# Telling the 800-lb Gorilla to Shove it up his Ass

*Tree-shrews · Don't beat Google · Niches · Can't follow · Can't do*

Every founder frets about competition from a big company, me included.

We scoff at their inability to innovate and for prioritizing shareholders over customers, but still we quiver in fear.

Dozens of people on Answers.OnStartups[2] ask about it so I know I'm not alone. It always goes like this:

> I'm just a two-person operation with no budget. What if a huge company with a hundred software developers and a million dollars in marketing budget decides to copy my idea?

Answer: You're dead! Give up! No small company has ever survived competition with a large one!

Oh wait, that's not true. But poking fun doesn't help; maybe this article will.


credit[1]

"What happens to the stock when I do *this*?"

First, take a deep breath and remember that **every little software company on Earth in under this threat**. This fact alone means competition—or threat of competition—isn't fatal, and possibly not even important.

## DON'T FEAR THE DINOSAUR, FEAR THE QUIVERING WARM-BLOODED TREE-SHREW

65 million years ago an iridium-enfused extra-terrestrial **meatball o' death** caused what we would nowadays call a "disruptive market event," and the cold-blooded dinosaurs couldn't weather the shitstorm.[3] It was the little cenozoic warm-blooded agile (oh sorry, now we're saying "lean") rodents who adapted by getting "outside the nest" to discover how to eat cockroaches, because we all know that cockroaches are the one form of life that can survive anything.

Like unadaptable dinosaurs, whatever your large competitor is doing now is probably what they'll be doing two years from now, possibly four. Same message, same product, same pricing, and still taking a dump on Facebook instead of playing by the new rules. By then where will you be?

That kind of competition isn't scary. What *is* scary is another scrappy, smart startup like yours—another tree-shrew. The one who silently observes you from afar, then drives down the road you paved, skipping the mistakes you made and copying the good parts.

Take all your angst about big competitors and refocus it on the little ones. (I'll talk about this sort of competition in future post.)

## YOU'RE SCRATCHING OUT A LIVING, NOT "BEATING GOOGLE."

If your only conception of "success" is to utterly destroy large companies, then I guess you should stop reading now.

But if you want to build a solid company, something you're proud of, something that pays handsomely[4] but doesn't have to be worth $1B, then the game isn't "us or them." The question is: How can you own your little piece of the world; Not: How can you wrest $100m of revenue from a big guy.

**It's not your purpose to "beat" another company.** It's your purpose to define yourself on your own terms, not in terms of how you're like or unlike someone else.

Sure it's constructive to "set your sights" on a competitor, actively trying to beat them in the marketplace or even steal their customers (e.g. give a discount if someone switches to you). But ultimately the **only thing that matters is that you earn more and more customers**, whether or not anyone else does too.



## USING A GORILLA TO INCREASE YOUR OWN PROSPECTS

It can actually be an advantage to have a big player in your market, especially if they enter your market after you're established.

At Smart Bear[5] we make a peer review tool for software programmers; you don't have to be a geek to know that any software development tool company shares the following fear: "What if Microsoft copies us?" But we know that any code review tool from Microsoft would work only with their own version control system and only inside Visual Studio. (Can you imagine a tool from Microsoft that supported ClearCase, ran inside Eclipse, and had excellent support for Java?)

So what if they did copy us, and what if as a result they owned 100% of the Visual Studio market? **Well that still leaves every other market on Earth**. And then all of Microsoft's competitors would also need a code review tool so they don't fall behind on the hallowed competitive analysis chart, so suddenly IBM, CA, Oracle, Serena, CompuWare, and HP would need a code review tool *right away*. What better way to accomplish that than to buy the #1 (or maybe now #2) code review tool company—hey that's us!—which by the way is profitable at a time when any company is happy to have a department that's generating cash.

In short, Microsoft copying the idea would only validate the market, causing the value of Smart Bear to increase.

What actually happened is instructive too: Microsoft added the concept of "shelving" and put the absolute least amount of effort into supporting code review (it's literally a check-box that indicates that, somehow, somewhere, a code review happened), so the result is that we sell a ton of Code Collaborator to Visual Studio shops.

In other words, they validated the market by entering it, but exactly because they're a huge company they couldn't make it good enough to stop us.

## GO WHERE THEY CAN'T FOLLOW

Big companies play only in big markets.

It's logical: With all the expensive machinery and bureaucracy it takes a dump truck of money and dozens of man-years to build something new, so the opportunity has to be enormous. Even if they *were* successful in a small market there wouldn't be enough profits to move the big needle at the top.

So Microsoft can't attack a market unless there's a potential to earn at least $1B. But wouldn't *you* be happy playing in a market where you'd be able to rake in "only" $100M? Of course you would.

I'm not talking about carving out micro-niches where only seven people on Earth are potential customers. Just don't go after massive, general markets like "everyone with a digital camera" or "anyone with a smart phone" or "all software developers."


credit[6]

"I'm looking for something in a small pond."



## DO WHAT THEY CANNOT

Big companies have significant advantages like money, a brand, a team, and a large customer base, many of whom will never switch even when presented with a clearly-better alternative.

Their brand alone is a powerful force you probably cannot overcome, e.g. "eBay is trustable" or "Apple is cool" or "IBM is safe."

But the same attributes which deliver those advantages are also restrictive:

- They can't release a completely-revamped, brand-new version because they can't retrain 200,000 users.
- They can't take a risk because protecting the existing revenue stream is more important than *anything* else, even if it means their ultimate demise.
- They can't quickly convert new ideas to released code because there's requirements and documents and designers and approvals and schedules and testing and vetting.
- They can't change their image because there's too much momentum with the old one. For example if they have a reputation for bad tech support, even if it gets remedied most people will still think of them has having bad support.
- They can't observe and react quickly to changing market demands because there's too many layers of people and process, and too many people whose careers depend on maintaining the status quo.

For example, Intuit needs to look solid and timeless, their developers know C++ and desktop applications, and they can't retrain the computer-phobic home users of Quicken… so they cannot create Mint.[7]

As another example, IBM requires expensive infrastructure, development teams, and sales channels to command multi-million dollar consulting deals, but that also means it's not profitable to do a small deal, which means small consulting shops never worry about competing with IBM.

They can't change their product, so you can innovate without competition. They can't change their image, so you can fill the gap. They can't listen to a customer and make an impact one week later; you can.

Do what they can't do,[8] be what they're not, and you won't have to worry about competing on those points.

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