

market that is surrounded by products. You occupy the future position and know full well that your competitors will have inertia to the change. They will often react by not only spreading fear, uncertainty and doubt but by trying to differentiate their product offerings with some form of “*innovation*”. What you do, is copy and add these to your utility service. Your focus is to build up a tower of revenue (your utility service) surrounded by a huge moat devoid of any differential value.

The competitors efforts to innovate in a product world end up just enhancing this by helping you to copy and grow the moat. When the competitors finally wake up and make the plunge into our future market then they’re likely to have been delayed because of efforts to differentiate their products with new fangled things (not a good move in a punctuated equilibrium i.e. rapidly changing market) and they will actually have nothing different to offer. This is pretty much a disaster. So, now let us switch back to our role as product player. If our response to a utility provider entering into our market is “*innovate*” then as long as it’s truly radical and entering a different market and assuming we’re aware that this is a huge gamble then it’s a reasonable move. If it’s “*innovation*” around a product then I hope you can see by now what’s going to happen. Bad move. “*Doom, doom, ‘ere be doom*”.

Beyond the whole “*tower and moat*” play then attempts to differentiate a product in a game of utility substitution brings two other dangers. First there is the existing consumers inertia to change which is often represented by a desire to maintain the existing model rather than to adapt. They will encourage you in this differentiation play and it becomes very easy to be seduced by it. The problem is that as their