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# The Order of Entry Effects Focusing on The Pioneer Perception

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**Abstract**

*First movers or pioneers in general tends to get and keep a larger share of the market than subsequent entrants. Marketing and business literatures on the order of entry effects used historic database or archival analysis, instead of actual buyers' perspectives. Those studies assumed that real pioneers in a specific market are the same as the companies that are perceived as pioneers by the buyers or customers. However, perceived pioneers which are considered as pioneers or early entrants by the buyers in the survey can be different from real pioneers. Through the literature review, this study emphasized the importance of 'pioneer perception' which is perceived to be a pioneer or early entrant. Three main characteristics of pioneer (innovativeness, R&D expenditure, and uniqueness of the product) were identified. Lastly it explored the relationship between pioneer perceptions and purchase intention, commitment, trust, and long-term relationship in the organizational buying behavior situations. Future research area is also suggested.*

**Keywords:** Pioneer perception; order of entry effects; organizational buying behavior

## 1. Introduction

Gillett, after introducing safety razors for the first time in the consumer market in 1903, has led the market as a pioneer. In the business-to-business market, Du Pont first introduced titanium dioxide in the market and still enjoys market dominance. In the digital world, German publisher Axel Springer gained significantly by entering into for the first time in the digital media industry (Lanzolla and Giudici 2017). One of the reasons for Gillette, Du Pont, and Axel Springer's success is attributed to their first entry into the market. Empirical evidence is so extensive that this relationship exists as an empirical generalization in the marketing literature (Boulding and Christen 2003, p. 371). Premium resulting from first entrance into the market is regarded as an 'Order of Entry Effects' 'First Mover Advantages' or 'Pioneering Advantages.'

Studies on pioneering advantages have been doing various areas (for detail, see Garcia-Villaverde, et. al. 2017). However, one of major limitations of previous studies is that they do not start from the buyers' perspective. Few studies have been done using buyers' surveys, while most studies use database or archival analysis. Studies assume that real pioneers in a specific market are the same as the companies that are perceived as pioneers by the buyers or customers.

From a pilot study by the author using a convenience sample in a class, respondents perceived Coke or Pepsi as a pioneer in the cola market even though the real pioneer is Royal Crown. It is similar to business markets. From another pilot study with purchasing managers, Goodyear was perceived as a pioneer in the rubber tire market even though the real pioneer was Goodrich.

One of the reasons for not recognizing the real pioneer in the market is the broad definition of pioneer. For example, PIMS, the most frequently used database in pioneering studies, defines pioneers as “one of the pioneers in first developing such products or services” (Buzzle and Gale 1987, p.260). Despite the researchers’ intention, PIMS does not identify the first firm in each product category.

The second reason is related to later entrants’ marketing activities. For example, a later entrant’s innovation-appealing advertising made it possible for buyers to perceive the later entrant as a pioneer and innovator. In addition to this, later entrants’ market leadership or pioneer’s withdrawal from the market made buyers perceive a later entrant as a pioneer. In all of these cases, the perceived pioneer is different from the real pioneer, and this study focuses on ‘perceived pioneer’.

In the above cola and tire cases, Coca-Cola and Goodyear are regarded as market pioneers. This is confusion between market pioneer and market leader. Without dissolving the confusion, market share measurement of the pioneer has little meaning. What could be happening if consumer or organizational buyers had known who the real pioneer in the market is?

Pioneering advantages in previous studies is based on real pioneers. Due to the mis-identification of the pioneer by buyers, pioneering advantages need to be measured based on perceived pioneers, instead of the real pioneer. The advantages of firms perceived as the pioneer by the buyers in the market, “pioneer perception" needs to be studied.

Based on the limitations of previous studies, updated literature reviews will be provided. Then, a new concept of ‘Pioneer perception’ is suggested. Lastly, the relationships between pioneer perception and purchase intention, commitment, trust and long-term relationship orientation are hypothesized.

## 2. Pioneering Advantages

From the previous studies, defining a pioneer seems simple – it is the first firm to introduce a new product. But a problem is often encountered when that definition is applied to identification of pioneer in the market. Therefore, a study like Schnaars (1995) defines a pioneer as any of those firms introducing a product to the market, up to and including the first to sell it successfully. Long debate, however, on the existence of pioneering advantage is partly due to this ambiguity. Other studies try to categorize similar terms (Golder and Tellis 1993).

> *Inventor is the firm(s) that develops patents or important technologies in a new product category. Product pioneer is the first firm to develop a working model or sample in a new product category. Market pioneer is the first firm to sell in a new product category.*

From above the definition of “market pioneer” is best fit with that of “pioneer” or “first mover” in most studies. For example, Schmalensee (1982, p.350) regarded a pioneer as “the first appearance of a brand in a distinctly new product category.” Robinson and Fornell (1985, p.305) defined a market pioneer as “the first entrant in a new market” and Urban et al. (1986) defined the pioneer as “the first product to enter the market.” Most studies have used ‘pioneer’ based on market entrance (for details, Lieberman and Montgomery 1988). As such, a pioneer can be regarded as the same as market pioneer.

With this definition of pioneer, ‘pioneering advantage’ was defined as the difference of the market share between first market entrant and later entrants (Carpenter and Nakamoto 1988). This definition, however, is limited to market share and disregards the other premiums such as long-term relationship, profit, etc. Therefore, pioneering advantage can be defined here as “the first market entrant’s premium resulting from order of entry” in this study.

## 3. Pioneer Perception

There are a few ways of measuring ‘Pioneer’ or ‘Pioneer Perception’. For example, Covin, Slevin, and Heeley (1999) used ‘efforts to be the first entrant with new products’, ‘product similarity to competitors,’ and ‘uniqueness of product.’

In this study, however, in order to measure pioneer perception, respondents will be asked scaled questions about the perceived pioneer’s innovativeness, budget allocation on R&D expenditure, and emphasis on technological product leadership over marketing. Also, instead of limiting the definition of pioneer to the first firm in the category, this study extends the definition to include one of the first firms to enter the market.

## 4. Pioneer Perception and Purchase Intention

The purchase size is bigger in the business-to-business market than in the consumer market (Robinson 1988). It is true even in electronic commerce. Average size of transaction on e-commerce Web sites targeted to businesses are generally higher than those conducted on business-to-consumer sites. Because of this, a business-to-business purchase is regarded as a riskier purchase.

Organizational buying behavior, unlike consumer buying behavior, follows a more rational decision making process. It is perceived that pioneers consistently have better products than competitors because they stay at the forefront of technology. The perceived market pioneer is assumed to stay for a relatively long time. And its company size is assumed to be not less than other companies'. Because business-to-business buyers want to be sure of their purchase due to the large amount purchased, the perceived pioneering brand will be chosen as a 'safer' brand.

Considering that pioneers generally charge higher prices than later market entrants (Lambkin 1988, 1992), perceived pioneers will have much more purchase intention from the business-to-business buyers if both pioneers and followers have similar prices. It is true that some segment of a market will always be willing to pay the price (Bobrow and Shafer 1987. p.164).

Pioneers bask in the warm glow of a positive image infused with innovativeness and progressiveness, while later entrants are stuck with a copycat image, which tarnishes the appeal of their products and hinders the firm's performance (Schnaars 1994). Pioneers have often been to offer products of higher quality, on average, than those of later market entrants (Covin, Slevin, and Heeley 1999).

Switching costs, also, will make buyers have more purchase intention toward the pioneering firm than later entrants because buyers have to pay extra (e.g., training, installation, or label) when they change from the pioneering brand to later entrants. After considering switching costs as well as risk from buying from later entrants, buyers want to purchase pioneering products. Therefore, business-to-business buyers' purchase intention toward perceived pioneer is bigger than perceived later entrants.

**H1:** *In a business-to-business context, the higher the buyers' perception for a firm as a pioneer, the higher the buyers' purchase intention will be.*

## 5. Pioneer Perception and Commitment

Relationship commitment is defined as "an implicit or explicit pledge of relational continuity between exchange partners" (Dwyer, Schurr, and Oh 1987, p.19). The essence of commitment in the buyer-seller relationship in business-to-business marketing is stability and sacrifice (Anderson and Weitz 1992). Commitment to a relationship goes beyond a simple, positive evaluation of the other party based on consideration of the current benefits and costs associated with the relationship (Anderson and Weitz 1992, p.19).

Organizations commit to a supplier only when the relationship is important. Therefore, committed partners are willing to make short-term sacrifices to realize longer-term benefits (Dwyer, Schurr, and Oh 1987). This commitment is an essential part of successful long-term relationships (Gundlach, Achrol, and Mentzer 1995).

Pioneers have committed more resources (13%) as compared to their later entrants (4%) (Van Den Bulcke, Zhang, and Li 2000). This might be explained by the continuous need to adapt existing management systems and organizational structures to the changing conditions of the business environment.

The most important antecedent to commitment is the credibility of commitment inputs, which include pledges, idiosyncratic investments, and the dedicated allocation of resources (Anderson and Weitz 1992; Williamson 1985). Later entrants, with the free rider effect, did not need to invest as much as pioneer did because they could learn from the pioneers' mistakes. Pioneers' bigger investments developing and introducing the products into the market is regarded as specific to a relationship with buyers. Once deployed, this investment is difficult or impossible to redeploy to another exchange in the same form (Gundlach, Achrol, and Mentzer 1995). Therefore, business-to-business buyers will have higher commitment to the relationship with pioneers.

**H2:** *In a business-to-business context, the higher the buyers' perception for a brand as a pioneer, the higher commitment to relationship the buyers have.*

### 6. Pioneer Perception and Trust

Defined as the perceived credibility and benevolence of a target, trust is an important factor in a long-term relationship (Ganesan 1994). The development of trust relies on the formation of a trustor's expectations about the motives and behaviors of a trustee (Doney and Cannon 1997).

Business-to-business buyers are willing to pay premium prices to suppliers only if they can ensure the product quality. Because trust requires an assessment of the other party's credibility and benevolence (Doney and Cannon 1997), pioneering brands with the longest history in the market will have an advantage over late movers in the trust building process.

In the trust-building process, transference process means that the trustor draws on proof sources from which trust is transferred to the target (Doney and Cannon 1997). Identification of trusted sources is closely associated with the target, here. Supplier firm reputation plays a role as a factor invoking the trust-building process. A pioneer can differentiate itself as the perceived highest quality provider, or build a positive reputation (Song, Di Benedetto and Zhao 1999). Pioneering is a good source of reputation of a firm because first mover or pioneering brand is perceived to be innovative (Schnaars 1994).

In addition, because ‘pioneering’ often creates a favorable image for the firm, the perception of higher quality is readily attributed to perceived pioneers than to later entrants (Porter 1980). Pioneering firm, therefore, will have a bigger trust from business-to-business buyers.

**H3:** *In a business-to-business context, the higher the buyers’ perception for a firm as a pioneer is, the bigger the buyers have trust for that firm.*

### 7. Pioneer Perception and Long-Term Relationship

In manufacturer-supplier relationships, it is very important to have a long-term relationship because suppliers can achieve higher profitability by differentially reducing their discretionary expenses such as selling, general, and administrative overhead costs to a greater extent than their counterparts who use a transactional approach to servicing their customer (Kalwani and Narayandas 95).

The perception of interdependence of outcomes in which both a vendor’s outcomes and joint outcomes are expected to benefit the buyer in the long run is a long-term relationship between buyers and sellers. Buyers with a short-term relationship orientation are concerned only with the options and outcomes of the current period, whereas buyers with a long-term relationship orientation focus on achieving future goals and are concerned with both current and future outcomes (Ganesan 1994).

This long-term relationship is influenced by the pioneer perception because perceived pioneers are believed to have the longest market experience in the market. Perceived pioneers will have established a strong reputation with business-to-business buyers with innovation-orientation and R&D expenditures (Ganesan 1994; Kalwani and Narayandas 1995).

Also, the duration of a channel relationship is likely to affect the parties’ expectations that the relationship will continue. In other words, older relationships are more familiar and comfortable, and adjustments and accommodations have been made (Anderson and Weitz 1996). Therefore, perceived pioneer, which is believed to have been in the market for the longest period, have long-term relationship.

Results also generally indicate that there is positive relationship between market entry order and product quality. In particular, pioneering firms have often been shown to have higher product quality than those of later market entrants (e.g., Robinson 1988; Robinson and Fornell 1985). This may be because learning effects within a market can result in pioneers offering superior products (Colvin, Slevin, and Heeley 1999). This perception of superior quality by a pioneering firm can strengthen business-to-business buyers’ intention to establish a long-term relationship (Colvin et al. 1999. p. 186). Therefore, we hypothesize that pioneer perception have positive impact on buyers’ long-term relationship.

**H4:** *In a business-to-business context, the higher the buyers’ perception for a brand as a pioneer, the bigger the buyers have long-term relationship orientation.*

## 8. Future Study

The research design will be a national cross-sectional field survey, using an online questionnaire that will operationalize latent constructs to test a model of the relationship of pioneer perception and long-term relationship orientation variables. Likert scaled questionnaire items are used because Likert scaling is one of the most systematic and refined means for constructing indexes from questionnaire data. Structural Equation Modeling (SEM) will be used to test the hypotheses. SEM is a form of path analysis, which was invented and developed by Sewall Wright.

The current research will contribute to the existing marketing literature in several ways. One key contribution of this study is the first trial to measure the effect of the pioneer perception on long-term relationship in business-to-business context. A conceptual model is proposed illustrating how pioneer perception can influence buyer's purchase intention, commitment, trust, and long-term relationship.

Another contribution is the measurement of pioneers. While most of the studies in pioneer advantages use either self-report database or history analysis, the current study tries to measure 'pioneer perception' using three important characteristics of a pioneer: innovativeness, R&D expenditure, and uniqueness of the product.

Entering into a market for the first time is not easy. There are many factors affecting the firm's entering order. Being perceived as a pioneer is more important than the act of being a pioneer. Being perceived as a pioneer, fortunately, is not so difficult. Marketers, instead of focusing on being a first entrant in the market, need to focus on having pioneer perception because perception as a pioneer has positive impacts on buyers' long-term relationship orientation as well as purchase intention, commitment, and trust.

Marketers should consider using the effective term (for example, The Original or The Leader) to communicate their pioneer status. Doing so informs those buyers who are unaware, reminds those who are forgetful, and clarifies the issues for those who have misconceptions (Alpert and Kamins 1995). The firm should take full advantages of the gains that can be available from pioneer perception. It is important making buyers to perceive the firm as a pioneer as well as being first in the market. For example, Chrysler's advertisement "We invented the minivan." is one of the most effective communication strategies to emphasize this.

With the present research, marketers could learn what a multifaceted phenomenon pioneering advantage is. Because pioneering advantage, though imperfect, is one of the few sources of major long-term competitive advantage, the challenge of understanding its full complexity is clearly worth efforts.

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