Twitter Thread by Corry Wang

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1/ Thoughts on the Myth of the "First Mover"

This thread by @danrose stirred something I've been thinking about for a while - the myth of first mover advantage

To this day, most people assume Amazon Web Services was the first cloud computing service. This isn't quite true

> I was at Amzn in 2000 when the internet bubble popped. Capital markets dried up & we were burning $1B/yr. Our biggest expense was datacenter -> expensive Sun servers. We spent a year ripping out Sun & replacing with HP/Linux, which formed the foundation for AWS. The backstory:
>
> — Dan Rose (@DanRose999) January 8, 2021

2/ At its March 2006 launch, AWS was probably the 4th or 5th cloud service run by a Fortune 500 firm

HP launched its Flexible Computing Service in Nov 2005
Sun Grid went into beta in 2004
IBM launched "Linux Virtual Services" in 2002!

But AWS is the only one anybody remembers

3/ I'll focus on IBM here -

From the WSJ in *2002*: "Linux Virtual Services allows customers to run their own software on mainframes in IBM data centers and pay rates based largely on the amount of computing power they use"

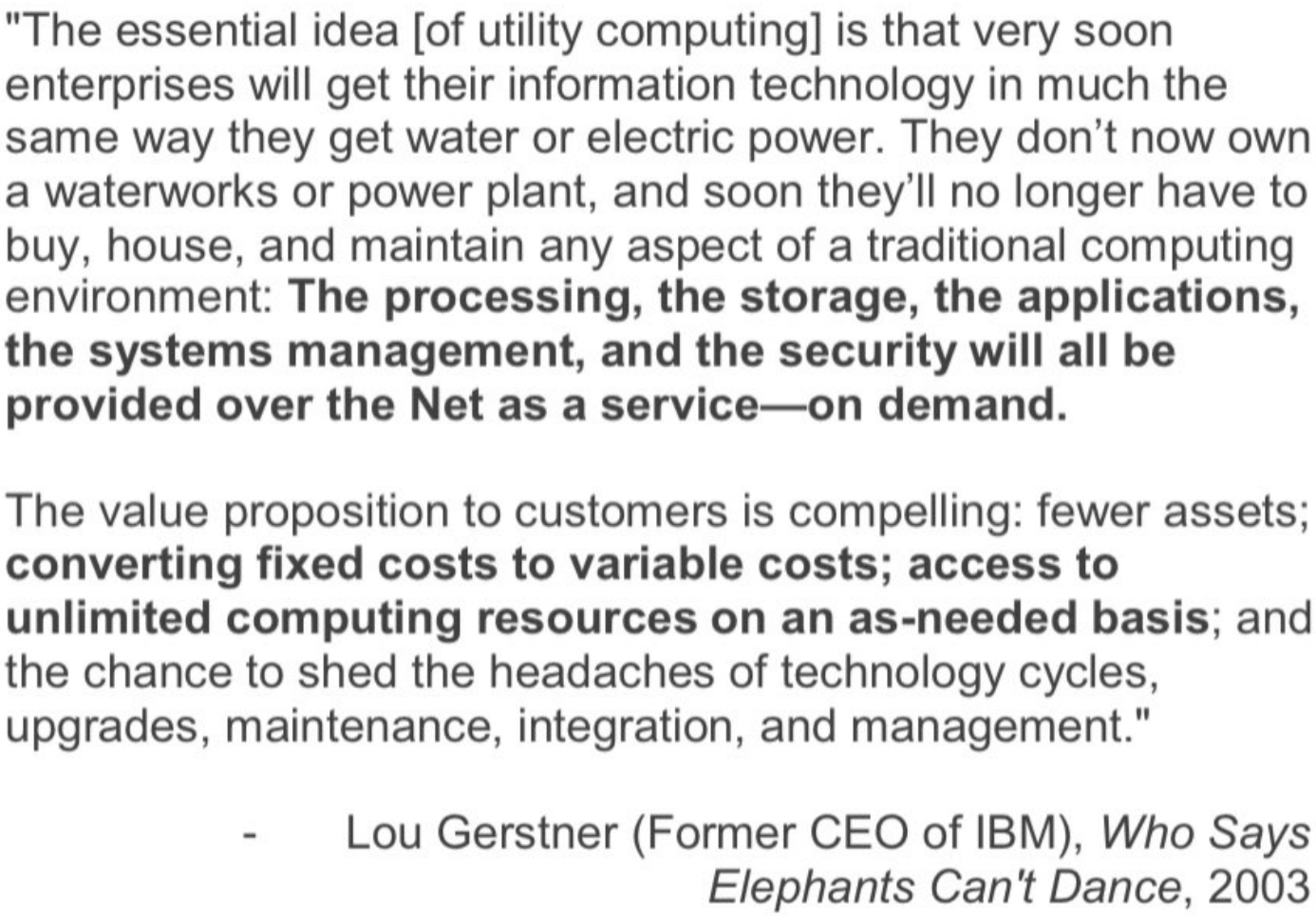
https://t.co/mnKH8dF6IL

Sounds like the cloud to me!

4/ Origin stories of AWS often cite how Bezo's uncanny prediction of computing becoming a utility, like an electric grid

But Bezos didn't invent this analogy - it was widespread by the early 2000s. Here's Lou Gerstner saying the same thing in

2003



5/ So why did AWS succeed while IBM did not?

IMO there are no good explanations online. IBM LVS was quietly shut down in 2005-06. The exact date is unclear

Answering this became a personal project for me at Bernstein. I ended up cold-calling multiple former IBM product managers

6/ The short answer: the innovator's dilemma

IBM LVS never achieved product market fit. IBM tried selling it to existing corporate customers. They didn't want it

And IBM's own incentives were misaligned - salespeople didn't want to cannibalize existing accounts

"Our sales teams were used to selling large chunks of servers all at once, with big commissions upfront. **A small revenue commitment upfront meant a small commission**…

In retrospect, we should've put the business in a software group. Different incentives, different sales processes."

- Former IBM Product Manager for Linux Virtual Services

Source: Bernstein interview

7/ In contrast, Amazon had no existing IT customers to cannibalize. They had to sell AWS to someone, or they wouldn't get paid

That's how to found their first best customers: independent software devs and startups, paying by credit card

8/ The cloud was ultimately adopted bottoms up, not top down. AWS laddered up to enterprise customers from there

The result is 14 years later, AWS is a $50B business growing 30% a year, while IBM is a $70B business shrinking 3% a year

9/ What's the lesson here?

Being a first mover is overrated. Predicting the future is easy - plenty of people understood the future of cloud computing, even in 2003

The hard part was everything else. Timing matters. Execution matters. Incentives matter. Luck too!