Fashionably late: Strategies for competing against a pioneer advantage

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ABSTRACT

This study delineates the conditions under which a late entrant is able to outperform a pioneer brand by examining the value relevance of alignable and non-alignable attributes. The first experiment shows that the late entrant can surpass the pioneer by adopting either a distinctive (new, non-alignable attribute) or enhancing (improved, alignable attribute) strategy depending on the value relevance of the new attributes. The second experiment provides evidence that pricing cues become instrumental when the value relevance of the late entrant with a distinctive strategy is low. In this context, the findings show that increasing the price of the product counter-intuitively enhances the preferences for the late entrant.

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1. Introduction

A pioneer, or "first-mover," advantage refers to the phenomenon in which brands derive a competitive advantage from being first to market. Pioneer brands can gain this advantage when early success in the market helps them establish brand loyalty, create switching costs for consumers, develop broader product lines to preempt competition, and achieve economies of scale (Jakopin & Klein, 2012; Lieberman & Montgomery, 1998; Robinson & Min, 2002). The pioneer advantage can also arise from consumers' cognitive processes, given that the order of entry influences consumers' preferences for, memory of, and learning about a product and its attribute composition (Carpenter & Nakamoto, 1989; Cunha & Laran, 2009; Kardes & Kalyanaram, 1992).

Relative to the abundant research highlighting the benefits associated with a pioneering strategy, little work examines the prospects of success among late entrants (Shamsie, Phelps, & Kuperman, 2004; Shankar, Carpenter, & Krishnamurthi, 1998; Usero & Fernández, 2009; Zhou & Nakamoto, 2007). This is surprising, considering that late entrants are more common than early entrants (pioneers) in any given industry. Prior late entrant research offers different views about the appropriate market-entry strategy needed to surpass the pioneer (Carpenter & Nakamoto, 1990; Zhang & Markman, 1998; Ziamou & Ratneshwar, 2003).

One way late entrants can outperform pioneers is to improve the core attributes of the pioneer (hereinafter, an *enhancing strategy*). For example, Verizon Communications offers a faster Internet connection (4G vs. 3G) and more access points than its competitor, AT&T. The enhancing strategy is effective because consumers can compare attributes along common dimensions (Lee & Lee, 2007; Zhang & Markman, 1998; Zhou & Nakamoto, 2007). According to Ruiz-Ortega and García-Villaverde (2008), "early followers must develop products whose characteristics can be easily compared with the products developed by pioneers" (p. 340).

Another way late entrants can surpass pioneers is to add new attributes that are valuable and relevant to consumers beyond the core attributes of the pioneer (hereinafter, a *distinctive strategy*). For example, Ford recently introduced the hands-free lift-gate sensor to its Escape line of vehicles. This strategy is effective because new attributes draw attention and improve brand attitude (Carpenter, Glazer, & Nakamoto, 1994; Carpenter & Nakamoto, 1990).

While extant research offers valuable insight into how late entrants can use the enhancing and distinctive strategies to compete against early entrants, no studies have investigated the conditions under which each strategy can successfully compete against the pioneer. To address this gap, this study examines how the value relevance of the attribute profile can increase a late entrant's market share at the expense of the early entrant. Building on category-based learning (Fiske & Pavelchak, 1986) and associative-learning theory (Janiszewski & Van Osselaer, 2000), the authors explore conditions under which a late entrant may benefit more from either a distinctive strategy or an enhancing strategy. In particular, the authors argue that a distinctive strategy

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will outperform an enhancing strategy when consumers perceive the new attributes of a late entrant as equally valuable to the functionality of the focal product as the rest of the existing attributes. Conversely, when the new attribute appears less valuable than the existing attributes, a late entrant will be better off adopting an enhancing strategy.

This research also examines how price information factors into consumers' evaluations of late entrants. Drawing on the price–quality literature (Rao & Monroe, 1989; Völckner & Hofmann, 2007), the authors advance the notion that pricing cues significantly influence the effectiveness of market-entry strategies. Results show that late entrants with less valuable, distinctive attributes can counter-intuitively surpass an early entrant if the late entrants' products are priced higher than the pioneer's.

2. Theoretical development and hypotheses

2.1. Pioneering advantage and positioning

Prior research shows that the order of entry influences the way people learn about brands and evaluate attributes. A successful early entrant can determine how attributes are valued, shape the ideal combination of attributes for a new product, and become highly representative of a product class (Carpenter & Nakamoto, 1990; Song, Zhao, & Di Benedetto, 2013). These findings are robust across both familiar and unfamiliar products (Kardes & Kalyanaram, 1992).

Structural mapping theory (Gentner & Markman, 1997; Markman & Gentner, 1996) suggests that similarity comparisons entail common attributes, alignable differences (i.e., common attributes with different values), and non-alignable differences (i.e., attributes that are unique to each alternative). Thus, late entrants can implement three different strategies to position themselves in the market to compete with an early entrant (Table 1).

First, late entrants can adopt an enhancing strategy, by providing superior performance along common, alignable attributes (Kim & John, 2008; Zhang, Kardes, & Cronley, 2002). Samsung Galaxy S5, for example, differentiates itself from the iPhone 5S with a larger screen size and longer battery life. Second, late entrants can implement a distinctive strategy, by adding unique features (i.e., non-alignable attributes) to distinguish themselves from the pioneer brand (i.e., distinctive strategy). Samsung Galaxy S5 took a distinctive position against iPhone 5S by adding unique features such as a heartbeat sensor and water resistance. Third, late entrants can adopt a "me-too" strategy, by duplicating the attribute profile of the pioneer brand. This strategy is often practiced by generic and store brands, which positions their products on the basis of price.

Prior studies indicate that, in a comparison process, equivalent common attributes between a pioneer and a follower are not diagnostic in that they fail to provide valuable information to consumers' decision making. This perspective suggests that unless a firm has a price advantage, a me-too strategy is not desirable for competing against a pioneering advantage (Zhang & Markman, 1998). Reinforcing this premise, Carpenter and Nakamoto (1989) assert that the

more consumers perceive late entrants as similar to the first mover, the less they will prefer them. Thus, this article focuses only on the effectiveness of the enhancing and distinctive strategies.

2.2. Enhancing versus distinctive strategy: The role of attribute value relevance

A late-entrant with an enhancing strategy can overcome the first-mover advantage by providing superior alignable attributes that are easily comparable, identifiable, and justifiable (Kim & John, 2008; Zhang et al., 2002). According to reminding-based category learning (Ross, Perkins, & Tenpenny, 1990), the representation of a new brand depends on its similarity to previous brands. Therefore, only common attributes between pioneer and late entrants are highlighted, whereas unique features of a late-entrant are not easily comparable and thus tend to be ignored (Lee & Lee, 2007; Sanbonmatsu, Kardes, & Gibson, 1991). Therefore, late entrants are better off focusing on the performance of alignable differences, rather than adding distinctive attributes to overcome early entrants (Zhang & Markman, 1998).

Nevertheless, a cursory review of some examples of late entrants reveals that a distinctive strategy can be effective. While early entrants of pain killers emphasized fast relief of pain, Tylenol positioned itself as a painkiller that caused no adverse side effects on the stomach (a non-alignable attribute). Similarly, unlike early entrants in the MP3 market that promoted the memory capacity of their players, iPod chose to compete on the basis of its non-alignable features (i.e., click-wheel function, firewire cable, design elements). A common property among each of these examples is the value relevance of the new attributes to the functionality of the focal product.

To elucidate how consumers evaluate a late entrant with value-relevant, non-alignable attributes, this research uses two theoretical approaches: associative-learning theory (Janiszewski & Van Osselaer, 2000; Van Osselaer & Janiszewski, 2001) and category-based learning theory (Fiske & Pavelchak, 1986). Associative-learning theory explains how consumers learn the associations between product features and product benefits. Research shows that consumers associate common attributes with the pioneer more strongly than with the late entrant. Conversely, consumers develop stronger associations between the unique attributes of late entrants relative to the pioneer brand. It is reasoned that consumers strategically allocate attention to different cues to protect previously learned associations (Medin & Edelson, 1988). Because unique attributes do not conflict with the previously learned common attributes, they draw people's attention and become a significant predictor of a brand's performance when they are valuable (Cunha & Laran, 2009).

Alternatively, category-based learning theory posits that a new stimulus is learned through a comparison process with existing knowledge (Fiske & Pavelchak, 1986). If a new stimulus matches the prevailing category knowledge, people quickly retrieve and apply that knowledge when learning the new stimulus. However, if a new stimulus does not match the existing category knowledge, people tend to evaluate the new information in a piecemeal fashion. Because a new product often comes with both matching (i.e., alignable) and mismatching (i.e., non-alignable) features, consumers use both category-based and piecemeal processing when learning new information (Meyers-Levy & Tybout, 1989). Thus, consumers may evaluate consistent information (e.g., alignable attributes) quickly by retrieving and applying category knowledge. For discrepant information (e.g., non-alignable attributes) in which judgment knowledge is not readily available, consumers need to consider and evaluate each attribute and then make a judgment accordingly.

Drawing on these theories, the authors propose that consumers make an entirely different decision if they assess non-alignable attributes according to the benefit or value, rather than making a direct comparison with the attributes of early entrants. The reason is that consumers often use product attributes as cues to predict performance

Table 1
Comparison of product attributes.

		Brand	
		iPhone 5s	Galaxy S5
Attribute	Common	Multi-touch	Multi-touch
		Proximity sensor	Proximity sensor
		Ambient light sensor	Ambient light sensor
	Alignable	4.0-in. screen	4.7-in. screen
		1560 mAh battery	2800 mAh battery
	Non-alignable	Gorilla glass	Heartbeat sensor
			Water resistance