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MASTER OF BUSINESS ADMINISTRATION

TOPIC - Pioneer v/s Follower: Product Life Cycle Strategic for
Competitive Advantage

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❖ **What are the advantages of being a pioneer and follower company? Provide examples of successful pioneer and follower companies.**

Introduction

Companies employ different strategies to have their positions in the long run in ever-changing and competitive markets. Innovators establish new inventions that stimulate further invention, while followers protect and extend existing available goods. Apple and Tesla firms can leverage uniqueness, recognition, and loyalty to sustain a significant portion of the original market. However, they also carry the load of educating the marketplace to new products as well as the expense of research and development. Having learned from the errors of the pioneers, followers like Samsung and Hyundai minimize risks by launching better features, price wars, or niche variations. One can opt to be a leader or a follower depending on how competitive the industry is, the assets at one's disposal, and how stable the industry is. While pioneers succeed in defining industry standards but have to bear with uncertainty, followers get to incur less cost and make marginal gains. The product lifecycle (PLC) model also reflects these dynamics: Pioneers do well in the introduction and growth phases, while followers seek out maturity and decline phases with the best solutions. For example, Samsung opened up the market with different models (maturity stage), and Apple revolutionized mobile phones (growth stage) with the iPhone. Firms that connect their strategy with internal resources and market forces either by being cost leaders or creating innovative difference are able to create sustainable competitive advantage. This discussion demonstrates how, in a changing industry, innovation leadership and risk-balanced flexibility must be reconciled strategically.

The Advantages of Being a Pioneer Company

A pioneer is a company that develops a new product, service, or idea for the market, ahead of its competitors. The pioneer is taking a significant risk and will usually gain significant rewards for their risk if it is successful. There are considerable benefits to being a pioneer in any industry. (Grant, R. M. (2021). Contemporary Strategy Analysis. Wiley.)

1. First-Mover Advantage:

Pioneer companies typically benefit from first-mover advantages: brand awareness, brand loyalty, and share of a given market/s. For example, when consumers mention the brand, they also reference the product, making it difficult for other brands to enter the market. Coca-Cola is a prime example - Coca-Cola was created and sold in 1886, yet it continues to have market share in the soft drink industry because it was the pioneer soft drink product of the industry. Coca-Cola secured the market position and identity within the minds of consumers, in addition to establishing a competitive global distribution network, and developed emotional attachments through targeted marketing efforts. (Lieberman, M. B., & Montgomery, D. B. (1988). First-mover advantages. Strategic Management Journal.)

2. Brand Loyalty and Recognition:

When a company is first to a market, the company can drive substantial brand awareness and strong brand loyalty. Customers who adopt the product in the early stages are typically devoted brand loyalists because they associate the brand with leading edge, innovation, and quality. For example, Apple Inc. was the first to market with the iPhone in 2007, fly taking the smartphone industry to a new level, and has retained an avid following of customers who still purchase Apple Inc. products. Although Apple Inc. commits to continuous innovation and has an impeccable ecosystem, its customers associate Apple with their commitment it and are unlikely to leave the "Apple" level if they decide to switch products. (Kotler, P., & Keller, K. L. (2016). Marketing Management. Pearson.)

3. Technological Leadership:

In many instances, a pioneer is a technological leader by establishing standards in an industry and garnering patents to create an entry barrier for competitors. For example, Tesla pioneered the electric vehicle industry by betting on battery technology and charging infrastructure before other manufacturers. Because of Tesla by entering the market before any other manufacturer, it had the time to develop its own technology, establishing it as a leader in energy-efficient batteries and autonomous driving systems. Therefore, Tesla has a competitive advantage that second-movers will struggle to replicate. (Schilling, M. A. (2019). Strategic Management of Technological Innovation. McGraw-Hill.)

4. Market Share and Pricing Power:

The innovators can establish industry norms and affect the pricing models. The innovators can drive prices higher due to their uniqueness. Amazon was once just an online bookstore, but it then diverted into several industries and used its initial supremacy to develop pricing models that made it difficult for challengers to compete. Amazon invested early on in logistics and cloud computing, which allowed it to operate at a level of scale that would make it difficult for followers to match its cost structure. (Porter, M. E. (1980). Competitive Strategy. Free Press.)

5. Establishing Distribution Channels:

Being first to market gives you the opportunity to obtain the best suppliers, distributors, and retailers. Microsoft, for instance, developed its alliances with PC manufacturers early, making sure Windows became the operating system of choice. By pre-loading Windows on most PCs, Microsoft, in effect, ensured its market share and made it harder for products like Linux and Mac OS to gain traction. (Christopher, M. (2016). Logistics & Supply Chain Management. Pearson.)

Successful Pioneer Companies

1. Coca-Cola - First to successfully mass-market soft drinks, and remains a global leader today through strong brand equity and savvy marketing.
2. Apple - Firstly to introduce smartphones, creating new benchmarks in the industry that goes beyond quality high-end technology and best customer experience.
3. Tesla - Innovator to revolutionize the electric vehicle market, pushing best technology advancements in battery technology and self-driving vehicles.
4. Amazon - Disruptor in e-commerce and cloud computing, leveraging its logistics efficiencies as core to the business model.
5. Netflix - Disruptor and pioneer of video streaming services, changing from traditional television consumption to on-demand content.

The Advantages of Being a Follower Company

Follower firms are firms that enter the market after the pioneers, use their experience, learn from their errors, and build upon their products and services. They may not possess first-mover benefits, but they certainly benefit in other respects. (Christensen, C. M. (1997). *The Innovator's Dilemma*. Harvard Business Review Press.)

1. Reduced Research and Development Costs:

Follower companies save the cost and labour of pioneering research and development ventures by improving existing products. For example, Samsung entered the smartphone market after Apple but became a formidable competitor by analysing consumer preferences and evolving features that Apple did not initially pursue like larger screens and the addition of the stylus. (Utterback, J. M. (1996). *Mastering the Dynamics of Innovation*. Harvard Business School Press.)

2. Learning from Competitor Mistakes:

Followers watch what the leaders do that works, and then modify their practice. For instance, Facebook was able to improve upon early social media sites like Friendster and Myspace by providing a superior user experience through additional privacy controls and a better algorithm to tailor content to the user. (Golder, P. N., & Tellis, G. J. (1993). *Pioneering advantage*. Marketing Science.)

3. Lower Risk and Market Uncertainty:

Follower firms enter the market at a later time and reduce the risks inherent in developing adoption of the product. Google was not the first search engine to exist, but they took advantage of the inferior product that was the search engine, by enhancing its search algorithms and dominating the search engine industry. Through competitive analysis of

companies such as Yahoo and AltaVista, Google identified gaps in the accuracy of their results and implemented a powerful algorithm that changed the way searches were conducted online. (Tidd, J., & Bessant, J. (2018). Managing Innovation. Wiley.)

4. Cost Efficiency and Scalability:

Followers capitalize on economies of scale and a cost advantage. For example, smartphone maker Xiaomi made an entry into the smartphone sector after other leaders had already begun to make their mark. They benefited from lower cost manufacturing and distribution. By outsourcing their manufacturing and leveraging an online merchant platform, Xiaomi substantially reduced the most expensive cost drivers while offering a price that was lower than the price of new entrants and incumbent competitors. (Barney, J. B. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management.)

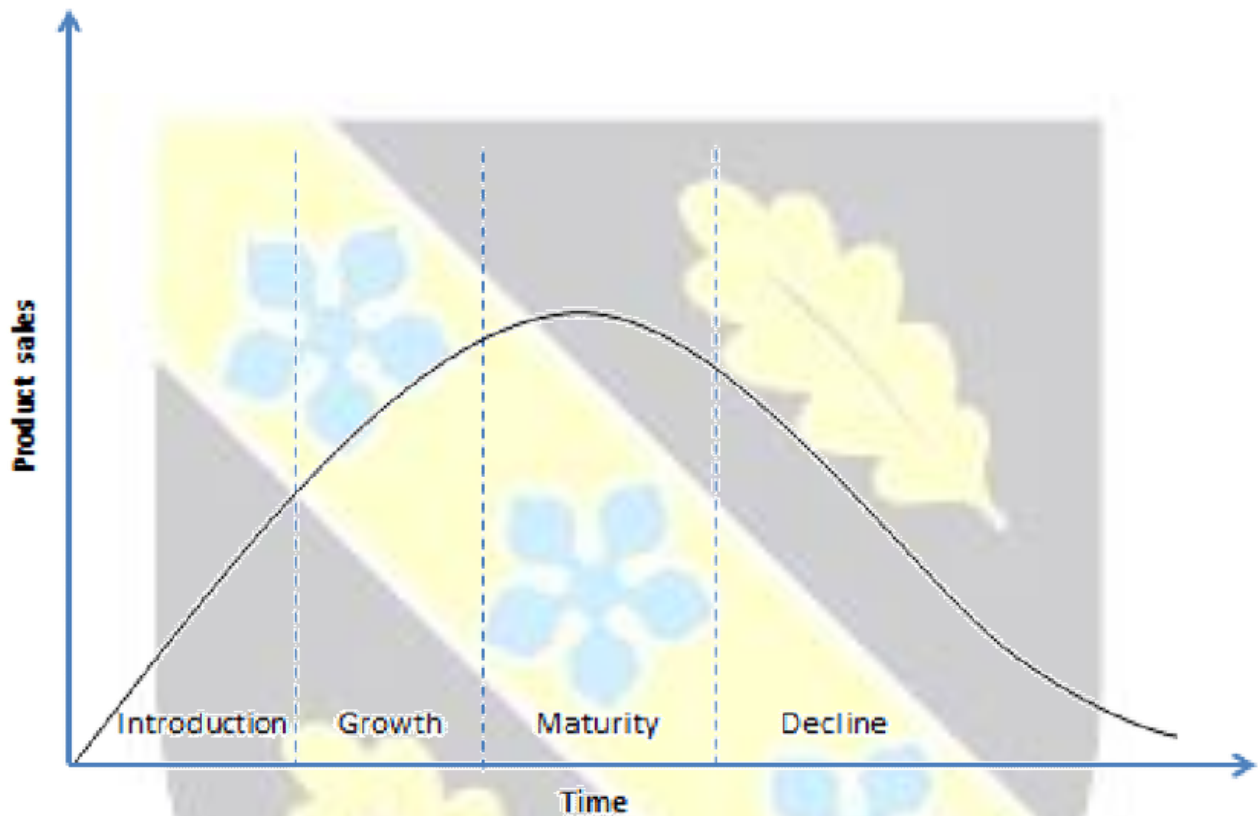
5. Improved Customer Experience:

Follower firms seek to fill voids created by the pioneers. For example, Uber acted as a pioneer in the ride-hailing service space, but Lyft built on Uber by providing all the necessary features Uber provided and staying more focused on customer service aspects, like driver incentives or policies that friendlier to riders. This allowed Lyft to enter into the - ride-hailing market as a better alternative for everyday use. (Zeithaml, V. A., & Bitner, M. J. (2019). Services Marketing. McGraw-Hill.)

SUCCESSFUL FOLLOWER COMPANIES

1. Samsung – Joined the smartphone arena later, but became a leader of the pack by optimizing its display technology and diversity of products.
2. Facebook – Made a much better social networking experience (far above Myspace and many others) by offering higher privacy controls and user engagement options.
3. Google – Did not innovate the search engine, but was an innovator in web site search algorithm, thus creating search platforms with a better user interface.
4. Xiaomi – Joined the smartphone market late, and climbed to great heights quickly by offering less expensive options PLUS quality smartphones.
5. Lyft – Improved upon Uber's human service-based initiative with better driver policies and incentives.

❖ Product Life Cycle Strategies for Pioneer and Follower Companies



Product Life Cycle Stages (Hanna et al., 2015)

Introduction of Product Life Cycle Stages

During the introductory phase, significant investment is required in research and development, along with marketing costs to create awareness. The appropriate pricing strategy depends on the specific market circumstances, but often penetration pricing or skimming will be the two options. For example, Tesla entered the electric vehicle market with an exclusive pricing structure; it realized that positioning itself as the innovation leader in the electric vehicle market was more important than successfully capturing market share (Kotler & Keller, 2016). As well, new market entrants to the software industry, such as Zoom, were able to take off during the pandemic with free trials and accessibility for the cohort of people to use it for many things that they normally would have used in person.

PLC Strategies in the Growth Stage

As businesses enter the growth stage of the PLC, they experience increasing sales, enhanced brand recognition and growing competition. The stage strategies focus on increasing market share and enhancing brand loyalty.

1. Market Expansion and Product Differentiation:

Companies often grow in two ways: they either grow regionally (in a geographic sense) or they expand their product lines. For example, Apple's iPhone was quite successful in its initial launch, and Apple then focused on launching many different models for different price points and demographic differences. Then, after launching the App Store in 2008, Apple had built an ecosystem around the iPhone and further entrenched customers into the brand (Johnson, 2020). Tesla, too, expanded its electric vehicle line with the launch of the Model 3 and Model Y to appeal to a wider audience. By expanding its product line, Tesla consolidated its position in the industry as a legitimate and serious competitor.

2. Aggressive Marketing and Brand Building:

At this time, companies are investing large sums to market themselves from their competitors. Samsung, a company that follows competitors in the smartphone category, aggressively promotes its Galaxy series by highlighting its charging capacity, display technology, and camera ability. Samsung's partnerships with other companies and to prominent figures promotion, spurred rapid growth of the company (Smith, 2021). Nike uses a similar method in its sponsorship arrangements with high profile athletes, including Cristiano Ronaldo and Serena Williams, providing reliability, as it has over the years, along with other beneficial consequences.

3. Improving Distribution Channels:

Expanding distribution is an important enabler of higher demand. Coca-Cola, for example, undertook a massive expansion of bottling and distribution networks internationally to make sure there was supply, even far removed from distribution centres. This approach put Coca-Cola at the forefront of the beverage industry (Porter, 2017). Another prime example is Amazon, which revolutionized distribution through its optimized supply chain logistics, same-day delivery, and expanded fulfilment centres across the globe.

4. Economies of Scale and Cost Leadership:

As demand grows, companies take advantage of economies of scale by producing on a larger basis. For example, Samsung was able to reduce costs and maintain its high quality by making chips themselves so that it could be more competitive on price (Kim, 2019). Likewise, McDonald's utilizes the characteristics of mass production, standardized preparation of food, and volume purchasing to maintain low costs while serving food to the same level of quality at each restaurant around the world.

PLC Strategies in the Maturity Stage

During the maturity stage, sales are at their highest and the market is saturated with the product while rival product sales are also flourishing. Companies develop different strategies to continue growing and becoming more profitable.

1. Product Innovation and Feature Enhancements:

To keep customers interested, companies are always innovating. For example, Apple maintains its competitive advantage by releasing new models of iPhone every year with improved hardware and software features. The included features of Face ID and Promotion display improve user experience so much that they encourage users to repurchase (Brown, 2022). Microsoft also routinely updates its Windows operating system to add features and improve security to encourage customer retention.

2. Competitive Pricing and Promotions:

Pricing policies are revamped with an eye to maintaining market share. Samsung employs trade-in programs and price discounts to attract potential customers considering a switch in brands. Bundling smartphones, smartwatches, and earbuds offers the perceived value addition to consumers (Lee, 2020). Likewise, streaming services like Netflix and Spotify use tiered price plans and family plans to lock in current users and upsell to new subscribers.

3. Brand Loyalty Programs:

Customer loyalty programs encourage repeat buying and long-term loyalty to a brand. Coca-Cola introduced an innovative customer loyalty program with the "Share a Coke" campaign, in which they personalized their bottles with people's names, creating an emotional connection with customers, resulting in increased sales (Roberts, 2018). Starbucks has a tremendously well-designed loyalty program offering rewards, discounts, and exclusive deals to program members; all designed to keep consumers connected at all times.

4. Strategic Partnerships and Collaborations:

Collaborations assist established brands in remaining relevant. Apple collaborates with banks to provide financing and exchange options for customers to afford an Apple product. Samsung collaborates with Google and Microsoft to ease software and services on its products (Thompson, 2023). Likewise, Adidas collaborates with celebrities and fashion designers to produce special editions of sneakers, continuing to remain relevant with several customer verticals.

5. Diversification and Market Segmentation:

A strategy for sustained growth is to develop into adjacent markets. Coca-Cola identified changing consumption habits and moved toward health and energy drinks. The company acquired Vitamin Water and Smart water brands, and later developed Coca-Cola branded energy drinks to enter those markets (Miller, 2021). Amazon's expansion as a web service

provider (AWS), has also created a revenue stream outside of their product and e-commerce business.

Decline Stage

The decline phase occurs when sales decreased because the market is saturated, technological change has occurred, or consumer preferences change. Companies may discontinue products or have cost-cutting strategies in place, or use a rebranding strategy to reinvigorate a product. One such example is Nokia, a dominant player in wireless cellular telecommunications and associated industries, that could not adapt fast enough to the smartphone revolution and ultimately lost its once dominant market position (Grant, 2018). Blackberry was another example of a leading company in mobile security and enterprise communication that ultimately could not survive, when smartphones with touch screens emerged and Blackberry ultimately exited the market.

Conclusion

Dynamic strategies are embraced by thriving pioneers and followers during growth and maturity stages of the product life cycle to maintain their competitive advantage. Pioneers exemplified by companies such as Apple are capable of driving innovation as well as developing an ecosystem conducive to brand loyalty. Followers are companies such as Samsung that maximize quantities sold by bettering new-frontier products in order to capture, arguably, an even larger market share. The ability for Coca Cola to remain the dominant beverage company in the world can be credited to their ability to adapt company's branding strategies, distribution strategies, and product diversification offer levels throughout the maturity stage of a product's life cycle. Likewise, other companies like Tesla, McDonald's, and Amazon have effectively shown how companies leverage franchise success and economies of scale to retain company strength and sustainability. Understanding the significance of the key stages of the PLC, and knowing which strategies to implement and at what level, can help a company maximize profit margins, maximize product longevity, and help a company sustain market leadership (Drucker, 2019).

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