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First-mover advantages and -disadvantages: Case study on Prospectum Oy

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<p>The aim of this thesis was to find out what kind of a first-mover advantages and disadvantages has Prospectum Oy experienced with its event message feed product during the past seven years and whether it has become the market leader in its segment because of entering first or nevertheless the market entry order.</p> <p>The work is based on first-mover advantage and -disadvantage theories that have been discussed by many scholars during the past thirty years. A large amount of these key theories were introduced before the rise of e-commerce in the late 1990s and therefore the paper tries as a secondary objective to discuss whether the traditional theories on the topic apply to the current marketplace. As the case study company is a small software company in a Finnish market, the paper offers an interesting point of view on the topic.</p> <p>The case study was conducted by having in-depth interviews with the company founder. The interview questions were built around the existing theories on the topic.</p> <p>The results indicate that many existing theories on the topic can be applied also to a software market in the 2010's and that Prospectum Oy has experienced more pioneering advantages than -disadvantages so far but this can change in the future. The results seem to indicate that the combination of right resources and early experienced first-mover advantages have been the forces behind the company's success with the event message feed product.</p>	
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1 Introduction

1.1 Research grounds and topic

First mover advantage theorises that a company that can serve and enter a market first will have a preferential position in acquiring and obtaining competitive advantages that will lead to higher profits in the long-term. In other words, first-mover advantage exists if firms are better off on average than their competitors because of being first to market in a new product category. The theory was popularized in 1988 article by Marvin B. Lieberman and David M. Montgomery and has since fielded a lot of discussion and papers whether the concept exists and how it should be noted by the managers in the marketplace. The concept has had significant impact and influence on various market-places in the last few decades as it has affected the investment decisions of many managers. Some critics of the theory claim that the theory is outdated and does not hold its stand in the modern markets, where the marketplace is constantly changing. Some even claim that such an advantage never existed and that we should focus on discussing first-mover disadvantages instead of advantages. In this paper, I wanted to assess and analyze the topic of first-mover advantages and disadvantages through one company's perspective.

1.2 Research question

With the help of a case study, this paper tries to discuss how a company that is regarded as a pioneer in its market has been able to become the market leaders in its segment. By reflecting to a real-life example, the paper scratches the surface as regards whether first-mover advantages exist or if they are just a myth in today's marketplace.

The paper tries to give an answer on what advantages and disadvantages has pioneering a market given for the researched company. Based on these findings, the paper discusses whether the pioneering company did well because of being first to the market or whether it became successful for other reasons and would had been successful nevertheless the market entry order.

The study does not try to give a definitive answer whether first-mover advantages exist in general, but rather tries to discuss the topic through a case study. The work can be seen as a strategic assessment of a single company based on qualitative research and

an extensive literature review. The paper gives a new perspective to a vividly debated topic (discussed in-depth in the literature review) on does it pay to be a first company in a new market segment.

2 Literature review

2.1 Overview

The literature review attempts to review whether there are advantages in general for companies that enter the market first and if there are, what could be the sources for it. The work is built on the theory of first-mover advantage, because many strategic management scholars have shared their input on this theory (especially in the 1980s and -90s) and it still provides a good starting point for discussion although some authors in the field regard the theory outdated and inaccurate. The literature review tries to focus on introducing different strategic management- and marketing viewpoints related to successfully pioneering a market and what challenges are related to it, in order provide a good ground for analysing whether the researched company benefitted from entering first or not.

2.2 First-mover advantage

First-mover advantage as a concept is defined as: “the ability of pioneering firms to earn positive economic profits” and it was noted that first-mover advantages were ultimately asymmetries between the competitors in a market (Lieberman and Montgomery 1988: 41-42). In other words, first-mover advantages exist if a company is better off, on average, by entering a certain market first rather than entering later (Lieberman and Montgomery 1988).

2.2.1 Development of the theory of first-mover advantage

In 1988, Marvin B. Liebermann and David M. Montgomery published a paper which addressed the advantages and disadvantages on first-mover firms and gave a framework for future research on first-mover advantage. The authors discuss in the text that first-movership had been loosely defined concept which lead to inconsistent criteria for classification. Lieberman and Montgomery defined first-movership as being first to make the market entry, instead of being first to conduct preliminary work. (1988: 52).

Lieberman's and Montgomery's interpretation on the empirical evidence that was published before the end of 1980s was that first-mover advantage arises from three primary sources: "(1) technological leadership, (2) preemption of assets, and (3) buyer switching costs" (1988: 41).

Technological leadership can be a result of learning curve effects or by having a technology that is patented or can be kept a secret (Lieberman and Montgomery, 1988: 42-43). Learning curve effects happen in markets where the unit cost declines with accumulated output. This basically means that when you have done something enough times you will be able to do it faster, better and more economically next time. Therefore, the learning curve can create a sustainable cost advantage for a firm that entered the market first, if the insights and learnings can be kept secret (Lieberman and Montgomery 1988: 42). Learning is not important in all industries but it is significant in many, and the effects of learning curve can be compared to the effects that are caused by economies of scale (Spence 1981: 68). First-mover advantages and the learning curve effects are theorized to appear often together as: "the learning curve creates entry barriers and protection from competition by conferring cost advantages on early entrants and those who achieve large market shares" (Spence 1981: 68).

Technological leadership can also be acquired through patents or by having technological knowledge that the competition doesn't have. R&D expenditure is justified because it is expected to lead to a technological leadership, and technological leadership then to higher profits in the long-term. Often, the first-mover company archives the technological leadership through patents or R&D and therefore can benefit from this advantage. Yet, "In most industries, patents confer only weak protection, are easy to 'invent around', or have transitory value given the pace of technological change" (Lieberman and Montgomery 1988: 43).

The theory of preemption of assets is based on a theory that the first-mover may gain scarce assets that already exist. These assets can be physical or other process inputs such as great locations for business or natural resources. Scarce asset can also be a market position. For example, some markets only support one profitable company in one niche, and by being the first company to serve this niche the company might establish itself at the market so that the latecomers will find the market unprofitable. Preemptive investment in plant and equipment can also provide a first-mover advantage.

In this case, the first-mover advantage is mainly based on scale economies, in practice by having a big factory, which leads to greater outputs and generates a threat of price cuts (Lieberman and Montgomery 1988: 44-45).

Lieberman and Montgomery also state that buyer switching costs generate advantages for the first-mover. Often, the late entrants must use extra resources to attract customers from the first-mover firm, because the customer might face switching cost when adapting to the new product. In other words, it might be hard to convince users to switch to a new brand when they are accustomed to a one brand, are familiar with the first-mover's product and for example are part of their frequent customer program. In a situation of imperfect knowledge, the customer often sticks with the first brand that they encounter at the market place, especially if it is convenience product (1988: 46-47).

Lieberman and Montgomery note in their paper that all first-mover advantages mentioned above can negate because there are various aspects which can be considered as first-mover disadvantages. (1988: 47). First-mover disadvantages can be considered as late mover advantages and these phenomena will usually at least decrease the first-mover advantages in practice. The four first-mover disadvantages identified by Lieberman and Montgomery are: Free-rider effects, resolution to market or technology uncertainty, shifts in customer needs or technology and incumbent inertia, which can be defined as not being able to operate flexibly enough to produce responses to market changes. Free-rider effects happen for example when late movers can benefit from first-mover's investments in R&D, infrastructure or buyer education. A resolution to market or technology uncertainty may actualise if the pioneering firms fails to set the industry standard in its favour. In this case, the later entrant firms can observe the market first and then time their entry to the market when certain uncertainty in the market is already solved. (1988: 47-49).

For empirical work, economic profits are identified as the most important factor in measuring first-mover advantage. If specific information about profits is not available to the researcher, he is recommended to use alternative measures, which are market share and company survival (Lieberman and Montgomery 1988: 52). The alternative measures do not always have strong correlation with the profits generated, which is why the use of these measures should be made with caution. It is also discussed that first-movers often enjoy the benefits of pioneering strategy only for a limited time window, which means that whether the first-mover or late-mover is in a better position and

making larger profits is highly dependent on at which time does the researcher observe the market. In general, firms tend to make their market entry at the stage which suits their characteristics. For example, a firm with strong marketing expertise might consider late-entry more suitable whereas a company with strong R&D might go for early entry. (Lieberman and Montgomery 1988).

The theory of buyer learning was introduced as a significant reason why pioneering firms in a market may reach higher profits than later entrants in the long term, in other words why first-mover advantages may occur. More in detail, the pioneering company may reach a position where it sets the preferences and customer expectations for all brands, which sets it in a favourable position in the marketplace. In such a situation, the pioneering brand is the ideal brand in the customer's minds, which is position that difficult and costly to compete against (Carpenter and Nakamoto 1989).

First-mover firms may be leapfrogged by early followers as the followers often can analyze the first entrant and then adjust their product or service to cater the customers better. Per Crawford, a solution to this first-mover dilemma is to keep improving your original product at the cost of short-term profits (1989). If you introduce add-ons to your product, you may be able foreclose the options of the adaptive followers. Instead of putting all your energy and assets on the first product, service or application, the first-entrant should focus on generating a stream of products and therefore create a situation where you as the first-mover company introduce the follow-on items instead of letting your competitor to do it (Crawford 1989).

First-mover advantage theory assumes that companies may reach a sustainable competitive advantage because they have entered the market first. Barney questions this theory as he points out that the first mover company has a unique resource in being able to identify a new market (1991). Therefore, the possible bigger profits for first entrants in the long-term can be explained by the first-mover company having a unique resource in the beginning instead of the first-mover advantage phenomenon. "...in order for there to be first-mover advantage, firms in an industry must be heterogeneous in terms of the resources they control" (Barney 1991: 104).

Kerin, Varadarajan and Peterson (1992) state that being the first to enter the market or to spot an arising environmental change itself doesn't lead to first-mover advantages. First-mover advantages are not given. Their take on the first-mover advantage topic is

that they can be achieved if the company has enough resources and skill to convert the early market entry position into an advantage. The authors believe that it is naive to think that companies will automatically reach immutable competitive advantages by entering early. The authors also question the validity of research data on first-mover advantage: "By definition, only businesses, products, and brands that survived in the marketplace over the periods studied were available for investigation. Because a substantial proportion of new entrants fail, this limitation creates a "survivor bias" that raises concerns about the validity of the empirical findings on the order of entry" (Kerin, Varadarajan and Peterson 1992: 39).

It is theorised that there are advantages for first-mover in differentiation and buyer risk aversion. These two tend to be highest when the buying is not too frequent or infrequent, in other words highest advantages are expected with services or products that have a moderate buying frequency. If the buying behaviour is highly repeatable, then it is assumed that the consumers are likely to test other products too, because the product trial risk is likely to be low. If the buying is not frequent, then consumers don't tend to evolve enough consumption experience to prefer a specific product (Kerin, Varadarajan and Peterson 1992).

If a specific market remains stable for an extended period, the first mover advantages tend to be more long-lasting. In other words, if the product life cycles and/or technology life cycles are short, then the first-mover advantages are not likely to last for long. For example, a technological change or a change in consumer preferences can ultimately negate all the first-mover advantages in buyer switching costs that the firm used to have (Kerin, Varadarajan and Peterson 1992).

In general, consumer markets are regarded to have stronger first-mover advantages as in industrial markets as the companies tend to be more knowledgeable about the alternative processes and -products than consumers. Consumers don't necessarily have enough knowledge of the market to compare products, so they minimize their perceived risk by choosing the brand they know, which often is the pioneering company at the market place. In situations of imperfect knowledge, the firm with the most known brand, can charge a premium price at the market place (Kerin, Varadarajan and Peterson 1992). To summarise the findings of Kerin, Varadarajan and Peterson (1992), pioneering in a market provides an opportunity to reach certain positional advantages at

the marketplace, but it does not provide any given advantages only because of the order of entry.

Another study conducted in 1992 found out that first-mover companies were not intrinsically stronger players in the market and that the order of entry was mostly defined by which kind of a resources the company had (Robinson, Fornell and Sullivan). The strategic window is theorized to be open for different kind of companies at different times of market evolution. Companies with strong marketing expertise are most likely to find success in entering late as companies with an advantage in manufacturing are theorized to find success as an early follower. (Robinson, Fornell and Sullivan 1992: 621).

A historical analysis (Golder and Tellis 1993) that had approximately 500 brands in 50 different categories found out various critical facts against the theory of first-mover advantage, especially the quality of previous research was questioned:

1. The mean market share of pioneers is 10%, much lower than 30% from the PIMS and ASSESSOR data. Our analysis shows that about half of this difference is due to our sampling both survivors and nonsurvivors, and the rest is probably due to our identification of pioneers through records (rather than survey)
2. Forty-seven percent of market pioneers fail. In comparison, other researchers have found no pioneers that failed, or have not considered the survival problem to be serious
3. Eleven percent of pioneers are current market leaders. In comparison, PIMS data indicate that almost half of pioneers are market leaders.
4. Our results about market pioneers are in spite of our sampling categories that are more favorable to pioneers. The results are not very sensitive to the age of the category. Indeed, pioneers are market leaders usually for only 5 to 10 years. The rewards of pioneering are stronger for nondurable goods.
5. Early market leaders that have higher market share, success rate, and market leadership than pioneers enter markets about 13 years after the market pioneers

Golder and Tellis discuss that their findings have three implications. Firstly, they believe that the problems of pioneering should be studied further by using extensive historical analysis as other research methods don't seem to generate reliable results. Secondly, the importance of continuous innovation is emphasized. The case of Gillette is brought up by the authors as the company has been able to maintain its leadership in its category by constantly innovating and sometimes even at the cost of cannibalizing its older products. Continuous innovation is also offered as the most likely route to market leadership for a late entrant in the market. Thirdly, the results indicate that pioneering in a market doesn't lead to automatic rewards in the long-term. It might be wise

to first monitor and learn the structures of a market before committing large resources to it as markets evolve for a number of years and leading companies make mistakes. To summarize this all: “The logic of success is not to be the first to enter market, but to strive for leadership by scanning opportunities, building on strengths and committing resources to serve consumers effectively” (Golder and Tellis 1993: 169)

In 1996, Tellis and Golder published a broader and more-in-depth historical analysis on pioneering the market, and discussed which kind of factors the market leader companies seem to possess. The five factors underline the fact that managers should foremost focus on being the best company at the market in the moment of market maturation, as when a new market is established the initial sales tend to be low and it can take years to create significant consumer demand in certain markets. They claim that most barriers of entry (first-mover advantages) that were introduced by Lieberman and Montgomery in 1988 only become valuable at the point of market maturation, such as economies of scale and network effects. The earlier entry is theorized (Tellis and Golder 1996: 73-74) to be favorable if the company can have a positive answer to the following five questions/factors:

1. How will the entrant exploit the potential market? Many an innovation initially appears too crude, costly, and unappealing. Market leaders are firms that can *envision* the mass market for these primitive innovations. Firms that can define that vision can assemble resources and inspire people for the task ahead.
2. Can the entrant stick it out? The road to success is rarely easy, otherwise many a competitor would have taken it earlier. Technological blocks, legal constraints, consumer misperceptions, and competitive threats are some of the obstacles that new entrants face. Market leaders *persist* through these challenges in quest of the vision.
3. Does the entrant have the resources to put to the task? The mass market cannot be tapped cheaply. Many innovations hinge on new product technologies and large-scale production, or massive promotion. Market leaders are firms that can *commit* the resources to the vision of the mass market, when sales are a tickle but high costs loom.
4. Can the entrant change, even at the cost of current position? Markets, consumers, competitors, and technology change constantly. Stagnation in this environment lead to erosion of share or quick failure. Market leadership belongs to firms that *innovate* relentlessly even at the risk of cannibalizing or rendering obsolete their own products.
5. Can the entrant transfer its strengths to the new market? Leaders in mature category often dominate with a well-known brand, extensive distribution, or unique expertise. These strengths constitute a relatively easy means to enter and dominate a category extension. Market leader are firms that can nurture these strengths while *leveraging* them to dominate new markets.

It is important to note that the study made by Tellis and Golder uses market leadership in share of the market as the guiding principle in measuring first-mover advantages rather than profits, which may have some effect on the results, but the results should be comparable to some extent. A study made in 1997 (VanderWerf and Mahon), found out that the findings on first-mover advantage were sensitive to the methods used, in other words, different methods create different results when studying first-mover advantage. Interestingly, the study also found out that if the researcher would use statistical tests that don't have any limitations, then first-mover advantages would have appeared less often than is expected by mere chance. The result indicates that there might be a first-mover disadvantage on average. Other explanation for this phenomenon is that: "the statistical test that find no first-mover advantage suffer from their own methodological limitations" (VanderWerf and Mahon 1997: 1517).

Lieberman and Montgomery reflected their original paper in 1998 and discussed the evolution of the theory of first-mover advantage and concluded that there is no optimal timing of entry. The authors therefore admitted that there does not seem to be a first-mover advantage in average and that managers should stop blindly pushing their product to the market first. The duo admits that the first-mover disadvantages and follower advantages seem to be as relevant and significant phenomenon as first-mover advantages. Whether you are a pioneering or a follower firm in a market, it is suggested that strategic choices under different market conditions should be made by analyzing both the strategic- and marketing perspectives.

The authors discuss that from marketing perspective, the order of product introduction have been shown to influence how the consumers perceive features, memorize the product and how they form opinions about competing products. This might hint that being the first product at the market could be favorable if you are able to set the industry standard and if you are able to do so, like Coca-Cola have been for example. However, it is important to note that innovative late movers are more profitable than pioneer's, because the marketing mix effects have more effect on the performance than entry order effects, most notably price and advertising (Lieberman and Montgomery 1998).

2.2.2 Linkage to resource based view

Lieberman and Montgomery suggest that linkage should be made between resource based view and first-mover advantage as they see the theories to be closely related (1998). Resource-based view suggests that companies' competitive advantages lie in the application of resources that they possess, thus companies should be managed by analyzing the resource position the company holds instead of companies focusing on managing separate products as some resources are not mobile between firms (Wernerfelt 1984). It is theorized that if a company wishes to practice a growth strategy it should have a balance between exploiting current resources and the development of new ones (Wernerfelt 1984). Resources can be assets, capabilities, physical capital, human capital, organizational capital or other resources that help companies to reach efficiency and effectiveness in strategy implementation (Barney 1991). Per Barney, if a company has valuable, rare, and inimitable resources (including non-substitutability) they have the potential of achieving superior performance (1991).

Per Barney and Arikan (2001: 172), the most important managerial implication that the theory provides is that: "Resource-based logic can help identify what the most critical resources controlled by a firm are and thereby increase the likelihood that they will be used to gain sustained competitive advantages". On the other hand, the authors note that even though the company management would understand how the company specific resources could be used in an optimal way to gain competitive advantages, the implementation does not always follow. It is also valuable to understand that the ability to implement strategies can also be a resource by itself and therefore a source for sustainable strategic advantage (Priem and Butler 2001).

In implying resource-based logic, a common challenge is that it might be hard to identify the resources that generate competitive advantage and that all companies don't hold the potential to achieve sustainable competitive advantages through resources as they might not have any special resources (Barney and Arikan 2001). Ultimately, management's ability to utilize resources is more important in explaining firm's performance than a stock of other resources (Wiklund and Shepherd 2003).

2.2.3 First-mover (dis)advantage in E-commerce

E-commerce refers to an electronic marketplace, in other words buying or selling online. E-commerce operations can be identified from " ...all four of the major market segments: business to business, business to consumer, consumer to consumer and consumer to business. It can be thought of as a more advanced form of mail-order purchasing through a catalog. Almost any product or service can be offered via e-commerce, from books and music to financial services and plane tickets" (Fontinelle 2017).

When analyzing modern market characteristics, it is important to understand that even if the customer does not buy the product online eventually, the possibility to compare products, services and prices online before purchase can affect every single market segment and therefore studies on e-commerce can be used as a base for more general discussion. Modern E-commerce and internet enabled markets defers greatly from traditional consumer markets as the barriers for market entry are close to being non-existent, information flow is strong and imitating other firm's ideas is rather easy. In theory, imitation as a business strategy could provide higher returns on average than innovation in such a market (Mellahi and Johnson 2000). In business-to-business e-commerce, the first entrant (nor the late entrant) tends not to perform as good as the second- or third entrant, therefore fast follower strategy is recommended (Hidding and Williams 2003).

On the other hand, cases such as Amazon show us that first-mover advantages can be reached in the era of e-commerce. Amazon entered the market of book e-retailing twenty months before its closest competitor and it is creating significantly bigger profits than its competitors (Mellahi and Johnson 2000). By innovating constantly and being the first to serve the market, Amazon has been able to generate one of the most globally known brand in e-commerce. By launching first, Amazon gained information about the customer preferences, could patent some of its processes, could position itself in a better bargaining position with the publishers, could generate repetitive buying behaviour and could set the industry standard. (Mellahi and Johnson 2000).

With respect to Amazon example above, when internet and e-commerce starts to affect a certain market, the market shares are likely to drastically change as consumers search cost significantly reduce (Goldmanis et al. 2009). As the customer base shifts to online to buy or search information the number of smaller firms in the market is theo-

alized to decline in number as the companies with cost advantages often gain more share. Such a transform in market leads to entry and exit consequences, as companies with high fixed costs per product might have tough time surviving as new entrants with low fixed costs per product or existing players with cost advantages will gain market shares (Goldmanis et al. 2009). And if the market is shifting constantly, it might be easier to learn from the mistakes of earlier entrants than to pioneer. In general, in e-commerce marketplace every single first-mover advantage erodes (Mellahi and Johnson 2000).

First-mover company might also enter a market that is not viable to support a single company, thus leading to the most basic failure. On another note, there is no proof that early entry would lead to higher mortality or survival than what is expected on average (Lieberman 2007).

Lieberman (2007) suggest two paths to success for first entrant companies in internet enabled markets: First-entrant must be the market maker and gain advantages trough network effects. Network effects are more important in technology- and communication related industries as in these industries the company that can set the industry standard and gather most users will often experience multiplicative effects. For example, if an online job posting site can gather the largest share of users, then the service will become more attractive for the job posters and eventually the value that the users experience will also raise as they will find most of the jobs available from the one site making the service more attractive for them as well. For this reason: “A single forum is likely to emerge as the dominant meeting place (unless groups of buyers and sellers have highly differentiated needs, leading to a more fragmented market)” (Lieberman 2007: 9).

However, it is important to understand that not all first-entrants are able to capitalize on the opportunity of gaining network externalities, but they are often well positioned to do so.

Network effects can also be the source of advantage in a situation where the early well-positioned company will attract high quality alliances thus leading to long-term advantages (Lieberman 2007). For an example, if a smart phone producer can attract many external parties to develop apps for their system, their product will be more attractive to customers in long-term because the end customers will get more value for their purchase, although the reasons for this are not directly linked to the original producer or product.

The second option suggested for first-mover firms is to gain advantage through holding patents as first-mover patents were shown to have higher effect and they had far more citations compared to study average. First-mover companies also did more patenting (Lieberman 2007). Whether these companies just had better resources, or were better positioned because of their early entry to do so was not discussed in the paper.

Other possible source for first-mover advantage in internet enable markets can be privileged access, which puts later entrants into disadvantage. Privileged access is defined as “the ability of first-mover to observe network behavior and capture information before later entrants” (Varadarajan, Yadav and Shankar 2007: 299).

In conclusion, the importance of network externalities is often highlighted in studies considering the Internet-enabled market place. By being the first to serve the market, the company might be able to set the industry standard, build up network externalities, and preferably acquire valuable patents. On the other hand, later entrants may be able to free ride on the first-mover’s investments also in the internet enabled markets. Other key disadvantage for first entrant is that followers may be better equipped and prepared for market entry as they can wait until key technological and market uncertainties have been resolved (Lieberman 2007).

2.3 Disruptive Innovation

Clayton Christensen (1997) claims that, in most cases, firms can be competitive and strong by choosing to be followers in new technologies while improving current technologies. This is contrary to the theory (Lieberman and Montgomery 1988) that pioneering in a market should be generally pursued, because it is believed to lead to a technological leadership or to the other so-called first-mover advantages that will make the company more competitive in the market on average because of their order of entry. Christensen (1997) argues that companies should actively seek to pioneer a market only when the new technology is disruptive, because these emerging markets are theorised to have great first-mover advantages and returns for the pioneering company, as has been shown in the disk drive-, motorcycle- and personal computing industries.

Technology is defined as “the processes by which an organization transforms labor, capital, materials, and information into products and services of greater value. All firms have technologies” (Christensen 1997: 9). Disruptive products are often weaker and less complex when compared with the established products at the market. Generally, disruptive products are also characterized to be cheaper, smaller, simpler and more convenient to use than the existing products at the market. Disruptive technologies are first found on small markets (that are generated by the innovation), before they become mainstream products and sources for significant profits (Christensen 1997).

As sustaining innovation often has an immediate effect on a single market (for example when PlayStation 5 will be introduced to the market, the sales of PlayStation 4 and Xbox 360 will most likely immediately go down), disruptive innovation often takes time before it really disrupts the market as “disruptive innovation’s diffusion process is actually less disruptive initially to an incumbent than that of a sustaining innovation. Said loosely, a disruptive innovation (in that it disrupts the current market) is not necessarily a disruptive innovation” (Schmidt and Druehl 2008: 348).

Historically, a significant amount of market leaders and companies with the best resources in their industry have failed, after being too slow to answer to the changing marketplace and -needs of customers, that were caused by some disruptive innovations made by smaller companies (Christensen 1997). It is theorized that market leaders and companies that are most productive with existing technologies are not often able to make disruptive innovations, because of the innovators dilemma phenomena, which has four main principles (Christensen 1997: 176):

1. Companies Depend on Customers and Investors for Resources
2. Small Markets Don’t Solve the Growth Needs of Large Companies
3. Markets That Don’t Exist Can’t Be Analyzed
4. Technology Supply May Not Equal Market Demand

Summarizing the innovators dilemma phenomena, high performing companies tend to produce services and products that provide high returns on the short-term (thus overlook new emerging niches), focus on markets that can support their growth rate, and make investment decision that are well researched and supported by data (there are no data available on markets that don’t already exist). In addition to these factors, technology often develops faster than customer’s expectations, leading to situation where a technology that used be too simple or underperforming for the mass market

becomes the mainstream solution as the new, cheaper and more convenient technology now caters the needs of the customers sufficiently, as often simultaneously the old market leader's product is "overshooting" the expectations of the customers in the new market environment. The key is not to have the most advanced technology but to have the wisest and most efficient application of available components (Christensen 1997).

As an historical evidence, Ford's Model T is an example of disruptive innovation as Henry Ford was able to invent a technology that made cars so inexpensive that they became accessible to a population that previously had no access to these products, thus leading to great economic returns for the manufacturer because of large volumes sold and significant first-mover advantages (Christensen and Raynor 2003). Car as a technology was invented in the 19th century but it was only some decades after that it became a mainstream product, because of the disruptive innovation made by Henry Ford. As often in competitive markets, the disruptor in one generation became the disruptee later as Japanese and Korean carmakers in the late 20th century gained market shares from Ford and other traditional American carmakers, because of their disruptive technologies (Christensen and Raynor 2003).

3 Methodology

The aim of the thesis is to discuss what advantages and disadvantages Pro-spectum Oy experienced during its seven-year tenure that can be tracked back to its position of being the first company to commercialize the event message wall product in the Finnish market. This section introduces the research methods used and discussion on research validity and credibility.

3.1 Research methodology

The research was made with qualitative methods, more precisely with descriptive case study. Qualitative method was chosen because it provides the means to gain a better understanding of an existing issue (Eriksson and Kovalainen 2016).

According to most research method books, study methodology justification should be based on what you want to learn from your research (Eriksson and Kovalainen 2016). In this case, I wanted to discuss and understand the advantages and disadvantages of pioneering a market through a case study and the best source of data was the compa-

ny founder and CEO, which meant that the best way to gather the data was through interviews that were based on open-ended questions. Literature review was heavily used when compiling interview questions. The company founder had valuable insights on how the market had developed and study was conducted by having three in-depth interviews with him. The second interview (Appendix 2) gave most content for my case study discussion as the second interview was most-in-depth and the discussion went beyond the pre-drafted questions.

The access to the company founder was easy to set up as a company employee. My personal link to the researched organization gave more perspective on coming up with questions and on analysing the current situation of the company. The research construct was not straightforward as I tried to link empirical analysis on literature review and other way around which made the research process circular. Circular model of research helped to make the research more valid as I reflected my research question and structure of the paper during the whole research process.

In qualitative studies, having a good literature review can help the researcher to develop and refine the research idea, make the reader and writer more knowledgeable about the topic, give the paper scholarly significance, and help to construct a good structure and framework for empirical study (Eriksson and Kovalainen 2016). In this paper, a good and extensive literature review that was reflected during the entire research process helped me especially in constructing a good structure for the research and interviews. The literature review is extensive also because of the characteristics of the study method: "The challenge of a descriptive case study is that the researcher must begin with a descriptive theory to support the description of the phenomenon or story. If this fails there is the possibility that the description lacks rigour" (Zainal 2007: 3)

The research was descriptive research as the paper tries to discuss what advantages and disadvantages have pioneering a market given for the researched company. Descriptive research describes phenomena's as they exist. Phenomena's in full-context cannot be studied because of complexity issues and therefore the researcher must carefully clarify what and who is being studied and what is the specific phenomena studied when doing descriptive research (Collis and Hussey 2014). The paper will discuss the concept of first-mover advantages and disadvantages through a single case which limits the study scope to a feasible level.

Case studies cannot be generalised to fit into studying wide study scopes or large study groups (Yin 2013), but case studies allow the researcher to examine the situation and theory in a real-life setting (Hair Jr et al., 2014). If done properly, case study is a holistic and robust research method as it allows the exploration and understanding of complex issues. Case studies are useful as they enable the researcher to examine data at the micro level salutations (Zainal 2007). These characteristics guided the research to be a study of a sole case, conducted as a case study. Practical case study was chosen as the research method also because it would had been difficult to obtain data in big samples to support a qualitative research. In addition to this, analysing numerical data as the primary source of information would not had supported the study goals as effectively as a case study.

3.2 Research validity

Research validity refers to how accurate was the research and how well it did answer the research question (Hair Jr et al. 2014). The chosen research method offered as great base for analysing the situation of Prospectum Oy from the context of market entry order effects. The researched topic and subject was defined well and precisely which helped in generating a study that gave the tools in answering and discussing the topic from the company's perspective. The work did not necessarily give valuable insights to the current academic discussion of first-mover advantages and -disadvantages, but neither it was really intended to. The research validity could had been maybe improved by introducing a secondary data collection method or by having more neutral reviews during the research process to avoid the interpretations of the researcher to affect the direction of the research too much. In overall, the study answered the research question satisfactorily because the scope of the research was not too broad.

3.3 Research creditability and limitations

Research creditability refers to how consistent and trustworthy the results were and if the study would be replicated later would it produce the same results (Hair Jr et al. 2014). As the primary source of data in the research was a single person who was interviewed, the study results have some bias. On the other hand, richness of the information gathered was great as the interviewed subject seemed not to have any constraints or limitations on what to tell the researcher. Yin (2013) theorises that in case studies the subjects might change their behaviour because they know they are studied,

but in this study the personal link between the researcher and interviewee might have helped in avoiding this sort of phenomena.

Being an employee of the company studied, I had a more personal position and experience on analysing and formulating opinions about the current situation of the company, market and product, which helped me in understanding the big picture better. On another note, the researchers' personal relation to the company studied underlines the fact that the study could discuss the topic from the perspective of one product and one company effectively, but that the study results should not be used to draw larger conclusions on the topic of the competitive effects on pioneering a market.

The limitations that this study has are often characterised with case studies as case studies are: "...criticised for their inability to generalise their results... lack of rigour and the tendency for a researcher to have a biased interpretation of the data" (Zainal 2007: 5). As with most case studies, the study sample is small and the case study acts more as an exploratory tool in understanding a phenomenon than as a general theory which results could be applied universally (Zainal 2007).

4 Case study; Findings, strategic assessment and discussion

The first part of the case study discussion gives the reader an understanding of the company under study, its product that is being studied (event message feed) and background about the industry and how the market entry decision was made. The first part also briefly discusses which type of an innovation the event message feed was. The background information for formulating an understanding the research topic is based on the interviews with the Prospectum Oy founder, unless otherwise mentioned. It is also important to note that the researchers personal link to the researched organizations influences the case study discussion.

The second part of the case study discussion tries to tackle the research question: What advantages and disadvantages has pioneering a market given for the researched company? The findings are based on the interviews with the company founder with strong links to the theories presented in the literature review. Existing theories (literature review) had particularly a strong effect on interview question layout.

4.1 Overview and the decision to enter

4.1.1 Industry and Prospectum Oy overview

Prospectum Oy offers solutions and applications to event organizers in the Finnish event industry. Prospectum Oy was founded in late 2010 (Asiakastieto.fi 2017) and right from the start the company started developing an event message feed service. The idea was to offer a tool for event organizers to activate event participants by having a message feed on large screen to field discussion. Image 1 below offers an example of the concept (right screen):



Image 1: Event message feed in use (Twitter 2017)

The service is mostly used in seminars, conferences and other events. The service is sold as a combination of service and software, instead of just offering a software. The product itself has had various versions and developments. Originally just an SMS feed in 2010, the service currently supports 5 different participation channels (SMS, www, Instagram, Twitter and Facebook), has live voting- and other additional features.

The event message feed product is just a one part of the company's portfolio, but the bundle of the event message feed software and service, generates on an estimate 500 000 euros a year, which accounts to over 60% of the company's yearly revenue if we compare the figure to the total revenue of 791 000 euros in 2015 (Image 2).



Image 2: Prospectum Oy key figures 2011-2015 (Asiakastieto.fi 2017)

It is safe to assume that the product was the key driver in generating a positive profit of 165 000 (Image 2) for the company in fiscal year of 2015, because its significance in comparison to the total revenue generated.

There are currently five to seven similar solutions that are actively marketed in the Finnish market. Most of these solutions are secondary products for the companies, or are mostly targeted to educational institution, which can partly explain why Prospectum Oy has been able to hold a strong ground in the segment of event message feeds.

4.1.2 Market Background

The Finnish market has often been in the front of development in mobile phone related technology, largely because of Nokia. According to Prospectum Oy founder, during the early 2000s Nokia developed their own SMS message feed service, later followed by at least Sonera Oyj. These powerhouse companies had developed the service for their internal use and they did not try to commercialize the product, most likely because of innovators dilemma effects such as that high performing company tends to produce services and products that provide high returns in the short-term and focus on markets that can support their growth rate (Christensen 1997).

Before 2010, SMS message feed technology was also used at least in TV chat programs. The attendees of the program could send their comments to the SMS feed, which was then read by the show host. The message was priced from 0,99€ to 5€ which indicates that the service was mainly a source of income for the TV channels rather than anything else. According to the Prospectum Oy founder, the SMS feed technology services were expensive as they were only used in specific conditions such

as these TV shows, and were not targeted for wider audiences or smaller organizations.

4.1.3 Market entry decision

Before 2010, the technology of an SMS feed existed but the concept and service model that was presented by Prospectum Oy did not. No one had commercialised the concept of event message feed, and SMS feed service was only used by a handful of big companies.

The hint that there could be a market in offering event message feeds came from someone who was working in the industry. Basically, just by pure luck, a potential client expressed to the founder of Prospectum Oy that they would be interested in buying the service if it existed. The SMS feed solutions of that time were too expensive and lacking the service element for them to be attractive for event organisers. However, for most of the organisers the idea of a message feed was latent want at this point.

As there were some signals from the market that there could be a demand for event message feed, the Prospectum Oy founder felt that the market entry should be made sooner than later. The founder did not believe that the market could support many players and that by entering first Prospectum Oy could be better positioned in the market also in the long haul. The situation appeared as now or never.

Preliminary to the market entry, when Prospectum Oy founder realised through various potential client conversations that there was potential in this market segment if the price was sensible for the end user, they started creating a software and a code that was easily duplicated. By duplicating, I refer to coding the product for each new client. In other words, as previously the SMS feeds were coded often from the scratch to suit the client's needs, the innovation and idea was to create a software where the costs of creating a new product would be as minimal as possible. As the time spend per creating a new product and serving a client significantly dropped, so did the prices for end consumers too.

The first client conversations also gave another valuable insight to the company. The customer's willingness to pay for the service appeared to be significantly less if only the software was offered. When the customer service element throughout the event process was introduced to the service model, the willingness to pay for the service im-

proved significantly. As a personal view, I believe that this could be explained by the industry characteristics. The typical buyer (event organiser) often works under a stress and doesn't want to add any additional stress elements to their event preparations.

4.1.4 Innovation

As the paper tries to discuss the topic of first-mover advantages and -disadvantages, it is vital to understand which type of an innovation is analysed as Christensen (1997) theorised that only when the innovation is disruptive, the first-mover advantages tend to be great.

Disruptive products are characterized to be less complex, cheaper, smaller, simpler and more convenient to use than the existing products. They are the wisest and most efficient application of available components. Disruptive products create small market segment of their own until they ultimately become part of the mass markets. (Christensen 1997).

The criteria for disruptive innovation fit the case example. The product created a small segment of its own, which ultimately ended up being part of the mass market in relative terms. In the case example, yearly revenue of 500 000 euro's for the examinee product justifies as being part of the mass market as the Finnish event industry is relatively small in size. The product was also less complex and cheaper than most similar solutions available then. Most importantly the product was more convenient to use for the event organisers as it was tailored to fit their needs and no more they did not had to choose between low price and good service. As often with disruptive products (Christensen 1997), the diffusion process was less disruptive than would had been with a sustaining innovation as the product disrupted the market step-by-step. Because of the reasons mentioned above, in theory there could be great first-mover advantages for the examined product.

4.2 Market Development

Based on my first-hand experiences as a sales manager in the Finnish event industry, currently almost everyone working in the industry is aware of the concept of event message feed, which wasn't the case in 2010.

There are currently some competitors offering their services directly to customers in the Finnish market, which has affected the market characteristics to some extent. The biggest change in buying behaviour and market characteristic has however been the growing importance of E-Commerce. Some clientele has shifted to using alternative solutions that are only marketed through online channels and comparing different services and solutions has become easier. Simultaneously, the internet has lowered the entry barriers and has made imitating other firm's ideas easier (Mellahi and Johnson 2000).

In general, Prospectum Oy founder doesn't see the market stable because the expectations of the customers are changing constantly as often is the case in any software business. The only way to keep up with the progress and to be successful is to constantly keep improving your product and this also applies to the first-mover firm as Tellis and Golder (1996) have also theorized.

4.3 The impacts of market pioneering

This chapter discusses the current and eroded first-mover advantages and -disadvantages of the company's event message feed product. The analysis is based on the interviews and the information and theories given earlier in this paper. By first analysing the first-mover advantages and -disadvantages, the discussion ultimately tries to give the means to answer the research question: Did Prospectum Oy do well because of being first to the market or whether it became successful for other reasons and would had been successful nevertheless the market entry order. Analysis and the discussion will be based on the table 1 below:

Table 1: Theorized first-mover advantages and -disadvantages applied to the case of Prospectum Oy and the event message feed -product

ADVANTAGES:	Yes/No/Maybe
Learning curve effects	No
Ability observe network behaviour "Priviledged access"	Yes
Technology that can be kept secret	No
Setting the industry standard in cus. preferences	No
Setting the industry standard in expectations, price	Yes
Pre-emption of physical assets	No
Pre-emption of market position	Yes
Innovators image, differentiation	Yes
Buyer switching costs	Yes
Patents	Yes
Repetitive buying behaviour	Yes
Network effects	Maybe
DISADVANTAGES:	Yes/No/Maybe
Free-rider effects in technology/infrastructure	No
Resolution to market uncertainty	Yes
Resolution to technology uncertainty	No
Shifts in customer needs	Maybe
Shifts in technology	No
Incumbent inertia	Maybe
Buyer education	Yes

The result shown on table 1 will be analyzed more in detail next. The analysis will follow the structure of the table 1.

4.3.1 Current and eroded first-mover advantages

Learning curve effects are theorised to be a source for competitive advantages for pioneering companies and companies with large market shares. The learning curve effects are not relevant to the industry studied as the code of the software is not overly complicated neither hard to copy and therefore there is not a significant entry barrier in terms of costs (at least not because of learning curve effects) for the late entrants.

The founder of Prospectum Oy believes that especially during the first years of business, the company was able to serve its clients more sufficiently because they had an insight on which kind of a service model was preferred by the end consumers. This insight had been created during the early discussion with the prospective client base and it took long before other companies with similar software understood the importance of customer service before-, during- and after the event. The pole position in the new market niche helped the company to capture this information. Although this advantage has eroded, key personnel at Prospectum Oy might still have a slight advantage in understanding and analyzing network behaviour.

The event message feed was not a technological innovation in a traditional sense, as the technology itself existed before the launch of the product. Thus there were no advantages related to the technological knowledge even at the moment of product launch.

The product has been unsuccessful in setting the customer preferences to its favour. During the last seven years, some competing products have introduced different designs and features, of which some have become part of the customer's idea of an ideal product. Some of these features have been also been introduced to the company's product shortly after, which indicates that Prospectum's product has been a follower in some parts of the technological cycle. From technological perspective, currently only a small percentage of the potential customer base considers the company's product significantly better than other solutions at the market. Prospectum Oy has been able to charge price premiums in some cases for other reasons that will be shortly discussed further.

One of the main benefits of entering the market early has been the ability to control and set customer expectations for the service. Customer expectations in terms of service features have developed at a rapid speed and in this sense the company was able to set the industry expectations only for a short while, but customer expectations in sense of price have been majorly controlled by the company. If there would had been an earlier entrant offering their competing service for a lower price, the customers price image would had severely lowered and Prospectum Oy could not had been able to fund its development on early profits. The product was able to generate positive returns from the early stages of market development because the profit margin was healthy. As the company has been funded only by income financing, the healthy profit margin helped

to fund the add-ons that were crucial in keeping up with the changing customer expectations.

As the case study discusses software business, it is safe to say that there are not pioneering advantages in acquiring physical locations or infrastructure as these are not relevant to the industry. The ability to acquire a preferred market position could be on the other hand a first-mover advantage in this case. As the market is relatively small in size there are no room for many players offering the same service as a primary business entity. By entering first, Prospectum Oy has been successful in acquiring a strong position at the market. The strong market position is not easy to compete against for a small company and the market is not big enough to be attractive for a big company. According to the company founder, pioneering the market enabled the company to secure a strong market position which would not had been possible for the company later as the company did not had the resources to compete against bigger organizations.

Many potential customers in the field consider Prospectum's product as the first one in the market, which has helped the company to build an innovators image. According to the company founder, the innovators image might even scale to other products as it has had an effect on brand perception.

There are often buyer switching costs related to the software market and it has been theorised that "locking in" on customers is really important in the software business, especially when the buying is not centralised and when the buyer has an extensive history with the incumbent product (Heide and Weiss 1995). In this case, the buying behaviour is seldom centralised and many customers in the field have an extensive history with the event message feed which indicates that there are buyer switching cost associated. This advantage is however not as big as it could be as the software itself is not complicated or incomparable.

By entering early, Prospectum Oy was able to patent the name of its product. The name of the product has become a generic term for the event message feed likewise Coke or post-it are used as generic terms although they are trademarks. The company founder believes that the patented name is one of the strongest competitive advantages that the company has acquired because of moving early.

Somewhat reflecting the buyer switching cost, the event message feed has been able to generate repetitive buying behaviour. In this case, repetitive buying behaviour has happened because the customer expectations have been met. As the average buyer operates in the internet enabled market, repetitive buying behaviour cannot be solely explained by buyer switching costs or by buyers having a lack of information about alternative solutions. Prospectum Oy would quickly lose their early acquired customers if they would not meet the customer expectations today and therefore repetitive buying behaviour cannot be necessarily classified as advantages that stems from market pioneering.

Network effects are a significant source of first-mover advantages in modern markets, especially if you analyze technology- and communication related industries (Lieberman 2007). The analyzed product is part of these industries but there are no multiplicative effects on the service. In other words, the worth of the service is not linked to the number of users it has and therefore network effects are not a significant first-mover advantage for event message feed. On the other hand, network effects also happen when a company can attract high quality alliances because it's favorable early market position (Lieberman 2007). Prospectum Oy has been able to develop strong alliances with some significant event locations in Finland (the event locations act as service distributors), but ultimately it is hard to define whether it was possible because of the favorable early market position or because of other reasons.

4.3.2 Current and eroded first-mover disadvantages

Prospectum's investments in R&D and building a market infrastructure in a traditional sense were low as the company and the product were developed with small resources and the original innovation wasn't technologically significant. In a technological sense, Prospectum Oy could experience stronger free-rider effects as it gave out, as its software was almost completely on existing technologies.

In this case infrastructure refers to IT infrastructure. As the event message wall required only a web browser and no additional components to operate, the IT infrastructure was in place at the moment of entry and therefore there were no free-rider effects either in that sense for the market followers.

The later entrants in the market all offer web-based software as Prospectum Oy and therefore they have not been able to benefit from technology uncertainty, as the origi-

nal model of offering web-based software to end users is still the industry standard in the market. However, the company has not been able to set the industry standard in product features and later entrant firms have introduced new features to the concept. The follower firms have been able to observe the market first and then timed their entry to situation when they have had an understanding on what the customers expect. The market uncertainty has been a follower advantage but Prospectum Oy founder doesn't believe that it has had a significant effect on the competitiveness of the companies at the market as the company has added add-ons to their product when these have emerged to the market. In this case, follower firms could have benefitted from the fact that their perceived risk at the moment of entry has been lower than for the first-entrant because at the moment of their entry it was already proved that there is market potential in this segment.

As already discussed there has not been shifts in technology that have influenced the market. There has been changes in customer needs and these are theorized to be first-mover disadvantages but these have not become problematic for Prospectum Oy as the company has been able to quickly react to the changes in customer needs. There has not been incumbent inertia as the company has remained flexible and has had customer focus in the core of its values during the years. The fear of missing out on the next big trend or change in customer needs has guided the company's process too much at times as the company has introduced add-ons to its product that were only appreciated by individual customers but not by the whole customer base. In these cases, the development ideas were presented to the company by individual customers and these solutions never produced additional value to other customers and they were financially unprofitable. This disadvantage for Prospectum Oy cannot be directly traced back to the market entry order effects, but defending the early acquired market positions has sometimes guided the process too much and therefore the first entry position has indirectly influenced company behavior and competitiveness negatively.

The most significant first-mover disadvantage and therefore follower advantage has been buyer education. Prospectum Oy created a totally new market with their disruptive innovation and this market would likely not exist in its current size without the early efforts of the company. The follower firms have been able to enter the market where the concept of event message wall is widely recognized and known. The follower firms have been able to start from a situation where they have only had to sell their product to event organizers instead of starting from the point of selling the idea and concept.

4.3.3 The significance of market entry order

The company founder believes that if the market entry would had been made in 2013 it would had been too late for a firm with limited financial assets to enter like Prospectum Oy. As the company entered the market first, they could set a price image to customers and they could charge a premium price for the first years of business because they were the industry standard solution in event message feeds. By entering the market first, Prospectum Oy could “lock in” some key customers from the relatively small market, which would not likely had been possible later. The pre-emption of market position was one of the key advantages achieved in addition to acquiring a favourable product name that was patented. Prospectum Oy founder also believes that during the first two years of operations the company could produce demand for its event message feed because of “newness -effect”, referring to the fact that some customers bought the service only because they wanted to test the new concept in their event.

The early experienced first-mover advantages helped the company to produce profits that were invested in developing a wider portfolio and more advanced solutions.

Some of the customers see Prospectum Oy as an innovative firm because they were to first company to commercialised the event message feed product, which has helped in introducing additional products to the catalogue. This image could not have been produced by purely marketing means or through other resources as the company did not had any superior resources at the moment of launch.

Analysing the strategic situation now, most of the first-mover advantages have eroded during the past seven years and competitors have been able to benefit from buyer education and from the resolution to market uncertainty. At first, the advantages of pioneering were strong, but the importance of these advantages is likely to erode to match the disadvantages in the near future.

Answering the research question, it can be claimed that the Prospectum Oy became successful in its market largely because it entered the market first and because it had the sufficient resources to support the early advantages. In this case, the ability to sell the service efficiently, cater the customers and make the right business decision have been the main resources of achieving a market leading position. The first-mover advantages itself have not lead to a market leading position, but the combination of early

experienced pioneering advantages and the ability to benefit from these have led to a favourable market position.

The result of this analysis implicates that pioneering a market doesn't automatically lead to having an overall competitive advantage or -disadvantage, but that even at the era of internet and high customer awareness, first-mover effects can be channelled in favour of the pioneering company, especially if the product can be qualified as disruptive innovation. First-mover advantages can outdo the first-mover disadvantages if the company holds the resources to do so. As theorised by Wiklund and Shepherd (2003) ultimately the most valuable resource seems to be the management's ability to utilize resources, instead of a stock of other resources.

4.4 Future implications

As some old customers of Prospectum Oy have recently shifted into using free or close-to-free solutions available at the internet, it is likely that the market characteristics are likely to change drastically in the coming years. In the future, the event message feed as a service will mainly compete against solutions that are offered only via E-commerce.

The pressure on the market given by cheap E-commerce solutions becomes stronger week-by-week thus the premium price of event message feed is becoming harder to justify. The first option on the future is to continue developing and introducing add-ons to the event message feed product. The second option on the future is to accept that most of the first-mover advantages have eroded, the market in its current form is nearing its end and that the focus should be put into developing solutions that resolve another issue that the event organisers are facing. Currently the company's strategy implementation has been a mixture of the two options mentioned but the shift towards option two seems to inevitable in the future. This shift is possible for the company as it has accumulated enough financial capital with its event message feed product to do so, has established good client relationships with the target group and has an innovators image among some of the customer base that could be scaled to other products as well.

5 Conclusion

The goal of the thesis was to answer what advantages and disadvantages has pioneering a market given for Prospectum Oy and based on this analysis to develop an understanding whether the company did well because of being first to the Finnish market of event message feeds or whether it became successful for other reasons and would had been successful nevertheless the market entry order.

A patented name, preemption of a market position, differentiation, buyer switching costs and a generation of repetitive buying behavior were identified as key first-mover advantages, whereas buyer education and a resolution to market uncertainty were identified as key first-mover disadvantages. The product has so far enjoyed more first-mover advantages than disadvantages, and this can partly be explained by the fact that the product was disruptive innovation at the moment of launch and the first-mover advantages are theorized to be stronger for disruptive innovations.

Currently, most of the first-mover advantages have already eroded and the company is facing a crossroads whether to keep continuing developing its event message feed product or to concentrate on developing a more diverse product portfolio.

To conclude, the study found out that Prospectum Oy has experienced more first-mover advantages than disadvantages with its event message feed product but that the advantages solely do not explain the success of the product during the past seven years as most of the first-mover advantages have already eroded. The combination of right resources and early experienced first-mover advantages were crucial in establishing a strong market position.

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Appendix 1: Interview questions on 02.04.2017

1. Was your product the first in the market?
2. What sort of a solution there were at the market?
3. Early competitors?
4. Had anyone commercialize the product?
5. Where the idea came to launch this new product?

Appendix 2: Interview questions on 14.04.2017

1. Background? What sort of a solutions there were at the market? Was anyone commercialized the service/entered the market?
2. What sort of the innovation it was? First-mover in which sense? Had someone done something similar before?
3. Why you decided to enter this small segment? Did you create a new segment/market?
4. Possible advantages for pioneering, analyzing this case.
 - 4.1 Technological leadership? (Learning curve, Insights/learnings of the market that were kept secret)
 - 4.2 Preemption of assets? (Patented name, Is the market so small that it only supports a single company?)
 - 4.3 Buyer switching cost?
5. Possible Disadvantages, analyzing this case:
 - 5.1 Free-rider effects? In buyer education?
 - 5.2 Resolution to market uncertainty?

5.3 Shifts in customer needs or technology?

5.4 Incumbent inertia?

6. The pioneering company may reach a position where it sets the preferences and customer expectations. Accomplished?
7. Was there a specific resource in the founding team that helped to identify a new potential market segment?
8. How have the customer needs and technology changed during the past 7 years relevant to this case?
9. Do you believe you can charge a premium price because of being the industry standard?
10. Do you see the risk would have been smaller in entering a market a few couple years later?
11. If there are first mover advantages, how long do you believe they will last/have lasted?
12. Promotion and price are traditionally theorized to be the most important success factors from marketing perspective for a company. Is either one of these important in this case?
13. What's your most valuable resource when compared to other companies?
14. Do you think pioneering the market has given more advantage or disadvantage?
15. Publicity of the thesis?