

Posted to the Gilder forum - May 10, 2000

MarkG on Gorillas

Weak XX analogies

MarkG

5/22/00 15:18

I sure wish XX and his associates would stop using comparisons like "the Cisco of the Powercosm" or "the Intel of the Telecosm," etc. The fact that they keeps doing this shows a lack of understanding for the Gorilla Game foundation that companies like Intel and Cisco are built upon.

The relatively "dumb" (minimal computations) Telecosm and Powercosm forces simply do not offer the same Gorilla Game opportunities that the "smart" (computation based) Microcosm thrives upon. The fact that XX refuses to directly acknowledge this concerns me greatly.

Perhaps companies like PWER operate as a mutual fund of power technologies in a manner similar to CSCO; however, this does not make PWER the same investment opportunity as CSCO because the Gorilla Game platform glue is simply not there to create investment synergies. Gorilla Game properties make companies like CSCO outstanding investments because large barriers to entry are present for competitors which keep CSCO in the lead and their margins high. I see no such qualities in PWER although it may be a worthy investment.

MarkG - "Investing in commodity businesses may be hazardous to your wealth."

RE: Weak XX analogies

Denny

5/22/00 18:50

Mark:

Have you identified any Gorillas (as defined in The G Game) in the Telecosm besides Cisco? I think ARM Holdings, Qualcomm and JDS Uniphase qualify. Would you agree? Or would King be a better description of QCOM and JDSU?

Denny

"Demand creates queues. Supply gets rid of them."

Great question Denny. One I would love to have a broad discussion about here. Rather than a black-and-white labeling of Gorillas, I prefer to rank companies in terms of Gorilla power.

I believe Cisco has the greatest Gorilla power in the Telecosm -- more specifically, Cisco's gorilla power lies at the edge of the Telecosm as I believe relatively dumb optical networks will increasingly dominate the core.

I would probably place Texas Instruments next. Although it is easier to translate software from one DSP platform to the other than from one microprocessor platform to another, such a translation is still expensive.

I believe ARM also has a healthy dose of Gorilla Power but it's not clear to me that the PDA market is completely out of the bowling alley yet. Perhaps MIPS has some Gorilla power here as well in the set-top box/game console market.

I think Qualcomm has some Gorilla Power since they dominate CDMA formats. However, their Gorilla power is not very broad nor very deep. I would agree that they might be more of a King with Patent power.

I'm not sure about JDSU because of my lack of understanding of their product line. It appears they are more of a component provider than a system provider which would tend to make them a King.

TERN is also tough for me to peg. On the surface, they would seem to have some Gorilla Power similar to QCOM. However, I believe they have had to place their S-CDMA in the public domain which means they have given up control of the platform. If this is indeed true, they look like more of a king.

Perhaps PALM could develop into a Gorilla with its operating system platform, but I believe they are still in the bowling alley. Also, Microsoft has a shot with Pocket PC as well as their set-top box technology. However, Microsoft is facing trouble in their existing Gorilla categories from both the government and the Telecom itself which I believe weakens their Gorilla power.

I think NOVL has a chance of becoming a Gorilla, but they may never get out of the bowling alley. Besides, they are a "Storewidth" company, not a Telecom company.

That's off the top of my head. Any other candidates you have thought about?

MarkG - "Investing in commodity businesses may be hazardous to your wealth."

Mark;

That's a **keeper!**

I'll have to think about the candidates. In the Microcosm, it was fairly easy for me since I worked in the computer industry. It is much more difficult in the Telecom because I don't really understand the technology. I'm reading all I can to get up to speed. The two items to keep in mind are:

1. Proprietary Architecture (PA)
2. Switching Costs (SC)

If we rank the companies in the Telecom by these categories, then we can safely say in which of the six ranks they belong, if at all. Here are the possible results:

Ranking Method		Proprietary Architecture	
		No	Yes
Switching Costs	High	King	Gorilla
	Medium	Prince	Chimp
	Low	Serf	Monkey

Any company that does not qualify as a Gorilla or a King, we still can rank by

Barriers to entry

to determine if it is worth investing in.

Denny

"Demand creates queues. Supply gets rid of them."