

The Cave

Competing Against Incumbents

Isaak Tsalicoglou

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To all product managers fighting incumbents resting on their laurels for decades.

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Before we begin

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Preface

“Only a fool learns from his own mistakes. The wise man learns from the mistakes of others.” – Otto von Bismarck

In late 2017 I found myself in a new role as Head of Product Management in a company with a rich history that itself had been an incumbent in certain product categories for decades. The company had pioneered various techniques in its customers' fields of engineering activity, and had innovated again and again, turning the technological advances in sensors and data analysis into established, high-quality products that everyone in the target industries knew of. In fact, a few of the product names—and even the brand itself—had over time become synonymous with some of the techniques being applied.

In recent years the company had embarked on an ambitious and well-considered plan to expand into new applications and product categories by upending long-held assumptions of how electronic devices were to be used in the field. Instead of clunky, proprietary display units with customized operating systems and kludgy to no digital interoperability with computers for data export and analysis, modern, cutting edge tablets would now be the new user interface. This would (and did) unlock entirely new possibilities for complex data display, user-friendly data analysis, and the possibility for people in different places of the world to collaborate from anywhere in the world, anytime, thus decoupling types of labor and getting to better insights, way more quickly than had been ever before thinkable. Instead of legacy technologies that the

incumbents of the new target categories had long ago pioneered and then only marginally improved over numerous decades, new technologies enabled by the increasing computational power available in small form factors would be (and now is) the name of the game in the company’s technology roadmap.

The play worked out well—in fact, it turned out extremely well. The following 2.5 years were a whirlwind of development, internal cross-functional collaboration, rapid prototyping, customer visits around the world to gather feedback and adapt both software and hardware, and new iterations that brought to market a flurry of products and innovative business models that no company in this industry had dared to pursue before—for decades, and despite sitting on rich warchests for R&D, product development, and marketing.

As with everything that is worth pursuing, the path to this success was neither simple nor straightforward. It was also not linear and not solely dependent on getting the technology or the product right. You can achieve all that through diligent engineering, and the company had these competencies in spades. What proved to be the bigger challenge was to convince customers in “sleepy” market segments that had been dominated by a handful of incumbent, legacy players, that the new approaches of the digital contender—in software, hardware, and business models—were not also a better deal for them across the board, but also worth considering, after having built their businesses on “devils they knew”, with all their warts and complacency-driven peculiarities and tone-deaf response to customer feedback.

It would be a fallacy to think or claim that all it took was to simply come up with better products or better marketing arguments. My team of product managers found itself fighting not with rationality, but with the irrationality of long-standing brand preferences and the puzzling yet also deeply-held belief that what existed in the market was not only the only thing that could exist, but also the best you could ever hope for; perhaps, the best it could ever get.

Marketing courses in business degrees and MBA programs are

rife with theories on how to differentiate your products; how to revamp your brand; how to craft valuable and desirable value propositions that can be communicated easily by everyone who has touched the product and its components, be they tangible or intangible; how to establish pricing and charging models that will rationally demonstrate superiority not only in terms of the initial cost of purchase, but in terms of the Total Cost of Ownership of the equipment and its attendant services that make the equipment deliver on its promise.

All this, we did, and we did it—in my opinion, and judging from the outcome—with gusto and flair. We nailed down crystal-clear requirements, impressive tech specs, and rationally convincing marketing arguments. We tended to the products’ marketing material like gardeners taking care of delicate saplings that would eventually grow to become strong, thick trees with deep roots in the soil of the market.

And yet, this was merely the equivalent of doing our homework—homework that, notably, our incumbent competitors had not really been tending to for decades. Despite being better than them by light-years, doing all this was not the secret to success, but merely the “entry ticket” to competing in these new markets.

Beyond excellent products and thoughtful value propositions and marketing arguments, the key to success was getting the few and vocal decision-makers in the target markets to give the new offerings a chance, even if this risked spoiling their long-standing relationships with the incumbent vendors, and even if it meant going “against the grain” of their peers in the market, who truly went with the adage of “better the devil you know, than the one you don’t” when it came to purchasing equipment with a sticker price with 4 or 5 digits; equipment that not only would become the workhorse of their business, but also equipment the use of which would dominate the technical effectiveness of their services offered, and the cost-effectiveness of the personnel that offered them.

To add to all of this: I had come into this role after having worked

for one of the digital contender’s incumbent competitors in some of the segments that the contender had been active in, and also some of those that the contender was about to enter—albeit, in a different capacity than the one I was now employed in, unrelated to the upcoming products themselves. I had, however, gained first-hand exposure to the premium-brand-centric sales and marketing arguments used by that incumbent. And, as luck would have it, years ago I had worked for an equally premium brand in an entirely different industry. During the Global Financial Crisis, I had seen first-hand the “jerky” reactions of an incumbent brand to losing its long-held foothold in markets that suddenly found themselves flirting with alternatives and new competitors, for want of truly disruptive “good-enough” and significantly more affordable solutions to their problems, in an environment of suddenly-diminished liquidity.

All this clearly colored my view of the situation in certain ways. Perhaps due to having grown up in Greece in the 1980s and 1990s, and not believing in “eternal stability” (more like, “eternal instability...”), or perhaps I had seen from inside the challenges and opportunities in growing our family’s industrial-equipment trading business, in both prior employments I had tended to be “the paranoid one” among my peers, the one who always cautioned against feeling too confident that what was, shall forever be, be it in terms of product quality or desirability, customers’ willingness to pay, the lead time of product development projects, or the arguments being used to hold people firmly in what is the subject of this book: the allegorical Cave.

What is the Cave, put simply? It is the nigh-catatonic, “default-mode” decision-making mindset in favor of an incumbent’s offerings. Incumbents try to hold their customers in a Cave of their own making through a series of measures that cater not to the customers’ rationality, but to their utter irrationality instilled by incumbents with fear of the unknown, uncertainty about switching costs (despite plenty of hard facts showing that the switching costs range from nonexistent to... negative in the long and even in

the short run), and doubt about what new market contenders can deliver—even if these “new” contenders can back their sales pitch with 50+ years of solid presence in the same or adjacent market segments, albeit in different (or, sometimes, adjacent) product categories for these segments.

On a late evening of one of the many long days that went into preparing a product launch of unheard-of reach and ambition for the contender’s global customers, I felt my thoughts on these challenges crystallize around Plato’s Allegory of the Cave. As soon as I let myself explore the similarities between the allegorical Cave and the situations that my team and our colleagues in Sales had been finding themselves in for a few months, it all started to click. I won’t spoil this book and its findings any further, other than to tell you that the shoe fits. The Cave is as real as a 2000+ years-old concept can be. In the same way prisoners in the Cave mistook shadows for reality, customers cling to the shadows cast by incumbents. Despite having been written around 375 BC, Plato’s Allegory of the Cave is surprisingly resonant with many marketing and branding (and value-proposition) challenges that product development teams and product managers in particular face when attempting to innovate and to bring these innovations to markets that have long been dominated by a handful of incumbents who have increasingly been resting on their laurels.

The allegory, however, is surprisingly not only applicable to contenders. Thanks to my good fortune of having worked for both that digital contender and two incumbent premium brands who stand for excellence in their respective industries, this book’s content and analysis is something that I would have happily given to some of my past employers’ managers, and even to some peers, who thought that they could keep doing what had worked for ages—until things got upended either by a crisis or a new contender, and the whole organization had to scramble madly to suddenly act with a spirit of competition that it had gradually grown unaccustomed to.

Thus, even if you are on the other side of the fence, a Head or VP of

Product Management, Product Development, Marketing, Sales—or even, and especially if you are the CEO of an incumbent—the short length of this book belies the value of the insights that might help you rethink how things get done within your organization. For sure, having arrived at such as coveted senior role, a deep understanding of how to fend off occasional contenders and pesky new competitors should not be an unfamiliar experience to you—even though if it may have become an unfamiliar, annoying event for the organization you lead. This book can bolster your understanding of what deserves to proactively strive to change within your organization, in order to make it capable of fending off competitive threats without resorting to the same old tired, time-limited, and frantically brand-centric and FUD¹-laden arguments that successful incumbent organizations use and abuse (and their customers, too!) in order to erratically respond to things that sour their complacent, smooth sailing.

Whether you are a startup founder trying to break into the stronghold of a well-defended global market, a CEO of an incumbent who isn't convinced of the dynamism of the organization they lead, and especially if you have been hired to turn around a languishing, established industry player, the multi-decade experience condensed on those pages deserves some consideration.

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April 2nd, 2025

Athens, Greece

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Figuratively (un-)enlightened

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The surface

Out there in the open, on the surface, there is the real world illuminated by the sun—the truth—a shorter distance to an informed, even enlightened state of knowledge and being.

There is a “state of the art” (technological or otherwise) being claimed by incumbents as what is realistically feasible from a techno-commercial perspective and ultimately desirable from a customer-value perspective. There is, however, also an actual “state of the possible” that is far beyond what is currently considered feasible not only by incumbents, but also by their customers and most of the market. Incumbents either pretend that the latter doesn’t exist, claim that it *cannot* exist, or in fact cannot even *begin* to consider as a possibility, let alone to consider turning it into a real, improved product that leads to a better user experience, better outcomes, customer benefits, and so on. As incumbents have typically been providing the same product lines and marketing them with the same arguments for decades to the same set of customer segments, this confusion between what is and what could be, is unsurprising.

In practice, almost none of the incumbents’ “market prisoners” can imagine the “state of the possible,” or are willing and able to

consider that the claimed “state of the art” is merely an illusion meticulously crafted by incumbents; a facade meant to maintain the status quo in the product category and the market. This situation is what allows the incumbents to pretend that the allegorical surface is a far-fetched dream that is either (more often) technically infeasible or (less often) commercially unattractive; and that to chase after this is pure folly.

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About the Author

Isaak Tsalicoglou writes about all aspects of organizations turning their knowledge into a competitive advantage through the judicious use of technology, vigorous collaboration and an entrepreneurial mindset; but also writes about how hype, dogmatism, agency issues, culture clash and misaligned incentives prevent organizations from achieving greater heights.

Isaak studied Mechanical Engineering at [ETH Zürich](https://ethz.ch)² and also holds an MBA degree with Honors from [IMD](https://imd.org)³ in Lausanne, Switzerland. His writings are inspired by first-hand and second-hand experiences, by observations and discussions of situations from 15+ years of knowledge work for premium brands, technology companies, and digital contenders across Europe, North America, and Asia, and by the relentless stream of breathless hype coursing through his LinkedIn feed.

Isaak has learned from the best at great companies, and by working with people around the world. By growing up among B2B entrepreneurs, he understood from early on the importance of building trust and moving fast, instead of chasing the latest shiny far, or getting caught up in buzzwords. He is an early adopter of Machine Learning in R&D and product development, of Linux and Free/Open-Source Software, of Lean Product Development in the simulation-driven engineering design and optimization of technical products, of Set-Based Concurrent Engineering of complex mechanical and electronic products, as well as of lowercase-A agility in the development and management of products and in shaping and leading initiatives for change and improvement.

²<https://ethz.ch>

³<https://imd.org>

Through **OVERBRING Labs⁴**, his business in Athens, Greece, Isaak delivers hands-on firepower to teams and ventures: fractional and interim management, product co-development, software architecture, and competency audits that upskill product development teams and product management departments. He supports product managers with tailored coaching, helps managers with product-process improvements, guides teams through product-project turnarounds, and incubates software ventures—building API servers and web apps on the company’s frugal, self-hosted IT infrastructure, and relying on battle-tested open-source software.

⁴<https://overbring.com>