

Value Pioneering: Settle In and Grow

Monte J. Shaffer

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Monte J. Shaffer is a Ph.D. Student in the Department of Marketing at Washington State University. Address all correspondence to Monte Shaffer at Washington State University, Department of Marketing, PO Box 644730, Pullman, Washington, USA 99164-4730, (o) 509-335-1297, (f) 509-335-3865, (c) 509-592-7592, monte_shaffer@wsu.edu.

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Abstract

Traditional views of pioneering and entry barriers are reassessed as a new concept of pioneering (value and innovation) is introduced. The new views have much of the essence of the traditional views, without the competitive emphasis.

The PIMS data has indelibly ingrained traditional views of pioneering advantages; that is, capturing marketing share by simply being first. Once a pioneer settles in, traditional views would suggest the firm should erect barriers to entry and in doing so, secure ten years of market leadership. As analysis of pioneering and entry barriers becomes more sophisticated, these traditional views are being transformed.

Szymanski and colleagues (1995) perform a careful meta-analysis in which they test the main effect of pioneering on market share ($R^2=0.27$) and compare this view to a contingency-based view ($R^2=0.30$). Although the standard means show no significant differences, the sample-size weighted (SSW) estimates show a relationship of 4.21% between a pioneering advantage and market share. The analysis flushed out potential omitted variables and their contingent potential: 4.56% product line breadth, 3.95% marketing expenditures, 3.94% pioneering order, etc. This analysis was then extended to include potential moderators that would explain the market share in lieu of the assumed pioneering etiology. The meta-analysis collected data across many studies with similar OLS models, assuming linearity.

The relationship between entry strategy and long-term performance has not been fully understood in the traditional *market share as performance* models. Green and colleagues (1995) in a historical study of mainstream software development (word-processing and desktop publishing) choose a more creative measure of performance (magazine coverage). Rather than only considering first-mover activity, a causal model is created to determine the success of all of the entrants in the new industry. The product-market environment and sources of advantages are the antecedents to timing, competitive positioning, and investment choices (magnitude and concentration) which etiologically determines performance, using an operationalized entry

strategy performance model (ESPM). The model suggests that both value and quality are very important drivers of worthy performance. In the specific context of this early market, the number of competitors appears to be irrelevant; however, the standardization of adoption (capturing of dominant design) potentially would have network economies as the market matures and competition concentrates. Of greatest interest, it becomes clear that plasticity and hubris prevents performance by large incumbents in adjacent markets; as seen by the IBM, who had no desire to cannibalize adjacent profits in the new PC market.

In a similar historical pioneering study, Srinivasan and colleagues (2004) try to determine the relationship between pioneering survival, network externalities and relevant moderating effects (radicalness, technological intensity, firm size, and entrant position). Interestingly, it was shown that increased network externalities related to shorter pioneer survival (a relative negative 91%), which was more of a detriment to incumbents. The other parameters were more intuitive in explaining pioneer survival—radicalness and technological intensity can reconfigure the industry scope; firm size suggests deeper pockets with diversified risk.

Counter-intuition about network externalities and competitor importance, directly questions the importance of barrier entries. Han and colleagues (2001) address the myopic hubris of incumbents who create barriers, and become complacent and plastic in their innovation and technological orientation. This non-cannibalizing rigidity can become a double-edge sword if a new entrant reconfigures the industry by changing the nature of the competition using value pioneering or new technologies. Interestingly, cost advantages and proprietary assets (tacit capabilities) appear to be the only traditional Porter barriers that maintain performance for incumbents.

The recent research suggests that the traditional view lacks certain key principles to explain pioneer survival and long-term performance. The firm's agility as it relates to technology, R&D, and competitive responsiveness appears to be a key indicator of success. Bharadwaj and colleagues (2005) suggest a *settle in and grow* paradigm shift. Applying macroeconomic endogenous theory to marketing activities using the relative Resource Advantage Theory suggested by Hunt, the authors advocate three different ways a firm can grow in the market place: first, the classic market-share competition, a zero-sum game; second, effects of business cycles on all firms within an industry due to market conditions; and third, pure growth—a result of knowledge diffusion. This type of growth is unbounded as invention, innovation, and discovery can grow the size of the market. Marketing activities, intended to directly appropriate value from internal knowledge creation, also diffuses knowledge to the marketplace, creating a bigger pie.

Such ideas would suggest that many of the competitive activities of creating pseudo-barriers to entry actually stifle innovation, discovery, and diffusion thereby stifling the third growth rate. In attempts to maintain market share (first growth protection), firms in fact may be reducing the size of the pie (third growth) for the entire market. Exogenous controls related to market performance becomes a harmony of differing Defender views: differentiation and low-costs. This marriage of value appropriation from knowledge dispersion of innovative creations coupled with inherent cost-reducing pressures, creates a new view of market success.

In some ways, Porter was correct, *settling in* is important to performance; however, artificial barriers are not necessary to achieve success, because growth has more than competitive, zero-sum components. Kim and Mauborgne (2004) describe this new view as a

“Blue Ocean Strategy” even within industries that appeared to be highly concentrated, competitive, and low performing. Reconfiguration of the industry through value pioneering, innovative pioneering, or both can result in uncontested market space, a place to settle in and grow.

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