Winning Online

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Consumers

- 10% are true maximizers relishing more choice
- Two thirds are satisficers for whom additional choices have negative utility at some point
- TV selection sets have increased slightly while the number of channels has increased greatly
- Consumers spend less than a minute planning TV viewing---don’t use EPGs on average
“Tyranny of Choice”

- Choose when to choose: limit options when the choice is unimportant
- Learn to accept “good enough”
- Don’t worry about what you are missing
- Control expectations
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Why the Internet has not played out as many thought!
Constraints

- Every day has 24 hours
- Every week has seven days
- Households have fixed incomes
- Consumers persist only when something meets a true need
Compelling

- Simply being useful is not enough
- Successful services are indispensable
- Only recurring habit generates stickiness
- Helping the simple but recurring things in life is much more important
Complexity

- Most possible new products are simply too complicated for mass adoption
- Training consumers when and why to use it can be daunting
- Clicks matter!
- Preference engines keep getting better enabling effective, automatic personalization
Community

- Consumers are tribal in nature
- Going online provides a sense of community and involvement
- Communication remains the dominant application even as more and more alternatives are added
Consolidation

- Brands matter.
- Scale matters.
- Webs of contracts matter.
- Hard to see why there are many successful players in the end.
- The Internet is heavily “winner takes all.”
Four Major Players

- AOL
- Google
- MSN
- Yahoo!
AOL

- Beat Prodigy by allowing users to create their own screennames (expression is incredibly valuable to consumers) and letting teenagers talk about sex
- Made it simple to get online
- Minimized clicks and page loads through pixel density
- Good enough and easy
- Fundamentally a narrowband product trying to find the right path in broadband
Google

- Perceived as best search in terms of finding something good enough quickly
- Fast so use in place of DNS
- Huge scale economies
- Found right business model in AdWords and paid search
- Resisted temptation to complicate
- Google news and Google mail
MSN

- Leveraging market position
- Never compelling in its own right
- But good enough for many
- Bundling deals
- Bet is on Longhorn when MSN is just part of Windows in effect
Yahoo!

- Early dominance
- Feature rich and good enough at a lot
- Bundling deals
- Intermediate pixel density
- Tolerance on content
- Figured out web advertising earlier and better than others
Conclusions

- Unlikely to ever be a large number of Internet gateways
- The greater the diversity, the more consumers will value organization and limiting choice
- No one has yet found the user interface for massive choice