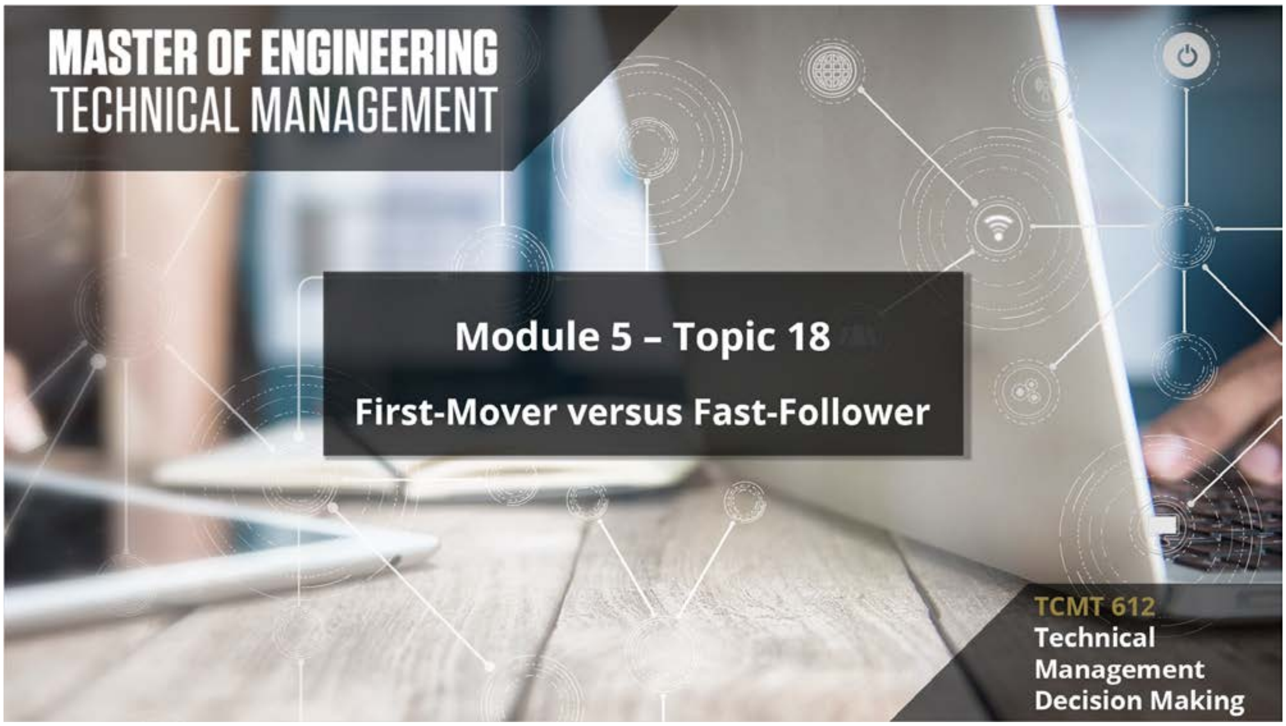
TCMT612_05M_099T_First-mover-versus-fast-follower

1. Main

1.2 Topic title



Notes:

First-mover versus fast-followers.

Which timing strategy is better?

The decision depends on the industry dynamics and a company's capability.

1.3 Timing research

Notes:

Being first in the market does not necessary guarantee gaining durable competitive advantage.

Researchers in the University of Southern California analyzed 500 brands in 50 product categories in 1993.

Their studies revealed what happened to first-movers and fast-followers.

Although the study was conducted more than 20 years ago, its observation is still applicable to our decision-making in these days.

1.4 Results

First Mover	First to sell product	11% remained market leaders in the long run	First mover advantage lasted only 5-10 years	47% failure rate (ended sales in the categories)
Fast Follower	Entered early, but not first	50% became market leaders	Fast followers outperformed first movers in 5 years	8% failure rate

Notes:

Their results showed that only 11% of the first-movers remained market leaders in a long run, which means about 10 years.

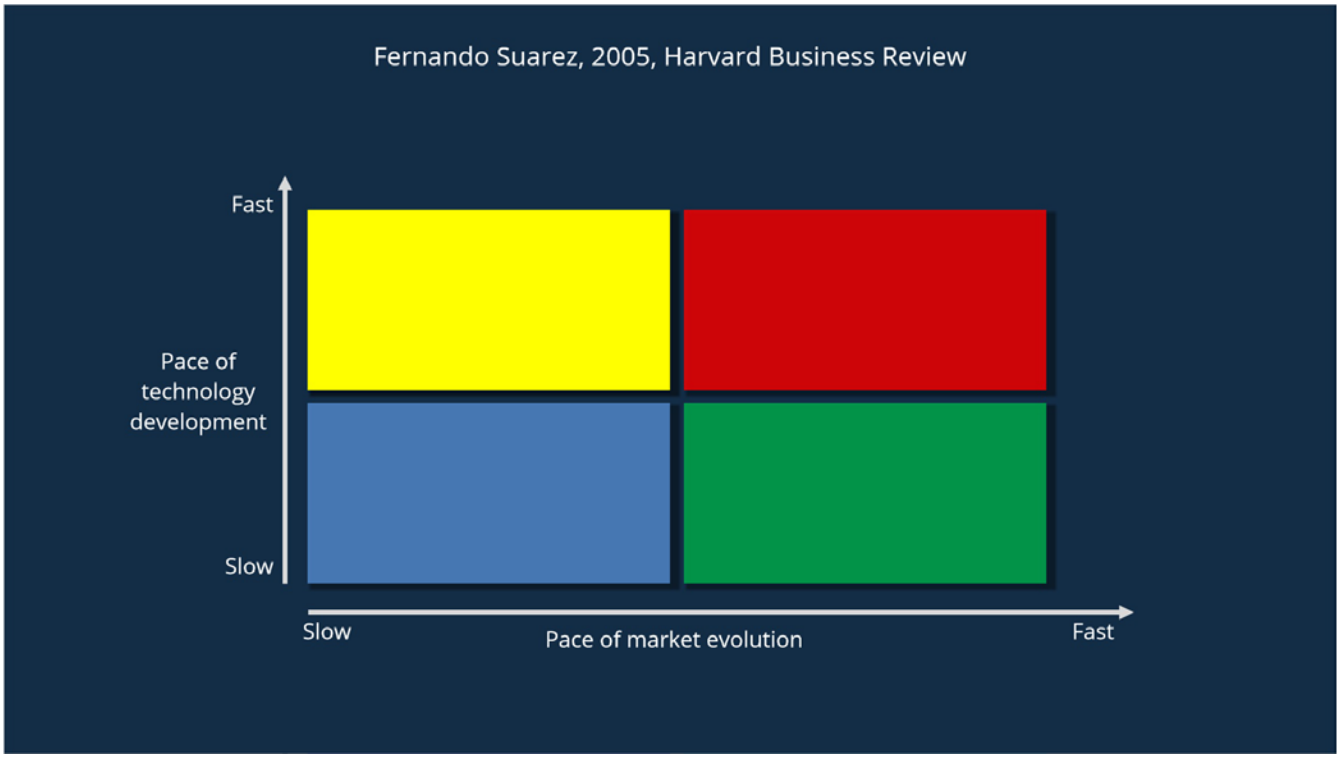
The first-mover advantage lasted only 5 to 10 years, and also almost half of the market pioneers failed and ended the sales of the product that they created and introduced to the market.

However, 50% of fast-followers became market leaders, and outperformed their first-movers in 5 years.

The fast-followers faced less risk and their average failure rate was only 8%.

Their study clearly showed that fast-follower has an advantage over market pioneers.

1.5 Categories



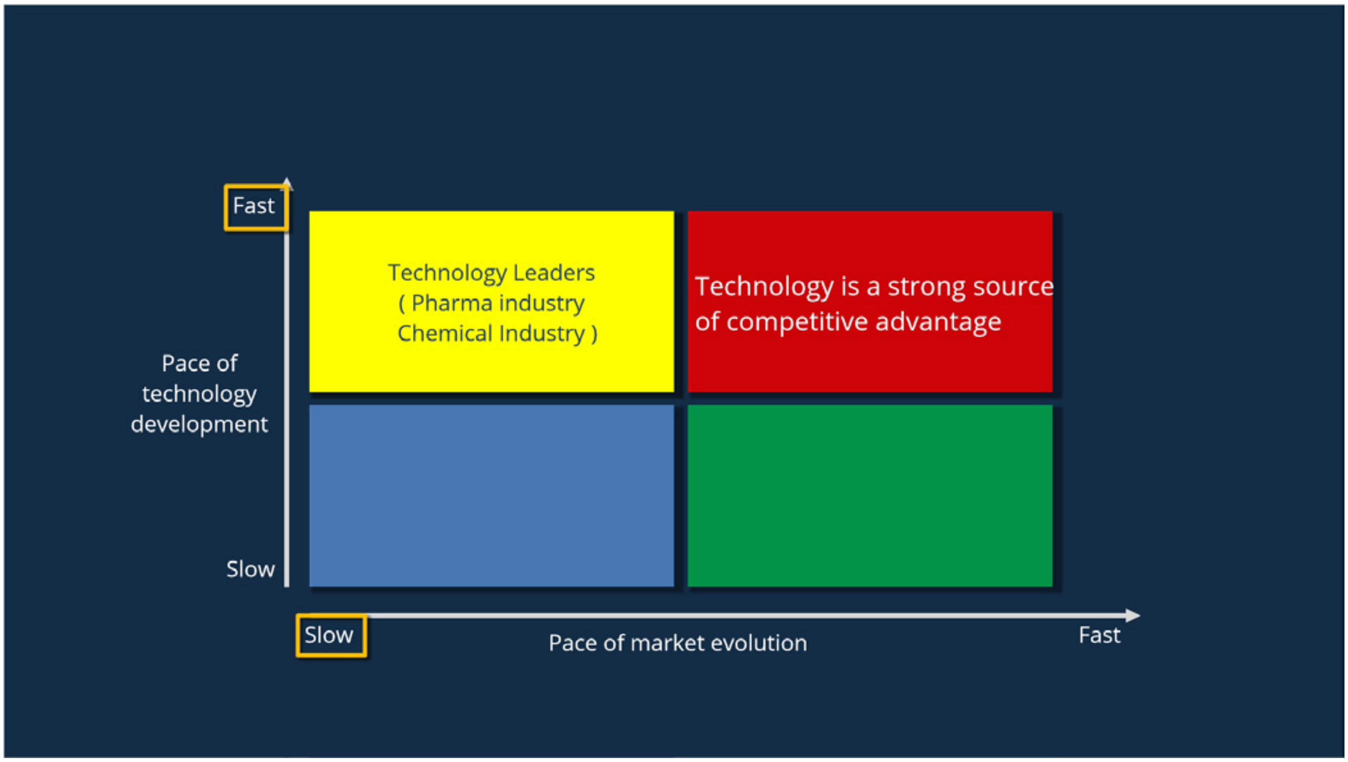
Notes:

The decision depends on the industry dynamics and a company's capability.

This chart roughly summarizes industry dynamics.

We can categorize an industry in one of the four groups depending on the pace of market evolution and also the pace of technology development.

1.6 Category #1



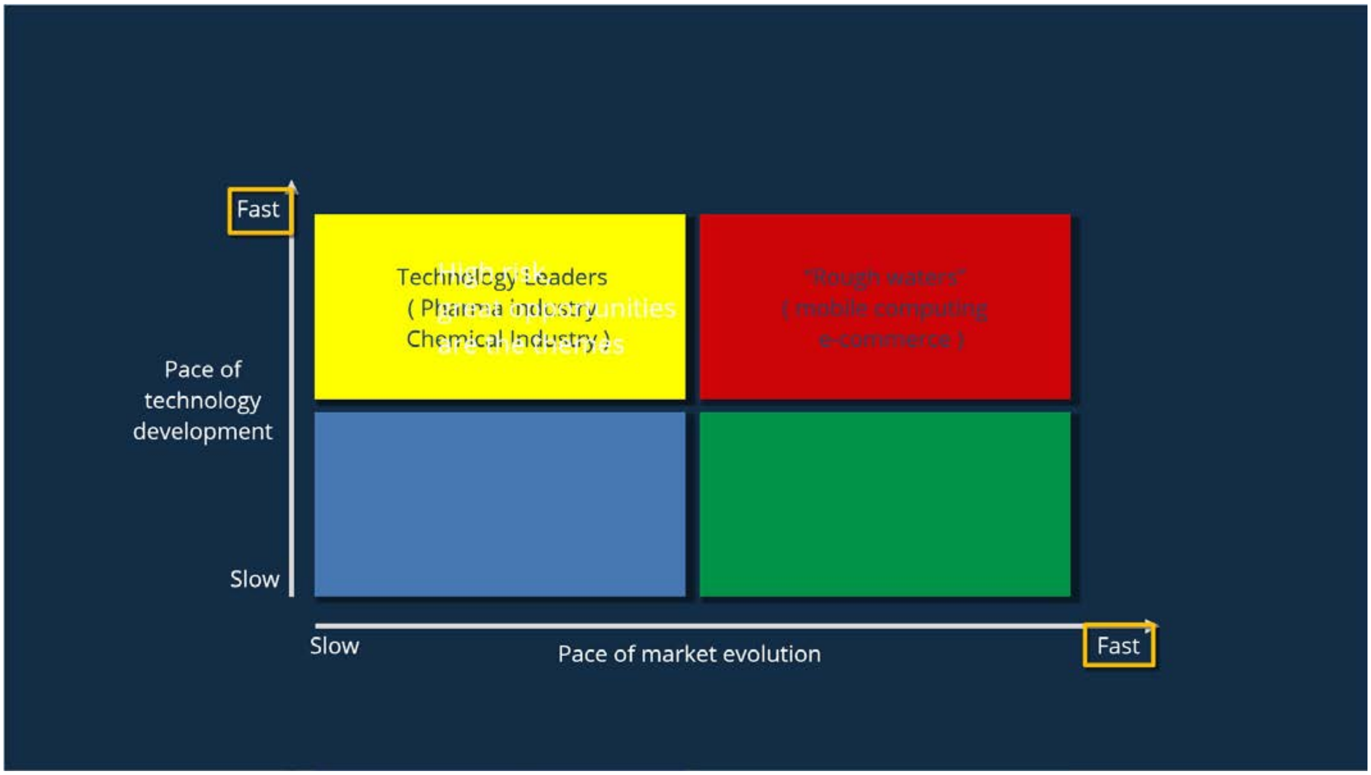
Notes:

(1) The box with yellow background represents those industries where the pace of technology development is fast, but the pace of market evolution is slow.

Some examples of this kind of industries are pharmaceutical and chemical industry.

Technology is a strong source of competitive advantage for those industries.

1.7 Category #2



Notes:

(2) The red box at the right side of the yellow box represents industries with rapid technology development and also rapid market evolution.

Examples are mobile computing and e-commerce industries.

High risk and great opportunities are the themes of these industries.

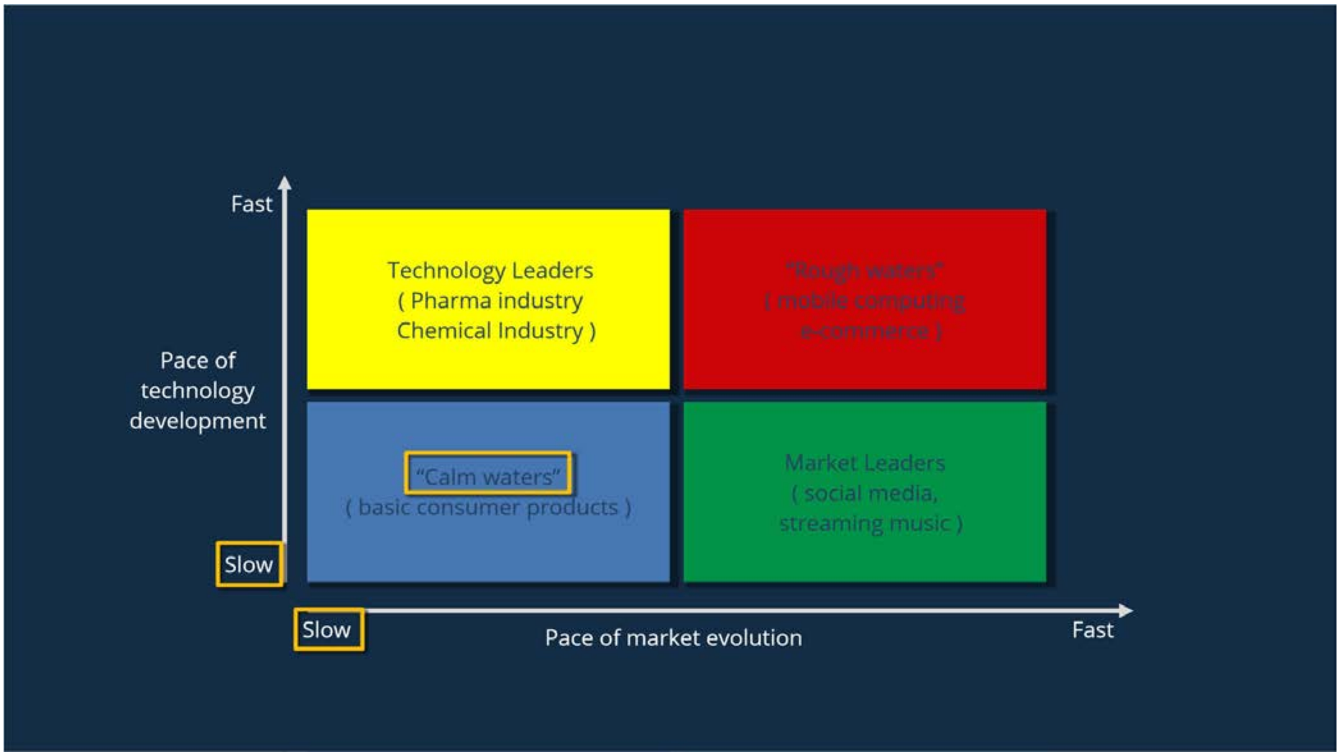
1.8 Category #3

Notes:

(3) Social media, streaming music industries experience rapid market evolution, but the underlying technologies are quite mature, so the technology development pace is relatively slow.

Marketing capability is a strong source of competitive advantage for those industries, and we call those industries "market leader" industries.

1.9 Category #4

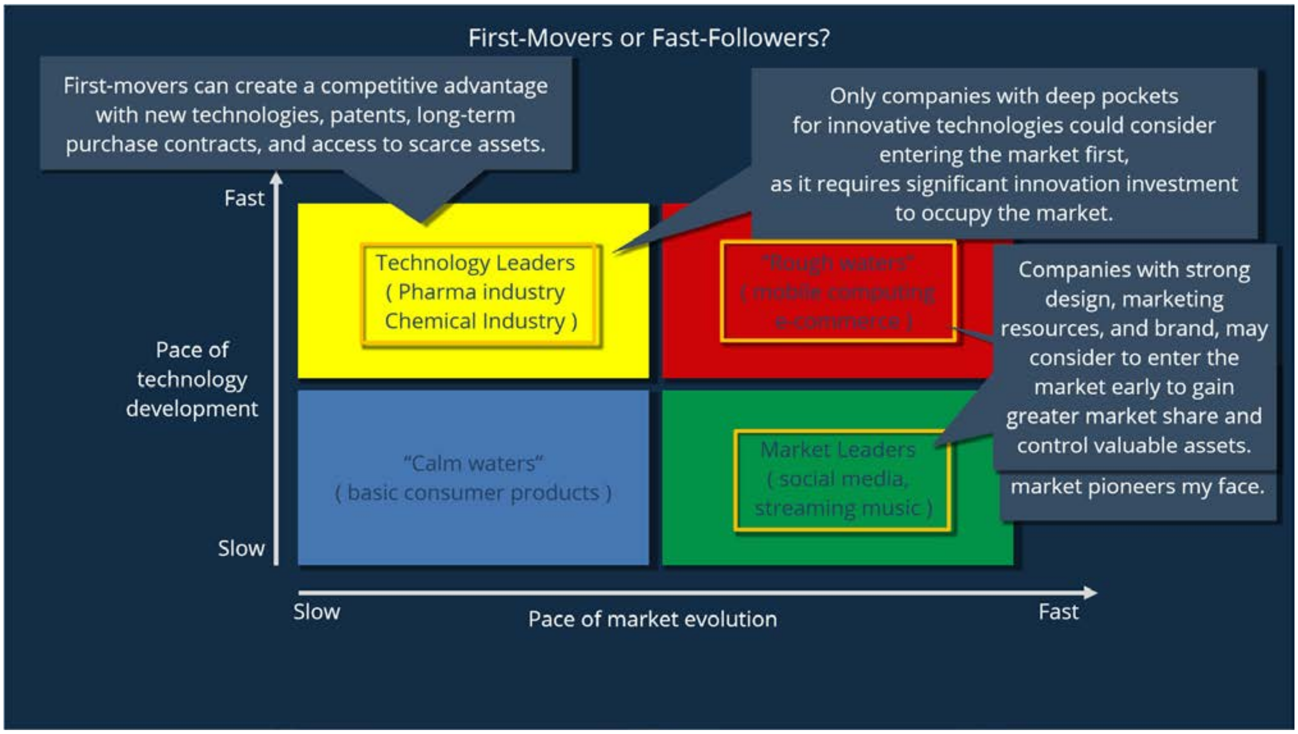


Notes:

(4) Basic consumer products industries are stable as both market evolution and technology development are slow.

So, we call those industries "Calm waters" industries.

1.10 First-mover or Fast-follower?



Notes:

(1) For companies in the "technology leader" type of industries, such as pharmaceutical and bulk chemicals, only the companies with deep pockets for innovative technologies could consider entering the market first, as it requires significant innovation investment to occupy the market. But first-movers can create a competitive advantage with new technologies, patents, long-term purchase contracts, and access to scarce assets in those industries.

(2) For companies in highly dynamic industries, such as mobile computing and e-commerce, fast-follower strategy may be more suitable, given the high risks market pioneers may face.

(3) In market leader type of industry, such as streaming music and the social media, companies with strong design, marketing resources, and brand, may consider to enter the market early to gain greater market share and control valuable assets.