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First to Market, First to Fail? Real Causes of Enduring Market Leadership

Gerard J. Tellis • Peter N. Golder

MANAGERS AND ENTREPRENEURS FREQUENTLY ADHERE TO THE MOTTO OF BEING FIRST TO MARKET. BUT THE AUTHORS HAVE DISCOVERED that many pioneers fail, while most current leaders are not pioneers. Using a historical method, the authors try to determine why pioneeers fail and early leaders succeed. They have found that market leaders embody five factors critical to success: vision, persistence, commitment, innovation, and asset leverage.

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Be first to market. This principle is one of the most enduring in business theory and practice. Entrepreneurs and established giants are always in a race to be first. Research from the 1980s that shows that market pioneers have enduring advantages in distribution, product-line breadth, product quality, and, especially, market share underscores this principle. For example, several studies of the PIMS (profit impact of market strategies) database show that mean market shares over a large cross section of businesses are around 30 percent for market pioneers, 19 percent for early followers, and 13 percent for late entrants.[1] Similar estimates emerge from a study of the completely different ASSESSOR data.[2] That two independent databases collected by different methods and researchers should yield similar results is impressive. In addition, PIMS data show that more than 70 percent of current market leaders are market pioneers, while Urban et al. are unaware of any pioneers in their sample that failed.[3] Further evidence in support of a pioneer advantage comes from an *Advertising Age* study that shows that, of twenty-five market leaders in 1923, nineteen were still market leaders in 1983, and all were still in the top five.[4] The belief in enduring pioneer advantage grew so strong that some authors even suggested that firms preannounce a product's introduction to claim the advantages that accrue to the pioneer.

But as most people came to believe in the strong advantages of market pioneering, some researchers warned of potential problems with the studies on which this belief was based.[5] Kerin, Varadarajan, and Peterson state, "The belief that entry order automatically endows first movers with immutable competitive advantages and later entrants with overwhelming disadvantages is naive."[6] In particular, the data that support the advantages of pioneers suffer from three key limitations.

First, PIMS and ASSESSOR data are collected by surveying surviving firms. Thus they include only survivors and not failures. Failures may hold important lessons, and their inclusion may change the statistics. Second, these two databases determine the market pioneer by surveying a current employee in a responding firm. Such surveys may be biased because current market leaders may see or promote themselves as pioneers, especially if the market is old, the managers are new, and the firm has been successful. Third, while all studies define the concept of a pioneer as the first to enter a market, the operational definition has been imprecise. PIMS, in particular, uses the definition, "one of the pioneers in first developing such products or services." This promotes ambiguity in data and analysis.

We reexamined the rewards of pioneering using an

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entirely different method, historical analysis, that avoids the limitations we described.[7] Our main conclusions, based on fifty consumer product categories are:

- The failure rate of market pioneers is 47 percent. This failure rate is higher for durables than for nondurables, but does not vary by categories starting before and after World War II.
- The mean market share of pioneers is 10 percent.
- Market pioneers are current leaders in only 11 percent of the categories. The rate is even lower for categories starting after World War II.
- The results on market pioneers are found despite sampling categories that are more favorable to pioneers. If all fifty categories had been selected randomly, the results may have been more unfavorable to pioneers.
- Another class of firms labeled "early leaders" has a minimal failure rate, an average market share almost three times that of market pioneers, and a high rate of market leadership. Early leaders are firms that enter after pioneers but assume market leadership during the early growth phase of the product life cycle.

Is the difference between pioneers and early leaders merely semantic? We emphasize that it is not but, rather, of strategic significance.[8] While firms often rush products to market to get a lead time of months or weeks, early leaders enter an average of thirteen years after pioneers, yet are much more successful. Therefore, the questions we address in this paper are:

1. Why are early leaders so successful?
2. Why do pioneers fail so often?
3. What are the real causes of enduring market leadership, if not order of entry?

We try to answer these questions using the historical method. First we clarify definitions and explain our method.

Defining Pioneers and Categories

Three pitfalls are typical in defining a pioneer: too loose a definition, too narrow a definition of the product category, and use of hindsight. First, we define a pioneer as "the first to sell in a new product category." While more narrow than the PIMS definition, this clearly differentiates the order of market entry to determine if being first by itself has any enduring advantages. It distinguishes the class of firms that might enter after the pioneer and learn from its errors, yet still enter early enough to shape and dominate the product category.

Second, we define a product category as "a set of competing brands that consumers perceive as close substitutes." Examples include microwave ovens, copiers, and disposable diapers. Our definition is consistent with research that considers customers in determining product categories.[9] Several authors argue that a broad category definition is preferable to a narrow one because of the competitive advantage that accrues from thinking broadly.[10] At the other extreme, too narrow a definition allows any firm with a loyal following to be designated a pioneer of the market segment it currently dominates. Narrow definitions of categories lead firms to be smugly satisfied in their current success and bear no insights into past success or future options. While we avoid extremely narrow category definitions, we do allow for category extensions. A category extension is "a subset of a category consisting of competing brands that a target segment perceives as close substitutes for each other, but not for brands in the parent category." Examples are light beer, liquid detergent, and color TVs. Category extensions differ from the parent category in at least one key attribute and develop their own character, distinct from product, competitive, and consumer characteristics.

Third, we avoid hindsight when identifying pioneers and defining categories. Every successful, dominant firm has reached that position by doing something right. In a loose sense, that firm has "pioneered" a new concept or a new market segment. However, such a loose definition of a pioneer based on results is circular: if successful firms are labeled pioneers, then pioneers must be successful. The question is, how did the firm appear at the time it entered the market? When a firm enters a market, the only certainty is its order of entry, whether first, second, etc. In this strict definition of pioneer as first to market, pioneering rarely leads to long-term leadership.[11] Therefore, the question becomes, what are the real causes of enduring market leadership?

Early leaders enter an average of thirteen years after pioneers, yet are much more successful.

Learning from History

In the study of market pioneering, no sophistication in survey method or econometric modeling can substitute for the insights of historical analysis. The historical method involves analyzing reports written when the market evolved — in other words, it uses accounts of market definitions and entry contemporaneous with their occurrence. Data collection consists of screening for (1) willing, (2) able, and

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(3) reliable reporters who provide (4) corroborating evidence. Following our earlier approach, we used these four criteria to analyze the same fifty product categories from our 1993 study.[12] We substantially broadened the data collection and analysis to address the questions of this study by examining about 1,500 articles in 25 different periodicals. We also analyzed information from approximately 275 books that document individual product categories and brands.

The historical method relies on induction to determine causality. For the purpose of this study, the method identifies patterns in the failures and successes of the many entrants in each market. While the approach is labor intensive, it promises fresh insights because it recaptures forgotten details in market evolution. Cross-sectional databases cannot provide the same perspective, because a matrix of numbers loses the richness of history while introducing potentially serious biases. The historical method clearly lacks the apparent objectivity and sophistication of previous authors' econometric models. However, the objectivity of significance tests and sophistication of complex models may lull us into a false sense of security in precise estimates of causes that are really spurious. In contrast, research time invested in piecing together history, from our vantage point, can reveal patterns and insights that actors at the time could not see and current analysts have long forgotten.

Many researchers have called for a longitudinal analysis similar to ours, but few have chosen this method, probably because it is difficult, time consuming, and not clearly charted.[13] To appreciate the insight from the historical method, consider these quotes from *Financial World* about a company in the restaurant business:

- "World's biggest chain of highway restaurants."
- "Pioneer in restaurant franchising."
- "Most strongly entrenched factor and highest quality investment."
- "Most fabulous success story in restaurant chains."[14]

While these quotes may bring McDonald's to mind, they refer to Howard Johnson's restaurants. Reports from the 1960s give a forgotten view of how reporters regarded Howard Johnson's at the time.

The disposable diaper market provides another example of how the business world easily relabels successful firms as pioneers. In 1991, Procter & Gamble (P&G) celebrated the thirtieth anniversary of its entry in the disposable diaper market. For the millions of parents who benefited from the disposable diaper, it was indeed an occasion for celebration. P&G claimed it "literally created the disposable diaper business in the U.S."[15] The truth is that disposable diapers were available in the United States as early as 1935 (e.g., the Chux brand).[16] While some may argue that Chux was a small obscure brand, in 1961, *Consumer Reports* evaluated "nationally available" disposable diapers brands and ranked Chux as clearly the best, ahead of Sears and Montgomery Ward; it didn't even mention Pampers.[17] Moreover, Chicopee Mills, a unit of the very capable Johnson & Johnson, owned Chux. A few years later, Pampers and Chux were both ranked as best buys, indicating the arrival of Pampers and its perception as Chux's competitor. Thus the passage of time, Pamper's success, and P&G's promotion of its achievements have led to a reinterpretation of the history of this market.

The personal computer market is an example of how quickly the business world forgets failures and showers undeserved praise on successes. The first personal computers were sold in 1975.[18] By the early 1980s, the business press referred to Apple Computer as the pioneer of personal computers.[19] However, several studies, including one supported by the National Science Foundation, found that MITS (Micro Instrumentation and Telemetry Systems) was the actual market pioneer.[20] In fact, MITS was so dominant that, in 1976, *Business Week* referred to it as the "IBM of home computers."[21] Further, it reported that MITS's "early lead has made its design a de facto standard for the industry." MITS's initial success certainly did not lead to long-term market leadership.

Because our method does not yield a model, statistics, or effects sizes for the causes of enduring leadership, it runs counter to the dominant approach in marketing. It does, however, yield new case histories gleaned from the corroborated evidence of willing, able, and reliable reporters. The reporters' accounts are publicly available and verifiable. The synthesis and interpretation is our own. We hope that readers will consider our explanation of enduring leadership as an alternative to econometric models of survey data.[22]

The Lessons of Early Leaders

Our study of the fifty product categories from their inception suggests five factors that drive the superior performance of early leaders: a vision of the mass market, managerial persistence, financial commitment, relentless innovation, and asset leverage. Similarly, pioneers' inability or neglect to implement these factors often leads to their failure. The first four factors are related components of a mind-set that seems to fire the success of early leaders, especially in newly emerging categories. The last factor comes into play especially in category extensions. These factors are probably the real causes of enduring market leadership.

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Envisioning the Mass Market

The mass market has a bad image in marketing, especially for mature products. Theorists stress the importance of segmentation and differentiation to better serve market niches and increase prices and profits. The mass market is synonymous with cutthroat competition, low prices, and low profits. However, the opposite is true in new markets. Typically, when a new product is first commercialized, product quality is low, prices are high, and applications are few. The product does not seem like an attractive buy, and sales are limited. At this time, it takes a visionary to see the mass market and find the way to open that market. Tapping the mass market provides economies of scale and experience that can overcome low quality, high prices, and limited features. The mass market is a means to exploit the full potential of the new product.

For example, Ampex pioneered the video recorder market in 1956 and was the leading supplier for several years. At $50,000 each, initial recorder sales were limited. RCA and Toshiba, the only competitors, were way behind, so Ampex had almost a monopoly in sales and R&D. However, Ampex managers did little to improve quality or lower costs; ironically, they sought to reduce Ampex's dependence on video recorder sales, and pursued audio products, computer peripherals, and other diversifications.

George Eastman had the vision to see the mass market that would develop if film processing were made easy.

In contrast, three other companies, Sony, JVC, and Matsushita, inspired by their consumer orientation, saw the mass-market potential and made a concerted research effort to bring the video recorder to that market. In the mid-1950s, Masaru Ibuka, Sony's cofounder, set a target price for its video recorder of $5,000, which he later reduced to $500, 1 percent of Ampex's initial price. At JVC, Yuma Shiraishi, manager of video recorder development, provided just a few guidelines to his engineers: develop a machine that could sell for $500, while using little tape and retaining high picture quality. Such stringent directives were difficult to meet. Each of these companies researched for twenty years to realize its goal. But the directives were clear and firmly focused on the mass market. When their efforts were successful in the mid-1970s, these companies catapulted to dominant positions in the electronics industry. In the fifteen years following 1970, video sales went from $2 million to almost $2 billion at JVC, from $6 million to $3 billion at Matsushita, and from $17 million to almost $2 billion at Sony, but total sales increased from $296 million to only $480 million at Ampex. Ampex started anew in the early 1970s to cater to the mass market for video recorders, but this effort quickly faded in the face of technological hurdles, and Ampex ceded the market it had pioneered.[23]

The disposable diaper market provides another example. Although Chux was probably the best product in the early 1960s, it was relatively expensive, so sales were limited to wealthy households or for use while traveling. Indeed, *Consumer Reports* recommended that Chux be used when traveling.[24] However, P&G's experience in grocery marketing and its early research with Pampers prompted it to pursue the far greater potential of the mass market. Its major problem was to develop a product that was soft yet strong and absorbent, with a dry inner surface, all at an affordable price. P&G launched a concerted research drive to achieve this. In the first five years, its lowest price was 10 cents per diaper, when diaper services cost 3.5 cents and home washing about 1.5 cents. P&G engineers persisted and finally came up with a sophisticated machine that produced 400 diapers a minute at 5.5 cents each. At that price, Pampers' national rollout in 1966 was a huge success, expanding the market from $10 million to $370 million in seven years. P&G had unlocked the mass market for disposable diapers.[25]

Another example is the photographic film market that developed over many years. During most of the 1800s, photography was restricted to professionals and serious amateurs because there was no network of professional film developers. George Eastman had the vision to see the mass market that would develop if film processing were made easy. He designed a system whereby consumers took pictures with a returnable camera, mailed in the camera with the exposed film for developing, and received the developed pictures and a reloaded camera. The company's slogan, "You press the button, we do the rest," convinced consumers that photography was finally available to amateurs. This innovation initiated Kodak's long quest to expand the mass market for cameras and photographic film. It continued this effort by producing low-priced cameras, such as the Brownie line, which made picture taking affordable for everyone.[26]

Many other markets came to be dominated by nonpioneers that entered early or even late but transformed the industry by targeting the mass market. Examples in-

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clude Timex in watches, Gillette in safety razors, Ford in automobiles, and L'eggs in women's hosiery.

Managerial Persistence

New products are often described as "breakthrough" inventions by tinkering scientists, but that is not the way that market leaders achieved their dominance. Actually, successful products are the fruit of small, incremental innovations in design, manufacturing, and marketing over many years. Management must maintain a commitment to the brand over a long period of slow progress. For example, P&G persisted with research for ten years to make Pampers affordable for the mass market. "P&G spent more time and money on developing and test-marketing Pampers than Henry Ford plowed into his first automobile or Edison spent on inventing the first incandescent bulb," according to *Forbes*.[27]

Successful products are the fruit of small, incremental innovations in design, manufacturing, and marketing over many years.

Sony, JVC, and Matsushita spent more than twice as much time and encountered far greater difficulties than P&G, but their commitment was unwavering. For example, after Ampex commercialized the first video recorder in 1956, Sony, then a small company, took almost seven years to introduce the PV-100, a two-headed, helical scanner model. While a technological wonder, the product was still too expensive and lacked the features and color to appeal to the mass market. After another thirteen years, Sony introduced the Betamax, which finally appealed to consumers. During those years, Sony engineers had worked to include color, reduce the weight by 77 percent, increase recording density eleven times, and, at the same time, reduce the price by 88 percent.[28] The Betamax was not a sudden breakthrough, but the evolutionary result of persistent research over two decades to solve diverse design problems.

Similar efforts to develop a video recorder were so slow at JVC that director Shiraishi chose to keep the project secret from his superiors for fear of losing support. Shiraishi's steadfast direction finally paid off, and JVC introduced the VHS in fall 1976, twenty-one years after starting research, twenty years after Ampex pioneered the market, and at least one year after Sony's Betamax. The VHS actually succeeded better than the Betamax primarily because of its longer tape limit (two hours to one for the Betamax) and Matsushita's early strategy to be an original equipment manufacturer for RCA.[29] During the twenty years after 1956, Ampex made some sporadic attempts to develop a product for the mass market, but it had neither a plan nor the persistence to succeed.[30] Thus, in the video recorder market, order or timing of market entry was irrelevant. A vision of the consumer market and persistence to design a product to meet consumer needs was critical.

RCA pioneered color television in 1954, yet sales did not come easily since the vast majority of programs were broadcast in black and white. In fact, black-and-white TVs received broadcasts better than color TV sets did, so consumers had little incentive to purchase color sets.[31] Even in the early 1960s, *Consumer Reports* recommended that people not purchase color sets.[32]

RCA needed to make a strong long-term commitment to ensure that this product gained widespread acceptance. It accomplished this goal in two ways: First, it started a program of technical research, which led to the needed improvements in quality, protected with patents that RCA licensed profitably for years.[33] Second, it committed to broadcasting color television programs through its subsidiary, NBC, at a time when the vast majority of consumers still owned black-and-white sets. During the 1960 to 1961 season, NBC broadcast fifteen to twenty times as many color programs as CBS did, while ABC did not broadcast in color at all.[34] Better quality products and more color broadcasts finally convinced consumers that color TV had come of age, and the market took off in the mid-1960s. RCA's persistence over ten years was rewarded with long-term market leadership of color TVs and is still symbolized by its famous trademark, the NBC peacock.

Many other markets came to be dominated by firms that persisted over many decades to finally establish the mass markets for their products. Kellogg, Hershey, Crisco, and Wrigley are household names, though their efforts in marketing and R&D are little known. In all these cases, persistence rather than order of entry or sudden breakthroughs was a key to success.

Financial Commitment

Because market dominance of a category requires vision and persistence over many years against great research and marketing odds, firms need to commit finances to last through this struggle, especially when revenues do not cover costs. Specifically, they need to address two aspects: access to financial resources and willingness to use

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those resources. Failure in either area can lead to a loss of promising markets. Enduring market leaders are firms that commit resources, either their own or those entrusted to them.

For example, most people consider Miller Lite to be the pioneer of light beer because it has dominated the market since its entry in the mid-1970s. However, several brands of light beer were introduced without much success, starting in the early 1960s. Rheingold Brewery of New York made the largest effort. During 1967, it spent $5.5 million to introduce Gablinger's light beer in the eastern United States.[35] Unfortunately, in the same year, it also achieved lower sales of its regular beer. These two factors produced a loss for Rheingold that led the company's directors to fire top management in favor of more profit-conscious managers. The new management dropped support for Gablinger's to make a quick return to profitability.[36] The company's directors would not maintain the financial commitment to Gablinger's, even though it had already achieved distribution in most eastern states.[37] Had immediate profits not been of so much concern, Gablinger's might well have established and dominated the light beer category.

Firms need to address two aspects: access to financial resources and willingness to use those resources. Failure in either area can lead to a loss of promising markets.

Rheingold's behavior contrasts markedly with the financial resources Philip Morris used to introduce Miller Lite. In 1975, *Business Week* reported that Lite's advertising expenditures averaged $6.50 per barrel, while the industry average was only $1.[38] Further, Philip Morris was willing to forgo any profits from all Miller brands for five years in order to build market share and establish the light beer category.[39] Its effort was rewarded by long-term leadership in light beer.

Some have suggested that the Lite brand name was an important factor in Miller's success. However, the Lite trademark was originally used by Meister Brau, another early failure in light beer. Miller acquired and used the Lite trademark successfully, largely because of Philip Morris's financial commitment.

MITS pioneered personal computers in 1975, followed by many startups during the next few years. However, only one emerged as a dominant player — Apple Computer. While contemporary reports attribute Apple's success to the role of Steven Jobs and Stephen Wozniak, its success may be due as much to a largely unrecognized third partner, Mike Markkula. He was a former executive of Fairchild and Intel who became wealthy from stock options earned at those companies. When Jobs and Wozniak each invested $6,000 in their new venture, Markkula contributed $91,000 for a one-third interest. Markkula helped Apple receive a bank line of credit and venture capital from various sources, including a fund financed by the Rockefeller family.[40] The strong financial backing enabled the firm to continue developing new products and quickly expand its market nationally. Contemporary reports do not mention Markkula's crucial role in bringing early financial strength to the startup.

Two other companies shared Apple's early dominance of the personal computer market: Tandy and Commodore. Each did so because it had financial strength and was willing to commit resources to compete in this rapidly expanding national market. Other examples in which financial commitment was very important in achieving long-term leadership are Seagram and Bartles & Jaymes in wine coolers, Matsushita and Sony in video recorders, RCA in color televisions, and Crest in toothpaste.

Relentless Innovation

Market pioneering generally follows an invention. However, changes in consumer tastes, technology, and competition require firms to keep improving their products. Long-term leadership requires continuous innovation. Three factors hinder companies from investing and following through with innovations. First, they fear cannibalizing established products. For example, IBM stymied its development of minicomputers and workstations to protect mainframe sales, even though competitors kept making inroads into the mainframe market. Second, they are satisfied with their progress. Ampex's failure to bring video recorders to the home market was caused partly by management's satisfaction with sales to the professional market. Third, large bureaucracies either discourage innovations or are slow in bringing them to market. Despite their technological strength and financial resources, GM and IBM both were slow to bring out new products because of their bureaucratic approval process.

Gillette's history shows how companies must overcome these three hindrances. Prior to 1903, men used straight razors or expensive safety razors. In 1903, with an eye on the mass market, King Gillette introduced a safety razor with low-priced disposable blades.[41] The Gillette company popularized its razors and blades by

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successfully targeting the U.S. government to buy them for troops during the two world wars. Because of patents on its initial products, persistent pursuit of the mass market, some new innovations, and few competitive threats, Gillette dominated the market for a half-century, with a peak share of 72 percent in 1962. Success may have led to complacency.

In 1962, Wilkinson Sword of Britain introduced a stainless steel blade that lasted three times longer than Gillette's carbon steel blade. With imitators of Wilkinson entering the market, Gillette's share fell to 50 percent in little over a year. Gillette was shaken. The irony was that Gillette had been aware of the new stainless steel technology all along. Indeed, later on, Wilkinson had to license some of this technology from Gillette, which held the patents. But Gillette's introduction of stainless steel would have rendered obsolete much of its manufacturing capacity for carbon steel blades. Wilkinson Sword did not destroy Gillette because it lacked the financial resources to fully exploit this innovation.[42]

The Wilkinson experience galvanized Gillette to innovate even at the cost of cannibalizing its own established products. Gillette introduced the Trac II twin-head razors in 1972 and saw its older brands slowly yield to the twin-blade technology. While Trac II was still in its prime, Gillette introduced Atra pivoting-head razors in 1977, knowing this product would cannibalize Trac II sales. In 1976, Gillette was threatened by the imminent entry of Bic disposable razors. Gillette continued to innovate by introducing the Good News twin-blade disposable razor, even though the cheaper disposable cut into short-term profits. Each of these moves were expensive but well rewarded, as Gillette retained dominance of the razor and blade market and even expanded its share. In 1989, Gillette introduced the next big innovation, Sensor, a razor with twin blades that move independently. This innovation gave such a good shave that it actually began to reverse the loss in share from less profitable disposables.[43]

Emphasis on research probably promotes Gillette's dominance of the market, which is evident in its profit figures.

The atmosphere at Gillette reveals how it succeeds at innovation.[44] There is a passion for the product, while innovation is almost an obsession. At any time, Gillette has at least twenty shaving products planned. Each day, about 200 employees personally test new shaving technology. Technicians test the edge, the guard, the angle of the blade, various aspects of the razor, and even the cut whiskers. They study facial hair, skin chemistry, and skin follicles. This emphasis on research probably promotes Gillette's dominance of the market, which is evident in its profit figures. It has diversified into numerous other markets, so that razors and blades now account only for one-third of sales but almost two-thirds of profits.[45]

Other examples of relentless innovation include Polaroid's efforts in the instant camera market, Kodak's dominance of the photographic film market, and Johnson & Johnson's steady introduction of new drugs.

Asset Leverage

Late entrants are often able to become leaders in some categories if they hold dominant positions in a related category. This ability depends on shared economies across categories, typically due to brand-name recognition, but also due to strength in distribution, production, or managerial expertise. For example, IBM's huge success in mainframe computers provided it with instant brand recognition and a strong distribution advantage to enter the PC market. Other examples where the ability to leverage assets has led to long-term success are found in diet colas, liquid laundry detergents, and wine coolers.

During the 1950s, diet cola was sold to people with special dietary needs (e.g., diabetics). In 1961, Royal Crown (RC) achieved great success when it redirected diet cola toward the mass market. However, it was virtually powerless to prevent Diet Pepsi and Coca-Cola's Tab from gaining leadership in this market, even though RC spent millions to support its brand.[46] The ability to leverage assets was further demonstrated when Diet Coke captured market leadership within one year of its entry in 1982.

As for liquid laundry detergent, Wisk enjoyed a commanding position from the time it pioneered the category in 1956 through the mid-1980s. Even P&G was unable to dislodge Wisk with its new brand, Era. However, P&G was able to capture market leadership by leveraging its dominance in regular detergent with the introduction of Liquid Tide.

In the wine cooler market, the market pioneer, California Cooler, enjoyed great success until the dominant firms in the wine and distilled spirits industries decided to enter this category. A few years after entry, Gallo's Bartles & Jaymes brand and Seagram established leadership in wine coolers. Their established distribution networks and managerial expertise contributed to their success.

Other examples of successful asset leverage include

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Matsushita in camcorders and Coca-Cola's Sprite in lemon-lime soft drinks. The proliferation of brand extensions into related categories is evidence of marketers' attempts to leverage this asset. However, two factors are necessary for successful asset leverage. First, the firm should dominate the original category in at least one dimension, such as distribution, R&D, production, or especially brand recognition. This dominance provides the asset to be leveraged. Second, the new category should be closely related to the original category so that the asset is relevant and can be easily transferred. These examples show how the emergence of a category extension provides an ideal opportunity for a dominant firm to enter late yet still assume leadership by leveraging assets.

Interpretation of Study Results

Our study has raised several questions about our method and findings. Some of these are limitations that qualify our findings, others are opportunities for future research, while still others are misinterpretations we would like to clarify.

• Does the initial leadership of pioneers provide adequate rewards to pioneering? On average, early leaders do not enter markets until about thirteen years after pioneers.[47] During that time, pioneers may well enjoy rewards from market pioneering. However, the high cost and risk of pioneering new markets usually requires long-term rewards in order to be successful. Therefore, pioneers do not seek rewards that are limited to the early years of a category for the following reasons: First, sales increase exponentially following the tapping of the mass market (e.g., recall the sales growth of Sony, JVC, and Pampers). Pioneers that fail in the early stage forgo potentially huge rewards (e.g., Ampex and Chux). Second, pioneers fail at this stage despite their efforts to succeed, because they lack vision, persistence, commitment, or innovation. So their failure is the result of poor strategy rather than a planned withdrawal. Third, some pioneers fail so quickly that they do not realize any significant rewards (e.g., MITS in personal computers and Trommer's Red Letter in light beer). Fourth, even though early leaders enter long after pioneers, other firms compete against the pioneer in the interim. This competition prevents the pioneer from collecting the rewards of a monopolist. Finally, it is important to remember that our analysis considers only successful product categories. The rewards of pioneering are much less when failed product categories are included.

• Do the conclusions change if we focus on profits rather than on market leadership? Our study does not explicitly address profits because data are difficult to obtain. Profit considerations may change the conclusions a little, but not dramatically. The main reason is that the increase in sales following the opening of the mass market is so large and rapid that firms that make this breakthrough enjoy huge profits, even when discounted over the relevant time frame. Pioneers suffer a huge opportunity loss by failing at or before this stage. Moreover, financiers, venture capitalists, and shareholders who invest in pioneers do so with the hope that their targets will be hugely successful rather than merely meet some limited short-term profit goals. The emphasis on short-term profits itself may be inappropriate. The marketing concept suggests that enduring leadership may be a more appropriate goal for a firm than short-term profits.[48] Indeed, a harvesting strategy that focuses on short-term profits has been suggested as a hedge against declining markets, rather than an end in itself, and certainly not for growth markets.[49]

• Do moderators influence the role of the five factors of enduring leadership? Our research indicates that the first four factors (vision, persistence, commitment, and innovation) are more important for entirely new categories, while asset leverage is more important for category extensions. Also, the importance of innovation probably increases as products become more technically complex. The importance of assets, such as brand names, increases as product attributes are more ambiguous and consumers rely on reputation. Attribute ambiguity itself may be negatively related to technical complexity. Thus a new category, an ambiguous attribute, and technical complexity appear to be moderators of the factors of enduring leadership.

Managers should conclude that the five factors of enduring leadership that we have identified are much more important than pioneering in determining long-term leadership.

• Are the five factors of enduring leadership related? The five factors may well be structurally related in a causal chain. Thus the vision of the mass market may inspire persistence and the willingness to commit huge finances; finances may provide the resources to innovate, while innovation may provide the solutions to achieve and maintain leadership. These factors may emanate from different individuals or departments in a firm, or they may be embodied in a single leader, which is more likely for new categories. As

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such, the relationship among the factors could occur more because they are part of an individual's drive for market leadership. George Eastman, Henry Ford, Yuma Shiraishi, Edwin Land, and Bill Gates are some examples of leaders who set the tone that drove their organizations.

• Can the relative importance of the five factors be quantified? Survey researchers could develop a specific scale for each cause, measure current organizations with these scales, and test a formal model of our theory. However, we feel that the strength of our thesis lies in the details of the cases and the longitudinal nature of the analysis. If we apply scales and models, we may lose much of the richness while yielding few new insights. With the limited knowledge we had at the beginning of the study and the data we collected, analyzing cases seems to be more fruitful than testing models.

Strategic Implementation

Managers should not misinterpret our findings by concluding that following is better than pioneering. Rather, managers should conclude that the five factors of enduring leadership that we have identified are much more important than pioneering in determining long-term leadership. Being first does not automatically endow an advantage; it only provides an opportunity.

One of the reasons for short-lived leadership in new markets is that the magnitude of any leadership advantage is proportional only to the size of the current market. Since initial sales are often quite low, any advantage for leading these markets is also low. Therefore, a critical variable for managers to assess is how "new" the new product really is. Building significant consumer demand in most new markets often takes many years. Producer-based advantages (e.g., experience effects or economies of scale) or consumer-based advantages (e.g., brand equity, switching costs, network effects, or industry standards) provide meaningful barriers to entry only after markets grow to a reasonable size. The five factors of enduring leadership are critical for firms to build primary demand for new products. Therefore, the issue for managers is how to promote the five factors in their own organization.

First, a product champion who passionately believes in the potential of a new market and has the freedom, resources, and responsibility to realize that potential is important. Indeed, the histories of many of the successful firms in our sample show that a single product champion shepherded the product from introduction to market leadership: George Eastman for Kodak cameras, William Kellogg for Kellogg's cereals, William Wrigley for Wrigley's chewing gum, Yuma Shiraishi for JVC's video recorder, and Bill Gates for Microsoft software. In contrast, the absence of vision, persistence, and commitment for Ampex's video recorder project may be directly attributed to the inconsistent leadership for the project.

Second is the establishment of an organizational structure, which we call enhanced autonomy. This structure provides the independence to pursue new ideas with vision, persistence, and relentless innovation while also supporting them with financial resources and assets to leverage. This arrangement is often achieved through decentralization. When large corporations are too centralized, senior leadership may impose an obsolete formula for authorizing and developing innovations. Such an atmosphere may stifle the vision of new markets and the pursuit of relentless innovation that are critical to success. Additionally, senior management's involvement in the market decisions of individual business units may slow new product introduction and growth. This situation is especially likely if the innovation threatens established products in the same or related markets. For example, IBM's reliance on mainframe computers may have diminished its efforts in workstations and minicomputers. Autonomous business units may be the solution to this problem. Opportunities to develop an innovation should be entrusted to new business units with independent responsibility for the innovation. The leader of that unit could then serve as its champion, while the unit itself may work as a small, nimble, entrepreneurial company that can draw on the resources of a large corporation.

Conclusion

Market pioneering is neither necessary nor sufficient for long-term success and leadership. Instead, enduring market leaders embody five principles more critical to success than pioneering. A strategy for market entry is much like a battle plan. A first strike may be desirable, but careful preparation for attack, counterattack, penetration, and consolidation are critical for success. Such preparation requires answers to five questions:

1. How will the entrant exploit the potential market? Many an innovation initially appears too crude, costly, and unappealing. Market leaders are firms that can *envision* the mass market for these primitive innovations. Firms that can define that vision can assemble resources and inspire people for the task ahead.

2. Can the entrant stick it out? The road to success is rarely easy, otherwise many a competitor would have taken it earlier. Technological blocks, legal constraints, consumer misperceptions, and competitive threats are

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some of the obstacles that new entrants face. Market leaders *persist* through these challenges in quest of the vision.

3. Does the entrant have the resources to put to the task? The mass market cannot be tapped cheaply. Many innovations hinge on new product technologies, expensive process technologies and large-scale production, or massive promotion. Market leaders are firms that can *commit* the resources to the vision of the mass market, when sales are a trickle but high costs loom.

4. Can the entrant change, even at the cost of current position? Markets, consumers, competitors, and technology change constantly. Stagnation in this environment leads to erosion of share or quick failure. Market leadership belongs to firms that *innovate* relentlessly even at the risk of cannibalizing or rendering obsolete their own products.

5. Can the entrant transfer its strengths to the new market? Leaders in a mature category often dominate with a well-known brand, extensive distribution, or unique expertise. These strengths constitute a relatively easy means to enter and dominate a category extension. Market leaders are firms that can nurture these strengths while *leveraging* them to dominate new markets.

Should you be first to enter new markets? Without these five factors, a first entrant is merely an alarm for competitors; by embodying these factors, a late entrant can outpace a lethargic pioneer. An earlier entry along with the factors is surely an advantage. But being first to market by itself is neither necessary nor sufficient for enduring market leadership. ◆

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