

THE GORILLA GAME

An Investor's Guide to Picking
Winners in High Technology

GEOFFREY MOORE, PAUL JOHNSON & TOM KIPPOLA

SUMMARIES.COM is a concentrated business information service. Every week, subscribers are e-mailed a concise summary of a different business book. Each summary is about 8 pages long and contains the stripped-down essential ideas from the entire book in a time-saving format. By investing less than one hour per week in these summaries, subscribers gain a working knowledge of the top business titles. Subscriptions are available on a monthly or yearly basis. Further information is available at <http://www.summaries.com>.

MAIN IDEA

Most people are familiar with calculations such as: "If you'd invested \$10,000 in Microsoft stock in 1986 when it went public, your stock would now be worth more than \$1.8 million". The challenge has always been, however, how do you identify such potential super performers of tomorrow before their stock becomes highly valued in the marketplace?

Gorilla game investing is an investment strategy designed to answer that challenge. It focuses specifically on high technology stocks and industry sectors. Within those sectors, a "gorilla" is a market leading company, which has such a dominant position - by virtue of its proprietary technology - that it can be likened to a huge gorilla which dominates its part of the jungle.

To understand the dynamics of market leadership in a high-technology market, a gorilla toolkit is first developed. It contains the concepts, definitions and working theories on which gorilla investing is based. This is contained in Part 1 of this summary.

Part 2 outlines the essential principles of gorilla investing, along with the 10 rules of the system. It deals with how to spot a high-tech market about to enter hypergrowth, why you should initially spread your investment over all potential gorillas and then why you should gradually consolidate your investment resources into one company once it attains gorilla style dominance of its market.

Finally, how this game plays out in the real world is outlined briefly in Part 3 where an Internet investment strategy is developed using gorilla game principles.

Gorilla game investing ultimately attempts to factor into a company's future market value the forward-looking dynamics unique to high-technology markets - before the rest of the market becomes fully aware of them. As such, it attempts to position investors in emerging super-performers as early as possible, so that in future, you can begin your own version of: "If you'd invested....."

PART 1 - A GORILLA INVESTING TOOLKIT - CONCEPTS & DEFINITIONS Pages 2 - 4

To be equipped to successfully identify and invest in gorilla stocks, you first need to assemble a toolkit of relevant concepts and definitions. In particular, you need to understand:

1. The concept of layers of technology
2. The definition of discontinuous innovation
3. The concept of the technology adoption life cycle
4. The concept of a high technology adoption life cycle
5. The definition of a gorilla company
6. The concept of high-tech value chains
7. Some stock market valuation basics

PART 2 - THE ESSENTIAL PRINCIPLES AND 10 RULES OF SUCCESSFUL GORILLA INVESTING Pages 5 - 7

The essential principles of successful gorilla investing are:

1. Identify consumer markets which are just in the process of transitioning into hypergrowth.
2. Buy stock in all companies which have a legitimate chance at becoming a gorilla.
3. As a gorilla emerges, sell all other competitor's stock and buy more stock in the gorilla.
4. Maintain a long-term investment horizon.
5. Only sell gorilla stock when a new category emerges which eliminates the gorillas customer base.

Applying these principles to the markets has provided 10 rules for successful gorilla investing:

- Rule 1. In the application layer, buy stock in the bowling alley.
- Rule 2. In the infrastructure software or hardware field, buy stock at the start of the tornado.
- Rule 3. Buy a basket of stock in all companies that have a legitimate chance of becoming a gorilla.
- Rule 4. Hold gorilla stocks long-term. Sell only when a viable substitution product emerges.
- Rule 5. Hold application layer stocks for as long as they exhibit potential for further market expansion.
Never hold enabling technology layer stocks which failed to become gorillas.
- Rule 6. Sell stock in companies which failed to become gorillas as soon as the hypergrowth tapers off.
- Rule 7. As soon as it becomes clear a company will never become a gorilla, sell.
- Rule 8. Money taken out of non-gorillas should be reinvested in the remaining gorilla candidates.
- Rule 9. When two gorillas compete head on, hold both until the outcome becomes clear.
- Rule 10. Most news has nothing to do with the gorilla game. Ignore it.

PART 3 - APPLYING GORILLA GAME PRINCIPLES TO INVESTING IN THE INTERNET Page 8

While the Internet itself is not a tornado, it is a place where a vast number of tornadoes will be generated in the future. Therefore, it makes an ideal place to watch for developing tornadoes.

The first wave of growth in the Internet was for the enabling technology layers - infrastructure investments as the basic concept of the Internet took shape. Today, however, a second wave of Internet investment has begun as application layer investments are beginning to be made in larger and larger amounts.

Summaries.Com

The Ultimate Business Library



We condense **300+ page** business books into **8-page** summaries.

By reading summaries, you'll get the **key ideas** in **30 mins**, so you can spend more time turning your ideas into **dollars**.

Knowledge is Power — Invest in Your Future

For just **\$2 per week**, you will...

- Learn from the mistakes and success of the smartest people in business;
- Get fresh ideas, strategies & motivation that could be worth millions to you;
- Follow emerging trends, so you can catch the wave before your competitors do;
- Catch up on the classics you always wanted to read.

1,000 Top Business Book Summaries

Our catalog includes summaries on a range of topics for aspiring entrepreneurs, managers, and consultants.

BUSINESS PLANS

MANAGEMENT

PRESENTATIONS

SALES

LEADERSHIP

MOTIVATION

STRATEGY

AND MORE

