

WILL AND VISION

How Latecomers Grow To Dominate Markets

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MAIN IDEA

Is it better to be first to market with a new product or to delay getting to market until you have a better product?

Popular wisdom states there is always a “first-mover advantage” – the first company to get to market with a new product will enjoy greater name recognition, a higher market share and enduring leadership over everyone else who later enters the same markets. In reality, however, the facts actually point to a different conclusion. Most markets and product categories tend to be dominated by the companies that best harness the five key drivers of long-term success rather than exclusively seeking a first-mover advantage:

| The Five Drivers of Long-Term Market Leadership | |
|---|---|
| Vision | Envision the mass market for innovations. |
| Persistence | Persist through all the roadblocks that arise. |
| Commitment | Allocate resources for mass market production. |
| Innovation | Keep innovating, even at risk of cannibalization. |
| Leverage | Build strengths and apply to new markets. |

In short, a market pioneer has the “first bite at the cherry” of market leadership, but over the long haul, market leadership will ultimately be bestowed on whichever company best exploits these five drivers – be they a pioneer or a late market entrant.

The Fatal Flaws With Most Research On Pioneers Page 2

Many managers and entrepreneurs assume there are substantial advantages in being first to market. However, the research often used in supporting that belief actually suffers from three problems:

1. A survival bias – ignoring pioneers that fail.
2. A self-report bias – managers define themselves as pioneers.
3. Loose definitions – of the market being “pioneered”.

When these problems are allowed for, the bulk of the research actually shows being a market pioneer has limited benefits whereas the firms that dominate markets are generally those which enter emerging markets much later.

Long-Term Market Leadership Driver #1 – Vision Page 3

Market leaders are exceptionally good at developing a vision for a product which has two distinct elements:

1. Forecasting the price point at which a product will cross over from niche market to mass market appeal.
2. A unique way of serving that mass market using the product that nobody else has ever tried before.

Long-Term Market Leadership Driver #2 – Persistence Page 4

Most successful products are the result of small, incremental innovations rather than one major breakthrough. Typically, market leaders are prepared to persist through seemingly insurmountable obstacles, extended periods of only incremental or slow progress and long periods of working against the odds.

Long-Term Market Leadership Driver #3 – Commitment Page 5

Market leaders have such a compelling vision of the future profitability of emerging markets that they are willing to commit the financial and other resources needed to realize that vision well in advance of when it appears prudent to do so.

Long-Term Market Leadership Driver #4 – Innovation Page 6

The market leaders understand the need for ongoing innovation to meet changing customer tastes and take advantage of new technology becoming available. In particular, market leaders:

1. Avoid the complacency generated by previous successes.
2. Overcome the fear of cannibalizing existing products by developing even better products.
3. Organize their firms so that innovative new products can continue to be developed on an ongoing basis.

Long-Term Market Leadership Driver #5 – Leverage Page 7

Market leaders excel at leveraging their current assets to generate future gains – even in situations where the potential benefits are uncertain or impossible to accurately forecast. This applies both to:

1. Generalized assets – assets which can readily be transferred from one product category to another.
2. Specialized assets – assets which are specific to current operations and which will not be transferrable.

By harnessing both types of assets, market leaders succeed even when they enter new markets well behind the pioneers.

Key Thoughts Page 8

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