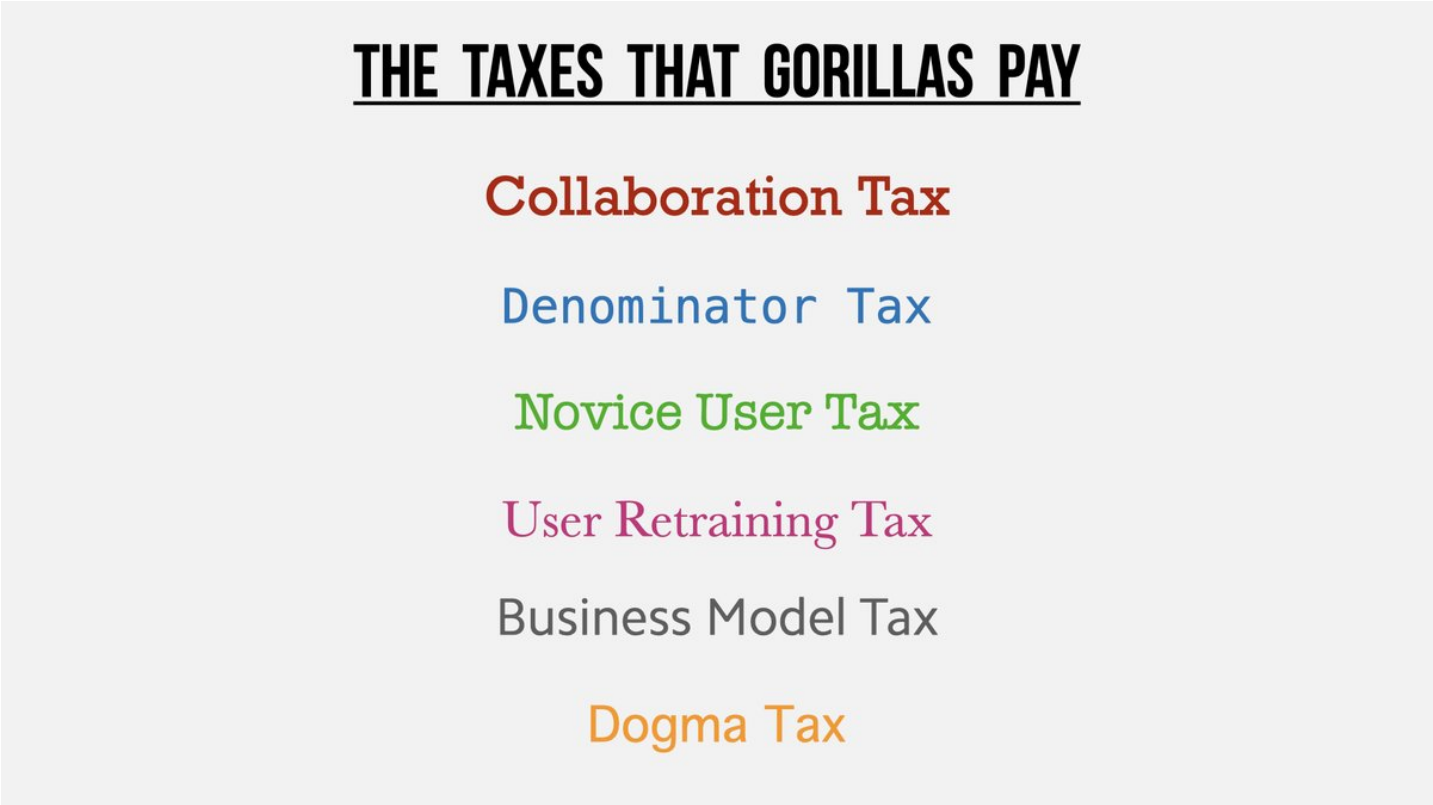
Twitter Thread by Shreyas Doshi

Shreyas Doshi
@shreyas

If you’re a Startup trying to compete with a Megacorp—the 800-pound Gorilla in the space—you need to understand the tax inherent to being a Gorilla

And then you need to make that tax work against the Gorilla—with your product's positioning & features

A thread on Gorilla taxes■■



1/
Collaboration Tax

Getting two or more product groups at a megacorp to collaborate on creating a seamless end user experience is the hardest problem in computer science.

(I am not joking)

Examples of Collaboration Tax:

Calendly exists because the Gmail team & Calendar team haven't worked together on creating a more seamless experience for that use case.

Loom might succeed because the Gmail, Video, Meet teams at Google are probably too busy with their own goals.

The takeaway for startups:

If you can create meaningful value by seamlessly integrating features of two or more distinct Gorilla products, you will typically have a lot of runway before the Gorilla can get its act together and eliminate its Collaboration Tax.

2/
Denominator Tax

Once a Gorilla's product reaches massive scale (i.e. the denominator for its metrics gets very large), the pressure of OKRs & incentives will often force the Gorilla's product teams to prioritize breadth of usage more than depth of usage.

Examples of Denominator Tax:

Google Docs, which needs to work across a tremendous breadth (basically everyone) vs. Dropbox Paper, great for engineers & product people

Coda/Notion/etc. benefit from both the Denominator Tax (more focused) & the Collaboration Tax (more integrated)

The takeaway for startups:

Attack the Gorilla's product by first tackling high-value verticals or use cases that won't meaningfully move the Gorilla's "raw numbers". The Gorilla won't attack back even if it is well aware of your existence (and is losing some business to you).

3/
Novice User Tax

A Gorilla has a lot to lose if its products appear to create friction for its novice users. The friction might be pricing, a steeper learning curve, seeing advanced features, etc. That's why a Gorilla's products are typically quite suboptimal for power users.

An example of Novice User Tax:

There's a high demand for Superhuman because Gmail doesn't offer an interface that's optimized for power users of email.

(Note how Gmail itself launched & grew as an email service for power users vs. the leading email services at the time)

The takeaway:
Consider positioning your product as a power user alternative to an existing Gorilla product.

This has two distinct benefits
1) Association: users will easily grok what your product does
2) Differentiation: your target users will readily try & promote your product

~BONUS~

The User Retraining Tax, a corollary to the Novice User Tax:

Getting a Gorilla to significantly revamp its UI is the second hardest problem in computer science.

The massive user backlash from UI revamps ensures that the revamp happens too slowly, too late, or never.

4/
Business Model Tax

A Gorilla will often find it hard to change or augment its business model or pricing model with an entirely new one, especially if its current model provides high margins and scale.

An example of Business Model Tax:

Twitter primarily has an advertising business model (with high margins & scale), so it will find it difficult to adopt an additional business model that helps its creators monetize natively within Twitter.

Enter Substack, Patreon, etc.

5/
Dogma Tax

A Gorilla will convert a belief—which may have been valid at a certain point—into long-lasting dogma whose validity fades with time.

Examples:

Google Hangouts (everything in the browser) vs. Zoom

Microsoft (mobile is for serious business) vs. iPhone/Android

While these are the main ones, Gorillas face other such taxes e.g. PR tax, Regulatory tax, Infra tax, Bundling tax

That’s why strategy isn’t just a big company thing

Shrewd strategy is vital for Startups competing against Gorillas

Strategy+Speed➜Success

All the best to you■■

Back to the top of this thread: https://t.co/eMf1ZpXzFl

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> And then you need to make that tax work against the Gorilla\u2014with your product's positioning & features
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> A thread on Gorilla taxes\U0001f447\U0001f3fe pic.twitter.com/rk7H4zmIpV
>
> — Shreyas Doshi (@shreyas) November 26, 2020

Footnote:
While this thread is addressed to Startups, it's equally relevant for the people working at Gorillas, in 2 ways:
1) You can use the vocabulary here to name & tame your org's taxes
2) If you're competing against another Gorilla, play against its taxes just like a Startup

Some of the points in this thread are related to Counter-positioning, my favorite of Helmer's 7 strategic powers:

"A newcomer adopts a new, superior business model which the incumbent does not mimic due to anticipated damage to their existing business."

https://t.co/bJTtjnzqpD

If you liked this thread, you might also like some of this■■
https://t.co/smxNmSpOwx

> A thread of my most popular threads:
>
> — Shreyas Doshi (@shreyas) September 8, 2020

Also check out this thread on product strategy
https://t.co/th9ciAKnik

> Product Strategy\u2014in 1 tweet.
>
> What:
> Rigorous treatment of where to play & how to win
>
> Why:
> Drastically improve odds of product success
> Create org-wide clarity
>
> Outlook:

3-5 years

Components:
Situation assessment
Target customers
Differentiation pillars
Roadmap
Brief action plan

— Shreyas Doshi (@shreyas) May 17, 2020

At some point, a Gorilla becomes its own biggest customer. This means that, despite its various advantages, it cannot be as much in synch with its real customers' needs as you can be as a Startup.

You are left-of-■, Gorilla is right-of-■. The framework:
https://t.co/NhHy911Cwp

There comes a point in a company\u2019s life when it becomes its own largest customer.

This is the crossover point in the \U0001d465-pattern below.

Left side of \U0001d465 is largely about Produce work. Right side largely Organize+Self-promote work.

Crossover is inevitable, but defer it if you can pic.twitter.com/xapPXvNDqO

— Shreyas Doshi (@shreyas) November 29, 2020