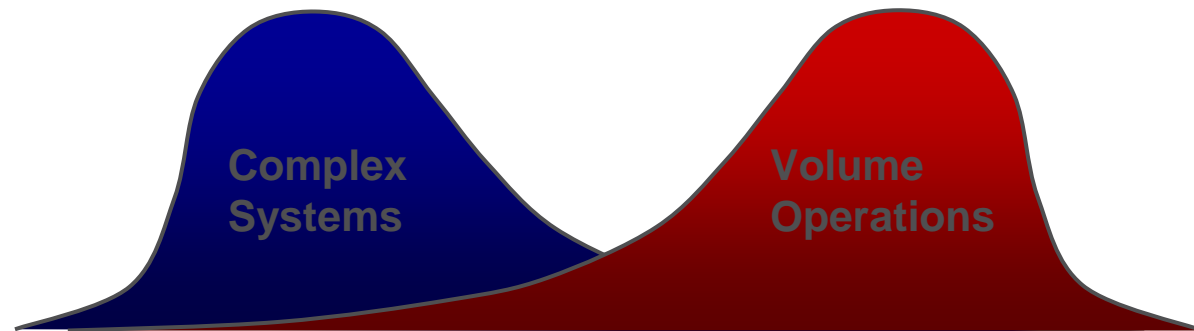
Choosing Wisely (Part 1)

Complex Systems vs. Volume Operations



Business Model Evolution

Encroachment, Deferral, & Capitulation



1. Volume Operations cost-reduce Complex Systems
2. Volume Operations commoditize Complex Systems
3. Complex Systems migrate to next opportunity

Where are you today?

Respect This Line of Demarcation!

Complex Systems

- **Sales**
 - High-touch sales
 - Complex sales cycle

- **Services**
 - Consultative
 - Planned

- **Marketing**
 - Whole-product focus
 - Value-chain orientation

- **Communications**
 - Broaden the context
 - Establish credibility

Volume Operations

- **Sales**
 - Low-touch sales
 - Single decision-maker

- **Services**
 - Transactional
 - Reactive

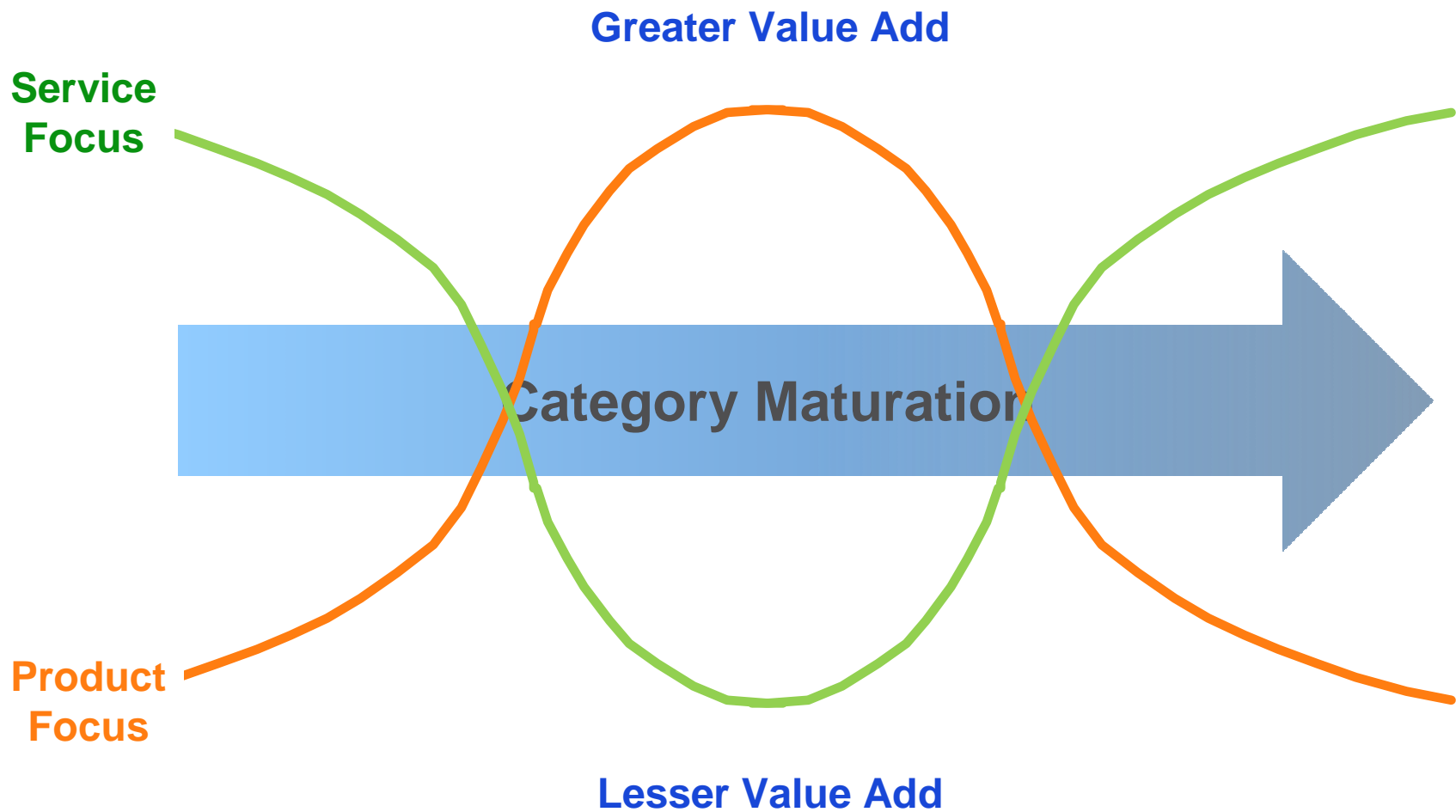
- **Marketing**
 - Feature-benefit focus
 - End-user orientation

- **Communications**
 - Narrow the focus
 - Call to action

**Decide which model is your “stronger hand”
Play on that side of the line**

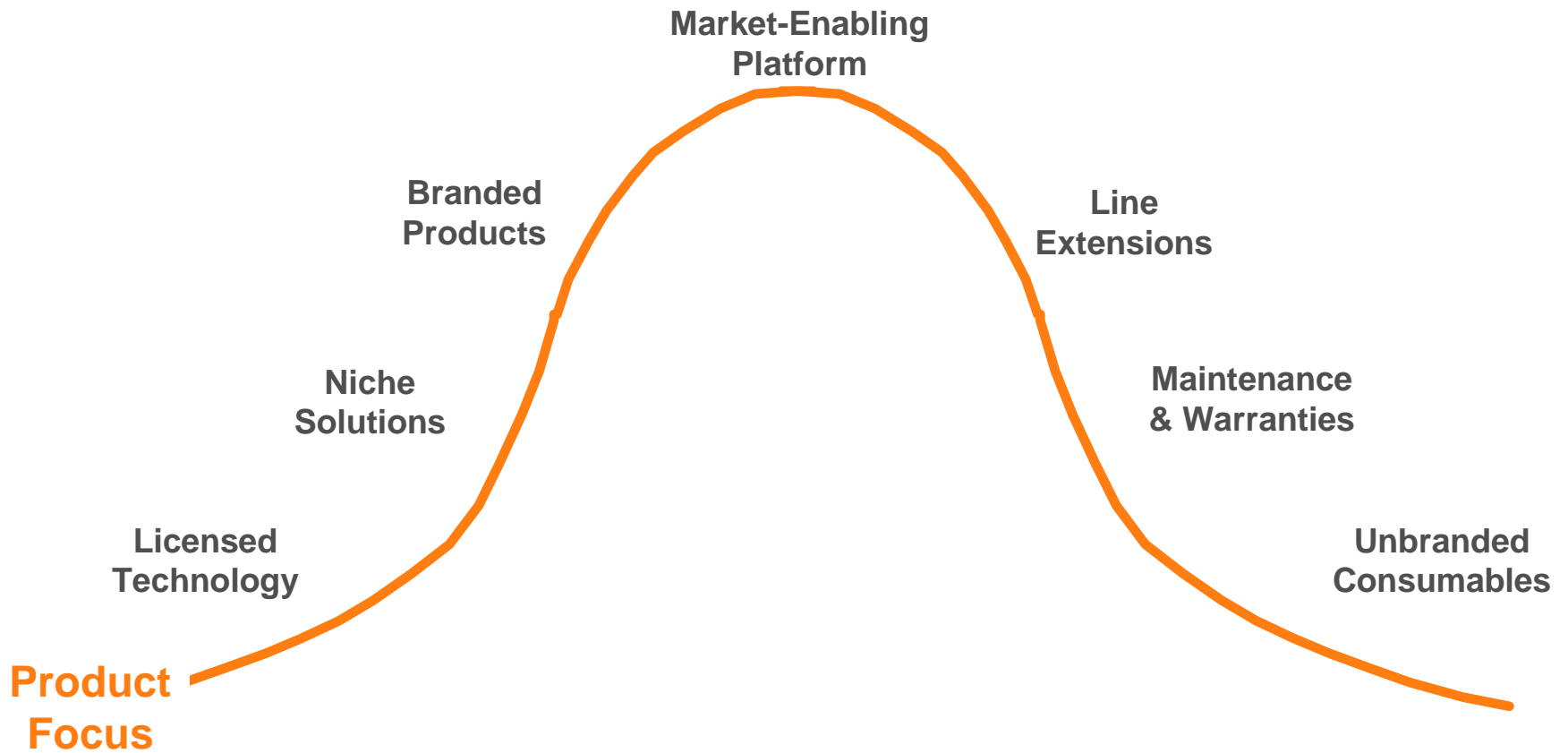
Choosing Wisely (Part 2)

Product Focus vs. Service Focus



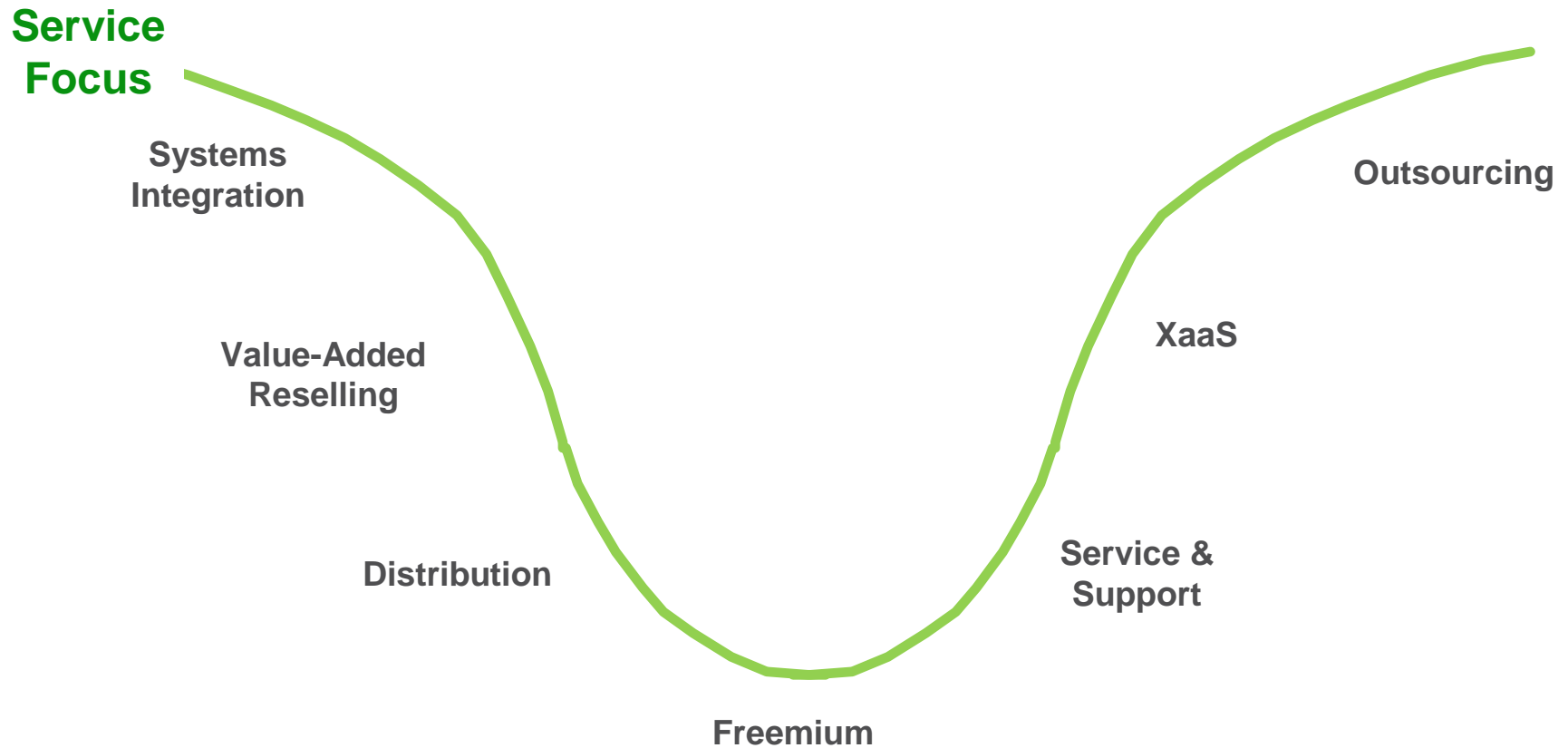
The Arc of Product Focus

Value-Adding Options Across the Life Cycle

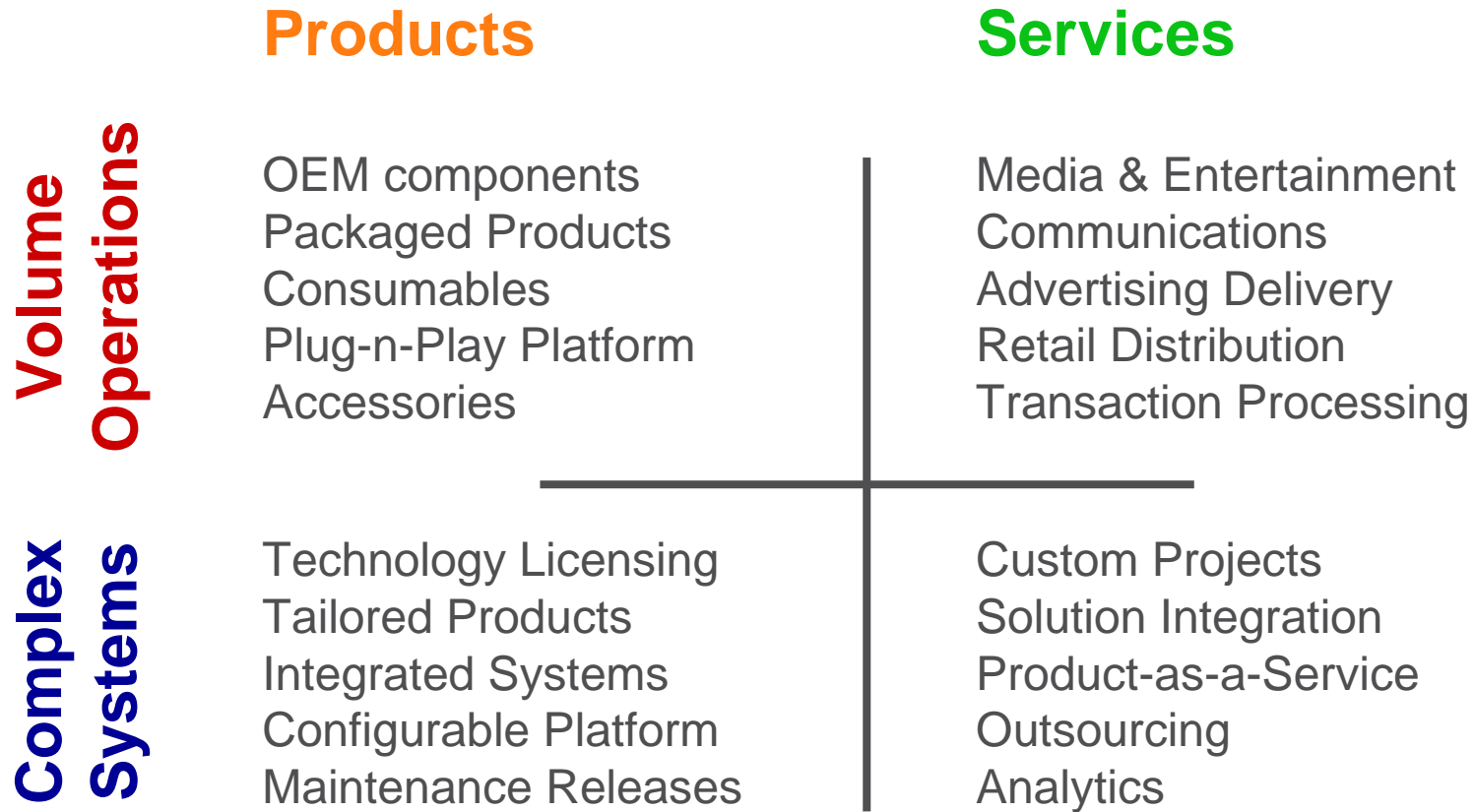


The Arc of Service Focus

Value-Adding Options Across the Life Cycle

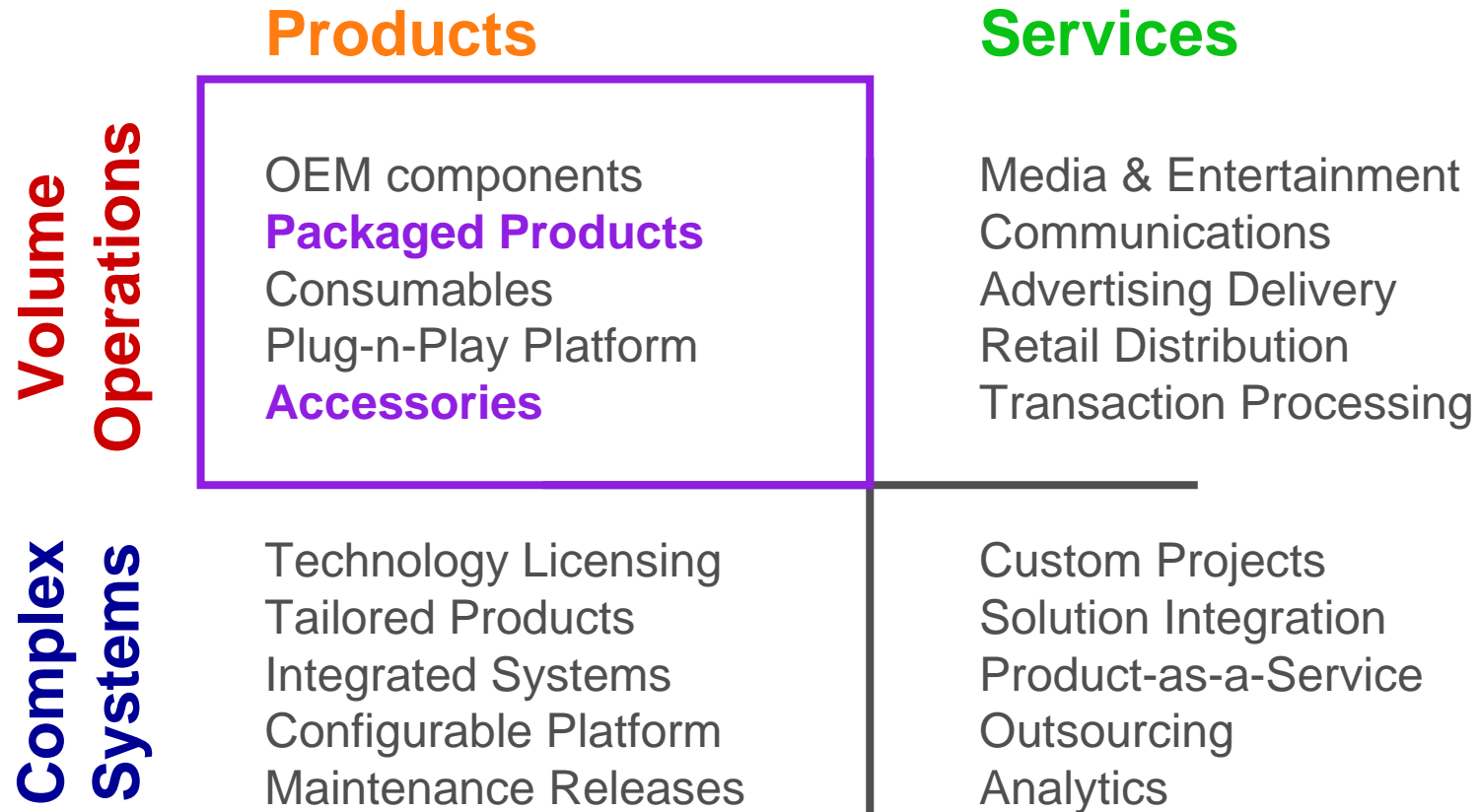


Business Model Matrix



Pure Play Examples

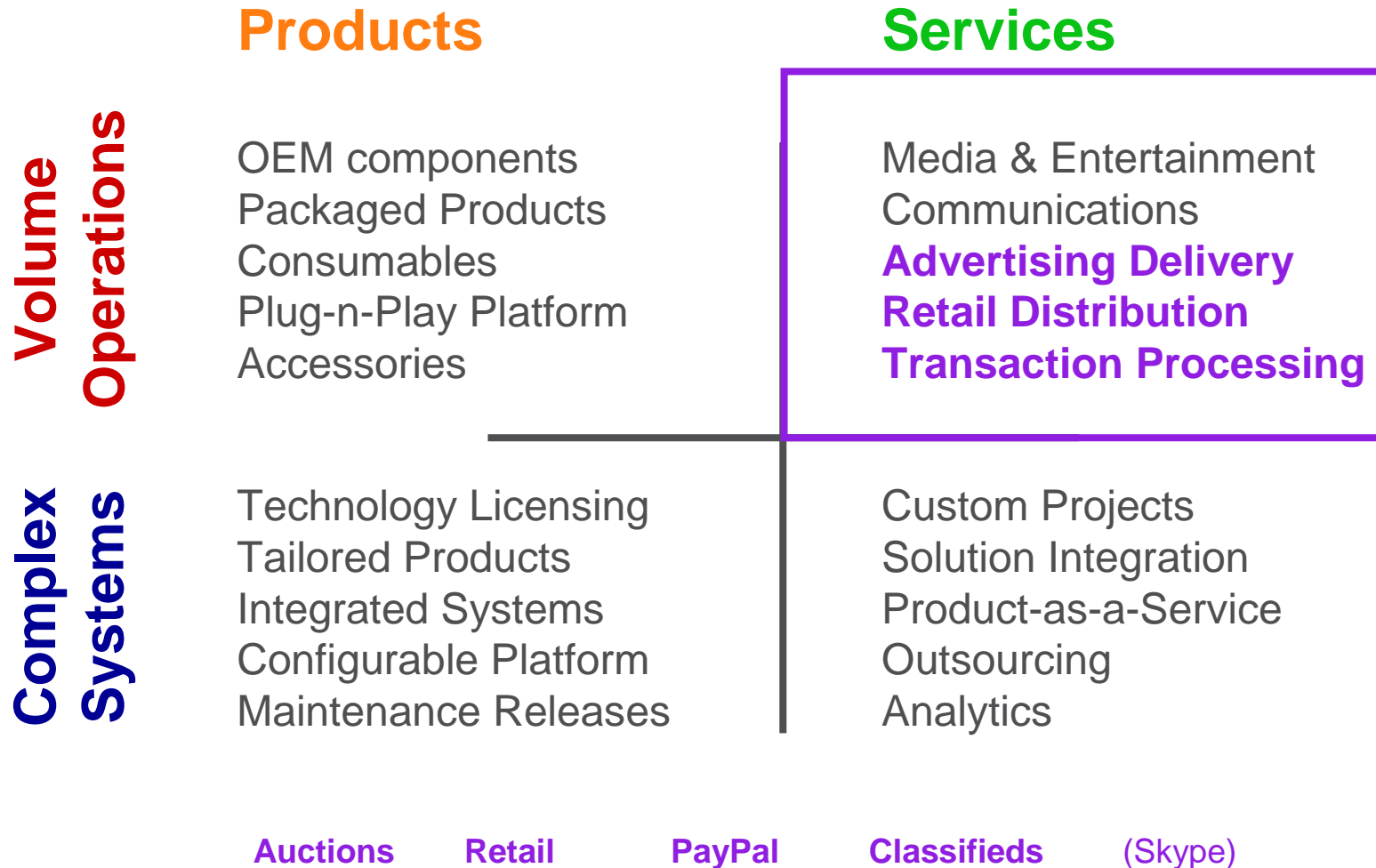
Logitech



Mice Keyboards Webcams Earphones Remotes

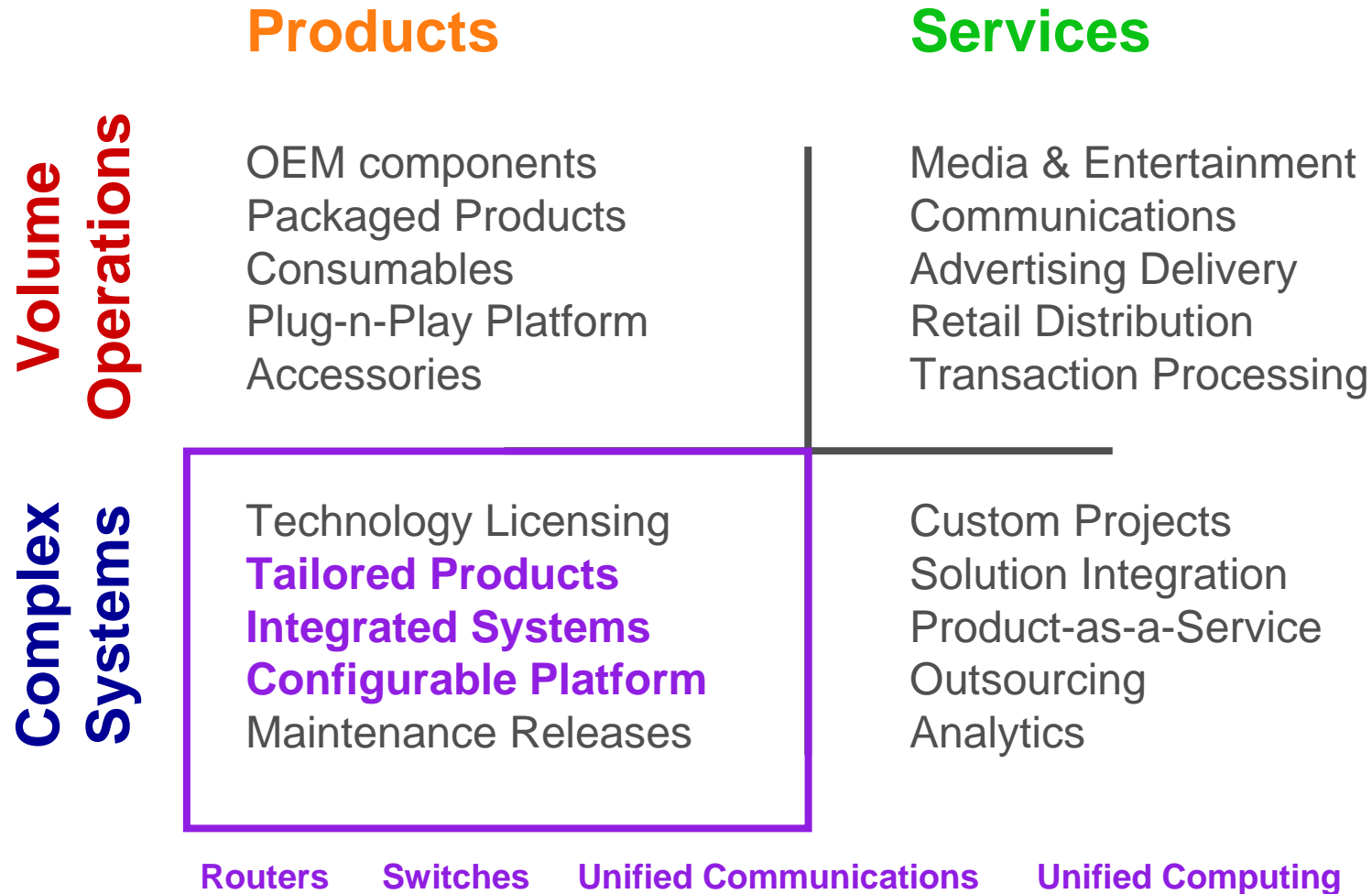
Pure Play Examples

eBay



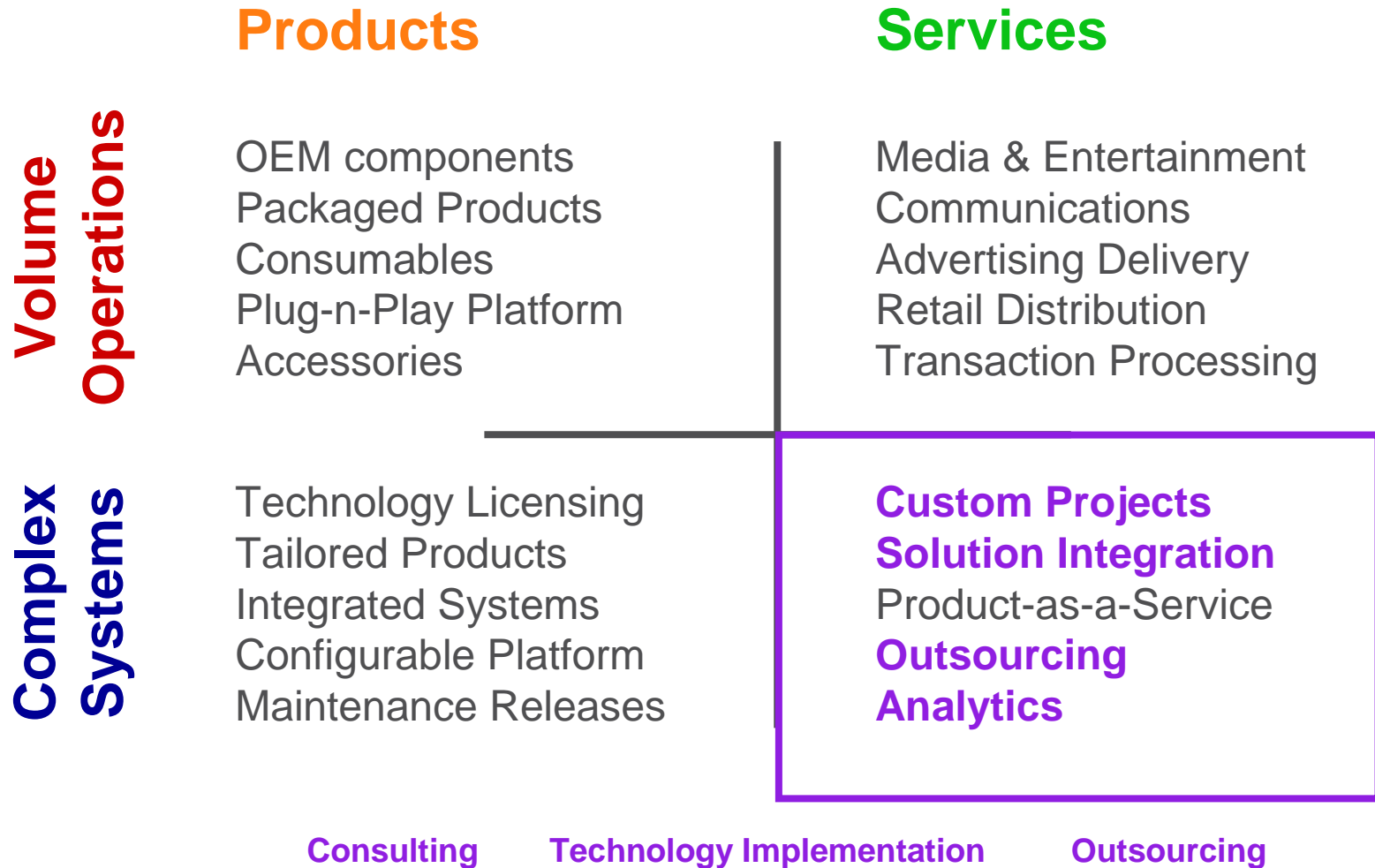
Pure Play Examples

Cisco



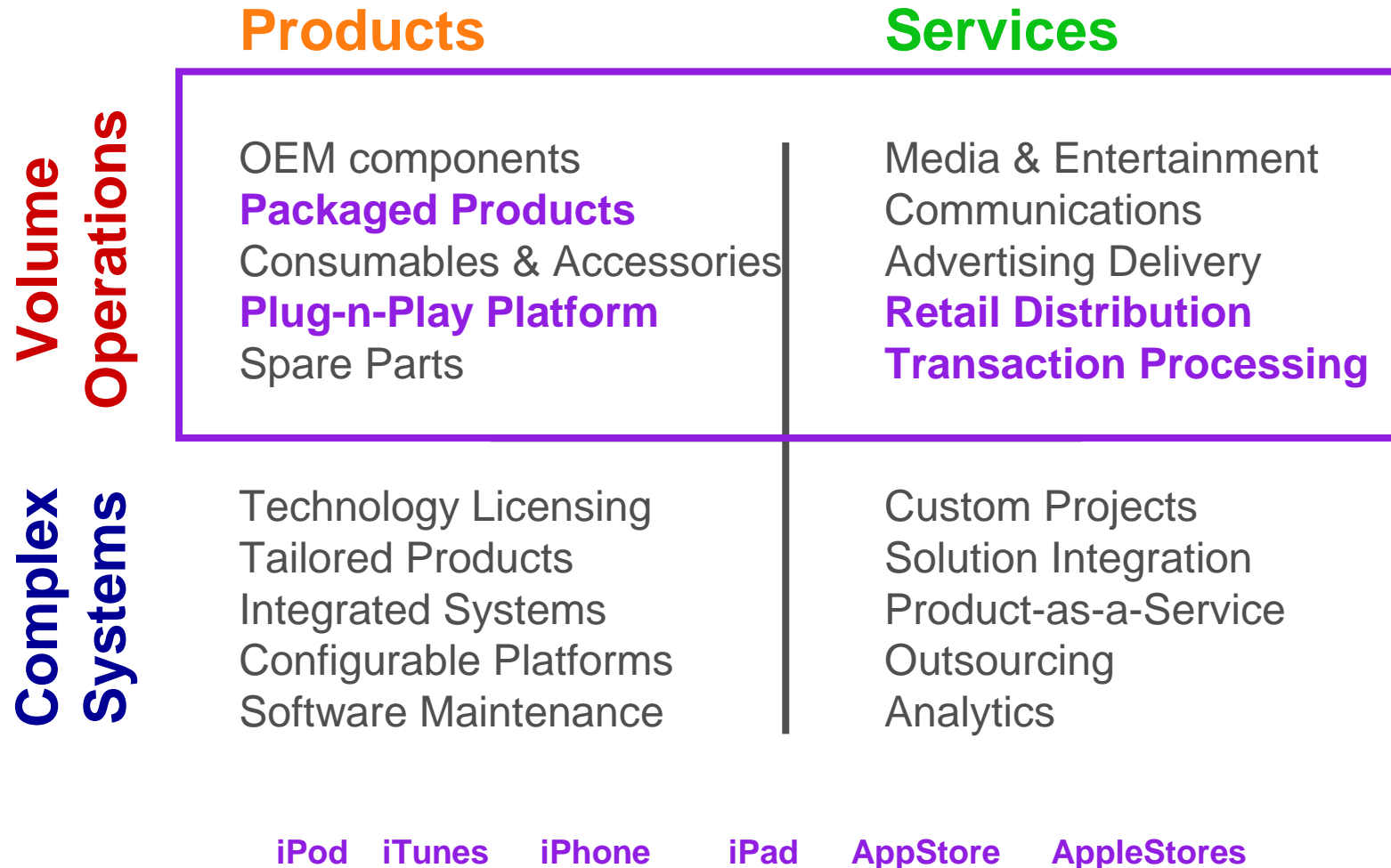
Pure Play Examples

Accenture



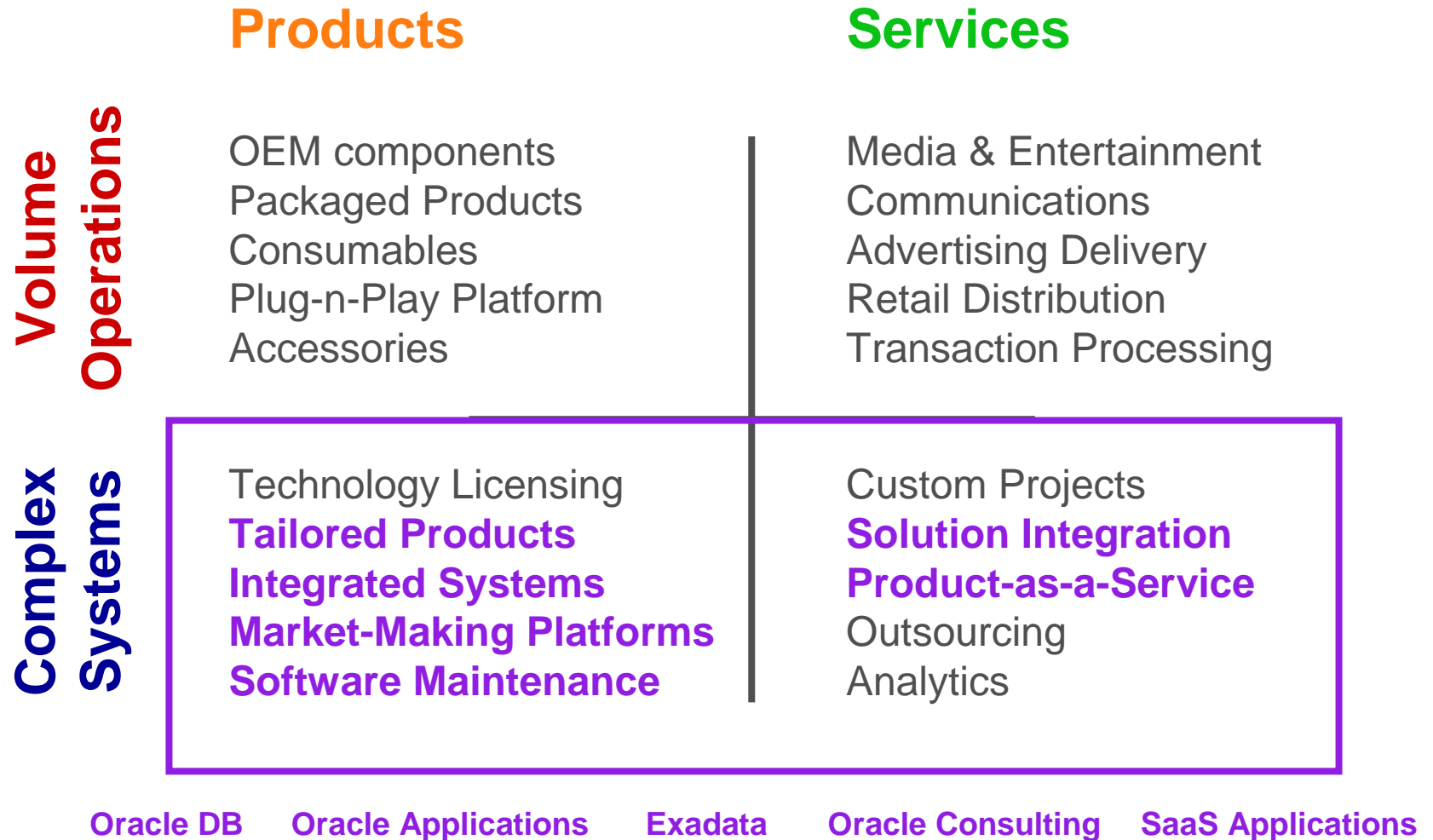
“Horizontal” Business Model Expansion

Apple



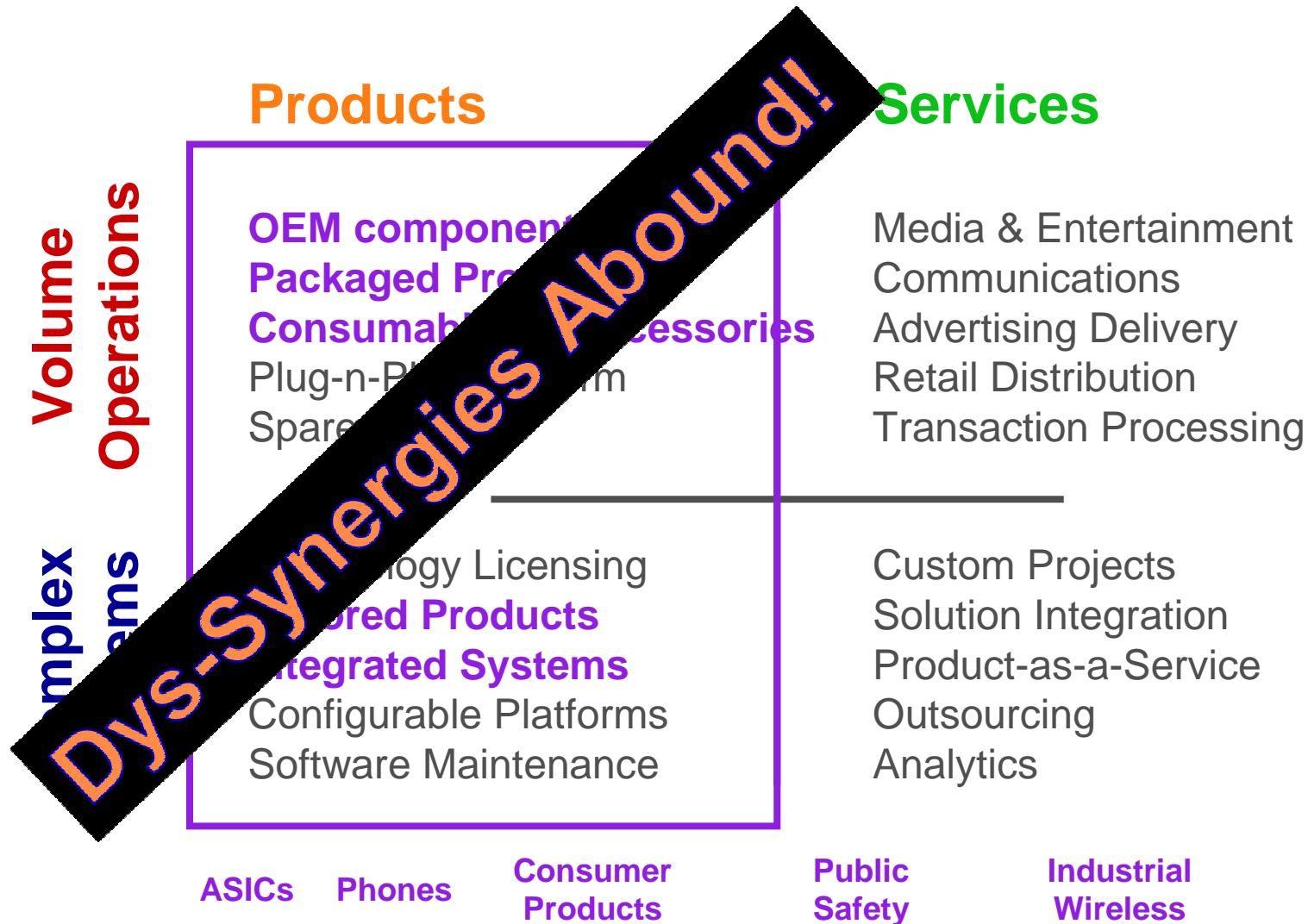
“Horizontal” Business Model Migration

Oracle



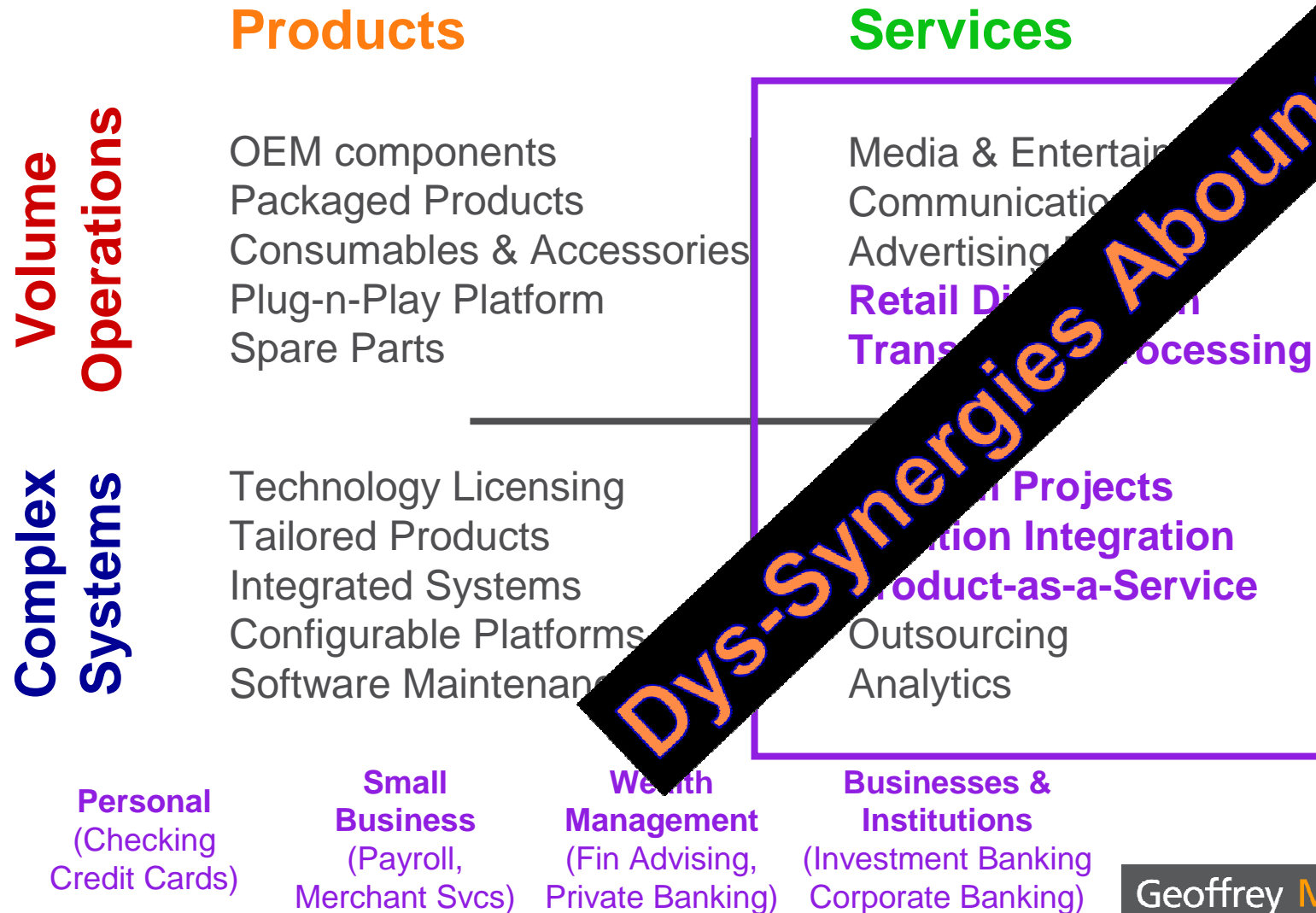
“Vertical” Business Model Expansion

Motorola (pre-spin-offs)



“Vertical” Business Model Expansion

Motorola (pre-spin-offs)



Key Takeaways

Business Model Migration

- **Migrate to follow the value**
 - Value migration is happening all the time
 - When one thing commoditizes, another thing becomes scarce
- **Migrate first within your own quadrant**
 - Stay within your margin model
 - Leverage your existing sales channels
- **Migrate across the product/service boundary**
 - Stay within your business architecture
 - Leverage your customer relationships
- **Do NOT migrate across business architectures**
 - Operating margin models are incompatible
 - Dys-synergies are killers

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