

The first-mover advantage myth

In 2001 the idea of first-mover advantage was challenged by the academics Peter Golder and Gerard Tellis, whose research into the history of 66 industries found that companies get limited rewards from being pioneers. In fact, it is later entrants that tend to succeed.

In *Will and Vision: How Late-comers Grow to Dominate Markets*, they showed that many companies believed to be pioneers in categories that they led (at least for a time) were in fact late arrivals: Kodak in cameras, Xerox in photocopiers, Apple in personal computers. “Market pioneering is neither necessary nor sufficient for long-term success,” they wrote. Instead, so-called “fast followers” have the advantage of being able to use pioneers’ experiences to learn about consumer tastes, new designs and manufacturing techniques, and the potential size of a market. They can also learn from their mistakes.

Eric Schwartz, general manager of laundry care at Henkel in the US, echoes this view. “The first mover sometimes overcomplicates in the beginning,” he says. “At the end of the day, it’s not about how intricate you make a new offering. It’s about how close to what the consumer wants your offering is.”

But the myth of first-mover advantage remains firmly embedded in business. One reason is that first movers that fall by the wayside get forgotten. Another is the law, which gives first movers the right to register new patents and brands.

The belief that first is best is also buried deep in many people’s minds. “There’s tremendous romance around the idea of pioneering, breakthrough innovation,” says Patrick Barwise, emeritus professor at London Business School and co-author of *Beyond the Familiar: Long-term Growth through Customer Focus and Innovation*. “It’s an extension of people’s exaggerated belief in the importance of differentiation.” Given the high costs and high risks involved, he believes that being the first mover is generally not a good thing if you are trying to create an entirely new product category. [. . .]

How Amazon keeps its advantage flowing

For those who defend the idea that being first to market matters, Amazon seems to provide compelling supporting evidence. The pioneer of online retailing, set up by Jeff Bezos to sell books from Seattle more than 17 years ago, has stayed ahead of competition until this day. Not only has no other internet-only retailer in the US got close to it since the bursting of the internet bubble, it has grown so big that its sales make it larger than all but a handful of bricks-and-mortar retailers.

But this is not because Amazon has been able to kick back and reap rewards from its first-mover advantages (although name recognition was especially valuable in the early days). Instead, it has continuously built new innovations on top of that first move. These are often unglamorous, back-office tweaks, such as new pricing algorithms, the one-click purchase button or improvements to inventory management. But they make shopping cheaper, quicker, easier and more reliable – features that are as prosaic as they are hard to achieve.



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