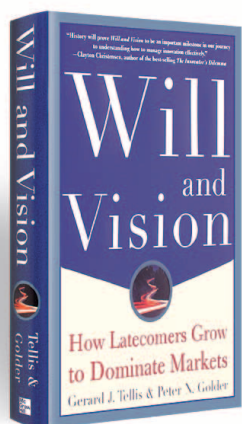


# SOUNDVIEW Executive Book Summaries®



By Gerard J. Tellis and  
Peter N. Golder

## How Latecomers Grow to Dominate Markets

# WILL AND VISION

### THE SUMMARY IN BRIEF

For years, organizations have clung to the belief that the firm that pioneers a new market will become the market leader. Contrary to this widely held belief, the authors write that being first to market guarantees nothing — not name recognition, not market share, and not long-term market leadership. The examples are numerous: P&G did not pioneer the disposable diaper, Federal Express was not the first to offer a priority airfreight service, and Microsoft did not invent the first Web browser. In this summary you will learn what five key principles **do** drive market leadership and how to apply them to your company's efforts to dominate mass markets.

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### What You'll Learn In This Summary

- ✓ **Why vision of the mass market is crucial.** Market leaders are firms that can envision the mass market for innovations and can assemble resources and inspire people to realize that vision.
- ✓ **Why persistence is the key.** Market leaders are those who persist despite technological blocks, legal constraints, consumer resistance and competitive threats. The road to success is rarely easy.
- ✓ **Why commitment is necessary.** The mass market cannot be tapped cheaply. Many innovations hinge on new technologies that require costly research and development. Others require large-scale production to achieve economies of scale. Market leaders are firms that commit their resources to a vision when sales are a trickle but costs loom large.
- ✓ **Why relentless innovation is essential.** Markets, consumers, competitors and technology change constantly. Stagnation can erode market leadership quickly, letting a later entrant take over. Market leadership belongs to firms that innovate relentlessly even at the risk of cannibalizing their own products.
- ✓ **How assets can be leveraged.** Leaders who dominate an industry must use their resources to enter new and related markets. Market leaders are firms that nurture strengths, like name recognition and product leadership, and extend their resources' influence into related fields.

# WILL AND VISION

by Gerard J. Tellis and Peter N. Golder

## — THE COMPLETE SUMMARY

### Are Pioneers Really Blessed?

Gillette. Coke. Tide. These brands have dominated their categories for decades. Once brands capture leadership, they can hold it for decades. In one study, researchers discovered that 19 out of 25 market leaders had held that position for over 60 years. Enduring market leadership is a common phenomenon.

Managers understand the importance of that leadership. First, enduring brands are attractive to consumers, and their owners can charge premium prices without incurring heavy marketing costs. Second, economies of scale mean that market leaders can operate at efficient volume and earn higher profits than a niche product. Third, market leaders can extend their brand recognition into related products and dominate there, too. On the other hand, thousands of products and brands are introduced every year, and most vanish from the market.

Why is it that some brands remain strong and others wither away and are quickly forgotten? The conventional wisdom has been that a firm's probability of surviving and its share of the market depend on the order in which it enters the market. The firm that pioneers or enters a market first is believed to have enormous advantage. This theory is the pioneering or first mover advantage. So many managers believe it to be true that companies everywhere scramble to be the first to market, whether the product or service is ready or not.

#### *The Problem With 'Empirical Studies'*

Several studies have provided what appears to be empirical data to support the accepted wisdom that being first to market is the key to success. For example, at least six studies show that pioneers have large market shares and are leaders in their markets. These studies report no pioneers that failed and support the idea that the first immutable law of marketing is that "it's better to be first than it is to be better."

Unfortunately, all the casual observations about pioneers and most of the formal data suffer from three serious problems. These problems are: *the exclusion of failures*, *the self-anointing of pioneers*, and *the self-serving definitions of the market*. All three problems work to enhance the perceived rewards of being first.

#### *Exclusion of Failures*

Humans have a tendency to forget failures. When

### The Six Tenets of First Mover Advantage and Their Theories

Those who believe that the first mover retains a long-term competitive advantage believe that:

- ✓ **Pioneers rarely if ever fail.**
- ✓ **Pioneers lose share slowly as new firms enter the market.**
- ✓ **Pioneers retain a high steady-state market share of about 30 percent.**
- ✓ **Pioneers are market leaders.**
- ✓ **Pioneer market leadership is very stable.**
- ✓ **Firms should rush to market to get the first mover advantage. It's better to be first with an inferior product than late with a superior one.**

Their beliefs are based on the theory that: pioneers shape consumer tastes; consumers hate to switch brands; patents protect technological innovation; pioneers have low costs; and pioneers mobilize the best supplies, suppliers, and distributors, and target the best customers.

researchers exclude those who failed from their analysis, and include only pioneering winners, they exaggerate the rewards of being a pioneer. Economists refer to this as *survival bias*. In addition, they may run the risk of rejecting a competing hypothesis to the first mover

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### Are Pioneers Really Blessed?

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theory — that pioneers fail. Research that relies on survey data that only covers successful pioneers suffers from the real danger of being circular: stating a hypothesis, excluding conditions that could disprove the hypothesis, and then confirming the hypothesis because the data that would disprove it isn't even considered.

Take, for example, the Gillette Company, which is believed by many to be the pioneer of the safety razor market. Indeed, the company has been around for over one hundred years and dominates the market. But Gillette did not invent the safety razor. In fact, several companies marketed safety razors long before Gillette, and were the real pioneers. They failed.

#### **Self-Appointed Pioneers**

Another problem with the study of pioneers is the tendency to survey only current firms in the market. The managers then self-report information. Sociologists have long recognized that those who self-report tend to claim to possess qualities they think the public considers desirable. Many self-report that their companies were the pioneers, when in fact the real pioneers may have failed.

For example, consider Proctor & Gamble and the disposable diaper market. In 1991, P&G celebrated the thirtieth anniversary of its entry into the disposable diaper market. The company claimed at the time that it “literally created the disposable diaper business in the U.S.” Based on this pioneering self-report, many reporters credited the company with inventing the disposable diaper. In fact, there were many versions already on the market, but all of them failed. It wasn't P&G's position as a pioneer that assured its success (it wasn't the pioneer), but something else.

#### **Self-Serving Market Definitions**

The third problem with pioneer studies is their tendency to narrowly define the relevant market. By defining a market narrowly, a company's market share automatically looks larger. For example, if Motorola defines its market as microprocessors for Apple computers, its market share is 100 percent since it is Apple's only supplier of chips. If it defines its market as microprocessors for all personal computers, its share falls to under 10 percent of the chip market.

Since the performance of managers is often evaluated on the market share of the brands or company they manage, they tend to define that share narrowly. The problem, of course, is that narrowing the market this way may blind the company to real competition coming at it from the margins. For example, for a period of time Wang dominated the narrow “dedicated word processing

machine” market. When software companies began producing software that ran on personal computers, Wang still looked like the leader in its market. Soon, its machines were obsolete. The company was blinded to the underlying consumer need (a way to type documents) and focused on the current technology for meeting that need (a dedicated word processing machine). Had it defined the market as document preparation, it might have seen the changes in consumer needs coming.

A narrowly defined market prompts a firm to think of itself as the leader. This can blind a company to competitors in the broader market who may enter with superior technology and win its customers.

In addition, many researchers define pioneers too broadly, as “one of the early entrants” or a “firm that entered in the early years.” This, too, skews the results. A better definition of pioneer is “the firm that first commercialized a product.” By properly defining the terms, researchers can avoid the bias that has led to the conclusion that a company must be first to market to dominate that market in the long-term. ■

## Learning From History

As you can see, asking managers of surviving firms to identify and evaluate pioneers has many problems. What is needed is an alternative approach. This approach is the historical or archival method. The historical method consists of reconstructing the evolution of markets by evaluating multiple market reports, written as close in time as possible to the actual events.

Using contemporaneous reports is the most important feature of the historical method. Contemporaneous

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### Apple Shows Why Using Contemporaneous Reports Is Crucial

Today, Apple Computers is widely reported as having been the pioneer in the personal computer market. Yet, before Apple, there was the Altair. In 1975, Micro Instrumentation and Telemetry Systems (MITS) introduced the first personal computer, the Altair. The Altair established the notion of a stand-alone personal computer that consumers could own. MITS, the pioneer, failed and has been forgotten. Apple, a later entry into the market, succeeded. Apple is now remembered (incorrectly) as the company that first introduced the personal computer. Studying only Apple won't reveal any truths about being a pioneer, since it wasn't one.

### Learning From History

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reports use the definitions of the market that were in place at the time, not those currently in use.

Contemporaneous reports also allow researchers to see who really entered the market first. The second important feature of the historical method is that it strives to obtain a neutral perspective on market evolution. The third important feature is that the historical method uncovers rich details. A fourth feature is that the method allows the comparison of similar firms at the same stage of market evolution.

What sources can be used to determine if a historical source should be used in the analysis? The following four are the most important:

**Competence.** Is the informant able to report correct information?

**Objectivity.** Is the informant willing to report correct information?

**Reliability.** Is the informant a trusted source of accurate information.

**Corroboration.** Is there confirmatory evidence from other trusted sources?

To understand why and how a company comes to dominate a market, researchers need to look at the market as it existed when the product was introduced, and then at the behavior of the firm that ended up as the market winner, as well as the others who didn't. Take, for example, the Internet browser wars. The first entry into the market was CERN (now the European Laboratory for Particle Physics). The second entry was the National Center for Supercomputing Applications at the University of Illinois. Then came Netscape, followed by Microsoft. Each, in turn, was in control of the market and the technology. Yet today, Microsoft, the last entry, is the market leader. Why? That question is what we will explore in the rest of this summary.

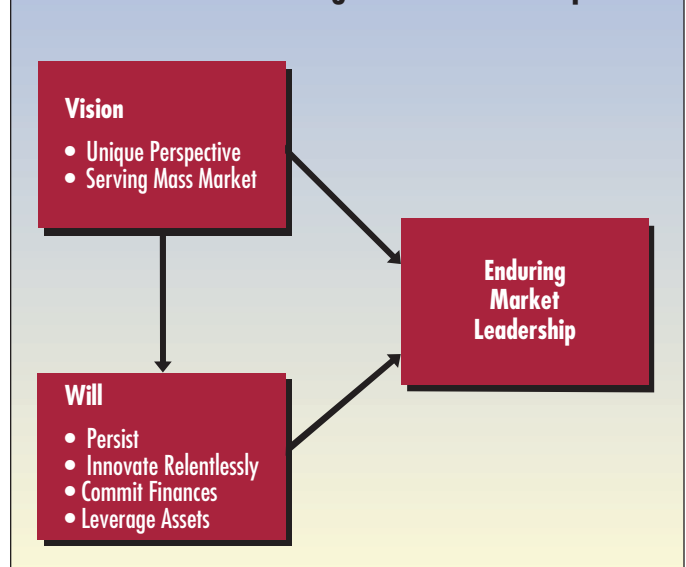
Definitions are crucial for valid analysis. Loose definitions can lead to erroneous conclusions. Clear definitions are necessary for accuracy. Pioneer is defined as the "first firm to commercialize the product in a new market." Market is defined as "a competitive environment in which firms attempt to satisfy some distinct but enduring consumer need." ■

### Pioneers and Real Causes Of Enduring Leadership

After extensive research, the answer is clear. Pioneers don't become long-term leaders.

Market pioneers rarely endure as leaders. Most of

### A Model of Enduring Market Leadership



them have low market share or fail completely. Market pioneering is neither necessary nor sufficient for enduring success.

What does it take to become a market leader? The real characteristics of enduring market leadership are vision and will. Enduring market leaders have a revolutionary and inspiring vision of the mass market, and they exhibit an indomitable will to realize that vision. They persist through adversity, innovate relentlessly, commit financial resources, and leverage assets to realize their vision.

Will manifests itself through *persistence, relentless innovation, financial commitment, and asset leverage.*

Vision is the starting point. It motivates and directs will. Firms endure as market leaders because they have all or most of these attributes. Market pioneers often fail because they lack one or more of these factors. ■

### Defining Will and Vision

What is **will** and what is **vision**? **Will** includes persistence, innovation, commitment, and asset leverage. These four factors all have to do with determination, and therefore define will.

**Vision**, as the term is used in this summary, is a company's unique perspective of serving the mass market. It isn't the broad statement designed for a press release. For example, when Microsoft founders Bill Gates and Paul Allen saw falling prices and improved technology, they concluded that there would be a huge market for personal computers. The vision of a computer "on every desk and in every home" fired their zeal to develop the software that would run those computers.

### Envisioning the Mass Market

Focus on the mass market is an essential component of vision. Ray Kroc had a vision of an international mass market for cheap fast food. Bill Gates saw a mass market for personal computers. Yet, the mass market is something that marketers tend to shun. Strategists stress segmentation and differentiation instead. The result is that in a market of mature products, there are many brands. Each claims unique benefits for ever-smaller groups of consumers.

Marketers assume that mass marketing means cut-throat competition, low margins and low profits. This is far from true, especially when a product is new.

To reach out to the mass market, you must set a price that will appeal to the group you are targeting, and plan the entire research and production effort around achieving that price point. Remember that tapping the mass market allows economies of scale that lead to low unit costs. Low costs enable a firm to earn a positive margin on each unit. When multiplied over mass market sales, this strategy yields far greater profits than a higher margin in a niche market. Mass marketing has often propelled a late entrant to market leadership ahead of the pioneer that focused on a niche.

Also, the large-scale operation that goes into serving a mass market can easily support a big research effort, which can rapidly lead to price reductions and quality improvements. The scale and profits from tapping the mass market allow a later entrant to spring ahead of the pioneer with an early technological lead.

#### *Exploiting the Economies of the Mass Market*

Microprocessor sales reveal the dynamics of mass markets. Even at a low margin, a mass market can generate huge profits that can be invested to lower costs, improve quality, and further expand the market. Wisely exploiting these dynamics can give an organization a tremendous advantage over competitors and catapult it into market leadership.

Microprocessors are the brain of the personal computer. The wonder of the microprocessor lies in what it does and what it costs. It can perform millions of computations per second and it can be mass produced at relatively low cost. Intel developed the microprocessor in 1971. At the time, the company lived in the shadow of semiconductor giants IBM and Fairchild. How did Intel come to revolutionize technology? It did so because it saw mass market potential while its competition did not.

At the time, IBM concentrated on large, mainframe computers and wasn't interested in developing either personal computers or microprocessors for the mass market. To do so was seen as cannibalizing its highly lucrative niche business. Intel took up the challenge and

### How to Unleash Mass Market Potential

The lowly disposable diaper is a good example of vision. Disposable diapers were available to consumers in the 1950s, but weren't popular. The main reason was expense. They cost about 8.6 cents per change, compared to 1.5 cents per change for home-washed cloth diapers. Although consumers loved the convenience, the high cost meant they were used sparingly, primarily when traveling. Although 80 percent of diapering households used them, disposables only accounted for 1 percent of sales.

Proctor & Gamble realized the potential for mass market sales. They designed a better disposable diaper than was available at the time, and reduced the cost per change to 6 cents. It took five years to design the diaper and another five years to improve the design and reduce the cost enough to justify a national mass market roll out. In 1966, Pampers were launched with a cost of 5.5 cents per diaper. Demand was so high the company could barely keep up.

What happened to the pioneering competitor who was selling disposables ten years earlier? Chux diapers, produced by Johnson & Johnson, couldn't compete, and by 1981 had withdrawn from the market. The pioneer who had produced a successful high margin niche product (disposable diapers for traveling) yielded to newcomer Pampers after having dominated the market for 35 years.

developed a generic computer chip that could be used in countless applications from calculators to watches to personal computers. ■

For another example of the futility of concentrating on a niche market, go to: <http://my.summary.com>

### Uniqueness of Vision

Consider McDonald's, Gillette and Federal Express. Contrary to popular belief, they were not pioneers of their markets. In fact, they entered established markets. At least two were given no chance of success. Yet, they endured and grew into great companies. Each had a unique vision and a novel idea for serving the mass market.

In the case of McDonald's, it was low-priced, fast food in a clean restaurant. For Gillette, it was a safe, convenient and disposable razor. For Federal Express, it was fast, reliable deliveries for consumers with urgent shipments. At the time, each vision was seen as radical,

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### Uniqueness of Vision

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infeasible, and even foolish. The seeds of their vision were already present in products that were available at the time they formulated their vision. Other firms didn't leap at the opportunities because they were so immersed in their own narrow world view that they failed to realize the potential even when presented with the ideas.

Consider Federal Express. The founder, Fred Smith, formulated his idea for priority airfreight service as a term paper for a course at Yale in 1965. He earned a C on the paper, but turned his vision into a billion dollar success. By the time he started the business in 1971, his biggest competitor, Emery Air Freight, had been in the business for 25 years. Emery was a freight forwarder that picked up and delivered parcels, and shipped them via passenger planes. Smith's vision included flying the freight.

At the core of his vision was the belief that there was a huge market for priority mail — mail that was of high value and time sensitive, such as medicine, documents and electronics. The passenger plane system in use at the time was inefficient: Packages could take days to arrive as they were bounced around the country on available flights. His vision was of a hub and spoke system whereby mail would be flown from cities to a hub, sorted, and sent out on the same planes to their destinations.

Vision most often lies with individuals. By its very nature, vision is a perspective that is not held by a majority. Corporations tend to suppress individuality and encourage group thinking, which makes it much harder for visionaries to thrive and succeed. A corporation's ability to endure depends on its ability to attract, support and retain visionaries. ■

### Persisting Against All Odds

Market leaders rarely achieve success through luck or sudden breakthroughs. Managers must have the will to persist through obstacles. The road to success is long, hard and trying. Luck has very little to do with it. Unfortunately, conventional business wisdom supports the theory that luck and accidental breakthroughs are the way to success. These beliefs may lead to unrealistic expectations and premature project terminations.

Persistence is the key to becoming a market leader. Consider this example: the advent of Beta and VHS video recorders. Although we often think of video recorders as a dramatic technological breakthrough, the truth is that we owe the ability to record television shows and view movies at home to persistence. As long ago as 1958, Sony started research. It took Sony four

years to develop a two-head recorder, which it introduced to the market in 1962. Though it was a technological wonder, it wasn't advanced enough or affordable enough for either the business market or the mass market. By 1965, Sony had a model that was priced below \$1,000, which was adopted in some schools, hospitals and businesses. By the 1970s, Sony was working on the Betamax. It first hit the market in 1975, nearly twenty years after work on it began.

As you can see, companies that persisted in following their vision have sometimes become market leaders. But how long should you persist before giving up? When should you enter or quit a market? The answer depends on good judgment and three factors. These factors are: vision, product takeoff and the dynamics of technological change. First, the vision has to be believed in passionately.

For a radical new product, three factors influence the likelihood that the product will take off. These are: the price, market penetration, and time since introduction. For example, most new product introductions will see low sales at first. This is because the new product is probably quite expensive when compared to the established product the consumer currently uses to satisfy the need the new product fills. But, as the product improves, the price usually begins to fall. When quality overtakes the older product, sales usually soar, and the product rapidly penetrates the market. As time goes on, the market matures and the cycle begins again. ■

For more examples of persistence, go to:  
<http://my.summary.com>

### Why and How Companies Must Innovate

Technology and consumer tastes are constantly changing, leaving markets in a state of constant flux. Old markets die out, new markets emerge, and multiple markets merge into a new one. Therefore, long-term leadership requires constant innovation. Firms must have the will to change their products, their attitudes, and their marketing to maintain leadership. Innovation remains important as competitors try to take market share from a company that dominates its category.

Market leaders must also avoid the fear that by innovating they risk cannibalizing existing products. Firms must be willing to innovate relentlessly. Constant innovation not only keeps competitors at bay, but generates profits for further innovation. This is the road to success taken by Intel and the microprocessor. Each time Intel introduced a new chip generation, sales of the older

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### Why and How Companies Must Innovate

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generation level off and then decline. Each generation cannibalizes the last. Why would it do this? The success of each new product spurs competitors, and a firm must cannibalize its own products if it wants to maintain its leadership role. With each chip innovation, Intel creates a new market for updated computers, as those running earlier generations of the chips become obsolete.

Bureaucracy can be a formidable barrier to innovation; autonomy is the antidote. Companies can create small, independent units with their own mission, goals and budgets. These units should be populated with fresh talent, and they must be rewarded when they come up with innovations.

Unfortunately, many companies become bureaucratic entities that stifle innovation. They may not see the value of a breakthrough, especially if it offers competition to existing successful products. Without autonomy to pursue new ideas, no innovation will be exploited. Without talented individuals who are free to create, there will be no innovation. Both are crucial to reaching and retaining market leadership. ■

### Xerox's Palo Alto Research Center Highlights Innovation

Xerox's Palo Alto Research Center (PARC) demonstrates the bureaucratic mold that hinders innovation and the organizational design that can break it. By the late 1960s, Xerox's success with copiers had transformed the firm into a giant, highly profitable corporation with a near monopoly in the copier industry. Having seen how the company's technology had rendered carbon copying obsolete, Xerox CEO Joseph Wilson feared that another technology, for example the new digital technology, could do the same for the company's copiers.

The company's bureaucracy did not share his fear but President Peter McCollough did. Xerox thus established PARC as a research center to develop digital technologies and other leading edge technologies for the computer age. PARC produced an impressive range of innovative ideas, including the mouse, the laser printer, computer networks, color graphics, and the graphical user interface for personal computers. PARC was able to do this for four reasons: it located near top engineering schools to allow it to tap emerging talent; it was geographically removed from other Xerox labs, allowing it to develop its own culture; it had a generous research budget; and it had a policy of hiring the best talent in the country.

### Raising and Committing Financial Resources

Financial commitment is critical if you want to refine new product ideas, create interest with consumers, and dominate a new market. You need both access to financial resources and willingness to use those resources. Without both, you will fail. Developing a great new venture almost always requires tremendous financial resources.

Adequate capital is essential if you are entering a market late because you will have to fund an attempt to gain a foothold against existing competition. If your aim is to target the mass market, you need money to produce your product on a mass scale. If you can't, you won't be taking advantage of economies of scale to lower the per unit cost. Marketing and distribution costs will also loom large. As a late entrant, you may find that it takes months or even years for products to generate enough revenues to cover costs. This, too, requires willingness to commit resources for the long haul.

Where do you find the necessary resources? Large established firms might have the money for a venture, but may be unwilling to spend it. Entrepreneurs starting out might be willing to commit all available resources, but that may not be enough. The organization with the clear vision of its place in the market has an advantage. If you can articulate that vision to those who have the resources, you will be able to finance the endeavor.

The influence of vision on financing is nowhere more apparent than in the Federal Express success story. You may recall that Fred Smith got a C from Yale on his business plan for package delivery services. After graduating, Smith enlisted in the Marines and fought in Vietnam, an experience that sharpened his will and turned him into an aggressive competitor. After his discharge, he used inherited money to start a business buying and selling corporate jets. When he experienced trouble getting shipments, he began thinking seriously about the Yale business plan.

Smith put up \$250,000 of his own money and persuaded the board of the family's holding company to contribute a like amount. They agreed, and also guaranteed a \$3.6 million loan to buy two jets. He then commissioned two studies on the feasibility of his idea and used the results to try to convince investors to fund the rest of the start-up costs. He also bought an option for more jets. The early years were rough, with Smith ending up pledging most of his personal wealth to keep the enterprise going. From 1973, when the company launched, until July 1975, when the company turned its first profit, only Smith's vision and relentless search for funding kept the company alive. ■

For another example of the quest for financing, go to:  
<http://my.summary.com>

## Leveraging Assets Despite Uncertainty

Firms that dominate in one category can often become leaders in a related market, even if they enter late. For example, IBM's dominance in the mainframe computer market allowed it to quickly enter and lead the PC market, even if it entered late. Microsoft's dominance in operating systems let it capture large segments of the browser market, even as it entered late. In each case, once the late entrant entered, the pioneering brand lost its position.

Established latecomers can dominate because they have assets already accumulated from their established positions. These assets fall into two categories: generalized and specialized. A firm can easily transfer generalized assets from one category to another. These include brand name, reputation, customer base, and talent. Specialized assets may not transfer easily to another category, such as technology and manufacturing facilities.

If you want to dominate a new category, you must be willing to cannibalize specialized assets. If you don't, you may miss the opportunity in the new market. There are four major hindrances to leveraging assets. They are:

- **The new category appears to threaten the old category.** For example, does the new sale of computer printers threaten the old sale of copiers? The greater the threat, the harder it is for a firm to reallocate resources.

- **The company is focused too strictly on costs.** Market entry always involves risk, and that risk may seem greater for a firm that holds a dominant position in an established market since some of the assets it used to gain dominance may be sacrificed to enter the new market. Companies will need to focus on the expected future costs and benefits rather than just current costs.

- **The company has a myopic view of markets and is constrained by focus on current products and customers at the expense of new opportunities.**

- **The firm has a rigid bureaucracy in place.** Such a firm may be slow, cautious and indecisive.

### *How Microsoft Leveraged Operating System Dominance Into Browser Dominance*

Overcoming resistance to leveraging assets is possible. Microsoft did it when it sought to leverage the assets developed in becoming the dominant operating system provider to take leadership in the browser wars. Microsoft adopted a strategy that involved leveraging the company's name, technology and distribution assets to take on early entrants into the Web browser market.

Microsoft was the clear leader in both the operating system market and the software market when it realized late in the game that the Internet would be the next rev-

olution in personal computing. Microsoft became concerned chiefly because it saw the possibility that Internet technology could render software sold to individual computer users useless. By 1996, Netscape had captured 85 percent of the browser market. Microsoft's Bill Gates saw the writing on the wall, and told his people to embrace the Internet. Gates leveraged his assets with these four important moves:

- He sacrificed a new product, Microsoft Network, for the benefit of Internet Explorer. Microsoft Network would have taken on Internet service providers like America Online. Then the company offered America Online the opportunity to have its icon on the desktop of every computer with Windows in exchange for making Internet Explorer the company's exclusive browser.

- As soon as it decided it would concentrate on developing Internet Explorer, Microsoft invested people and money in the idea. Other projects were cancelled or modified to support the new vision of a future in which the Internet plays a larger and larger role.

- Microsoft freely distributed the browser and the server software needed by Web designers.

- Microsoft leveraged its most valuable asset, Windows 95 by bundling Internet Explorer with it. Because every new PC had Internet Explorer installed, it became much more likely that computer owners would use it rather than purchase a copy of Netscape.

The end result was that one year after announcing its strategy, Internet Explorer's market share had risen from 4 to 24 percent and Netscape's share had declined to 70 percent from 87 percent. ■

## To Pioneer or Not to Pioneer

Casual observation of markets leads many people to conclude that the first firm to enter a market is the enduring market leader. But, later entrants often become the market leaders, and pioneers commonly fail.

What does this mean for managers today? In general, firms should not enter late simply for the sake of entering late. They should, however, think twice before claiming a pioneering or first-mover advantage and recognize the very real possibility that any advantage gained by that position could be challenged. Instead, companies should concentrate on the five factors identified as critical to achieving enduring leadership, regardless of when they entered the market.

The starting point is vision, which then drives the willingness to persist against great odds, the willingness to commit financial resources, to innovate relentlessly, and to leverage current assets. These qualities let a firm become a market leader whether it enters a market first or last. ■