A Defense of The Gorilla Game

Andrew:

I spent 5 years trying to sell Venezuelan software in Silicon Valley. I closed shop in 1990. Oh boy do I wish I had read *Crossing the Chasm* and *Inside the Tornado* back then. Unfortunately, Moore wrote the books too late for me. Moore is a high tech marketing man. He learned his stuff from the Valley's top marketing consultant, Regis McKenna. To me, the Technology Adoption Life Cycle (TALC), Crossing the Chasm and Inside the Tornado make total sense. These are the foundations of *The Gorilla Game*. The logic is that if you understand TALC you should be able to pick the winners.

There is one aspect of the book that is overlooked and this overlooking has brought a lot of Gorilla Gamers to grief. Let me quote the definition of a Gorilla Game investor:

As a gorilla-game investor, we think you have or can readily acquire "medium" knowledge both of the high-tech industry ***and of investment principles.*** *That is, on the industry knowledge side, we think you have or can gain a knowledge of the industry that is better than your retail stock broker's but not as good as, say, a venture capitalist's. And on the investment side, we think you can -- and if you continue reading this book, will -- know more about investing than, say, most writers for the business press, but not as much as a professional fund manager.* [emphasis mine]

It should be quite clear from the above passage that at no time do the authors say that investment rules are suspended for gorilla stocks. What happened in the last few years is that the bull atmosphere attracted a lot of neophyte investors who did not have a clue about technology or about investing but who could not resist the siren song of a rampant bull market. The gorilla game does have a serious flaw and that is the fact that there are other types of heavyweights out there known as 800 pound gorillas. A lot of people confuse the two. An 800 pound gorilla such as WallMart is not a Moore style gorilla. Neither is DELL nor Global Crossing nor AT&T. On top of the siren song of the bull market we have the fact that most of us were not prepared for the bursting of the bubble even if we knew it was coming. I wrote about the bursting of the bubble in Bulls, Bears and Chickens dated November 29, 1999 and yet I failed to act correctly to save my portfolio.

The publishing of The Gorilla Game happened to coincide with the end of the bull market and the bursting of the bubble. Anyone who started buying stocks in the year 2000 has been badly burned. On the other hand, if you had bought the stocks in 1999, just one year earlier, you would be bruised but alive. One of the problem with track records is that short term they are not track records at all, just footprints in the mud. Since The Gorilla Game was originally published in 1998, I would say that we will have a true track record by 2008, ten years later.

Of the three authors of The Gorilla Game I have great respect for Moore as a marketing man. When I heard Paul Johnson touting some of his stocks in an outrageous manner, I lost all respect for him -- he is nothing but a sell side pusher. I have no opinion on Tom Kippola.

To answer your question about The Gorilla Game, no, you should not have bought Qualcomm at $800, that was a recipe for disaster. But you certainly could buy it a month or two after Ericsson capitulated at under $120 for a six bagger in six months! Or take ARM Holdings. It is around the same price as late September 1999. I'm sure that in the seven and a half years that it takes to complete its ten year track record, it will double several times.

To sum up, if you play the Gorilla Game as advocated in the book, buying only real Gorillas and Chimps, and buying them at the appropriate times, again as advocated in the book, I believe that the track record of your portfolio will be ascendent.

Denny
"Demand creates queues. Supply gets rid of them."
Software Times