

Is It Best to Be First?

By Clint Chao 11.28.06 (as featured on VentureBeat)

Lots of entrepreneurs approach us addressing big market problems. Some are convinced they can redefine a category all together. But, is it best to be the first to market? Naturally the first has the first-mover advantage – the opportunity to understand and define market needs and early product implementations as well as manage the pace of an evolving market.

Sometimes a company that shows up with an offering that is too early can face customers that find its product too expensive or clunky, as in the case of Apple's Newton, or a market with external complexities that stall mass adoption, as Napster or Friendster found for their respective markets. Early market entrants can face an uphill climb while they spend lots of money educating customers or breaking barriers with companies in its ecosystem.

But assuming the market is ready, would you rather be first? Or would you prefer to have someone else break out the gates so that you can draft off of their progress and refine your solution to pass them up? Did YouTube benefit by watching the early video sites break ground on the space?

The challenge for most first-to-market players is in learning how to address new entrants as they emerge while maintaining the lead over the long haul. The Indianapolis 500 presents an interesting anecdote. During its history, which spans more than a century, the Indy 500 has seen only 18 of the drivers who began in the pole position make their way to the winner's circle. Only 7 of the last 15 winners were in the top five positions at the beginning of the race. And five of the last 15 winners even came from positions that started outside of the top 10 (33 cars participate in the race). A number of consequences may cause the leader to relinquish position, but every now and again, with steady drive and determination (not to mention some skill), they can hold on to the end. This is also true in the world of technology.

Wouldn't it be cool to become an industry's first leader? Imagine being part of America Online in 1985 or Netflix in 1997? I was fortunate to be a part of the C-Cube Microsystems team in 1990, pioneering the digital video and image compression industry. The pack behind tried to veer us off course with promises of lower cost or more flexible solutions. Fortunately, we were strong enough to retaliate with new features in our chips that caused competitors to swerve while trying to win customers.



The good news, as we learned at C-Cube, is that an early market leader is getting paid by customers while competitors are chasing behind trying to win business. It's like getting fueled up without making a pit stop. If you can sustain your lead long enough to force the pack behind you to run out of gas, you can dominate the race from the get-go and win it all.

The key is not to take your eye off the prize – your car needs fuel at some point, and don't forget a top-notch pit crew. Fortunately, you'll have some experience on the track that others don't, so take advantage of that knowledge and hold onto your lead while you have it – or someone might come up from behind and leave you in the dust.

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