Introduction
Why do some brands — such as Gillette and Pampers — remain strong and endure as market leaders for decades while others wither away and are forgotten?

Many analysts argue that success is determined by the order of market entry. According to this thesis, a firm’s market share and the probability it will survive are in proportion to the order in which it enters a market. In particular, the firm that pioneers or first enters a market is believed to have enormous advantages in terms of success, enduring market share and long-term market leadership. Under this theory — call it pioneering advantage or first-mover advantage — the order of market entry is assumed to be the principal driver of enduring market leadership.

The result is that analysts advise firms to rush to enter, beat the competition and be first to market! Indeed, this admonition is one of the most enduring principles of business theory and practice. It fits with such everyday beliefs as “the early bird gets the worm” and “first come, first served.” Marketing experts Al Ries and Jack Trout argue that the first immutable law of marketing is, “It’s better to be first than it is to be better.”

Problems with Accepted Wisdom
Unfortunately, all those casual observations about pioneers, and most of the formal data, suffer from three serious problems:

1. Failures Not Considered. For instance, while many analysts consider Gillette to be the pioneer of the safety-razor market, in fact it’s merely the oldest surviving firm in that market. Gillette didn’t invent the safety razor — it was patented and available decades before Gillette.

Similarly, although we assume Hewlett-Packard invented the laser printer, IBM was the first firm to commercialize the product and Xerox was actually the first to develop a working model, but failed to do anything with it.

Today, Internet Explorer so dominates the market for Web browsers that many people assume it was the pioneer. But it wasn’t — and if you think Netscape deserves that honor, you’re also wrong. It too was beaten to the market by Viola, Erwise, Midas and Mosaic — all now forgotten.

2. Self-Anointed Pioneers. Many managers of market-dominant companies today assume they were the original market leaders. Procter & Gamble, for example, has claimed that it “literally created the disposable-diaper business in the U.S.” In fact, numerous brands were sold in the United States before Pampers entered the market.

3. Self-Serving Market Definitions. By defining a market too narrowly, reality becomes obscured. We forget, for example, when considering word-processing software, that Wang once had a dominant word-processing machine that was the
precursor of today’s software market for word processing.

Market Leaders Rarely Were Pioneers

The reality is that market pioneers rarely endure as leaders. Most of them have low market share or fail completely. Market pioneering is neither necessary nor sufficient for enduring success.

A study based on 66 categories of products and industries that dug back into the archives to research the early days in each field found that the failure rate of pioneers was at least 64%. Even for digital/high-tech firms, the failure rate of pioneers was 50%. Market pioneering clearly doesn’t guarantee success.

The study found that market pioneers have an average market share of only 6%. This number becomes even smaller (not larger, as might be expected) for pioneers in the last quarter-century — just 4%. In high-tech, it’s 8% — again quite meager. This indicates that previous studies have greatly overestimated the market-share rewards of pioneering.

The research found that pioneers remain leaders in only six of the 66 categories studied. Of the 24 digital/high-tech categories, only three — or 12.5% — are led by pioneers.

Indeed, not only did few pioneers survive as leaders but other firms that became leaders often failed to maintain that position. Across the 66 categories, market leadership changed many times. Current leaders tend to have entered product categories many years and sometimes decades after the market pioneers. On average, across all categories studied, current leaders entered 19 years after market pioneers.

Even in digital/high-tech, on average they entered seven years after the pioneers. In Web browsers, Internet Explorer came five years after the pioneer. In personal computers, the current leader, Dell, entered nine years after the pioneer. In PC operating systems, Microsoft Windows came 10 years after the pioneer. In cameras, Kodak entered almost 50 years after the pioneer.

What are the characteristics of enduring market leaders? The companies that dominate — be they pioneers or latecomers — are characterized by five factors: vision, persistence, innovation, commitment and asset leverage. The last four of these factors all have something to do with determination or willingness, so success can be boiled down to vision and will.

Vision

Market-dominant companies have a vision of serving the mass market.

When Steve Case took the helm at America Online, for example, he faced numerous competitors, including established firms such as CompuServe and Prodigy. These companies catered to a niche market of sophisticated users or extended the market culture of their founders. CompuServe, for example, provided very valuable financial information for investors but in a hard-to-use format. In contrast, from the very beginning, Case envisioned America Online as a service for the mass market.

Procter & Gamble had the vision to imagine disposable diapers as mass-market items — not only used occasionally for convenience, such as on vacations — if it could improve the quality and get the price down close to non-disposables. The company had the will to pursue that goal for 10 years in R&D before rolling out the product.

Persistence

Market leaders aren’t simply in the right place at the right time, as some analysts assume. On the contrary, they’ve faced huge obstacles but have had the will to persist through many years to overcome obstacles while competing against better-equipped competitors.

For example, it’s well known that Sony is a technologically innovative electronics company. However, when it began, it was so small and insignificant it wasn’t given much of a chance to succeed. But it persisted. For example, Sony labored for 20 years to develop the Beta videocassette recorder, which was the first VCR to achieve broad market acceptance.

Relentless Innovation

Markets and technology change constantly, rendering once-successful products obsolete. The positions of even the most entrenched firms are quite susceptible to the forces of technological and market change. Therefore companies must have the will to innovate relentlessly in order to retain market leadership.

To use the safety-razor example again, Gillette seems to have dominated that market for almost a cen-
tury. A cursory look at its market share shows a relatively stable level of around 70%. However, that stability hides enormous turmoil at the individual product level. Every decade or so, Gillette introduces a new razor and blades, cannibalizing its older products, whose market-leading share tumbles while the new model soars, keeping overall market share consistent. The few times Gillette failed to innovate, it quickly lost share to rivals.

Similarly, Intel’s dominance of the microprocessor market is marked by relentless innovation, with a new generation of chips introduced every few years.

Financial Commitment
Building markets and maintaining leadership through turbulent times require large financial resources. Enduring market leaders are companies that had the will to commit their own resources or raise resources from outside to realize their vision.

Fred Smith saw his own money and that of investors swallowed up many times in the effort to build Federal Express. He had to keep raising more and more funds, once even forging the signature of an attorney to get the money he needed. Similarly, most market-dominant companies at one time or another faced a serious financial squeeze that nearly put them under.

Asset Leverage
When a category emerges as an offshoot of a parent category — such as diet colas from colas, or personal computers from computers — firms that dominate the parent category have great potential but must leverage their assets to dominate the new category. For this purpose, the most useful assets are brand name, talent, products and distribution network.

Enduring market leaders are often those companies that are willing to risk their current assets to build positions in the new category. Microsoft has done this repeatedly. Xerox — which developed but failed to commercialize the laser printer, the idea of overlapping windows on computers, the Ethernet system for networking personal computers, the first portable computer and the keyboard mouse — is an example of opportunities lost due to its unwillingness to leverage its assets.

Conclusion
Market leadership doesn’t come from luck or from being first in a market. At the root of enduring market leadership is a unique vision of the mass market. That, in turn, serves to motivate and direct the four other elements of enduring market success: persistence, relentless innovation, financial commitment and asset leverage. Together, these are probably the real causes of enduring market leadership.

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