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JOURNAL ARTICLE

Pioneer Advantage: Marketing Logic or Marketing Legend?

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Journal of Marketing Research

Vol. 30, No. 2 (May, 1993), pp. 158-170 (13 pages)

Published By: Sage Publications, Inc.



<https://doi.org/10.2307/3172825>

<https://www.jstor.org/stable/3172825>

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PETER N. GOLDER and GERARD J. TELLIS*

Several studies have shown that pioneers have long-lived market share advantages and are likely to be market leaders in their product categories. However, that research has potential limitations: the reliance on a few established databases, the exclusion of nonsurvivors, and the use of single-informant self-reports for data collection. The authors of this study use an alternate method, historical analysis, to avoid these limitations. Approximately 500 brands in 50 product categories are analyzed. The results show that almost half of market pioneers fail and their mean market share is much lower than that found in other studies. Also, early market leaders have much greater long-term success and enter an average of 13 years after pioneers.

Pioneer Advantage: Marketing Logic or Marketing Legend?

The subject of order of market entry is critical to firms' survival and success. Pioneering new markets is expensive and risky, but also potentially very rewarding. If pioneers have advantages in supplies, costs, information, product quality, product line breadth, distribution, and long-term market share (Robinson and Fornell 1985), firms may benefit from early entry. In contrast, if later entrants can leapfrog pioneers with superior technology, positioning, or brand names, firms could be better off entering late (Lieberman and Montgomery 1988). Thus, the extent and nature of pioneering advantages need to be more fully understood.

Several studies have shown that pioneers have long-lived market share advantages (Bond and Lean 1977; Lambkin 1988; Parry and Bass 1990; Robinson 1988;

Robinson and Fornell 1985; Urban et al. 1986; Whitten 1979). Some researchers have interpreted these studies as showing that first entrants often become market leaders. The cumulative evidence led Scherer (1985) to conclude that pioneer advantage is a general phenomenon. Though current research overwhelmingly supports the advantages of pioneering, three major concerns remain.

First, two of the main databases used for past research, PIMS and ASSESSOR (Urban et al. 1986), have a sampling bias from including only survivors (Day and Freeman 1990). The exclusion of pioneers that have failed may overstate the advantage of pioneers. Indeed, as time passes after a pioneer has failed, successful firms in the same market may come to regard themselves as pioneers.

Second, PIMS and ASSESSOR data rely on self-reports of single informants to classify pioneers. In the PIMS data, an informant in each business classifies it as one of the pioneers, an early follower, or a late entrant. In the ASSESSOR data, an informant in each firm provides the year it entered the market. Though surveys for these data may have at times contacted more than one informant, they did not collect multiple measures to assess reliability and validity. Such self-reported data by single informants present a potential measurement problem. Respondents, especially if newer employees, may not be well informed about the order of market entry, especially of older products that have existed for decades or longer. Self-perception bias may lead respondents in

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The authors deeply appreciate the advice, encouragement, and valuable contributions of Gary Frazier, especially during the conceptual phase of the research. They thank Robert Fisher, Jeff Inman, Mike Kamins, Dennis Rook, William Robinson, Avu Sankaralingam, Dave Stewart, and participants at a USC seminar for their comments on a previous draft of the article. The article also benefited from the comments of Barton Weitz and four anonymous *JMR* reviewers. The authors gratefully acknowledge financial support from the Marketing Science Institute and University of Southern California Graduate School of Business Administration and the generous provision of data by Simmons Market Research Bureau.

Abstract

Several studies have shown that pioneers have long-lived market share advantages and are likely to be market leaders in their product categories. However, that research has potential limitations: the reliance on a few established databases, the exclusion of nonsurvivors, and the use of single-informant self-reports for data collection. The authors of this study use an alternate method, historical analysis, to avoid these limitations. Approximately 500 brands in 50 product categories are analyzed. The results show that almost half of market pioneers fail and their mean market share is much lower than that found in other studies. Also, early market leaders have much greater long-term success and enter an average of 13 years after pioneers.

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