

ADVANTAGES AND DISADVANTAGES OF BEING A FIRST MOVER IN AN INDUSTRY

There are several advantages to being the first business to execute a strategy. Companies that are first movers can often: Establish their product as the industry .

Still these links can be weak and lead to ambiguity. While first-movers have nothing to draw upon when deciding potential revenues and firm sizes, late-movers are able to follow industry standards and adjust accordingly. Technically competent companies are able to manufacture their products better, at a lower cost than their competitors, and have better marketing proficiency. Not only does it engender loyalty among existing customers, but it also draws new customers to a company's product, even after other companies have entered the market. Hundreds of scholars have published articles on this topic and it even has a Wikipedia page. Almost 20 years later, the Dollar Shave Club offers a near-identical razor that you can bet did not cost hundreds of millions of dollars to develop. The concept has since become extremely popular in business schools and boardrooms around the world. Amazon and eBay are examples of companies that enjoy first-mover status. Incumbent inertia[edit] While firms enjoy the success of being the first entrant into the market, they can also become complacent and not fully capitalize on their opportunity. In order to be a First-Mover, an organization must have a developed new technology with knowledge about the market, an established distribution system for the new technology, and an educated new customer who understands the benefits of the new technology Schilling, , pg. Setting up production for a new product at scale? And as one of the classic examples, Craigslist was the first and biggest place to look for short-term rentals as recently as First movers are also called market pioneers. Entry is repelled through the threat of price warfare, which is more intense when firms are positioned more closely. What are the advantages and disadvantages of being a first mover in an industry? Alternative measures of first-mover advantage: profits vs. And while it may be tempting to dismiss these cases as outliers or anomalies that happened in an age of rapid change, we would go so far as to say that the first-mover advantage is more of a myth today. Exchange rates can increase or decrease competition among an industry, which is important for a firm to take advantage of Hill et al. Being first typically enables a company to establish strong brand recognition and customer loyalty before competitors enter the arena. Between and the volume of foreign cars sold in Russian increased significantly. Initially, Procter and Gamble's lead was aided by its ability to maintain a proprietary learning curve in manufacturing, and by being the first to take over shelf space in stores. Other advantages include Brand name recognition is the main first-mover advantage. Some advantages include the idea early entrants can lead other companies in their understanding and use of technology in ways that are hard for later entrants to copy. This can result in the second- or third-movers surpassing the leaders because they are out-thinking their competition. General conceptual issues[edit] Endogeneity and exogeneity of first-mover opportunities[edit] First-mover advantages are typically the result of two things: technical proficiency endogeneic and luck exogeneic. Definitional and measurement issues[edit] What constitutes a first-mover? Other businesses can copy and improve upon a first mover's products, thereby capturing the first mover's share of the market. Skill and technical proficiency can have a clear impact on profits and the success of a new product; a better product will simply sell faster.