
Posted to the Gilder forum - August 12, 2000

The Gorilla Game

Garry:

>>>This forum is called the investor place. That's OK, but I thought we started this forum to share our knowledge in the Gorilla Game hunt. Am I missing something?

I was one who campaigned to include all sorts of investment techniques in this section of the forum. The Gorilla Game is no easy game to play for a novice investor as the book itself points out. So, to restrict this place exclusively to the Gorilla Game would not be fair to the GTG universe of subscribers. That said, there is no reason why we cannot discuss gorillas and other animals as much as we wish! ;-))))

Geoffrey Moore, the author of [The Gorilla Game](#) was a professor of English before he became a high tech marketing consultant. That is the reason he uses so many colorful and very apt metaphors. As I read his books I much admired the aptness of the metaphors: "the chasm," how difficult to cross; "the bowling alley," how one market begets another; "fish," who must swim up stream; "main street," where everyone gets it and buys.

"[Crossing the Chasm](#)" and "[Inside the Tornado](#)" are about high tech marketing. "The Gorilla Game" is about the stock market and "Living on the Fault Line" I have not yet read.

Very often the stock market forgets that its job is to finance industry. Very often the stock market becomes a casino. The market has a bad reputation going back to the great crash of '29. Back then, before the SEC, there was wholesale manipulation of stock prices while ignoring the underlying corporations. Back then, reading the ticker tape was more important than understanding the business you were investing in. That is where TA comes from, from trying to identify what the latest cartel was buying, selling or cornering.

More recently, investors like Peter Lynch and Warren Buffett have gone back to fundamentals. Peter Lynch paid attention to marketing, his DD included sleeping in the beds, eating the food and buying and using the stuff before investing in the

company. If he liked what the marketing told him, then he would look at the finances. It seems to me that Warren Buffett relied more on the finances but he would not buy companies whose business he "didn't understand" which is implicit marketing.

Warren Buffett, Peter Lynch and other successful investors have said that they don't understand high tech and that is the reason why they don't invest in it. Well, the high tech firms didn't understand their own marketing either until Geoffrey Moore analyzed the situation and wrote it down in *Crossing the Chasm* and *Inside the Tornado*. Based on these two prior books Moore wrote *The Gorilla Game* for high tech investors. It covers the same terrain but looks at it from the point of view of the investor. It explains sky high P/E ratios and other supposed stock market anomalies in terms investors can understand like discounted cash flows.

I think it is wonderful that someone finally managed to tie the high tech stock market to the high tech industry. GG's vision of technology is wonderful but it takes marketing to convert the technologies into money. Moore explains how that happens.

I would advise anyone who wants to play the game that they should first read Moore's books. I started with the *Gorilla Game* but I did not understand "chasm," and "bowling alley" so I knew I was missing something. My recommendation is to read in that order: *chasm*, *tornado* and *gorilla*.

The second caveat is that *The Gorilla Game* is a Long Term Buy and Hold game. Tech investors and traders will be wasting their time with it. The underlying principle of *The Gorilla Game* investing is that by careful observation of the companies, or rather, the markets, you can determine where they are in the Technology Adoption Cycle. If the company is dealing in hardware, the entry point is at the beginning of the tornado and if the company is software the entry point is in the bowling alley (don't ask me for details, please read the book). As with other investment styles, there is no guarantee that all your buys will be winners but it tells you what to do with your losers (sell them) and what to do with the winners (invest in them the money you rescued from selling your losers :-)))

And then let the games begin!

Denny

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