

**THE STRATEGIC VALUE OF PIONEERING AS A
STRATEGY AND PIONEERING ADVANTAGES
IN THE CONTEXT OF FMCG BRANDS
ENTERING NEW GEOGRAPHIC MARKETS**

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THESIS ABSTRACT FORM

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TITLE OF THESIS:

The Strategic Value of Pioneering as a Strategy and Pioneering Advantages in the Context of FMCG Brands Entering New Geographic Markets.

ABSTRACT:

This study examined pioneering as a strategic option, when entering new geographic markets. In conjunction with the strategy of pioneering, the phenomenon of pioneering advantages were studied in the context of new geographic markets.

The research was conducted in the form of case study research using in-depth interviews with marketing or business directors of blue-chip western fmcg brand manufacturers in Poland, The Czech Republic and Hungary. Further in-depth interviews were conducted with local marketing academics and other experts in central Europe. All interviews were conducted during the months of April - May 1994. The analysis was made using the Grounded Theory approach of Glaser & Strauss (1967) and Glaser (1978, 1992). By using matched pairs of 22 (+1)¹ respondents in 12 industries a *within methods* triangulation was achieved (Fielding & Fielding 1986, Jick 1979):

This is the first time, a case study approach has been used to analyse pioneering advantages of fmcg brands. The use of qualitative research methods has helped to produce valuable findings in respect to pioneering advantages which are not only of academic interest but contain important implications for the practitioner.

¹ The case of Unilever Hungary is unique as no western competitor has yet entered the market. The case was included despite the methodological inconsistency, because of entry barriers being a vital pioneering advantage in this case.

Based on an extensive literature review of pioneering advantages and brand strategies it became clear that, the concept of pioneering was not well defined and covered several different phenomena (e.g.: Kerin et al. 1992, Montgomery & Lieberman 1988). Existing research did not differentiate between being a pioneer in a new geographic market and product innovations effectively creating new market segments in old territories.

The issue this study was most concerned with was whether it is advantageous for a well established fmcg brand from a western country to enter a new geographic market as the pioneer. Much of the existing literature and common wisdom suggest, that being first in a market is per se an advantage. The pioneering advantage arising from the opportunity to erect or strengthen entry barriers which, would prevent or delay competitor entry (Karakaya 1993, v.Weizsäcker 1980, Bain 1957), or from behavioural advantages like the 'head start effect', giving the pioneer time and opportunity to establish his brand as the reference brand on the top of the consumer's mind before competition arrives (Schmalensee 1982, Carpenter & Nakamoto 1989).

This study found, that pioneering fmcg brands in central Europe did not necessarily gain an advantage over their competitors who entered later and that following seems to be a more attractive option in many cases, a finding which challenges the conventional view of pioneering advantages. This study also identified a number of factors influencing the phenomenon of pioneering advantages, in particular in the context of new geographic markets, which have previously not been recognised at all, or not been recognised as having great impact on the opportunity to gain and exploit pioneering advantages as part of the overall strategy.

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List of Abbreviations

app.	Appendix
BDF®	Beiersdorff®
BUES	Budapest University of Economic Science
C&EE	Central & Eastern Europe
CE	Central Europe (Poland, Czech Republic, Hungary)
CMEA	Council for Mutual Economic Assistance
CP®	Colgate Palmolive®
CSSR	Czechoslovak Republic
CZ	Czech Republic
DDB®	Doyle Dane Bernbach®
DK	Don't Know
DM	Deutsche Mark
Edt.	Editor
EE	Eastern Europe
EC	European Community
e.g.	exempli gratia
et al.	et alii
etc.	et cetera
fmcg	Fast Moving Consumer Goods
GfK®	Gesellschaft für Konsumgüterforschung, Nürnberg
GT	Grounded Theory
h	Hour
HU	Hungary
i.e.	id est
J&J	Johnson & Johnson®
KJS	Kraft Jacobs Suchard®
min	Minutes
MSc	Master of Science
NA	No Answer
NGM	New Geographic Market
NP	New Product
NPD	New Product Development
NUDIST®	Non-numerical Unstructured Data Indexing, Searching and Theorising Software
p	Page
pp	Pages
P&G	Procter & Gamble®
PA	Pioneering Advantage
PB	Pioneering Bonus

PD	Pioneering Disadvantage
PE	Pioneering Effect
PhD	Doctor of Philosophy
Pio.	Pioneer
PL	Poland
®	Protected Tradename or Trademark
RU	Russia
SES	Strategically Equivalent Segmentation
t	Time
UK	United Kingdom
USA	United States of America
USD	US-Dollar
VSE	Prague School of Economics
£	Pound Sterling
\$	US-Dollar

Chapter 1

Introduction

The Strategic Value of Pioneering as a Strategy and Pioneering Advantages in the Context of FMCG Brands Entering New Geographic Markets.

Chapter 1

Introduction

1.1 General Introduction

This study advances the existing knowledge on pioneering as a strategy and the phenomenon of pioneering advantages in two important areas:

- For the first time pioneering and pioneering advantages are researched in the context of entering a new geographic market.
- Secondly, pioneering and pioneering advantages are for the first time analysed using a grounded theory approach.

Studying pioneering and pioneering advantages in the context of being first to new geographic markets has, to the best knowledge of the author, never been done before. This is a remarkable gap in previous research on this subject, as pioneering into new markets has become an integral part of expansion strategies since Ansoff (1957) introduced a framework to order expansion strategies into different types. Having isolated this gap this study aims at furthering the understanding of the strategy of pioneering and the closely linked phenomenon of pioneering advantages in the context of entering new geographic markets. For this purpose three markets in central Europe have been selected, as they provide an adequate and topical framework for this research.

This study not only contributes to the field of research on pioneering and pioneering advantages, but also to the advance of the methodology used: grounded theory. Grounded theory has been established as a research method in the field of sociological research by Barney Glaser and Anselm Strauss (Glaser & Strauss 1967).

In their 1967 book 'The Discovery of Grounded Theory' they report the establishing of a procedure during a research project they conducted some years earlier (Glaser & Strauss 1967) in which they used a specific comparative analysis in their studies.

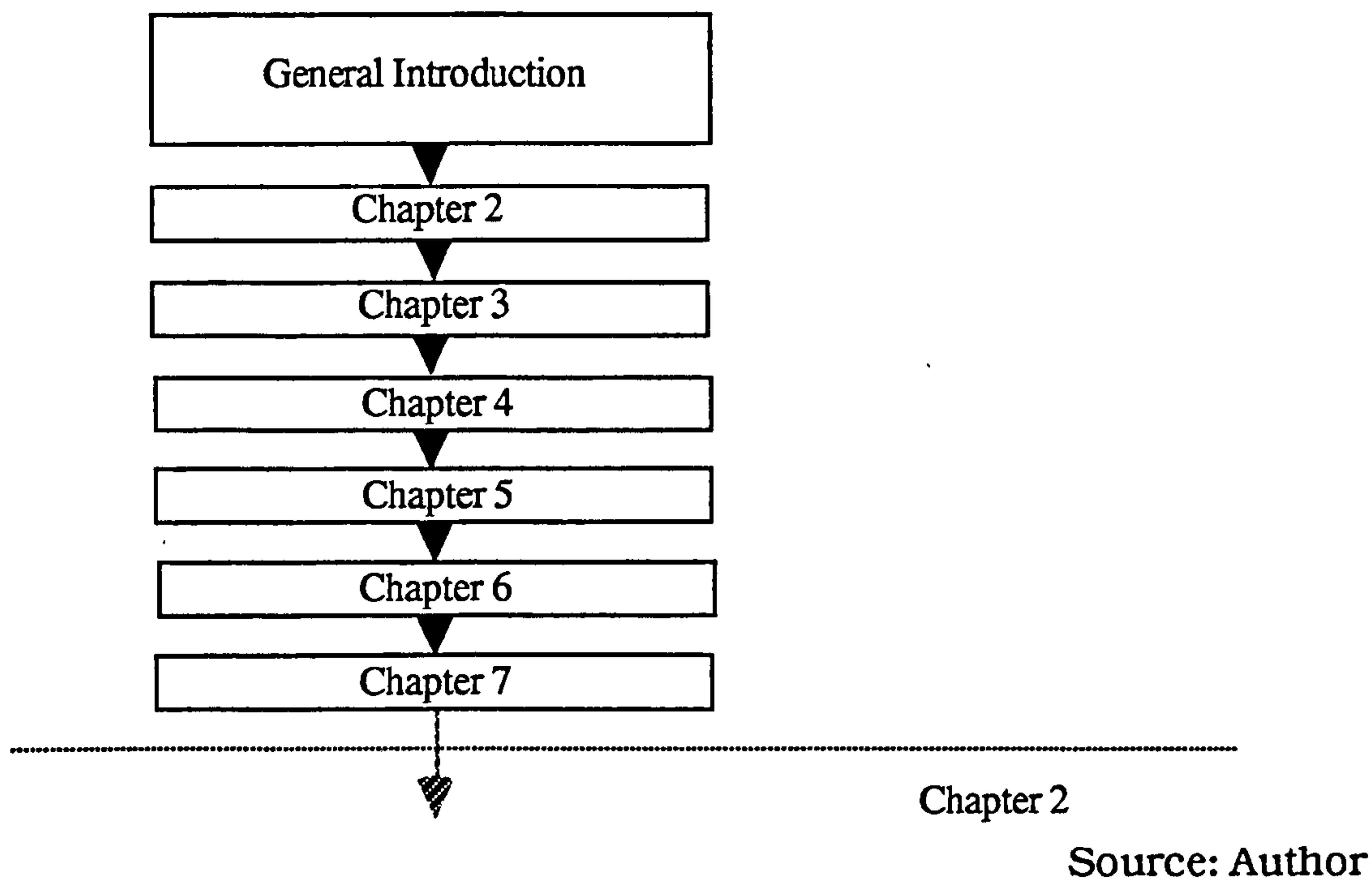
Since its invention in the mid sixties however, grounded theory has been dormant for most of the time, until one of the founders (Strauss & Corbin 1990) published a 'controversial' book on grounded theory which caused a serious argument and a fierce counter publication from the other founder Glaser (Glaser 1992) and therefore created some more public awareness of the methodological approach.

For the approach taken in this study, the Glaser school of thought has been followed, partly because Glaser seems to be prevailing the argument and partly because what little advice on the method is available, tends to be that from the realms of Glaser, rather than from Strauss.

The application of this methodological approach however has proved to be very well suited for this study and it has produced excellent results in terms of findings and conclusions, much of which would have not been found with other methods. The author regards grounded theory as a very much underrated because little known methodology for marketing research which should become a more often used and more mainstream part of the array of marketing research methods.

The structure of this study has been kept clear and uncluttered in order to provide a concise framework for the study itself. The study consists of seven chapters all of which are introduced with a graphic overview of their structure. This is to allow the reader to get a clear picture of the structure of each chapter at the beginning of his reading and to aid his orientation through the study.

Figure:1.1
Structure of Chapter 1



Chapter 2 is the first part of a review of the literature on brand expansion strategies. For this chapter it has been attempted wherever possible to go back to original work which has been written in the 50s, rather than to discuss more recent variations of it. In particular the work by Ansoff (1957) and Johnson & Jones (1957) is extensively discussed and is used as the basis for an analysis of growth directions open to consumer brands. In an adaptation of the work of Ansoff and Johnson and Jones four core strategies and five sub-strategies are identified for brand growth. The two most important core strategies are identified as brand development and market development.

Brand development however, is found to be more relevant to western industrialised markets and less so for the intended research on pioneering into less developed markets. It is therefore that the most pertinent issues of brand development are discussed in detail using recent research to highlight developments which have been made in research relating to consumer brands. The discussion of market development is made in great detail discussing issues on global marketing (Levitt 1983; Elinder 1961; Buzzell 1968) and their relevance to the subject of this study leading to a discussion of the existing material of branding and marketing in a central European context. This study finds comparatively few empirical studies in the area and most of the work is based on anecdotal evidence. However, a number of publications are discussed in detail, in particular Paliwoda (1993); Bugajski (1991); Kraljic (1990); Szallies (1991); Reddy (1991); Heyder et al (1992). The final part of the chapter is taken up by a discussion of Mattheisen (1992), who has presented a report of companies in central Europe and Russia which briefly touches upon some of the issues this study is concerned with.

Chapter 3 provides a review of the existing research on pioneering and pioneering advantages in the marketing literature. It is established early on, that only few authors (i.e.: Kerin et al. 1992) doubt the intrinsic relation between pioneering advantages and a pioneering strategy. With the majority of existing work firmly supporting the relation between pioneering and pioneering advantages the chapter analyses in detail the underlying processes in pioneering and identifies two distinctly different processes:

- To pioneer an otherwise established product/brand in a new geographic market.
- To pioneer a new product/brand in a market which is already served by the company.

At this point the distinction between these two concepts is made for the first time. The terms NPD (new product development) pioneering and NGM (new geographic market) pioneering are established. A framework to disentangle the confusion prevalent in existing research and a clarified terminology is introduced.

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Referring to a great number of existing research i.e.: Robinson & Fornell 1985; Liebermann & Montgomery 1988; Kerin et al. 1992; Carpenter & Nakamoto 1989 developments and dominant points of view are discussed analysing all aspects of pioneering and pioneering advantages which are relevant to this study.

In a separate section pioneering and pioneering advantages in relation to central Europe are discussed, work by Becker & Baker (1995;) Spelling (1993); Quelch et al. (1991) and in particular Wesnitzer (1993), who researched German companies in central Europe, are used to build the argument in this section.

Chapter 4 lists the research objectives of this study which are based on the review of the existing literature. For this study 3 main research objectives and 6 sub-objectives are formulated, all in context with the gaps which were identified in the discussion of the existing literature on the issue in the previous chapters.

Chapter 5 presents the methodology used for this study which has been developed from a review of the methodological options which are available in marketing research. The development of the methodological approach is based on the research objectives and the resulting data needs which are presented in detail as the foundation of the study. The decision between qualitative and quantitative research methods is discussed with a reference to their respective development and their underlying philosophies. Reference is made to positivism and Comte (1974 (1855)) and Husserl (1913) and phenomenology. More recent contributions to the discussion like Gummesson (1991); Easterby - Smith et al. (1991) are also introduced in the discussion. In an evaluation of the pros and cons of each approach a qualitative research approach is found to be more suitable for the research problem in this study and is subsequently developed into a comprehensive research design covering all issues from data collection to data analysis. The decisions which had to be made in the process of developing the research design are explained and alternatives are discussed.

Chapter 5 also presents the arguments for concentrating in this study on the three central European markets of Poland the Czech Republic and Hungary.

Chapter 6 presents the findings of this study. The first issue addressed is a third form of pioneering which has been identified besides NGM pioneering and NPD pioneering, termed NP pioneering, which stands for the pioneering of a new product category in a new geographic market by a company who is not the industry pioneer.

The chapter then identifies pioneering effects from the data of this study, establishing three forms of effects, pioneering advantages, pioneering bonuses and pioneering disadvantages. As the evidence suggests many of the pioneering effects are interlinked and a separate section deals with cross referencing different pioneering effects. The last section of the chapter deals with factors influencing pioneering effects and how they affect individual pioneering effects. The chapter is closes with a conclusion.

Chapter 7 opens with a reflection on the belief held by respondents on the issue of pioneering and pioneering advantages as well as referencing the belief back to the existing literature. This forms a reminder of the present situation which is in contrast to the general conclusion of this study which are presented next.

In the general conclusion it is asserted, that pioneering in an NGM context is a much more risky strategy compared to following and that the returns which are generally attributed to a pioneering strategy in form of pioneering advantages are less likely to occur in the NGM context than generally believed. Furthermore it is stated, that pioneering advantages need further input from the pioneer before they become beneficial to the pioneer, which is an additional difficulty in a pioneering strategy.

The next section revisits the research objectives formulated in chapter 4 and demonstrates in what way they were achieved in the course of this study. The final part of this chapter is divided between recommendations to practitioners based on the findings of this study and recommendations for future research in the area of pioneering and pioneering advantages.

Chapter 7 is followed by a comprehensive list of all references which were used in this study in addition to the references provided at the end of each chapter.

A separate volume holds the appendices which contain amongst others, transcripts of all those interviews which were used for this study and transcripts of initial coding sheets as derived from the software package which was used for the first stage of coding the interview transcripts.

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Chapter 2

Literature Review I

Chapter 2

Brand Expansion Strategies

2.1 Objectives

This chapter aims to explore growth as an objective, which is the underlying paradigm for expansion in general and in particular the expansion of brands. In this chapter different growth strategies for consumer brands are examined for their relevance to the main issues of this research, which is only concerned with some selected routes of brand growth. It is this chapter, in which the discussion of the theoretical background has to be focused and directed towards the core issues of the study. Accordingly the discussion of growth strategies in this chapter starts with a general overview of available alternatives and continues in more detail on the geographic expansion of brands. This prepares the reader for the following chapter, which deals with pioneering advantages of brands expanding geographically, the issue at the very heart of this study.

2.2 Introduction

The first section of this chapter deals with the basic growth strategy alternatives. This brief section goes back to work by Ansoff and Johnson & Jones from the 50s, in order to prepare the reader for the section on the growth directions available for brands.

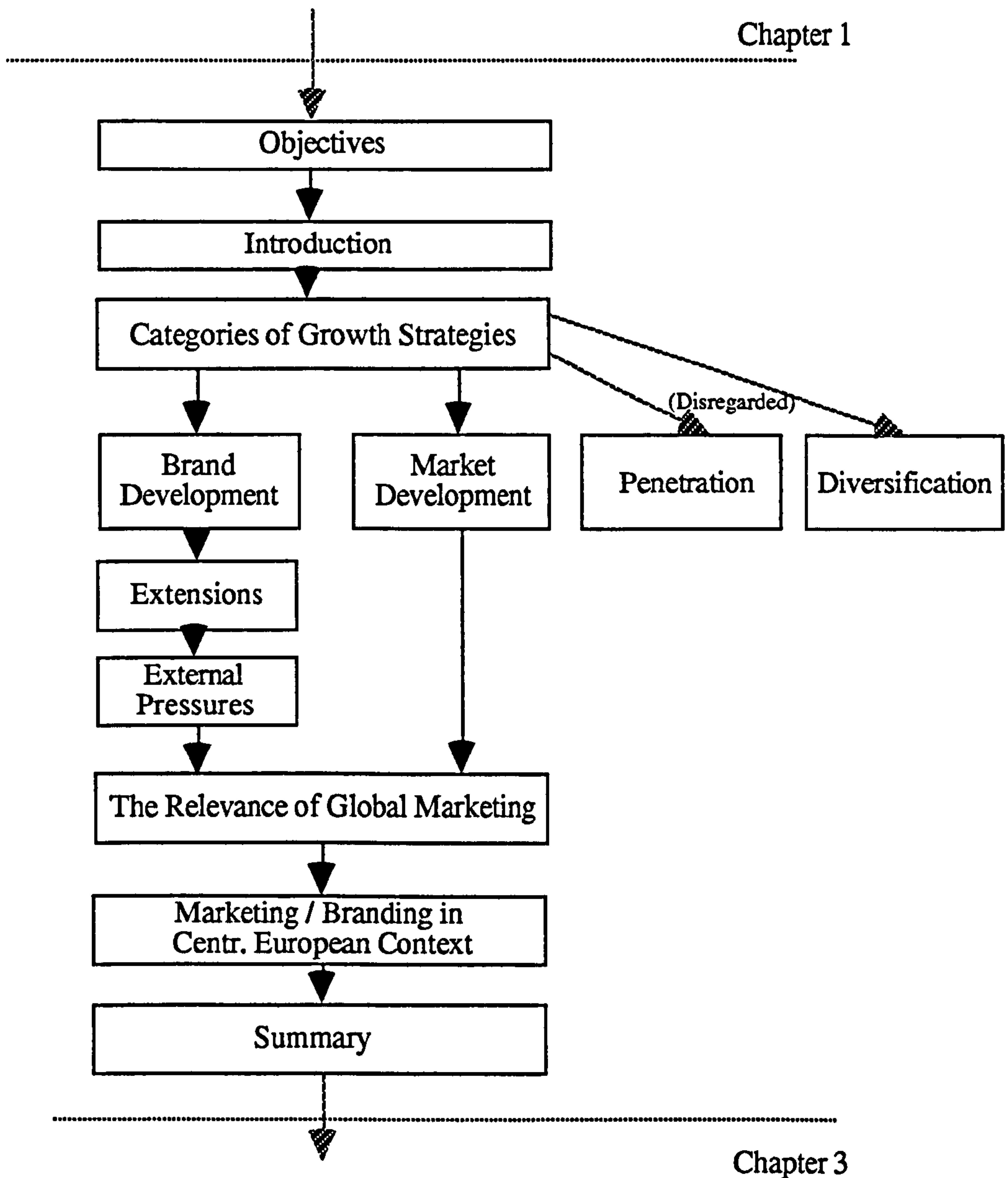
The second section examines brand expansion strategies and the directions these may take. Some further information is provided to highlight the pressure to grow under which brands have come recently. The categories of growth strategies presented in the previous section of this chapter are then adapted to the specific framework of brands and branding. This line of argument is developed into the distinction between 'Brand Development' and 'Market Development' which, in turn are discussed in extensive detail in the next two sub sections of this chapter.

The penultimate section of the chapter deals with the relevance of global marketing to this study. The international character of this study makes it necessary, to make reference to this controversial issue. A brief account of the debate is given as a basis for assessing its relevance to the subject of this study.

The last section ties into the international framework which has been provided by the globalisation debate with the focus on publications which feature central and eastern Europe in connection with brands and branding as one of the core areas of this study.

The following table is a graphic map of this chapter to ease the orientation and structural overview for the reader:

Figure: 2.1
Structure of Chapter 2



Source: Author

2.3 Categories of Growth Strategies

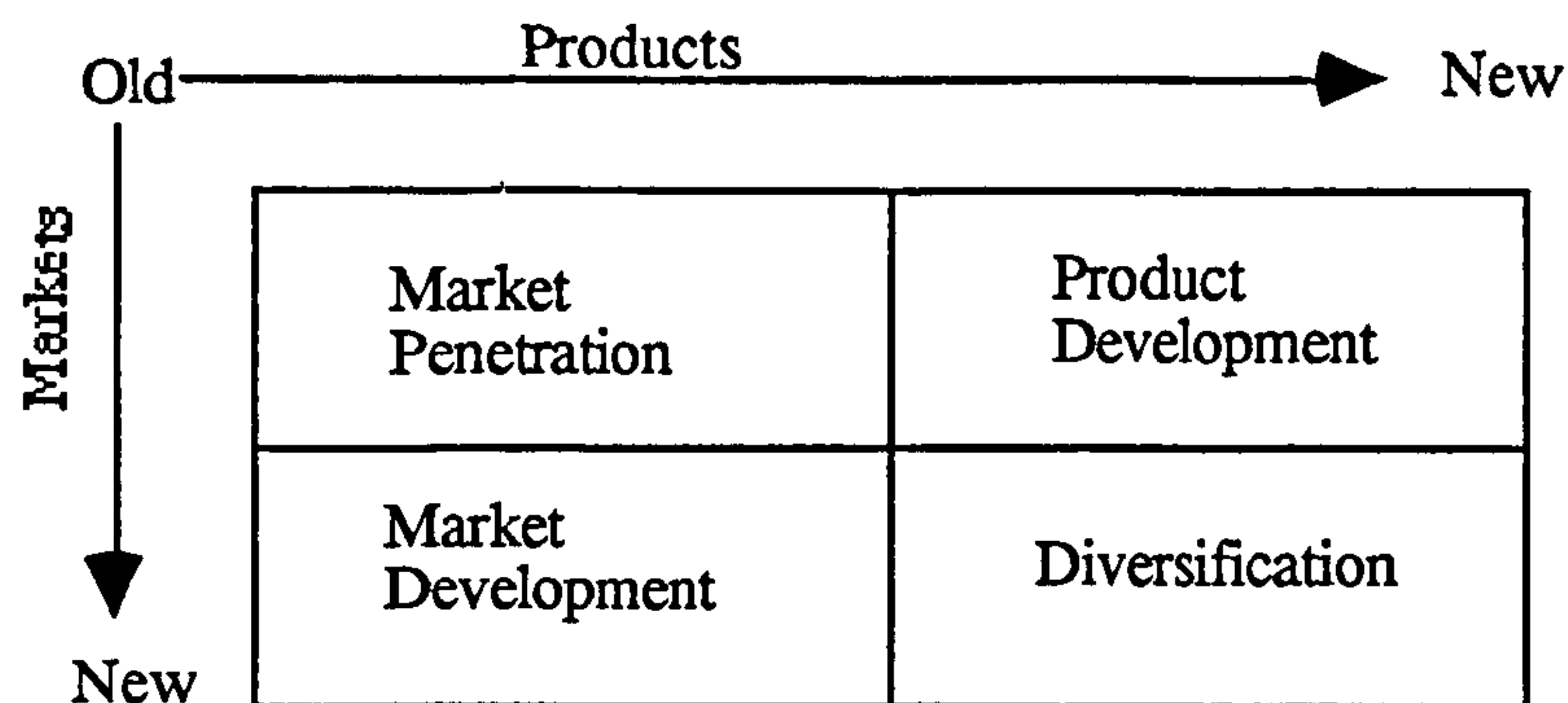
It is generally accepted that the central objective of a business is to generate profits. However, very closely related is the objective to achieve growth. Baker (1992) regards growth as a prime *objective of most companies*, despite his observation of a society less determined than it used to be to achieve growth. He also recognises that growth is a requirement to survival for companies in a modern business environment. In a growing environment every sub unit of that environment has to achieve a growth rate, which at least equals that of the environment, in order to maintain its position within the environment (Ansoff 1957). If this general growth rate is consistently not achieved, the sub unit will eventually cease to exist.

Growth strategies have long been a central interest of academics and practitioners alike. In spite of many publications in this area Ansoff developed a framework as long ago as 1957, which is still accepted as the basis of most thinking in the area. In his article 'Strategies for diversification' Ansoff (1957) developed a matrix, which relates markets to products, considering whether either of the factors is old or new to the other. Referring back to Ansoff's (1957) original text it is clear that most users have overlooked the fact that he intended his matrix to have many more fields, which were all intended for diversification, in order to accommodate the different diversification strategies he identified (horizontal, vertical, lateral).

If however, the emphasis is shifted from diversification towards general expansion the detailed diversification part becomes inessential, and the well known four field matrix remains. The result is a grid which presents the company with four distinctive strategic alternatives for growth, of which diversification is just one:

Figure: 2.2

Ansoff's (1957) Product / Market Expansion Matrix



Source: Ansoff (1957)

Although all alternatives are equally available to a company one 'route' through the different options particularly recognises the need of the company to reduce risk and exploit the easiest options first in the attempt to expand. Before this route can be described it has to be recognised, that this introduces two new dimensions to the categories, which Ansoff (1957) called old and new. Old now also stands for lower risk and easier to exploit, when compared to new which is now also riskier and more difficult. These dimensions relate to experience which a company either has or has not, which allows it better judgement of a market on the one hand and better knowledge of a product on the other. In the case of new it indicates the opposite i.e. the ability to judge a market and the knowledge on a product are less. This means, that a company is advised to seek the strategy which combines the maximum growth opportunity with the smallest risk factor involved, which is achieved if the company remains within the old categories as long as possible. In exploring old/new combinations the one with the new market/old product is favoured because the thorough knowledge of the product is rated more important to the company's prospect of success, than the knowledge of a market. Baker (1992) presents this classic 'route', which has emerged over time:

Table: 2.1

Classic Ranking of Expansion Strategies

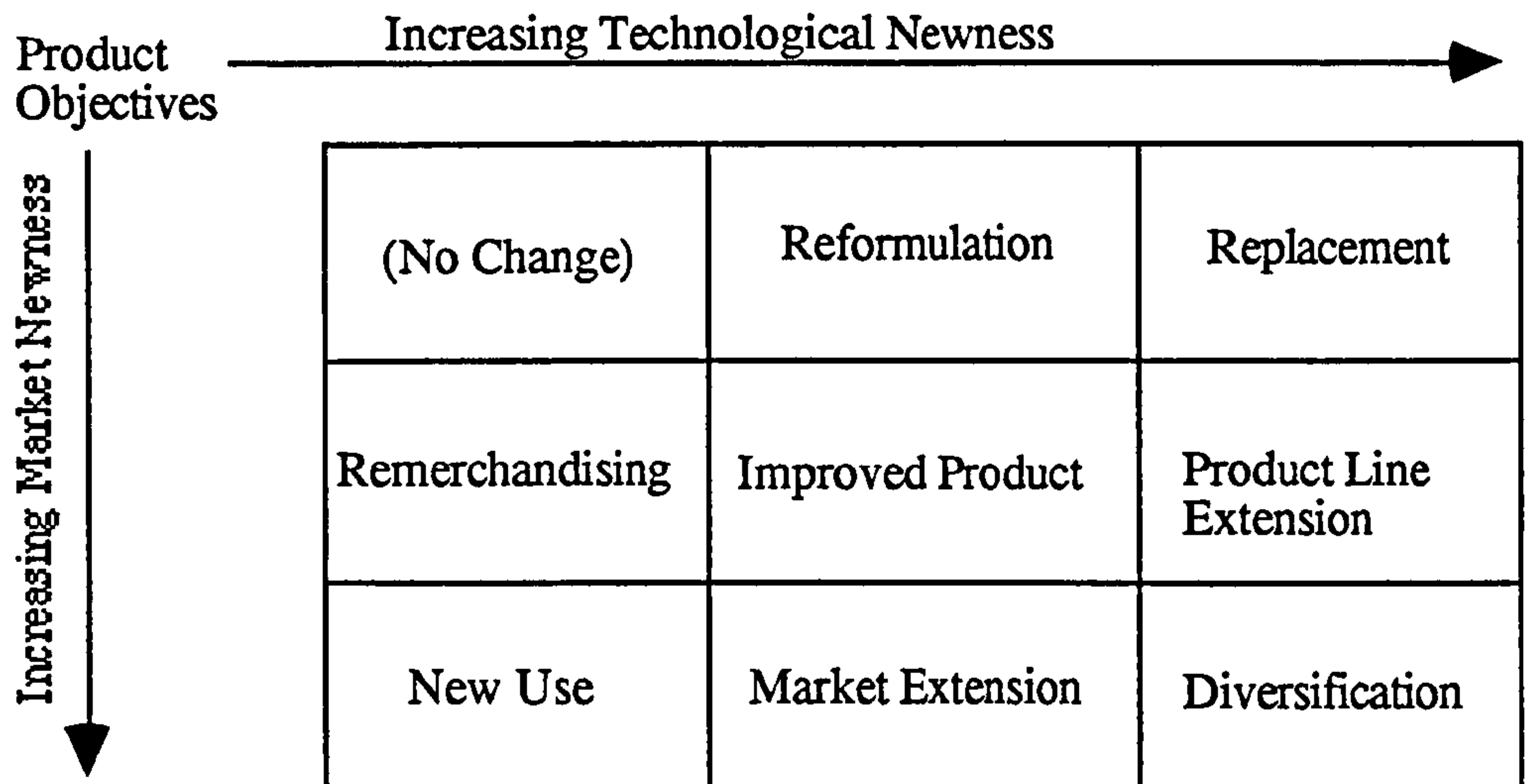
1.	Market Penetration
2.	Market Development
3.	Product Development
4.	Diversification

Source: Baker (1992)

Other authors, i.e. Johnson & Jones (1957) have developed larger matrices which allow a more detailed differentiation between the strategies chosen, but none of the larger versions have achieved the popularity and status associated with Ansoff's matrix. However, as an example and comparison to Ansoff, Johnson & Jones' (1957) three by three matrix is introduced here. The two authors introduced a third category in addition to Ansoff's dichotomy of new and old which is termed improved for technical newness on the horizontal axis, and strengthened for market newness on the vertical axis. These terms are derived from the original framework for which the Johnson and Jones matrix was developed, which was to aid the new product development process. The subsequent creation of intermediate categories in the matrix however, makes it possible to identify possible combination and sub strategies, which could not easily be accommodated in Ansoff's (1957) model. The original Johnson & Jones (1957) matrix was designed as follows:

Figure: 2.3

Johnson and Jones' Expansion Strategies Matrix



Source: Johnson & Jones (1957)

Johnson & Jones' matrix can be transferred between levels within a company and is not necessarily restricted to the new product development framework. Similarly Ansoff (1957) developed his matrix on a business expansion level, but it can easily be transferred to other levels within a company, such as the brand level.

The following section examines brand expansion strategies which is the level this study is at this stage concerned with. Some background information is presented, which gives an indication of the additional pressure which is put on brands to grow. At a later stage, the previously presented matrices, are adapted for brand expansion strategies and their implications are discussed. A more detailed discussion is then concerned with those brand expansion strategies this study is centred around.

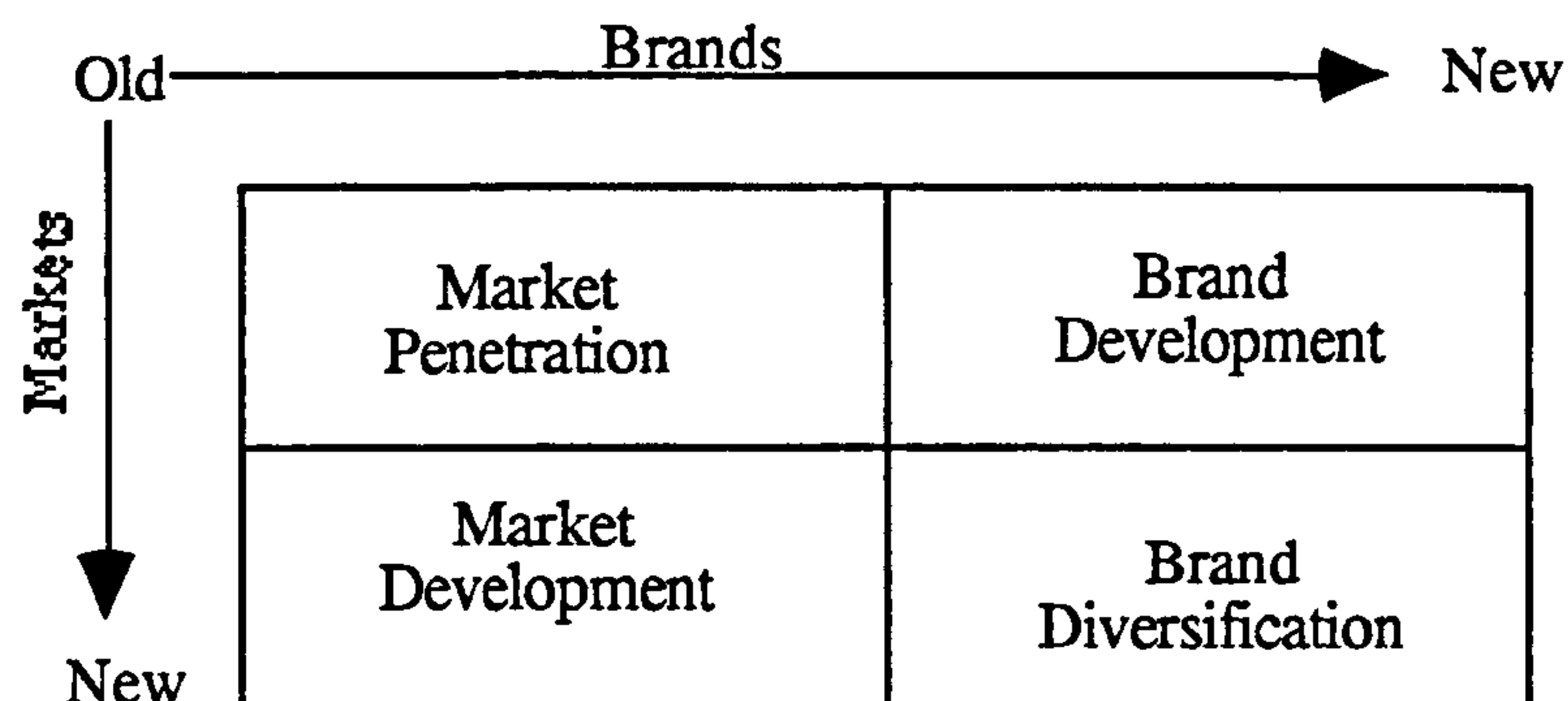
2.4 Growth Directions of Brands

The growth of brands is not only based on the general principle of business growth, as was established in the introduction of this chapter. The following paragraph reveals additional sources of pressure brands have to endure.

When brands became the centre of mergers and acquisition activities of multinational companies in the late 80s they entered a new era. Brands received the status of assets of those companies who held the rights to their trademarks. The monetary value of a brand, detached from any tangible assets of the holding company, was considered for the first time. The goodwill paid for a company was subsequently attributed directly to the portfolio of brands of the acquired company. The potential for superior brand management became the catalyst of many mergers and acquisitions, as brands were suddenly seen as key to market shares, shelf space, distribution and last, but not least, profits. The rule that only the market leader in any given industry would be able to achieve decent profits, combined with the experience that new brands were more likely to fail completely rather than become a market leader, opened the rush for brand portfolios. At the time buying brands was perceived as a fast and safe route to establish market presence as opposed to the long and dangerous route attempting to establish a new brand (Doyle 1989). Superior brand management equalled the ability to achieve the maximum return from any one brand name. Brand growth was pursued in all possible forms and ways. With this development brands came under increasing pressure to grow, in order to justify their price or valuation and provide a return on the investment made (Tauber 1988). In order to analyse the strategies available, it is helpful to return to Ansoff's (1957) matrix. All available brand expansion strategies can, in their fundamental roots be related back to this matrix. It seems obvious, that brands have basically the same options for expansion as other businesses have for their choice of growth strategies. However, as subtle differences remain, two of the four options have to be renamed in order to avoid confusion:

Figure: 2.4

Adapted Product / Market Expansion Matrix, after Ansoff's (1957) Matrix

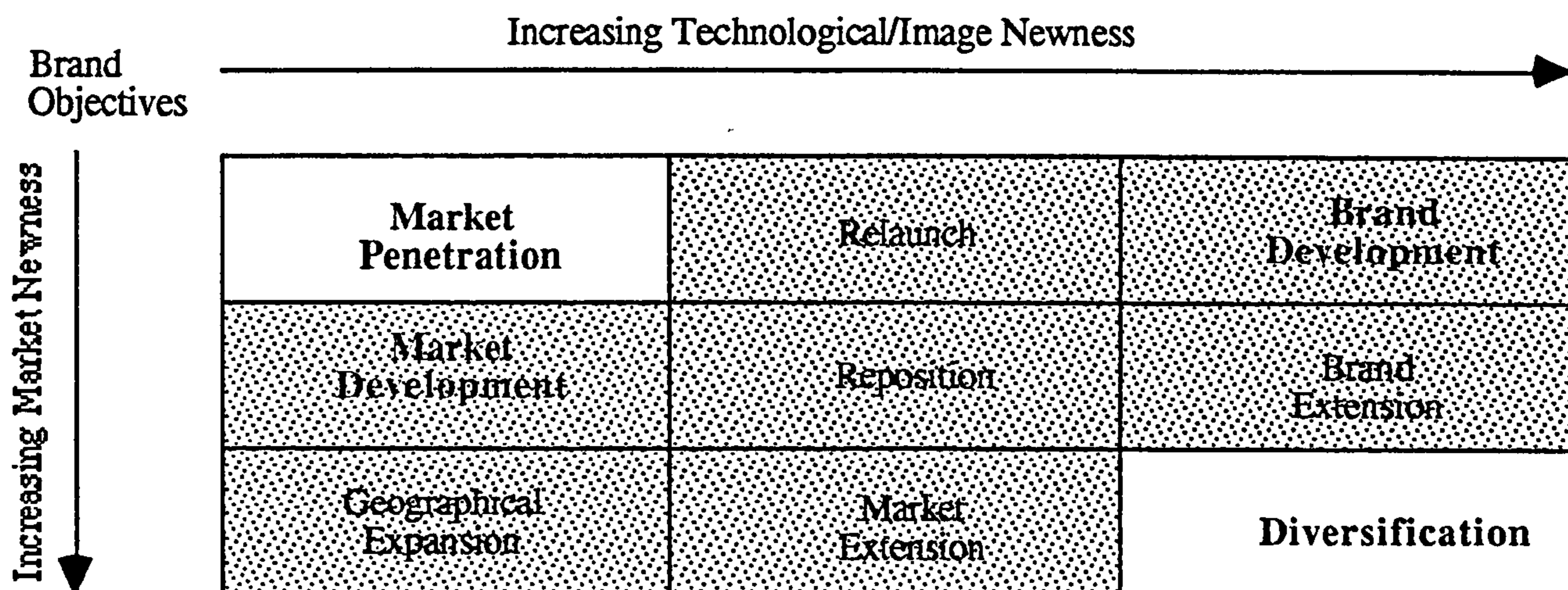


Source: Author, Adaptation of Ansoff (1957)

Before a detailed discussion of the strategies can take place it is also useful to reconsider Johnson & Jones (1957) matrix and transfer it to the brand level in order to identify possible combinations and sub strategies, which are of importance to this study. However, as the combination and sub strategies can be traced back as derivatives of those strategies which were earlier termed core strategies, these are highlighted in this matrix as opposed to the sub strategies, which are shaded according to their appropriate core strategy from which they originate.

Figure: 2.5

Adapted Brand Expansion Matrix, after Ansoff (1957) and Johnson & Jones (1957)



Source: Author, Adaptation of Ansoff (1957) and Johnson & Jones (1957)
 (Core strategies printed bold, sub strategies are shaded as their core strategy)

Introducing the middle category of market newness, the three by three matrix offers the benefit of distinguishing between market development and its sub strategy of geographical expansion. This is an important distinction for this study, as the research is not so much concerned with market development in the home territory of a brand but mostly with the issues of geographical expansion and market extension. Although brand development strategies are not at the heart of this study a brief discussion of the most popular versions is presented hereafter. This discourse aids the reader to fully understand the pressure under which brands are, and therefore enables him to appreciate the urge for growth of most brands, in their home markets as well as in new markets.

Unfortunately, other strategies presented in the models above have to be neglected from hereon in favour of the more detailed discussion of the two core growth strategies which can be derived from Ansoff's 1957 matrix. These are printed bold indicating their core strategy status in the adapted version of Johnson & Jones' 1957 matrix above:

- **'Brand Development'**
- **'Market Development'**.

2.4.1 Brand Development

Prior to reviewing the literature on this issue it seems necessary to define the term: Brand Development. The understanding of brand development for this study includes all activities aimed at growth, which remain within the brand's traditional (geographic) market. i.e. the relaunch or the repositioning of a brand, and extensions of the brand to new products in the same or different product categories. In the above adaptation of the Ansoff and Johnson & Jones matrix (Fig. 2.5) all these are identified as sub strategies of brand development, hence their similar coloured shading.

Although relaunch and repositioning are aimed to achieve growth for the brand they will not be discussed any further. Both activities only revive or improve the original brand in its traditional (geographic) market and do not expand the brand beyond its historic market or product category, which is detached from the main issue of this study.

Academic interest has been much more focused on brand development strategies than on market development. This might be due to the fact that the technique of brand development and particularly brand extensions have been used recently on a scale previously unknown (Tauber 1988). It is logical therefore, to firstly assess the environment in which the extensive use of brand development through brand extensions occurred:

2.4.1.1 Brand Extensions

In the literature the use of a brand name for new products is referred to as *brand leverage*, this is to indicate the power a brand name alone can have. Using an established brand name for a new product, rather than finding a new brand name is therefore thought to be an advantage for the new product. The increased use of the brand leverage (Tauber 1988) can be attributed to two developments affecting the understanding and treatment of brands:

The first motivation to extend established brand names, rather than create new brands, is the opportunity to cut costs compared to the launch of a new product.

The costs to establish a new brand in some fast moving consumer goods markets (fmcg) markets in the USA is believed to be between 50 - 150 million US\$ according to Tauber (1988). Despite all these investments almost 90% of all new brands fail to survive in the market, making the investment into the development and launch an unrecoverable loss according to The Economist (Anonymous 1988).

The second reason lies in the internal evaluation of brands in companies and their subsequent treatment as assets. Since the first brand names appeared on balance sheets in the late 80s companies have been more inclined to treat their brand names in the same way as other assets and demand returns adequate to their values, or the investments made for the brands.

The extension of an established brand name to a new product is thought to be a solution of this dilemma. Two alternative methods are common practice:

- **Line Extension**

A line extension is a product of the same category as the original brand product, although with a slight variation to the original product's characteristics.

An example would be a new packaging size of an existing product like the recent launch of Mini Jaffa Cakes, or an introduction of a new variety like Diet Coke.

- **Brand Extension**

A brand extension is a product of a different category than the original brand product. The name may even be franchised out to another company, to produce entirely different products under the name in which the trademark owner has no expertise..

An example is the extremely wide use of the VIRGIN brand name. Being originally a record store brand, it was extended to a record label, an airline, a radio station, a cola soft drink, a vodka and an investment fond. All of which are very different and mostly unrelated businesses and product categories.

According to Aaker & Keller (1990) the use of extensions has become increasingly popular. The objective of the use of extensions is to make the brand name 'work harder' and achieve higher returns through increased sales or franchise fees. Extensions therefore seem to offer a solution to the dilemma presented above, and in addition the new product can benefit from the established brand name and reputation: Doyle (1989) identified three possible advantages for a new product from the use of an established brand name:

- **It encourages customer confidence in a new product**
This advantage is confirmed by the findings of Aaker & Keller (1990), who found, that under certain preconditions consumers attribute the positive perceptions of the original brand to the extension. In Aaker's other 1990 paper he also found that an established brand name increases initial interest in the new product, and the willingness to try it.
- **It may create scale economies in advertising and promotion**
Smith (1992) confirmed that in certain industries a brand extension achieves a higher advertising to sales ratio than new brands.
- **It opens distribution and retail channels**
Growing retailer power (de Chernatony 1989) makes distribution increasingly difficult to obtain. The above mentioned advantages help persuading reluctant retailers to list a new product (Doyle 1989).

However, Doyle also pointed at the dangers of *eroding a successful brand's unique positioning* through extension techniques. Aaker & Keller (1990) see the extension decision as *strategically critical* to the trademark owner and the future of the brand. According to them a wrong decision can result in severe damage to the property of the brand, and it might suffer beyond repair. Doyle (1989) presented a brand position matrix, in which he relates the differential advantage between the products to the segments of the market they are targeted at. From this he draws four different extension strategies.

His strategic recommendations range from the use of the company or range name to those conditions in which a unique brand name is preferred, even for different products from the same company:

Figure: 2.6
Doyle's Brand Positioning Grid

		Differential Advantage	
		Similar	Different
Target Market Segment	Similar	Company or Range Name	Company plus Brands
	Different	Company plus Grade ID.	Unique Brand Names

Source: Doyle (1989)

Doyle (1989) suggests that different products can share the same name if they are targeted at the same market segment and also have a similar differential advantage. These similarities would also ensure a consistent positioning strategy for the brand. If products appeal to different groups of the target market but share a similar differential advantage the company brand can be extended, but a distinctive grade identification is necessary to emphasise the different positioning. In a situation in which the target market is similar for products with different differential advantages Doyle recommends a shared company name using different product brands in order to utilise the target group synergies, but prevent the dilution of power of the individual product brand. If target group and differential advantage differ, then Doyle recommends using unique brand names for different products. In this case no synergies can be reaped and no benefits can be expected from using a unified brand approach.

Tauber (1988) embarks on a different course to ensure the success of brand extensions. He was one of the earliest supporters of brand extensions (Tauber 1981), and in his 1988 paper Tauber introduced two criteria, which have to be met by extensions in order to succeed in the market:

The first criterion is Fit, meaning that the extension has to be a logical development of the brand from the consumer's point of view. This means, that the consumer would expect the new product from the brand manufacturer and that the brand easily incorporates the new product. His second criterion is Leverage, which stands for a competitive advantage of the new product, compared to other competitors, simply because this particular brand name is used. Leverage is the factor which measures the extent to which the consumer would prefer the product with that particular brand name compared to other products. The preference occurs because of the expected unique expertise of the manufacturer in this field, which is expressed through the use of that brand name.

Aaker & Keller (1990) researched consumer attitudes towards brand extensions and their findings seem to confirm, that a high degree of Fit between the original brand and the extensions leads to higher values in consumer evaluations. This is a crucial finding of their study, as the possibility that consumers extend their attitude towards the new product is a central argument for the use of extensions. To distinguish different dimensions of Fit the authors divided Fit into three categories, which are: Complement, Substitute and Transfer. The first dimension measures how much consumers regard the two products as being complementary. The second measures the extent to which consumers think the products could substitute for each other. The transfer measure reveals how much goodwill the consumers transfer from the original brand towards the new product. This Transfer is thought to occur because of special skills and experience associated with the manufacturer of the original brand. A fourth factor which describes the perceived difficulty in producing or designing the new product was also considered by the authors and termed: Difficult. The outcome of the study then revealed that successful extensions should have a high rating on either the Complement or the Transfer scale, as well as rating high on the Difficult factor. These findings are in slight contrast to Tauber's (1988) presentation. He saw Fit and Leverage as preconditions to a successful extension. Tauber's (1988) two categories correspond in their nature to Aaker & Keller's (1990) Complement and Transfer measures, which makes a comparison between Tauber's (1988) conceptual paper and Aaker & Keller's (1990) empirical work possible.

Aaker & Keller (1990) however found a negative interaction between these two variables in their research, which makes a high combination value of them undesirable, which contrasts with Tauber's (1988) demand for a high Fit and high Leverage.

However, Aaker (1990) also published on the possible damage through extensions to the core brand. He introduced three categories to evaluate the success of brand extensions, which have become classics in the vocabulary of brand management: *The Good, the Bad and the Ugly*. The best possible outcome of an extension Aaker called: The Good. In this category an extension is not only successful in its own rights, but also enhances the core brand and reinforces its image. Both products gain advantages in their categories, from the use of the brand name for the new product. The extensions he termed The Bad represent a category in which the new product does not benefit from the use of the original brand. Its perspectives of success could even be damaged, because a potentially good product is weakened through a brand name which does not fit the market or the product. In the last category of extensions Aaker describes the worst possible scenarios. In this group, which he called The Ugly, the extension does not only fail, but the original brand is negatively affected through the failure of the extension. This is a potential disaster for the original brand as the attempt to regain the former image is at least costly, if it is at all possible. In the same study however, Aaker (1990) confirms that an established brand name benefits the new product in a way that consumers show greater interest in the new product than they do in comparable situations where the new product does not bear an established name.

Smith & Park (1992) observed an attitude amongst brand managers, to regard well established brands as an *insurance policy against new product failure*. Sharp (1991) concludes a study on the success rate of extensions with the argument that the brand name alone does not represent a sufficient competitive advantage which would automatically guarantee success. It is argued that only real innovation and cost reduction can result in viable competitive advantages which ensure success in the market place, the brand name alone can not.

Sharp (1991) found that brand extensions perform worse on average than new brand releases. He attributes this negative record of extensions to a number of reasons, with which he also contradicts traditional opinions about the advantages of extensions. One reason Sharp (1991) found as a possible reason for extension failure is, that extensions on average receive a lower level of promotional support on launch, compared to new brand launches, because it is thought, that the umbrella brand name makes up for less promotion. The fact that so many extensions subsequently fail contradicts the cost saving argument often used in favour of extensions. Sharp (1991) carries on to contradict the distribution advantage of extensions, as he found that as early as 1975 Peckham, and in 1980 King, were able to show that new brands can achieve satisfactory distribution early after their launch. Finally Sharp contrasts the goodwill transfer of consumers, as developed by Aaker & Keller (1990) which was previously discussed in this chapter. Sharp accepts Aaker & Keller's argument, but he doubts that the transfer constitutes any competitive advantage for the extension. He considers the transfer argument as patronising, and in his opinion the consumer would recognise the difference between the products despite the same brand name. He argues then, that the consumer would also respond to a product which offers a real advantage, even if it had no well known name. The most important source of failure of brand extensions is the temptation to management to use extensions for me-too products. Me-too's experience a higher rate of failures, as argued by Davidson (1987), but they also affect sales of other company brands negatively (Traylor 1986). Finally, Sharp reveals that extensions show no significant difference in survival compared to new brands, which challenges the argument, that extensions carry a smaller risk than new brand launches.

2.4.1.2 External Pressures on Brands

Adding to the difficulties from internal pressures, as discussed previously, brands face a previously unknown intensity of competition in their traditional markets from retailer brands. Retailer brands have been able to capture a respectable share of many markets, thus threatening strongholds of traditional brands and making brand development increasingly difficult to achieve. It is, however, not intended to give at this stage a comprehensive review on retail brands, as that would lead too far away from the context of this study.

Only a selection of articles is reviewed within this context in order to highlight the growing pressure from this source. In order to gain a fuller picture on the retailer brand issue the interested reader is recommended to refer to (Myers 1967; Southgate 1992; de Chernatony 1989; Morris 1979; Simmons & Meredith 1984; McGoldrick 1984; King 1979).

The growing difficulties of manufacturer brands have been well documented by the popular management press, and a look at The Economist on the subject shows the ups and downs brands have experienced over the last couple of years: The pinnacle in The Economist's opinion on brands was reached with *The Year Of The Brand* on the 24.12.1988 (Anonymous 1988), which was followed by *Fat Boys have more fun* on the 29.4.1989 (Anonymous 1989), which looked at the brand portfolios of multinationals. On May 29th of the same year The Economist then warned: *Brand stretching can be fun - and dangerous* (Anonymous 1990) and a number of years later on June 5th 1993 the *Shoot out at the check out* (Anonymous 1993A) was clearly won by the own label brands, at least according to The Economist.

However, academic literature also seems to acknowledge the growing acceptance and importance of retailer brands. In 1989 de Chernatony researched the growing strength of grocery retailers and the perception of consumers towards retailer brands. He asserted, that retailers had consistently developed their own brands for the previous 25 years for reasons relating to their own expansion: to increase store allegiance and to have more control over their own product assortment. Furthermore, own brands became important tools for the retailer's image building process and a valuable source of profit. During that period the retailer's own labels had changed from goods positioned at the bottom of the range to products manufactured and presented equal to manufacturer brands. De Chernatony (1989) then analyses the changes in the marketing environment which took place over that time period, in order to highlight the developments which had a positive influence on the retailer's own brands. The four most influential trends were:

Advertising

Manufacturers cut back their brand advertising when increasing pressure from strong retailers demanding discounts threatened to reduce their margins. During the period researched by de Chernatony (1989) he found that the major retailers were able to increase their share of voice as well as changing their advertising from price to focus on their own image. While brand images became weaker over time the images of retailers grew stronger, developing into company brands (King 1991).

Product Quality

Under the pressure of retailers some manufacturer relaxed quality standards during the time, and O'Reilly (1980), cited in de Chernatony (1989), found that reduced spending on R&D and cost savings on ingredients was common to withstand the financial pressures during that time. Own brands on the other hand took the opposite direction, with increasingly high quality standards demanded by the retailers.

Product Price

While own brands traded-up from their bottom end of the price and quality scale, some brands were pricing more aggressively to compete with the competitive advantage of own brands. Over the period the gap between manufacturer brands and retailer brands narrowed down (McGoldrick 1984).

Distribution

With growing concentration of a small number of retailers, their own brands achieved a wide geographical distribution, as wide as that of brands, according to de Chernatony (1989). With the preference of the retailer for his own brands the in-store positioning and shelf space allocation tends also to be disadvantageous for manufacturer brands (Thermistocli & Associates 1984).

Although de Chernatony (1989) concludes his research with the finding that consumers still perceive a difference between own brands and manufacturer brands it appears as if more recent developments have made this observation outdated. In an unprecedented move Phillip Morris reduced the price of their top selling cigarette brand *Marlboro* in the USA on the 2.4.1993. This resulted in a stock market fiasco for many brand manufacturers, as investors suddenly lost faith in the asset Brand and its longevity as portrayed in The Economist (Anonymous 1993B). Only 3 month later Procter and Gamble announced restructuring measures and an era of *everyday low price* for their products (Meller 1993).

The explanation of the success of own brands has to be sought in the competitive environment of the brands, rather than the general economic climate, as income and social class are poor indicators of attitudes towards own brands (Myers 1967). This however points back at de Chernatony's (1989) assessment of the growing similarity between own brands and manufacturer brands. This development has lead to a reduction of the differential advantage of manufacturer brands towards own brands. It seems as if only a small number of Top brands is able to hold on to their leadership position. Most brands, especially those which are not market leaders, have not a big enough differential advantage over own brands to justify their higher price (de Chernatony et al. 1992).

2.4.1.3 Brand Development: Conclusion

It has to be concluded that the current environment for fmcg brands has become much more intense, and that competitive advantages and profit margins are being eroded by internal and external pressures. Commenting on the future role of branding in marketing King (1991) laid out three factors to ensure the success of major consumer brands for the future:

- **Consistent branding and marketing expenditure**
- **Regular innovation and extension**
- **Sensible economies of scale and cost control**

King (1991) foresees that these brands will play a smaller role in the future than they used to, and that the number of such brands will decline.

King (1991) furthermore regards branding of the whole company as the key to corporate success in the intensifying competition of the future, whereas classic brands will fade away under new pressures. In this climate brand development is increasingly difficult to administer. For many brands it seems easier to achieve growth through forms of market development, rather than through brand development in their traditional markets.

2.4.2 Market Development

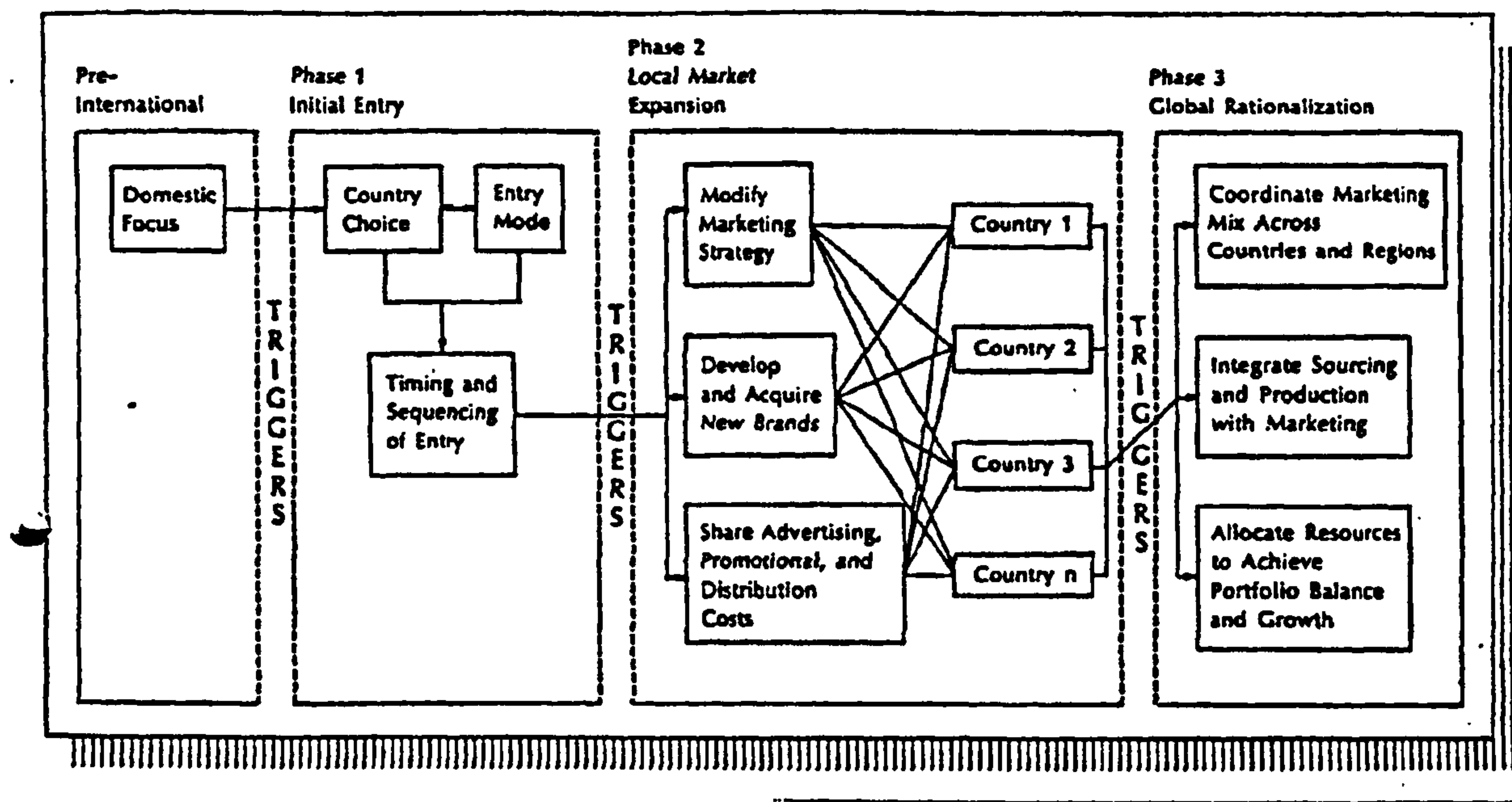
Although Market development has been described as one core strategy for brand growth a distinction between two sub strategies has to be recaptured at this point:

The first sub strategy is the development of new markets in the home territory of the brand, situated in the Johnson & Jones matrix in the middle row, left column. This means, that within the traditional geographic market, in which the brand is already distributed, a new customer base is developed. This can be achieved through new applications of the products or alterations in the marketing mix e.g. change of distribution channels or new packaging sizes. However, the focus of this study lies on the geographic expansion of brands, which is in the bottom row, left column in the Johnson & Jones matrix. Accordingly the market development strategies concerned with the home territory of the brand are not considered in the further discussion. The interested reader however might wish to consult (Buzzell & Gale 1987; de Chernatony 1991; Hamel & Prahalad 1989; Doyle 1989; King 1991; King 1973) to read up further on market development strategies in relation to branding.

The second sub strategy, which represents the basic strategic decision at the heart of this study, is concerned with brands entering new geographic markets. The amount of literature available on this subject is small compared to the amount of work on brand development. The scope of this review is limited to work which deals with the subject explicitly at a brand level, as a vast body of related literature is available on geographic expansion at company level (e.g. Young et al. 1989; Paliwoda 1993), but the issues those authors concern themselves with are not within the scope of this study.

They are ignored, therefore, to avoid a shift of focus being forced upon the study. In considering the geographical expansion of brands and the underlying strategies it has to be assumed, that the company provides the necessary infra structure and facilities which allow the brand to enter the new market. For this study it is assumed that the necessary preparatory work on company level has been done and the necessary facilities are in place. Douglas & Craig (1989) developed a model in which the international development within a company is divided into three key stages. This model allows a clear distinction between the strategic considerations of this study and those which are not the subject of this study because they either preceded the stage of this study or succeed it:

Figure 2.7
Phases in Global Marketing Evolution



Source: Douglas & Craig (1989), p50

The part of the model, with which this study is concerned is the framework of decisions in phase 1 *Initial Entry*, when timing and sequencing of Entry is decided upon.. It is assumed that preceding decisions, like mode of entry and country choice, have already been made at a stage prior to the time frame this study deals with. Similarly, stages following the timing and sequencing like *Modifying marketing strategy*, *Develop and acquire new brands* and *Share advertising, promotional, and distribution costs* are only dealt with as far as the pioneering advantage influences them.

2.5 The Relevance of Global Marketing

Geographical expansion has long been on the agenda of brand strategists, and ever since brands first developed they have expanded into new territories. The discussion of strategies in geographical expansion (in branding) and their management has been overshadowed by a major debate on globalisation, which was initiated by Levitt in 1983. Although he was not the first to attend to the issue (Elinder 1961, Buzzell 1968), he extended previous thinking and proclaimed the dawn of globalisation of markets through *converging commonalties*. At the time he also recognised an emerging opportunity to aid this development with global, rather than local marketing strategies. Others, especially in the advertising industry, and namely Winram (1984) shared his view and extended his argument even further, in particular to branding. Winram (1984) identified three general tendencies which, according to him, influence life and society in many parts of the world and therefore enable brand manufacturers to market their brands across boundaries. Winram (1984) lists the following developments:

- **World demographic convergence**
Similar trends in demographics in most industrialised markets create homogeneous groups of consumers across boundaries.
- **World cultural convergence**
The below mentioned media convergence leads to a convergence of certain cultural values as music, films and TV are now reaching well across borders creating shared experiences and values.
- **Media convergence**
Satellite and cable TV as well as magazines appearing in local languages at the same time in many countries allow the convergence of information, culture and advertising.

In the period which followed, the opinion of Levitt and his school of thought did not remain un-contested, and a fierce debate on localisation versus standardisation developed.

The strategic decision on localisation is multidimensional and plays a vital role in the geographic expansion of a brand. Most of these dimensions are decided on levels within a company, which are far above the one this study is addressing.

It has also to be said that globalisation is less of a controversy nowadays, as it is accepted that the underlying approach of undifferentiated marketing is not viable in most cases (Baker 1990). Nevertheless it is felt, that some of the contributions to the debate still provide interesting insights to the reader. Furthermore the central European subsidiary of a multinational has to adopt company policy on this issue, which means that the subsidiary has to follow the strategy and practice the management prescribed by the parent company. This justifies a brief examination of the relevant core issues. Because of this a small number of the more important publications within this debate are reviewed in this section. A special emphasis is put on the relevance and contribution of the publication to the strategy of branding and the marketing management, as a more general review would lead too far from the issue of this research. Hamill (1992) provides the interested reader with a good cross section of relevant literature in his chapter *Global Marketing in Perspectives on Marketing Management, Volume 2* edited by Baker (1992).

In order to assess strategies in terms of their degree of globalisation one paper by Leontiades (1986) is particularly helpful. In this paper on going global he uses a two by two matrix, which he had developed earlier (Leontiades 1985). In this matrix Leontiades (1986) distinguishes four *generic international competitive* strategies. This categorisation can also serve as a framework to identify underlying strategic orientations regarding globalisation. The underlying strategic orientation in turn, once filtered down through the hierarchies, influences the strategies that are exercised by subsidiaries in central European markets which are the issue of this study. Leontiades (1985) presented the following matrix:

Figure: 2.8

Four Generic International Competitive Strategies

		Market Share Objectives	
		High	Low
Scope	Global	Global High Share Strategy	Global Niche Strategy
	Local	National High Share Strategy	National Niche Strategy

Source: Leontiades (1985)

Those companies following a global high share strategy are mostly the major multinationals, which have the ability to co-ordinate their resources and activities on a global scale according to their global objectives. The decision to pioneer certain brands in central European markets is in many cases probably rooted in a global high share strategy. Leontiades (1986) sees potential for a number of competitive advantages, some of which would seem to support the argument that pioneers in central European markets follow the global high share strategy. Although any possible relationship has to be proven in later stages of the study those advantages most likely to be related to pioneering are mentioned below:

Experience Transfer

A company which already operates in many different countries can use previous experience as a competitive advantage, when setting up and running a new subsidiary in central Europe. The better the exchange of information and *best practice* works the more benefits the company transfers from experience .

International Corporate Image and Brand Image

A well known brand or corporate image can prove to be an asset in new markets of Central Europe as well as in negotiations with governments and administrations. It can also help to gain access to funds at reduced rates in various parts of the world, lowering the costs of capital.

A similar point is made by Hamel & Prahalad (1988), who encourage the reassessment of competitive advantages in the global age and consider *global brand dominance* as an important competitive advantage. According to them any global strategy has to take *global brand dominance* into account.

International Sourcing

New markets may provide better sources for certain parts of the company's product portfolio. A pioneer would have a good chance to discover those first and secure them before a competitor can.

Leontiades (1986) identified also *Providing a Global Service*, *Global Resource Focus* and *International Portfolio* as potential competitive advantages for the global high share strategy, but those seem to be less relevant in connection with pioneering of consumer brands, which is why they are not discussed in more detail within this work.

Those firms which want to reap the benefits of competing on a global scale but which are unable to pursue global high share strategies would want to follow the global niche strategy according to Leontiades (1986). This means that the company targets the market for specialised products around the globe. However, this seems not applicable for consumer products and the examples provided by Leontiades (1986) are all from industrial goods markets.

National high share strategies and national niche strategies apply to the local competitors of those companies pioneering in central European markets and which are the focus of this study. Leontiades (1986) asserts that these companies need protection against global competitors through either barriers to entry for the earlier contenders, and specialisation beyond the scope of feasibility for global competitors for the later entrants. The fact that a pioneer enters the market shows that the national high share strategy is more vulnerable to global competitors than the national niche strategy. However, once global competitors have a stronghold in the market they may as well branch out into niche markets, if profitable enough. Leontiades (1986) gives newspapers as an example for *save* niche markets. However, in Hungary many newspapers are under heavy attack from large German publishing houses, which aim to capture niche and mass markets alike (Becker 1992).

Leontiades (1986) points out that geopolitical aspects may determine the appropriate strategy, and that changes in the environment can force a company to change its generic strategy. The case of central European markets is a classic example of a forced change:

Not only individual industries, but whole economies were previously protected from every sort of global competition, with the collapse of the communist regimes global competition entered the markets and forced local companies to either change strategies or, in many instances put them out of business. Whereas most cases saw a retreat of local companies to those market segments not served by global competitors, a small number of companies was able to expand and move to a global strategy compared to what was previously a national strategy.

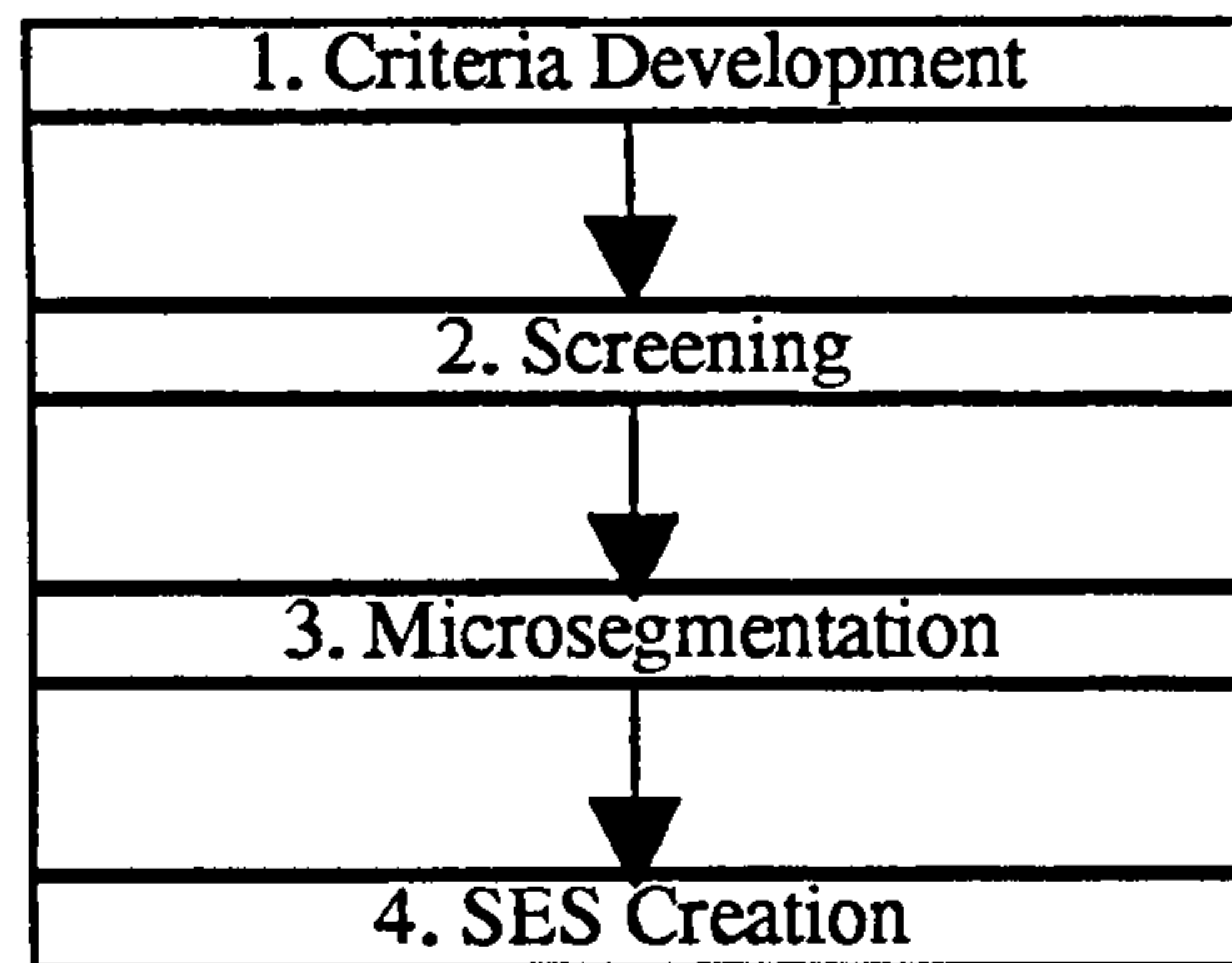
The global high share strategy by Leontiades (1986) is interpreted by Hamill (1992) as one which applies only to completely standardised goods, making market segmentation and positioning obsolete. Whereas the earlier argument may apply to central European markets (see also: Becker 1992) it seems, as if the need for segmentation and positioning not only exists in these markets, but plays a vital role, even for goods Hamill (1992) refers to as completely standardised. The compelling divergence in disposable income and the small numbers of people with comparably high income in central European markets mean that target markets and positions are by no means similar to other markets, in which the products are sold (Becker 1992). This means that targeting and positioning are unique but, nonetheless, crucial to the success of the brand in these local markets. It seems useful to examine the issues of market segmentation and positioning in the global sense and central European context in a little more depth:

Market segmentation is the basis for the development of marketing strategy according to Kale & Sudharsan (1987). They develop a framework for market segmentation on a global level based on *within country consumer heterogeneity* and *cross country consumer homogeneity*, a line of argument made popular by Ohmae (1988). They termed their method *Strategically Equivalent Segmentation* (SES hereafter). In order to accommodate the within country consumer heterogeneity and *cross country consumer homogeneity* in their strategy the two authors propose a four stage model.

With this model they aim to reduce the number of marketing mixes a company employs on a global basis and still preserve their customer's preferences:

Figure 2.9

Basic Flow of Strategically Equivalent Segmentation



Source: Kale & Sudharsan (1987)

Applying the SES framework to central European markets appears difficult for a number of reasons. The authors start with a country screening procedure, which they base on the findings of Cavusgil (1985). However, most markets in central Europe would not pass this stage because of the relatively low income per capita and lack of infra structure in these markets. The *targetable market segments* in these markets would prove to be relatively small, combined with a high and costly involvement on the side of the company, because of non existing facilities. However, many companies entered the markets because of their future potential rather than their current market volume, a situation the SES does not consider. The major problem of the application of SES is the fundamental difference in the composition of the society between central European markets on the one hand and western countries on the other. Although the societies of central European develop similarities and aims towards western style societies, they are still very different, which makes results obtained through the 4 stage SES framework misleading. The framework therefore seems not to provide a workable solution for the current situation in central European markets.

Positioning was defined by Perry (1988) as having two different meanings in the literature, one referring to *Market Position* and the other to *Product Position*. The earlier is the position a product has amongst or 'vis-à-vis' its competitors in the market place. The latter stands for the profile of the product's attributes relative to other products or the consumer's needs. Perry (1988) also distinguishes between two 'battlegrounds' in which a position is fought for: The marketplace and the consumer's mind (Ries & Trout 1972). Both positions are extremely important to pioneers and the leading position in both 'battlegrounds' can be a core objective for pioneering, as will be discussed in the following chapter on pioneering. Hamill (1992) derives the following table from Perry (1988), which gives an overview of the definitions of position and 'battlegrounds':

Figure: 2.10

Positioning Concepts and their Meaning

	Market Position (Competitive Standing)	Product Position (Profile/Attributes)
Marketplace	Market Share	Comparison of Attributes
Consumer's Mind	Reputation	Image

Source: Hamill (1992) in: Baker (1992)

2.5.1 The Relevance of Global Marketing: Conclusion

Considering the ferocity with which the debate on globalisation was carried out, it is today, more than a decade after Levitt (1983), possible to take a more distanced view and evaluate the benefits of the various arguments. Contemplating the central European market in particular, the cultural convergence and media convergence seen by Winram (1984) as key factors for the globalisation of brands, have indeed prepared a viable platform for the geographic expansion of brands into these markets.

In his framework of generic strategies, Leontiades (1986) argued for the advantages following from a global/international brand image. Hamel and Prahalad (1988) use a similar argument with their *global brand dominance*. Summing up these arguments means that the central European markets have seen a convergence of western culture and media, absorbing western (global) brands into their lives and culture. Following from environmental changes (Leontiades 1986) a window of opportunity has been opened, to western brand manufacturers. Perry (1988) adds a helpful categorisation in which he disentangles the positioning terminology and the relevant frames of reference with which western brands have to deal in central European markets. Considering the window of opportunity which has been opened, and Perry's (1988) work on positioning, it has to be questioned whether pioneers are able to exploit this opportunity to their advantage, or not. The following chapter looks at what existing research suggests on this issue in more detail, dealing specifically with pioneering as a strategy.

The following section reviews publications which deal with the geographical expansion of brands into eastern/central Europe. Most of the currently available publications however, are not academic and deal with the subject only in the broadest sense, arguing that the markets of central Europe provide, if not in the short term at least in the long term, very attractive markets for western consumer brands.

2.6 Marketing and Branding in a Central European Context

In order to look at pioneering advantages in the context of a new geographic market the opening of central and eastern Europe provided an ideal opportunity to look at markets which have, until recently, been closed to western multinationals.

An ever growing number of publications indicates the growing interest and importance of marketing in and to eastern and central Europe. Paliwoda (1993) dedicates a whole chapter of his book on international marketing to this region and has more recently published a whole volume on investing in the region (Paliwoda 1994). A key issue he addresses very early on in his 1993 work is the necessary change in the attitude of western management that central and eastern Europe is not a homogenous region and a differentiated marketing approach is necessary. A unique event in history, the transition of what was the eastern bloc to western style market economies means a serious challenge for marketing and marketers (Springer 1993). He continues with an assessment of what is necessary to transform a planned economy to a market economy, before embarking on marketing advice to those who enter these markets. Paliwoda (1993) also provides a useful list of 20 bullet points which should be considered when doing business in what was the eastern bloc. However, considering the relatively short period in which these developments have taken place, it is unsurprising that a lot of material available is not yet based on empirical data. In 1992 Svennevig et al. published a paper on the difficulties of doing market research in central and eastern Europe. The authors also point out, the necessity for an *open minded attitude* towards doing research in these countries which must be met by the willingness of the researcher to employ unconventional methods of research to obtain *proper understanding of the individual market*. Paliwoda (1994) assesses, that traditionally data in these markets was inaccurate because of political censorship and that only since recently accurate data has become available. This means, that procedures and means of research and data collection are not yet as sophisticated and common place as in the West. Although one would expect that this would result in caution by other authors, this was not followed by most authors, as they frequently rely on anecdotal evidence or remain purely conceptual in their work i.e. Springer (1993).

The un-academic style of most publications is also reflected in the choice of media, which is more often than not managerial magazines rather than academic journals. Unfortunately this also means that only a small fraction of the available publications is of value to this study and, although a representative selection of the relevant literature cannot exclude all non-empirical work, much of it can be neglected. The material can be left aside because of the limited informational value or the questionable basis on which conclusions and recommendations are given. The fact that only few authors deal explicitly with brand strategies and/or pioneering in the context of central and eastern European markets also helps to narrow the plethora of available material.

It was 1990, after the opening of central Europe in the late 80s, when documentation and publication on the subject of marketing in these markets began on a larger scale. As was to be expected many articles on the subject documented the situation in central European markets (i.e. Paliwoda 1993; Bertrand 1990B; Boston Consulting Group 1990, Euromonitor 1990) or reported on specific companies and their experience in entering these markets (e.g. Pesmen 1990; Peterson 1990). Considering the relevance of these publications today it has to be noted that all of these documentations of the local situation may well have been outdated by developments and events, by the time this study is published, events in central Europe develop very fast. Similarly, reports on individual companies may have lost much of their relevance because of progress which has been made since their publication. Two notable exceptions on a general economic level are Bugajski (1991), and Kraljic (1990) and on a marketing level Szallies (1991) and Heyder et al. (1992). Bugajski (1991) succeeds in giving a detailed account of the political and macro-economic situation in Central and Eastern Europe, differentiating between individual countries and making due reference to their particular situation and stage of development. Without being topical Bugajski (1991) points out which differences currently exist between the individual countries and which dangers may lay ahead for the area and Europe as a whole, which is a strong point of the paper. Bugajski (1991) combines a differentiated account of the countries in the area with conclusions for the area as a whole and their influence on western Europe.

Judging from Bugajski's (1991) account of the development in different central European countries three of them stand out as having gone furthest in implementing changes towards a western style economy: Poland, Czechoslovakia and Hungary.

Kraljic (1990) looks at the differences existing between eastern and western Europe, and judging from a 1995 perspective, it has to be said, that the deficits of eastern and central Europe, which Kraljic identified in 1990 have largely remained. It can also be said, that in some cases, his predictions for changes have proved to be correct e.g. the disintegration of Yugoslavia, although he did not foresee the catastrophic development that took place there.

In his paper Kraljic (1990) calls for a more fundamental approach to change in the countries of central and eastern Europe which have to be initiated by the politicians rather than the economy. He then presents a list of improvements, which he regards as necessary in order to reduce the gap between the two areas. Although some of his conditions for successful development have been met (e.g. free elections, improving university education) the improvements which have been achieved lack the substance he regards as necessary for a continued development towards a closing of the gap between East and West. The fact that politicians were in many cases unable to carry out the necessary changes may well be the reason for a continued existence of the gap between East and West, following Kraljic's argument.

Reddy (1991) takes a rather different point of view in which he argues that the economy and, within the economy, in particular marketing must take a key role in initiating and guiding change in central and eastern Europe. His argument is that democracy alone is no guarantee for economic prosperity and that Marketing is a *critical function* for a country's economic success. In order to make his point he compares less developed countries in Asia and Africa as examples for countries with little or no functioning marketing with developed economies in North America and western Europe. Relating the issue to eastern and central Europe, he sees the transition from a command economy to capitalism as a three stage process:

Table: 2.2

3 Stage Transition Process From Command Economy To Capitalism

1.	'Unlearn past ways of life and establish competition as an underlying principle of life'
2.	'Overhaul of governmental administrative mechanisms'
3.	'Provide incentives for private property, wealth and income and establish a system for social redistribution of wealth'

Source: Reddy (1991)

It is particularly the third stage of this process in which marketing plays a key role according to Reddy (1991). He then continues with a list of 15 barriers to effective marketing, which he considers to be currently in place in central and eastern Europe. At this point Reddy's argument seems to have a gap in the logic, as one would have expected that it was marketing which would remove barriers for a successful economy. Reddy (1991) expects these barriers to be removed by an unidentified force, so that marketing can then take its role and *best perform in its critical function*.. Although there can be no doubt that marketing fulfils an important function in any market driven economy Reddy (1991) seems to overestimate the power of this function in particular in respect of the dramatic gap between average disposable income and price levels of goods in central and eastern European markets. If in these circumstances marketing works too well it may well lead to illegal shortcuts to directly satisfy desires rather than taking the long route via education, employment, income and payment.

Paliwoda (1993) uses a similar line of argument in seeking a *vision* for Poland to develop and model itself on. He provides the free market economic model as the solution and the example Poland should follow, not only for it's own sake but also to become a more important trading partner for the West. This assessment, however, supports the argument that Poland has already gone far in terms of leaving it's communist history behind, moving towards a western style system, made by Bugajski (1991)

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Comparing the fundamentally different approaches to the same problem taken by Kraljic (1990), Reddy (1991) and Paliwoda (1993) it becomes clear how difficult it is to give any advice on how to master the transition. In 1991 Milton Friedman (Anonymous 1991) visited the Prague School of Economics and he strongly argued for the forces of the free market economy. He recommended an immediate and consistent move towards a free market economy, the termination of all government interventions and the introduction of an oligopolistic economic structure grounding his advice on the success of economies like the USA, Germany, Hong Kong and Taiwan. Thomas (1993) confronts this advice at the very root in challenging the appropriateness of advice to an economy in transition given solely from a western perspective. He establishes that capitalism has taken different forms in different economies and that it is extremely difficult to advise the countries in central and eastern Europe on which form is most suitable, if any is at all suitable, for their specific development. He divides marketing between the macro level as previously discussed, and the micro level in which he discovers the paradox that the marketing taught in contemporary textbooks seems to be outdated and irrelevant in western as well as in eastern markets. Although Thomas (1993) does not provide a solution to the dilemma he certainly reminds other authors to be more cautious in giving advice on how central and eastern Europe should adopt marketing on the macro as well as on the micro level.

Analysing and comparing consumer attitudes in central European markets Szallies (1991) and Heyder et al. (1992) present two papers with some interesting data reflecting the frame of mind consumers in Hungary, Poland and Czechoslovakia were in at the beginning of this decade, shortly after the collapse of the communist regimes in their countries. It is interesting to discuss some of their findings, as they are the only available material on the consumers in these markets at the time. The findings of Szallies (1991) and Heyder et al. (1992) help one to understand many aspects of other authors' work reviewed in this section and, focusing on the three countries in central Europe which have made most progress in transforming themselves, support the decision to select Poland, the Czech Republic and Hungary as target markets for this study.

Both papers are based on the same study carried out by the GfK institute for market research in each of the three countries in early 1991. In this survey 1000 consumers, selected at random, were interviewed using a standardised questionnaire. It has to be mentioned however, that the data is now four years old and portrays only the situation at that particular point of time.

In 1991 the respondents in the three central European countries were rather dissatisfied with their current income and what remained of it as disposable income after deducting fixed costs:

Table: 2.3
Satisfaction Levels Central Europe

	Poland	CSSR	Hungary
Satisfied with income	12%	24%	12%
Undecided	19%	26%	15%
Slightly dissatisfied	39%	36%	30%
Very dissatisfied	30%	14%	36%

Source: Szallies (1991)

This however, does not result in resignation but in an active problem solving approach, which means that people revert to other activities to improve their income situation. In Poland 41% of the respondents had undertaken activities to increase their income, whereas in Czechoslovakia 46% and in Hungary 48% actively pursued activities to improve their current income situation. Szallies (1991) interprets the tendency to improve the income situation as a dissatisfaction with the current standard of living, which was expressed, in a separate question, by 57% of the Polish respondents, 55% of Czechoslovak respondents and 43% of Hungarian respondents. Using the simple and rather imperfect measurement of ownership to allow a comparison between standards of living Szallies (1991) presents the following picture:

Table: 2.4

Ownership of Technical Goods in Central Europe in %

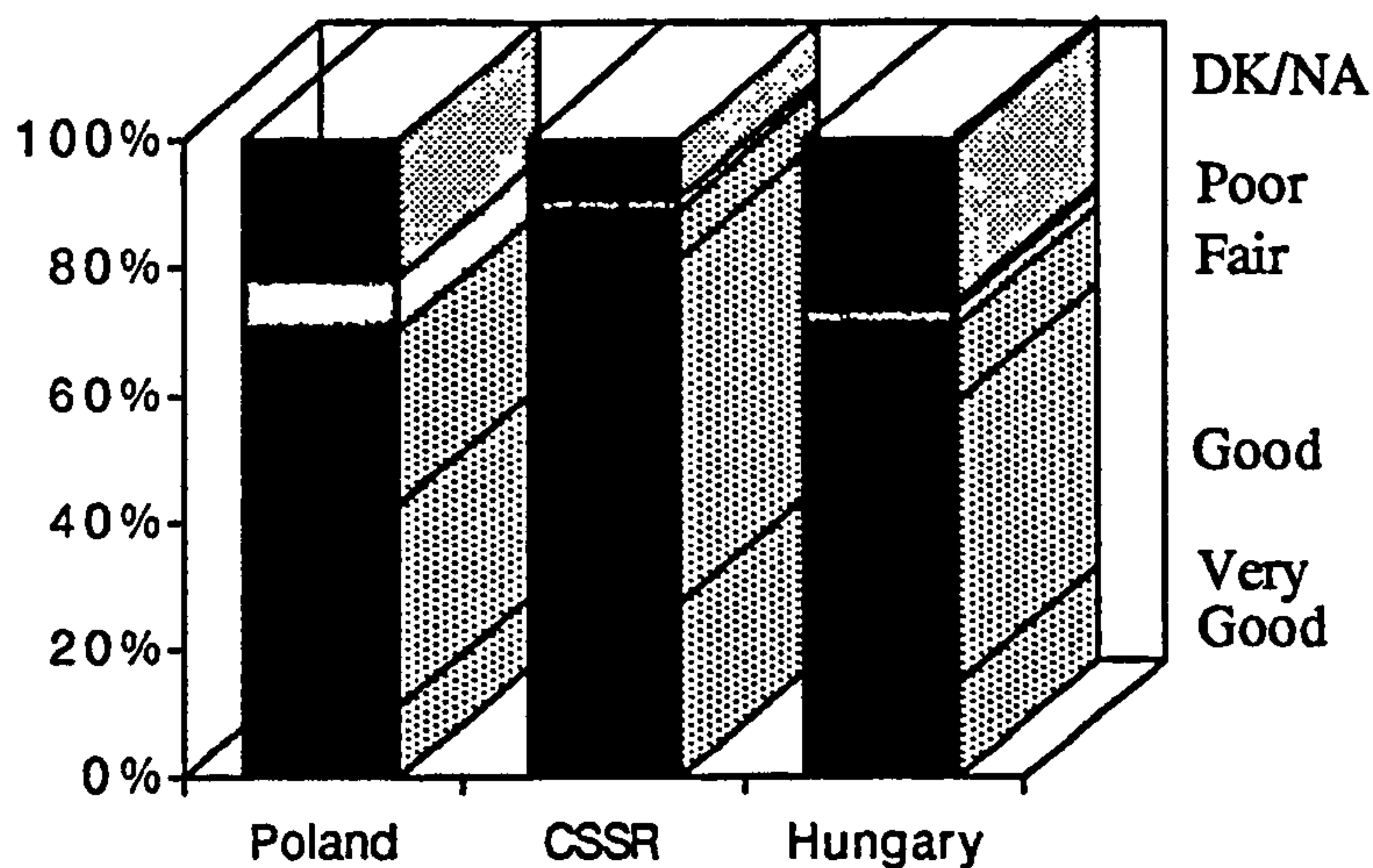
	Vacuum Cleaner	Refrigerator	Washingmachine	Colour TV	Car	Telephone	VCR	CD Player	Microwave	Video Camera
Poland	86	77	72	44	36	23	16	2	1	1
CSSR	92	92	85	79	55	35	8	2	3	1
Hungary	89	89	97	65	48	22	24	2	10	1

Source: Szallies (1991)

According to Szallies (1991) the standard of living expressed in the ownership of various technical goods corresponds with a dissatisfaction of not owning some of the items and the strong intention of purchasing these in the near future. Szallies (1991) then researched the awareness of advertising for western products, which 67% of Polish respondents had seen, 71% of Czechoslovak and 79% of Hungarian respondents. This leads to the attitudes towards western style advertising, which is documented in the following graph. The sections in the columns stand for the following attitudes: Don't know; Poor; Fair; Good; Very Good (from top to bottom):

Figure: 2.11

Attitudes towards Western Advertising in Central Europe



Source: Heyder et al. (1992)

Advertising in central and eastern Europe has to fulfil an information function, which is that of an aid to purchase decisions but, as Heyder et al. (1992) also point out, it might frustrate consumers in the way that they either can't afford the advertised products or, even worse, the advertised products are not available because of distribution problems. The survey also reveals that central European consumers consider TV as the prime medium for advertising, followed by magazines. Heyder et al. (1992) close their survey on advertising attitudes with the assessment that, as in western markets, advertising plays a central role in brand building and image creation in central European markets. It is, however, necessary to adapt to local preferences and avoid *colonial style* patronising communication.

Explicit discussion of branding in the context of central and eastern European markets is rather limited. Only three items can be found which are not either purely anecdotal or descriptive in their design. The earliest is Blackett (1991), which is rather similar to Blackett (1992). In his first article Blackett deals mainly with the foods and drinks industry, analyses briefly its situation in western Europe, before drawing conclusions on its ability to conquer East European markets.

Blackett does not ground his argument on empirical work, but has experience in the industry and makes his judgement from an informed point of view. In his 1991 paper he comes to four key conclusions why western companies will not achieve market dominance in food and drinks markets:

- Western food and drinks multinationals internationalised only slowly in the past and their current concern is the European single market.
- Distribution and manufacturing in eastern Europe are far behind western standards, high investments are necessary
- The old system produced food and drink of an acceptable standard and no shortages were experienced.
- The east European consumer is after more conspicuous symbols of the West than in food and drink.

The underlying idea behind Blackett's conclusions, that it is not as easy to conquer markets in central Europe as one may think, is a difference to glossy predictions of many other authors. Some examples in more recent publications (Konrad & Reichlin 1992) show that Blackett's more cautious predictions did not apply to all western brands, but this should not lead one to underestimate the difficulties companies have to face in these markets. In his 1992 paper Blackett reviews the situation of western brand manufacturers and their engagement in Eastern and central Europe since his earlier publication. Although he concerns himself with a broader variety of companies he again urges caution not to overestimate the market opportunities in the area or underestimate the possible difficulties.

The most comprehensive work to date on brands and branding in central Europe and the former Soviet Union is an Economist Intelligence Unit Report by Mattheisen (1992). The report is clearly aimed at a managerial readership and follows no academic methodology. The author has interviewed an undisclosed number of executives of various western companies in a number of central European markets. The author himself is said to be working as an analyst in Budapest, Hungary. The whole report has to be seen as an descriptive report on the current situation of the respondent companies and the markets they are operating in.

Mattheisen (1992) gives anecdotal evidence in order to illustrate his points but fails to analyse his results in a rigorous method to obtain any valuable and ground breaking conclusions. Because of its comprehensiveness it is still necessary to analyse the report at this stage and review its content.

The report is divided into six chapters, which deal with the following issues: Chapter 1 provides an overview of the issue and discusses concepts of branding in their central European context. The second chapter analyses the marketing environment in central Europe, in particular demographic and macro economic data combined with consumer purchase patterns in the different countries. The third chapter is devoted to the retail and distribution structure in the markets of central Europe and their likely future. The chapter also provides examples of how companies in the regions overcome the shortcomings in this key function. The fourth chapter examines advertising strategies by companies operating in these markets and predicts this functions' future in these markets. The fifth chapter analyses the past and present of the region's mass media and its current problems as well as future perspectives. The final chapter describes current legal issues and regulations affecting brands in these economies. In the following the individual chapters are reviewed in more detail:

Chapter 1

Mattheisen begins by defining the concept of branding before relating this to central European markets. He found three reasons, why western brand manufacturer's are optimistic about central European markets.

- **Educated Consumers**
Brands benefit from a high level of education in these markets, as educated consumers are more receptive to marketing messages and tend to buy higher quality i.e.: brands.
- **Curiosity of Consumers**
being not able to buy western products for years has lead to a build up in curiosity, benefiting relatively well known western brands.
- **Responsiveness to Marketing**
Brands can be built up quickly in these markets because consumers are open and responsive to advertising.

The author then reviews work on brand awareness in the central European countries, relying mainly on work done by GfK market research, which has been reviewed in a previous section of this chapter. Mattheisen's next point refers to brand pioneering, an issue dealt with in detail in chapter 4 of this study and the discussion of his contribution to this issue is reviewed in the appropriate context. He finalises the chapter with advice on the adaptation of brand strategies, which have to be adapted *with care*, according to him.

Chapter 2

In the second chapter Mattheisen briefly recalls the transitional status of the country's economies and presents then some economic data on population distribution, and urbanisation. The distinction between urban and non urban population is important, as the urban population is reached more easily in communication and distribution and also earn on average higher incomes. They are also more open to western goods and less driven by tradition. The author then discusses the implications of some of the countries economic policy and performance on brand strategies. Interesting in this part are the implications of the second economies in these countries, which he summarises in four main points:

- Official statistics frequently underestimate the purchasing power in these markets because they neglect the second economies.
- Second economy opportunities are often based on state enterprises from which materials are stolen and machines are used for the second economy. With the end of much of state owned enterprises many opportunities for second economy jobs will disappear.
- Second and third jobs mean less leisure time which results in less time to communicate advertising messages via print and TV.
- As the second economy also means tax evasion the governments may have to compensate their loss in revenues through more restrictive external trade, which directly affects western exports of consumer goods.

Mattheisen then compares housing standards in Hungary, Czechoslovakia and Poland, before he expands on the consumer and the most important social influences in the three countries.

In this section the report does not offer any particularly interesting insights and even presents some facts which are in stark contrast to other publications.

Chapter 3

The chapter begins with an account of the deficits in the current retail system in the central European markets and its roots in the system of central planning. More detailed data is supplied on the shop density, illiquidity of many retailers and the reoccurring problem of insufficient selling space. According to Mattheisen the stabilisation of retailing through privatisation will take some time, in his estimation around ten years in Poland, and even longer in Hungary and Czechoslovakia.

Mattheisen describes at some length the influence of black markets (CMEA: Council for Mutual Economic Assistance markets) on the retail trade in central Europe. He uses Hungary as an example and quotes a figure of 9% of sales being conducted through black markets with an average price advantage compared to official retailers of 25 - 40%, particularly on branded items. In certain areas, e.g. coffee, illegal trade reached 50% market share, which made manufacturers' pressurise the government to put a hold on this (see also Becker 1992).

The report asserts that the retail industry will continue to change constantly in the future, which makes predictions as difficult as working with the sector. One solution presented is the brand shop, run by the manufacturer or in franchise, specialising in products of the parent company. Although this seems to be a solution for durables it seems to be not feasible for fmcg goods.

In the final part of this chapter Mattheisen stresses the importance of service to be provided to the retail trade by the manufacturer. Many of the services he advocates are expected from retailers in western markets, but in the environment of central Europe they have to be provided by the manufacturer in order to achieve the best results for both parties. He mentions explicitly: The presentation of goods in the shops, reliability of delivery, consistent pricing, credit facilities for retailers and after-sales service for customers.

Chapter 4

A description of the advertising agency industry in the central European markets opens this chapter, to be followed by an account of different advertising strategies. Consumer attitudes towards advertising are the subject of the next section citing some surveys conducted in previous years. Many of the results presented seem to be inconsistent with an article by Heyder et al. (1992) which was reviewed earlier in this chapter. This may be because of a more stringent methodology employed by Heyder et al. or the different timing of the surveys. Mattheisen closes the chapter with his advice on advertising strategy in these markets illustrated with three case studies.

Chapter 5

Mattheisen's account of the media in central Europe and Russia is not of relevance to this study.

Chapter 6

Similarly the discussion of legal requirements and issues does not bear much influence on this study. Only one single item is of interest, which is the concern expressed by one respondent, that the fact his products were first in the market could mean that his brand name might become a generic term for the product category. Mattheisen sees this as a disadvantage of pioneering but does not give an explanation, why this is supposed to be negative for the brand owner. This is in contrast with common wisdom (Whitten 1979) and no other author expresses a similar view.

The following main findings summarise Mattheisen's (1992) report:

- Retailing and distribution are the main limiting factors and have to be overcome first to be successful in the markets of central Europe and Russia.
- Pricing has to be handled with care and a generally low purchasing power has to be considered, although official figures might underestimate the real figures.
- Packaging needs reconsidering in order not to appear overly lavish and wasteful, as consumers are price conscious and not willing to pay for unnecessary extravagance.
- Advertising and communication should be honest.
- In any activity national/local concerns need to be considered.
- Image advertising should come second after informational communication.
- Manufacturers should be prepared to provide a higher level of services than hitherto.

2.7 Summary

It is the objective of this summary to briefly recapitulate the main areas of relevance to this study as they follow from the literature studied. Furthermore the theoretical part which was discussed in the earlier parts of this chapter is linked to the research in central Europe which was presented at the end of this chapter. This link provides a first opportunity to briefly look out to the research objectives of this study which are presented in a later chapter after all aspects of the relevant literature have been sufficiently dealt with. The summary now provides a review of the main issues arising from the literature discussed in this chapter:

2.7.1 Growth Strategies of Brands

In an adaptation of Ansoff (1957) two main directions of brand growth strategies can be identified: Brand development and Market development both strategies are termed *Core strategies* for their clear cut distinction. Sub strategies of Brand development include: Relaunch, Reposition, Brand Extension and for Market development sub strategies are: Geographical Extension and Market Extension. The sub strategies are based on an adaptation of Johnson & Jones (1957) and Ansoff (1957). A brand entering a new geographic market is therefore clearly identified as Geographical Extension being a sub strategy of Market Development.

2.7.2 Relevance of Global Marketing

Global Marketing, defined by Levitt (1983); and based on the factors of: World Demographic Convergence, World Cultural Convergence and Media Convergence remained a controversial issue in marketing. Although global marketing no longer seems to be an accepted point of view nowadays the debate has produced arguments which seem of relevance to this study. Leontiades (1986) introduced the term *Environmental Change* as a chance for global brands.

Using Levitt's (1983) terminology media and cultures have started to converge with the fall of the iron curtain, thus providing a rare opportunity for global brands to expand geographically and also to argue in favour of global marketing, albeit on a geographically limited scale, namely central Europe.

2.7.3 Marketing Research in Central Europe

The majority of published material on marketing and branding in central and eastern Europe is managerial and only of limited informational value. The little empirical research which has been conducted mainly deals with market entry strategies or standards of living and satisfaction with the current situation (Szallies 1991; Heyder et al. 1992). As was to be expected the work by Szallies (1991) and Heyder et al. (1992) shows that the standard of living is way below western Europe and that consumers in central Europe would like this to improve, consumers are also very much aware of western brands and advertising according to Szallies (1991). Interestingly enough a great number of consumers in these countries also actively pursues a strategy to improve their own personal income situation.

Two reasons can be identified why not more work has been conducted so far. The first being, that the time between the fall of the iron curtain and today is short and the publication of academic research is a rather lengthy process, more often than not, needing years rather than months. The second reason being that it is extremely difficult to conduct research in this region because of remains of the oppressive regimes and the turmoil and discontinuities the changes in recent years have caused. The pace of changes also causes another problem which is the relevance of research by the time it is published. The environment in central Europe changes so quickly that many publications, by the time they become available, are only of limited relevance to the then current situation.

2.74 Marketing and Branding in Central Europe

One major publication has to be mentioned in this area. A report by Mattheisen (1992) which is aimed at a managerial readership provides mainly anecdotal evidence derived from the author's work as an analyst in central Europe. In his work Mattheisen (1992) remains descriptive and his findings are neither new nor surprising. He provides some material which can be seen as background information and further indication of findings in other studies. In areas where he describes findings which are different from other work on the same issue his arguments are too weak to challenge different results. However, some of his key findings are that western brands find reasons to be optimistic about markets in central Europe in the facts that consumers are educated and curious which in Mattheisen's opinion makes them open to new brands and particularly to high quality products. Consumers are also responsive to marketing which makes it easy for western brand manufacturers to communicate with them.

The work by Szallies (1991), Heyder et al. (1992) and Mattheisen (1992) seem to corroborate some of the conclusions derived from the theoretical work on global marketing. As outlined earlier in this study Leontiades (1986) saw an opportunity for the global brand in environmental change. The fact that living standards are on a lower level in central Europe, the intention to change (Szallies 1991) and the openness to western brands (Mattheisen 1992) indicate that in this case Leontiades (1986) proved to be right in his assertion of environmental change providing opportunities. The fact that western brands have been very welcome and the advertising for western brands is appreciated by consumers in central Europe also seems to be proof for Levitt (1983) and the convergence of culture and values via converging media.

The marketing of western brands in central European markets, which are not the home market of any western brand, is within the framework of brand growth strategies as introduced at the beginning of this chapter clearly a geographical expansion strategy. Products are not adapted in any major way, as the very fact that they are western and 'original' is an argument in selling them to consumers in new markets for these products (Becker 1992).

It remains to be seen within this study whether a global attitude or global commitment on the side of the companies is beneficial to be successful in the geographical expansion strategy. A conclusion and the implications of this part of the literature review are presented in more detail in a special chapter which uses these findings as the basis for the presentation of the research objectives of this study.

The following chapter continuous with the other area of research which is relevant to this study. It focuses on publications which deal with the phenomenon of pioneering as a strategy and pioneer advantages. As this is one of the central issues of this thesis a wide body of previous research has to be discussed and it was felt that the importance and the volume of the available material merits a specialised chapter on the issue.

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Chapter 3

Literature Review II

Chapter 3

Pioneering and Pioneering Advantages in the Marketing Literature

3.1 Objectives

The strategic phenomenon, which is the focal point of this thesis, is a consequence of a particular form of the timing of entry decision, relative to competitors in the same product category. The consequence of entering a market as a pioneer are pioneering advantages¹, a logic described by most authors. Although some authors treat this with caution (Kerin et. al 1992), the majority of publications do not doubt the intrinsic relation between a pioneer and a number of advantages over those competitors following into the same market at a later time. It is the objective of this chapter to review existing literature on the subject and tie the relevant elements and their results to the empirical part of this study.

3.2 Introduction

The starting point of a meaningful review of the vast and diverse material on pioneers and pioneering advantages must be a precise analysis of the terminology and the activity involved. The following section reveals that so far no such analysis has uncovered the fact that the terms "first-mover" and "pioneering" have been used synonymous throughout the literature, although they can be, if interpreted exactly and precisely incorporate different concepts. None of the authors has explicitly differentiated between these concepts and their fundamentally different characteristics and different foundations within corporate strategy. After an explicit discussion of the two different concepts the ground is prepared for a redefinition of the understanding of pioneering advantages in an international context.

A thorough analysis of the literature also has to include the disadvantages of the strategic decision to be pioneer. Only a few authors go into detail about this and the most prominent work by Kerin et al. (1992) is discussed alongside others in the second part of this chapter.

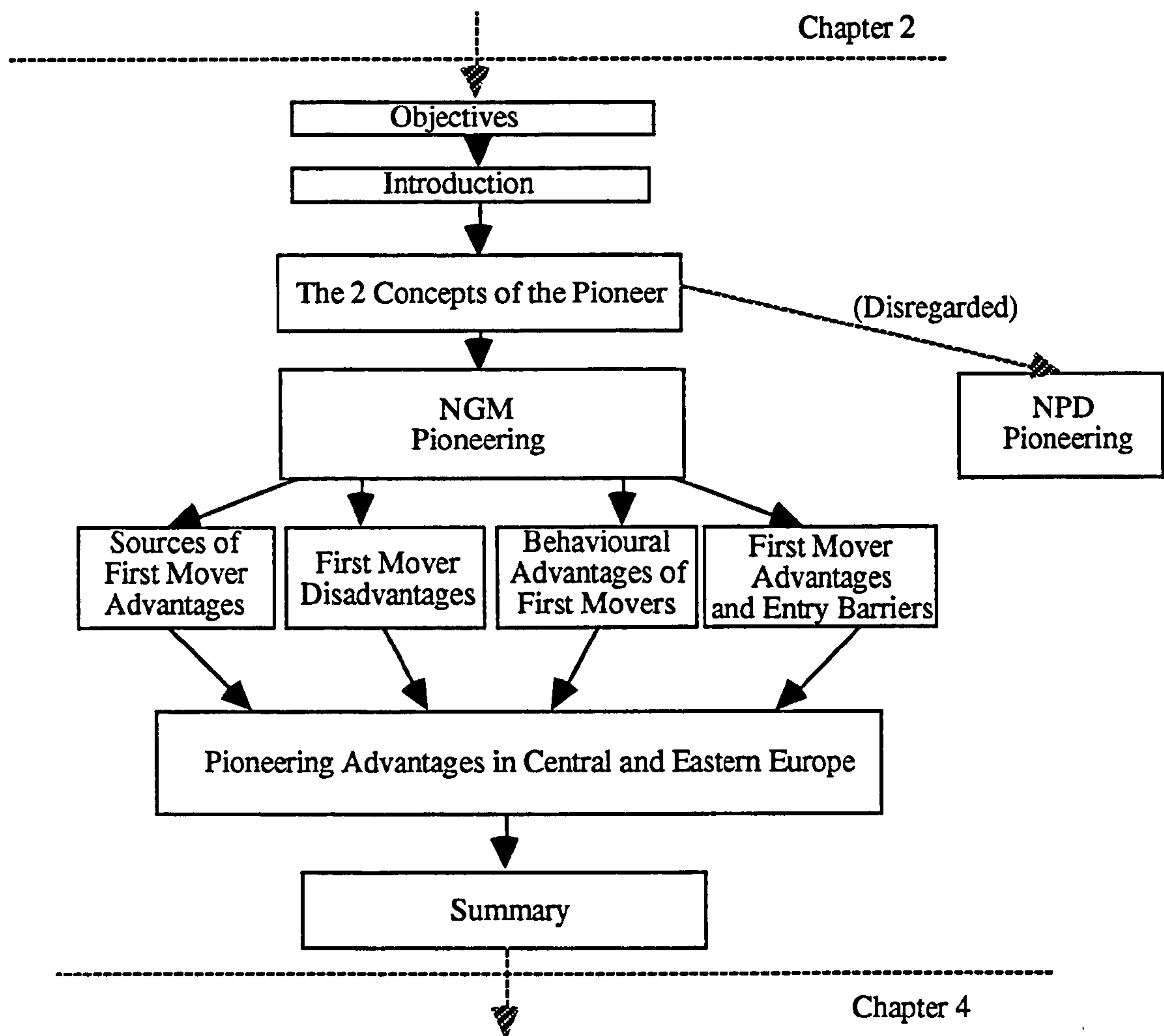
¹ Some authors refer to 'First-Mover' and all related terms. Unless otherwise stated in the immediate context 'First-Mover' constitutes 'Pioneer' and 'Innovator' for this study, as will be defined on page 3. 'Late-Mover' and all related terms constitute 'Copy Cat' and 'Follower', as will be defined on page 3.

The source of pioneering advantages as barriers to entry is established in the third section of the chapter, which discusses recent literature on the subject as well as going back to the quintessential work on the topic by Bain (1956).

central European markets have been selected as the area in which the study is to take place. The section on pioneering advantages in these markets is introduced by a brief discussion on the area and some statistical figures on the current economic situation in the region. This is followed by a discussion of the existing work which is most relevant to this study. As only two empirical studies exist these are discussed in detail at the very end of this chapter, after reference to some managerial publications on the subject matter has been made.

The following figure displays the structure of this chapter in a graphic overview:

Figure: 3.1
Structure of Chapter 3



Source: Author

3.3 The Two Concepts of the Pioneer

As mentioned in the introduction, the term pioneering, or any synonymous term for that matter, is used throughout the existing literature to describe distinctly different concepts without due recognition as to potential differences. Not only does this lead to possible confusion of readers, who may be unfamiliar with the subject, but also to a severe state of inaccuracy in conclusions drawn from research and its underlying misconceptions, as will be demonstrated throughout the later parts of this study.

This section aims to highlight the problem within the framework of existing work and to explain the difference between the two concepts and their foundations. It is then attempted to introduce a more suitable terminology in order to avoid confusion in the future and allow a more precise description of the phenomenon in question.

Haines et al (1989) provide a good example of the ambiguity with which the term pioneering is used throughout most of the literature:

A pioneering company is one that is the first to create a previously non-existent market. Such companies build entirely new product or service categories.

Kerin et al (1993) quote an example of Merrill Lynch introducing a new form of account management in the USA as an example of a successful *pioneer*. Carpenter and Nakamoto (1990) cite Wrigley and Kleenex as *Pioneers* in their product categories and Urban & Hauser (1980) write:

One strategy for new product development is based on innovation and the creation of new markets. It is expensive and risky to be a pioneering brand (Urban & Hauser 1980).

Similarly Schmalensee (1982) researches the *pioneer / follower relationship* within a new product category in a given market environment. In their paper on *first-mover advantages* Montgomery & Lieberman (1988) try to define what constitutes a first mover. They see a *fundamental problem* in the first mover/pioneer concept in its definition. Their dilemma arises from the problem to quantify and evaluate the necessary discontinuity of existing practice to grant *pioneer status*. They assert that a loose definition of pioneering leads to a situation in which more than one entrant in a single category is classified as a pioneer, which in itself is a paradoxon. They also question whether market entry, or a certain stage in research and development, is the correct criterion to grant *pioneer status*.

They then agree to the standard definition of market entry as the appropriate criterion for this matter. However, they do not provide answers or solutions to any of the questions they raised earlier.

The difference between the two concepts, referred to as Pioneering or First-Mover in the literature, becomes clear when referring to Ansoff's (1957) matrix. This matrix was introduced in the previous chapter to categorise the different opportunities for brand expansion. The two concepts of pioneering can be traced back directly to two of the four generic strategies in Ansoff's matrix. The fact that they originate from two different strategies is further evidence for the necessity of the distinction suggested here. The strategic decision to be either first or second to a market can be interpreted as a third dimension to Ansoff's (1957) previously two dimensional model. The result are multiple strategy combinations, some of which seem to be feasible as a form of being *first to a market*.

To identify the roots of the two concepts of first movers, it is necessary to relate the two *Development* strategies of Ansoff (1957) to the decision whether to be first or second² in a market. Adding the decision about being first or second in a market to the *Product Development* and *Market Development* strategies the following matrix can be obtained³:

² Second stands for all subsequent market entries

³The 'Market Penetration' and 'Diversification' strategies could also be subject to the pioneering/follower decision, but the results would be sub strategies of the two pioneering concepts and are of no relevance to this study. Therefore these options are neglected.

Two further cases are possible in which a company would be innovator and pioneer at the same time, introducing a new product to a market it does currently not serve. This would be a sub strategy of both core strategies. Similar sub strategies are also possible for the 2nd to a market with a product development. These sub strategies are neglected in order to concentrate on the core strategies. Sub strategies would need a mixture of the relevant elements which are discussed in the following.

Figure: 3.2
Forms of Pioneering

	1st in market	2nd in market
Product Development	NPD Pioneer (Innovator)	Copy Cat
Market Development	NGM Pioneer (True Pioneer)	Follower

Source: Author

This matrix of pioneering concepts reveals the true nature and underlying processes of the different concepts, which makes clear, that the argument for a differentiation between the concepts of Pioneering in a New Product Development Context (NPD) and Pioneering in a New Geographic Market Context (NGM) is not merely a question of terminology. The following definitions should help to differentiate the two concepts and highlight their differences.

3.3.1 NPD Pioneering

Pioneering in the context of new product development is understood to introduce a new product into a market which is already served by the company. The pioneering focuses on the newness of the product not the market.

The company who is involved in this activity can also be called Innovator, as they innovate in their own market. A company which follows the innovator with a similar product is a Copy Cat.

3.3.2 NGM Pioneering

Pioneering in the context of new geographic market is understood to introduce a product which is already established in at least one other market the company is present in, to a geographical market in which the product or the brand is completely new and which neither the company nor any of its direct competitors has previously served with a similar product already established product.

The company who is involved in this form of pioneering can also be referred to as a True Pioneer, as they 'conquer' new territory, which has previously not been served with their kind of brand, product or service. A company who follows the True Pioneer can also be referred to as Follower, as they indeed follow into a new territory.

This matrix allows to redefine exactly the terminology used so ambiguously in the literature. As has been established by now the pioneer brings an established product into a new market, whereas the innovator brings a new product to an established market. Both are by definition 'First-movers' in their own rights and in their own fields. Henceforth the term First Mover is reserved for the whole category of those who are first to a market, wherever that is applicable. Accordingly the category of those who either copy an existing product or enter a new market at a later stage are termed Late Mover, wherever applicable.

The difference between being first with a product development and being first in a market development is not merely a terminology or theoretical issue. The consequences are far reaching as a company has to decide which way is most suitable and which would fit the company's specific strength. Any expansion strategy aiming at incorporating at any stage being first needs to be clearly based on one of the two concepts. The advantages and disadvantages, which occur are distinctly different for the two concepts and need prior consideration by a first mover.

This study however, is concerned only with pioneering in its true sense, which is entering new geographic markets, and not introducing a product innovation to the home market. Consequently, NPD pioneering strategies are not discussed in detail but are only referred to where they either differ considerably or where they are similar to NGM pioneering. It is impossible to completely leave out NPD pioneering, as most of the existing research on pioneering has been conducted in the area of NPD pioneering.

Most of the literature makes a distinction between early followers and late entrants. This is not been followed here, because of the difficulty in differentiating between the two in practice and the fact that it seems of little relevance to this study, considering that the main focus lies on the pioneer. However, it has to be recognised that differences exist not only in previous research but also in the markets which justifies this distinction in other studies, just as the idea of innovators, early adopters, early and late majority and laggards is commonplace in other branches of diffusion research (Rogers 1983).

It has also to be noted that in the work reviewed here the authors do not use the term 'pioneering' according to the definition given in this chapter. None of the authors provides a categorisation or distinction between the earlier described concepts of pioneering. Most assume, that their findings are universally applicable to first movers in general. This practice is questionable and it is therefore felt that some of the findings in the works of other authors offer only limited insight into the situation of pioneering brands in central Europe.

However, before pioneering advantages in the context of central Europe can be discussed it is necessary to point out the main advantages of first-movers as the existing literature presents them. The body of literature on the subject is too extensive to allow a comprehensive review here, but an attempt is made to present a cross section of academic opinions as well as theoretical and empirical work. Furthermore the paper by Lieberman and Montgomery (1988) is widely recognised as an excellent review of the literature before 1988 and reference to this has been made, rather than duplicating their work.

3.3.2.1 Sources of First-Mover Advantages

Robinson & Fornell (1985) studied pioneering advantages in the consumer goods industry. Their main hypothesis is that pioneers command higher market shares over late-movers, even in the long term. They identify three main sources of first-mover advantages:

- Relative Consumer Information
- Relative Marketing Mix
- Relative Direct Costs

The authors then present three sub hypotheses of which the first is that the first-mover has a better relative marketing mix and therefore commands a higher market share, with direct costs considered equal to a follower. The second hypothesis is that direct costs can be considered lower, and by using this to improve the relative marketing mix a higher market share can be expected. The third is that the first-mover has advantages in consumer information which provide a higher market share. The authors then use the PIMS database to test their hypotheses, which they accept, and suggest that a firm relationship between market entry and market share can be observed from their data analysis. They found that 18% of the variance in their sample of consumer goods can be attributed to being first to a market (order of entry). Looking at the work of Robinson & Fornell (1985) it is important to consider that the first two hypotheses concern the company itself, and the third is concerned with the customer. The third hypothesis is very much based on the work by Schmalensee (1982) who states that experience with the first-moving brand makes a trial of the late-mover less attractive to the consumer, as the risk of trial is higher than that of a repeat purchase. If the consumer tries the follower he will measure it against the information and experience of the first-moving brand. Schmalensee (1982) observes an altered perception of consumers towards the characteristics of the first-mover brand, making it more preferable than the late-mover brand.

Lieberman & Montgomery (1988) use a different concept for the sources of first-mover advantages in an article which surveys the theoretical and empirical literature on the subject.

Table: 3.1

Sources of First-Mover Advantages

1.	Technological Leadership
2.	Pre-emption of Assets
3.	Buyer Switching Costs

Source: Lieberman & Montgomery (1988)

Technological leadership occurs when the first-mover can reap economies of scale derived through learning curve effects or when patents or advances in research and development yield an advantage. The pre-emption of assets relates to the ability of the first-mover to acquire strategic and scarce assets before a follower can do so. Importantly this is also true for space which can, for example, be in retail and distribution channels.

The third source is buyer switching costs which is more important in industrial than consumer goods markets. Under the same heading the authors also mention *buyer choice under uncertainty*, a concept which also goes back to Schmalensee (1982) and relates explicitly to low-cost consumer goods. The advantage which can be gained by the first-mover is the level of satisfaction gained by his customers . The benefits of any other brand are perceived as being not worth the risk of possible disappointment, which results in product loyalty. Lieberman & Montgomery (1988) do not present their own evidence for their study, but quote other empirical and theoretical work to corroborate their point of view.

Comparing the two concepts of Robinson & Fornell (1985) and Lieberman & Montgomery (1988), it becomes clear that the underlying concepts correspond and that a general similarity exists between the two papers. However, whereas the work of the latter reflects the environment in which the first-move takes place, Robinson & Fornell (1985) are more concerned with the first-mover itself.

The issues mentioned by all authors concerning the first-mover company refer to the ability to utilise competitive advantages through superior management in the new markets. In addition to this is the ability to use the opportunities presented by the environment. Robinson, Fornell & Sullivan researched the differences between first-movers and late-movers in a recent study (Robinson et al. 1992).

They opposed an *absolute pioneer advantage* hypothesis, in which the pioneer's skills and resources are superior to those of followers, with a *comparative advantage* hypothesis, in which the skills and resources are different but not superior. In their empirical research they are able to reject the first and accept the second hypothesis. This means that any pioneer has to be *suited* to the environment to be entered in order to be successful. Abell & Hammond(1978) describe this as a *strategic window* which opens for different entrant types at different times. This proposition is confirmed by Lieberman & Montgomery's (1988) findings concerning the environment and the first-mover's ability to utilise it's opportunities in order to achieve an advantage over later entrants..

The consumer is the subject on which the strongest parallels exist between the papers of Robinson & Fornell (1985) and Lieberman & Montgomery (1988).

Both sets of authors draw on Schmalensee (1982) to illustrate the advantage of a first-mover which can be gained in entering the market first and gaining initial sales prior to the entry of a competitor. Schmalensee (1982) treats the buying decision of the consumer as a rational process, based mainly on differences in price and perceived risk.

Carpenter & Nakamoto (1989) take a different approach in their work as they look at the irrational component of the consumer's learning process and subsequent preference formation. According to these authors the valuation of product attributes is influenced by the first-moving brand. This influence on the consumer creates a shift of attitude towards the specific attribute combination of the first-moving brand, thus creating an advantage over later entrants with different attribute combinations. Not only may the first-mover influence the perception of the ideal attribute combination towards its own innovation, it can also become the reference product for a whole product category. This, however, is a key issue for the markets in central Europe as western brands enter markets in which 'the local competition does not play in the same league'. Local products are much lower in quality and appeal as they have never had any competition and never experienced an economy in which supply exceeds demand. Western brands therefore not only enter the market but redefine the existing product categories. In their 1988 paper *Market Pioneering, Learning and Preference* Carpenter & Nakamoto state:

..the pioneer is close to the category ideals because the ideals are derived from the experience with the pioneer. In addition, by default, the most frequently experienced brand would be the pioneer ... in extreme cases the pioneering brand becomes synonymous with the product category..

In the central European environment pioneers clearly have this opportunity to establish themselves as the reference in their categories, a position difficult to capture, if at all possible, by a follower. As long as they are not challenged by a follower they can command entrepreneurial premiums as they are a monopolist in their market.

3.3.2.2 First-Mover Disadvantages

Lieberman & Montgomery (1988) also present disadvantages of being a first-mover in their comprehensive review. They divide the disadvantages into four categories:

Table: 3.2

Disadvantages of First-Movers

1.	Free-rider Effects
2.	Resolution of Technological or Market Uncertainty
3.	Technological Discontinuities
4.	Incumbent Inertia

Source: Lieberman & Montgomery (1988)

Possible free rider effects, which can apply to the situation in central Europe mentioned by the authors are buyer education and infrastructure development. The exploitation of existing assets of the pioneer by a follower is a constant danger in this environment. Hauser & Shugan (1983) show that a pioneer is at a disadvantage to a follower if he does not choose the *correct* market position. This gives a late-mover the opportunity to learn from the first-mover's mistake. Other authors (Urban et al. 1986, Carpenter & Nakamoto 1989) also give followers a good chance of successfully challenging the pioneer if he has failed to achieve a great enough advantage in the time in which he holds the monopoly, or has made mistakes in his strategy. The prerequisite of establishing a *great enough advantage* is of crucial importance to pioneering in central Europe, as the time difference of market entry between pioneer and followers is often not sufficient to allow the pioneer to clearly establish himself as a pioneer precisely because the advantage established in the time he is alone in the market is not *great enough*.

Market uncertainty is an issue of major concern in developing and transforming markets like those in central Europe. If the timing of the pioneer is too early he may well be at a disadvantage against the follower who timed his entry to the market when it is more advanced and ready for the product category.

The two remaining disadvantages are less applicable to the specific form of pioneering in central Europe this study is concerned with. Technological discontinuities are more applicable to innovators, introducing a new product to an existing market, which is currently not an issue in central Europe, where a large proportion of consumers still have to achieve the standard of living, which is currently common in the West.

Incumbent inertia also seems not too much of a danger considering that most multinationals have only very recently entered the markets of central Europe, which means that they should not yet be in a stage which makes them inflexible and cause inertia. The constantly changing environment in these markets makes flexibility also a necessity for survival, which makes companies operating in this environment less prone to inertia.

3.3.2.3 Behavioural Advantages of First - Movers

Kerin, Varadarajan & Peterson (1992) critically evaluate research on first-mover advantages. The authors provide a useful framework, in which they review and analyse existing work that they divide between the following categories: The two main categories are *analytical-theoretical explanations* and *empirical documentation*. Within the first category the authors again distinguish between two approaches to the sources of first-mover advantages. The first sub category is *economic theory and barriers-to-entry concepts*, this is opposed to the second sub-category: *behavioural theories of consumer responses*. Within each of their sub-categories Kerin et al. (1992) review the major publications relating to that line of argument. Whereas the behavioural advantages for first-movers, listed by the authors is presented here, their list of barriers to entry is discussed in the next section. As behavioural advantages for the first-mover Kerin et al. (1992) found:

Table: 3.3
Behavioural Advantages for First-Movers

Little Resistance amongst Early Adopters
Ability to 'Skim off' Early Adopters
Influence on the 'Ideal' Attribute Combination
Establish the Perceptual Structure to the First Mover's Advantage
Opportunity to become the 'Prototype' or 'Reference Brand'
Head Start Effect
Achieve a High Degree of Consumer Awareness
Generate High Trial Rates which lead to Repeat Purchases because of Risk Minimisation by Consumers

Source: Kerin et al. (1992)

Although this is a list of advantages for first-movers, Kerin et al. (1992) criticise both sub categories and point out their argumentative and analytical defects. The authors provide some evidence in the body of existing work which challenges the existence or intensity of first-mover advantages as they are described by those authors from who's work the above lists were extracted. This coincides with Kerin et al.'s (1992) review of empirical documentation, which does not achieve a complete negation of first-mover advantages, but a reminder to a more careful attitude towards the subject of first-mover advantages.

Kerin et al. (1992) continue to present a conceptual framework which was developed by the authors and according to them previously missing in the literature. Their framework is designed to lead future research in the area and, at the same time *extends current thinking in the area*.

The authors themselves conclude that the belief of the first-move automatically endowing immutable competitive advantages is *naïve*. This conclusion however, seems to misrepresent a large part of the literature, that does not believe in 'automatic' outcomes of the first-move, but in the possibility of advantages arising from the first mover's abilities and skills and the strategic fit with the environment.

3.3.2.4 First-Mover Advantages and Market Entry Barriers

One of the mechanics of pioneering advantages is the creation or strengthening of entry barriers against followers. In the context of entering new markets in central Europe with virtually no local competition this is the central point of any advantage and the main concern has to be how strong the entry barriers can be made and how long they can be sustained. Literature on entry barriers mostly refers to Bain (1956) who first categorised barriers to market entry. He specified three sources of entry barriers:

Table: 3.4

Sources of Barriers to Entry

Absolute Cost Advantages Of Incumbent
Economies Of Scale
Product differentiation Advantages Of Incumbent

Source: Bain (1956)

This relates to first-mover advantages in the way defined by von Weizsäcker (1980):

A barrier to entry is a cost of producing which must be borne by a firm which seeks to enter an industry but is not already in the industry.

The obvious implication is that the higher the costs for the late-mover are, the better it is for the first-mover. The higher the costs are for the late-mover, the longer he may be deterred from entering the market. The higher costs of market entry also imply higher production costs for the late-mover, thus giving the first-mover an advantage. Additional costs translate not only into higher production costs but possibly also into higher costs in marketing and distribution, as well as lower prices and the need for more advertising.

In a conceptual paper Karakaya (1993) lists 6 market entry barriers which, according to his analysis of market entry barriers in western markets, are most likely to be important for the markets of central and eastern Europe:

Table: 3.5

Entry Barriers to Central and Eastern Europe

1.	Political Instability
2.	Cultural Barriers and Unfamiliarity With the Markets
3.	Lack of Knowledge and Experience of Western Ways of Doing Business by Local Business Executives
4.	Limited Advertising Media
5.	Inadequate Distribution Network and Transportation Facilities
6.	Low Consumer Purchasing Power

Source: Karakaya (1993)

Only some of these market entry barriers can be influenced by a company. It has, therefore, to be studied which of those barriers can be used by a pioneer against any follower in an attempt to prevent or delay his market entry. The follower faces higher costs in all those areas in which the pioneer was able to erect or strengthen barriers to entry. Each situation and industry will differ in its characteristics and specifications. The barriers will also depend on factors like the pioneer's strengths and weaknesses, the success he has already achieved in the new market and the duration of his previous monopoly.

However, it transpires that entry barriers can translate into pioneering advantages and that Bain's approach (1957) provides a framework on which pioneering advantages are based. A pioneering advantage has, by definition, to be a barrier to entry. Kerin et al. (1992) provide a list of different barriers to entry, which are the source of first-mover advantages, based on their review of literature following an analytical-theoretical explanation of first-mover advantages:

Table: 3.6

Entry Barriers Which Contribute to First-Mover Advantages

Scale Effects
Experience Effects
Asymmetric Information about Product Quality and Risk-Averse Buyers
Differences in Marginal Effects of Advertising
Reputational Effects
Uncertain Demand
Communication Good Effects
Technological Leadership
Pre-emption of Scarce Resources
Buyer Switching Costs
Profit Advantages while being the Monopolist
Establishment of a Market Position

Source: Kerin et al. (1992)

Market entry barriers seem to be of great importance in the framework of this study, dealing with markets which suddenly opened and which present major opportunities for the future for most consumer brands. Any advantage which allows a pioneer to exploit a monopoly for a time is naturally in this context a major issue. In the following section pioneering advantages in the context of the geographical region are discussed, with special reference to barriers to entry.

3.4 Pioneering Advantages in Central and Eastern Europe

Central Europe is a difficult region to define. Depending on one's definition it consists of anything between 3 up to 20 different countries. The important factor for the whole region is not to neglect the individual differences between the markets (Paliwoda 1993). Since the end of the communist era virtually all of the countries have taken different approaches to their development and considerable differences exist already. However all of them have in common that they were closed markets until the late 80s. They also share their consumer's desire for western brands. What they do not share is the ability to buy them which is demonstrated by a comparison of monthly wages in US \$ and the percentage of unemployed across some of those countries of central Europe which developed faster than most of the others.

Table: 3.7

Monthly Wages / Unemployed in Central European Countries

	Bulgaria	Cz. Rep.	Hungary	Poland	Slovakia
Monthly Wages in US\$	n/a	195	304	192	183
Unemployed in % of Population	15.6%	2.8%	12.7%	15.2%	12.5%

Source: Business Central Europe (September 1993)

However weak the current economic performance is, some countries of central Europe promise to be important markets of the future. Not only because the region contains a large number of consumers in total, but the current situation is such that the consumers have a backlog of demand for many products for which western European markets are already saturated.

Table: 3.8

Population Figures Central Europe in Millions

	Bulgaria	Cz. Rep.	Hungary	Poland	Slovakia
Population in Millions	8.5	10.4	10.3	38.2	5.3

Source: Business Central Europe (July/August 1993)

Adding the population figures of some of those countries which are currently not at the forefront of economic development in central Europe, a total population of the region in excess of 100 million is reached, if Russia is added the figure tops ~~250~~ million.

at least 350

When these countries opened their markets in the late 80s and early 90s this presented a welcome opportunity for major brand manufacturers to enter and develop these new markets in order to secure their future potential. The situation stated above meant for many companies that market entry was obligatory but the question this thesis is most concerned with is whether they decided to pioneer or follow. Becker & Baker (1995) studied the experience of western fmcg brand manufacturers in Hungary and their results indicate, that pioneering advantages occur in this market. This, in turn, suggests that pioneering advantages may exist also in other central European markets. Similarly Wesnitzer (1993) found evidence for pioneering advantages in his study of market entry strategies to eastern Europe.

Becker & Baker (1995), previous publications by Becker (1994) and Becker & Baker (1994) which are based on this study, and Wesnitzer (1993) also seem to be the only empirical studies on the subject of pioneering in central and eastern Europe. Before these are discussed in detail some managerial articles are briefly touched upon because of the limited amount of material available on the subject and the objective to give the reader an overview of all material on this subject.

Quelch et al. (1991) refer to pioneering advantages in their conceptual paper: *Marketing guide lines for eastern Europe*. The article consists of rather elementary wisdom on the subject, relying heavily on secondary sources which provide only anecdotal evidence and some basic statistical data.

Unfortunately, the authors' assessment of pioneering advantages in these markets seems to be rather uncritical and preoccupied with the opinion that pioneering advantages, for some unspecified reason, have to exist in these markets. It is therefore no surprise that Quelch et al. (1991) fail to go into any detail on the form any pioneering advantage might take, and that they neglect the issue of potential dangers and problems connected with the risk of early entry. Based on their superficial discussion of the issue, the authors give, rather careless as it seems, the recommendation to enter these markets early.

They then present, in only a few sentences, examples of companies that successfully entered east European markets early. Their cases are too briefly presented, to provide any useful information from their study and it has to be suspected that they were only included to back up the authors' preconception of the situation.

Two articles deal with pioneering advantages in central and eastern Europe from a practitioners point of view (Ryan 1992; Spelling 1993). Ryan (1992) interviews John H. Bryan the CEO of Sara Lee. On the question when Sara Lee sees the investments in eastern Europe paying off, Bryan answers, that he expects *no meaningful returns within this decade*. He then continues to explain that it is not very expensive to establish operations in these markets because it is currently very cheap to create brand awareness. The advertising media are very cheap and the population is *brand hungry*, as he describes it. He sees the current situation as a window of opportunity, which has not existed in earlier times. The advantages Bryan refers to can easily be found in Becker & Baker (1995), where they found similar advantages in Hungary. Spelling (1993) was at the time he wrote this article vice president for eastern Europe of Colgate Palmolive. He explains that the strategy of his company is to be first in new markets. He does not detail reasons for this particular strategy, apart from the fact that he considers eastern Europe to be a vast market in the long term. He is unmoved by potential problems or setbacks in the short term, because of the *potentially handsome rewards* in the long term. He also stresses that Colgate is always amongst the first to enter a market and that their experience with this strategy has been positive throughout.

Wesnitzer's (1993) main focus lies on general market entry strategies to east European markets. He regards the *form of market entry* as the key decision in geographical expansion, and the *timing of the entry* only as the secondary decision.

Within his research he therefore focuses on the forms of entry western companies have chosen for markets in central and eastern Europe, but he also touches upon market entry timing decision and, within this framework, he briefly deals with the pioneer versus follower dilemma. In an introduction to this part of his thesis, he assesses the relevance of some key publications (e.g. Lieberman & Montgomery 1985; Robinson & Fornell 1985) to the situation in eastern Europe in a few words. However, before his findings are discussed it is necessary to comment on the methodological approach used by Wesnitzer (1993):

Wesnitzer carried out 30 in depth interviews with managers of German consumer goods companies operating in Hungary, Poland, The Czech Republic and Russia. For his interviews he used a questionnaire with 55, mainly open questions. It has to be seen as a lack of familiarity with qualitative analysis methods that his analysis consists only of the presentation of frequencies with which similar answers were given. In a few cases he reverts to quantitative tools like cross tabulations or medians. He repeatedly summarises answers of his respondents and categorises them, this however, only to find a common format of presentation throughout his thesis. In many cases he gives verbatim accounts of the answers for a better understanding, without any further analysis. He presents his findings in a framework set by the existing literature, but rather than drawing conclusions from his data in relation to any previous work he remains descriptive in his results.

It is nevertheless important to summarise some of his results in the areas of pioneering versus following, as they can still deal as a platform for further research in this study. They also provide some interesting insights:

In his results Wesnitzer (1993) admits to a bias of pioneers / early entrants in his sample, as the interviews took place in 1991 and the preconditions for being selected as an interviewee benefited larger operations, which presumably have been established longer in the market, thus making the majority of the respondents (presumably) pioneers or early entrants. This however is an assumption which must be regarded as dangerous, as the size of an operation does not necessarily indicate their inclination of early or late entry to a market. Wesnitzer (1993) did not make an attempt to divide his respondents between pioneers and early entrants nor did he attempt to classify them, which has to be seen as a major shortcoming of his work, as the author of this study sees considerable differences between pioneers and any form of followers, as indeed do the majority of other authors in the field.

The following table demonstrates the division, which underlies Wesnitzer's work, that is he draws the line between the 'early group' comprising pioneers as well as early followers, and the second group of 'late followers'. For this table his respondents were asked, whether they preferred to pioneer or enter Eastern European markets early, versus entering the market late. Wesnitzer (1993) found the following results

Table: 3.9
Preferences for Pioneering

Attitude:	Mentions:
Definitely Pioneer	7
Preferably Pioneer	7
Amongst the First	8
Preferably Follower	1
Definitely Follower	4

Source: Wesnitzer (1993)

A preference for early entry is advocated by the majority of his respondents, whereas only a quarter seeks definitive pioneer status. Those who prefer the follower strategy are in a minority which, according to Wesnitzer, expresses a shared understanding on the part of the respondents that the earlier entrant intrinsically has advantages compared to the follower, which is congruous with the majority of previous research presented in this chapter. Wesnitzer (1993) then asked for arguments supporting the individual strategy and compiled the following table:

Table: 3.10

Arguments Pro Pioneering

Factor:	Mentions:	Indication:
Brand Building	11	Pioneer
Goodwill/Contacts	9	Rather Pioneer
Product Specific Reasons	8	Divided
Distribution	8	Pioneer
Market Share	7	Pioneer
Information Gathering	7	Divided
Free Rider Effects	7	Follower
Market Size	2	Divided

Source: Wesnitzer (1993)

The main factor, brand building, is according to Wesnitzer (1993) no surprise, as his sample comprises only consumer goods companies. The pioneering advantage in this area is the relatively low advertising intensity, which gives the respondents' advertising a greater effect, combined with the openness of consumers. This may allow the pioneer to establish his product, with only little investment into communication, as the synonym for the whole product category. This effect has previously been described by Becker (1992) and Becker & Baker (1995) under the term *reference position*.

The factor Goodwill/Contacts coming second surprised Wesnitzer, as he regards this only as a 'soft' factor. However his respondents regard Goodwill/Contacts as a vital factor because of the high importance placed on personal contacts and relations when doing business in this area (See also: Becker 1992; 1994 and Becker & Baker 1995). Wesnitzer also points out that good contacts with the previous regime (particularly in the former USSR) can be a disadvantage when dealing with new partners, because of the negative image a brand might have acquired being associated with the old regime.

Wesnitzer (1993) regards Product Specific Reasons as not resulting in strong disadvantages for a follower, which is why he sees them as an indication for either strategy.

He continues that a follower in a fmcg industry would after a late entry, not be confronted with a firm brand loyalty towards a pioneer, which makes it easy for him to follow into the market. In expensive goods however, the relatively small market may well be saturated at the time the follower enters. In areas, like consumer electronics, which are dominated by a permanent stream of innovations a follower can enter with a better price performance ratio, starting with the latest development. Finally according to Wesnitzer (1993), the follower can enter into a different, preferably lower price segment to attack the pioneer from there. This is definitively a follower advantage, which was corroborated by the findings of Becker & Baker (1995).

Wesnitzer (1993) sees distribution as an important barrier to entry. He identifies the distribution channel or the lack of it, as a major limiting factor. The pioneer therefore has an advantage of gaining relatively easy access to the limited space available, compared to followers (Compare: Becker & Baker 1995). One respondent however, mentioned that early followers will not be at a disadvantage in this as the retailer in eastern Europe is not prepared to concentrate on just one western supplier and will therefore accept more than one western product on his shelves.

The argument of market shares is consistent with common text book first-mover advantages, in which the first-mover is at an advantage to acquire market shares as long as he holds the monopoly in his category in a market.

The argument of information gathering does not indicate either strategy pioneering or follower, as it was mentioned, that learning by doing is advantageous, but at the same time risky. One can argue either way and no firm judgement can be made from Wesnitzer's data and he fails to shed any light on the ambiguity of this factor.

Free-rider effects are seen as the only strong advantage for a follower and therefore as an indication for a follower strategy. The respondents see a great danger in the fact that for any knowledge gained and progress made considerable obstacles had to be overcome and it was difficult to hide the results from potential followers. Another danger lies in the constant changes (Wesnitzer (1993) mentions particularly customs regulations and tariffs) which may make any achievement or investment of the pioneer obsolete.

Total market size is also regarded by Wesnitzer (1993) as an important factor as in large markets a pioneer can not cover the full market immediately, thus leaving room for followers.

In a small market like Hungary, or the Czech Republic, followers may well be at a disadvantage as market coverage is relatively easy to achieve.

In his summary Wesnitzer (1993) points out that most pioneering advantages mentioned were related to entry barriers e.g. distribution, as opposed to time related criteria like contacts and information gathering. He reiterates the importance of retail distribution as the major limiting factor and adds cost of market entry as another absolute pioneering advantage. This because of the tendency in eastern Europe of rising costs for rent and other infra structure.

A key result in Wesnitzer's work is the fact that he found the local situation of eastern Europe has a considerable influence on the composition of pioneering advantages. The unexpectedly high ratings of the factors good will/contacts and information gathering prove in his opinion the local influence, as this result is rather different from findings in previous work conducted in western economies.

Wesnitzer also asked his respondents for their rating of 9 criteria related to the timing of market entry. However, it has to be repeated at this point that he does not specifically divide between pioneers and early followers, which makes the following table less valuable to this study.

Table: 3.11
Importance of Selected Criteria on Pioneering Decision

Criteria:	Median:
Image Advantage Through Early Presence	1.4
Access to Distribution	1.6
Cost of Entry	1.7
Brand Loyalty	1.9
Negotiation Position against Government	2.0
Availability of Information	2.0
Effectiveness of Promotion	2.1
East European Partner	2.2
Time span until 'Economic Take Off'	2.2

Source: Wesnitzer (1993)

Wesnitzer groups the nine factors in three categories, important (Factor 1), less important (Factor 2) and unimportant (Factor 3). As the top six criteria have been discussed previously, only the last three, regarded as being unimportant, are therefore mentioned below:

Although promotion is more effective for the pioneer while holding a monopoly, it is not a decisive factor as in the early stages distribution presents a limiting factor, which makes promotion irrelevant. This finding stands in contrast to Ryan (1993), where a Sara Lee executive mentioned advertising as an important pioneering advantage.

Finding a competent partner is seen as important, but early entry does not seem to benefit in the search for one according to Wesnitzer's findings. Not only does a large enough number of possible partners usually exist, but all are seen as being equally incompetent, which makes an early selection unnecessary.

One rather interesting finding is the last factor in which Wesnitzer's respondents regard the risk of entering too early as insignificant. They value the risk of possibly missing certain opportunities by waiting as higher than that of investing early and not making profits for a while. The relative small investment necessary to start in these countries makes an early start always preferable compared to a missed opportunity according to Wesnitzer (1993).

The paper by Becker & Baker (1995) is the second one, which has touched on the subject of pioneering advantages in a central European market in contrast to the earlier discussed body of literature dealing with first-mover advantages in western economies. Other publications by Becker (1994) and Becker & Baker (1994) which are based on data of this study are not discussed here, as they present material which is discussed in much more detail later in this study.

Despite the fact that pioneering advantages are an essential issue in Becker & Baker's (1995) study the objectives of their research were rather different. The authors studied strategies and management of western brands in the Hungarian environment in order to assess the readiness of this market for western brands. Hungary was chosen because of its advanced development towards a western style market place and the long standing western influence through media and tourism.

This was important to the authors as their research in the most advanced market environment of central Europe was seen to offer insights which could subsequently be transferred to other markets which were not yet at the same development stage as Hungary.

In the countries of central Europe market conditions were not such as to encourage branding to evolve and develop by itself. The concept of branding is fundamentally rooted in the availability of choice which was, until recently, not a characteristic of these markets. The concept of a product which has an added value represented mainly through a brand name, is therefore something new in these markets and yet there is no research or evidence that branding in its current form is either advantageous or beneficial to the companies in these markets, or to the markets themselves. Transferring the concept of branding to these markets is in many respects still a frontier and so attracted the interest of the authors.

The research design used for Becker & Baker's (1995) study is exploratory, as the authors could not locate empirical data which could be used as basis for possible hypotheses or theories. The authors developed, together with Prof. Susan Hart of Heriot Watt University, a three stage process of data analysis based on the 'Grounded Theory' approach of Strauss & Corbin (1990) and Strauss & Glaser (1967). This method of data analysis allows a wide variety of data to be processed and provides enough flexibility to synthesise data from different sources. The objective of this was to formulate hypotheses on the regularities which emerge from the data in order to provide insights into the Hungarian situation, as well as lay the foundations for future research.

The data was collected in 16 face to face interviews with general or marketing managers of a convenience sample of western multinationals, each with a portfolio of well known brands. A semi structured questionnaire was used as an interview guideline and all interviews were conducted by one of the authors in English or German. In addition to the 16 interviews with respondents from the sample, 10 further interviews were conducted with other experts from the Hungarian government, other industries and academia to gain additional information.

The authors cite Gummesson (1991), who argues, that generalisation from a limited number of cases is justified if the researcher acknowledges that new evidence might change the result of the study, Gummesson in turn, quotes Popper (1979) who sees the first priority as formulating theories rather than testing them.

However the findings of the research provide valuable insights into the situation of brands in the Hungarian market, particularly against the previously discussed body of theoretical work on first-mover advantages. Becker & Baker (1995) list 8 possible pioneering advantages which were either experienced by their respondents or credited to the pioneering competitor in their industry:

Table: 3.12
Pioneering Advantages in Hungary

1.	Early entry allows mistakes to be made in a less competitive and less expensive environment. Data is generated through trial and error and successes are the exclusive capital of the company.
2.	A much deeper knowledge of the market, the consumers and the environment is gained through going the "rough" way, rather than learning through market research reports.
3.	Important contacts in industry and administration are established and links can be built.
4.	The pioneer always enjoys the attention of the press and media.
5.	Distribution is easier to access and shelf space in retailing is still available. Retailers also accept willingly POS material to promote the brand.
6.	Advertising reaches the consumer undistorted by competitor's noise. Messages stand alone in the perception of the consumer, no competition for the audience's attention spans exists.
7.	Consumers are still open minded and the first brand sets the reference frame for future times. New products will always be measured against the reference brand.
8.	Presence demonstrates trust and support for the development of the country and its people.

Source: Becker & Baker (1995)

Comparing the 8 points derived from research with the sources of pioneering advantages as discussed in the theoretical work the following categorisation can be made:

1.

Robinson & Fornell (1985) say that pioneers can benefit from early entry if experience effects are present in an industry. This observation is reflected in the findings of Becker & Baker (1995) in which the respondents considered a less competitive and inexpensive environment an advantage for the initial entry period in which the brand had to be adjusted to the market. Followers would have to go through this 'adjustment period' with competition already in place and in a more expensive environment.

Relative Direct Cost Advantages occur, according to Robinson & Fornell (1985), if the pioneer uses cost advantages to improve the marketing mix. An example for this is advertising, which was very inexpensive in central Europe compared to western standards just after the markets opened up. Rather than using the potential savings to boost profits, many pioneers bought more advertising space and airtime to raise awareness of their products.

Lieberman & Montgomery (1988) also regard *learning* and *experience* as sources of pioneering advantages. They point out that these can provide *substantial barriers to entry* if the knowledge gained can be kept solely to the pioneer. The experience in Hungary seems to confirm this view as respondents consider knowledge gained in the initial entry period of the pioneer as *exclusive capital of the company* (Becker & Baker, 1995).

2.

The fact that no market research was available in central Europe made it necessary for the pioneers to gather data themselves and find ways to obtain the information they needed. The respondents in Hungary felt that this provided them with a longer lasting information advantage over followers (Becker & Baker 1995) which therefore, similar to point 1, falls roughly into the categories *Relative Marketing Mix* and *Technological Leadership* as described by the two pairs of authors.

3.

For the network which the pioneer has to build in these markets Robinson & Fornell (1985) do not really provide an adequate category, as this category calls for integration of administrative factors which are not accounted for in their work. Lieberman & Montgomery's (1988) categorisation however provides the *Pre-emption of Scarce Assets* category which does correspond to this advantage to a degree. Establishing contacts, so the respondents felt in Becker & Baker (1995), was easier if one was the first to approach an institution or administration.

By the time the follower arrives the links have been built and are well established. Especially in economies which are constantly changing like those in central Europe during their current transformation process, contacts and links to important organisations can be vital. If these contacts become an integral part to the pioneer in the local environment, or influence it strongly, the advantage can move to the *Technological Leadership* category if they remain unique to the pioneer.

4.

Becker & Baker (1995) list the *attention of the local media* as an advantage the pioneer can enjoy. This translates into a *Relative Direct Cost* as well as an *Relative Marketing Mix* advantage (Robinson & Fornell 1985) because free exposure in the media is direct cost savings for advertising. However, anything is usually newsworthy only once, as the second or third arrival are repetitions of the same story. Therefore it is a *Pre-emption of Scarce Assets* (Lieberman & Montgomery 1988) an advantage, which will not be available to followers.

5.

The point Becker & Baker (1995) make about access to retailing, is of major importance. If the pioneering brand is able to occupy the scarce shelf space in the retailing channel this is a major advantage. In Lieberman & Montgomery's (1988) terms this is clearly a *Pre-emption of Scarce Assets* and as long as the pioneer can hold onto his shelf territory, followers will find this an advantage difficult to overcome. In the categories of Robinson & Fornell (1985) this is a *Relative Marketing Mix* advantage, as they quote Porter (1974) and White (1983) who established that in convenience goods distribution advantages can be considerable and result in larger market shares, in order to corroborate their point.

6.

Robinson & Fornell (1985) refer explicitly to the absence of noise in the communication channel as a pioneering advantage. They foresee difficulties for followers using advertising, as consumers are anyway less likely to try their product (Schmalensee 1982) and due to the advertising of the established pioneer they have to 'shout louder to be heard'. The pioneer on the other hand was able to use the period in which he was alone in the market to advertise and establish his brand without the 'noise' of the competition distorting his message. Advertising under this circumstance is much more effective than in an environment where many products of the same category are advertised.

As this opportunity only exists for the pioneer and is destroyed immediately if a follower enters the market, this can be regarded as a *Pre-emption of Scarce Assets*. However, it does not fit Lieberman & Montgomery's (1988) definition exactly, as this is not a sustainable advantage.

7.

The pioneering advantage of becoming a reference brand in a category is well documented (Schmalensee 1982; Carpenter & Nakamoto 1989). Robinson & Fornell (1985) base their category *Relative Consumer Information* on this advantage. Becker & Baker (1995) observed the existence of this advantage in Hungary and discuss the implications explicitly. Lieberman & Montgomery (1988) also refer to Schmalensee's work for their *Buyer Switching Costs* category which equally applies to the findings of Becker & Baker (1995) in Hungary.

8.

Robinson & Fornell (1985) do not provide a category exactly fitting the demonstration of trust and support advantage, as observed by Becker & Baker (1995). Presence as a commitment to the development of a country could be seen as a of *Pre-emption of Assets* in Lieberman & Montgomery's (1988) terms, as it really only works for the pioneer because he bears the greatest risk in entering the market.

The pioneering advantages found by Becker & Baker (1995) in Hungary fall into different categories and are of different value to a pioneer. The value of an advantage lies in its quality to form an effective barrier to entry and in its sustainability, even under competition. Thus some of the advantages found by Becker & Baker (1995) rank higher than others. The advantages in accessing the distribution channel are of great value as well as the chance to become the reference brand in a product category. Other advantages listed are not necessarily sustainable and do not make effective barriers to entry, which makes them less valuable. The less valuable advantages do provide benefits over followers, but they can not be transferred to become sustainable competitive advantages in the pioneer's favour.

Because of the immediate relevance of the work by Becker & Baker (1995) and the potential benefits of the observation of longitudinal effects the design of this study has been set up to partly duplicate and extend the work by Becker & Baker (1995). The chapter on methodology explains the parallels of the two studies and the extent to which a duplication has been carried out.

3.5 Summary: Chapter 3

The summary of the literature discussed in this chapter provides an overview of the core areas of the literature and their connection to this study. It is the objective of this summary to prepare the ground for the following chapter which outlines the research objectives of this study as they arise from the literature which has been discussed in the previous chapters.

3.5.1 Two Concepts of Pioneering

Throughout the literature the terms pioneering and pioneering advantage are used in an ambiguous way without due recognition that they can relate to different concepts which root in very different foundations. In order to highlight the differences behind the ambiguity of the terminology a framework based on Ansoff (1957) was introduced and the terms NGM pioneering and NPD pioneering were introduced.

3.5.2 Pioneering Advantages

Analytical-theoretical work as well as empirical work has been carried out previously to prove and establish the advantages of being first, however most of the work relates to NPD pioneering. It seems generally accepted that pioneering advantages mainly lay in two areas which are the barriers to entry concept (Bain 1957) and the consumer behaviour (Schmalensee 1982). Both areas offer potentially different advantages in the two areas of pioneering NGM and NPD.

3.5.3 Pioneering Disadvantages

Some authors (i.e. Lieberman & Montgomery 1988; Kerin et al. 1992) also identified potential disadvantages for first-movers. Lieberman & Montgomery (1988) divided them into four categories: Free-rider effects, Resolution of technical uncertainty, Technological Discontinuities and Incumbent inertia. The existing literature has identified pioneering disadvantages to be an issue which needs further consideration for this study.

Robinson et al (1992) presented useful findings in dividing between *absolute pioneer advantages* and *comparative pioneer advantages*. Their work seems to indicate that pioneering advantages are not *absolute* but *comparative* which means that the pioneer's skills and resources are different rather than superior.

It seems safe to extend this hypothesis in so far that this concept of *comparative advantages* also holds true for disadvantages which would mean they are not so much a general risk but a danger particular to the pioneer.

3.5.4 Pioneering Advantages in Central and Eastern Europe

Only few empirical studies (Becker 1994; Becker & Baker 1995; 1994; Wesnitzer 1993) deal in detail with the issue of pioneering advantages in central and eastern Europe. Wesnitzer's work which does not explicitly differentiate between pioneer and early follower but between an early group (which includes the pioneer) and a late group found that the majority of his respondents preferred the role of the pioneer in the markets of central and eastern Europe. The main advantages were perceived as easier brand building, the establishment of good contacts, product specific reasons, advantages in distribution and the access to larger market shares. Wesnitzer (1993) asserts that the majority of pioneering advantages he identified were related to barriers to entry rather than time related issues. He also found that the local situation of the markets in central and eastern Europe has had a considerable influence on the composition of pioneering of his respondents. The other empirical work dealing in detail with pioneering advantages in a central European context is Becker & Baker (1995). The two authors present 8 advantages which were experienced by their respondents in the Hungarian market. Most of the 8 advantages identified by Becker & Baker (1995) can be categorised with the use of categories such as presented by Robinson & Fornell (1985). However, some advantages seem to be particular to the situation in central Europe as they either do not fit a category as presented by Robinson & Fornell (1985) or their composition is clearly different from those given by Robinson & Fornell (1985) in their annotations to their categories.

In order to get a clear understanding of the issues involved in pioneering and pioneering advantages in central Europe it seemed necessary to redefine the terminology and introduce a clear and distinctive model of categories.

This proved of great value in the review of the advantages and disadvantages of pioneering, in general and in particular in the context of central Europe, as discussed in the existing literature on the subject. This review has clearly shown, that first mover advantages are different for NPD and NGM pioneering and that the unique environment of central and eastern Europe has lead to a number of advantages which do not fit into categories developed in industrialised markets like the USA or Britain.

The shortcoming of the existing literature and the potential occurrence of a new variety of the phenomenon first-mover advantage grant the rationale behind this study and allow to formulate research objectives. The following chapter draws some key conclusions from the two parts of the literature review and presents the research objectives for this study.

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Chapter 4

Research Objectives

Chapter 4

Research Objectives

4.1 Introduction

The previous two chapters saw a review of the literature, relevant to the fields of marketing this study builds upon and aims to extend. Part of the purpose of this review and critique was to define the unique niche in which this study stands, within the array of previous work by other authors, thereby to clearly ascertain the foundations on which this study is building in order to further research in these fields. In doing so it also has been achieved to establish the relevance of the subject to marketing science as well as its potential contribution to advancing research in the area.

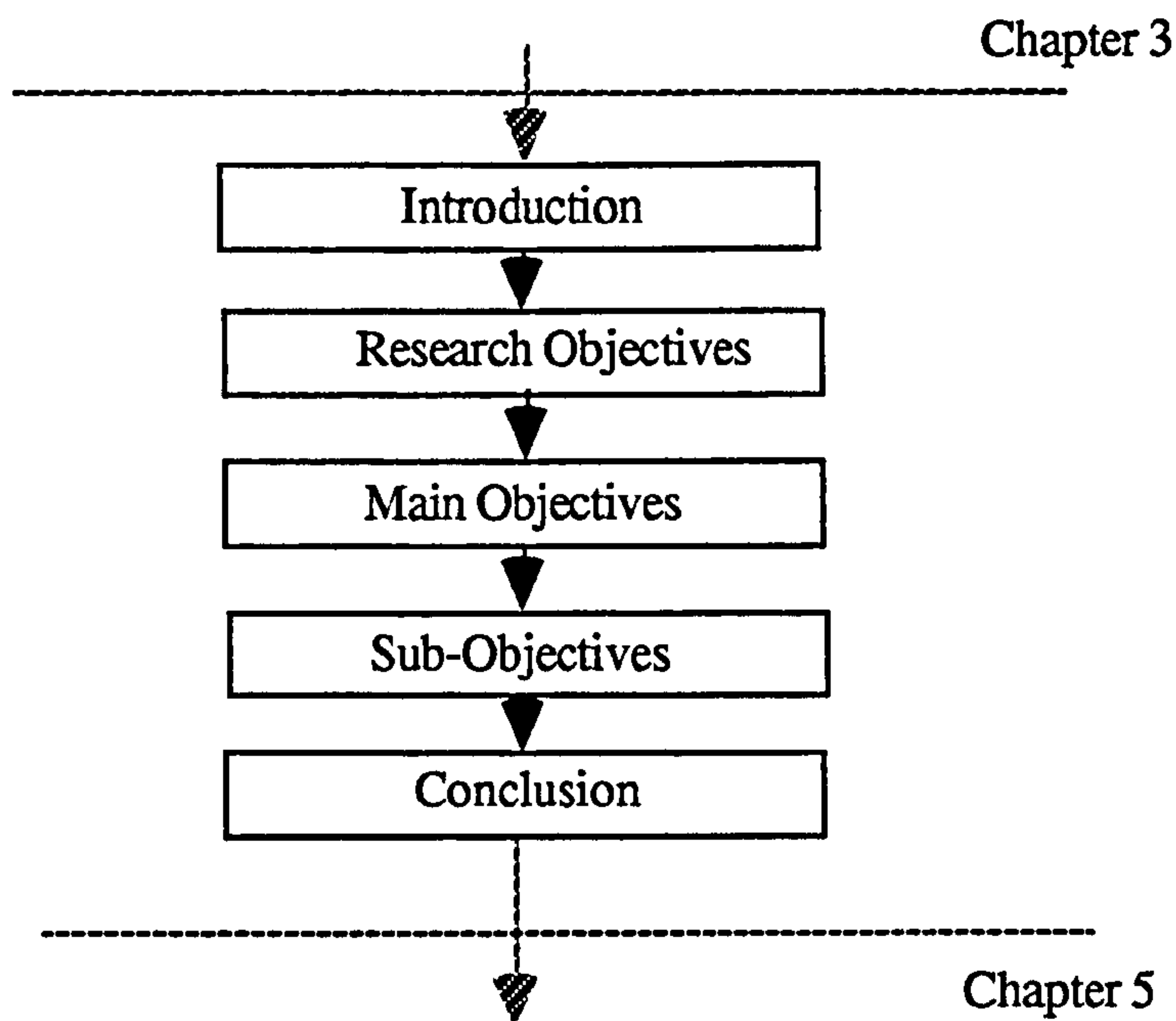
The second purpose of the review of existing work was to define, on the basis of the study and criticism of existing work, the research objectives for this study. It is necessary to define clearly the aims and objectives of the study in order to develop a framework which guides the studies towards desired ends and also to select a methodology to ensure the objectives are met.

As the research objectives form an integral part of the study itself it has been chosen to present them separately, in a short chapter, following the literature review rather than as an annexe. This chapter therefore presents the main research objectives with a brief reference being made to their origin within the literature. This is followed by a number of sub-objectives which are also linked back to relevant literature to clearly separate the foundations of this study and the contribution this study aims to make. However, the discussion is kept to a minimum at this stage to allow the reader to go on swiftly to the methodology which is used in this study, which is presented in the next chapter.

The methodological approach is to a large extent based on the objectives presented here but to fully appreciate the importance of the objectives in shaping the whole study the two issues have not been merged into a single chapter. The position of this chapter within this thesis indicates its vital function as a link, with the research objectives in reaching back into the body of existing work and extending into the framework of this study.

The following figure gives a graphic overview of the structure of this chapter:

Figure: 4.1
Structure Chapter 4



Source: Author

4.2 Research Objectives

The existence of first mover advantages has been discussed intensively in the literature, authors like Kerin et al. (1992); Lieberman & Montgomery (1988) and Carpenter & Nakamoto (1990) amongst others continued an ongoing debate on the existence and the strategic value of first mover advantages, as was highlighted in the previous chapter. Despite the severe doubts of some critics it is the multitude of real life examples as well as empirical research which seem to indicate the existence and value of first mover advantages for a brand, as was shown for example in the work of Lieberman & Montgomery (1988) and Robinson & Fornell (1985).

The comparatively abrupt and recent introduction of many brands into the previously closed markets of central Europe presented a unique opportunity to research pioneering advantages at an relatively early stage close to the introduction of consumer brands. The brands had been around in western markets for a very long time but entered now a different environment. This opportunity was created through forty years of closed markets in what was the eastern bloc and their sudden opening towards the west and its products at the end of the last decade. This opportunity is and remains unique in its nature and the work in this study therefore also has a unique character as compared to the research on first mover advantages conducted in industrialised economies.

Previous work by the author (Becker 1992; 1994), by Becker & Baker (1994) and also by Wesnitzer (1993) provide the only evidence which indicates the existence of such pioneering advantages in central European markets, but both studies failed to prove conclusively the strategic value and the importance of the pioneering advantages within the framework of a central European economy. This results in very little which is known on the composition and the value of such advantages apart from their existence in the central European environment.

As has been established from the critique of the literature the research into the pioneering advantage phenomenon in central European markets involves considerably more than a mere replication of research conducted in industrialised markets.

The task is more complex because of the great differences in the environments and the fact that the brands which are being introduced are all well established brands in western industrialised markets which means that different mechanics may apply to pioneering versus following.

4.2.1 Main Research Objectives

To deliver further evidence on the sheer existence or non-existence of the phenomenon of pioneering advantages in the central European setting, studied even within a limited but well selected group of western consumer brands, would therefore result in an important contribution to research in the field of pioneering and first-mover advantages as a whole. The prime objectives of this study therefore are:

- To advance the understanding of the phenomenon known as 'pioneering advantages'.
- To determine the composition of any pioneering advantages found.
- To evaluate the strategic value and importance of pioneering advantages in the context of NGM pioneering.

The three main objectives have been kept open and unbiased because of the very little knowledge which exists on the subject area of pioneering advantages in central European markets. A closer definition of the main objectives would limit the scope of potential findings and only reflect the researcher's own prejudices. It is therefore the sub-objectives which give a more detailed account of issues which are positioned around the core of the study, exploring closely related areas.

Every sub-objective follows from the critical evaluation of the literature and identifies a specific area in which this study can contribute and add to the existing body of research. The following seven issues were identified from the literature as necessitating further research within the framework of a sub-objective. They are not only compatible with the main objectives but they are meant to supplement them and to be guiding the research process towards accomplishing the fulfilment of the main research objectives through the exploration of their particular area.

4.2.2 Sub-objectives

I.

To identify the perception respondents have of pioneering advantages in their industry.

Because of the nature of this study which researches in a 'real life' environment rather than under experimental conditions it seems difficult if not virtually impossible to exactly pinpoint each potential pioneering advantage to be a true and absolute effect which was created only or mainly by the time of entry factor.

It is therefore important to understand that for this study it is more important to deal with the rather simple option of 'respondent perception' rather than complex but theoretical models and constructs. The perception of the respondents reflects their reality, a reality on which they base their strategic decisions and their actions. It is therefore that this perception can be taken as a reflection of the 'true reality' and the basis for this study, rather than attempt the creation of a 'pseudo reality' in an experimental setting or hypothetical testing. It must be understood prior to any analysis that whatever the pioneer and the followers perceive to be pioneering advantages in their market and in their industry are what will be regarded as such for this study.

It is the aim covered under this sub-objective to find out what the respondents regard as pioneering advantages. The analysis will be mainly determined by what is found but a variety of categories can be derived from the literature and will be used respectively, if necessary it will be supplemented by newly created categories.

II.

To identify and describe the factors found to contribute to the condition of the pioneering advantages found.

The phenomenon of pioneering advantages can occur in different form and conditions. Kerin et al. (1992) distinguished in their work between behavioural advantages and barriers to entry. Both categories have been the subject of previous work by others.

Behavioural aspects have been researched in particular by Robinson & Fornell (1985) and Schmalensee (1982) whereas barriers to entry have been researched as long ago as 1957 by Bain. Apart from these two categories others have been observed for example in the previous study of the author (Becker 1992) some pioneering advantages were found which would not fit into any category outlined by previous research.

The range of potential pioneering advantages is broad and no consent seems to exist which allows to clearly recognise a pioneering advantage through a common condition or form apart from the assumption that they occurred because of time of entry related factors. With such a range of potential pioneering advantages and the difficulty of clearly recognising them as such it is important that it is established early on in the analysis of this study what form pioneering advantages have taken in the markets and industries that are studied in the thesis. This examination has to be conducted on a case by case basis in order to avoid generalisations which would not lead to satisfactory results.

III.

To determine the factors which have lead to the creation of pioneering advantages.

Pioneering advantages occur as a result of various factors, some of which may be company internal as well as others are of an external nature. Abell & Hammond (1978) describe the environment to provide a *strategic window* which leads only to pioneering advantages if the company is suited to the particular environmental situation. It is therefore necessary to look at the factors which determine the occurrence of pioneering advantages. Again a variety of influencing factors can be derived from the literature. Once the factors have been extracted from the data in this study a relevant set of categories will be developed by using feasible parts from the literature and by developing supplementary parts if need be.

One single factor which seems to be of great importance, in the current markets of central Europe, and therefore merits special attention, is the past and current attitude of consumers to western brands.

Previous work by the author (Becker 1992) indicates that fundamental changes are influencing this attitude which has been of major importance to western brands since they entered the markets of central Europe some five years ago.

Similar to the point which was made earlier it is also at this stage that the perceptions of the decision makers are of importance to this study. It is therefore not the intention to undertake a survey with only little statistical margins of error of the current consumer attitude in the countries but to establish the perception experts in western consumer brand companies, who are working in the field, are having of the current attitude of consumers in central European markets towards western brands. As was mentioned earlier it is this perception on which they base their decisions and therefore what is relevant to this study. Furthermore it is important to find out about their perception of future trends which can be deduced from their view of the past development of this attitude since the markets opened.

IV.

To assess the composition of pioneering advantages in respect of their relation to follower disadvantages.

Hauser & Shugan (1983) have written on the relation between pioneers and followers and the fact that the pioneer might be prone to initial difficulties and errors in judgement may lead to a situation which gives the follower an advantage over the pioneer. Work by Carpenter & Nakamoto (1989) leads into a similar direction and the authors reduce the value and likelihood of pioneering advantages if the pioneer has failed to establish a *great enough* advantage early on. It is therefore important to closely determine the relation between pioneer and follower and their strategic differential arising from time of entry effects in this environment. The analysis has to differentiate between pioneering advantages and the probable similarities of follower disadvantages to make the source and the value of the so called pioneering advantage clear.

V.

To assess the potential longevity of pioneering advantages.

The great value which is placed on pioneering advantages stems from examples of brands which have retained a strategic advantage over their competitors because they were the pioneers may be as long as 40 years ago. Frequently quoted examples are Wrigley's in chewing gum, Kleenex in paper products, Hoover in vacuum cleaners and Coca Cola in cola flavoured soft drinks, all leading brands in their categories and some of which have become synonymous with their product categories.

The potential long term effects can therefore be seen as a potential objective in entering at a higher risk to establish a brand before the competition. This results in the necessity to assess the potential long term effects of pioneering advantages in these markets. Secondly it is important to assess the corporate and marketing strategies of pioneers to exploit their pioneering advantages and their ability and intention of those being turned into permanent competitive advantages. Thirdly it is necessary to look at the strategies of their competitors to deal with the disadvantages of following late into the market.

VI.

To assess the differences and similarities of the evidence found in this study to previous research conducted in industrialised markets.

Finally it is necessary to compare the findings of this study with existing work presented in the previous chapter in order to find similarities and differences to the body of work which has been conducted in entirely different environments. The conclusions from a comparison will give further evidence towards the overall phenomenon and improve the knowledge on the subject issue. To conduct a comparison of the findings of this study to those made in previous research, conducted on first mover advantages in industrialised markets, also allows to revisit the case made for the re-definition of first mover versus pioneering advantages made earlier in the previous chapter.

4.3 Conclusion

This chapter has presented the research objectives of this study. The objectives were presented in two separate stages. Following from the review and critique of the existing literature in the area of study the research objectives form the link to the methodology which is presented in the next chapter.

The first stage, the 'main objectives' were kept broad and general only roughly sketching the area of research and leaving ample freedom for issues to evolve during the research process. As an overview the individual objectives are summed up below:

1. It is the objective of this study to advance the understanding of the phenomenon known as 'pioneering advantages'.
2. It is the objective of this study to determine the composition of any pioneering advantages found.
3. It is the objective of this study to evaluate the strategic value and importance of pioneering advantages in the context of NGM pioneering.

The second stage called 'sub-objectives' saw a set of six issues relating and underpinning the main objectives explained in much more detail. The sub-objectives are as follows:

- I. This study aims to identify the perception respondents have of pioneering advantages in their industry.
- II. This study aims to identify and describe the factors found to contribute to the condition of the pioneering advantages found.
- III. This study aims to determine the factors which have lead to the creation of pioneering advantages.
- IV. This study aims to assess the composition of pioneering advantages in respect of their relation to follower disadvantages.

- V. This study aims to assess the potential longevity of pioneering advantages.
- VI. This study aims to assess the differences and similarities of the evidence found in this study to previous research conducted in industrialised markets.

The following chapter discusses the selection procedure of finding a suitable research methodology to fulfil the objectives which were set in this chapter. The selection of an appropriate methodology is based on the objectives of the study as well as other factors like the restrictions and limitations set from the environment upon the study. It is therefore that the discussion of the methodology is following this chapter thus following an intrinsic logic introducing new factors at the stage when they become relevant to the course of the study.

4.4 References: Chapter 4

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Chapter 5

Methodology

Chapter 5

Research Methodology

5.1 Introduction

The previous chapter outlined the objectives of this study. This chapter contains the discussion of the methodological aspects of this work. Prior to the methodology the main objectives of this study are briefly revisited to demonstrate their close influence on the choice of methodology.. In the further course of this chapter different issues relating to the research methodology are presented in order to highlight their individual merits and assess their fit to the needs of the study. This allows the reader to closely follow the decision process which took place to find the most appropriate methodology for this research project.

The first part of this chapter therefore assesses the influence of the research objectives on the research design. After a careful evaluation of the data needs a decision is made upon the research design rated most appropriate for this study. Issues such as research paradigms, and the question whether to use qualitative or quantitative methods are discussed in detail in the later stages of this first section.

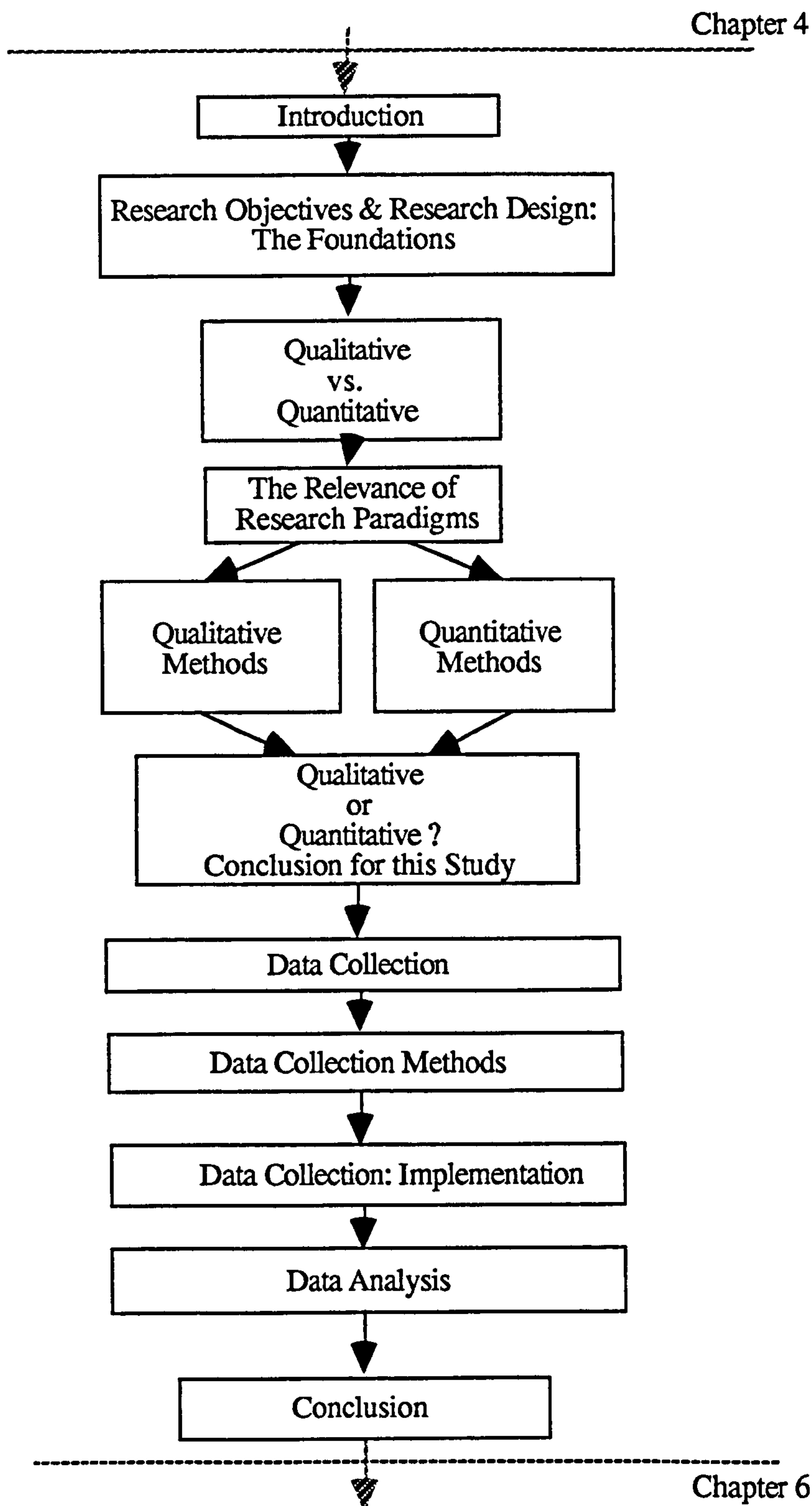
Following the research design decision is a section on the data collection process. This section is introduced with a discussion of various options in data collection and an evaluation of the presented methods is most suitable for this research project. The theoretical part on data collection is followed by a section on the implementation of the data collection methods as the openness of the use of methodology is seen as a vital credential for the adopted research design in this study.

The mode which was finally selected for the analysis of the data is explained in detail in the final part of this chapter. As the technique selected is a rather complex process and difficult to relate to if presented only on an abstract level many detailed examples are provided in which raw data and a step by step account is given of how the results are achieved.

It is hoped that the examples will allow the reader wider comprehension and deeper understanding of the findings generated from the raw data and therefore lend credibility to the findings. This is an attempt to avoid the 'black box' phenomenon of methodology in which findings are presented without giving an account of how they were reached.

The following figure gives a graphic overview of this chapter to aid the orientation of the reader:

Figure: 5.1
Structure of Chapter 5



Source: Author

5.2 Research Objectives and Research Design: The Foundations

It is necessary at this stage to refer back to the research objectives which were formulated in the preceding chapter. This is to open the discussion on the methodological aspects of this study with one of the most important factors influencing the process of finding the appropriate research methodology for a particular research problem. Looking back at the previous chapter, it was stated that the objectives of this study were derived from two main sources which were:

- In general:
The existing body of literature which was reviewed in chapters 2 and 3 of this study.
- In detail:
Previous research by the author which was also reviewed in chapter 3 within the framework of the literature review on pioneering in central and eastern Europe.

The most important section of the research objectives are the three main objectives in the understanding that they have the strongest influence on the research design of this study. This section is therefore divided between the main and sub-objectives placing an emphasis on the main objectives and the requirements on the research design resulting from them.

The three main research objectives were formulated in the previous chapter as:

1. It is the objective of this study to advance the understanding of the phenomenon known as 'pioneering advantages'.
2. It is the objective of this study to determine the composition of any pioneering advantages found.
3. It is the objective of this study to evaluate the strategic value and importance of pioneering advantages in the context of NGM pioneering.

The research objectives and their sub-objectives determine the information needs of the study and the research design. The research objectives have to be analysed thoroughly to identify sources of data and to determine the design of the research procedures to exactly produce the nature of the data which is sought.

Considering the first objective it becomes immediately clear that the data sought is of an exploratory nature. Kinnear & Taylor (1991) consider exploratory research as *appropriate* when the objective of the study develops *a more precise formulation of a vaguely identified problem*. The objective to advance the 'understanding of the phenomenon' is in accordance with Kinnear & Taylor (1991) very much an attempt to find *a more precise formulation* as well as an indication that a *vaguely identified problem* exists, both of which statements were already made in the previous chapter and at that stage corroborated with findings from the review of the relevant literature.

Concerning the second research objective Kinnear & Taylor (1991) can be quoted in their description of exploratory research in stating that exploratory research is *appropriate* when the objective of the study aims *to gain a perspective regarding the breadth of variables operating in a situation*. The second objective of this study aims to 'determine the composition' which is very much *gaining a perspective regarding the breadth of variables* and therefore, in line with Kinnear & Taylor's (1991) line of argument, requires data of an exploratory nature. Baker (1991) also supports this view as he sees the use of exploratory or qualitative research to help *clarify the issues to be addressed*, which seems to be a fitting description for this research objective.

The third research objective also falls under the category of exploratory research according to Kinnear & Taylor (1991). They state that exploratory research is also *appropriate* when the objective seeks *to establish priorities regarding the potential significance of various problems*. The objective to 'evaluate strategic value and importance' is in fact *establishing priorities*, as an evaluation is necessarily a process of prioritising. 'Strategic value and importance' can also be seen as establishing the *significance of values* which is the second condition defined by Kinnear & Taylor (1991) for exploratory research of this nature.

Consulting Baker (1991) on this issue leads to similar results as he advocates exploratory or qualitative research to *define and measure parameters* which applies to this research objective.

According to Kinnear & Taylor (1991) exploratory research is typically used in a situation in which little or limited knowledge of the subject area exists, a point which was made repeatedly for this area of study in previous chapters. Exploratory research is also flexible and sensitive in its approach in order to allow for the unexpected and to accommodate ideas and insights which were previously unknown. It is also seen by Baker (1991) and Kinnear & Taylor (1991) alike as a stepping stone or even as a prerequisite towards future research which can then employ quantitative research methods if it was felt necessary and beneficial.

Towards the end of this thesis a short chapter elaborates on potential avenues for future research in the area and potential gains from the use of other research methods if an attempt were made to prove or dismiss findings of this study in a quantitative way. However, the discussion of pros and cons of different research methods within this chapter gives a good overview of the different approaches which can be taken to research in this context and their feasibility to achieve the set objectives.

Although the main objectives have already determined the main direction of the research design to be exploratory it is necessary to consider the sub-objectives in order to find out if additional dimensions have to be recognised in the design of the research. The sub-objectives were defined in the previous chapter as:

- I. This study aims to identify the perception respondents have of pioneering advantages in their industry.
- II. This study aims to identify and describe the factors found to contribute to the condition of the pioneering advantages found.
- III. This study aims to determine the factors which have lead to the creation of pioneering advantages.
- IV. This study aims to assess the composition of pioneering advantages in respect of their relation to follower disadvantages.

- V. This study aims to assess the potential longevity of pioneering advantages.
- VI. This study aims to assess the differences and similarities of the evidence found in this study to previous research conducted in industrialised markets.

Even if examined only superficially it transpires immediately that although an inclination towards exploratory research continues throughout the sub-objectives, further dimensions have to be considered in the research design, in order to achieve all sub-objectives and subsequently the main objectives.

The first two sub-objectives indicate a descriptive research design rather than an exploratory research because of the fact that they are aiming to *portray a marketing phenomenon*, which, according to Kinnear & Taylor (1991), is an indicator for descriptive research. The first and second sub-objectives 'aim to identify' perceptions respectively factors which in both cases is of an explanatory nature.

Kinnear & Taylor (1991) warn in their discussion of descriptive research that *simple fact finding missions* are not conducive to produce valuable results and that the descriptive approach is only of value if it is well planned and the objectives explicitly formulated. This however, has been achieved in this case as the direction for the descriptive research is well tied in with the exploratory objectives and it plays a vital part to substantiate findings and support achieving the main objectives. Mintzberg (1979) argues strongly in favour of the power of descriptive research and that it should not easily be dismissed for being less scientific than other forms of research.

The third, fourth and fifth sub-objectives are all of an exploratory nature continuing the thrust of the main objectives. All aim to assess certain factors which are believed to be relevant and important to the subject area. Kinnear & Taylor (1991) were quoted earlier in stating that exploratory research is *appropriate* when the objectives of the study aim to *gain a perspective regarding the breadth of variables operating in a situation* and when the objectives seek to *establish priorities regarding the potential significance of various problems.*

These three sub-objectives fall into these categories which strengthens the exploratory thrust of this study. The third sub-objective 'aims to determine the factors' which, in the sense of Kinnear & Taylor (1991), is an attempt to gain a perspective on variables in a certain situation. The fourth and fifth sub-objective 'assess' different factors of the pioneering advantages phenomenon, which means both fall into the category of *establish priorities regarding the potential significance of various problems* as lined out by Kinnear & Taylor (1991).

The sixth sub-objective is a comparison between findings of this study and previous work. This does not influence the research design as the comparison has to be made on the basis that different research methods and designs may lead to different results. It is not the intention of this sixth sub-objective to prescribe an exact replication of previous work and therefore differences resulting from different methodologies have to be accepted. Previous work by a multitude of authors who have conducted research in a similar area can not be taken as a guideline to design the research methodology for this study as their research objectives and constraints are not only unknown but most likely not even relevant to this study.

Having discussed the information needs and the research objectives of this study the options available for the research design are to be discussed in the next section. The first issue which has to be addressed is whether a qualitative or quantitative research approach is most suitable to the needs of this study. As the decision on this issue involves considerably more than merely technical considerations ample space is given to a discussion which highlights the factors involved.

5.2.1 Qualitative vs. Quantitative

As Lowe (1992) shows, marketing research is engaged in a fierce controversy about qualitative versus quantitative research. This controversy is based on the fact that marketing as an academic discipline has been created by the *fusion of economics and behavioural sciences* as Hunt (1983) writes in her monograph on Marketing Theory. It is therefore almost self evident that the paradigms of marketing researchers are formed and dominated by the very different traditions of the two sciences which have been merged in the marketing discipline.

The term paradigm, the use of which is not without controversy (Mintzberg 1978; Morgan 1979), entered the discussion in this context only relatively recently. It is mostly associated with the work by Kuhn (1962), who, in spite of his own clear and unambiguous definition for the term 'paradigm': *universally recognised lines of scientific truth*, used the term also in a number of different ways, as is explained at a later stage in the following section.

Even though the term paradigm is relatively new in this controversy, the tradition of the two schools of thought lying behind these two paradigms go back much longer than this century. At this stage of the methodological discussion in this study it seems necessary to briefly examine the differences between the two paradigms, as they are the philosophical foundation of any research in marketing. The following section looks therefore at the two different paradigms and their underlying philosophies: positivism and phenomenology¹:

5.2.1.1 Paradigms Etc.

Gummesson (1991) argues that rather than striking differences between the two paradigms it was ignorance and traditions which have led to an ongoing and fierce debate between the two sides, effectively splitting marketing research into two schools of thought. In order to assess this and the background of the paradigms and research traditions the following paragraphs look at the positivist paradigm, followed then by a look at the phenomenological paradigm.

The positivist paradigm has at its core the idea of the social world being external and that its properties could be measured objectively. Much of this concept is based on Comte's *Cours de philosophie positive*² written in 1842 in which he states that *there can be no real knowledge but that which is based on observed facts*.

¹ The term 'phenomenology' and its forms are used throughout this study in its general sense describing the paradigm underlying qualitative research methodology. It is however, not used in the closely defined interpretation of Dilthey (1911).

² All citations of Comte in this chapter are taken from the English translation of 'Cours de philosophie positive', 'The Positive Philosophy' by Harriet Martineau, published in 1855 and reprinted in 1974.

Comte developed the so called *Law of Human Progress* which embodies the idea that the social world can be explained through *social laws* which can be discovered and verified in the same way as laws in the natural sciences. Comte also believed in a hierarchy of sciences as he identified three stages through which every science either had or at least would develop:

The law is this: - that each of our leading conceptions - each branch of our knowledge - passes successively through three different theoretical conditions: the Theological, or fictitious; the Metaphysical, or abstract; and the Scientific, or positive.

At the time Comte wrote *Cours de philosophie positive* he asserted that all sciences apart from sociology had already progressed into the final and third stage: positivism. He furthermore established a rank order of sciences based on his three stage model, with mathematics being the *fundamental science* and of *vast importance* at the basis; All other sciences would be located in the middle field and his proposed new science which Comte initially called *Social Physics* at the top end of his scale. He outlined the advantages of his philosophy as using *only rational means of exhibiting the logical laws of the human mind* and being solely concerned with *external facts*. The initial term he used for his new science *Social Physics* emphasises his concern with measurement and objectivity which being a foundation of physics he extended here to social phenomena. A reason for his intent to measure and rationalise can be sought in his education and training as a mathematician rather than in a social profession (Blumberg 1974). With this Comte presented very much the opposite pole of a group of social scientists being on what Comte called the metaphysic stage. These metaphysicists would, in contrast to Comte, deal with *internal facts*. A practice, which according to Comte, had proven to be unsuccessful, as he continues:

We ask in vain for any one discovery, great or small, which has been made under this method...If they have done so, it is by practising the Positive method-by observing the progress of the human mind in the light of science; that is, by ceasing, for the moment, to be psychologists³.

³ Comte uses the term psychologists in this line of argument as a group of scientists still using what he calls 'metaphysical methods' criticising them essentially for not being removed or not being external from the facts, as he suggests. It is therefore that 'psychologists' in this citation should, in a generalised context as this, read

and also:

All good intellects have repeated, since Bacon's time, that there can be no real knowledge but that which is based on observed facts.

In these two citations Comte reveals the very core of his positive philosophy, namely that:

- An external and objective reality exists
- Discoveries can only be made by observing this external reality
- Other forms of inquiry do not lead to relevant and significant results

Based on these assumptions Easterby Smith et al. (1991) identified eight implications for the positivist philosophy, as proposed not only or necessarily by Comte, but by a number of philosophers, who are all associated with the positivist school of thought. These eight statements reflect the ground rules of today's positivist research and therefore capture the essence of the positivist paradigm:

- Independence: the observer is independent of what is being observed;
- Value-freedom: the choice of what to study, and how to study it, can be determined by objective criteria rather than by human beliefs and interests;
- Causality: the aim of social sciences should be to identify causal explanations and fundamental laws that explain regularities in human social behaviour
- Hypothetico-deductive: science proceeds through a process of hypothesising fundamental laws and then deducing what kinds of observations will demonstrate the truth or falsity of these hypotheses;
- Operationalisation: concepts need to be operationalised in a way which enables facts to be measured quantitatively;
- Reductionism: problems as a whole are better understood if they are reduced into the simplest possible elements;
- Generalisation: in order to be able to generalise about regularities in human and social behaviour it is necessary to select samples of sufficient size;
- Cross-sectional analysis: such regularities can most easily be identified by making comparisons of variations across samples;

'part of their own science' or 'part of their own social world'. Comte argues that discoveries can only be made in being removed or external from the object of inquiry.

Aiken (1956) sees the development of positivism as a *reaction to metaphysical speculation* at Comte's times. A point of view which is corroborated in Comte's own writing and particularly prominent when considering his dismissal of psychologists and their metaphysical methods, which was mentioned earlier in this section.

Metaphysics therefore seem to be the early roots of phenomenology as the metaphysicists already claimed that the reality in which we live is not exterior but interior and a social construct of man. Phenomenology as a philosophy however only started developing in this century with philosophers like Brentano and Husserl being mainly associated with it. Husserl, being like Comte a mathematician by education, is widely accepted as being the originator and initiator of most of today's phenomenology (Psathas 1973), although many different varieties of the subject exist today. Husserl proposed an approach to things which was entirely new at his time: to approach things with as little of a preconception as possible and to describe them as closely to reality as possible, in order to come *zu den Sachen selbst*⁴. Husserl's suggested method to achieve these objectives was *reduction* in which the research object had to be *put in brackets*, a metaphor which has later repeatedly been copied from Husserl to clarify the essence of phenomenological philosophy. In this process of reduction *all that is given* is transferred into phenomena on all levels of consciousness. Husserl uses intuition, recollection, imagination and judgement to further explain his idea of consciousness in this case. Introducing intuition and judgement into his analysis Husserl was first to openly recognise the scientist as an advantageous and necessary factor in the process of research:

As the immediately given world, this merely subjective world, was forgotten in the scientific thematization, the accomplishing subject, too, was forgotten and the scientist himself was not thematized.⁵

With this Husserl further established the subjective reality, Wagner (1973) even refers to embracing the scientist as being *radically* subjective, effectively creating an antipode to Comte who, as was discussed earlier, argued that knowledge could only be generated from an *external* reality.

⁴ In the English translation 'To the things themselves'

⁵ Source: Husserl (1992)

Positivists have repeatedly been criticised for attempting to measure and rationalise social behaviour which, according to most phenomenologists, is intrinsically non measurable and irrational. Easterby Smith et al. (1991) quote Keat and Habermas as outspoken critics of the independence and objectivity requirement as well as the assumption of value freedom. Bittner (1973) also assesses the idea of objectivism, as proposed in positivism, as unattainable in social sciences because it is intrinsically unable to reflect cultural reality. Bittner relates the disrepute in which objectivity as a positivist construct has fallen amongst sociologists to coincide with a general move in sociological research away from the positivist doctrine, which dominated the research for some time, towards a new paradigm based on phenomenological assumptions. Others report a similar development towards phenomenological research in other areas of research, notably Easterby Smith et al. (1991) who discuss a number of phenomenologists and their particular oppositions towards positivism in the framework of management research. They find that although most phenomenologists differ somewhat in their views upon phenomenology the single issue on which all phenomenologists agree, is that they accept reality as socially constructed as opposed to it being objectively determined. This argument goes as far back as Husserl who manifested the origin in his theory of the ego which is simultaneously the subject of the consciousness and object of the cognition. Wagner (1973) calls this proposition the *phenomenological anchor ground*, on which all phenomenologists can agree and from whereon individual phenomenologists may develop into different directions.

Having discussed the two main underlying philosophies of most marketing researchers was not only necessary as an excursion into philosophy but as the foundation for the methodological implications which follow from these foundations. Gummesson (1991) argues that research is carried out from a platform of 'absolute truth' with varying degrees of 'objectivity' and with or without an awareness for the underlying issues of philosophy. He sees those researchers without an awareness for their own philosophical 'anchor' remaining mere *technicians in science* never reaching the level of being true scientists. Easterby Smith et al. (1991) construct a similar argument in closely following Morgan (1979).

Morgan, refers back to Kuhn (1962) and clarifies the use of the term 'paradigm' in differentiating its use by Kuhn and others into three levels: The philosophical, social and technical level. Easterby Smith et al. (1991) therefore compare the two paradigms of positivism and phenomenology in a table, based on Morgan's differentiated paradigm, consisting of three levels. This table is presented below, as it helps to highlight the differences of the two paradigms on the three different levels and also addresses Morgan's issue of differentiation:

Figure: 5.2
The 3 Levels of Paradigms

	<i>Positivist paradigm</i>	<i>Phenomenological paradigm</i>
Basic beliefs:	The world is external and objective Observer is independent Science is value-free	The world is socially constructed and subjective Observer is part of what observed Science is driven by human interests
Researcher should:	focus on facts look for causality and fundamental laws reduce phenomena to simplest elements formulae hypotheses and then test them	focus on meanings try to understand what is happening look at the totality of each situation develop ideas through induction from data
Preferred methods include:	operationalising concepts so that they can be measured taking large samples	using multiple methods to establish different views of phenomena small samples investigated in depth or over time

Source: Easterby Smith et al. (1991), p27

5.2.1.2 The Relevance of Research Paradigms

As the philosophical foundations have already been discussed the focus is shifted now to what Morgan refers to as the *technical level* of the two paradigms. In marketing research the technical level on the side of the positivist paradigm is represented by quantitative research methods, which have dominated marketing research for decades as one of the following sections explains. On the phenomenological side stand qualitative research methods, which, having been less well known, are introduced at this stage with a brief overview of their traditions and origins.

Van Maanen (1979A) refers to qualitative research methods as:

... an array of interpretative techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world.

However, it is important to establish that this array of qualitative research techniques is an area which is neither clearly defined nor unified and coherent in its totality. Qualitative research in management has developed from a wide range of disciplines in behavioural sciences, not always immediately associated with management research. Marshall & Rossmann (1989) define, based mainly on Jacob's (1987) review of traditions in qualitative research (also in: Miles & Huberman 1994), six distinct traditions in which qualitative techniques in general are rooted and are influenced by. Jacob sees each individual tradition of qualitative research forming a coherent whole but being different from each other:

Table: 5.1

Qualitative Research Traditions

1.	Human Ethnology
2.	Ecological Psychology
3.	Holistic Ethnography
4.	Cognitive Anthropology
5.	Ethnography of Communication
6.	Symbolic Interactionism

Source: Marshall & Rossmann (1989)

Marshall & Rossmann (1989) see these six areas of inquiry as the sources of qualitative research therefore reiterating the generally accepted argument that qualitative research is more concerned with 'discovering' complexities and underlying issues of realities rather than superficially 'measuring' frequencies occurring as the quantitative research which demonstrates the link back between the methodology being adopted on the technical level of the paradigm up to the social and philosophical levels of the paradigm (compare on the technical level of the paradigm: Van Maanen 1979A; Walker 1985; Miles & Huberman 1994; on the philosophical level: Husserl 1913).

The decision to use either a qualitative or quantitative research approach is therefore much further reaching and a much more complex process than the mere application of a methodology taken from a research text book, and one which should not impose itself on the researcher. Kaplan (1964) points out that all too often one sets out to measure something without knowing what is to be done once the measurement is being obtained. This means that the information needs and the nature of the information sought in respect of the research objectives alone should determine the approach to be qualitative, quantitative or a suitable mixture of both (Downey & Ireland 1979; Kinnear & Taylor 1991), and not political tactical or philosophical considerations of the researcher. Downey & Ireland (1979) summarise this in saying that qualitative and quantitative data, both have their place in management research.

The following section provides a brief overview on strengths and weaknesses commonly associated with qualitative as well as quantitative methodology. This allows one to compare the needs of this study with the previously outlined profile of the two research options.

5.2.2 Qualitative Methods

As has been stated previously in this chapter, qualitative research is often described as being more concerned with 'discovering' rather than 'measuring'. In the past most authors writing on the subject of qualitative research have phrased this argument in one or the other way. Walker (1985) describes the intention of qualitative methods as having more to do to determine *what things exist* rather than to measure and count such things. Van Maanen (1979A; 1983) argues similarly and states that qualitative methods *seek to describe, decode, translate and come to terms with the meaning, not the frequency*. The nature of qualitative data is quite different from quantitative data, Fineman & Mangham (1983) describe it as having *variety, depth, colour and realness*, attributes which are never associated with quantitative data. Miles & Huberman (1994) refer back to the 'classic' description of the advantages of qualitative data given by Miles back in 1979:

...they are rich, full, earthy, holistic, "real", their face validity seems unimpeachable; they preserve the chronological flow where that is important, and suffer minimally from retrospect distortion; and they, in principle, offer a far more precise way to assess causality in organisational affairs...

One advantage of qualitative methodology which is a vital key to the objectives of this study is the core strength of qualitative methods in their 'discovery' potential as was outlined in the first section of this chapter. However, Walker (1985) draws the attention to another key advantage of qualitative methods, which is of equally high importance for this specific research project: He argues that traditional methods are inappropriate if *insufficient information* or *inadequate theory* exists on the research subject. Furthermore that qualitative methods are *ideally suited* if the research subject is of a sensitive nature or *inherently complex* and that qualitative methods are able to further the understanding of these research subjects, whereas quantitative methods are not.

Van Maanen (1979A) adds that without qualitative methods *contextual understandings* are unlikely to be achieved because the *direct and first hand experience* of the research setting, which underlies qualitative studies, is missing. Without the contextual understanding and first hand experience a researcher may, if he receives an answer which is not truthful, not detect the lie or distorted reality. Obtaining answers which are untrue, portraying a distorted version of the reality are a fact which is well documented in quantitative survey research, but its existence in itself is an important finding in qualitative research, as it opens the question of 'why' the discrepancy exists. Only qualitative methods can go beyond such distorted realities and reveal the nature and scope of the discrepancy between the real world and the world portrayed in an untruthful answer. The powers of qualitative methods are demonstrated by Piore (1979), who in spite of being an economist, reports that in one of his research projects, which was originally designed to use only quantitative methods, he almost accidentally came to use qualitative in-depth interviews and that without those he would *never have understood* the research subject. Baker (1991) recommends the use of qualitative research methods in 4. cases:

Table 5.2

Recommended Use for Qualitative Research

1.	To define the parameters of the market.
2.	To understand the nature of the decision making process.
3.	To elicit attitudinal and motivational factors which influence behaviour.
4.	To help understand why people behave the way they do.

Source: Baker (1991)

Even though the acclaim of qualitative methods varies amongst those authors discussing them, some key advantages, which are frequently mentioned, can be summarised as follows:

- Qualitative methods allow one to 'discover' new phenomena
- Qualitative methods are flexible and allow one to remain responsive to the situation
- Qualitative methods have the power to uncover and reach beyond 'lies' or distorted realities
- Qualitative methods allow an imprint of the true reality to develop in the report
- Qualitative methods can be used on a basis of only little information and pre understanding of the research subject
- Qualitative methods allow one to research complex and sensitive problems

Having summarised a number of advantages over quantitative methods it is important not to neglect the inherent disadvantages of qualitative methods. A discussion of disadvantages of qualitative methods has to begin with Miles' (1979) 'classic' words of doubt, which are frequently used by positivists to discredit and question the validity of any qualitative research. However, they also haunt qualitative researchers in their quest for truth:

The analyst faced with a bank of qualitative data has very few guidelines for protection against self-delusion...How can we be sure that an "earthy", "undeniable", "serendipitous" finding is not, in fact wrong?

With this Miles (1979) points at a central weakness of qualitative research. Conclusions, results and recommendations are based on a process which is seen as being largely dependent on the researcher and his personal interpretation. This means the researcher has not only to be honest and truthful in analysing and reporting, but also he needs integrity and an absence of vested interests on his part. Being perceived as a central weakness of qualitative research a number of methods of triangulation have been developed to counter the suspicion of the researcher himself and others of coming to invalid results and ill founded conclusions.

Jick (1979) suggests various methods of internal and external triangulation. He develops a continuum of triangulation methods to rank methods and their different abilities to validate data.

He generally differentiates between the *Within-Methods Triangulation* which he describes a process of *cross-checking* for consistency internally, whereas the *Between Methods Triangulation* tests the external validity of the data. One example of *Within-Methods Triangulation* cited by Jick is the *multiple comparison groups* by Glaser & Strauss (1967B) which later developed into Glaser's (1978; 1992) method of *constant comparison*. In this method of constant comparison emerging findings (codes) are constantly compared with new data and only if they prove to be consistent with new data are they processed further. If new data emerges which does contradict any previously drawn conclusions, the conclusions are deemed incorrect and are not processed further.

According to Jick (1979) '*Between Methods Triangulation*' is superior to the '*Within-Methods Triangulation*' because the latter is not able to detect and correct flaws which are inherent to the methodology itself. Within methods therefore only range in the middle of Jick's continuum indicating only a medium strength of triangulation. He suggests one should mix qualitative and quantitative methods in triangulation in order to achieve a more holistic level and to avoid bias and variance from the use of a single methodology. This approach however, is based on the assumption that data from different sources, gained through different methods is per se comparable and that the weaknesses of one method are generally neutralised by the strength of the other and vice versa.

This point of view is based very much on a view towards qualitative and quantitative methods which sees the two as contrasting opposites. Van Maanen (1983) states that this is in fact not true and that a particular strength of one method does not necessarily present a weakness in the other method. Jick's argument on this issue is termed *naively 'optimistic'* by Hammersley & Atkinson (1983) as they see more problems arising from a triangulation of data generated with different methods than the advantages which could be gained from the use of different methods. Any triangulation therefore has to carefully balance the feasibility of linking data from qualitative and quantitative sources in a 'Between Methods Triangulation' versus the danger of missing methodological flaws with a 'Within Method Triangulation'.

Carrying out a qualitative research project is not only complex in itself but bears the risk of immense frustration and ultimate failure. Miles (1979) gives an account of a qualitative research project and the immense difficulties he encountered during the process. Part of these arose from the fact that the research project was complex in the sense that a number of sites and a number of researchers were involved, but a good part of the problems he reported arose simply from the use of qualitative methods and their inherent inadequacy, and the unsystematic procedures intrinsic to qualitative research. Some of the difficulties he encountered in using qualitative methods in this research project he summarises as:

Collecting and analysing the data is a highly labour-intensive operation, often generating much stress, even for top-quality research staff...Qualitative data tend to overload the researcher badly at almost every point: the sheer range of phenomena observed, the recorded volume of notes, the time required for write-up, coding, and analysis can all become overwhelming. But the most serious and central difficulty is that methods of analysis are not well formulated.

Walker (1985) does not share the negative impression of the structural inadequacy of qualitative methods and argues that despite measurement not being the dominating issue it does not mean that qualitative techniques are *less structured* than quantitative approaches and although qualitative analysis is *more explicitly interpretative, creative and personal* as compared to quantitative analysis,

it does not need to be less systematic careful or rigorous. Which is a point view which is not held by many others, be it qualitative or quantitative researchers.

Van Maanen (1983) sees other sources of failure in that qualitative researchers often use methods which are *untried and therefore lack reputability*. He suggests that professional standards are best safeguarded and enhanced by using methods which are *already known and practised*.

5.2.3 Quantitative Methods

In the positivist tradition quantitative methods are well defined and rigorous in their application concentrating on measuring and assessing the significance of events in a reality which is external to the researcher.

↖ A defined 'objectivity' is intended to produce results which are representative and which can be generalised for the whole population which is studied. ↗ This is achieved by random sampling from the population which is at the centre of the research and the freedom of interpretative influences during analysis. Miles (1979) states that subjective interpretation by the researcher is given very little scope as results are numerical and, as a rule, follow a rigorous interpretation guideline of what is statistically significant and what is not. He also states that internal and external validity can easily and readily be assessed because of a transparency in analysis procedure and pre-defined interpretation of the resulting data.

↖ The advantages of quantitative methods are their clearly defined procedures and standardised results which allows for comparison and control. ↗ Results are termed 'hard data' and methods are widely accepted in their application thus allowing for accurate reconstruction of research results if necessary in order to prove their validity. ↖ The 'objectivity' of their measures and results is regarded as superior to qualitative methods as objectivity is the *presumed goal of scientific inquiry* (Downey & Ireland 1979). ↗

Advantages of quantitative research methods can be summarised as follows:

- Well defined procedures
- Rigorous application of procedures
- Representative and generalisable results
- ~~Transparent analysis procedures~~
- Objectivity
- Freedom of researcher interpretations
- Possibility of control and comparison of results

Despite being seen by the majority of marketing scientists as the superior methodology (i.e. Van Maanen 1979A) quantitative methods are not without critique. The core critique of quantitative methods is that they have only limited explanatory powers. They are able to measure phenomena and test their significance but they fail to explain why they exist in the particular form in which they were found.

The advantage attributed to quantitative methods of their clear regulations and freedom of researcher influence is now very much in doubt, as sophisticated and complex manipulation techniques exist and are used. Van Maanen (1979A) even reports of *widespread scepticism* surrounding quantitative methods in their ability to portray phenomena correctly without resorting to distorting or violating data.

Comparing quantitative methods with the previously presented qualitative methods it becomes clear that quantitative methods not only lack the explanatory and exploratory power of qualitative methods but they are also subjected to researcher influence through data manipulation techniques. The following section therefore evaluates the two methodological approaches and evaluates the arising strengths and weaknesses in relation to the requirements of the research objectives.

5.2.4 Qualitative or Quantitative Methods ?

Many authors on qualitative methodology point out that the distinction between qualitative and quantitative research is less clear than the controversy between many supporters of either side makes one believe. Van-Maanen (1983) reminds us that the two methodological streams are not in fact categories which can be compared on an item by item basis, expecting one side to have what the other has not and vice versa.

He also asserts that researchers usually work in a number of ways indicating that the two areas are not mutually exclusive and that a combination of qualitative and quantitative methods may well be the best solution to a specific research problem. This is a point also made by Baker (1991) who expects *sophisticated research designs to contain elements from both* research traditions. Silverman (1985) argues that this argument is *more a decision about balance* rather than a *choice between polar opposites*. On the same subject Sieber (1973) is quoted by Miles (1979) arguing that qualitative information can be played off against quantitative information within the same study in order to generate a more powerful analysis than either method could have achieved on their own accord.

Easterby Smith et al. (1991) suggest that a problem occurs on the philosophical level if both research methods are combined. This is because the philosophical paradigms underlying the two methods do not mix.

They advise combining only those methods which are based upon the same paradigm but to avoid moving across paradigms. If it becomes absolutely necessary to use methods which originate in different paradigms it should be done only with great care. Today this view does not seem to be upheld, as was discovered in personal communication (1994) with qualitative researchers such as Lowe (Co-author of Easterby Smith et al.) and Gummesson. Today it seems, a more relaxed attitude persists amongst qualitative researchers if the two methods are to be combined. The two methodological approaches are not regarded anymore as opposing ends which do not match but as supplementing techniques in their own rights which can in many cases be combined for the benefits of the research project.

This leads back to the beginning of the discussion that the use of qualitative or quantitative methods should be determined only by the data needs and the structure of the research problem rather than any other reasons not integral to the research subject.

5.2.5 Qualitative or Quantitative Methods: Conclusion

Having outlined general advantages and disadvantages of both methodological approaches it is now feasible to assess which approach is more suitable to satisfy the requirements of this specific research project. Examining the pros and cons of both methods in respect of their effect on the research objectives of this study a number of decisive issues come to mind. These issues need to be addressed to come to a conclusion in the methodology selection process. They are dealt with in the order in which they were previously mentioned in the discussion of pros and cons for both methods:

1. The 'discovery' potential of qualitative methods vs. limited explanatory powers of quantitative methods

In the first part of this chapter the research objectives of this study were analysed to establish what type of data is required to complete the study. The result of this analysis was clear in that for the three main objectives the data sought is of an exploratory nature. Kinnear & Taylor (1991) were quoted at the time stating that exploratory research is appropriate:

- to develop a more precise formulation of a problem
- to gain a perspective regarding the breadth of variables operating in a situation.

At this point it therefore seems more than clear that the type of data required to achieve the three main research objectives makes a qualitative approach necessary. It has been outlined in great detail that qualitative data is 'rich', 'full', 'deep' and that it comes to terms with meanings, all of which is needed to achieve the three main research objectives. It seems certain that quantitative methods can not provide sufficiently detailed and deep data to accomplish the three main research objectives.

The fact that pioneering advantages have so far not been researched with a qualitative approach and that certain reservations exist in that existing research may not have captured the core nature of such advantages. It seems well suited to attempt a more holistic approach towards a redefinition of pioneering advantages, as was suggested in chapter 4 of

this study, using qualitative methods. The use of qualitative methods may enable the researcher therefore to uncover phenomena and relations which have previously been overlooked due to the exclusive use of quantitative research methods.

2. Insufficient or inadequate information vs. clearly defined hypotheses

From the study of the literature in the field of pioneering advantages it became clear that little previous work exists in the specific niche of research in which this project is placed. It also transpired that previous work in the general area did not differentiate sufficiently between different phenomena which are all called 'pioneering advantages'. In the first part of this chapter this argument has been used to justify the use of exploratory research which, as was demonstrated under point 1., requires qualitative rather than quantitative methods.

The limited amount of information from previous research in the area is, therefore, another argument for the use of qualitative research methods in order to successfully contribute to knowledge in this area of marketing research.

The use of qualitative methods also spares the researcher the questionable exercise of formulating exact research hypotheses based on information on the phenomena which is regarded as insufficient to be specific enough.

3. Sensitivity

The issue of sensitivity is in most studies of the business world an important issue as in most cases the information being sought is of a sensitive nature. This obviously results in a general reluctance of businesses to take part in studies which are not expressly commissioned by themselves. For this study however, the issue of sensitivity was expected to be of even greater difficulty than usual:

Around the world fmcg industries are competitive. Central Europe is a geographical market which has not been penetrated by western fmcg companies for very long.

This means that market positions are not yet entrenched, as in western Europe, and the intensity of competition is extremely high because all players still see potential to improve their market position. While most western fmcg companies are investing heavily in these markets most of them also aim for leadership in their segment. The pressure in these markets is therefore immense. In many markets positions have literally changed over night in the past with the introduction of a new product or just a new marketing campaign. No one feels safe in their position and, therefore, any information leaking out to competitors may considerably damage a company's prospects for the future or, even more threatening to the individual respondent, his own future in the company. This however may be true for many markets around the world but in central Europe, which is often termed 'The Wild East', it is not unheard of that information given out for research in good faith is sold on to the competition.

All this clearly amounts to a great obstacle in finding respondents for participation in this study. A way has to be found to respond in a flexible and reassuring manner to the concerns of potential respondents. The data collection procedure must also ensure that sensitive issues can be discussed in a non threatening way, reassuring the respondent of the trust they place into the researcher.

Quantitative methods, with a rigid framework, will most likely not be able to provide the right setting and the necessary flexibility to earn the trust of the respondents and overcome their concerns in sensitive issues in this research project. It is difficult to assess how far quantitative methods would also impede access to the respondents but it seems safe to assume that, with their strict and rigid framework, they would not only limit the numbers of respondents willing to participate but also reduce the amount of information a respondent would be prepared to release.

4. Direct and first hand experience

With financial support from the European Community and the Department of Marketing at Strathclyde a lengthy field trip to the countries in question was made possible. This means that the opportunity was created to have direct and first hand experience in conducting the research for this study in the markets of central Europe,

and also to deal directly with the companies and their representatives. As was outlined previously qualitative methods do require direct and first hand experience in order to furnish the researcher with sufficient knowledge and a deep understanding of the research problem.

With the constant changes in Central European markets, and the difference to the situation in western markets, it was vital to be able to produce data in these markets if qualitative methods were to be used. The availability of funding therefore eliminated any problems of gaining first hand experience to successfully use qualitative methods.

5. Flexibility

Little could prepare one for the experience of conducting marketing research in central Europe. Having discussed the issue with some senior colleagues who had previously conducted research in central Europe (Personal communication: Thomas 1994, Paliwoda 1994B, Bernard 1994) who are regarded as experts in the field of marketing in eastern and central Europe, it quickly transpired that two rules would dominate the research process:

1. Everything changes all the time
2. Nothing can be planned because of rule 1

The process of change, and the problems with the local infra structure in central European countries, made it impossible to organise the field trip in great detail up front. Contacts with local Universities were made but no contact to any respondent was made prior to being in the country itself. This forced uncertainty made it necessary to remain flexible in as many areas as possible as long as possible, without losing sight of objectives and the structure of the research project.

A rigid, completely pre-determined research framework does not allow one to retain the necessary flexibility which was regarded as being vital to the execution of this research project. Any research design which would not allow for developments forced upon the research by the respondents and the local situation, is clearly in-adequate for this research project, which is another argument for a qualitative approach in this study.

6. Researcher influence, integrity and vested interests

Having been granted financial support for this research project (without any conditions attached) and the absence of any other links to any particular company or industry illustrates the absence of any third party influence on the research. The only 'vested interest', if one chooses this term, on the part of the researcher was to complete a research project which would be deemed worthy to be granted the degree of philosophical doctorate. This however would mean that the research would be carefully scrutinised by supervisor, director of research, internal and external examiner. Under such close scrutiny integrity and honesty in conducting the research and reporting the findings are obligatory as anything else would endanger the 'vested interest' held on part of the researcher of gaining the degree. This, however, does not influence or bias the researcher in his analysis as no pressure was put upon him in this respect, other than to produce a sound research project.

It is therefore, that the conditions are given for an unbiased researcher. This means that the influence through the researcher, which obviously exists and is part of the analysis, is of such a nature that it is constructed only of his experience while conducting the research and his pre-understanding of the subject through his study of literature. Both of these are discussed and outlined within the study for others to follow.

As the role of researcher influence through the process of interpreting data is considerable in qualitative research, all data which went into the study is supplied in the annexe. This allows the interested reader to form his own interpretations and the freedom to differ from those of the author if necessary. As the analysis process is presented in detail and the data provided the inquisitive reader does not need to possess any sophisticated knowledge of data manipulation techniques to follow the author from raw data to conclusions as would be needed with the use of quantitative methods. However, the analysis process becomes just as transparent as with the use of quantitative methods avoiding the criticism of a 'black box' analysis which is often made with qualitative studies as it prevents the reader from following the author in his analysis.

The results presented with qualitative methods do not claim to be representative in a statistical or positivist sense. A true report of the reality found is the objective with qualitative methods, which may, or may not, have a bearing on a wider reality. This however is not put forward in a statistical formulation with 'x percent of confidence', but with the fullest confidence of the author of having represented and interpreted the reality as found. The interpretations of the author have to withstand changes in the light of any new data emerging. This also allows qualitative research to produce results which are not only significant in a statistical sense but represent a deeper understanding of the core of the phenomena studied. Conclusions are, therefore, not a question of being right or wrong but of a reasonable interpretation of the data produced by the researcher through the methods used. These conclusions are reduced to the very core of the phenomenon and, at the same time, they are abstracted to embrace a wider reality. The implications from this hold true for a wider reality than that in which they were studied. Mintzberg (1979) calls this to *generalise beyond one's data*, a creative leap he considers the true art of good science.

7. Triangulation

Having discussed the fear of qualitative researchers being wrong in their findings it would seem sensible that some form of triangulation should be used to achieve a greater degree of certainty in the results of this study.

The two different concepts of *within* and *between triangulation* which were defined by Jick in 1979 have their advantages and disadvantages which have to be considered in finding the most suitable solution for any particular research project. The reasons which ruled out quantitative methods as the main method of research automatically rule out quantitative methods as a meaningful tool for triangulation. The concerns outlined by Hammersley & Atkinson (1983) and those formulated by Fielding & Fielding (1986), on between methods triangulation are also shared in this case. Any attempt to conduct quantitative research in this area could only remain too basic to provide suitable and meaningful data to triangulate findings from the qualitative part of the research.

As this only leaves the within methods triangulation approach, a way has to be found to corroborate evidence and statements from respondents in a way which would help to shape and direct the arguments as part of the analysis process.

8. Professional Standards in qualitative research

Having established that qualitative methods are more suited to this particular research project the one source of failure in qualitative research which had been identified in the use of untried new research methods (Van Maanen 1983) had to be eliminated from the start. Criticism for the use of a disreputable methodology could not be afforded in a situation in which positivist thinking dominates the discipline of marketing research anyway. This called for an established and well regarded method of qualitative research, which suited the needs and circumstances of this particular project.

5.2.5.1 Summary

The previous section has clearly demonstrated that this study requires a qualitative research approach to generate the data which is able to accomplish the research objectives.

A number of key points have been made which all point to a qualitative rather than a quantitative approach:

- The discovery potential
- Inadequate information of the subject
- Sensitivity
- Direct and first hand experience
- Flexibility
- Researcher Influence
- Triangulation
- Professional Standards

It is now possible to move on to the technical details of how the decision to use an approach is best transformed into a concrete research design which is able to deliver the data and analysis necessary to achieve the research objectives.

One point which needs to be discussed prior to this is however the pre-understanding of the methodological approach by the researcher, as it could be argued that the pre-understanding has lead to the approach selected rather than fact based decisions rooted in the research problem.

5.2.6 Caveat I: The Politics in Research Methods

Although qualitative research has made progress in recent years, positivism still overshadows marketing research today and Easterby Smith et al. (1991) see the dominating *legacy of positivism* as the source of criteria against which all marketing research is judged by the dominating positivists, be it qualitative or quantitative. Piore (1979) reports that results obtained with qualitative methods are often *ridiculed* as being "*anecdotal*" or "*impressionistic*", indicating that the results do not conform with positivist expectations and standards. Fineman & Mangham (1983) refer to a traditional distinction between 'soft' and 'hard' data, which typically implies that only 'hard' data is fact, and only fact is acceptable in science and that all which is not fact equals fiction and has no place in science. They continue to demonstrate that this is an unjust simplification and often untrue. On a general level Van Maanen (1979A) goes even further and vindicates that the *almost monopolistic grip of quantitative methods on the production of knowledge in the field* has led to a situation in which *procedures have become so ritualised that the necessary connection between measure and concept has vanished.*

The inherent danger of this situation is that qualitative research, although being the right choice considering the needs of the research project, may politically not be viable, as it is more difficult to get peer recognition for the work, once it is completed. At a time in which academics and academic institutions alike are mainly judged by research output measured in the number of publications, qualitative research remains a risky choice.

In spite of their constant struggle, qualitative methods have achieved their own status and place in management research in recent years and their use has, as Miles & Huberman (1994) assert, vastly expanded. The publication and availability of qualitative research in management however, still remains limited. In 1991 Gummesson found that more often than not management researchers needed to study and transfer methodological aspects of certain qualitative techniques from non-management areas, a situation which still holds true today.

Reviewing literature on qualitative methodology in general, it becomes apparent that authors in this area still feel the need to justify themselves and their methods, still trying to make their stance in a positivist world (Walker 1985; Gummesson 1991).

It seems that as long as qualitative research is not completely accepted as a viable alternative in its own right by the dominant positivist school of thought it remains difficult to achieve a balanced state between the two options. A balance in which the needs of the research project would determine the decision rather than politics, and in which logic and reason would lead the arguments.

5.2.7 Caveat II: Pre-understanding

One could however argue, that the researcher per se has a pre-understanding of how research is to be conducted which forms his paradigm be it positivist or phenomenological. This in turn can be regarded as a bias in the selection of a particular research problem which lends itself to one or the other research approach. Gummesson (1991) expects the researcher to have a pre-understanding, but not to be limited by it to a certain paradigm. In order to remain flexible researchers need *theoretical sensitivity* in their approach as advocated by Glaser (1978).

The author of this study has, although admitting to a more sympathetic stance to the phenomenological paradigm, not attempted to select the research problem in accordance with methodological preferences. The research problem developed from previous work by the researcher in the area (Becker 1992) and the study of literature concerned with, or relating to the problem of pioneering consumer brands. At the early stages however, methodology was not an issue, as the identification and isolation of the problem were made separate from any development of potential research methods. A further corrective force to avoid such a bias is the influence of the academic supervisor who, with a different research paradigm, would have certainly questioned an approach in which the research method was selected prior to isolating the research problem.

Only in the later stages of research formulation were methodological approaches, qualitative as well as quantitative, considered and their strength and weaknesses assessed. As this chapter reveals, logic and fact based decisions, rooted in the research objectives and therefore considering the outlined information needs, have finally lead to the methodological approach which is used in this study.

5.3 Data Collection

Before an account is given of the data collection method employed for this research project some issues have to be discussed which had to be decided before the data collection process could start. In this section these issues are presented and the selection which was made to come to the most appropriate data collection method is explained. After these issues have been dealt with a detailed account of the implementation of the data collection process is given to allow the reader to gain a clear picture of this process and to portray how the circumstances in central Europe influenced the process of data collection for this study.

5.3.1 Data Collection Methods

If this was designed as a quantitative study the options open in data collection would be much more limited as only few methods are able to produce the standardised data necessary to make it suitable for quantitative analysis methods. This statement deliberately excludes the practice in which results from a qualitative data collection method are transferred or coded in a way which allows the use of quantitative analysis tools. The difficulties in this sort of data transfer, and the potential loss of depth and richness from the raw data, need not to be discussed in more detail to highlight the problems of such an approach.

In this particular case a quantitative data collection method would include the study of secondary data on market shares and related data i.e. marketing budgets and profit margins which would have been a way to measure differentials in performance. This could then be related to the time of market entry of different respondents. In addition to these results from secondary data a survey could have provided further insights into respondent companies. However, this approach was deemed unsuitable for this study from the start because its strength clearly lies in measuring a phenomena and not exploring it. It is therefore not suited to the data needs and the research objectives set out earlier in this study, as they clearly demand a qualitative approach which provides insights and depth rather than superficial measures and standardised data. This approach was nevertheless considered as a mode of triangulating data from the qualitative parts of the study but it was finally also rejected in this capacity for the following reasons:

The reasons for rejecting this quantitative approach as a mode of triangulation are twofold. It is not only the difficulties of *between methods triangulation*, as pointed out earlier in this chapter, but also on a practical level the patent lack of reliability in any secondary market data produced in central European countries. It seemed too risky to base any conclusions on data which is very much in doubt not only by the author of this study and fellow academics but, what is remarkable, also by all respondents, who not only try to work with this data but even pay for it⁶. Research companies who provide this kind of secondary market data like Nielsen, Amer or GfK find it seemingly very difficult to cope with the extremely changeable and often hidden retail industry in these markets. Any of their samples can therefore only be a very rough estimate of the real situation and is therefore not able to provide figures accurate enough to base any conclusions on for the purpose of this study.

In a more qualitative approach to data collection a number of tools can be used by the researcher allowing him to closely focus on the data needs and the research area of this study. The data collection procedure can therefore be tailored more closely to the individual study and the data needs than would be possible in a quantitative research project. In qualitative terms the most frequently cited data collection methods are:

- Observation
- Diary Studies
- Experiments
- Study of company documents
- Action Research
- Survey

Not all of these methods seem appropriate for the needs of this research project. Specifically, the first four techniques were not seen as ideally suited to the purpose and needs of this study. Those four are discussed briefly and it is demonstrated that they would not be able to generate the type of data needed for this study which was defined in detail at the beginning of this chapter.

⁶ Kraft Jacobs Suchard has stopped all payments to Nielsen at the time of the research, as they repeatedly demanded changes to improve accuracy and reliability of the data which Nielsen was unable to implement.

The techniques of participant observation and diary studies aim to obtain behavioural data on individuals or groups of individuals (Baker 1991), none of which is the core of this study which aims to further the understanding of a particular phenomenon in the marketing of consumer brands in central European markets. The study of individuals involved in this would not provide data which would allow one to address the core issues of this problem as outlined in the research objectives for this study.

Participant observation offers some advantages over interviewing as Becker & Geer (1957) point out. In particular, contextual issues can be discovered with the observation method. Those issues can become only obvious in the social setting in which the respondent is observed and they are easily missed in a verbal transcript of an interview taken in a neutral setting apart from any interaction. However some disadvantages of observations make this form of data collection unsuitable for this particular study:

The first major problem with participant observation is the necessary agreement of the respondents and the necessary commitment on their part to this method. As the general willingness to co-operate in this study was expected to be low in this case it seemed unrealistic to be asking for anything so complex and demanding as a period of time in which the respondent would be observed by the researcher. It was felt that a request for observing the respondent would be perceived as a threat to the business secrets of the company and that therefore any co-operation would probably be denied. Kincaid & Bright (1957) observed that if a request for participation is made that includes a reason which makes it easy for the potential respondent to refuse participation, such as a potential threat to the company's confidentiality perceived in a request for observation, it is likely that it will be used to refuse all co-operation and involvement. The data sought for this study is also not of a behavioural nature which would mean that the observation period would take extremely long in order to uncover attitudes towards a subject which is not one continuously dealt with by the respondents. The problem of timing seemed to be insurmountable as only a limited amount of time was available for the conduct of this study. The use of the observation method would have meant fewer cases and probably less data on the phenomenon of pioneering than could be uncovered with other methods.

Diary studies are also not practical in this case because of the expected low willingness to co-operate. As the diary study method requires the respondent to keep a log of activities related to the research subject it is a considerable involvement on part of the respondent and requires detailed and long preparation on part of the researcher (Easterby Smith et al. 1991). Both of these issues were not regarded as ideal in this study so as to indicate a successful use of the diary study method. A further implication is the aspect of confidentiality which would most likely further impede the willingness of respondents to continuously log their activities in detail.

The method of experiments is unsuitable in this study because of the complexity and intrinsic dependence on reality of the phenomenon in question. Individual factors influencing the phenomenon can only be identified but not controlled as would be necessary for the successful use of the experiment method (Baker 1991). It is impossible to use experiments in a meaningful way in the framework of this study as the usual setting of experiments in which a control group is measured against the experimental group is regarded as inappropriate to this project.

The study of company documents, although a potential source of relevant data, was immediately rejected for reasons that the willingness of co-operation was expected to be too low to gain access to any relevant company documentation. This method was therefore not pursued.

Action research is an approach which, according to the positivist paradigm, is not a scientific method at all. The close involvement and the direct influence of the researcher on the environment he is researching contradicts the core assumption of the external reality at the heart of the positivist philosophy. Susman & Evered (1978) however trace action research back to the philosophy of hermeneutics and do grant it the status as science although it is following a different tradition than the prevailing positivist philosophy. Action research is described by Gummesson (1991) as fulfilling two objectives: First to contribute to science and secondly to solve a problem for the respondent. This usually entails the researcher taking on the role of a management consultant besides his main role as an academic. During the action research process the learning takes place both ways, as the researcher learns from the respondent and vice versa according to Gummesson.

This leads to a more holistic understanding which develops through such a project. Gummesson points out that close co-operation between the respondent company and the researcher is a vital precondition for any action research project and that a constant process of feedback and adjustments has to take place. Although action research seems to be an attractive option to gain the data needed for this project it was considered as unsuitable for similar reasons to the observation method. The willingness on behalf of any respondent company to have a researcher closely monitoring company internal activities seemed remote in the case of observation, to accept the researcher as a consultant was an even bigger involvement on the part of the respondent and as such even less likely to be accepted by any respondent company. The method of action research was therefore not pursued any further for this study.

Survey research is the most widely used tool in gathering primary data in social sciences according to Baker (1991). He also defines survey in the Macmillan Dictionary of Marketing and Advertising (1990) as:

The evaluation, analysis and description of a population based upon a sample drawn from it.

Survey research can be used in quantitative methodology as well as in qualitative methodology depending on the design and method of the survey. Concentrating on the data collection aspect three main options come to mind in classic survey research:

- Mail Survey
- Telephone Survey
- Personal Interview

Baker (1991) quotes Frey (1983) in an overview of the relative merits of personal interview, mail and telephone survey:

Table: 5.3
Relative Merits of Survey Instruments

	<i>Personal</i>	<i>Telephone</i>	<i>Mail</i>
Bias (from interviewer)	3	2	1
Control over collection	2	1	3
Depth of questioning	1	2	3
Economy	3	1	2
Follow up ability	2	1	3
Hard to recall data	2	3	1
Rapport with respondent	1	2	3
Sampling completeness	1	2	3
Speed of obtaining response	2	1	3
Versatility	1	3	2

Source: Baker (1991) p. 203

Mail Survey

Conducting interviews through a mail survey has distinct advantages in costs and time for the researcher as was pointed out by Ferber & Verdoorn as long ago as 1962. It was felt however, that this research subject did not initially possess the necessary clarity to formulate a concise questionnaire which was detailed and focused enough as would be necessary to conduct a mail survey. Confidentiality issues, and a suspected unwillingness to co-operate were further reasons why a mail survey seemed to be inappropriate for this particular study.

Telephone Survey

The fact that complex subjects resulting in complex questions can not easily be dealt with by using a telephone survey meant that this medium was unsuitable. Confidentiality and the suspected unwillingness to co-operate made this even clearer. The very low level of infra structure in central Europe means that many local telephone systems are in shambles which was also a consideration which made a telephone survey virtually impossible.

Personal Interview

The personal interview was selected as the most suitable method for data collection for the reasons that it seemed to be the only method able to cope with the issues of confidentiality and the suspected unwillingness to co-operate, as well as allowing one to deal with the highly complex and difficult issue of marketing strategy and pioneering. The personal interview method also allowed one to remain flexible in the conduct of the interview and to adapt to the local situation if that was necessary. Personal interviews furthermore ensured a low level of ambiguities arising from differences in the use of terminology which were detected in earlier work by Becker (1992) in Central European markets.

This section explained the general decision to use personal interviews for this study. In the following the interview method is discussed in more detail to clearly define the most appropriate form of interviewing for this study.

5.3.1.1 Issues in Interviewing

At this stage the method of personal interviews is defined more fully as it is felt necessary to be more precise on this point, as the interview method embraces a variety of very different techniques ranging from the highly structured interview to the semi or unstructured in-depth interview and from group interviews to individual interviews.

5.3.1.1.1 Group Discussion vs. Individual Interviews

Apart from cost and time advantages Morgan & Spanish (1984) find the major advantage of group interviews in the interaction and the confrontation of different individuals over the one subject at the heart of the study. This interaction can be observed and recorded by the interviewer and is a source of data in itself which adds further depth to the verbal data from the interview. This is an advantage which can not be matched by the individual interview as the participant has no or only little interaction with the interviewer. The trade off between the two methods therefore lies in the 'interaction component' which is present in the group method and the 'in-depth or detail component' which is attributed to the individual interview.

In Hastings' (1990) essay on focus groups and other qualitative research methods he agrees that the dynamics of a particular group interview may lead to results which amount to more than the sum of the parts. However, he also states that neither of the two methods is intrinsically superior and that each has its place in research for very sensitive issues he, in line with others (e.g. Morgan & Spanish 1984; Byers & Wilcox 1990), suggests individual interviews.

The problem of confidentiality during a group discussion, and the potential threat from the number of people who may attend such an interview makes it quite unsuitable in research that requires company executives to talk about confidential issues. The advantage of interaction quoted by other authors previously is also almost irrelevant in this case as it is to be expected that the respondents would not interact very much, as any involvement in a discussion would potentially reveal too many of their company's secrets and evaluations of the market situation. This would probably lead to a situation in which even less data is revealed than would be in an individual interview where no others are present.

Adding to these problems is the very practical issue that it would be almost impossible to get a sufficient number of company executives to attend a meeting out of their offices on short notice and at a time not necessarily convenient to their schedules, only to take part in a research project which does not offer any immediate benefits to them. Particularly in this project, where the willingness of respondents to co-operate was expected to be very limited, the group discussion did not seem to be a viable option.

For these reasons group interviews were deemed unsuitable for this study and it was decided to conduct individual interviews. A number of issues relevant to individual interviews are therefore addressed in the following:

5.3.1.1.2 Structured vs. Unstructured Interviewing

The literature differentiates between a number of concepts in interviewing, some of which are overlapping or synonymous. This is partly a result of the technique of interviewing being adapted from social sciences such as psychology which explains the use of terms uncommon to business research like *Clinical Interview*.

It is therefore necessary to look at the two basic forms of individual interviews, the mixing of the two forms and, from that, define a mode of interviewing which is most suitable to the needs of this study.

In the extreme form of a structured interview the interviewer works strictly through a precisely formulated questionnaire. In a questionnaire corresponding to this form of interviewing the content of the questions and their exact wording along with any contextual information, the sequence of the questions and the answer categories are standardised and definite (Gorden 1969). Because the results of the structured interview are of a highly standardised nature they can easily be compared, categorised and lend themselves to quantitative analysis techniques. Moser (1967) attributed the structured interview with a higher reliability factor than other interview forms but he also found it inappropriate for using probing and searching questions, a facility which was regarded as being important for this study. This, and the loss of flexibility, make the highly structured form of interviewing inappropriate for this study.

Unstructured Interview

The definition of the unstructured interview is more complex than that of the structured interview as it covers a variety of different types of interviews. On one end of the scale one finds the *Free Interview* in which no agenda or written outline at all is used by the interviewer. This form of interview opens with an introductory question and then flows in accordance with the respondent's answers. The interviewer's role is only one to encourage the respondent and to clarify if necessary, but not to guide the discussion. Macfarlane Smith (1972) sees this interview form as an adaptation of the principle of free association as used in psychoanalysis. Other authors call this form the *Clinical Interview* which is also associated with therapy rather than marketing research according to Gorden (1956). The advantages of this interview form is the richness of data and the freedom of the respondent to approach sensitive issues from a perspective which suits him. The fact that the respondent is able to structure the answers and the discussion leaves a lively imprint of his personality on the data according to Macfarlane Smith (1972). This form of interview requires qualitative analysis methods, as most of the information would be lost in a quantitative coding process due to the unstructured and uncontrolled form of the responses.

The qualitative analysis however, is able to retain the richness of data and the multitude of impressions of the respondent which are obtained through a 'Free Interview'.

The disadvantages which are usually associated with this form of interview are that the data is not comparable to other interviews and that variation between interviews is likely to have a distorting effect on the overall study. As no agenda underlies this form of interview the respondent may not explore a chosen area in the expected depth and may change to related or indeed unrelated areas. Baker (1991) asserts that this freedom to cover vast areas makes it necessary on the part of the researcher to review large amounts of potentially irrelevant data which costs time and can be extremely frustrating.

Moving from the total freedom of the *Free Interview* towards the other end of the scale held by the *Structured Interview*, an amalgamation of the two methods lies in the middle: the so called *Focused Interview*, which is also called the *In-depth Interview* by some authors. Balancing the advantages of the structured and the free interview, the focused interview tries to limit the subject area with a precisely defined but loosely formulated topic guide. This topic guide focuses the interview without losing the richness and the power of giving the respondent the freedom to answer openly and structure the interview relatively freely. By using a pre-defined topic guide to ensure that the key areas are covered during the interview the researcher limits the extent to which the respondent can 'wander off' and possibly evade areas he does not want to talk about. By allowing the respondent room to structure the interview within the limits set by the researcher the respondent still has the opportunity to give the interview his personal character and to leave his mark on the data.

Baker (1991) however, sees the middle way between the structured and the unstructured interview in the so called *semi-structured interview* in which a pre-defined questionnaire is used which has a set sequence and which consists of closed and open questions. In this case the interviewer has to conduct the interview in a structured manner following a pre-defined sequence, leaving relatively little room for the respondent apart from the open questions.

The role of the interviewer in the focused interview on the other hand is to make sure that all key areas, as outlined in topic guide, get covered during the interview. He can and should probe if necessary to get deeper into the key areas and explore these in-depth, but he can vary the structure and the sequence as the interview develops through the respondent's answers to maintain a flow of information and to maintain an optimum in interpersonal relationship with the respondent (Gorden 1969).

The data generated in a focused interview is also well suited to the use of qualitative analysis methods. The answers are usually unstructured and little if at all standardised. The only standardisation in this interview form is that each interview covers the same pre-defined subject areas.

Finally it has to be said that interviews are rarely pure in their application of the theoretical definitions mentioned above. More often than not they have a general tendency to one of the forms described above but also use techniques from other interview forms. Baker (1991) reports of structured interviews which include 'Other' or 'Write In' options or even open ended questions which conforms with Gorden (1969), who states that any interview can consist of various parts using various interviewing techniques.

Following a number of reasons it was decided that the focused interview with a pre-defined topic guide would be the best interview form for this specific research project:

The prime argument for the use of a less structured interview form is the form of data needed as outlined in the beginning of this chapter. With the data sought being of a mainly exploratory nature a structured interview would provide neither the right framework to interview the respondents nor would it leave the necessary room for the respondents to explore the subject area from their perspective thus giving access to rich and deep data. Secondly, interviewees of the calibre sought for this study would also not easily be confined to a standardised and structured interview format (Zuckerman 1972; Kincaid & Bright 1957). Within the range of unstructured interviews it was felt that the 'free' interview would not be appreciated by the respondents who are business men with very limited time resources for activities such as taking part in this study.

A free interview would probably evoke the impression of an uninformed interviewer who is wasting the time of the respondent (Zuckerman 1972). Although the type of interview selected is unstructured this must not be mistaken for it being unfocused. Each of the interviews to be conducted is sharply focused on the main research areas seeking to unveil specific kinds of data. The approach to achieve this with an unstructured interview also does not mean that the approach is not systematic (Mintzberg 1979). It was decided that a topic guide precisely defining the research subject and the specific areas which were to be covered during the interview leaving sequence and probing to the interviewer would provide the best framework with which to conduct the interviews for this study.

The following paragraph deals with the design of the topic guide. Particular emphasis is put on the question design as an important issue in constructing an interview aid.

5.3.1.2 Topic Guide

As has been established in the previous section, the degree to which the interview or topic guide is structured and pre-defined very much determines the degree to which the interview is structured and pre-determined. Gorden (1969) differentiates between an *interview guide* and an *interview schedule*. According to his definition the former provides only an outline or checklist and could possibly include various wordings for a subject or useful probes, whereas the latter is much more detailed and specific in its contents. The interview or topic guide leaves the interviewer and respondent the freedom to vary the sequence and depth in which the topics are dealt with. The interviewer can also omit questions or return to issues if it was felt necessary. The two main purposes of the interview guide is, according to Gorden (1969), to function as a reminder of the areas which are to be covered during the interview and also as a checklist to keep a record of what has been covered already.

Gorden (1969) asserts that a topic guide can be unspecific in that it only contains the goals of the interview, but it also could be highly specific containing the detailed means to the objectives of the interview.

As a guideline he suggests that a topic guide should contain the following elements which are taken from a typical example:

Table: 5.4
Topic Guide Contents

1.	List of topics to be covered
2.	Tentative sequence
3.	Alternative wordings for specific questions
4.	Contextual notes
5.	Indications of necessary transitions
6.	Alternative questions

Source: Gorden (1969)

5.3.1.2.1 Question Design

The design of the question is of the utmost importance to survey research (Payne 1951). A number of different issues need to be considered in order to achieve the necessary degree of accuracy and precision in asking the right questions in the right form which are to be addressed in the following section. The first issue which needs to be addressed is the decision whether to use open, closed or both forms of questions in the survey. The next major issue is the wording of the questions which is of crucial importance as the words have to convey precisely the meaning which is intended. The last issue to be addressed is the question sequence, a decision which influences the flow and logic of the whole interview.

5.3.1.2.1.1 Open Questions vs. Closed Questions

The decision to conduct the interview as a focused interview already pre-determined that a large part of the questions asked would be of an open nature. Payne (1951) distinguishes between ten different forms of open questions ranging from the *wide-open variety* to the *slot variety* in which a number of check boxes are provided for the respondent.

Although this study needs a number of the varieties described by Payne the general advantages of open questions can be assessed without going into the merits of each variety individually . Payne asserts that open questions not only elicit uninfluenced and free answers but that they also give the respondent the opportunity to take part in shaping the interview. Furthermore, he recommends the use of open questions when researching subjects which are as yet unexplored, a situation which has been established as a fact for this study already earlier in the previous chapter. Payne also credits open questions with being able to provide *quotable quotes* a prerequisite for the use of qualitative analysis methods, the use of which also had been decided earlier in this chapter.

The disadvantages usually associated with open questions are frequently seen from a positivist perspective, criticising the lack of uniformity and comparability of the answers generated through open questions (Payne 1951). As this study uses a qualitative research approach the disadvantages of open questions can be ignored in so far as the positivist criticism does not apply in the sense that the qualitative analysis can accommodate and deal with the lack of uniformity and comparability of the information provided through the use of open questions.

5.3.1.2.1.2 Wording

The wording of each individual question is of crucial importance for any social survey according to Payne (1951). The objective to reach a common understanding between the researcher and the respondent about what the meaning of a question is in Payne's understanding entirely dependent on the choice of words used to transmit the question. The confirmation for this importance is the *extensive coverage* which is devoted to this subject in many research text books, as observed by Baker (1991). He identified sixteen major issues which are discussed in detail in the five text books on marketing research he analysed for this purpose:

Table: 5.5

Issues on Question Wording

1.	Focus or specific nature of question
2.	Simple language
3.	Ambiguity / clarity
4.	Vague or imprecise words
5.	Leading questions / overemphasis bias
6.	Presuming questions
7.	Hypothetical questions
8.	Personalised questions
9.	Embarrassing questions
10.	Questions on periodical behaviour
11.	Questions involving memory
12.	Brevity / Economy of language
13.	Loaded questions
14.	Double-barrelled questions
15.	Implicit alternatives / assumptions

Source: Baker (1991) p. 134

Baker (1991) illustrates the dangers of the above mentioned issues with examples from his own research in order to create an understanding on part of the reader that the typical problem of an academic questionnaire is being too complicated rather than being too simplistic. Questionnaires are often written from an 'ivory tower' perspective which means that the questions asked are not necessarily meaningful to a potential respondent. Baker also cites Payne (1951) in his advice to keep questions short and simple.

In order to find out whether questions are properly phrased and meaningful to the respondents, beyond what can be found by reading the draft carefully and checking it against text book rules, testing of the topic guide or questionnaire is inevitable. Pre-testing however does not always uncover all short comings according to Payne (1951), and feedback from experienced colleagues can help in giving the phrasing of questions the final touch, ensuring that the rules have been applied correctly.

5.3.1.2.2 Question Sequence

Most text books on the issue (e.g. Gorden 1969, Payne 1951) recommend a funnel sequence to be applied leading the respondent from general questions to the more detailed. The advantage of this is that the respondent can be put at ease with undemanding and easy questions giving him time to adjust to the interview situation and also help to establish a positive rapport. This is important for the more detailed and potentially more difficult to answer questions with which the respondent is confronted later during an interview.

As it seems to be the widely accepted practice to use a funnel sequence it was decided that, as far as possible, this would also be adopted for the topic guide to be used in this study. It was, however, anticipated that a consistent sequencing adhering strictly to the funnel principle would probably be difficult to implement as the different subject areas to be covered by the interview are closely interrelated and a strict funnel sequence would mean that questions relating to one subject, addressing it from different points of view, would have to be split up. This would be a potential danger to the progress of the interview as the flow could break. The breaking of the interview flow however, is to be avoided according to Gorden (1969) in order not to cut off the respondent in sharing potentially important information with the interviewer. Returning to the same issue a number of times within one interview can easily be perceived as interviewer incompetence by the respondent as Zuckerman (1972) found.

5.3.2 Data Collection Implementation

Positivists and Phenomenologists alike often criticise qualitative studies for their 'black box' approach to the data collection and analysis. In those deserving this criticism it is briefly stated what raw data went into the study, some information on data collection and then findings are presented without allowing the reader or interested peers to follow any of the procedures adopted in the process of research. In this study we attempt to avoid as far as possible any major 'black boxes' by giving detailed accounts of the data collection procedure as well as the subsequent analysis.

It was, however, necessary to find a balance between an overlong description and a sufficiently detailed report of the adopted procedures. In the interest of the flow of this study part of the section on data collection implementation has been put into the appendix, as some readers may find it too detailed and lengthy. In the interest of those who are looking for more detail than provided in this chapter, a further section is provided, but out with the context of this chapter. The interested reader is asked to see appendices A1 and A2.

5.3.2.1 Internal Preparation

The stage of internal preparation contains the preparation of the topic guide, the development of the respondent profile and an initial sample selection. Furthermore some other activities particularly travel arrangements, which are not to be discussed, and co-operation arrangements with local academic institutions needed to be made before contacting any of the potential respondents.

5.3.2.1.1 Preparation of Topic Guide

According to Gorden (1969) the structure and pre-definition of a topic guide, and the degree to which they are followed very much influence the structure of an interview. In this case it was aimed to develop a topic guide which would be very detailed and structured to be prepared for respondents who would not answer freely and widely. At the same time it was decided to leave the implementation of structure and sequence to the discretion of the interviewer. His experience with previous interviews in this series, and judgement of the individual respondent, would determine the degree to which the interview would be conducted in the pre-determined structure and sequence, or adapted according to the flow of an individual interview. Kincaid & Bright (1957) observed that in interviewing a business elite it is *sensible and often inescapable to shape the interview around a respondent* rather than follow a strict questionnaire or topic guide, an effect also experienced by Zuckerman (1972).

The decision to prepare a detailed and fairly structured topic guide with the option to deviate from this, using interviewer discretion, was made to cover the most likely scenarios encountered with different respondents who are usually ranging from those who give short and precise answers, not taking any initiative in guiding the interview, and those who give lengthy and elaborate answers, covering vast areas in one answer thus practically shaping the interview.

The difficulties associated with interviewer discretion are that the researcher can not control the interviewer and has no insight into the decisions made by the interviewer during the interview. If different interviewers are used different levels of discretion lead to very different interview scenarios which, in itself, may be a bias which can not be controlled. In this case this danger is eliminated through the fact that the researcher conducted all interviews himself. The decisions made during an interview could be recorded and enter the analysis process as additional information.

As there is no specific literature on the development of a topic guide a logical and rational approach was taken to construct the initial version. This approach was based on the previous study of the subject area and the ground rules for constructing questionnaires as laid out in standard market research text books like Baker (1991) Kinnear & Taylor (1991) or Parasuraman (1986).

At later stages the feedback of more experienced colleagues and the thesis supervisor provided additional guidance in the refinement and adjustment of the later versions. As is discussed in the paragraph on the external preparation phase the final (internal) version of the topic guide was then taken to the first respondents and tested, and, where necessary, adapted according to the results of the test interviews.

The first step in the development of the topic guide was the identification of the subject areas which were to be covered. The study of the literature on the research subject, which was discussed in chapters 3 and 4 of this study, proscribed four main areas of inquiry under which the strategy of the brand at entry and during all later stages would be covered:

- Respondent Company and Brand
- Pioneering Advantages
- The Competition
- Infra Structural Issues

From these four areas it is clearly the brand of the respondent which had to be at the heart of each individual interview, as the case of each brand has a unique contribution to make to this study. Therefore a large proportion of each interview had to be devoted to explore the respondent's brand and all directly related factors within the respondent company. The study of the respondent brand then could be related to the core subject of this study, the phenomenon of pioneering advantages. The particular history of each brand in each of the three markets would be a case study of pioneering, either through having been the pioneer or alternatively, through having been follower in a particular industry and therefore having to deal with a competitor having been the pioneer. This modus operandi would potentially generate a wealth of information which could contribute to illuminate the phenomenon of pioneering advantages. The brand, however, lives in an environment which is not only determined through internal factors, but also very much determined by external factors such as the competition and the overall infra structure. Both of these external factors, but in particular the competition, have great influence on the respondent's decision making and, therefore, on the company's brand.

Furthermore, it is not only necessary to explore the factual information on these issues but also to gain an insight into the evaluation of the external factors as made by the respondents. The respondents, being in charge of the brand strategy and brand management, base and have based their decisions concerning their brands on their evaluations of these factors. Their evaluations are, in turn, based on their experience in the market or on their own research in the market. This also means that their evaluations represent their reality and thus the only reality on which the respondents acted and act. Their evaluations are, therefore, the key to understanding their decision making in the past, present and future.

Introducing a time related component means that all three areas have to be covered in three time frames, spanning from the entry of the first brand in a particular competitive segment, concentrating on the issues which affected their own market entry and, if applicable, their decision to pioneer in a particular market, up to the present day situation and to the prospects for the future. The time frames which have to be covered can, therefore, be divided into the following three periods:

- The history since market entry of the first brand in that category
- The current situation
- The future prospect

The questions asked in these areas can be of two types, either they are fact based or they are for evaluation by the respondent. The following subject area matrix indicates in which of the three subject areas and in which time frames evaluations (E) and / or factual information (F) is sought:

Table: 5.6
Areas of Questions

	Respondent Company/ Brand	Pioneering Advantage	Competition	Infra Structural Issues
History	F/E	F/E	E	F/E
Current	F/E	F/E	E	F
Future	E	E	E	

Source: Author

As the focus of this study is the phenomenon of pioneering advantages, their composition and their development since market entry, some of the fields in the above matrix become core areas of inquiry resulting in a larger number of questions. These core areas of inquiry are the history and the current situation of the brand, of pioneering advantages and the competition. In these fields the pioneering advantages and brand strategies are dealt with and this is also where the thrust of the enquiry was going to be.

The market infra structure of a target market plays a role particularly as a factor when making the decision to enter as a pioneer or a follower, but is not a factor which is assessed in greater detail in this study, as the infra structure differs greatly between countries and an analysis of a target market's infra structure can not be the focus of a marketing study of this nature. Which particular factors of the target market's infra structure are worth looking out for, however, is discussed in the findings chapter of this study.

Any outlook to the future can only remain speculative and is, therefore, only of minor importance, it will, however, be recorded even if only as a basis for comparison with future research.

The following section deals with the sequence in which the questions are arranged in the topic guide, as the sequence is an important part of the design of a topic guide.

5.3.2.1.2 Question Sequencing

Following common wisdom in constructing a questionnaire it was decided to deal in the first part of the interview with the factual questions leaving the subjective evaluations for the second part. This was not only to distinguish clearly between the facts and the evaluations but also to get a clear picture of the factual situation before the respondent was asked to evaluate a particular situation. The evaluation could otherwise potentially cloud the reporting of facts which would be a potential source of distortion.

The sequencing of questions proved to be a problem more difficult to solve than initially anticipated. Authors on the subject such as Gorden (1969) and Payne (1951) suggest that a funnel sequence has proved to be helpful not only in easing the respondent from the general into the more detailed areas of inquiry but also as a general form of logical structuring. In this case however, the strong links and relationships between the subject areas made it impossible to follow a stringent funnel sequence throughout the two parts of the topic guide as was anticipated. The general sequence chosen for the two parts, although deviations occur particularly in smaller detail, was therefore the following:

- **Factual Part**
 Infra Structural Issues
 Respondent Company and Brand
 Competition
- **Evaluation Part**
 Infra Structural Issues
 Respondent Company and Brand
 Competition
 Pioneering Advantages

Within each of the seven areas it was attempted to follow a structure of asking the questions relating to the history first, then covering the present situation. If applicable, in the evaluation part, questions for an assessment of the future in that particular area were left to the end.

The following tables shows how many questions were asked in each of the fields of inquiry detailed above in the first draft version of the questionnaire and in the final version. The changes were made on the advice of colleagues and the supervisor and in the last instance through testing the topic guide in the field.

Table: 5.7
Topic Guide Development

First Draft:

	Respondent Brand	Pioneering Adv.	Competition	Infra Structure
History	14	15	9	3
Current	30	15	15	3
Future	2	2	1	0

**Final
Version:**

	Respondent Brand	Pioneering Adv.	Competition	Infra Structure
History	12	15	10	2
Current	18	18	14	2
Future	3	4	1	0

Source: Author

As the tables show, the total number of questions was reduced from 109 in the first draft of the topic guide down to 99 in the final version. In the final version some questions were furthermore designated only for pioneering companies and others only for followers, which reduced the number of questions applicable to an individual interview down to approximately 90. A further reduction of 10 questions can be made for those questions which are pure probing questions in those areas in which detailed answers were deemed necessary.

The emphasis of the distribution of questions was also changed from initially 46 questions relating to the brand and the respondent company and only 32 to pioneering, to 33 questions in the brand/respondent category and 37 in pioneering advantages in the final version.

The number of approximately 80 questions may still appear high for a focused interview but, as was outlined before, a detailed topic guide had to be available for cases in which a respondent would not answer freely and detailed questions would have to be asked to gain the information sought.

Zuckerman (1972) also found a detailed topic guide helpful to keep track of the areas which were to be covered in each interview, increasing the degree of conformity in the coverage of all interviews, thus providing a greater comparability of the findings from the individual interviews. This applies even to those interviews which were conducted with relatively little use of the topic guide leaving the respondent to structure the interview.

5.3.2.1.3 Development of the Respondent Profile

It was decided that experts in the field of branding and marketing, familiar with the local markets of central Europe, should be interviewed in depth for this study. Following this approach their evaluation of the local markets, based on their consumer research and their experience would be the basis for this study. In order to remain flexible in the final choice of respondents, but to ensure a consistent respondent profile across the sample of countries and companies, a catalogue of minimum requirements was developed. This resulted in the following respondent description:

- Director (Marketing, Commercial, Business) of an fmcg multinational's subsidiary, with responsibility for the marketing of one or more well known western brands in the local market. The respondent should have not less than 6 months experience in the local market and not less than 1 year with the company and he should be familiar with the history and development of the brand(s) in his local market and be able to see their development in the wider context of the company's international ambitions.

It was initially deemed important not to deviate from this respondent description in order to gain a consistency of the level at which the interview could be conducted. In the progress of the study this requirement was not fulfilled, as it was not always possible to completely gauge the respondent's fit to the description prior to the interview and the interview was not always conducted with the same person who made the commitment to take part in the survey. In some cases the task was delegated to employees on the Brand Manager or Brand Director level, because of time pressures on the superior director who was supposed to be the interviewee.

Although these interviews should not have been completed, for reasons of consistency regarding the position of the respondent, they were still carried out as it was deemed more important to achieve the match of industry samples than to be absolutely consistent in the interviewee's position. In individual cases this proved to be surprisingly beneficial as the respondent on managerial level were either more involved in the launch of a particular brand than his superiors and therefore much more knowledgeable in the core areas of the inquiry⁷, or in other cases the respondent saw the delegation of this task by the superior as a license to be completely open and frank even about more sensitive internal issues⁸. In general the results of these interviews were good and the fact that the interviewees were not in the position prescribed by the respondent description did not invalidate the interviews. In two cases a few questions remained unanswered in which the respondent was asked to put the local operation into a world wide perspective within the company.

⁷ Procter & Gamble, Hungary

⁸ Unilever Poland; Unilever Czech Republic

As these questions do not directly relate to the core area of inquiry the loss of these answers is acceptable. The alternative, to find suitable replacement respondent companies, was thought to be not only more difficult but in some cases probably impossible. If, however, an interview of this nature would not have produced satisfactory answers in the core areas of inquiry the decision would have been to find a replacement company or even to drop the industry if necessary, as it would have not been feasible to request another more senior interviewee from the same company (Kincaid & Bright 1957).

5.3.2.1.4 Initial Sampling

Prior to any sampling it is necessary to define the population from which a sample can be drawn. With the lack of suitable secondary data on the three target markets it seemed impossible to define a clear target population of western fmcg brand manufacturers in these markets. As an alternative it was therefore decided to create a list of potential industries from which companies could be selected during the field trip. The companies selected, if they fulfilled a number of specifications and agreed to take part in the study would then constitute the sample. These first steps in sampling were made prior to contacting any potential respondents and, in this initial sampling, only the framework could be established. The framework however could not be drawn too precisely so as not to restrict and limit the research in the field.

The following section presents the list of possible industries for the study which was developed prior to the field trip.

5.3.2.1.5 Sample Selection

In order to set a sampling framework of possible industries a number of fast moving consumer goods industries were selected for all three central European countries in which the research would be conducted. This would allow the researcher to contact the major players in these countries for their participation in the study and retain the flexibility needed to alter plans if a specific contact could not be made because one or more potential respondents would not participate.

In this selection all industries which could be regulated in particular ways like alcohol, pharmaceuticals or cigarettes were left out, as it was thought that the particular legislation applying to these industries may have had an influence on pioneering and the development of competition in these industries. The industries identified as potential industries suitable to the research for this study were:

- Carbonated Soft Drinks
- Detergents
- Personal Care Products
- Confectionery
- Coffee
- Household Cleaners
- Dental Care Products
- Grooming Products
- Snack Foods
- Pet Foods
- Convenience Cooking Products
- Chewing Gum
- Cosmetics

It would be up to the researchers discretion to select suitable companies from these industries in the three countries to make up the specified number of samples matching the pioneering brand in an industry with a competing later entrant. As the willingness to participate in the study was entirely out of the researcher's control any sample achieved could only be a convenience sample rather than being a representative sample of the roughly defined population.

5.3.2.1.6 Sample Size

The size of the sample which was to be researched was not so much dependent on a calculation regarding representativeness but on how many interviews could realistically be conducted in the available time in the three central European markets which were to be visited.

With an available time frame of roughly three to four weeks in each of the three markets it was then decided that the sample in Poland, being the biggest market of the three and the one with the best academic support, would be slightly larger than the other two countries. The Polish sample, however, could not be much bigger as it also had to be taken into account that it was at this first stage of the field trip where the topic guide had to be tested in a small number of interviews prior to the interviews which would go into the final analysis. The decision was therefore made that in Poland at least eight interviews from four industries and at least two pre-tests of the topic guide should be conducted. For the other two markets it was decided that six interviews from three industries should suffice considering the restrictions in time available and the previously outlined uncertainties.

It was furthermore decided that each sample would consist of two companies in the same industry. This would mean that in each industry sample the pioneering brand and a brand which followed at a later stage would be taking part. This would allow one to assess the phenomenon of pioneering advantages from two different points of view, gaining a less biased and more weighted perspective on the issue. Interviewing two companies in the same industry also confirms with the *within methods triangulation* which had been selected to triangulate and control the data generated from individual interviews.

In addition to the twenty interviews with respondents of the sample, further interviews were planned with other experts from government institutions and lobbying groups, as well as with local marketing academics, in order to gain additional information and supplement the data generated from the main interviews.

5.3.2.1.7 Sampling

Silverman (1985) states the research undergoes *re-specifications* during the conduct of the study. He identifies *two sources of change* the first being changes in access to data and respondents, the second being changes in the research questions being asked. Silverman concludes that a researcher needs to preserve flexibility in the research design in order to accommodate these potential changes.

Using a qualitative research methodology for this study leaves the research framework flexible and open to unforeseeable changes occurring during the data collection process. This was particularly important for this study and particularly for the sampling process as it was impossible to foresee the degree to which access to selected companies would be granted.

Once a respondent agreed to take part in the research project it was of crucial importance to get a matching interview in the same industry in order to fulfil the requirement of matched pairs in each industry. This turned out to be a major problem as the requirement not only requested just pairs from the same industry but one of the two to be the pioneer in the industry in the local market. Often this information could not be obtained during the stage of initial pre-interview contact which meant that if the information could not be obtained from outside sources it was left until the first interview in an industry to find out which company pioneered in a particular segment. At which point it was often too late to arrange another interview with a totally new company if it so happened that none of the respondents in the selected pair was the pioneer in their industry. As a further difficulty already the test interviews in Poland indicated that the question of who actually was the pioneer in an industry would be less clear cut than it was anticipated from the study of the relevant literature. As it turned out respondents did not necessarily know which company launched their brands first and found it impossible to establish this fact. It was surprising to find that this information, regarded as being highly important by the researcher, was forgotten or not registered with many respondents. The factor forgetting as described by Gorden (1957) was not expected to appear in this core section of the study. The initial interviews of the series which were to be analysed confirmed this and it was therefore decided that the 'strict pioneer requirement' could not sensibly be considered for further interview arrangements. The fact that most respondent companies were also multi brand companies with products in various product segments which were mostly launched at different times in the local market made the situation even more confusing and complicated. It was then decided to opt for a 'soft pioneer requirement', which was to find companies which were 'early' in the market according to industry sources⁹.

⁹ Industry sources in this case refers to their own evaluation, their competitor's evaluation and if available information from other sources such as government publications etc.

This turned out to be a viable solution and the analysis chapter discusses the strict vs. soft pioneer requirement in more detail. With access to the leading companies in the selected industries it was finally possible to gain the perspective from companies who had entered at different times and who were currently either leading the market or trailing the leader.

The following tables show the final samples of industries in which interviews were conducted and which companies took part in the three markets. Those respondents not mentioned below are the test interviews¹⁰ which were conducted in Poland and also not mentioned are the companies which finally decided not to take part in the study:

Table: 5.8
Respondent List Poland

Poland		
Industry	First Respondent	Second Respondent
Dental Care Products	Colgate Palmolive	Unilever
Personal Care Products	Johnson & Johnson	Henkel Cosmetics
Confectionery	Master Foods	Kraft Jacobs Suchard
Carbonated Soft Drinks	Coca Cola	Pepsi Cola

Source: Author

Table: 5.9
Respondent List Czech Republic

The Czech Republic		
Industry	First Respondent	Second Respondent
Detergents	Procter & Gamble	Unilever
Personal Care Products	Johnson & Johnson	BDF
Confectionery	Nestlé	Kraft Jacobs Suchard

Source: Author

¹⁰ Phillip Morris Poland; Dr. Oetker Poland; Procter & Gamble Poland

Table: 5.10
Respondent List Hungary

Hungary		
Industry	First Respondent	Second Respondent
Detergents	Procter & Gamble	Henkel
Household Cleaners	Colgate Palmolive	Henkel
Confectionery	Nestlé	Stollwerck
Coffee	Kraft Jacobs Suchard	Douwe Egberts
Edible Fats	Unilever	<i>No western competitor</i>

Source: Author

5.3.2.1.8 Contingency Plans

Any refusal to take part in the study made it necessary to change plans in terms of the industry selected or the companies which were selected within the industry to take part. In dealing with the refusals the easier case was that the company contacted first refused to take part in the study or that the most appropriate person to be interviewed in that company was absent. In Poland¹¹ this case occurred only once, whereas in the Czech Republic¹² and Hungary¹³ the first company to refuse participation occurred in a number of cases. In these cases the choice was either to drop the whole industry or find two alternative respondents. In seven cases¹⁴ the industry was dropped from the inquiry either because no two viable alternative respondents were present in the local market or because another company in the same industry refused to take part thus severely limiting the choice of available respondents. In the remaining cases alternative respondents were found and the industries were researched as planned. The more difficult case of refusal was the second company of a matched pair to refuse participation.

¹¹ Gillette Poland

¹² Henkel; Coca Cola; Bahlsen; Phillip Morris

¹³ BDF; Benckiser; Reynolds; Pepsi Cola

¹⁴ Poland: Grooming Products; Czech Republic: Carbonated Soft Drinks; Cigarettes; Snack Foods; Hungary: Personal Care Products; Cigarettes; Carbonated Softdrinks

This case was more difficult as one company in a pair had already agreed or even been interviewed and a match in that industry had to be found in order not to make the effort to obtain the first interview worthless. Although in such a scenario a replacement company was urgently needed the standard of respondents could not be compromised and the respondent profile had to match the respondent description which had been formulated earlier in the study to ensure that the replacement interviewee and his company would be of equal quality to the study. This was not always possible and some interviews which had been conducted in the early stage of the study could not be used because no suitable match was found in replacement to the original respondent who refused to take part. The following table shows the industries in which alternative respondents were sought and in which no replacement was found and those in which a replacement was successfully introduced to the sample:

Table: 5.11
Contingency Interviews Poland

Poland

Industry	Interview Obtained	Interview Refused	Replacement
Detergents	Procter & Gamble	Benckiser	No Replacement
Cigarettes	Phillip Morris	Reynolds	No Replacement
Cooking Aids	Dr. Oetker	CPC Nestlé (Maggi)	No Replacement

Source: Author

Table: 5.12
Contingency Interviews Czech Republic

The Czech Republic

Industry	Interview Obtained	Interview Refused	Replacement
Detergents	Procter & Gamble	Henkel Benckiser	Unilever
Confectionery	Kraft Jacobs Suchard	Master Foods	Nestlé

Source: Author

Table: 5.13

Contingency Interviews Hungary

Hungary			
Industry	Interview Obtained	Interview Refused	Replacement
Detergents	Procter & Gamble	Benckiser	Henkel
Confectionery	Stollwerck	Master Foods	Nestlé

Source: Author

The fact that in the later stages of the study in the Czech Republic and Hungary all second company refusals were successfully replaced is most likely a sign of greater routine in finding suitable replacements and being more active in recruiting respondents simultaneously in the same industry. The unmatched interviews in Poland were of no great loss to the study as they could deal as test interviews for the topic guide which had to be conducted prior to the main body of interviews.

Therefore the interviews in Poland which could not be matched were still carried out as the test interviews for the topic guide and for the researcher to familiarise himself with the interview procedure. The following section of this chapter deals with the pre-testing phase of the study.

5.3.2.1.8.1 Caveat

The alert reader will have noticed at this stage an inconsistency in the industries which were originally selected for this study and the industries which were finally approached in the field. The cigarette industry was deliberately excluded in the original industry list because being a tobacco product it was expected that particular rules would govern distribution, marketing and advertising thus giving a different experience to the market entry of western cigarette brands to central European markets. This would probably not compare well to the other industries selected which are not governed by the special restrictions and laws.

In Poland however contact was made very early on to one cigarette company¹⁵ as a possible replacement industry, in the subsequent interview a number of interesting details were learned about the industry and the industry was therefore included as a later addition to the industry list. However in failing to recruit more companies in the cigarette industry in Poland as well as in the other two markets no cigarette industry sample entered the final sample of companies for this study. The interview in the cigarette industry which was conducted as one of the first interviews in Poland did not enter the analysis but was subsequently taken as a test interview.

The following section deals with the analysis of the data generated in the interviews. For a detailed account of the interviewing procedures please refer to the appendix A1.4. The section on data analysis also forms the final part of this chapter before the next chapter presents the findings of this study.

¹⁵ Phillip Morris

5.4 Data Analysis

The approach selected for the data analysis is 'Grounded Theory' which was established almost 30 years ago by Glaser & Strauss (1967). The grounded theory approach had been dormant for most of the time until one of the founders published a 'controversial' book on the method (Strauss & Corbin 1990), which brought grounded theory to the attention of a wider audience. The format used here is that advocated by Glaser (1978, 1992) who regards the approach suggested by Strauss & Corbin (1990) as not *deserving the name grounded theory*. The author found Glaser's approach to be well suited to this study as it greatly aids the process to formulate theories from the data on the subject, considering the varied nature of the information generated from a limited number of case studies and the somewhat ambiguous knowledge previously existing on the subject.

Under similar conditions Turner (1983) found grounded theory also well suited to the analysis of data collected in organisations by the means of semi or unstructured interviews. Turner attributes grounded theory with a uniqueness in the analysis in which the researcher strives for abstraction and generality, in a structured and orderly way not usually associated with qualitative analysis; an aspect which seemed of paramount importance to the authors of this study.

Grounded theory is widely accepted as a rigorous method of analysis, derived originally from a positivist paradigm (Personal Communication Glaser 1994) rather than a phenomenological perspective but remains a method not often used. Part of the reason for this is that the available literature on the subject is on the whole either written or edited through one of the originators (Glaser) and often less than clear. The whole process of analysis remains difficult to follow without expert advice, which is difficult to obtain in Europe. On the issue of providing clear guides to allow more researchers to implement and follow the method a deep controversy has sparked off and separated the two initiators of grounded theory Barney Glaser and Anselm Strauss (Strauss & Corbin 1990; Glaser 1992).

The process of grounded theory evolves in a number of stages, which are discussed in detail below:

5.4.1 Open Coding

The objective of the coding process is to generate a set of categories and properties which are deeply rooted in the data set, which fit and work for the data, and can be later integrated into a theory (Glaser 1978).

After transcription the data was coded by the authors in what Glaser calls open codes, for which, as a rule, the researcher should have no preconceived concepts on the issue. Glaser (1992) even recommends to postpone the literature review until after this stage, an advice which proved impractical and was, therefore, disregarded for this study. Open coding is the first stage of the constant comparative analysis, the concept underlying grounded theory in which incidents from the data are constantly compared to each other and to emerging patterns. The codes generated at this stage fall into three categories which are termed:

Concept is the term used for an underlying pattern which is discovered in descriptive incidents within the data. The concept is also the lowest level of abstraction.

Category is a more complex type of concept which is also on a higher abstraction level.

Property is also a type of concept, but refers only to a characteristic of a category.

The data generated from the interviews is constantly compared to what has previously emerged as a concept category or property thus adding evidence to the individual classification, as concept category or property or if data emerges which does not fit any previous classification the code is changed to accommodate the new data. The open coding is continued until saturation, a term which describes the state in which new incidents or data do not yield new patterns or properties.

Within the categories generated from the data during open coding the researcher should come across a core category which is the integral variable at the heart of the data. The core category also accounts for most of the variation in the data. Glaser (1978) sets out the following criteria for a core category:

1. It must be central, that is related to as many other categories and their properties as possible.
2. It must reoccur frequently in the data.
3. As it is related to many other categories and reoccurs frequently it takes longer to saturate the core category than other categories.
4. It relates meaningfully and easily with other categories. The connections need not to be forced, rather their realisation comes quick and rich.
5. A core category in a substantive study has clear and grabbing implication for formal theory.

Source: Glaser (1978) p 95f

At the point when the core category has been clearly identified the coding is stepped up to the stage of selective coding:

5.4.2 Selective Coding

At this stage the coding becomes focused and is limited to those variables that are sufficiently significant to the core variable in order to be used in a parsimonious theory. The subsequent analysis of the data is guided by the core variable and focused on its conditions and consequences on other variables.

The coding process becomes easier at this stage and the researcher can now focus on the developing concepts in the data rather than aiming at taking the total context of the data into consideration as in the previous stage of open coding.

The core category which is the focus of the selective coding stage has a number of functions:

...it has the prime function of integrating the theory and rendering the theory dense and saturated as the relationships increase. These functions then lead to theoretical completeness - accounting for as much variation in a pattern of behaviour with as few concepts as possible thereby maximising parsimony and scope.

Source: Glaser (1978) p 93

The generation of theory therefore occurs around the core category and depends on the relevance of the core category to the underlying basic processes latent in the data. Parallel to the coding process the researcher constantly records thoughts and ideas on relations between the codes in the form of memos.

5.4.3 Memoing

Throughout the coding process the analyst records the ongoing conceptualisation process in form of theoretical memos which have to be written the instant the idea occurs. The form can be crude and unrefined as the memos are undergoing further refinement at later stages.

Memoing underlies a number of strict rules set out by Glaser (1978) which should, on the one hand, encourage the production of memos as a step up in abstraction and promote variety and depth of their content; on the other, to remain closely linked to the data.

The objective of memoing remains to raise the conceptual level of the analysis to a theoretical level above the individual incidence but remain closely linked to the set of data on which the analysis is based. Memos mainly concern themselves with the relation between the categories and concepts found in the different coding stages.

5.4.4 Theory Generation

The theory formulation comes in the last stage of the memoing process, the theoretical sorting of memos. The sorting process of the memos brings the data back into a coherent form after it had been *run open* by the analyst to find the underlying processes.

Theoretical sorting is a structured process which integrates the analysis on a conceptual level relating everything to the core category as the focus of the emerging theory. During the sorting process the memoing continues as new theoretical codes on relations and connections occur.

The process stops when theoretical completeness is achieved. Glaser describes the state of theoretical completeness as:

.it explains with the fewest possible concepts, and with the greatest possible scope, as much variation as possible in the behaviour and problem under study.

Source: Glaser (1978) p125

Theories develop through this process and during the different stages. They build up through the constant process of abstraction and gain validity through the constant comparison with emerging data. Grounded theory does not produce theories as a *deus ex machina* but discovers theories through slow and continuous work with the data on the subject under study (Turner 1983).

It is important to remember at this stage that the objective of grounded theory is to develop theories and not to prove them. It is also important that the theories generated are primarily relating to the data on which they are grounded, but that they can be applicable in a wider context depending on their density and clarity of reason, although they do not claim to be representative in a statistical or positivist sense. Mintzberg (1979) calls this embracing of a wider reality to *generalise beyond one's data, a creative leap* which he considers as *the true art of good science*. Turner (1983) takes a similar point of view towards grounded theory in so far as he sees it as an approach to qualitative analysis that is promoting the development of a theory which is usable in situations as those observed, but also open to comment and correction when applied in a wider context.

5.5 Conclusion: Chapter 5

This chapter has presented the research design and how it evolved from identifying the information needs to achieve the research objectives which were presented in the previous chapter. A detailed discussion of qualitative and quantitative methods was presented, taking the two areas of research back to their philosophical roots in Comte's and Husserl's work, without neglecting the practical implications of the methods and their relevance to this study. After a summary of pros and cons it transpired, that a qualitative approach is better suited to this study. Eight detailed points were provided to support the decision.

Data Collection methods were discussed in this chapter with the objective to identify the most suitable method from the array of different methods available of the qualitative researcher in marketing. It was established very early on, that interviews would be the ideal strategy for data collection and the remainder of the section discussed the advantages and disadvantages of different interview types arriving at the conclusion, that personal semi-structured interviews promised the best solution.

The sampling and respondent profiles were developed taking potential problems in central Europe into consideration. A flexible approach was selected which allowed the researcher to determine the sample, within certain specified limits, during the field trip. In total 22 interviews were conducted with blue chip fmcg companies in 3 target markets: Poland, The Czech Republic and Hungary.

The data analysis was made using a grounded theory approach. The various levels of abstraction which are used to analyse data in a grounded theory method were discussed and presented using quotations of one of the originators of the method (Glaser 1978, 1992).

The following chapter now presents the findings of this study. In many cases direct reference is made to the grounded theory process to maintain a transparent analysis process, allowing the reader to follow the author in the abstractions made and also in the theory generation.

5.6 References: Chapter 5

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Paliwoda 1994

Thomas 1994

Chapter 6

Report of Findings

Chapter 6

Report of Findings

6.1 Introduction

The discussion of the relevant literature at the beginning of this study found that the main thrust of previous studies concentrated solely on pioneering in terms of new product development (NPD), thus neglecting the particular form of pioneering in the context of new geographic markets (NGM). This means, that not only a number of factors influencing pioneering in new geographical markets have not sufficiently been researched and that a clear bias in research towards the new product development context exists, but furthermore that the general attitude towards pioneering is formed on the basis of research on NPD pioneering alone.

However, before this chapter can investigate the question of whether the principles established for NPD pioneering are transferable to the context of pioneering in new geographic markets, it is necessary to painstakingly analyse the forms of pioneering found in the data of this study. It is necessary to be clear about the fact that within this set of data, incidents have been recorded that are based on more than one or mixed forms of pioneering and furthermore to be exactly clear about the different forms of pioneering in order to avoid confusion as to what the findings and conclusions are based upon.

The first section in this chapter therefore analyses pioneering as an activity and differentiates between and defines the forms of pioneering, which are already known, NPD and NGM and a third, hybrid form of pioneering (NP), which was found in the data of this study.

The second section of this chapter deals with the core of this study: pioneering effects. The section reveals the different effects which were found in the data as the basis for the abstraction which has led to general categories and a typology of pioneering effects in the context of NGM pioneering.

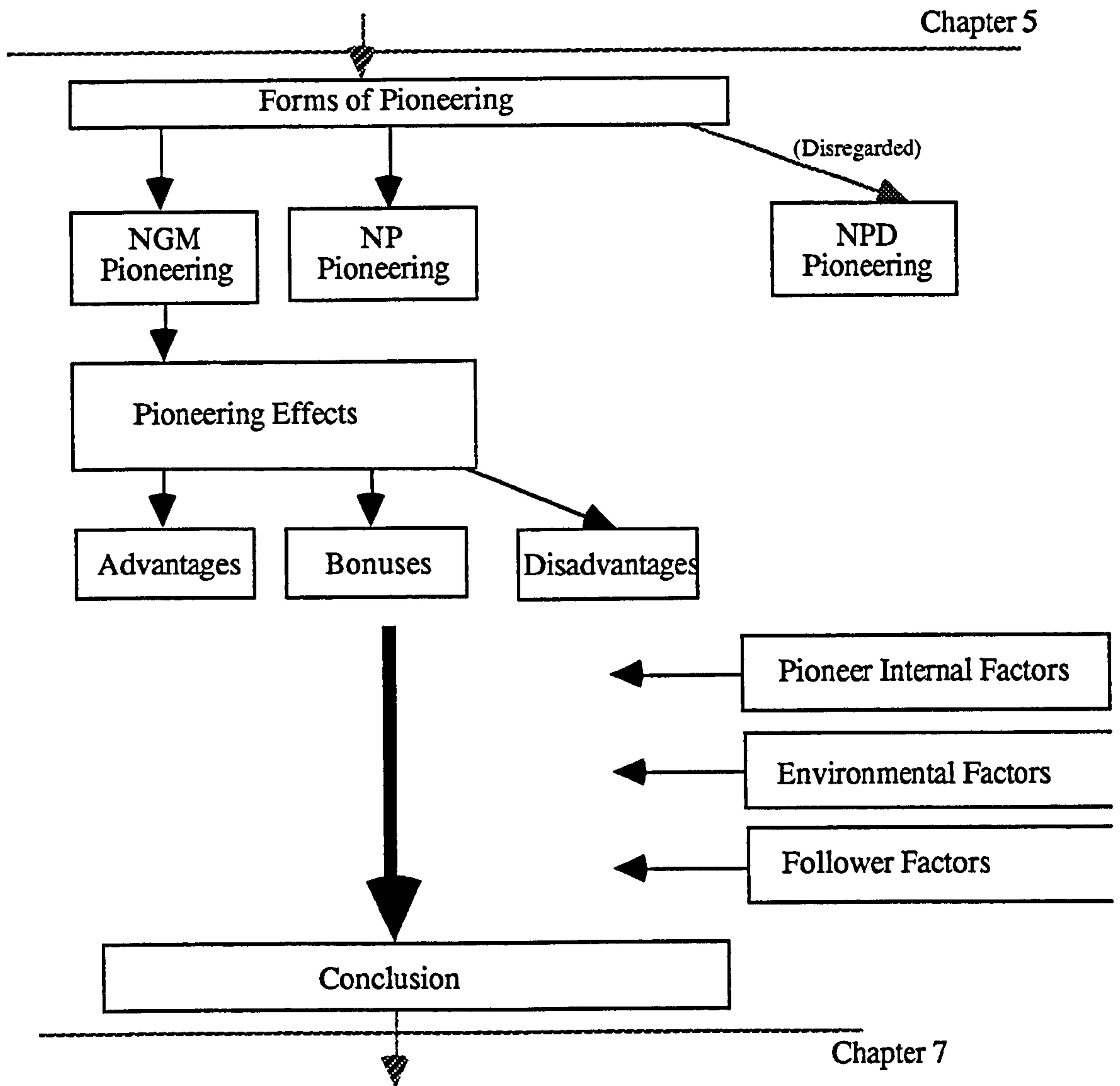
No previous research has dealt with this matter in such a comprehensive way and this section establishes not only a new category of pioneering effects but also gives a detailed analysis and a conceptual model of the different types and the general underlying process of pioneering effects in the context of NGM pioneering in general.

A large section follows then on the factors which influence the intensity of pioneering effects. The conditions under which pioneering effects are created, and the factors which determine their intensity, are issues which have not been investigated sufficiently in any previous work on the subject. From the data in this study a number of internal and external factors have been identified which have a varying degree of impact on the intensity with which pioneering effects occur. The section therefore elaborates in detail the factors and conditions which were found either to be conducive or not, to pioneering effects.

The discussion and evaluation of the factors influencing pioneering effects leads to the final part of this chapter, the conclusion. The conclusion is followed by the next chapter which consists of two parts: Firstly, reflections on the 'textbook conception' dominating opinion on pioneering advantages with the reality found in this study. The section particularly emphasises the discrepancies which exist between the theory of pioneering advantages and the reality. It also attempts to identify the sources of these discrepancies. Secondly recommendations based on the findings of this study. The recommendations are twofold, with one set aimed at companies engaged in NGM pioneering and the other set at academic researchers who are interested in continuing the research into this subject matter.

The following chart is an attempt to provide a map through this and the following chapter, so that the reader can always clearly see the position they are at, and the surrounding framework around each part of the argument:

Figure: 6.1
Structure of Chapter 6



Source: Author

6.1.1 Caveat: Presentation of Findings

The presentation of findings in this chapter is on a level which has been abstracted from the data of this study using the grounded theory approach developed by Glaser & Strauss (1967). The result of which are findings which have a wider relevance than only for the data set of this study (Mintzberg 1979). In those cases, in which the relevance is limited, to either the context of central Europe, the respondent group or a single company within the respondent group this is made clear at the time in the text. However, examples which are clearly sign posted are examples for findings on the abstracted level and are meant to clarify and demonstrate the general meaning of the finding. Although they also demonstrate that the findings are rooted in the data, they are not the only evidence for a particular finding from which generalisations have been made.

6.2 Pioneering: A Definition of Different Forms

The review of the literature in an earlier chapter of this study revealed that a considerable amount of research has been conducted on pioneering in the context of new product development (NPD). The literature also revealed that a gap in research on pioneering in the context of new geographical markets (NGM) exists, which is the subject of this study. This section reveals, that this study identified a third form of pioneering which is a hybrid form of NPD and NGM pioneering.

Although the focus of this study was clearly set on NGM pioneering the analysis of the data revealed, that some cases of pioneering in the data were of a hybrid form of pioneering having properties of NGM as well as NPD pioneering. The objective of grounded theory is to identify processes underlying the data which are able to explain various incidences, in the data set and beyond the data used for the analysis. The incidences which indicated the hybrid form of pioneering however could not be explained sufficiently by either of the processes found underlying NGM and NPD pioneering. It is therefore, that a third form of pioneering has to be recognised filling the explanatory gap between NPD and NGM pioneering which was left with the dual framework of only NGM and NPD pioneering.

The incidences in the data of this study which indicate a third form of pioneering show that companies who, although they were follower in a general product category, have pioneered niche products or introduced sub-categories in the new geographical market in order to gain pioneering advantages within the realms of the niche product or sub-category they introduced.

Example: NP Pioneering

Henkel Cosmetics, Poland

Henkel started their activities in Poland with a detergents and cleaning products division, PCPs were introduced at a later stage. By the time Henkel started their PCP ranges in Poland other competitors, in particular Procter & Gamble had already launched their Personal Care Product brands in the Polish market.

Henkel was nevertheless the first company to launch a shower gel in the Polish market. In terms of the product category 'PCP', Henkel was clearly a follower but in terms of the particular product 'Shower Gel' Henkel was the product pioneer.

This third form of pioneering has been called New Product Pioneering (NP) and refers to the phenomenon in which companies who are not first in their category to enter a new geographic market but who once they are in the market, pioneer a new product category or a sub-category, which was previously not available in the market.

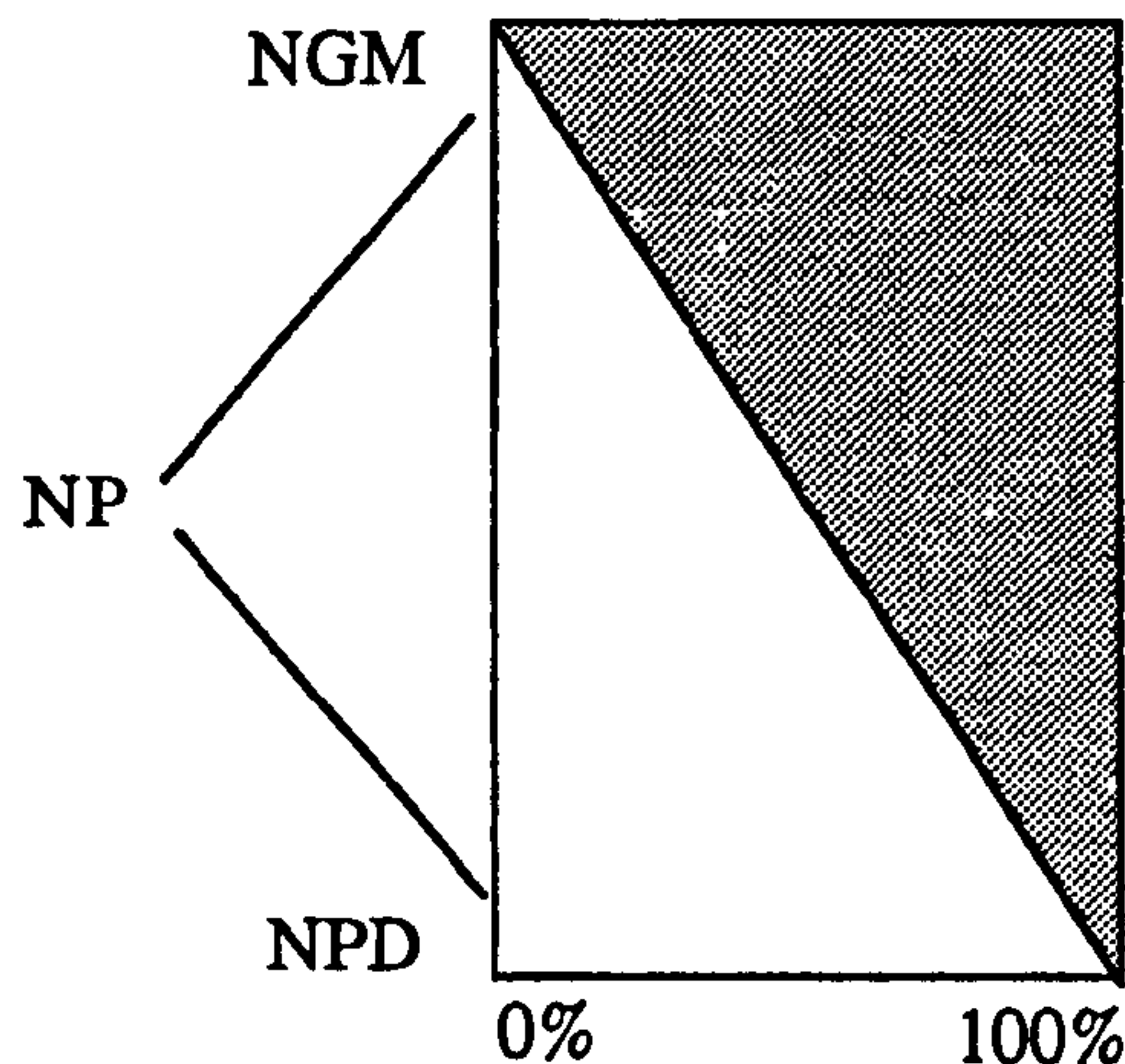
The distinct difference to NPD pioneering is that the company takes the product it is introducing to the particular market from its international roster of existing brands and products, no product development or product innovation is involved in this form of pioneering. This difference is important in terms of differentiating NP pioneering from NPD pioneering, as all factors of NPD pioneering relating to the development of a new product are irrelevant to NP pioneering.

The difference between NGM pioneering and NP pioneering is equally important, as a number of factors relevant to NGM pioneering do not apply to NP pioneering. One of the most important factors in terms of NGM pioneering is that in the new market no competitor operates or has operated. This bears considerable advantages for the pioneer (i.e. monopoly situation) as well as disadvantages (i.e. need to educate consumers) which all have no relevance for the NP pioneer, as competitors already operate in the market.

NP pioneering is nevertheless a form of pioneering, as it brings a new product or a new product sub-category to a particular market. In doing so it occupies a position which lies between NGM and NPD pioneering. The fact that NP pioneering has characteristics and properties of NGM as well as NPD pioneering, in their individual composition dependent on the context, leaves a large area of gradual transition between NGM and NPD pioneering to NP pioneering.

The following graph visualises the large area between NGM and NPD pioneering which is occupied by NP pioneering. In this graph the horizontal axis indicates the degree to which the particular incidence of pioneering found is either NGM or NPD pioneering. The grey area indicates NGM pioneering and the white area indicates NPD pioneering. The extremes are at the bottom with 100% NPD pioneering and at the top with 100% NGM pioneering, both are the clear cases of pioneering in their respective contexts. All possible forms of pioneering in-between the two extremes are particular forms of NP pioneering. It depends on the incidence of NP pioneering whether it is more of a NGM pioneering than NPD pioneering or vice versa, but each case has to be assessed individually in this respect:

Figure: 62
Pioneering Spectrum



Source: Author

The data of this study reveals, that NP pioneering is a common phenomenon and that followers frequently attempt to make up for what they perceive as a loss of competitiveness by not having been the NGM pioneer by launching new products into niche markets in the hope to benefit at least on a limited basis from pioneering advantages in the one product niche or sub-category they pioneered (NP) in a new geographical market.

A strong belief exists amongst the respondents of this study, that pioneering advantages are almost a guarantee for market leadership and the attempts to benefit from pioneering advantages are therefore considerable. The example further down in this paragraph demonstrates this belief in pioneering advantages and the subsequent action taken by those who want to benefit from pioneering advantages at all costs. The following table shows how many cases of the three types of pioneering were encountered in the sample of companies studied for this project:

Table: 6.1
Frequency of Types of Pioneering

NGM	NP	NPD
8	10	0 ¹

Source: Author

The figures show, that NP pioneering is frequently used and that only few followers choose not to pioneer a product or a new sub-category in the markets which were studied. Although the definitions given for the three forms of pioneering in this study should allow to clearly distinguish between the different forms of pioneering, some cases do exist, which are less clear cut.

One could argue for example, that a follower who enters a new geographical market with a product in a sub-category which has not yet been introduced to the market falls also into the NGM pioneer category. This however, does not fit the definition of NGM pioneering in which it is made clear, that no competitor operates in the product category in the new geographical market. A follower, who merely enters with a sub-category or a product within a category which has previously not been introduced by the NGM pioneer, will not be able to reap pioneering advantages based on the context of NGM pioneering.

¹ The fact that no single case of NPD pioneering was found is unsurprising, as only western multinationals were included in the sample and their NPD pioneering would take place in their home markets rather than these new geographical markets. All respondents were found to concentrate on their basic, mainstream products and brands rather than new product development.

It also has to be noted, that the data shows no single case in which the follower entered the market via NP pioneering. All NP pioneers chose to enter the markets in this study via following into the market with core products and then, on the basis of the core products, pioneering new products in the market, branching out further than the NGM pioneer had done. This also explains, why a lot of NP pioneering has taken place in niches which are not economically viable or which remain on the fringes of product categories:

NGM pioneering is a core product business, NP pioneering is a niche product business.

Example: NP Pioneering; Niche Products

Henkel Cosmetics, Poland

The infra structure in Polish homes is such that currently only about 8% of homes have showers. The Polish language has no expression for 'shower gel' and most Poles do not know what the use of this product is. As shower gel is considerably more expensive than liquid soap it neither meets the needs nor the purchasing interests of the majority of consumers in the market.

Shower gel is a fringe product within the product category of PCP and will not become a core product until the majority of Polish homes has been equipped with showers and the habit of taking a shower has become a normal part of personal hygiene procedures in Poland, a development not under control of the NP pioneer Henkel Cosmetics.

As the differentiation between the three forms of pioneering has been made in this study for the first time it is not surprising, that practitioners are somewhat liberal in the use of the term 'pioneer'. The liberty with which practitioners refer to the term 'pioneer' and the differentiation between the three forms of pioneering also explains the paradox of having more than one respondent considering itself as the pioneer in one and the same product category as was revealed in the data of this study.

The clear distinction between NGM pioneering and NP pioneering is however of great importance to this study, as the focus of this study lies only on NGM pioneering. It had already been decided earlier to disregard NPD pioneering because of the differences between the two forms of NGM and NPD pioneering, but NP pioneering is also not studied any further, as it has transpired, that it is not a sub-form of NGM pioneering, but a distinctly different hybrid of NGM and NPD pioneering which only occurs within the framework of a new geographical market, but is entirely unrelated to the discrete form of NGM pioneering in terms of the properties of the category.

In the following sections of this chapter NP and NPD pioneering may therefore only be used to demonstrate the differences between the three forms of pioneering and to highlight the unique properties and differences of NGM pioneering in comparison to the other two forms of pioneering.

6.3 Pioneering Effects

This section deals with pioneering effects. At this stage the term pioneering effects is used rather than pioneering advantages, as 'advantage' is a value judgement of an 'effect' which, at this stage, can not be supported by any empirical evidence.

The first section of this chapter therefore reports rather than evaluates the incidences in the data of this study on pioneering effects to allow the reader to get a 'feel' for the data generated in this study. The presentation of the data at the beginning of this section also permits the reader to easily follow the increasing level of abstraction throughout this section, which leads from the report of incidences to categorisation and subsequently to the analysis of the categories of pioneering effects.

6.3.1 Incidences of Pioneering Effects

In this paragraph pioneering effects which were found in the data set are listed. They are as yet in their *raw stage*, which means they have neither been analysed nor categorised, they have only been paraphrased to eliminate specific references from the original citations. This descriptive stage of the analysis process is crucial in terms of demonstrating the density of the data and that the evolving analysis is rooted deeply in the data set of this study, as a fundamental requirement of grounded theory analysis.

Although the following list is comprehensive in terms of incidences of pioneering effects, the listing is not complete. Repetitions and similarities have been eliminated from the list, as they would not provide new data, but only additional weight which is unnecessary in the process of theoretical sampling. A complete listing of all pioneering effects can be found in the appendix A7.2, which is showing the verbatim transcripts of all interviews as extracts which were coded as relating to pioneering effects.

List of Pioneering Effects²:

- 'establish brand name as the trademark of a whole category'
- 'advertising was very cheap'
- 'advertising was very effective'
- 'there were not many adverts on TV'
- 'distribution was gained relatively easily'
- 'we got onto the shelves immediately'
- 'not many western brands were around at the time [at the time of entry]'
- 'Once you are in the market the race is on to be first in the niche markets'
- 'You can block out rivals [from distribution channels] if you are first to make contracts'
- 'You start to educate the consumers'
- 'You create the market'
- 'We [the pioneer] blocked the followers from using certain private media'
- 'If you create a market by educating consumers they stay with you even if followers enter the market'
- 'You own the market, it is your product category [if you educate consumers and create a market]'
- 'It is easier in a market in which you start as the number one'
- 'It helps to be longer in the market'
- 'It is easy to gain a good share of the market because it [the pioneer's product/brand] is new and existing'
- 'You can make a pre-emptive move by investing heavily at an early time'
- 'We raised the barriers of entry to make it difficult for followers'
- 'We are blocking key distribution centres'
- 'You can make mistakes [without suffering the consequences]'
- 'At the beginning it is cheap to introduce brands'
- 'It is almost impossible for one player to change consumer habits'
- 'The first can introduce the systems he likes'
- 'The first has to do a lot of educating'
- 'Only the pioneer has the chance of introducing his favourite system'
- 'We introduced a lot of standards in dealing with all sorts of institutions, suppliers, consumers etc.'
- 'We had the choice of local brands to buy'
- 'If you came now there are no viable companies left to be taken over'
- 'from your main brand you launch extensions and other products'

² [] Square brackets indicate supplementary information by the author

- 'We blocked key contact points with consumers'
- 'If small stores carry one brand they carry the pioneer'
- 'having been longer in the market still shows better awareness figures'
- 'consumers thought we were totally overpriced, being the only available product in the category'
- 'if you are first you build a reputation and you can use that later'
- 'The pioneer attracts competition by doing a good job'
- 'the pent up demand was something we benefited from'
- 'in the early days people had lots of cash'
- 'the pioneer has a holiday as long as he is on his own'
- 'being reference brand is one of the core advantages of the pioneer'
- 'you are the architect of your category and you design it to fit exactly your product'
- 'It is important to contact the consumer first'
- 'the pioneer had more time to promote his brand'
- 'the pioneer went ahead in distribution'
- 'We [the follower] had to catch up in all areas'
- 'The main advantage of those who entered early was that they were able to acquire local brand'
- 'Swing back's are nice if you are in and competition can't follow'
- 'Those who are early take part in shaping the market'
- 'those who are first have time to get their house in order'
- 'once the pioneer stops to spend on his advertising his advantage is lost'
- 'because of a lack of brand loyalty you are forgotten as soon as you stop advertising'
- 'when we started the product difference between local products and ours was huge'
- 'there were no products on our performance level'
- 'we probably made too much use of the advertising opportunity'
- 'we entrenched our company name in the consumers mind'
- 'having been here longer results in stronger brands'
- 'having had more time mean that our internal structure is extremely efficient'
- 'Consumers were waiting for our products'
- 'followers were quick to come into all the categories which we pioneered'
- 'the followers have their products ready just as we have'
- 'We were able to rationalise earlier than others'
- 'nobody had a huge time advantage'
- 'we all came at the same time'
- 'Cheap marketing materials which were used at the beginning were not working'

- 'We introduced products in all vital positions in the market'
- 'Our main brand is so popular it's name stands for the whole category'
- 'An organisation needs time to be set up, it does not happen over night'
- 'Consumers get used to the pioneer'
- 'being late means facing a market which is already crowded'
- 'Follower X has no local brands, they were all gone'
- 'it takes the follower an extra effort to make up for the lost ground'
- 'as a follower you really need to convince retailers'
- 'as a follower you can copy the pioneer'
- 'the pioneer risks everything and the followers know what to expect'
- 'The pioneer can make it very difficult for followers'
- 'If you are the follower you are always later in every development, distribution, rationalisation etc.'
- 'The pioneer is only as strong as he is in mastering business skills'
- 'The follower can learn a lot from the pioneer'
- 'With the right investment the follower can make up lost time'
- 'The pioneer loses a lot of time in getting things right, the follower can copy this in no time'
- 'As a follower you can determine the right position on the basis of the pioneer'
- 'All advertising by the pioneer benefits the followers'
- 'If a follower hasn't got the right staff he can just hire it from the pioneer'
- 'Followers have it easier with administrations and authorities'
- 'The follower can base the size of his operation on the example set by the pioneer'
- 'Consumers are not brand loyal a pioneer has no advantage on this one'
- 'A pioneer is vulnerable to followers who invest a lot and are ruthless enough'
- 'A pioneer shows the way of how success is made in a market'
- 'It is vital to be first in a market unless you have so much in terms of funds that you buy your way in'
- 'It takes years to make up a couple of months lost at the outset'

6.3.2 Categories of Pioneering Effects

Having separated the positive and negative effects of pioneering from the main body of data, the next stage of grounded theory analysis requires to raise the level of abstraction by leaving individual incidences behind and search for underlying processes which can explain more variation of the data than only a particular incidence.

This stage is referred to as selective coding in grounded theory and Glaser (1978) defines selective coding as the process of concentrating on core variables in the data and *to focus on those codes that relate to the core variable in sufficiently significant ways to be used in parsimonious theory.*

For this study it means, that the positive and negative effects of pioneering are coded in terms of categories that are based on the underlying process of pioneering effects. This categorisation eliminates repetitions, groups together similarities and simultaneously raises the level of conceptualisation in the analysis of the phenomenon of pioneering effects. Although the focus now shifts away from the data itself to the underlying concepts, the incidents listed above are provided as the link between the data and the categories which evolve at this stage and later stages. The categories which are developed at this stage remain close to the raw data and will be the basis for further abstraction in coming stages of analysis.

6.3.3 Selective Coding of Pioneering Effects

In this stage incidences from the list of pioneering effects, which was presented above, are analysed in terms of their underlying processes. The resulting categories isolate the process, leaving individual incidences in the data behind.

It is important to note, that the incidents presented in this section are examples for incidents which are based on the same underlying processes. Although a category *can* be based on a single incident, depending on the evaluation made by the researcher, in most cases a number of incidents have been found in the data to provide weight to the categories.

Category A

Incidents:

- 'advertising was very cheap'
- 'At the beginning it is cheap to introduce brands'

Underlying Process:

The process of this pioneering effect is based on price differentials resulting from different times needed for adaptation within a market. This effect is a remainder of the old command based economy in terms of an artificially created differential between the cost and the value of a good or service. This is suddenly confronted with a sudden rise in demand whereby pricing the supply has not caught up with the new reality.

Pioneering effects of this kind occur because of the non market led pricing system which was in place in central European countries before the opening to western companies. While the changes which permitted western companies to set up subsidiaries in these markets happened quickly and were followed by western companies entering the markets almost immediately, not all parts of the former command lead economy adapted as quickly to the new market lead economic order. This created isolated incidents in which pioneers were able to buy services or goods at 'old' prices which were by no standards a reflection of their value to the pioneer, thus creating a positive effect of pioneering.

One repeatedly mentioned area in which this pioneering effect was of great benefit to pioneers was advertising, in particular TV advertising. The prices encountered by pioneers in the early days for TV advertising were extremely cheap compared to western markets and, as most pioneers had calculated their advertising budgets on the basis of western prices, they were suddenly in a position to get as much as 100 times the airtime for their budgets. Advertising costs quickly reacted to the increased demands and were frequently doubled by TV stations as often as two or three times per year until they reached a price level on a 1000/contacts basis which is comparable to western markets.

Although no other incidences were found in the data which are based on the same underlying process of this pioneering effect, it can work in other areas apart from TV advertising, i.e. rent, services acquisition of real estate etc., and therefore deserves to be formulated as an independent category of pioneering effects, termed:

- **Remains of Artificial Pricing**

Category B

Incident:

- 'Swing back's are nice if you are in and competition can't follow'
- 'The main advantage of those who entered early was that they were able to acquire local brands'

Underlying Process:

The pioneering effect in this category is not related to the immediate change of systems at the end of an area, but to the adjustment process of the new powers taking place in the new environment. The incidences in the data indicating Swing Backs refer to situations in which a situation occurred under the new system is perceived as inferior to the situation which was had under the old order.

A prominent issue in this group is unemployment. Communist societies had no unemployment, the labour market as all others was centrally planned and everybody was guaranteed employment. This guarantee however, did not guarantee work, only employment. The massive reductions in employees after the opening of markets by all central European companies were a sign of the inflated workforces which made all central European companies uncompetitive. However, societies in central Europe were not used to unemployment under their old regimes, and the new governments are often blamed for this unsettling development.

In a situation in which the new system has not brought the benefits that were hoped for and the worst of the old system has already been forgotten swing backs occur. Not all of these swing backs are necessarily pioneering bonuses, but some offer distinct benefits to pioneers.

In the data of this study a strong swing back of growing protectionism is eminent. The growing protectionism in central European markets is a populist measure by the new governments to protect local industry thus keeping unemployment from rising further. For the pioneer this holds two potential pioneering effects:

- Closing the Door
- Local Brands

Closing the Door

If a pioneer was able to acquire or build manufacturing capacity at an early stage, prior to the protectionist swing back he benefits from any move to protect local industry in form of the introduction of tariffs or duties on finished products from abroad.

If the protectionist moves go further than the introduction of tariffs and duties on imported products, the pioneer may benefit from another form of employment protection in that other followers are not allowed to enter the market at all. For the government this means that the pioneer can maintain the workforce or adapt the manufacturing process in a less abrupt way than would be necessary in the wake of western competition entering the market. With rising unemployment in central Europe and the resulting pressures on them, governments may not be adverse to this kind of measures in order to avoid more unemployed in their own countries.

Local Brands

In a climate of growing protectionism the investment made by a pioneer into local brands and local tradition can be judged by governments as a commitment to the country as an economy rather than a market to sell imported products. This can improve the leverage in negotiations and protect a pioneer from harsh measures against importing goods, as the pioneer is not only an exporter but also a manufacturer.

A number of respondents referred to this pioneering effect, although the intensity is dependent on the political environment in a market. The category is termed:

- **Swing Backs**

Category C

Incidents:

- 'the pent up demand was something we benefited from'
- 'in the early days people had lots of cash'
- 'when we started the product difference between local products and ours was huge'
- 'there were no products on our performance level'
- 'Consumers were waiting for our products'
- 'It is easy to gain a good share of the market because it [the pioneer's product/brand] is new and existing'

Underlying Process:

The process of the pioneering effect underlying the above incidences is directly related to the large scale changes which ended the area of Communism and introduced market lead democracy to central Europe. The opening of the markets of central Europe freed the consumers in these markets from restrictions and limitations they had to cope with for 40 years. This resulted in a 'Euphoria' towards western brands, which presented a number of consequences for pioneers. Two distinct effects can be isolated from the data:

1. Satisfying pent-up demand

As consumers in central European markets were never really able to purchase western brands before the changes occurred, many consumers had a great longing for particular western brands and products or just for owning something from the west. This meant that the first months in which markets opened up saw overwhelming sales for pioneers, not at least because at that stage many consumers were also able to afford western products because of their savings which they had accumulated over the period in which they were unable to spend money because of the general lack of products.

The two factors, desire for western brands and the availability of funds to purchase coupled with great curiosity lead to impressive initial sales for pioneers who went into these markets at an early stage.

2. Novelty Value / Performance Difference to Local Products

The novelty value of pioneering brands was immense in the early months after market liberalisation took place in central European countries. Not only were pioneering brands new and more attractive, well packaged and advertised but they were also offering in many ways absolute and relative superiority in terms of performance in comparison to local products. This was all the more an indicator for central European consumers for the esteem in which western brands were held in the past.

The underlying process of the effects in this category are based on 'Euphoria', a social process which is also mainly a result of the adaptation of market participants to the new situation. The category is therefore termed:

- **Euphoria**

Category D

Incident:

- 'advertising was very effective'
- 'there were not many adverts on TV'
- 'we got onto the shelves immediately'
- 'not many western brands were around at the time [at the time of entry]'
- 'You start to educate the consumers'
- 'You can make mistakes [without suffering the consequences]'
- 'the pioneer has a holiday as long as he is on his own'

Underlying Process:

The fact that a pioneer has a time in which he has a monopoly for products in his category is per se a positive effect, as the status of a monopoly grants opportunities in which consumers have no choice but to buy from the monopolist and the monopolist has the unique chance of preparing himself for possible future competition.

In the data a number of different incidences were found in which the pioneers all aim to use the time, in which they hold the monopoly, to a maximum.

The majority of the activities which were found relating to this pioneering effect are market oriented, creating benefits for the future of the pioneer in the market by using the monopoly.

Examples of the activities relating to this bonus which are mentioned in the data are incidences that show the increased use of advertising, in order to build the pioneering brands and benefit from the absence of any competitor advertising, which, as an addition utilises the pioneering effect of 'Remains of Artificial Pricing' which was discussed above. Further incidences show the education of consumers about the use and benefit of the pioneer's products, if that is required, in the ideal situation attempting to build brand loyalty and brand preference. Besides the directly market oriented other incidences show indirectly market oriented activities like building a sales force and having the benefit of trial and error, which all use the monopoly as a launching pad for investments into the future.

The category of the pioneering effects utilising the monopoly as the underlying concept are therefore termed:

- **Monopoly**

Category E

Incidents:

- 'Once you are in the market the race is on to be first in the niche markets'
- 'from your main brand you launch extensions and other products'
- 'We introduced products in all vital positions in the market'
- 'being late means facing a market which is already crowded'

- 'The main advantage of those who entered early was that they were able to acquire local brand'
- 'We had the choice of local brands to buy'
- 'If you came now there are no viable companies left to be taken over'
- 'Follower X has no local brands, they were all gone'

Underlying Process:

The underlying process of this group of pioneering effects is objective oriented and refers to the aim of the pioneer to cover the market with brands and sub-brands in all important positions as to not allow a follower to find a lucrative gap in the market environment, through which to enter.

The objective of the pioneer to achieve market coverage by launching secondary and niche brands in a new geographic market before the competition arrives is a particularly important issue for pioneers who follow a strategy of risk avoidance and enter new geographical markets with a 'toe in the water' approach. This risk avoidance strategy often seems to translate into a market entry at which only the main brand is initially introduced to the new geographic market. Once the main brand is established it is then used as a launch-pad for brand extensions, secondary brands and niche brands to be introduced on its back.

Although the respondents in this study are all multi brand and multi product companies, which gives them a whole array of international brands to launch as sub and niche brands, one solution which is frequently mentioned in the data as being effective in this respect is the acquisition of local brands.

According to the data, two direct effects were to be gained from the acquisition of a local brand through the pioneer in terms of this category. The acquired local brands could be positioned in the lower price segments which continued to be the segments which have the highest turnover in terms of volume, thus preventing a follower to enter a market on a low price proposition without having a competitive brand on the same level. Secondly, local brands themselves proved to be much more important in the central European context according to the data, than initially thought by most marketers. Local brands proved to be very popular amongst local consumers and in their re-launched versions they often achieve higher brand loyalty and awareness figures than western premium brands owned by the same company.

The concept which underlies the pioneering effects in this category is the coverage of important market positions through the pioneer prior to the market entry of a follower, either through the launch of international sub-brands and extensions or through the acquisition of local brands. The category has therefore been termed:

- **Market Coverage**

Category F

Incidences:

- 'establish brand name as the trademark of a whole category'
- 'If you create a market by educating consumers they stay with you even if followers enter the market'
- 'You own the market, it is your product category [if you educate consumers and create a market]'
- 'having been longer in the market still shows better awareness figures'
- 'if you are first you build a reputation and you can use that later'
- 'being reference brand is one of the core advantages of the pioneer'
- 'you are the architect of your category and you design it to fit exactly your product'
- 'It is important to contact the consumer first'
- 'Those who are early take part in shaping the market'
- 'we entrenched our company name in the consumers mind'
- 'having been here longer results in stronger brands'
- 'Our main brand is so popular it's name stands for the whole category'
- 'Consumers get used to the pioneer'
- 'the pioneer had more time to promote his brand'

Underlying Process:

The NGM pioneer is the first western product of a category consumers get into contact with, as was defined in one of the previous sections of this chapter. The contact between the consumer and the pioneer's brand is lead by the pioneer's intention to 'shape' consumer perception in favour of his brand and product.

Research conducted into NPD pioneering suggests, that the initial contact between a consumer and a pioneering brand shifts the perception of the ideal product attribute combination towards that of the pioneer (Schmalensee 1981). Followers are perceived as different from the pioneer which makes them therefore less close to the ideal product attribute combination. For a pioneer this results in a considerable positive effect, as product preferences result in repeat buys and eventually in brand loyalty.

Although the shaping of consumer perceptions is a gradual process, the ultimate reward of the process is the 'reference position', in which a brand name becomes synonymous with a product category (i.e. Xerox, Hoover). Because of the importance of the reference position it is necessary to look at this advantage in more detail.

Following from existing theory on NPD pioneering advantages, the reference position is one of the most coveted positive pioneering effects, although it is clearly a concept coming from NPD pioneering. To be the brand a whole product category is associated with rather than vice versa is truly a marketing advantage which is very hard to compete against from a follower's position. In terms of NGM pioneering, aiming for the reference position is shaping the consumer perception as part of the environment of the new geographic market.

From a theoretical point of view the adoption of the reference brand concept to pioneering in central Europe seems attractive and feasible. Most consumers in central Europe experience western brands and products similar to new product developments as they have never had contact with these brands before and in cases possibly not even to the product category. It is therefore that it seems logical to pioneers in central Europe to aim for the reference position with their brands being first in the market. It does not surprise, that the objective to become the reference brand in a category was one of the most frequently mentioned pioneering advantages amongst the respondents. The knowledge of the concept of what it means to be a reference brand and the strategies of how to achieve this status however, varied considerably amongst respondents.

The process underlying the incidences presented in this category are based on the shaping of consumer perceptions. A variety of degrees in the achievement of this process is possible from awareness creation to becoming the reference brand of a category. This category of pioneering effects is therefore termed:

- **Shaping Consumer Perceptions**

Category G

Incidences:

- 'distribution was gained relatively easily'
- 'The first can introduce the systems he likes'
- 'Only the pioneer has the chance of introducing his favourite system'
- 'as a follower you really need to convince retailers'
- 'Those who are early take part in shaping the market'
- 'We introduced a lot of standards in dealing with all sorts of institutions, suppliers, consumers etc.'
- 'the pioneer went ahead in distribution'

Underlying Process:

The incidences in this category are based on a process in which the pioneer has opportunities to uniquely shape the environment in favour of his own preferences. Retailing and distribution have repeatedly been given the highest importance by the respondents to become successful in, in central European markets and the chance to partly shape this area towards one's own preference is an effect of pioneering, the value of which must not be underestimated.

The retail and distribution situation which was found by most pioneers was one of total confusion, seeing thousands of new start ups and the rapid disintegration of the old state-run system. Most pioneers had no experience with this seemingly unique situation of an exploding retail and distribution channel. The adaptation of systems between suppliers and buyers depends on the power of the individual parties involved and the sophistication of the systems they use.

In central Europe the power and the sophistication were clearly on the supplier side which allowed pioneers to introduce their systems concerning issues like ordering, delivery, billing, credit terms and retailer support. This makes it very easy for the pioneer to build his distribution and retail infra structure, as staff and the rest of his organisation works with and is used to similar systems they use in other markets. Followers then have to adopt the systems they find in place, as retailers and distributors are unlikely to accept new arrangements and agreements when they have just adopted the pioneer's system.

The category of this pioneering effect is therefore termed:

- **Shaping Retail and Distribution Systems**

Category: H

Incidences:

- 'An organisation needs time to be set up, it does not happen over night'
- 'We were able to rationalise earlier than others'
- 'having had more time mean that our internal structure is extremely efficient'
- 'those who are first have time to get their house in order'
- 'It takes years to make up a couple of months lost at the outset'
- 'We [the follower] had to catch up in all areas'
- 'If you are the follower you are always later in every development, distribution, rationalisation etc.'

Underlying Process:

The incidences in this category are associated with the shaping of the pioneer's own organisation in the new geographical market and the pioneering effect of this lies in having more time to gain an understanding and acquiring the necessary expertise to be successful in the market over a follower who has to go through the same process at a later stage. Furthermore the pioneer is able to go through this stage at a time at which he has no competition, whereas the follower faces competition from the pioneer who is already better adapted to the market making his shaping efforts even more difficult.

It needs a considerable amount of time to build an effective and efficient organisation in a new geographical market, particularly if the local environment is in turmoil and its facilities are basic. Infra structures of a pioneer as much as those of a follower have to be developed around the shortcomings of the local environment and adaptations have to be made before the local organisation is working properly. The shaping of the organisation takes place for every competitor in the market and every company has to go through a similar process, albeit the late followers will find an environment which may well be easier to cope with as improvements have been made since the pioneer entered the market.

The pioneering effect in this context lies in the fact that the pioneer has the opportunity to set up his own organisation when no competitor can put him under pressure and trial and error are an option for finding the way. A result of this effect is, that a pioneer should be in a form to compete more effectively and more efficiently with a follower who besides fighting the competing pioneer also has to shape his own organisation.

The term for this category has been selected as:

- **Shaping the Organisation**

Category I

Incidences:

- 'It is easier in a market in which you start as the number one'
- 'You can make a pre-emptive move by investing heavily at an early time'
- 'We raised the barriers of entry to make it difficult for followers'
- 'The pioneer can make it very difficult for followers'

Underlying Process:

The underlying process of the incidences listed above is that of pre-emption. The pioneer by definition pre-empts any follower by entering a new geographical market earlier, which triggers a variety of pioneering effects.

One of these effects is that the pioneer can pre-empt followers by erecting or strengthening entry barriers to hinder followers or, at least make it more difficult for them, to enter the market in which the pioneer has established himself.

In order to be successful in a pre-emptive strategy the pioneer obviously has to be first in strengthening and increasing his commitment to the market which means he has to preserve the willingness to take risks and extend the limits of commitment in a market. In addition to the willingness the pioneer must also be able to commit more funds to a market in order to raise entry barriers, as investment goes usually hand in hand with this pioneering effect.

- **Entry Barriers**

Category: J

Incidences:

- 'We [the pioneer] are blocking key distribution centres'
- 'If small stores carry one brand they carry the pioneer'

Underlying Process:

The underlying process of these incidences is the blocking of access to distribution channels. Blocking the access to distribution channels seems a likely and attractive opportunity for pioneers, particularly in the context of the retailing situation in western markets. The market dominance of a few retailers, like in the UK for example, and their reluctance to offer similar brands besides each other on their shelves are an ideal situation in which the pioneer can block access after he has achieved his distribution. Research into NPD pioneering in these markets has listed blocking distribution as a key pioneering advantage. Although the retail situation in central Europe is very different, which has been mentioned several times, blocking access to distribution channels remains an important pioneering effect.

The current situation in central European retailing is such that the number of retail outlets has exploded and the retail industry is atomistic with thousands of small retail operators and no dominating players.

The fact that the majority of the small retail outlets are independently owned makes distribution a problem but effectively blocking access even more difficult, as each retailer is a decision maker for his store and most do not want to be dependent on a single supplier. Most early followers therefore reported no problem to gain shelf space and distribution. Retailers seem to act in this respect similar to consumers in that they appreciate the novelty value of newly introduced brands and are willing to stock them, whether that makes good commercial sense is currently not an issue in central European markets.

However, blocking has played a role in some industries in the central European markets studied and the specific processes how blocking was achieved are interesting because they use the weaknesses of the local retailing industry to their advantage achieving the intended objective. Blocking of retailing access was achieved through four processes which were found in the data:

- Contractual Agreements
- Free Supply of Shop Fittings
- Low Cash Flow of Retailers
- Advertising Pressure

Blocking by Contractual Agreements

Blocking through contractual agreements was achieved in two cases in which the market leader achieved the blocking out of competitors from certain parts of the distribution channels through binding of retailers into agreements by which they could not sell any other brand or only their own brand besides the agreed product.

With the increasing activities of western retailing organisations in central Europe the blocking of access to certain retail outlets or chains will most likely expand and become a strategy more often used than currently is the case. However, the two examples of this blocking type which were found in the data show that it was followers rather than pioneers who had achieved the blocking. This is a case of incumbent inertia and the pioneers should have not lost this opportunity. A pioneer can not rely on achieving these blocking advantages once the followers have entered the market, particularly not in a situation, in which the follower has achieved a strong enough market position.

Despite the fact that in the two examples the follower was able to block the distribution channel by contractual agreements they are used here, as the potential opportunity was available to the pioneer who missed it because of a lack of understanding or commitment. The examples in this data set still can not disprove the concept or the value of this potential pioneering effect.

Blocking by Free Supply of Shop Fittings

With the explosion of the retailing industry in central Europe the sophistication and financial strength of each individual retailer went down on average. Being first to offer small stores a substantial shop fitting in form of shelves, fridges, freezers or counters can be attached to agreements that no competitor is either sold through the particular shop fittings or through the whole outlet. As many small retailers could otherwise not afford to buy expensive equipment for their stores, in many cases this has worked in favour of the supplier who is prepared to invest into the shop fittings which go to the retailers.

The agreements on the basis of the supply of free shop fittings are less rigid than the contractual agreements mentioned above and if the individual shop is attractive enough followers could match the free shop fitting with equally high investments to ensure their product is also well displayed and has a guaranteed distribution through the particular outlet.

Often the supply of shop fittings and agreements made in this respect are also supported by free POS material and signs for the shop front to advertise the product as well as the shop. However, the supply of POS material alone is seemingly not sufficient as many brands supply an abundance of POS materials in the hope to get their own material displayed as free advertising outside thousands of shops.

Low Cash Flow of Retailers

The growing competition amongst retailers, their low business knowledge and sophistication has lead to a situation in which many small retailers are operating on an extremely low cash flow. The result of this is that purchasing of goods is often made depending on the current availability of cash rather than the stock situation of the shop and the need to reorder items that are out of stock.

In product categories which are not essential and in which the pioneer had achieved a wide distribution and a strong market presence, retailers may be reluctant to stock a second brand as that would tie up money they don't have available. The blocking out of competitors is therefore a voluntary restriction on part of the retailer and a number of factors need to come together for this effect to work:

- Market dominance of the pioneer is important as the retailer will want to stock the best selling brand if he only stocks one.
- A good distribution network and retailer support can encourage the decision of the retailer to work with one brand only.
- If the products are expensive the stocking of a second brand means that a relatively high amount of money must be spent on this, which is unattractive to the retailer who lacks cash.
- The product which is stocked has to be advertised, as that, in the eyes of the retailer, ensures demand and his sales.

Although the conditions seem to be difficult to achieve, for a pioneer who has invested in distribution and continuously supports his brand through advertising the voluntary blocking effect should work.

It has to be made clear, that the voluntary blocking only works in the small shops which do not have the resources and the space to stock a wide variety of brands. In central European markets however, these shops have the highest market share and the small shop or its equivalent is the most important retail channel for most FMCG products. The importance of the small shop lies in the fact, that the former state owned stores have been privatised or closed and no western supermarket retailer has yet achieved a significant share of the market in any of the central European markets studied in this research. In the future however more western owned supermarkets will be opened, as many western retail giants have already started operations in the markets of Poland, The Czech Republic and Hungary, which will ultimately as in western markets lead to the end of small shops. Until then the power and market dominance of small shops must be recognised.

Advertising Pressure

It has been mentioned above that advertising is often a pre-condition to distribution. Small retailers often only stock products and brands which are supported by advertising. This decision making issue is a reaction to the strong influence advertising has on consumers in these markets. At the start of advertising campaigns they are therefore primarily directed at retailers to encourage them to stock a new brand or product. Only in the later stages of an advertising campaign the advertising can be described as directed at the consumer, as only then the product is available and distribution is secured.

The fact that retailers would not stock products and brands that are not advertised means that smaller B brands are blocked out from accessing distribution because they can not afford an advertising budget which would ensure advertising, which in turn ensures distribution. In the past this factor often worked particularly against those local brands which had not been taken over by western companies and small B brands from the west which entered central European markets on small budgets.

Blocking retailing channels particularly in food retailing will take different activities in the future as retailing is constantly changing in central Europe. The importance of western retailers will most likely increase and with their increased power, blocking will take new dimensions, becoming more important and easier to achieve for the market leader, by which time is not necessarily the pioneer anymore, if he has lost the leading position in the past.

The term chosen for this category of pioneering effect is:

- **Blocking Access to Distribution**

Category K

Incidences:

- We [the pioneer] blocked the followers from using certain private media

Underlying Process:

The incidence of blocking an advertising channel does not take a central role in the array of blocking effects, as in central European markets the classic mass medium is still the few state owned TV channels. As state TV has the furthest reach and relatively low 1000/contact prices they remain the most important and most effective advertising medium. However, because they are state owned and interested in maximising their profits they are not prone to accept or offer exclusivity to any party.

The blocking of advertising opportunities can happen in the newly emerging private advertising media like private TV channels or radio channels, as well as in outdoor advertising. Although interesting blocking advantages can be used for certain target groups no blocking effect can be achieved in terms of mass media. With a growing media sector and constant investments by western media companies the growing diversity of media makes blocking advertising opportunities all the more negligible and only interesting for specific pin-pointed use, for which the media planning in these markets may not yet be sophisticated enough.

Those cases which were found in the data seemed to be more an opportunity to 'show the competition' rather than a very effective strategy in terms of advertising.

The category is termed:

- **Blocking of Advertising Channels³**

³The blocking of advertising opportunities mentioned here must not be confused with the advertising exclusivity the pioneer enjoys in the monopoly stage, while he can advertise without 'noise' from competing products.

Category L

Incidences:

- 'We [the pioneer] blocked key contact points with consumers'

Underlying Process:

The underlying process of the incidence mentioned above is limited to a number of industries, in which the relevance of key contact centres and opinion leaders remains. The example below illustrates the situation for a particular product category. In general however, the pioneer in such a product category can gain the access to key contact centres and opinion leaders first and in offering them certain benefits, block out future competition.

The value of such an advantage obviously depends mainly on the importance of key contacts and opinion leaders on the consumers within an industry, but it is of strategic importance to access these first, if key contacts and opinion leaders play an important role in one's product category.

Example: Key Contact Centres / Opinion Leaders

Johnson & Johnson, Czech Republic

Johnson & Johnson pioneered baby cosmetics in the Czech Republic, a market in which even women used only few cosmetic products. The well established ranges of skin care products western markets were virtually unknown in this market. A range of skin friendly product specifically aimed at babies was a whole new concept in the Czech market. The key contact centres to potential customers for this product range is maternity stations in hospitals where J&J established the concept of sample boxes from which new mothers can take product samples and try them. As this is a contact centre all potential customers have to go through it is essential to have a presence at this point, blocking out followers from being at this point is an essential advantage which is very valuable in this particular product category. Although followers attempted to break into this area J&J successfully defended their exclusivity in the key contact centres, aiding their market dominance in baby cosmetics in the Czech Republic.

The category of pioneering effects based on this process have been termed:

- **Blocking of Key Contact Centres / Opinion Leaders**

Category M

Incidence:

- 'the pioneer risks everything and the followers know what to expect'

Underlying Process:

The effect of pioneering in terms of market entry risk is twofold. The first part of the effect lies in the fact, that it is more difficult to assess the risk of a particular market from the outside. The NGM pioneer has no experience with the particular market he is about to enter and can not rely on the experience of other companies in his industry. The assessment of the risk therefore remains difficult, if it is at all possible.

The second part of the effect lies in the pattern of development of central European countries which allowed foreign companies in at a time of great political and social turmoil. Pioneers entered at that time under a much greater risk than the followers who came later when a greater degree of stability and safety for investments was reached. Fortunately for the pioneers (and now the followers as well) the development towards a free democratic market led economy was continued and no political back lash has had a major negative impact on the investments and activities of the foreign companies in these markets. However, it could have been very different and the pioneers could have lost their investments like many did in former Yugoslavia, which was regarded for a long time the most attractive market for western companies within the eastern bloc.

Both parts of the effect through a greater risk factor are intrinsic to the activity of pioneering. Pioneering is regarded as a high risk strategy and the dangers are known, the prospect of gaining an advantage through this strategy however made it seem attractive to many of the respondents.

Questioned about the risks involved in entering the market as a pioneer respondents were not aware of any risks endangering their operation at the time of entry and none of the respondents had conducted a risk evaluation procedure to assess the risks in the markets.

The lack of a risk evaluation procedure already indicts an abbreviated decision making process upon market entry which is discussed in more detail in the following section which deals with a comparison between the reality found in this data and the 'textbook wisdom' on the subject matter. The pioneering effects based on the underlying process in this category are termed:

- **Risk at Market Entry**

Category N

Incidences:

- 'The first has to do a lot of educating'
- 'The pioneer loses a lot of time in getting things right, the follower can copy this in no time'
- 'A pioneer shows the way of how success is made in a market'
- 'Followers have it easier with administrations and authorities'
- 'Followers were quick to come into all the categories which we pioneered'

Underlying Process:

The underlying process relating to the above mentioned incidences covers an array of different issues all of which are affecting the pioneer. This category of pioneering effect refers to all incidences in which the pioneer has to introduce new practice or establish new standards in the market which are common within his industry and which can be used or adopted by followers without facing the same difficult and cumbersome introduction or establishing process. Within the data a number of incidences were found which illustrate this pioneering effect:

- Majority Share holding
- Registration of new products
- Obtaining of licences
- General dealing with government and local authorities

In all of these issues the pioneer needs to go through a lengthy process in which he has to explain, convince, prove and persist before the desired result is achieved. In many cases the pioneer 'pioneered' in the truest sense of the word and paves the way for any followers. A follower can just use the pioneer's case as an example to request what he wants, allowing the process to be speeded up and be more effective.

The registration of new products is a particularly good example. In cases in which a registration is necessary, OTC drugs and some food products in most countries, the first product to be registered in a category which was previously unavailable takes a considerable effort in time and costs. The follower who registers a second product in the same category has a much easier task, as the governing authorities have by then established ground rules for the category and developed a procedure to deal with the product category. The pioneer however, has financed and supported this by his continued effort to get his product registered, he literally paved the way for competition.

Similarly in dealing with the governments and local authorities the pioneer has to establish needs and requests for his business as the first company in his industry. With this he does the ground work to let the local authorities and governments get used to his kind of company and industry on which followers can easily build. The pioneer has to fight or everything whereas followers get it almost automatically, was one respondent comment on this issue.

However, in another case it was reported, that the pioneer actually was treated with special courtesy and support because he was the pioneer and the government was pleased to have him in the country. Apart from this one case however, it seems clear that pioneering incorporates the fact that much groundwork needs to be done by the pioneer a basis on which followers will build their operations.

The pioneering effect of this category therefore has been termed:

- **Paving Process**

Category O

Incidences:

- 'It is almost impossible for one player to change consumer habits'
- 'All advertising by the pioneer benefits the followers'
- 'the followers have their products ready just as we have'

Underlying Process:

When a pioneer launches a product in a market which is entirely new to the consumers in this market it takes time and financial effort to create awareness for the product and convince consumers that they need this particular product. A lot of advertising, promotion and sampling which is necessary has to be paid for by the pioneer. A follower enters the market without the need to establish the category but by simply giving consumers another option within the category, as NGM pioneering is not concerned with development of new products followers are quick to the market with their alternative. His advertising and promotion does not need to fulfil the additional task to make consumers familiar with the product itself, but it simply makes them aware of an alternative offering now being available.

The pioneering effect in this category has been termed:

- **Introducing a new product category**

Category: P

Incidences:

- 'The first has to do a lot of educating'
- 'You [the pioneer] start to educate the consumers'
- 'It is almost impossible for one player to change consumer habits'
- 'All advertising by the pioneer benefits the followers'
- 'Cheap marketing materials which were used at the beginning were not working'

Underlying process:

In those product categories in which the use of a product is not easy to understand or obvious in its benefits, products which are sensitive consumers often need to be carefully educated about a new product before they are willing to try it. So consumer education is in many cases, the first step in a long process before a market is developed for a particular product. In NGM pioneering the pioneer has to fulfil this task on his own, with his own resources and financial strength. Followers can simply wait until a large enough market has been developed and enter then with another competitive offering in this product category. They can leave the whole investment and effort of consumer education to the pioneer, benefiting later from the pioneer's investment into advertising. If at the beginning the pioneer has to use unsuitable advertising material his task is further burdened. The pioneering effect is termed:

- **Consumer Education**

Category Q

Incidences:

- 'consumers thought we were totally overpriced, being the only available product in the category'

Underlying Process:

Western pioneers entering central European markets encountered a situation in which their prices were many times that of local products. For relatively basic products local consumers saw the pricing of the pioneer often as an attempted 'rip off', as those were the only products available in a particular category but at 'unbelievably' high prices. Although the pioneer had merely set the price which was necessary for him to cover costs and achieve the set margin he had effectively created a new price position which was way above any price the local consumers were used to. The price only became accepted after followers were adopting similar price positions in the category. However, the suspicion that the pioneer's price was an attempted 'rip off' was obviously not helpful for the pioneer. The pioneering effect is termed:

- **Setting new price dimensions**

Category R

Incidences:

- 'as a follower you can copy the pioneer'
- 'The follower can learn a lot from the pioneer'
- 'The pioneer loses a lot of time in getting things right, the follower can copy this in no time'
- 'As a follower you can determine the right position on the basis of the pioneer'

Underlying Process:

The pioneering effect of copying refers to the active copying of properties or positions of the pioneer. The copying follower wants to benefit from the experience the pioneer gained through trial and error. Although copying is related to the inevitable benefiting from pioneering activities through a follower described in the previous section copying takes this one step further in such a way that the follower actively seeks out the successful components of the pioneer's organisation or marketing to imitate or copy these to his own advantage. This allows a follower to skip the lengthy adaptation period in which different approaches would be tested regarding their suitability for the local market.

One area in which copying by followers seems to be common practice is the product portfolio. Most companies interviewed for this study are multi brand and multi product companies. They can select a product portfolio from a vast array of brands and products tailoring it specifically to a local market which they enter. Being the pioneer means that the product portfolio at the start needs to be constantly adapted and extended according to the experience made in the market. Followers have cut their own adaptation time short by just modelling their product portfolio on that of the pioneer, benefiting from the pioneer's experience and investment into his product portfolio, being immediately competitive with a product portfolio based on market experience rather than guess work although the market experience is not their own but that of the pioneer. The pioneering effect in this category has therefore been termed:

In terms of the product/price position this pioneering effect is based on the uncertainty of the pioneer, who launches his products into a vacuum in which no competitive offering is around to position one's products to. The pioneer creates a price/performance ratio which can be easily used by the follower to seek a more attractive positioning within the price/performance relation in order to capture the market. In NGM pioneering followers as well as pioneers have no entrenched brand / price / quality perceptions to work with and they can choose where to position themselves.

One common characteristic in all central European markets is the little disposable income of their consumers. Bearing this in mind many followers chose to position themselves on a lower price position compared to the pioneer which made them immediately interesting to large parts of the population because they would pay less for a brand which is also western and very likely of an equally high quality standard. The decision of a follower to position his brand below the pioneer gives him an immediate advantage over the pioneer as well as it generates immediate sales. The differences which justify price differences in western markets like image, status and even performance differences are of no consideration to most consumers in central Europe, who buy 'a price rather than a product' as formulated by one respondent.

If the pioneer has missed the opportunity to establish a portfolio of brands and products which also occupy middle and lower price segments the pioneer's premium brand can easily be put under pressure by a follower.

Example: Defending Market Positioning against Follower Henkel, Hungary

An example for a successful defence of the market position by a pioneer is Henkel in Hungary who not only established their premium detergent Persil at the top of the range, but also acquired top local brands for their lower price segments. At the time of P&G's arrival in 1991 the local brands were all bought by western companies which left P&G with no brand in the low price segment.

And, although P&G introduced Ariel at a price position under Persil in the premium segment, Henkel was in a position to put pressure on Ariel from their middle and lower segment brands leaving Ariel no room to gain a major share of the market.

The reason why positioning is a free rider effect rather than an intrinsic disadvantage of pioneering is that the follower actively seeks a position against the pioneer, rather than a position which seems to be most suited to his own brand and product portfolio.

- **Copying**

Category S

Incidences:

- 'The follower can base the size of his operation on the example set by the pioneer'
- 'The pioneer attracts competition by doing a good job'

Underlying Process:

Setting up an organisation in a new market is, to determine the right size of the operation to fit the market is even more difficult if one is the pioneer. Market size and demand as well as specific local requirements are difficult to anticipate, a pioneer therefore needs to make assumptions which, also considering the risk factor discussed above, are probably conservative, as the operation could always be expanded if need be. Expansion and growth of an existing organisation however tends to be slow, reactive and linear rather than fast, pre-emptive and exponential. Followers however, can assess the size of the pioneer's organisation estimate or research the success achieved thus getting a much clearer picture of the market and the most suitable operation. In competitive terms a follower can also decide whether he wants to seriously challenge the pioneer or settle for a niche position, depending on the result of that decision it is rather easy to come to the size of the organisation, based on the experience and the achievements of the pioneer as a benchmark.

The follower can therefore be much faster and much closer tailored to his competitive objectives in the size and structure of his organisation, a pioneering effect termed:

- **Benchmarking**

Category: T

Incidences:

- 'A pioneer is vulnerable to followers who invest a lot and are ruthless enough'
 - 'it takes the follower an extra effort to make up for the lost ground'
 - 'once the pioneer stops to spend on his advertising his advantage is lost'
 - 'because of a lack of brand loyalty you are forgotten as soon as you stop advertising'
 - 'With the right investment the follower can make up lost time'
 - 'It is vital to be first in a market unless you have so much in terms of funds that you buy your way in'
-
- 'If a follower hasn't got the right staff he can just hire it from the pioneer'

Underlying Process:

Although of serious consequences some of the pioneering effects which have been discussed so far are only aiming to benefit from the pioneer's experience and activities, without directly damaging the achievements of the pioneer.

The effect isolated in this category goes further than this and not only aims at consequently benefiting from the pioneer but also to neutralise all advantages the pioneer has so far achieved, possibly even weaken his position beyond a state from which he could retaliate. The effect in this category is a strategy which is based on the consequent use of freerider effects and the offensive attack on the pioneer and his position in a market.

The strategy is based on the simple process to follow into a market with an investment and a commitment which is so much larger than that of the pioneer that the pioneer will 'disappear in the shadow of the follower'.

With this strategy the follower has the advantage of being able to wait until a market proves to be safe and until the pioneer has eliminated much of the initial problems in the market, until consumers may have accepted the new product and may have been made aware of the use and benefits. At that stage the follower can decide, that he wants to become the market leader and commit such a massive investment to this market that it literally dwarfs the pioneer's efforts and operation.

In order to be successful with this kind of strategy the follower has to use all negative pioneering effects available to him, as he has to make up for the time advantage of the pioneer in the shortest possible time in order to be successful. With this in mind it is necessary for the follower not only to use negative pioneering effects but strategically exploit their whole potential.

Followers who used this kind of strategy justified their aggressive approach to market entry with the reference to pioneering effects and that this strategy was the only way to neutralise positive pioneering effects and to give them a realistic chance of becoming market leader in the future. Anything short of a considerable investment into the market would mean that a follower would never be able to achieve a market leader position. In all cases the strategy of huge investments was still regarded by the respondents as the best of the worst options to market entry in terms that they would have preferred to be the pioneer but failing that to outspend the pioneer and try to achieve their objective of market leadership via this strategy.

Example I: Successful Outspending

Coca Cola vs. Pepsi Cola, Poland

A case in which outspending was a successful follower strategy is Coca Cola in Poland who, shortly after market deregulation in 1989, succeeded running Pepsi into the ground in the territories of Poland which were previously exclusively assigned to Pepsi. Pepsi had held these territories as a monopolist since the 70s. Coca Cola invested 250 million US dollar within the 3 years following deregulation into their Polish operation.

Pepsi Cola did not see the necessity to match these investments or commit any funds at the time because of their 90% market share in their territories of the market and other commitments they had entered into.

The pioneering effect discussed so far mainly refers to the general effect for the pioneer on all fronts. However, the effect can also be pinpointed to certain tactics to either gain or strengthen specific negative effects for the pioneer. The poaching of staff and the buying retail space are just two which were discovered in the data.

The more frequently mentioned tactic of pinpointed use of negative pioneering effects is the poaching of staff. Pioneers often not only specifically educate their employees, but the experience and understanding for the market gained during the lead time is an essential advantage of the pioneer. In the absence of detailed reporting and monitoring of activities staff are the real centres of experience and knowledge on the local market, poaching that staff means also immediate access to that experience and knowledge for the follower and simultaneously the loss of that experience and knowledge for the pioneer. If the follower succeeds in poaching of key staff from his category pioneer the follower immediately gains an advantage in cutting his trial and error time and efforts and also neutralising the experience advantage of the pioneer. Depending on the size of the organisations involved and the number of staff involved this can be a major blow to the pioneer with the most serious of consequences.

Example: Poaching of Staff

Benckiser

- In detergents Benckiser has made itself a name for basing their market entry strategy on following late into central European markets and benefiting from extensive free riding. Apart from all other freerider effects they use the poaching of staff as one of their keys to success. Benckiser immediately poach key staff from their direct competitors, not only to immediately gain their experience, but also to leave the competition with a loss of experienced and trained employees as well as direct market experience and knowledge of the local industry.

Benckiser immediately uses this to attack the pioneer with a tailored product portfolio and on very competitive price propositions. Benckiser has proved to use this strategy in all markets which were researched for this study.

The second of the pinpointed tactics is buying retail space. This activity has been mentioned in different contexts before and should only briefly be touched upon.

The little sophistication of retailers in the markets of this study allows multinationals who are prepared to make a financial commitment to buy their way into the retail distribution channel, if that is necessary. It has been mentioned, that in most cases this was not necessary as retailers willingly accepted competing brands on their shelves. However, in cases in which this was not that easy followers seemed to resort to techniques by which they would either commit substantial funds into advertising thus creating a pull effect forcing retailers to stock their product or giving retailers other incentives to stock their rather than the pioneer's products.

The pioneering effect in this category has been termed:

- **Outspending of the pioneer**

6.3.3.1 Summary

In this section 21 categories of pioneering effects were found based on individual incidents found in the data set of this study. Using grounded theory the underlying processes of the incidents studied were isolated, forming categories of pioneering effects, which have a wider relevance than only for the specific data set from which they were generated. The following list gives an overview of the 21 categories which were presented in this section:

Table: 6.2

Categories of Pioneering Effects

Category	Title
A	Remains of Artificial Pricing
B	Swing Backs
C	Euphoria
D	Monopoly
E	Market Coverage
F	Consumer Perceptions
G	Retail and Distribution Systems.
H	Shaping the Organisation
I	Entry Barriers
J	Distribution
K	Advertising
L	Key Contact Centres / Opinion Leaders
M	Risk at Market Entry
N	Paving Process
O	Introducing a New Product Category
P	Consumer Education
Q	Setting New Price Dimensions
R	Copying
S	Benchmarking
T	Outspending of The Pioneer

Source: Author

6.3.4 Theoretical Integration

The categories of pioneering effects which were identified in the previous section have to be further analysed, as they only represent an intermediate stage of the grounded theory analysis process. The first stage of the analysis saw the clustering of incidences from the data into categories which are based on the processes underlying individual incidences or clusters of incidences. The data itself, although being the foundation for the categories, is left behind now as the processual level is reached. The transition which has been made in the previous section is that from data describing the situation found in the interviews, to a number of process based categories of pioneering effects, which are applicable to a wider reality but which are also present in the data of this study.

From hereon the process underlying the data is at the core of the analysis.

The data has provided the incidences from which the processes were isolated and still remains the basis of the analysis but not the focus of the process. Grounded theory is *grounded* in the data of the study, but it allows theories to evolve which are relevant to a wider reality rather than being limited to the data set from which they developed by focusing on processes rather than incidences.

At this stage the further analysis shifts to the processes found thus increasing the level of abstraction in the analysis process, in order to aim for letting *grounded theory* emerge from the data by increasing levels of abstraction.

The categories found in the previous section have fractured the data set shifting the focus to underlying processes. In this stage the objective is to integrate the categories found in that fracturing process around the core category and in the way they relate to the core category (Glaser 1978).

The 21 categories evolved in the previous section are therefore integrated into a smaller number of *integrated categories*, which are based on similarities in the basic process underlying each of the 21 categories, allowing the process of abstraction to further the analysis. The methodological approach of integrating the 21 categories is that of constant comparison which was already used on the previous stage, however on this stage the focus of the constant comparison has also shifted from incidences to processes:

Integrated Category 1

A	Remains of Artificial Pricing
B	Swing Backs

The pioneering effects in the categories A, 'Remains of Artificial Pricing' and B, 'Swing Backs' are based on the environment of the new market *adapting* to a new reality. The adaptation process of the environment creates opportunities for particular pioneering effects to occur through disparities in the adaptation of different forces regulating the new market's environment. *Change* is the catalyst which has started the adaptation process in the new market, but it has affected determinants of the market's environment in different ways, resulting in opportunities for the pioneer to exploit the disparities.

The pioneering effects in this integrated category 1 are of a positive nature for the pioneer and occur without the pioneer providing any input. The pioneer has also only little control over the effects in this integrated category.

The integrated category 1 has therefore been termed:

- **ADAPTING OF ENVIRONMENT**

Integrated Category 2

C	Euphoria
D	Monopoly

The pioneering effects in the categories C, 'Euphoria' and D, 'Monopoly' are based on the market participants of the new market *adapting* to a new reality. The adaptation process of the market participants creates opportunities for particular pioneering effects to occur through disparities in the adaptation of different participants partake the new market's economy. *Change* is the catalyst which has started the adaptation process of participants in the new market, but it has affected different participants in the market in different ways, resulting in opportunities for the pioneer to exploit the disparities.

The pioneering effects in this integrated category 2 are of a positive nature for the pioneer and occur without the pioneer providing any input. The pioneer has also only little control over the effects in this integrated category.

The integrated category 2 has therefore been termed:

- **ADAPTING OF MARKET PARTICIPANTS**

Integrated Category 3

E	Market Coverage
F	Consumer Perceptions
G	Retail and Distribution Systems

The pioneering effects in the categories E, 'Market Coverage' F, 'Consumer Perceptions' and G 'Retail and Distribution Systems' are based on the pioneer *shaping* parts of the new market environment. The fact that the pioneer is the first to bring something *new* to the market in terms of his products, brands, advertising, and organisation means that he can in many ways build upon a 'clean sheet' in these areas. In building upon a 'clean sheet' he can *shape* parts of the environment according to his preference to fit exactly *his* profile.

The three categories E, F and G are opportunities in which the pioneer has the privilege to shape parts of the environment in a *unique* way, shaping which is only done *once* - by the pioneer.

Followers have to adapt to the results of the unique shaping of the pioneer, without being able to change the outcome at a later stage, and not being able to fully fit the 'mould' created by the pioneer.

The pioneering effects in this integrated category 3 are of a positive nature for the pioneer and are being *actively created* by the pioneer. The pioneer has a great degree of control over the effects in this integrated category.

The integrated category 3 has therefore been termed:

- **UNIQUE SHAPING**

Integrated Category 4

H	Shaping the Organisation
---	--------------------------

The pioneering effects in the category H, 'Shaping the Organisation' are based on the pioneer *shaping* his own organisation to fit the environment of the new market. The fact that the pioneer is *the first to begin the process* of actively adapting to the new environment means that he is going earlier through the different stages of shaping his organisation to fit the new market.

The categories H is an opportunity in which the pioneer has the advantage to shape parts of his organisation earlier than any follower, who has to undergo the same procedure with his organisation, at a later stage. The fact that the pioneer has achieved a higher stage of fit to the new market earlier than a follower is a considerably benefit in competition.

The pioneering effects in this integrated category 4 are of a positive nature for the pioneer and are being *actively created* by the pioneer. The pioneer has a great degree of control over the effects in this integrated category.

The integrated category 4 has therefore been termed:

- **EARLY SHAPING**

Integrated Category 5

I	Entry Barriers
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The pioneering effects in the category I, 'Entry Barriers' are based on the pioneer *erecting or strengthening entry barriers*. The strategy of using entry barriers to prevent or delay a follower from entering a new market are a *pre-emptive* move to *defend* the position achieved by the pioneer. Pre-emptive strategies are *directed against* followers or potential followers as a strategic defence. The ideal timing of pre-empting a follower is before he enters a market in order to maintain the monopolistic status of the pioneer. Ideally a pioneer would raise entry barriers beyond a point which would render it unprofitable for a follower to enter the market thus protecting the pioneer's position.

The pioneering effects in this integrated category 5 are of a positive nature for the pioneer and are being *actively created* by the pioneer. The pioneer has a great degree of control over the effects in this integrated category.

The integrated category 5 has therefore been termed:

- **PRE-EMPTING**

Integrated Category 6

J	Distribution
K	Advertising
L	Key Contact Centres / Opinion Leaders

The pioneering effects in the categories J, 'Distribution' K, 'Advertising' and L 'Key Contact Centres / Opinion Leaders' are based on the pioneer *blocking access to the consumer for a follower* via a particular channel of contact. The blocking of access to consumers can take a variety of forms; blocking distribution, communication channels or particular points of contact.

Blocking access for a follower *maintains a monopoly* in a specific part of the market, after a follower has entered the new market. Being able to maintain a monopoly in a specific part of the market is an advantage to the pioneer, the value of which depends on the size and importance of the part the follower is blocked from.

The pioneering effects in this integrated category 6 are of a positive nature for the pioneer and are being *actively created* by the pioneer. The pioneer has a great degree of control over the effects in this integrated category.

The integrated category 6 has therefore been termed:

- **BLOCKING**

Integrated Category 7

M	Risk at Market Entry
N	Paving Process
O	Introducing a New Product Category
P	Consumer Education
Q	Setting New Price Dimensions

The pioneering effects in the categories M, 'Risk at Market Entry' N, 'Paving Process' O, 'Introducing a New Product Category' P, 'Consumer Education' and Q, 'Setting New Price Dimensions' are based on the pioneer *entering risks intrinsically by pioneering* in a new geographic market.

A pioneer faces a number of *risks* from various sources which are *intrinsic* to the activity of pioneering. The risks for a pioneer are potentially higher and more frequent than for a follower.

The pioneering effects in this integrated category 7 are of a *negative, endangering* nature for the pioneer and are *inevitable* for the pioneer. The pioneer has little, if any control over the effects in this integrated category.

The integrated category 7 has therefore been termed:

- **RISKING**

Integrated Category 8

R	Copying
S	Benchmarking
T	Outspending of The Pioneer

The pioneering effects in the categories R, 'Copying' S, 'Benchmarking' and T, 'Outspending of The Pioneer' are based on the follower *utilising Freerider Effects* against the pioneer in a new geographic market. Freerider Effects are the *active and systematic exploitation* of information and experience gathered in a new market by the pioneer for the purpose of the follower.

Freeriding by a follower is not part of the intrinsic risk of pioneering but the *systematic use* of strategies to *neutralise and demount* the positive effects of pioneering. With the use of freeriding the objective of the follower is to achieve an improved market position, ideally market leadership.

The pioneering effects in this integrated category 8 are of a *negative, endangering* nature for the pioneer and are inevitable for the pioneer. The pioneer has little, if any control over the effects in this integrated category.

The integrated category 8 has therefore been termed:

- **FREERIDING**

6.3.4.1 Summary

In this section 8 integrated categories were developed, on the basis of the analysis of similarities in their underlying processes and their relevance to the core category, of the 21 categories which evolved from the data in the previous section.

Table: 6.3

The 8 Integrated Categories

Integrated Category	Title
1	Adapting of Environment
2	Adapting of Market Participants
3	Unique Shaping
4	Early Shaping
5	Pre-Emptying
6	Blocking
7	Risking
8	Freeriding

Source: Author

6.3.5 Basic Social Structural Processes

The integrated categories which have been found in the previous section, although explaining a fair proportion of the variation of incidents in the data have not yet achieved the density and saturation necessary for the final stage of grounded theory analysis.

The advances in analysing by grounded theory even on this level is still made with the instrument of *constant comparison* and integration of inherently saturated categories (Glaser 1978). Although the integrated categories were partly determined by their relation to the core categories, the core categories themselves have not yet been clearly defined and established. The next stage of integrating the 21 *integrated categories* identified two separate *Basic Social Structural Processes* (BSSP), a construct developed by Glaser (1978) as a particular form of the *core category*. According to Glaser (1978) a Basic Social Process can take the form of either a Basic Social Psychological (BSPP) or that of a Basic Social Structural Process (BSSP) both of which are that they are a central source of variation in the data set. The generating of grounded theory evolves by constantly integrating data and incidences into increasingly dense categories in a sequential process which is permanently focused on the creation or identification of a *core category* (Glaser 1978).

In integrating the 21 *integrated categories* onto a further stage of abstraction, a fundamental difference was discovered which allowed the two BSSPs to emerge. Each of which is able to integrate a part of the 21 *integrated categories* based on their respective underlying BSSP.

The first group of integrated categories which have the same underlying BSSP are:

Table: 6.4

Group BSSP 1

1	Adapting of Environment
2	Adapting of Market Participants
3	Unique Shaping
4	Early Shaping
5	Pre-Emptying
6	Blocking

Source: Author

The six *integrated categories* which are listed above are all based on effects which are of a *positive nature* for the pioneer. Although the effects in the individual categories are all rather different in their processes they all share the property of being beneficial to the pioneer.

whereas the *integrated categories* relating to the second BSSP are:

Table: 6.5

Group BSSP 2

7	Risking
8	Freeriding

Source: Author

The two *integrated categories* 7 'Risking' and 8 'Freeriding' are both based on effects which are of a *negative nature* for the pioneer. The effects in the 'Risking' group are of a nature which is intrinsic to the activity of pioneering, whereas the effects in the 'Freeriding' group are actively and deliberately used by the follower in competing against the pioneer.

The distinct difference between the two groups of integrated categories which lead to the emergence of the two BSSPs is that the pioneering effects in first group are of a *positive nature* for the pioneer, whereas the effects in the second group are of a *negative nature* for the pioneer, a quintessential difference for the pioneer. This leads to the formulation of the following two BSSPs:

- Certain categories of pioneering effects are of *positive* value to the pioneer.
- Certain categories of pioneering effects are of *negative* value to the pioneer.

Both BSSPs can be clearly found in the integrated categories, and followed through all previous stages of analysis back into individual incidences from the data set of this study. The number of incidences in the data set which support either of the two BSSPs are as follows:

Table: 6.6
Frequencies of Incidences

Total	Positive Effects Incidences	Negative Effects Incidences
82	54	28⁴

Source: Author

This distinction between the two BSSPs emulate, unwillingly, a distinction made in the existing literature, which although based on NPD pioneering, also differentiates between positive and negative pioneering effects:

- Pioneering Advantages
- Pioneering Disadvantages.

The formulation of these two categories however has not been made *because* of the existence of the two categories in previous research, but only because the two BSSPs have been isolated through the analysis of the data from this study.

⁴ It is unsurprising, that the majority of the effects observed were found to be positive, as already the interviews indicated, that positive effects are much more on the minds of the respondents. It seems inappropriately judgmental to assume from this simple imbalance, that this means pioneering is per se positive or has more positive than negative effects for the pioneer. A more likely explanation seems to be, that positive effects are a quintessential part of the pioneering effort, which makes them a focus point for pioneers much more than negative pioneering effects which therefore seem to be less prone to be registered by pioneers, or if registered be accounted to pioneering.

The fact that previous research has come to a similar categorisation proves that the two BSPs have also been identified in other data sets and with other methods in the context of NPD pioneering, which enhances the degree to which they are applicable to a wider reality beyond the data set of this study.

The commonly used terminology of Pioneering advantage and pioneering disadvantage can however not be transferred to the two BSSPs found in this study at this stage.

The re-examination of the *integrated categories* which are based on each of the BSSPs in the light of their coherence and relevance to the BSSPs has revealed, that the positive effects require a further categorisation in order to come to a fit of the BSSP which is unambiguous and a better reflection of the variation found in the BSSP of positive pioneering effects. If the terminology of existing research was transferred at this stage before the clear distinction within the BSSP of positive pioneering effects was made a confusion in terms of the properties of the category would be the result.

6.3.5.1 Different Categories of Positive Pioneering Effects

In accordance with the data different categories of pioneering effects have been identified. This section refers to the two different positive categories and their relation to the data.

Category 1

1	Adapting of Environment
2	Adapting of Market Participants

The variation in the pioneering effects which separates the *integrated categories* 1, 'Adapting of Environment' 2, 'Adapting of Market Participants' on the one hand from the *integrated categories* 3 - 6 is that the positive effects of pioneering in the two *integrated categories* above is a result of *several factors*..

All of these factors are dealt with in a sequential order, providing a clear, dense and saturated category of the BSSP underlying and integrating the pioneering effects in the above mentioned *integrated categories*.

The most significant intrinsic difference between effects in the two *integrated categories* above and the effects of pioneering in the following integrated categories is that for the effects in the two integrated categories above are *provided* by environmental factors which, because of their particular constellation, present an opportunity to the pioneer to benefit from the environment *without any input* from the pioneer.

As a further variation the pioneer has *little or no control* over the effects, their intensity and their occurrence in these two categories. A factor which is essential in terms of being unable to consciously using these effects as a part of a market entry strategy.

The effects in the integrated categories mentioned above have a *finite life span*, the end of which they reach in providing *quickly diminishing returns* to the pioneer. The life span of these effects can not be prolonged through the pioneer and the effect remain beneficial to the pioneer, as long as the environment permits, after that period the beneficial effect is lost.

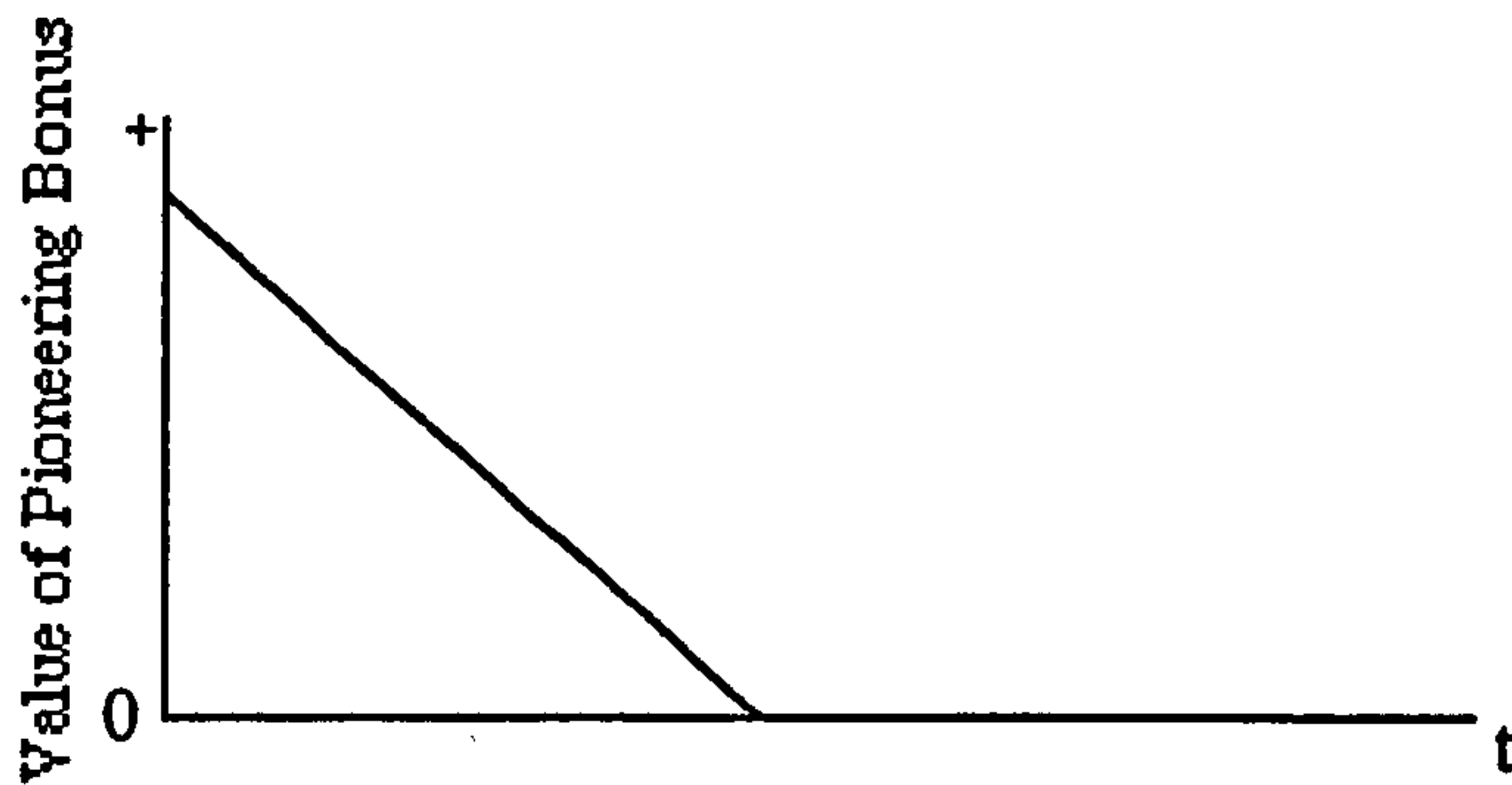
The processual character of the effects mentioned in the two *integrated categories* above is one of a single stage. Although, according to Glaser (1978) a process needs two stages by definition, the exploitation of the effects of pioneering in the two integrated categories above has to be defined as a process albeit a one stage process. The effects referred to here are immediately ready to be utilised, and do not require any stage of creating or any input, which makes them less demanding on the pioneer and a very attractive additional source of benefits to the pioneer.

In line with the character of this BSSP a fitting terminology has been chosen, referring from now on to this particular phenomenon as:

• PIONEERING BONUS

The following graph visualises the properties of the phenomenon pioneering bonus:

Figure: 6.3
 Properties of Pioneering Bonuses



Source: Author

Category 2

3	Unique Shaping
4	Early Shaping
5	Pre-Empting
6	Blocking

In contrast to the two integrated categories presented above, pioneering effects in the integrated categories 3 to 6 that the positive effects of pioneering in these four integrated categories have to be *actively created* by the pioneer in order to provide a benefit. They require *actual input* from the pioneer without which they will not come into effect.

All effects of pioneering in these categories have to be actively created by the pioneer, which also means the pioneer has a *great degree of control* over the occurrence and the intensity of the effects. The dedication and the input provided by the pioneer determine to a large extent the intensity of the effects in these *integrated categories*. This allows the pioneer to include the effects in these integrated categories in the planning of his market entry strategy prior to entering the market.

The life span of effects in the four *integrated categories* in this paragraph is potentially infinite. As the effects are actively created by the pioneer it is up to the pioneer himself to maintain and nurture the effects to remain beneficial for an infinite period. The previously mentioned control exercised by the pioneer over the effect in these integrated categories allow the pioneer to evaluate the return on invest ratio with these effects effectively allowing him to use them as long as it pays and discard them according to their value to the pioneer rather than through environmental factors which are beyond the pioneer's control

The processual character of the effects mentioned in the four *integrated categories* above is one of two stages, in accordance with Glaser (1978) who defines a process as needing at least two stages. The effects referred to here have to be created by actually providing input before they can be utilised, a relation which can be formalised as a two stage process underlying the effects in this category.

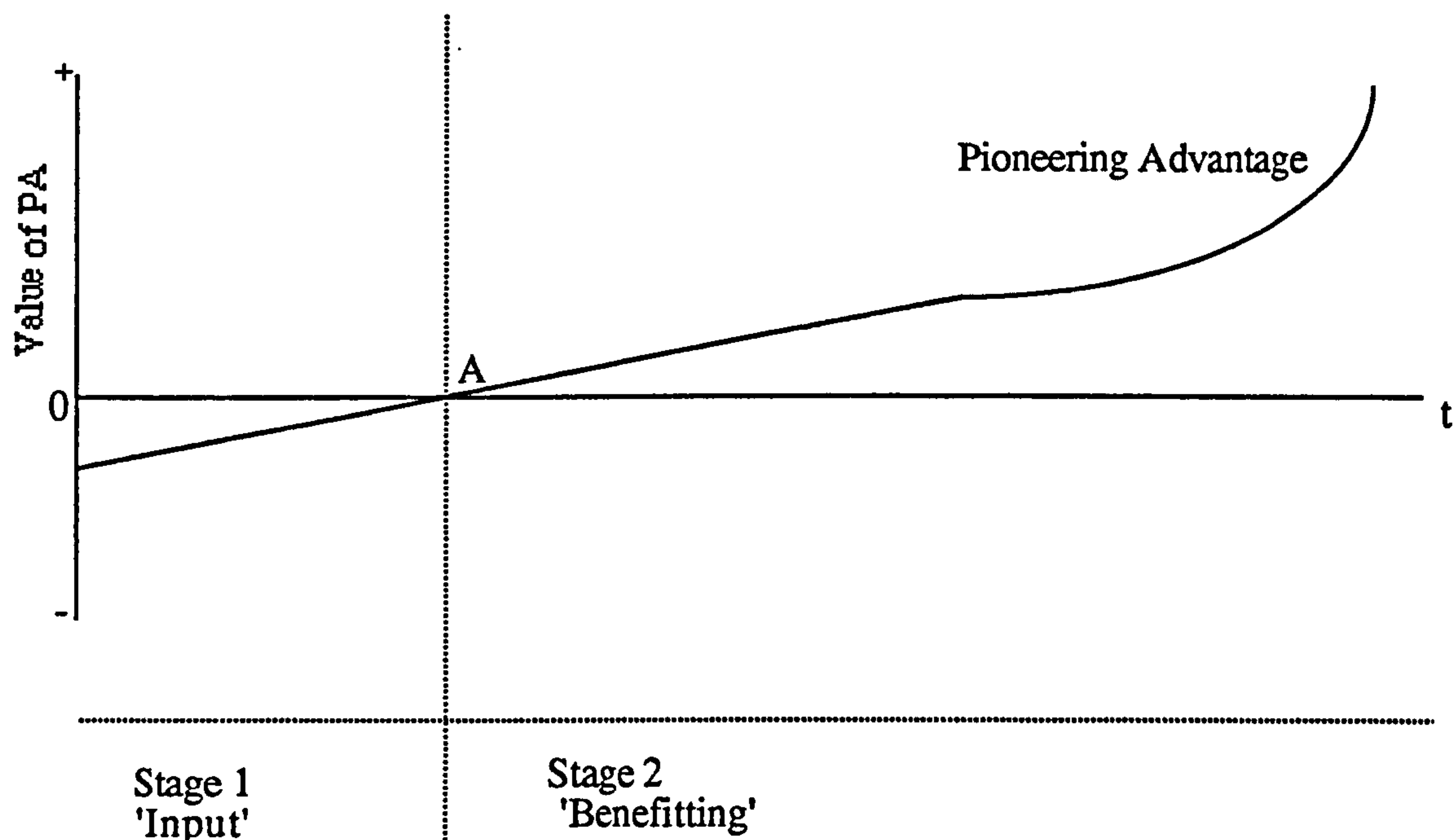
The first stage of the process underlying the pioneering effects in these four integrated categories is the creation stage, in which the pioneer needs to commit himself and provide input into the creation of a particular effect. The immediate effect for the pioneer of providing input into an effect is negative, as any input from the pioneer is, in real terms, a cost factor regardless whether any investment is made in monetary terms or as manpower. These immediate costs are not offset by returns from the desired pioneering effect, as the input provided has to reach a threshold level after which the positive effect will occur, as only then the creation has been completed and the second stage in which returns are generated achieved. The second stage can be, as has been mentioned above, infinite and provide increasing returns over time, depending on the pioneer his commitment and maintenance of the pioneering effect and his ability and willingness to defend it from outside influences.

In line with the character of this BSSP as described above and the resulting re-defined understanding of the use of it in the existing literature on the subject this particular phenomenon has been termed:

• PIONEERING ADVANTAGE

The following model visualises the properties which were described above of pioneering advantages:

Figure: 6.4
Function of Pioneering Advantage



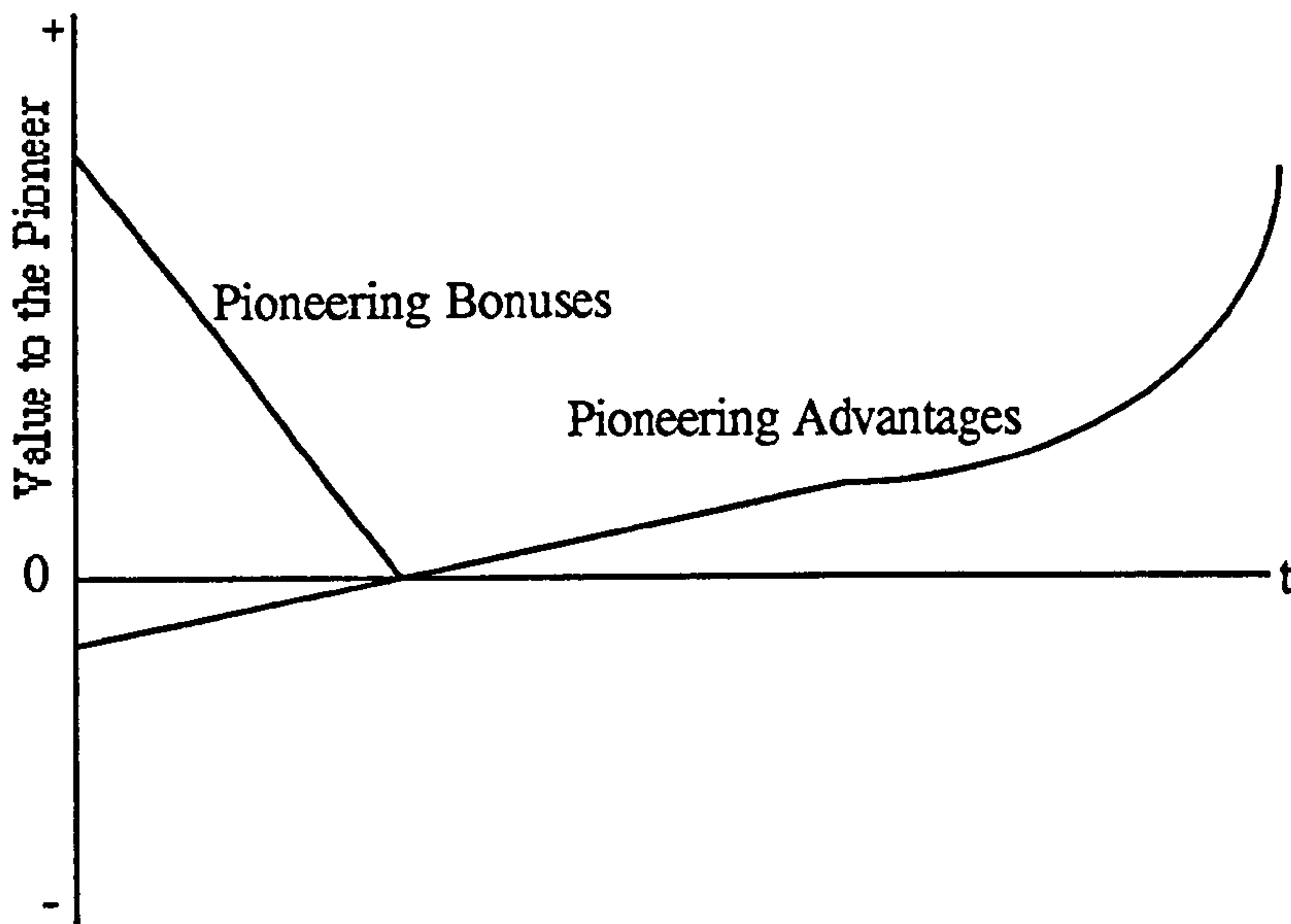
Source: Author

It is critical to realise, that the differentiation between pioneering bonuses and pioneering advantages is not one without relevance to reality, but a precise reflection of the reality found in the data of this study. The categories which evolved through the different stages of analysis always remain firmly grounded on the data set from which they were originally derived.

Pioneering advantages and pioneering bonuses are based on fundamentally different processes, which make it vital to recognise the resulting differences in further research as well as in the practical application. A crucial property of grounded theory is, that the findings are relevant to those working in the field of study and not only to academics conducting studies in the field.

In order to combine the visualisation of the difference between pioneering bonuses and pioneering advantages in terms of value and effect to a pioneer over time the two effects have been merged into the following graph:

Figure: 6.5
Pioneering Effects



Source: Author

The graph is meant to give a general impression of the two different effects rather than an exact and prescriptive account of their underlying function. It clearly demonstrates their very different properties for the pioneer and the resulting differences with which they need to be used by the pioneer.

6.3.5.2 Conclusion

The previous section saw the final stage of grounded theory analysis of pioneering effects. In that final stage three categories of fundamentally different effects of pioneering were identified, one of which pioneering bonuses was created for the first time and represents a major contribution to research into the effects of pioneering.

The core finding of this section therefore is, that three fundamentally different categories of pioneering effects exist, all of which require separate and individual recognition in terms of research as well as in terms of application.

Never before have pioneering effects been categorised in terms of their underlying processes and properties, the result of which has provided a rich and dense construct of categories of pioneering effects derived from research into pioneering effects in a new context NGM pioneering, an area which has been the focus for empirical research for the first time.

The result is important in terms of future research into pioneering effects, as the findings of this study can provide a basis from which to explore the categories and definitions provided even deeper adding density and richness. In terms of implications for pioneering in new geographic markets the findings provide important guidelines as to how pioneering can be made more successful and how to deal with the effects of pioneering. A re-evaluation of practitioners of their understanding of pioneering and its effects is in this respect a viable starting point.

In an attempt to close the circle of this section the following table provides the weights of the incidences from which the three categories of pioneering effects have evolved and definitions of the three different effects are provided. The interested reader may well return now to the start of this section and evaluate the individual incidences in the light of the findings presented here.

Table: 6.7

Frequencies of Pioneering Effects

Total	Pioneering Advantage	Pioneering Bonus	Pioneering Disadvantage
82	40	19	28

Source: Author

Definition: Pioneering Advantage

A pioneering advantage is an opportunity which is actively created by the pioneer. The pioneer has, to a large degree, control over the occurrence and intensity of pioneering advantages. Pioneering advantages require an input to be made by the pioneer before they release their benefit to the pioneer, which takes place at a later stage.

Definition: Pioneering Bonus

A pioneering bonus is an opportunity which presents itself because of a particular constellation of environmental factors. The pioneer has no influence on the occurrence or the intensity of pioneering bonuses. Pioneering bonuses can be immediately seized by the pioneer and require no input from the pioneer in order to release their benefit.

Definition: Pioneering Disadvantage

A pioneering disadvantage is a consequence of pioneering which can be intrinsic to the activity of pioneering or the result of a follower's competitive effort. The potential sources of pioneering advantages need to be monitored by the pioneer to limit their impact on the pioneer's success. The pioneer has no direct control over the intensity and occurrence of such pioneering disadvantages.

6.3.6 Cross Referencing Pioneering Effects

The pioneering effects which were found in the previous section do not work in isolation and in many cases evidence exists, that they affect each other in a number of ways. The relationships between different pioneering effects are the subject of this section. This section provides an additional analysis of the processes underlying pioneering effects in terms of their susceptibility to influences from other pioneering effects, based on the data of this study and in a second stage on hypotheses developed from the analysis.

Although this study provides data on the relation between a number of pioneering effects it is not possible to give exact evaluation of the strength of pioneering effects influencing others. The nature of the effect, positive or negative is registered but further evaluation would make additional research into the relationships necessary.

The presentation of this section is the individual analysis of each pioneering effect discovered in the previous section and the search for incidences in the data in which a relation to other pioneering effects is evident. The incidences are then presented and the underlying relationship between the effects is analysed.

Pioneering Effect: A 'Remains of Artificial Pricing'

/ D 'Monopoly'

'When we started there were not many adverts on TV, so our advertising was very cheap and very effective at the same time'

'In the beginning we had a strong media advantage because of the low prices we could afford lots of advertising which nobody can match now after prices fro media have gone up. The chance has gone, but our asset from that is still there.'

/ T 'Outspending'

'..with the right investment you can make up for lost time quickly.'

'You are vulnerable to late comers who are willing to invest a lot.'

A/D

The advertising by the pioneer reaches the consumer undistorted by advertising for similar competitor products, thus achieving 100% share of voice in the market. Furthermore can the pioneer build awareness early for lower costs than followers who enter later and have to pay higher prices for their advertising. To reach the same awareness followers therefore have to pay more and advertise more, because of the fact that the follower would not have 100% share of voice.

The pioneering effect 'Remains of Artificial Pricing' is enhanced by the effect 'Monopoly' in the new geographical market, thus leaving the benefit to the pioneer.

A/T

The pioneering effect 'Outspending the Pioneer' reduces the beneficial effect of the 'Remains of Artificial Pricing', as the follower either utilises the same effect by entering early enough or takes the increased costs into account when setting the budget for the market entry by outspending.

The pioneering effect of benefiting from the remains of artificial pricing is reduced by the effect of outspending.

Pioneering Effect: B 'Swing Backs'

No incidences were found which would indicate this pioneering effect to be affected by other pioneering effects.

The pioneering effect B 'Swing backs' seems to be not influenced by other pioneering effects.

Pioneering Effect: C 'Euphoria'

/ D 'Monopoly'

'You also have a pent up demand, which you can satisfy if you are first. At the beginning people also have cash for these products.'

'When we started the difference between western premium products and local products was really night and day. The first year in this market was tremendously successful because of the huge difference in product effectiveness.'

C/D

The two effects of pioneering which were termed 'Euphoria' were the pent up demand awaiting the pioneer and the benefit of being able to exploit the differences in product performance.

The pioneering effect 'monopoly' enhances both parts of the 'Euphoria' effect of pioneering. Firstly the 'monopoly' effect allows the pioneer to satisfy the pent up demand alone, generating considerable initial sales, which besides generating profit also mean, that consumers have experienced the product, and, secondly the differences in product performance is during the monopoly attributed to the pioneer's brand/product alone, which enhances the image of the pioneering brand/product.

Pioneering Effect: D 'Monopoly'

/ B 'Swing Backs'

'Most markets in central Europe saw a swing back to protectionism recently. This is very nice if you are in and competition can't follow'

D/B

The pioneering effect 'monopoly' is enhanced by the effect 'swing backs', as the monopoly situation is extended by a swing back which 'closes the door' before potential followers are able to enter the market. The monopoly situation is obviously rewarding for the pioneer and any extension of a monopoly is of great advantage to a pioneer.

Pioneering Effect: E 'Market Coverage'

/ D 'Monopoly'

'Now there are not many viable companies left which are to be sold, if you came into the market now, there would be nothing left in our segments...'

'The main advantage of those who entered early was that they were able to acquire local companies with the possibility of having bought a good brand...'

'if you are first you are the one who can select amongst the brands which are on offer to be privatised'

'Their [the pioneer] main advantage was that they have local brands...'

/ R 'Copying'

'I would even say in some respects it's better to be late because it's much easier to enter the segments the pioneer had to build with a lot of effort'

E/D

The pioneering effect 'Market Coverage' has the objective to cover the market with brands and products in all important market positions covering important niches not to allow a follower an easy start. The pioneering effect 'monopoly' enhances the 'Market Coverage' effect in terms of giving the pioneer opportunity to establish brands and products across all viable positions without interference or pre-emption from a competitor.

E/R

The pioneering effect 'copying' reduces the beneficial effect of 'Market Coverage' because a follower can analyse the pioneer's success in different segments in the market and directly attack those in which the pioneer is weakest or those which are most promising, modelling his market entry on the successful components of the pioneer.

Pioneering Effect: F 'Consumer Perceptions'

/A 'Remains of Artificial Pricing'

'In the beginning we had a strong media advantage because of the low prices we could afford lots of advertising...our asset from that is still there [in the form of better awareness figures than our follower now have].

/D 'Monopoly'

'You start to educate consumers, ...you build the category, ...you effectively own the market it is your product category.'

'...the pioneer has the chance of an empty space [in the consumer's mind] which he can fill as he likes it.'

'You are the architect of your category and you can design it to exactly fit your product.'

'They [the pioneer] had more time to promote their brand and establish them amongst consumers.'

'The best reason to be first is...to part of those who shape consumer perception...'

'... they [the pioneer] started with well made advertising at a time when advertising was not really done in this market.'

'...we [the pioneer] introduced clear branding in this category to such a success, that our brand name now is the generic term for the category.'

/T 'Outspending the Pioneer'

'it doesn't matter to be late in eastern Europe because consumers are not loyal, they are uneducated in branding and they are willing to try new things.'

'You are vulnerable to late comers who are willing to invest a lot...'

'with the right investment you can make up lost time quickly'

F/A

The pioneering effect of 'Consumer Perceptions' is enhanced by the 'Remains of Artificial Pricing' effect because communication is a central instrument in shaping consumer perception, any advantage in using communication instruments therefore aids in the objective of shaping consumer perception.

F/D

The advantage 'Consumer Perceptions' is enhanced by the 'Monopoly' effect, as the shaping of consumer perception in terms of 'ideal' product attribute combination towards the pioneer's particular attribute combination is made possible because no competitor product interferes with the pioneer's product and shaping.

Influencing and shaping consumer perception is strongly aided through the monopoly effect.

F/T

A patent lack of brand loyalty amongst central European consumers means that followers who are following with an 'Outspending' strategy into the market can outweigh the inroads made by the pioneer in terms of shaping consumer perception by investing heavily into communication.

The pioneering effect 'Outspending the Pioneer' is therefore reducing the benefits of the 'Consumer perception' effect for the pioneer.

Pioneering Effect: G 'Retail and Distribution Systems'

/D 'Monopoly'

'not many western brands were around at the time [of market entry] so we immediately got on the shelves'

'Well, 'the first always has the advantage that he can introduce systems as he likes them.'

'They [the pioneer] went ahead in distribution and we had to catch up in all areas.'

'You can much better take part in the early days and be part of those who shape the market'

/T 'Outspending the Pioneer'

'Loyalty in retailing is very low and if somebody offers them [the retailer] an attractive gift, they may give them the whole shelf.'

'Gaining distribution is not as difficult as maintaining the distribution because retailers are no very loyal.'

'You are vulnerable to late comers who are willing to invest a lot...'

'with the right investment you can make up lost time quickly'

G/D

In terms of the pioneering effect 'Retail and Distribution Systems' the 'Monopoly' effect is an enhancement in two ways. Firstly the monopoly means, that distribution is easily gained as retailers are keen to get western brands onto their shelves. Secondly the pioneer is able to introduce his favourite systems in terms of shaping the relation between him as a supplier and retailers as his customers because during the monopoly no competitor can interfere with the shaping of retailers and distribution intermediaries.

G/T

A patent lack of brand loyalty amongst central European retailers means that followers who are following with an 'Outspending' strategy into the market can outweigh the inroads made by the pioneer in terms of gaining distribution by investing heavily into creating an advertising presence and by retailer promotions to gain access to shelf space.

The pioneering effect 'Outspending the Pioneer' is therefore reducing the benefits of the 'Retail and Distribution Systems' effect for the pioneer.

Pioneering Effect: H 'Shaping the Organisation'

/D 'Monopoly'

'You do have a holiday as long as you are on your own, the mere fact that you have an infra structure in place gives you a tremendous advantage...'

'Our internal structure is also very efficient and that is probably due to the fact that we have been here longer.'

/R 'Copying'

'...we have not only learned from our competitors..'

'Company Y usually takes the right lessons from the early states and they are quite successful with that.'

'We learned some lessons from company z...

'One key is, that you can learn from the pioneer's mistakes.'

'...obviously others can see how we do things...'

'The follower only needs to copy what the pioneer has achieved and can be up and running much faster.'

/S 'Benchmarking'

'if you are second or later... you also know how large to plan your set up because you see the pioneer and then you just decide...'

/T 'Outspending the Pioneer'

'You can save time on training your own people in buying them from those who were earlier in the market.'

'If you don't have the right staff you just hire it from the pioneer and benefit from the training and education they have received there.'

'You are vulnerable to late comers who are willing to invest a lot and who are ... buying your best people.'

'...they also have a policy to hire pioneer staff at very high costs, but they gain all the know how by doing that.'

H/D

In terms of the pioneering effect 'Shaping the Organisation' the 'Monopoly' effect constitutes an enhancement in two ways. Firstly the monopoly means, that the pioneer can build and shape his own organisation at a time when he is not under the pressure from competition and secondly mistakes which are made by the pioneer are less disastrous in a monopoly situation, which means the pioneer can deliberately use trial and error in building and shaping his organisation.

H/R

The pioneering effect 'Shaping the Organisation' is adversely affected by the 'Copying' effect. The fact that the achievements of the effect 'Shaping the Organisation' are used by a follower as a model on which he bases his own organisation implies that the pioneer learns not only for himself but also for his competitors. Setbacks and efforts necessary in the learning process however are not suffered by the follower, who also saves time by copying the pioneer in comparison to the lengthy learning process the pioneer had to go through.

H/S

The pioneering effect 'Shaping the Organisation' is adversely affected by the 'Benchmarking' effect. The size and form of the organisation set by the pioneer, if used by the follower as a benchmark to determine the size of his own organisation at market entry provides the follower with additional data the pioneer did not have at his market entry. By using the pioneer's organisation as a benchmark the follower uses the pioneer's experience and learning in the market for his advantage.

H/T

The pioneering effect 'Outspending the Pioneer' reduces the beneficial effect of the 'Shaping the Organisation' effect in two ways. Firstly the follower can, by using the 'benchmarking' effect to determine a much larger operation in the new geographic market, considerably outspend and overrun the pioneer when building his own organisation. Secondly the follower can hire staff from the pioneer in order to gain the pioneer's expertise through the staff he hires and at the same time weaken the pioneer's organisation.

The follower can with this save time and effort to gain experienced and trained personnel for his own operation. Investments made by the pioneer into people are lost and are turned into an advantage for the follower.

Pioneering Effect: I 'Entry Barriers'

/T 'Outspending the Pioneer'

'...with the right investment you can make up lost time quickly.'

'You are vulnerable to late comers who are willing to invest a lot...'

'If a major company would enter the market and make a firm commitment...we [the pioneer] would have a hard battle to fight.'

I/T

The pioneering effect 'Entry Barriers' is based upon the willingness and ability of the pioneer to erect and strengthen market entry barriers. This objective is undermined by the effect 'Outspending the Pioneer'. As no entry barriers exist which are impenetrable the follower using an outspending strategy is determined to overcome any obstacles and achieve the market leadership position in the new geographic market.

Pioneering Effect: J 'Distribution'

/D 'Monopoly'

'you can block out rivals, if you are first...'

'...if you get first to the distributor you can completely block out your competition...'

'Because we were first we still have an advantage in the small stores, if they only stock one western brand they already have us, so it's difficult for others to gain access.'

/L 'Key Contact Centres / Opinion Leaders'

'...we were first in the hospitals [Key Contact Centre], this exclusivity is for us very important.'

J/D

The pioneering effect of blocking followers from accessing parts of distribution channels is enhanced by the effect 'Monopoly'. The monopoly gives the pioneer time to identify potential opportunities for blocking and time to negotiate arrangements prior to market entry by a follower.

The longer exposure of retailers to the pioneer during the monopoly may also create brand loyalty to the pioneer. The brand loyalty observed in the data, which is also reflected in the incident above, is an opportunistic one because of cash flow problems of small retailers, who often can't stock a variety of western brands because that would tie up too much capital. The pioneer therefore is a 'safe bet' and this results in some degree of loyalty.

J/L

The pioneering effect of blocking followers from accessing parts of distribution channels is enhanced by the effect 'Key Contact Centres / Opinion Leaders'. The endorsement from opinion leaders and the strong contacts made with the consumer through key contact centres are a strong force in shaping the consumer's mind, which can also positively influence the ability to negotiate blocking arrangements with retailers or wholesalers.

Pioneering Effect: K 'Advertising'

No incidences were found which would indicate this pioneering effect to be affected by other pioneering effects.

The pioneering effect K 'Advertising' seems to be not influenced by other pioneering effects.

Pioneering Effect: L 'Key Contact Centres / Opinion Leaders'

/D 'Monopoly'

'you can block out rivals, if you are first...'

'...we were first in the hospitals [Key Contact Centre], this exclusivity is for us very important.'

L/D

The pioneering effect of blocking followers from accessing key contact centres and opinion leaders is enhanced by the effect 'Monopoly'. The monopoly gives the pioneer time to identify key contact centres and opinion leaders and time to negotiate exclusivity arrangements with them prior to market entry by a follower.

Pioneering Effect: M 'Risk at Market Entry'

/D 'Monopoly'

'This was also risk avoidance in terms of allowing for mistakes to be made..'

/R 'Copying'

/S 'Benchmarking'

'..the pioneer risks everything and the follower know what to expect

M/D

Part of the risk at market entry is the fact that the new market environment is unknown to the pioneer. The pioneering effect 'Monopoly' therefore reduces the negative impact of the pioneering effect 'Risk at Market Entry' by providing a time in which the environment is less competitive because of the absence of any follower.

M/R

M/S

Both pioneering effects 'Copying' and 'Benchmarking' are based on the follower benefiting from the pioneer in terms of using the pioneer's experience to set up their own organisation. The negative impact of the pioneering effect 'Risk at Market Entry' is therefore enhanced by the two pioneering effects R and S by focusing on the follower's strategy of risk avoidance by using the experience of the pioneer at market entry.

Pioneering Effect: N 'Paving Process'

/R 'Copying'

'The follower only needs to copy what the pioneer has achieved and can be up and running much faster.'

' obviously others can see how we are doing things in this market..'

N/R

The pioneering effect of 'Paving Process' is based on the process of the pioneer facing the task to introduce new standards and practices in a new geographic market, which is difficult and cumbersome when faced with a general inertia towards change. The pioneering effect 'Copying' adds to the negative impact of 'Paving Process' as it allows a follower to benefit from the pioneer's efforts to pave.

Pioneering Effect: O 'Introduction of New Product Category'

/R 'Copying'

'In a market like this in which price is a key factor, you can determine the price in a way depending on the pioneer. You just set your price slightly below the pioneer...'

'I don't think we had that much of an advantage in the categories which we pioneered, because our competitors would follow quickly with their products into these categories.'

'Once the pioneer has taken his position it is easier to attack him.'

'All advertising by the pioneer also benefits the followers.'

' the followers have their products ready just as we [the pioneer] have.'

O/R

The difficult task of introducing new product categories to the consumers of a new geographic market is a considerable burden for the pioneer. Investments into communication and other marketing instruments are necessary. The pioneering effect 'Copying' adds a further negative dimension in terms of a follower being able to immediately benefit from the investments made by the pioneer and introduce a product into the category at a time he thinks is right in terms of groundwork done by the pioneer, thus saving on consumer education and advertising.

In a situation in which the follower and the pioneer market established products and brands the follower has his product available at any time and can therefore time his market entry according to his judgement of the situation, no delays are necessary because of new techniques or components, as no NPD is involved.

Pioneering Effect: P 'Consumer Education'

/D 'Monopoly'

'You start to educate the consumer. You create the market. If you make a market by educating consumers they will stay with you...'

P/D

In cases in which 'Consumer Education' is necessary, it is particularly advantageous for the pioneer, if he can use the pioneering effect 'Monopoly' to aid in educating consumers. While the pioneer has the monopoly the education of consumers is slower, because it is the pioneer alone who is working on the change, but he is also the sole recipient of his success in terms of sales and eventually brand loyalty.

Pioneering Effect: Q 'Setting New Price Dimensions'

/D 'Monopoly'

'Consumers thought we were totally overpriced, being the only available product in the category.'

'We were first in that category, charging such a high premium that consumers were wondering how can this possibly be worth that much.'

Q/D

In a single incident the pioneering effect 'Monopoly' has been reported to have a negative influence on another pioneering effect 'Setting New Price Dimensions'. The monopoly which grants the absence of any competitors also means in this case, that consumers are unable to compare negative attributes of new brands, in this case an unexpectedly high price, to that of other western brands. Only the pioneer would suffer more from this negative effect, as the follower would enter a market in which the new price dimension is already established.

Pioneering Effect: R 'Copying'

/J 'Distribution'

'We control sales and distribution in the capital, and in the countryside people have no money for our products...'

R/J

The negative pioneering effect of 'Copying' can be reduced in its negative impact through the pioneering effect 'Distribution' in which the pioneer blocks the follower from access to certain parts of the distribution channel. Although a follower may want to copy in the area of distribution blocking agreements prevent this happening.

Pioneering Effect: S 'Benchmarking'

No incidences were found which would indicate this pioneering effect to be affected by other pioneering effects.

The pioneering effect S 'Benchmarking' seems to be not influenced by other pioneering effects.

Pioneering Effect: T 'Outspending the Pioneer'

/H 'Shaping the Organisation'

'You can save time on training your own people in buying them from those who were earlier in the market.'

'If you don't have the right staff you just hire it from the pioneer and benefit from the training and education they have received there.'

'You are vulnerable to late comers who are willing to invest a lot and who are ... buying your best people.'

'..they also have a policy to hire pioneer staff at very high costs, but they gain all the know how by doing that.'

/J 'Distribution'

'We control sales and distribution in the capitol, and in the countryside people have no money for our products...'

/K 'Advertising'

'...brand yx had contracts with local radio stations we would have liked to work with, so we have to wait until they stop advertising there...'

/N 'Paving Process'

'Because of a lack of brand loyalty, the minute you stop advertising people forget and switch...so after brand yx had spent most of their advertising budget we went in and immediately increased our sales.'

T/H

The negative impact of 'Outspending the Pioneer' is considerably increased if the follower is able to benefit from the pioneering effect 'Shaping the Organisation' through hiring people from the pioneer. This severely weakens the pioneer and strengthens the follower.

T/J; T/K

The negative impact of the pioneering effect 'Outspending the Pioneer' can be reduced through effects which aim at blocking the access for followers from certain communication channels or distribution. Any exclusivity on part of the pioneer which is backed up by contractual agreements can be a useful tool in the defence against a follower who uses the outspending strategy.

T/N

The pioneering effect 'Paving Process' adds to the negative impact of 'Outspending the Pioneer' as the pioneer is not only outspent by the follower, the follower is also able to utilise the experience and paving efforts of the pioneer, which makes him even more dangerous to the pioneer.

6.3.6.1 Conclusion: Cross Referencing Pioneering Effects

This section dealt with the positive and negative influences some pioneering effects can have on other pioneering effects.

Any form of cross referencing data requires a higher number of cases to be meaningful. The relative small number of incidences found in the data for this section indicates, that the data set of this study is too small to accurately reflect the scope of what cross referencing of pioneering effects has to offer.

It has therefore been decided to include cases in the conclusion of this section, which are based on the results found in this section. Grounded theory abstracts data in the quest for underlying processes and the process becomes more important than the data itself, as was discussed earlier.

The process, having been isolated by using grounded theory analysis, however is, on its own, meant to be applicable to a wider reality than that in which it was found. This has been applied in this conclusion in such a way, that the influences which were found and presented above have been tested against all those pioneering effects which according to the data were not found to be influenced by the particular pioneering effect. The fact that the data does not indicate a relation between two pioneering effects however does not mean that there is none, as the relation which exists may just not show in this particular data set but can still be found by applying the results from the grounded theory analysis. does not mean that there is none, as the relation which exists may just not show in this particular data set but can still be found by applying the results from the grounded theory analysis.

This testing process resulted in a much more dense and comprehensive overview of how pioneering effects can influence each other. The following table visualises the cross referencing of pioneering effects, indicating the cases which are grounded in data with red signs (+ or -), and those which are based on grounded theory with black signs (+ or -).

Table 6.8
Cross Reference Pioneering Effects

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T								
		Remains of Artificial Pricing	Swing Backs	Euphoria	Monopoly	Market Coverage	Consumer Perceptions	Retail and Distribution Systems	Shaping the Organisation	Entry Barriers	Distribution	Advertising	Key Cont. Cent. / Op. Leads	Risk at Market Entry	Paving Process	Intro. New Product Category	Consumer Education	Setting New Price Dimensions	Copying	Benchmarking	Outspending the Pioneer								
A	Remains of Artificial Pricing				+																-	1	1	0	2				
B	Swing Backs																				-	0	0	0	0				
C	Euphoria				+																-	1	2	-1	3				
D	Monopoly		+	+																	-	2	3	-1	5				
E	Market Coverage	+			+				+	+											-	4	4	0	8				
F	Consumer Perceptions	+		+	+					+	+										-	6	4	2	10				
G	Retail and Distribution Systems				+	+															-	2	2	0	4				
H	Shaping the Organisation	+			+		+														-	3	4	-1	7				
I	Entry Barriers		+		+	+	+				+	+	+	-	-						-	7	3	4	10				
J	Distribution				+	+	+					+	+	-	-						-	5	3	2	8				
K	Advertising				+	+			+												-	3	1	2	4				
L	Key Cont. Cent. / Op. Leads				+						+										-	2	2	0	4				
M	Risk at Market Entry				+																-	1	3	-2	4				
N	Paving Process				+																-	1	3	-2	4				
O	Intro. New Product Category			+	+					+	+	+									-	5	3	2	8				
P	Consumer Education			+	+																-	2	3	-1	5				
Q	Setting New Price Dimensions			+	-																-	1	3	-2	4				
R	Copying					+	+			+	+	+	+	-	-	-	-	-	-		-	6	5	1	11				
S	Benchmarking																				-	0	2	-2	2				
T	Outspending the Pioneer								+	+	+	+	+	-	-	-	-	-	-	-	-	5	7	-2	12				
	Positive Influences:	3	2	5	13	6	2	2	0	5	7	6	4	0	0	0	0	0	0	0	0								
	Negative Influences:	0	0	0	1	0	0	0	0	0	0	0	0	3	6	2	3	4	12	6	19								
	Power of Influence:	3	2	5	12	6	2	2	0	5	7	6	4	-3	-6	-2	-3	-4	-12	-6	-19					57	58		
																										56			

Source: Author

The general conclusions which can be drawn from this grid are as follows:

Some Pioneering Effects Are More Influential Than Others.

Two pioneering effects influence considerably more effects than all others.

The first one is 'Monopoly', a pioneering bonus. 'Monopoly' was found to influence 10 other pioneering effects positively, and 1 negatively. In the testing of the underlying process, isolated by grounded theory, it was found that 'Monopoly' can potentially influence 5 other pioneering effects positively, which is not corroborated by incidences in this data set.

This indicates, that the pioneering bonus 'Monopoly' is the most effective accelerator of positive pioneering effects and that it is the one pioneering bonus a pioneer has to be most interested in gaining and maintaining. It has been mentioned before, that pioneering bonuses can not be extended and the monopoly ends with the market entry of a follower, which is beyond the direct control of the pioneer. It is however important to realise just how important the monopoly is for the pioneer to be able to make the best use of it, as long as it lasts.

The second effect is 'Outspending the Pioneer', which is a freerider effect, which is part of the 'negative effects of pioneering' category. The incidences relating to 'Outspending the Pioneer' which were found in the data were rather different to those found in other cases of cross referencing pioneering effects. It seems that 'Outspending the Pioneer' influences other pioneering effects more severely and more comprehensively, if it occurs. In the cases in which outspending was observed, the pioneer usually lost out on a wide variety of issues against the outspending follower.

'Outspending the Pioneer' is a pioneering effect which was found in the data to have a negative impact on 11 other pioneering effects, thus affecting the pioneer in almost all areas. Only few pioneering effects are not in any way affected by 'Outspending the Pioneer'. The importance of this is, that a pioneer who faces a follower who uses outspending faces severe setbacks and losses of pioneering advantages through the new competitor.

The Pioneering Effects React Accordingly.

The way in which pioneering effects affect others follows the distinction between positive and negative pioneering effects, made in the previous section.

Those which fall into the category positive pioneering effects have an enhancing, positive effect on other pioneering effects and are reducing the negative impact of negative effects, whereas the effects of the negative category reduce positive effect and strengthen negative effects further.

Susceptibly.

The susceptibility of individual pioneering effects to be influenced by other pioneering effects varies across the range of effects found in this study.

Not a single pioneering effect was found which is completely uninfluenced by others which indicates that pioneering effects can not be seen in isolation and that the interaction between the individual effects is a vital component in the use of pioneering effects.

The column termed 'susceptibility' on the right of the table indicates in a very simple numeric way which effects are likely to be positively enhanced and which are prone to be negatively enhanced. Although this leaves the individual value of an effect unconsidered it gives a rough idea of the tendency a pioneering effect has, when subject of the influence of other effects.

The following section also assesses influences on pioneering effects, however the influences discussed in the next sections are not pioneering effects themselves but factors which have a bearing on the occurrence and intensity with which pioneering effects are found.

6.4 Factors Influencing Pioneering Effects

To isolate factors influencing pioneering effects is less straightforward than the identification of the pioneering effects themselves. The reason why this analysis process is more difficult is because the factors are not as obvious to respondents and are therefore less likely to be clearly visible in single incidences extracted from the data, as was done in identifying pioneering effects in the previous sections. It is therefore, that some of the data in this section which is given as the source of particular factors is less poignant in terms of clearly and directly indicating a specific factor within small incidences of data. In some cases it is therefore necessary to present one or more detailed company examples from the data set in length to isolate a particular factor influencing pioneering effects.

6.4.1 Factor: 1 - 3

Example: Tampax Czech Republic

Tampax introduced a range of female hygiene products to the Czech Republic. They started in this market one year before their main competitor Johnson & Johnson entered the same market with their OB brand. Tampax pioneered in the market despite the fact that they are not in a particularly strong financial position compared to their main competitors. They did not set up a subsidiary but chose the less risky, less expensive market entry mode through a distributor. The market of female hygiene products is, in comparison to western markets, totally underdeveloped in the Czech Republic. Although Tampax achieved a good distribution through the distributor and also while being monopolist achieved market and brand leadership, they were unable to develop the whole product category sufficiently. The reason for this being, that they had not committed sufficient funds to the market to use the time in which they held the monopoly to educate consumers thus creating a large enough base of satisfied consumers who would hopefully remain loyal in the case of competition entering the market.

When Johnson & Johnson came into the Czech market, they entered a market which was very much underdeveloped for female hygiene products. This situation gave them the advantage, that they did not have to win customers of Tampax over, but that they could target consumers who had no previous experience with the pioneering brand Tampax. With a strong financial commitment they were able to start a large scale consumer education campaign which made them the quasi pioneer in large parts of the markets, which were untapped previously by Tampax. With this they were able to make their product the better known and preferred product outperforming Tampax in all vital market statistics, after only a short period in the market.

Example: Pepsi Cola Poland

The status of pioneer in the Polish Cola market is difficult to establish as Pepsi Cola and Coca Cola entered both in 1970 under a agreement between the Polish government and the two companies. Both companies were allocated specific territories in which they virtually had a monopoly. Pepsi had the advantage of having been allocated the bigger territory being present in most parts of Poland, whereas Coca Cola only had only been allocated a small region in and around Warsaw. It is therefore, that in the original Pepsi territory Coca Cola is being considered follower and vice versa when in 1989 the territorial restrictions on the two companies were lifted.

When the territorial restrictions were lifted each of the companies held about 90% market share in their own territories and virtual 0% in that of the other. In 1989 Coca Cola decided to immediately enter the Pepsi territory. They committed 250 million US dollar, a considerable investment, to improve their operations in Poland and expand successfully into Pepsi territory. Pepsi did not invest any considerable amount of money into their drinks business until 1994 at which time their market share had fallen back to 25% in some areas of what was their territory. Not only is Coca Cola now the market leader in Poland in Cola drinks they are also prepared and ready to fight off any attack Pepsi may mount in the future.

Coca Cola demonstrated at a decisive moment the ability to focus on the attack on Pepsi using the inability of Pepsi to quickly and effectively mount a counteroffensive as road to success.

Example: Eduscho Hungary

Eduscho, a German coffee roaster had entered the Hungarian coffee market very early on in 1990. They were the first to sell coffee under a western brand name and the first to roast locally.

In 1991 Douwe Egberts, Nestlé, Tchibo and KJS followed. Douwe Egberts and Nestlé each bought one part of the two former state duopoly coffee companies, Tchibo built a roasting plant and KJS initially imported roasted coffee from Austria, until they bought a small roasting plant in 1992. All followers made considerable investments into the Hungarian market between 1991 and 1992.

Since the followers entered the market Eduscho has continuously lost ground in the Hungarian coffee market. They achieved a market share of over 20% in their first year which has been shrinking steadily. Rather than supporting their main brand against the increased competition Eduscho recently introduced a secondary brand which sells at half the price of the other premium brands being on a price level just over coffee sold on black markets, but which is not in any way recognisable as an Eduscho brand. This move was made only to hold on to their market position in volume terms. Not have they lost their leadership in value terms but it also seems likely, that Eduscho is running their Hungarian operation at a loss because the price of raw coffee in relation to the price of their cheap brand means that they are currently unable to generate any profit from their sales. They have also completely stopped to support their main brand with advertising, which means that their brand awareness and shelf presence is constantly eroded leading most likely to an eventual retreat from the Hungarian market in the future.

Three factors can be isolated from these three examples: Willingness to raise the level of commitment according to the level of competition set by a follower. Secondly, the Ability to raise the level of commitment according to the level of competition set by a follower and thirdly the Continuity to maintain a level of commitment to the new geographic market according to the level of commitment competition set by a follower.

The underlying processes of the three factors can therefore be formulated as:

Willingness

The factor 'Willingness' refers to the willingness of a pioneer to commit all the resources to a new geographical market which are necessary to compete effectively against a potential follower. Secondly it is important to be willing to increase the commitment in a new geographical market if competition requires this move to be made.

Only if the willingness is guaranteed a pioneer can safely assume, that he will remain in a position in which he can use pioneering advantages as part of his strategy.

Ability

The factor 'Ability' refers to the ability of a pioneer to commit all the resources to a new geographical market which are necessary to compete effectively against a potential follower, be it financial resources or a company internal backup network. Secondly it is important to be able to increase the commitment in a new geographical market if competition requires this move to be made.

If the pioneer is not able not provide a level of commitment which at least matches that of followers a danger exists, that a follower could easily dislodge the pioneer from his position through better and stronger commitment.

Only if the ability is guaranteed a pioneer can safely assume, that he will remain in a position in which he can use pioneering advantages as part of his strategy.

Continuity

The factor 'Continuity' refers to the ability and willingness of a pioneer to commit all the resources to a new geographical market which are necessary to compete effectively on a long term basis.

Failure to provide a continuity of commitment leads ultimately to the loss of the market leader position and the loss to use pioneering effects for the benefit of the pioneer.

6.4.2 Factor: 4

Example: BDF Czech Republic

When BDF entered the Czech Republic with a fully owned subsidiary in 1991 they faced a dilemma with their main brand 'NIVEA' which had been licensed out to a state owned manufacturer of cosmetics since the 70s. Although 'Nivea' had an extremely high awareness and market dominance, it was positioned as a cheap all purpose cream. Research showed that the use of 'Nivea Cream' reached from the intended (Face Cream) to the obscure (Door Hinges).

With the setting up of a fully owned subsidiary in the Czech Republic BDF reclaimed the rights to their 'Nivea' brand, which in the Czech market was only used for cream and no other products. In western markets however, the 'Nivea' brand had been extended to a whole range of cosmetics products some which BDF wanted to introduce in the Czech market. The positioning of the 'Nivea' brand in the Czech Republic was not consistent with the positioning in other markets where quality was always the main proposition of 'Nivea', the proposition the other products of the 'Nivea' range are also based on.

The core of the dilemma for BDF was that they found themselves with a strong brand with the wrong image and a range of products which were the opposite of the image the brand currently had. Furthermore changes in production meant that the core product 'Nivea' cream had to be increased in price by about 600%, which even by Czech standards is considerable.

The key to the successful solution to the dilemma was found in a quick and decisive re-launch of the core product 'Nivea' cream with the extensive use of advertising to create an awareness for the change. This was done during the time when 'Nivea' had the monopoly so it took place before competition put BDF under pressure. The introduction of other cosmetics products under the 'Nivea' brand name was also done in a way which reflected the needs of the market. The range was kept smaller than in western markets with a focus on basic products, leaving the consumer time and opportunity for personal experience to grow into the vast and specialised cosmetics market without overwhelming her at the beginning. More advanced and more expensive products are introduced step by step and a continued education effort ensures the consumer follows in her knowledge and desire the expansion of the product portfolio.

Example: Henkel Hungary

Hungary was the first central and eastern European country which Henkel entered. They entered a joint venture agreement in 1987, considerably earlier than any other western company in the detergents business. Having been considerably longer in the market allowed Henkel to study the local brands in their category and acquire, at the time they were privatised, the best local brand for their own portfolio.

In a measured approach the brand was re-launched to become the best selling detergent brand in Hungary, withstanding all new competitors and their efforts. The approach Henkel took in their re-launch was, quite different to that described in the previous example.

In changing image and product carefully and slowly without losing the core values of what had made their local brand successful before Henkel ensured the success of the re-launch. Since Henkel took care of the brand it has been re-launched 3 times to slowly change it into a Henkel brand, giving the consumer time to adjust to the new brand without losing a continuity in the brand from its past.

The factor which can be isolated from the example above is that of the pioneer understanding the new geographic market, understanding it better than his followers.

Understanding

The factor 'Understanding' sums up the degree to which the pioneer has achieved an understanding of the new geographic market, the consumer their needs and desires. Understanding a market clearly is a key factor in being successful in a new geographic market. The pioneer has had more time to gain the understanding of and for the local market and because of having had the longest experience in the market should have the best understanding. The understanding of the local market is also a key factor in terms of creating pioneering advantages through a superior knowledge of the market and its consumers.

The understanding of local markets forms an important key to success in central Europe, according to the data. Gaining an understanding of these markets is more difficult than in western markets, as the changes which brought down Communism also affected consumers, their spending power and their attitude towards brands, factors which are all reflected in their buying behaviour. Most managers in western companies are ex-patriates who do not share the experience of 40 years Communism and the subsequent short period of getting used to a market economy, an experience which most certainly influences consumers and shapes the economic environment in the markets of central Europe today. The lack of familiarity with the local consumer on the part of ex-patriate managers however can not be outweighed by market research data, as that remains still underdeveloped and unable to reflect all aspects necessary for an understanding, in the true sense of the word, of the market.

Understanding the market contributes to the pioneer's expertise in the creation and improvement of pioneering advantages in general, but in particular in two respects:

The first one is to spot opportunities which allow the pioneer to create pioneering advantages. Probably the most important of these opportunities in central Europe is the recognition of local companies in order to acquire them early on. The pioneer needs to find the best potential take over target before a follower can enter the market by the acquisition of a central local player.

The second aspect is to be able to sense changes in consumer behaviour early on, to adapt to the changing habits. This is a vital ability in an environment which is constantly changing and in which the attitude towards western brands has changed from great enthusiasm to protectionist refusal in recent times.

6.4.3 Factor: 5

Incidences:

'Our brand XY was not introduced into a market for the last 25 years, so we had to produce a campaign for the market introduction here for ourselves....Often you have to do your own work because habits are different. For coffee you see that people here drink Turkish coffee in tiny cups. If you have an execution using normal cups or even mugs you can't use them here, people will not recognise this as their coffee drinking experience.'

'We use international campaigns as well as developing our own, it depends on the product....A lot of the advertising we do is testimonials and they have to be re-done by definition, because only if the consumer can clearly identify with the testimonial it makes sense. For re-shoots we use scripts from the west and use local actors.'

'We produce a lot of campaigns specially for central Europe....We also have some international campaigns here as well.'

'Our advertising is typically Hungarian and it works well according to our research. We have the intention to be more Hungarian than our competitors.'

The factor which can be isolated from these incidences is adaptability in terms of being able to strike a balance in the use of marketing materials from other countries and self production.

Adaptability

The factor 'adaptability' concerns the expertise of the pioneer in finding the right balance between adaptation and non adaptation in terms of the marketing mix. The time and cost efficiency of adaptations has to be weighted against the need for a closer market fit. Pioneering advantages are created and influenced by the ability of the pioneer to come to the right degree of adaptation and non-adaptation, superior adaptability as a contribution to expertise is therefore valuable in terms of pioneering advantages.

Introducing established brands to new geographical markets brings with it the experience of marketing the same brand in other markets. This experience can be an advantage or a disadvantage in the effort to succeed in a new geographical market. All respondents in this study are multi national companies who have a wealth of experience in entering new geographical markets with their products and brands. The logical expectation from this is, that they find no difficulty in finding the right balance between adaptation and non adaptation of their strategies and techniques. However, the data from the study shows that this is not the case and many of the respondents struggle to find the right level between using established and proven strategies and techniques versus adopting new, unproved solutions specially tailored for the local market they operate in.

Some of the respondents had 'blueprints' of market entry developed from previous new market entries. Blueprints are then used to make decisions quickly, based on previous successes, before followers arrive in the market. Although the blueprint offers potential time advantages as experiences made in other markets can be used without losing time going through trial and error periods, it also bears the danger of being adopted as a doctrine, neglecting the local situation which makes the blueprint pioneer inflexible and badly adapted to the local market.

6.4.4 Factor: 6

Incidences:

'We made a good choice with buying the brands and factory which we bought and I am glad that we bought it and not the competition.'

'Our immediate objective was to secure successful local brands...Good local brands are an asset, once you have bought them they are worth a lot of money because they are the market share for the future.'

The factor which can be isolated from the incidences above is 'alertness'. Alertness describes a state of openness to observe and recognise opportunities and changes in the market place.

Alertness

The contribution of alertness to pioneering effect lies in the ability of the pioneer to recognise opportunities to create pioneering advantages, in the changing environment of a new geographical market.

In this competitive context it is an expertise to have the ability to identify an opportunity or changes in the market first, which often is a result of the good understanding of the local market.

In central European markets one central opportunity, which is referred to here, and in which alertness was a key to success, was the acquisition of local brands, usually a unique opportunity which has had a considerable impact on the developments in many of the industries studied in this project, as has been discussed on several previous occasions. Secondly however, it is vital to remain in a state of alertness to detect changes in the environment which impact on the business, the change away from western brands towards local brands is a major issue in central Europe and the recognition of this trend vital for business success.

6.4.5 Factor: 7

Incidences:

'I see a change in recent months which is away from western brands back towards local brands.'

'Consumers become much more critical now.'

'Changes in consumer behaviour are definitely taking place...'

The factor influencing pioneering effects, which can be isolated from the above incidences, is 'flexibility'. The ability of the pioneer to retain a degree of flexibility to be able to cope with the changes of the environment.

Flexibility

The ability to cope with changes and to adapt to new situations is the expertise a pioneer needs in a rapidly changing market environment like central Europe. This ability is vitally important to a pioneer as the first stages of his presence in a market is the time in which changes present the biggest scope for gaining advantages or suffering disadvantages because the pioneer is the only player in the market to be affected by the changes. Any potential follower who has not yet entered the market can consider the changes from an outside position judging their impact on business without being affected by them. Change has been described as a major source of pioneering bonuses, but change also gives rise to pioneering advantages, and the flexibility to use change as a catalyst for pioneering advantages is an important factor determining the creation and intensity of pioneering advantages.

The markets of central Europe are extremely changeable and changes are often of a serious nature affecting the overall market and the framework of conditions under which the pioneer works. Since the time when most western companies entered central Europe in the late 80s or early 90s, not only have consumer attitudes changed, but virtually all factors determining the economic environment of the markets the companies operate in are not anymore like they were at the time of market entry.

It is therefore a vital ability to be able to react and make the best of a changing environment. Any inertia on part of the pioneer in this respect can be very costly.

6.4.6 Factor: 8

Incidences:

'Most companies have overestimated their sales...to achieve better support from their HQs in the early days...this lead to huge investments for which interest and dividends have to be earned.'

'I think everybody operating in this market has made some sort of misjudgement. We overestimated the size of the market in volume and value. We underestimated by far the difficulty and the time needed to change structures within the company as well as with the consumers. ... We totally underestimated the investment necessary to get a decent production going.'

'The differences in society are more important than was anticipated by our company and also other companies. The influence of communism and the old regime make this market a bit special.'

The factor which can be isolated from the above incidences is 'judgement'. The ability of the pioneer to make a correct judgement in the market. The ability to make the right judgement already starts before market entry in assessing the investment necessary and continuous to remain a core ability.

Judgement

The optimal level of commitment is not always the best level for a pioneer, and the level of commitment set by the competition has to be considered. Judging the right level of commitment is therefore an important expertise for the pioneer to have. Pioneering effects based on the commitment of the pioneer have been discussed throughout the previous sections, the ability to determine the right level of commitment for a particular market is therefore a key influence on using pioneering effects successfully.

To determine the right level of commitment is a skill resulting from a good understanding of a market, market intelligence, judgement, the competitors and flexibility.

Judgement however does not stop at the level of commitment but remains very much a skill which determines the appropriate response to change and challenges throughout the company's life span.

6.4.7 Factor: 9

Example: Douwe Egberts, Hungary

Nestlé entered the coffee market in Hungary by acquiring the second largest coffee company in the market. They invested heavily into the re-launch of their acquired brand in order to establish themselves firmly in the coffee market, particularly against pioneer Eduscho and early follower Douwe Egberts, who had acquired the largest coffee roaster in Hungary in 1991. For the re-launch a considerable marketing and advertising blitz was prepared by Nestlé in order to create awareness for their brand and generate product trials. The market leader, Douwe Egberts, pre-empted the advertising blitz by launching the biggest ever advertising and promotion campaign in Hungary just before and during the Nestlé re-launch resulting in a successful defence of their market position.

The factor which can be found in the example above is the ability and willingness to defend one's position against followers. Only if the pioneer has the capability to defend his position he will remain in a position to use pioneering effects for his advantage.

Defence Capability

The core expertise of 'Defence capabilities' lies in the use of basic strategic management and marketing techniques. Much academic research has been conducted on this issue and a wealth of material is available on defensive strategies and tactics. The ability and willingness to defend influences pioneering advantages in terms of defending the pioneer's position from which he can reap the benefits of pioneering advantages.

The data indicates that most pioneers are not mounting an effective defence for their position and remain too focused on themselves losing pioneering advantages and their market positions in the process.

The data in this study also suggests, that the time when followers enter a market the pioneer is in the most vulnerable position if he does not refer to effective and decisive defence strategies.

In none of the industries studied in this project was the pioneer without followers, in most cases the markets had attracted more competitors than are present in the same industry in most western markets. Any advantages gained through pioneering are quickly eroded if the pioneer is unable to defend his position against followers. The findings of this study seems to indicate that most pioneers interviewed for this study were particularly weak in mounting an effective defence to retain their market position against followers.

The ability to defend is therefore an important factor in retaining a position in which pioneering advantages can be used.

6.4.8 Factor: 10 - 12

Incidences:

'Our objective was to build the brand.'

'Our objective was to achieve awareness and weight [distribution] in the market quickly.'

'Achieve a level of distribution, which has to be done quickly and as early as possible.'

'Immediate objectives were to establish the company name and the two brand names we had at the time.'

'Distribution was important to get that organised and going. Brand awareness was also a key issue we concentrated on in the early stages.'

'We wanted to create brand awareness and brand attention very early on, so we spent heavily on advertising from day one.'

'Another objective was to get a good distribution system off the ground as early as possible.'

'Awareness and trials are important for us to achieve at an early stage.'

'We wanted to achieve a good distribution system quickly.'

These incidences reveal the importance of three factors which are to do with the infra structure of the new geographic market. The first factor is the existence and effectiveness of the existing advertising media.

With brand awareness and brand building being the most frequently mentioned immediate objective, the existence and reach of advertising media is extremely important for the pioneer. The second factor following from the above incidences is the existence of a retail and distribution infra structure in the new geographic market, the second most frequently mentioned immediate objective. A third factor which is not immediately obvious from the incidences but which is intrinsically important is the size of the total market, as that determines the degree to which the pioneer is able to cover the market before a follower enters.

Table: 6.9

Immediate Objectives; Frequencies

Total	Brand Awareness / Brand Building	Distribution System
16	9	7

Source: Author

Advertising Media

The existence and the effectiveness of advertising media is an important factor for the pioneer because he depends on the use of channels to communicate with consumers in order to achieve brand awareness. The pioneer can only utilise pioneering advantages based on communication if appropriate communication channels are immediately available to him in order to effectively communicate with his target audience. The better the advertising media in a new geographic market, the easier it is for the pioneer to achieve pioneering advantages in terms of shaping consumer perception.

The cost and the effectiveness of advertising are also related factors which have a strong influence on utilising pioneering advantages based on communication with consumers.

This study found, that in the period immediately after the markets of central Europe opened up, the advertising media which were found by pioneers were comparatively cheap in comparison to western prices.

With TV penetration high and only a small number of local channels with a reach between 90% and 100% of households the media situation was certainly beneficial for pioneers in central European markets, in respect of utilising advertising based pioneering advantages.

Distribution and Retailing

The existing distribution and retailing infra structure is of vital importance to a pioneer in a new geographical market. In order to get his products to the consumer the pioneer has to rely more than a follower, who comes into the market at a later stage, on the existing infra structure in retailing and distribution. The better this infra structure is, the easier it is to achieve a high level of distribution. The better the distribution and retailing infra structure the easier it is for the consumer to obtain the product once the demand has been created through advertising.

Distribution and retailing in central Europe were in the early days after the opening of the markets still state owned and rather unsophisticated and fairly basic compared to western standards. Pioneers in central Europe however, had no choice than to deal with the unsatisfactory situation in order to achieve reasonable levels of distribution. Most respondents experienced the early stages of their presence as a constant struggle in terms of retailing and distribution.

Followers who entered later were in a better position, as after some time much of the distribution and retailing was privatised and in some cases bought by western companies improving during the time between the entry of the pioneer and the follower, which indicates, that the retail and distribution infra structure is not only a factor at the time of market entry by the pioneer, but continuous to influence the ability to benefit from pioneering advantages.

Market Size

Market size is an important factor for a pioneer as the size of the total market determines how much of it a pioneer can possibly cover before competitors enter the market. Obviously the part of the market which can be covered by a pioneer also depends on other factors such as existing retailing and distribution infra structure and the pioneer's commitment and expertise.

In a small market a pioneer can cover a much greater share of the total market and reach more of the consumers and achieve a better market coverage, than in a large market. A large total market always leaves areas and niches in which followers can establish themselves more easily than in market well covered by the pioneer. A comparison between Poland and The Czech Republic demonstrates the importance of market size to a pioneer.

6.4.9 Factor: 13 - 15

Incidences:

'The market was ready product wise, but not purchasing power wise.'

'Many of our products are new to the Czech consumer and it takes some time for them to get used to them.'

'The failure occurred because the market wasn't ready yet for that kind of product.'

'Most of our products were available before we started through our export division and in most categories I would say yes, that the market was ready. Many products were well known and even without advertising at the start we sold very well.'

'When we entered the market was ready and consumers were more or less waiting for many product which we introduced.'

'Oh yes, the market was ready consumers were almost waiting for a western style detergent.'

'For some products however, the market is not yet ready but this is mainly a question of price rather than the product itself. The market still lacks the purchasing power for the real expensive products.'

'We don't have the demand for all the niche products we sell in other markets.'

'It is not only a matter of market readiness but also of purchasing power.'

'I don't think readiness is appropriate. From the absolute standpoint of consumer purchasing power the market is still not ready for our products.'

'The market wasn't and still isn't ready, but we have to make it ready.'

'In cosmetics we have a lot of education to do because traditionally Czech women did not use a lot of cosmetics...'

It is not only a matter of market readiness ad purchasing power, but also whether people know how to clean their teeth.'

'We also had to do a lot of educating because people wouldn't know what to do with our products..'

The above incidences allow to isolate three more factors which influence pioneering effects. The first factor is 'Market Readiness' a concept which can be measured in different ways, however in any way it gives an indication of how difficult it will be for the pioneer to introduce his products. The second factor is 'Previous Exposure' which is a measurement of how familiar consumers of a new geographic market are with the pioneer's brand. The third factor is the 'Need to Educate' a measurement of how familiar consumers of a new geographic market are with the pioneer's product.

Market Readiness

Market readiness is a factor, which can be assessed in a number of different ways. Willingness to purchase and purchasing power are just two of a number of determinants of market readiness. For a pioneer the willingness to purchase factor, is initially more important than the purchasing power, as long as the purchasing power does not fall below a certain threshold level. If neither apply in a new geographical market the pioneer is unable to create pioneering advantages which are based on product trials and experience with his product, market readiness therefore strongly influences the creation and intensity of pioneering advantages.

Secondary data obtained by some respondents and the majority of respondents agree, that in terms of purchasing power per capita most central European markets were not ready when most western pioneer entered in the late 80s and early 90s. In terms of consumer willingness to purchase western brands however the assessment was different and the data of this study shows, that the markets ready at that time. In central Europe consumers had to live without western brands for almost 40 years. During that time their own products did not excel in quality and appearance. When the markets of central Europe opened western brands were eagerly awaited and pioneers were able to benefit from this.

If a pioneer enters a market which has a pent up demand for his product he will immediately be able to satisfy the demand and in the process sell much higher numbers of his product than a market analysis based on purchasing power would suggest. There is another issue relating to pent up demand, which needs to be considered.

Sales to satisfy pent up demand also generate huge numbers of product trials. Although the importance of product trials remain debatable in respect of the findings presented by Schmalensee (1981) the consumers have had at least one experience with the pioneering brand. Whether any brand loyalty is generated remains doubtful and should not be counted on, but a personal experience with a new brand can not be dismissed.

Exposure to Brand

A factor which is influencing the creation and intensity of pioneering advantages and is based on brand acceptance is the exposure consumers already had to the brand of the pioneer in a new geographic market, before he enters the market. If the pioneer's brand is familiar to consumers in a new geographic market and has a positive image the acceptance process of consumers is faster and it is not necessary to familiarise consumers with a new brand, but only to build on their existing knowledge and perceptions. Pioneering advantages which are relying on being able to quickly strike a relation between the consumer and the brand are strongly influenced by the degree to which consumers in a new geographic market have been exposed to the pioneering brand prior to its market entry.

The data of this study shows, that in central Europe the exposure of consumers to western brands was varying in its degree and uncontrolled from the manufacturer's point of view. Central European consumers had exposure to western brands through western TV which was received in some border areas, hard currency shops which stocked a number of western brands and their visitors and relatives from the west and through limited travelling to the west.

The erratic exposure to western brands and the often annoying quality of their local products helped to create a myth about western brands which was not founded on real experience or real product advantages of western brands. An additional dimension was brought into the irrational assessment through the association of western brands with freedom and democracy, a dream of many central European during the communist regime. It was therefore not surprising, that pioneering western brands were greeted with great enthusiasm when they entered markets of central Europe.

Need to Educate

A factor which is similar to the previous factor in influencing the creation and intensity of pioneering advantages but is not based on brand acceptance but on the familiarity of consumers with the pioneer's product.

The factor 'need to educate' is a measurement of how much consumers of the new geographic market are used to the product of the pioneer. The lower the familiarity of the pioneer's product the more difficult it becomes for the pioneer, as the pioneer then has to educate the consumers before they will become familiar with his product, making it difficult to utilise pioneering advantages which are based on product acceptance and trial.

In a situation which requires consumer education the pioneer may find, that by the time he has educated a large enough base of consumers to use his products a follower may well have entered the market benefiting from the pioneer's investment into consumer education. The following examples highlight specific conditions which make the success of a pioneer in a new geographic market much more difficult:

Incidences:

'We failed with our brand extension, because we were unable to explain the benefits to the consumer and the infra structure isn't there. Only 50% of all washing machines installed in Hungary could use our new product.'

'The infra structure is not there which is necessary to use the product, because only 8% of all Polish households have showers.'

'It is not only a matter of market readiness...but whether people know how to clean their teeth....The situation we face here today resembles the situation 10 or 15 years ago in the west.'

'Here in Hungary our biggest competitor is the domestic pig, which is held and slaughtered by many families at home. The fat which is produced in this way is used by many as a bread spread and comes free with the process. Hungarians have a long tradition in this and we have to live with it.'

The conditions of a market in terms of assessing the 'need to educate' which make the start for a pioneer much more difficult and which are isolated from the above incidences are:

- If the consumer is unfamiliar with the product,
- If the consumer doesn't have the apparent need for the product,
- If the local custom or habit solve the problem traditionally without the product,
- If the majority of consumers do not have the necessary infrastructure to use the product,

pioneering becomes considerably more difficult in such a product category, as the 'need to educate' is high, which needs time and makes investments into marketing communication necessary. Entering such a market makes the use of pioneering advantages as part of a market entry strategy unrealistic, as the threshold level of achieving the second, beneficial stage of pioneering advantages unlikely before followers enter the market.

6.4.10 Factor: 16

Incidences:

'We see quite a lot of consumers who are loyal to our brands although we would wish that the percentage was even higher.'

'You don't find brand loyalty in this country.'

'No brand loyalty from consumers means no brand loyalty from retailers.'

'There is no brand loyalty in the Polish market.'

'Opposed to western markets Hungarian consumers are not loyal.'

'Brand loyalty is not very well developed.'

'Right now brand loyalty is not very high and I think there is a lot of experimenting going on.'

'...brand loyalty is low in general.'

'Consumers are not very loyal...'

The factor which is reflected in the above incidences is the degree of brand loyalty in a new geographic market. Brand loyalty is mainly a measure concerning consumers, but it can also be applied to retailers and distributors.

Brand Loyalty

It is in the interest of the pioneer to create as many product trials as possible before a competitor enters the market. This is important for two reasons which have been identified in previous research on NPD pioneering. The first reason is that a repeat purchase of a brand is a lower risk than trying out a new brand and consumers are more likely to repeat buy a brand they were satisfied with (Schmalensee 1981). Secondly, the pioneer shapes the product perception in a product category which means that consumers are more likely to regard the pioneers product as the reference product, measuring the followers against the properties of the pioneer's product (Schmalensee 1981). The degree to which consumers in a new geographical market are brand loyal is important to the use of pioneering advantages, as shaping consumer perception advantages are dependent on the brand loyalty of consumers.

Interestingly enough, the data of this study shows that consumers in central Europe who have never had the opportunity to buy western brands are much more likely to buy a different brand each time they have to make a repeat purchase of a product rather than buy the same brand twice. This buying behaviour is a direct result of the totally different history with brands which the consumers of central Europe had, compared to consumers in western markets. Secondly, in order to become a reference brand consumers need to have a certain level of experience and exposure to the brand, something most pioneers were unable to achieve because of followers who entered soon after the pioneer not allowing the consumer to get used to the pioneer's brand.

6.4.11 Factor: 17 - 19

Incidences:

'It is important that politics remain stable and move constantly towards liberty and liberalisation. Things have not progressed towards democracy as much as one may think and there is still a lot to be done.'

'The influence of communism and the old regime make this market a bit special.'

'The main risk at the time was the political situation and developments could have gone either way.'

Recently a movement 'Teraz Polska' [Exceptional Quality made in Poland] was founded which gives recommendations to the best of Polish industry to give people pride in the quality of their local products.'

'Most markets in central Europe saw a swing back to protectionism recently...This policy is deliberately designed the way it is to protect the jobs in the factories which have been taken over by western companies.'

'Czech and Slovak people are extremely nationalistic...as local products have improved significantly people can and do feel proud of them.. A logo has been developed to give 'Made in Czech' and identity which is easy to recognise.'

'The government also will push local products more than they do now.'

Three factors influencing pioneering effects can be identified in the above incidences: Firstly, the political stability of the country a pioneer enters. Secondly, the degree of liberalisation of markets including as the foremost factor the level of privatisation. Thirdly, the level of latent or active protectionism either carried out through the government through policies or by encouraging the local consumer to buy local products.

Political Stability

The political stability of a market plays a vital role for a pioneer as the pioneer takes the biggest risk in entering the market because he has the shortest observation period of the political situation before he enters a market. New geographical markets develop nowadays only through political changes because all other viable markets have been covered by multinationals already. It is, however, often difficult, if not impossible, to predict the direction of any future changes and a pioneer who enters a market has to cope with whatever direction these changes take. Political stability influences the creation and intensity of pioneering effects in many ways but mainly through providing a climate of safety and stability in which consumers are free to consider consumption rather than more pressing political issues.

Political instability is not necessarily a negative effect for the pioneer who has already committed funds to a market which, although being lost in case of a totally negative development as they usually can not be salvaged, may prevent followers from entering the market as long as a certain level of stability has not been achieved, thus effectively providing an extended monopoly for the pioneer.

Liberalisation of Markets / Privatisation

The liberalisation of markets and the privatisation process of state owned assets is an important factor influencing the creation and intensity of pioneering effects. The acquisition of strategic manufacturing capacity and, even more important, well known local brands poses an essential key to market success in new geographic markets with far reaching implications, which will remain relevant well into the future.

Protectionism

Although protectionism has been mentioned as a pioneering bonus in a previous section, it is also a factor influencing pioneering advantages and their creation. In a protectionist environment a foreign brand may not be able to attain a high profile position in the perception of consumers particularly when the government negatively influences the pioneering effects which are based on communication.

6.4.12 Factor: 20

Incidences:

'Competitor X has been in the market for the same length of time as we have.'

'As I said, it's almost impossible to say who was first in the market...'

'Because we all arrived more or less at the same time there was no before or after...'

'The order of entry is impossible to determine...'

'During the early 90s all major players came into the market around the same time and there was no real difference in time.'

'With a time advantage of 3 or 4 months you can't really talk of pioneering.'

'Some pioneering advantages were lost because the follower came to close after us into the market. We had not enough time to really benefit from our pioneering advantages. The consumer has not experienced our entry as that much earlier, so we are not entrenched in the consumer's mind as a pioneer.'

The factor which can be very clearly identified as a major influence on pioneering effects from the above incidences is 'Lead Time' which is the time span between the market entry of the pioneer and that of the first follower in a new geographic market.

Lead Time

The time span between the market entry of the pioneer and the first follower is referred to in this study as 'lead time'. The length of this time is an essential factor for the pioneer in order to create and utilise pioneering advantages. The importance of the lead time factor has previously not been given the appropriate attention, although it has been identified earlier (von Hippel 1984). The evidence of this study however, suggests that the lead time factor crucially determines the creation and intensity of pioneering effects in the NGM context in general, which gives it a special position as its influence on pioneering effects is further reaching than that of any other factor.

The lead time between the market entry of a pioneer into a new geographic market and the first follower is the most important factor which is completely under the control of the competition in determining to which degree the pioneer can create and utilise pioneering effects.

Although it is impossible from the data of this study to determine a rigorous statistical relationship between lead time and pioneering effects, evidence suggests, that a relationship exists and that this relationship follows a certain pattern depending on the length of the lead time and the categories individual pioneering advantages fall into.

The lead time factor has a different influence on different categories of pioneering effects, which were identified earlier in this chapter. Because of the importance of the lead time factor, the most relevant categories of pioneering effects are assessed individually in the following. In the final discussion of the lead time factor a graph is presented which demonstrates the relation between lead time and pioneering effects as a conceptual model based on the data from this study.

6.4.12.1 Lead Time Effect on: Consumer Perception

If the lead time remains shorter than a certain threshold the pioneer fails to gain any advantage from pioneering in terms of being able to shape consumer perception. The fact that the pioneer entered the market as the first company in a category is lost on the consumer, as the consumer can not recognise the fact of earlier entry.

The recognition threshold of consumers results from the length of the period which lies between repeat purchases of the product, as the consumer can only recognise the monopoly of the pioneer if there is still no alternative when the repeat purchase is made. If alternatives are available at the time of the repeat purchase, the consumer does not assign any value to the fact that he bought the pioneer the last time, as more brands seemed to have entered at that time.

It is important, not to forget that the consumer is not concerned with issues like which brand entered the market first and which brand followed when. It is only if an issue like market entry raises above a certain threshold in the consumer's recognition, that it is a factor which can be used for the pioneer as an advantage. In case of a lead time factor, which is of a considerable length that is clearly experienced by consumers, a time in which consumers may even adopt the brand of the pioneer as the quintessential product of the category they may experience a follower as an imitator who does not reach the level of the pioneer as described in Schmalensee's (1981) findings on NPD pioneering.

A relationship, which can be established from the data of this study is, that after a certain lead time the advantages gained by the pioneer in terms of shaping the consumer perception gain momentum and become increasingly difficult to attack by a follower.

6A.12.2 Lead Time Effect on: Shaping the Organisation

It seems, that a threshold level also applies to the advantage of shaping the organisation, which means, if it is not achieved, the pioneer has no advantages from being first in a new geographical market. The set up of an organisation in new geographical markets is a time consuming process; often progress is made through trial and error. If this stage has not been completed by the pioneer before followers enter the market no real advantage is gained, as no position of market understanding and strength has yet been achieved. The advantage for the pioneer lies in the completion of the set up stage and being in a position to concentrate on issues other than organisational shaping when a follower arrives.

6.4.12.3 Lead Time Effect on: Factors 1-3 providing 'Expertise'

It is clear from the discussion of the factors providing expertise in this section, that the level of expertise potentially grows with time in a new geographic market. The higher the level of expertise the more advantageous to the pioneer, the longer the lead time, the more expertise can potentially be accumulated and used to defend the position, before a follower enters the market.

Similar to the advantages with consumers the expertise level gains momentum in time leading to an exponential advantage development after a certain threshold level in length of lead time has been achieved.

It has been mentioned above, that the relation between lead time and pioneering advantages includes a time threshold under which no pioneering advantage is gained and during which the value of the pioneering advantage to the pioneer is negative. After this threshold the creation and utilisation of pioneering advantages appears to follow a straight development in accordance with the lead time. After a certain length of lead time the relation changes and then follows an exponential development in terms of pioneering advantages, as the momentum gathered by the pioneer leads to advantages which are deeply entrenched and probably not anymore in danger of any attack from followers. Here a parallel seems to lie in the long term success of NPD pioneers like Wrigley's, Kleenex and Coca Cola which were mentioned earlier in this chapter.

6.4.13 Factor: 21

Example: Pepsi Cola, Poland

According to an internal Pepsi estimate, a targeted investment of less than 10 million US \$ in 1989 would have multiplied the costs for Coca Cola out of proportion, making the 250 million US \$ committed by Coca Cola from 1989 into the Polish market not as effective spent as they have been. This would have most likely resulted in this investment being unprofitable for Coca Cola.

However, this sum was not committed by Pepsi, because of their comfortable 90% market share in their market territory the failure of the Pepsi management to recognise the danger of their competitor.

The factor which can be identified in the above example is 'Incumbent Inertia'. The factor of the incumbent being indifferent about a follower attacking his market has also been discovered in research on NPD pioneering but is also clearly identifiable in the data of this study.

Incumbent Inertia

Incumbent inertia is a factor by which pioneers either misjudge or ignore the danger of competition from a follower and fail to take action in order to defend their position.

Incumbent inertia is generally dangerous, but it greatly enhances the follower's chances of success, if freerider effects are used against a pioneer. In particular, if the outspending strategy is used incumbent inertia leads to the very acute danger of the pioneer losing his position.

6.4.14 Factor: 22

Incidences:

'It is always certain that whatever you do somebody will follow, either more aggressive or not..'

'The companies we are competing against are all multinationals with a lot of experience from other markets...so everybody is using a vast pool of knowledge and nobody has a big advantage because we all have more or less the same know how.'

'I don't really see their strategy and that is what makes them fail, they have no image, no distribution, no pricing strategy, no advertising and that all breaks their back in the long run.'

'Another lesson we learned is that with the right investment you [as a follower] can make up lost time quickly.'

'There are a lot of things you could have known before you came to this market..'

'...they are too highly priced and too highly imaged.'

'..our head office was initially 200 km away from Budapest and many administrative functions were spread out - in the country you don't have the infrastructure - so we suffered.'

'Our main mistakes were a misunderstanding of the market, the underestimating of the competitor's strength and an incorrect evaluation of the Polish economy.'

The core factor which can be identified in the above incidences is the follower's ability to gather expertise on the new geographic market and the willingness of the follower to make a sufficient investment to the new geographic market which both play their roles in their success of the follower to compete against the pioneer, which in terms influences the pioneer's opportunities to use pioneering effects considerably.

Ability of Follower

The level of expertise to be successful in the new geographic market held by the follower determines the success of the follower to create and use negative pioneering effect in order to compete with the pioneer. However, the level of expertise can only be pre-determined by the follower to a certain degree. The expertise grows with exposure to a market and being a new entrant the follower has no such exposure which is obviously a disadvantage for him. The time it takes the follower to gain a certain level of expertise determines the influence his expertise has on the pioneer. However, the expertise issue also presents further opportunities for the follower to make use of freerider effects, which were discussed earlier in the appropriate section, by poaching of staff for example therefore overcoming gaps in expertise.

The follower can use his investment against the pioneer and the degree to which the follower masters the commitment to the new geographic market affects the ability of the follower to create and utilise negative pioneering effects, which affects the ability of the follower to effectively compete with the pioneer.

6.5 Integrated Factors

This section deals with the integration of factors influencing pioneering effects, raising the abstraction level higher, in order to find more widely applicable processes underlying the incidences which were used to identify individual factors.

6.5.1 Integrated Factor: F1

Factor: 1 Willingness

Factor: 2 Ability

Factor: 3 Continuity

The factors 1 'Willingness', 2 'Ability' and 3 'Continuity' have one common core property which is 'Commitment'. Although commitment has been touched upon in a previous section it is here that its importance as an integrated factor in influencing pioneering effects becomes clear.

It is necessary to understand, that commitment in this context is a term used collectively for a number of activities, such as financial commitment, commitment to succeed, knowledge and experience, man power, excellence etc. and their sustained presence in the activities of the pioneer. Commitment is used as a descriptor of the process of continuously providing the core ingredients of success by the pioneer in a competitive environment.

It can safely be assumed, that the commitment to succeed in a new geographical market is inherent to any profit oriented venture set up by multi national companies. Most respondents also gave as one of their prime objectives in the market to achieve or retain market leadership in their product category, this mainly because the market leader position is considerably more profitable than any other market position (Buzzel & Gale 1987) and therefore always the target for most multinationals. However, as the results achieved by some of the respondents prove, the commitment assumed as being inherent to ventures in new geographic markets still translates into very different operations in the actual markets, some of which have been more successful than others.

Importantly however, with different levels of commitment some ventures also seemed much more likely to become successful than others, right from the start.

This means that commitment is not only a collective term for the ingredients of success, as was stated above, but also stands for the continuous process which lasts throughout the entire life of a pioneer in successfully competing in a new geographic market. A pioneer has to be committed to pioneering in order to create and use pioneering advantages as a strategic or tactical weapon in competition.

To underline the processual character of commitment, it has been divided into six stages, which are based on the data of this study, but which are integral to pioneering in a wider NGM pioneering context in general:

The 6 Stages of Commitment

1. Pre-Entry Stage

Consciously pioneering in a new geographic market in order to use the position and the resulting benefits to achieve the objective of market leadership.

2. Entry Stage

Setting up a strong organisation which is able immediately to begin with the creation and utilisation of pioneering advantages.

3. Monopoly Stage

Utilising the advantages created in the entry stage, consequently strengthening the market position.

4. End of Monopoly Stage

Once the follower is starting to set up an operation, immediately raising the level of commitment above what is expected by the follower as a pre-emptive strike against him.

5. Follower Entry Stage

The commitment of considerable effort into defending the pioneering advantages against any erosion from the follower.

6. Competition Stage

The continued effort to remain commitment leader in the industry achieved through the continued raising of the level of commitment to the market.

The 6 stages of commitment outlined above highlight the processual character of commitment in the context of creating and influencing pioneering advantages. They also reiterate the difference between pioneering bonuses and pioneering advantages which consist of two stages and need the input by the pioneer in their first stage, before they are of any benefit to the pioneer in their second stage.

The six stages also reiterate the fact, that pioneering advantages have a life span which is mainly determined by the pioneer in that pioneering advantages are not a 'one off' incidence in time but a continuous development which needs constant attention by the pioneer to retain momentum in order to be able to provide returns for the pioneer on a long term basis. Any company which decides to pioneer in a new geographic market must be clear about the necessity of continued commitment to pioneering advantages if they are to be a part of their strategy.

6.5.2 Integrated Factor: F2

- Factor: 4 Understanding**
- Factor: 5 Adaptability**
- Factor: 6 Alertness**
- Factor: 7 Flexibility**
- Factor: 8 Judgement**
- Factor: 9 Defence Capability**

All factors listed above have a common core property in that they form a complex blend of abilities and skills which allows a company to create and utilise pioneering advantages to the maximum benefit, which is from here referred to as 'Expertise'.

Expertise in management does play a role in the success of an operation in a new geographical market and is therefore part of the factor 'expertise', but not the only one.

The data of this study reveals a number of components which make up the factor expertise in the context of this study.

The factor expertise may well encompass more than the components discussed above, but these were the ones which were identified from the data in this study and more research into the particular skills and abilities of pioneers would be necessary to gain further insights into this subject.

However, the findings of this study indicate that expertise is a core factor for a pioneer to possess in order to be able to create and utilise pioneering advantages as part of a strategy.

6.5.3 Integrated Factor: F3

Factor: 10 Advertising Media

Factor: 11 Retail and Distribution

Factor: 12 Market Size

All factors listed above have a common core property in that they are all based on the infra structure already existing in the new geographic market.

The market infra structure found by a pioneer in a new geographic market plays a vital role in his ability to create pioneering advantages and how valuable positive pioneering effects can be. Within the array of factors relating to market infra structure some factors are more relevant for the pioneer than others, the three factors which were identified in the data of this study as having a great impact on the pioneer and the pioneering advantages are advertising media to communicate with the consumers, retail and distribution infra structure to get the products onto the shelves and the size of the total market.

6.5.4 Integrated Factor: F4

Factor: 13 Market Readiness

Factor: 14 Previous Exposure to Brand

Factor: 15 Need to Educate

Factor: 16 Brand Loyalty

All factors listed above have a common core property in that they relate to the consumer in the new geographic market. The degree to which consumers in a new geographic market are familiar with the product and the brand of the pioneer determines how much progress a pioneer can make in a short time. The degree to which consumers in a new geographic market are brand loyal determines to many of his customers the pioneer can potentially hold on when a follower enters the market.

The data of this study shows, that consumers were forced to be 'brand loyal' in that they never had a choice during the command economy. This forced 'brand loyalty' was totally reversed with the introduction of market economies and the freedom of choice. All respondents found their consumers in central Europe either not loyal or less loyal than their western counterparts. This however is also due to the curiosity and the desire of central European consumers to *experience* the choice they now have.

6.5.5 Integrated Factor: F5

Factor: 17 Political Stability

Factor: 18 Liberalisation of Markets / Privatisation

Factor: 19 Protectionism

All factors listed above have a common core property in that they are consequences of the political environment of the new geographic market.

The political environment holds a strong influence on the creation and intensity of pioneering effects, as it creates and shapes the economic environment in which the pioneer operates. However, as the political environment is an issue which can not be generalised to NGM pioneering in other environments the factors mentioned in this study all relate directly to central Europe and the particular political situation found in the three markets in which this study was conducted.

The political environment is a potential source of influences on pioneering effects and needs to be monitored closely by the pioneer in order to make the right decisions.

From the interviews with the respondents of this study the three factors which were identified as having played a substantial role for pioneering advantages in the markets of central Europe are the political stability, the degree of latent and active protectionism and the process of the liberalisation of markets and the privatisation process.

6.5.6 Integrated Factor: F6

Factor: 20 Lead Time

Factor: 21 Incumbent Inertia

Factor: 22 Abilities of Follower

All factors listed above have the common core property that they are directly related to the follower. The time between the entry of the pioneer and the follower as well as the ability of the pioneer to react against an attack as opposed to the abilities and resources of the follower are factors which have a considerable bearing on pioneering effects.

It is obvious, that the competition plays a pivotal role in the creation and utilisation of pioneering effects. Some of the factors discussed previously for the pioneer are also affecting followers in terms of their ability to compete.

The integration process produced 6 integrated factors which are: Commitment, Expertise, Infra Structure, Consumer Related Factors, Political Environment and Follower Related Factors. These six integrated factors can be collapsed into three groups considering the sources from which the factors originate:

Pioneer Internal Factors

- Commitment
- Expertise

Market Environmental Factors

- Infra Structure
- Consumer Related Factors
- Political Environment

Follower Factors

- Follower Related Factors

For the pioneer it is important to monitor the sources from which these factors originate in order to execute as much control as possible, and if no control can be executed over the source of the factor, to react as quickly as possible to any negative influence.

6.5.7 Summary

The factors which have been discussed in this section are, similar to the previous section, presented in a table showing which factors influence which pioneering effects in which way. The following table shows the relation between factors and pioneering effects:

Table: 6.10
Cross Reference Pioneering Effects / Factors

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Cross Reference Pioneering Effects / Factors		Willingness	Ability	Continuity	Understanding	Adaptability	Alertness	Flexibility	Judgement	Defence Capability	Advertising Media	Retail and Distribution	Market Size	Market Readiness	Previous Exposure to Brand	Need to Educate	Brand Loyalty	Political Stability	Market Liberalisation / Privatisation	Protectionism	Lead Time	Incumbent Inertia	Ability of Follower	Sum
A	Remains of Artificial Pricing				✓	✓	✓		✓		✓								✓		✓			7
B	Swing Backs				✓	✓	✓	✓	✓									✓	✓	✓	✓			9
C	Euphoria				✓	✓		✓	✓				✓	✓	✓	✓		✓		✓	✓			11
D	Monopoly				✓				✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		14
E	Market Coverage	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓		✓	19
F	Consumer Perceptions	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓		✓	✓		✓	18
G	Retail and Distribution Systems	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓				✓		✓		✓		✓	14
H	Shaping the Organisation	✓	✓	✓	✓			✓	✓	✓		✓	✓					✓	✓		✓			12
I	Entry Barriers				✓		✓	✓	✓	✓			✓						✓	✓	✓	✓	✓	11
J	Distribution				✓		✓	✓	✓	✓		✓	✓				✓				✓			9
K	Advertising				✓	✓	✓	✓	✓	✓	✓		✓									✓		9
L	Key Cont. Cent. / Op. Leads				✓	✓	✓	✓	✓				✓			✓						✓		8
M	Risk at Market Entry				✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	14
N	Paving Process				✓			✓	✓			✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	13
O	Intro. New Product Category				✓	✓		✓	✓							✓			✓	✓	✓			6
P	Consumer Education				✓			✓	✓		✓					✓					✓		✓	7
Q	Setting New Price Dimensions				✓			✓	✓												✓			4
R	Copying								✓	✓							✓	✓			✓	✓	✓	7
S	Benchmarking								✓	✓											✓	✓	✓	5
T	Outspending the Pioneer	✓	✓	✓					✓	✓												✓	✓	7
Sum		5	5	5	17	9	9	14	20	9	7	8	10	6	6	9	7	7	9	7	19	6	10	204

Source: Author

As the table indicates, the factors influence the three types of pioneering effect in different ways. It is therefore, that the implications for each type of pioneering effect are discussed in more detail individually below:

6.6 Influence on Pioneering Advantages

This section reiterates a conclusion, which was drawn earlier in this study, that pioneering advantages are not an effect which necessarily follows from entering a market first. It has been made clear in this section again, that pioneering advantages need to be created by the pioneer and have to be maintained throughout time by constantly nurturing them in order to be able to reap their benefits. The internal factors which were identified in this section play therefore a crucial role in the pioneer's quest to create and use pioneering advantages as part of his strategy.

The second conclusion of this section is, that the conditions which influence the occurrence and the intensity of pioneering advantages can be categorised into internal, environmental and follower related factors. Within these three categories a number of quintessential determinants were presented which can severely affected pioneering.

As internal factors two issues were identified which are the core factors in determining the creation and intensity of all pioneering advantages found in the data for this study: commitment and expertise. The higher the commitment and expertise levels of a pioneer the better his chances of creating and utilising pioneering advantages to his benefit.

The external factors have been divided into those determined by the environment, those relating to the local consumers, the political environment and the factors determined by the competition.

In summing up the multitude of factors which have been identified to influence the occurrence and intensity of pioneering advantages it is important to realise that the constellation of all these determining factors plays a major role in determining the success of a pioneer in a new geographical market, and that many of the factors which influence pioneering advantages can actually not be controlled directly by the pioneer i.e. environmental and follower related factors. This however,

makes the success via a strategy of pioneering much less predictable than one would wish when committing considerable amounts of money and man power to an operation in a new geographical market.

The next section of this chapter presents the factors influencing pioneering bonuses, which are closely related and in some cases similar to those affecting pioneering advantages which were presented in this section.

6.6.1 Factors Influencing Pioneering Bonuses

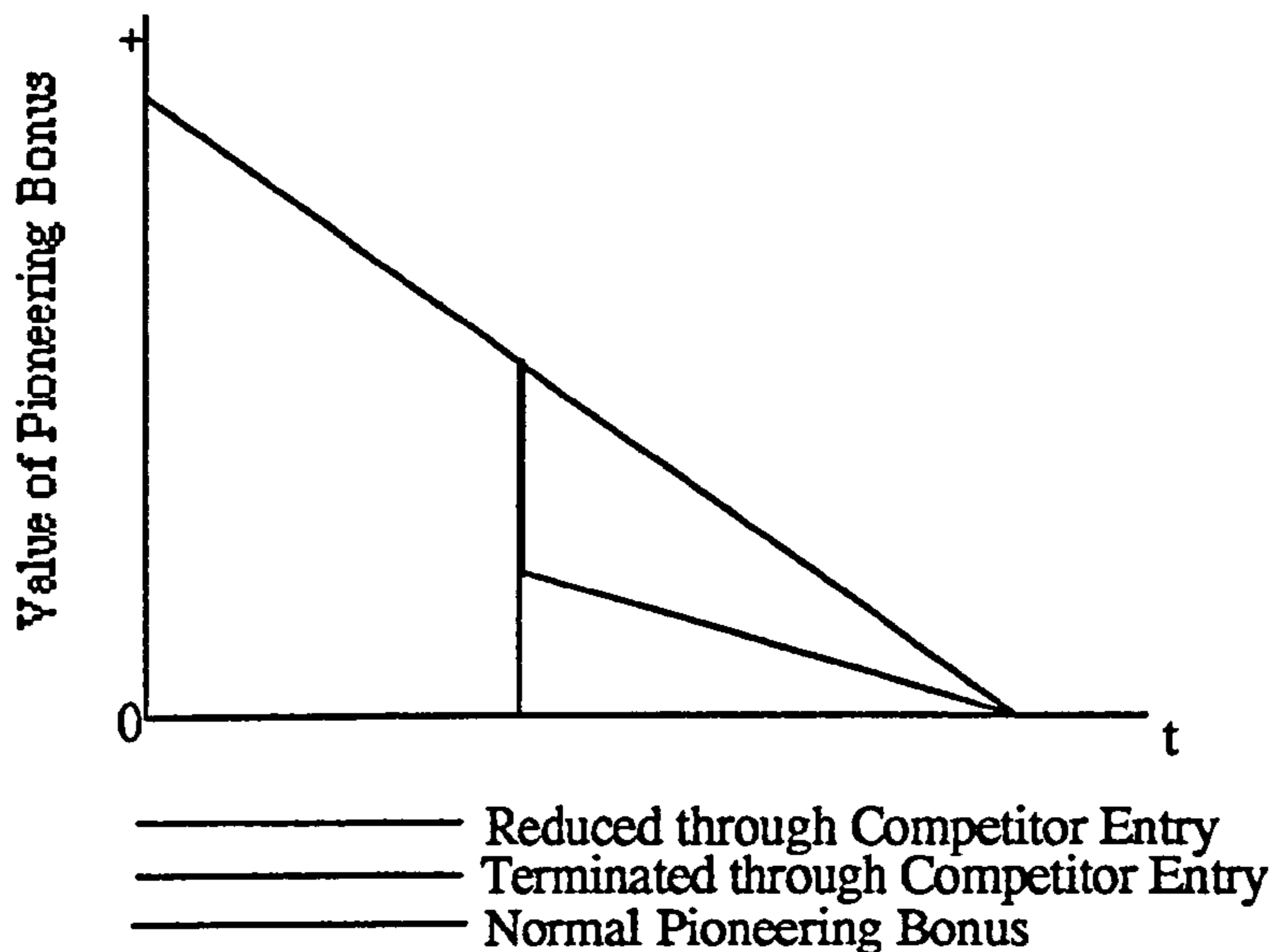
Even more so than pioneering advantages, some of the internal and external factors discussed in the previous section are influencing the potential value of pioneering bonuses. This is a different situation in comparison to pioneering advantages where the factors could be used to actively influence the pioneering advantage, with pioneering bonuses only the level to which they are used can be influenced by the pioneer, all other determinants are beyond the pioneer's control. Some of the factors discussed in the previous section can also affect pioneering bonuses and need to be monitored in order to recognise the opportunities for pioneering bonuses early. The following factors have according to the data a greater influence on pioneering bonuses than others.

6.6.1.1 Commitment / Expertise

Although the factors committing and expertise are particularly important for pioneering advantages and their two stage development process, they do play a role in utilising pioneering bonuses as well.

Expertise is a key factor in recognising pioneering bonuses as not all of them may be obvious to a pioneer who lacks understanding of the local market. One sub-factor of expertise has been termed 'Alertness', which is obviously also a key to successfully identify and utilise pioneering bonuses and not limited to pioneering advantages.

Figure: 6.6
Competitor Entry / Effect on Pioneering Bonus



Source: Author

The graph indicates the two possible scenarios, when a competitor enters a market in which pioneering bonuses have not yet completely been exploited by the pioneer. In the first case the follower can achieve to participate from the pioneering bonus thus reducing the value of the pioneering bonus to the pioneer. Although the graph shows a sudden reduction in value it could potentially also be a reduction which is slower, reducing the value to the pioneer more as time goes on. In the second case however, the market entry of the competitor neutralises the pioneering bonus completely and immediately. As the environment determines the form and value of pioneering bonuses the pioneer can not counteract the influence which the market entry of the follower takes on the value of his pioneering bonuses but has to accept the effect which will take place.

Other factors mentioned in the context of pioneering advantages in the previous section may also be relevant to pioneering bonuses. It has however been decided to only consider the most important issues in this section to avoid repetitions and to maintain the focus on pioneering advantages as they are the pioneering effect,

A lack of this ability has already been described as a substantial shortcoming on part of the pioneer, which results in an even greater disadvantage in the relation to pioneering bonuses, which are often 'one off's' and can not be re-created or joined at a later stage, a fact, which was already mentioned earlier.

If competition has entered the market and the pioneer has a deficit in terms of alertness, he is at a distinct disadvantage against a follower who has a superior alertness and a better general understanding for the market.

Commitment however is a factor which has, according to the data of this study, no impact on pioneering bonuses. Financial commitment is usually not necessary to exploit pioneering bonuses and often a pioneer also needs no other commitment to exploit the pioneering bonuses he encounters in a new geographic market.

6.6.1.2 Environmental / Follower Related Factors

Within the group of external factors only few general observations were made. Market Size seems to have a relevance on pioneering bonuses, according to the data, as the value of a particular pioneering bonus to the pioneer can and depend on the market size. This means, that the larger the market the more valuable a pioneering bonus can be, the downside however is, that a pioneer in a large market is more likely to be unable to fully exploit a pioneering bonus, thus possibly leaving part of the pioneering bonus to a follower.

The lead time factor, which has been identified as vital to pioneering advantages in general is equally important to pioneering bonuses than has been established for pioneering advantages. If a competitor enters a market before a pioneering bonus has been fully exploited the follower either takes a part of the bonus thus lowering the level of benefit to the pioneer or it neutralises the pioneering bonus just by entering the market.

The effect of a competitor entering the market on the value pioneering bonuses have for a pioneer is described in the graph below:

which can be used and planned in a strategy. Pioneering bonuses can only be exploited if the environment provides *the right framework* and the factors which then determine the intensity of pioneering bonuses have only a limited impact and can in most cases not be influenced by the pioneer.

The following section assesses in brief the factors which are pertinent in influencing pioneering disadvantages.

6.6.2 Factors Influencing Pioneering Disadvantages

No particular observations were made concerning the influence of the aforementioned factors on pioneering disadvantages.

6.6.3 Conclusion: Factors Influencing Pioneering Effects

In this section the factors which influence pioneering effects have been isolated and analysed. With a grounded theory approach the data of this study has been coded and categorised arriving at a state in which 6 integrated categories are found which can explain most of the variation found in the pioneering effects isolated in a previous section in this chapter.

This section is of vital importance to this study, as the factors which determine the intensity of pioneering effects are pivotal to the phenomenon itself, any future research and to the marketing efforts of pioneers in central Europe and to NGM pioneering in general.

To the best knowledge of the author no previous research has identified the key to the intensity of pioneering effects from an internal perspective to be two main factors; Commitment and Expertise with all their sub factors and components, as has no previous work differentiated between the different influence factors from the environment of the new geographic market and the follower have. This section is therefore another major contribution which this study makes to the field of research on pioneering, a result which needs to be recognised for future research as well as for its practical implications.

6.7 Conclusion Chapter 6

This chapter reported the findings of this study. This chapter has contributed a number of important findings to the understanding of pioneering and pioneering effects.

The differentiation between NPD pioneering and NGM pioneering was made on the basis of the evidence found in this study and the ambivalent use of the term 'pioneer' in the existing literature. However, the category of NP pioneering was not discovered until the data of this study was analysed and a variation in the data could not be explained with NGM or NPD pioneering. The grounded theory approach therefore led to a third category of pioneering which, constantly comparing it to the data of the study, has a strong relevance to the data of this study. It can be safely said, that NP pioneering is a category which is of great importance in new geographic markets and that it is a phenomenon which will be relevant to marketing in new geographic markets beyond this study.

This chapter also saw the analysis of pioneering effects and the discovery of a third distinct category which was unknown previous to this study. The importance of this third category 'Pioneering Bonus' is immense, as the differences between pioneering bonus and pioneering advantage are fundamental and therefore require a completely different approach by the pioneer to successfully use the two effects in a market entry strategy. The two categories 'Pioneering Disadvantage' and 'Pioneering Advantage' which have been identified in previous studies have been analysed beyond the limits set by previous studies. This study has not attempted to either prove or reject the existence of the two categories but to analyse the phenomenon as deep as possible. In this study was successful, as it provides a wealth of findings on the two categories which was unknown previous to this study.

The cross referencing of pioneering effects to analyse their relation between each other has also never been done before and has provided new and important findings on the relationship between pioneering effects. The fact that some pioneering effects have a counteractive relationship whereas others are enhancing each other is important for practitioners and researchers alike.

The final section of this chapter saw the analysis of factors which influence the creation and intensity of pioneering effects. The section dealt with three categories of factors, some of which are only applicable to this particular study as they are determined by the environment in which the pioneer is working and which are by definition different in any other environment. The sources of these factors however, are universally applicable, as they need to be taken into consideration in any other environment, as they will there undoubtedly influence pioneering effects in a particular way as well.

Having analysed the different forms of pioneering, pioneering effects and the influences on pioneering effects, the key conclusion from this chapter is, that pioneering is a very dangerous strategy which in a NGM context is much less likely to be successful as most people seem to assume. The control which can be exercised by the pioneer over pioneering effects is little and a considerable degree of commitment and expertise are necessary to have a chance of succeeding. This means, that pioneering in an NGM context can only be a strategy for companies which are leaders in their field and who are able and willing to continuously raise the level of competition. Pioneering in new geographic markets is, according to the data in this study, no shortcut for smaller companies to secure leadership in new markets in the long run, the levels of commitment and expertise which will be brought into the market by the follower (who are leaders in their field), will almost certainly mean the loss of advantages gained through having been first for the smaller player.

6.8 References: Chapter 6

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Chapter 7

Reflections and Recommendations

Chapter 7

Reflections and Recommendations

7.1 Introduction

In this, the final chapter of this study, it is that final conclusions are drawn for this study as a whole. In contrast to conclusions drawn at the end of individual chapters it is at this point, that the study is brought together in its entity to conclude in a concise chapter the key findings and their impact. Where the conclusion in the previous chapter concentrated on the findings and contribution to this area of research in isolation this chapter relates these to the overall strategy of pioneering and using pioneering advantages as part of a strategy. The overall conclusion of this study in this chapter therefore aims to assess the strategic value of pioneering in the context of new geographic markets.

Before the final conclusions are drawn however it seems necessary to reflect briefly on the attitude towards pioneering and pioneering advantages by the respondents and to relate this back to its origins. The first section in this chapter therefore provides some incidences from the data of this study in a framework of previous research on pioneering to address the general attitude towards pioneering in existing research and amongst marketing practitioners.

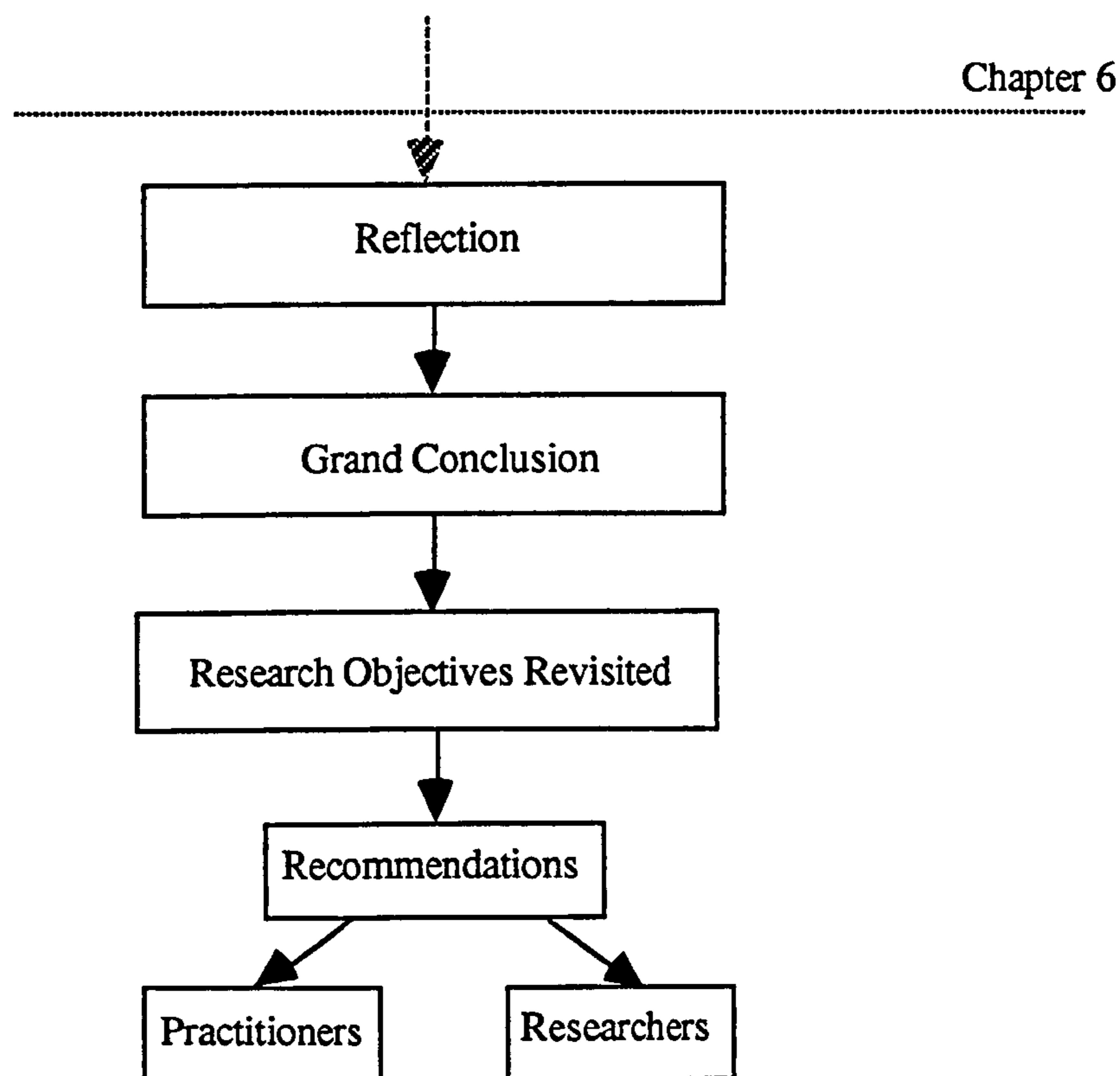
The second section in this chapter then brings together the threads from individual chapters in a final evaluation of the strategic value of pioneering in the context of new geographic markets. This section is directly based on the findings of this study and the reader who arrives at this point after reading the previous chapters will clearly recognise the line of argument from the previous chapters concluding in this section.

The final sections of this chapter are recommendations to practitioners and researchers. Based on this study advice is given to practitioners who are facing the decision whether to pioneer in new geographic markets or not, although these can be the markets which were researched in this study it may equally be adopted to other markets which were previously not open to competition like Russia or China for example.

In parallel this chapter also gives detailed recommendations on further academic research in the area to generate more data and evidence to back up the findings made in this study and to develop ideas further which were presented for the first time in this study.

The structure of the chapter is laid out in the following chart to ease the orientation of the reader within the framework of this chapter:

Figure: 7.1
Structure of Chapter 7



Source: Author

7.2 Reflections on Pioneering in the Literature and Amongst Respondents

A point which has repeatedly been made in the course of this study is, that pioneering in the literature has been widely regarded overall as a beneficial and rewarding strategy and another point which has been made in this study is that previous research failed to distinguish between NPD and NGM pioneering. Attributes and effects observed in NPD pioneering, the context in which virtually all research on pioneering was conducted, were transferred to NGM pioneering without any form of assessment or critical evaluation.

This study has provided such a critical evaluation and has subsequently found a wealth of evidence which suggests that the two forms of pioneering NGM and NPD are distinctly different and follow distinctly different processes. This has been demonstrated throughout the previous chapter, using the data from this study, but which should have become obvious much earlier, if only by a basic comparison of underlying processes using Ansoff's 1957 matrix of expansion strategies:

In NPD pioneering a pioneer introduces a new product to a market he already serves. In NGM pioneering a pioneer introduces products from his existent product/brand portfolio to a market he has previously not served directly. The two factors in Ansoff's matrix new product / old product and new market / old market are the exact opposite for the two forms of pioneering. Already from this simple theoretical relationship it should be clear that principles and rules established for one form of pioneering can not necessarily be relevant for the other form of pioneering, as the parameters and the context have changed considerably. Although theoretically the distinction between the two forms of pioneering should be very obvious it has not been made before, and this study pioneers the distinction not only as a theoretical construct but provides sufficient evidence to support the argument.

Considering the fact, that a distinction between NP and NGM pioneering has not been made in previous research, it is therefore little surprising that practitioners have adopted an opinion of pioneering which has been misguided by previous research, particularly in terms of practitioners having a very strong belief in the power of pioneering, regardless of the context (NGM or NPD).

A discourse into the respondent's opinion of the value of pioneering illustrates the widely held belief in pioneering and pioneering advantages, which can be easily traced back to previous research and its shortcomings which were reiterated above:

This study found, that many of the respondents interviewed believe strongly in the power of pioneering in general and that they do not differentiate in this belief between the pioneering in a NPD context or pioneering in a NGM context. Some quotations from the interviews conducted for this study illustrate the great importance some respondents assign to the status of being pioneer in a new geographic market:

'I think that in our business the first is bound to be the market leader'

'It is vital to be first'

'It is easier in a market in which you start of as the number one than to fight your way to the top.'

'The best reason of being first is not to be late.'

On not being the pioneer in a new geographic market some of the respondents commented:

'Late comers can usually not achieve the leading position'

'The fact that all other companies were already in the market made it difficult for us.'

'The main disadvantage is that your competitors are already there'

'Well, yes we had disadvantages, if we would have been earlier we could have achieved a considerably stronger position in the market.'

'We still suffer from being late'

The decision to enter the new geographic markets in central Europe was taken by many of the respondents with the clear objective in mind to become the pioneer in their industry. Evidence of this study suggests, that in most cases this decision was not backed up by any form of risk evaluation, self assessment or any other form of pre-entry market research. The only reasoning given by the respondents for entry at a particular moment in time and into a particular market was no matter what but to be the pioneer in that new geographic market.

Although this strategy means that in terms of pioneering only little time is lost between decision making and actual market entry, it is a strategy which blatantly disregards any conventional wisdom on market entry strategies.

It shows however, how much the status of being pioneer and the possibility of pioneering advantages means to the majority of respondents preferring this route to the safe and sound procedure of market analysis and risk evaluation as recommended in most texts on the issue of market entry (i.e. Paliwoda 1993; Young et al. 1989).

The only example in which a company conducted a thorough risk assessment and market study before entering the market is Douwe Egberts who as a result of their analysis entered the Hungarian coffee market with the strategic acquisition of Compack Coffee. They did not enter the market as the pioneer but with a considerable delay as the second western company, however with the acquisition of Compack they immediately became market leader, a position they have successfully defended ever since.

Having established a negligence of previous researchers to distinguish between the two forms of pioneering and reiterated the strong belief of practitioners into the power of pioneering and pioneering advantages, it is at this point that the findings of this study are brought together in an evaluation of the strategic value of pioneering and pioneering advantages in an NGM context.

7.3 The Strategic Value of Pioneering in an NGM Context

The previous section has emphasised the high status of pioneering amongst practitioners and its foundations in previous research. Having established in this study that a considerable difference between NPD pioneering and NGM pioneering exists it is up to this study to evaluate the strategic value of pioneering in the NGM context, as this has not been done before.

This study identified 20 different pioneering effects in the context of NGM pioneering. Of the 20 effects 12 are positive effects and desirable for the pioneer to use as part of his strategy. The 20 effects of pioneering are divided into 4 pioneering bonuses which occur because of environmental factors beyond the control of the pioneer and 8 pioneering advantages which have to be actively created by the pioneer to come into existence, and furthermore 8 negative effects of pioneering the intensity of which is mainly controlled by followers and which are undesirable to the pioneer as they either favour his followers or hinder his own efforts.

In addition to the 20 effects of pioneering 21 factors were isolated from the data which influence individual pioneering effects in terms of occurrence and their strength. Of the 21 factors only 9 are under the direct control of the pioneer, 9 are the result of environmental factors mainly of the target market and 3 are controlled or mainly affected by the follower.

Cross referencing the effects of pioneering it was also found that many pioneering effects affect each other, and that their influence on each other can be either positive or negative for the pioneer.

Without repeating the detailed arguments discussed in the previous chapter, it is easy to conclude from these figures using very simple arithmetics, that pioneering in the context of new geographic markets is a risky strategy, because the majority of factors determining the success of the pioneering strategy are beyond the control of the pioneer.

Although it is not new that pioneering is regarded the more risky strategy in comparison to following, it is new that the higher risk of a pioneering strategy is not only analysed and factorised but that it is made very clear that the pioneer has alarmingly little control over the success of his own strategy.

The deficit of control makes pioneering in new geographic markets by far more risky than pioneering in an NPD context where many more variables are either under the control of the pioneer or at least well known in their influence to the pioneer as he is already familiar with the market and the competition.

Before one concludes now from this that the enormous risk which, according to the findings of this study, has to be attributed to NGM pioneering renders it inadvisable and out of proportion to the returns which can be expected it is only sensible to look closer at the perceived returns which are the reason for entering the high risk strategy of pioneering: positive pioneering effects.

The positive effects of pioneering have been divided, in this study for the first time, between pioneering bonuses a phenomenon based on the constellation of environmental factors all of which are beyond the control of the pioneer and pioneering advantages which need active input by the pioneer to overcome a threshold and reach a stage at which they become beneficial to the pioneer.

Neither of the two concepts fulfils the expectation that pioneering advantages will be there for the pioneer to take and provide him with an advantage over any competitor who follows later into the market.

Neither of the two represents a return which could justify the high risks involved in pioneering:

Pioneering Bonuses can not be part of a pioneering strategy as their occurrence is completely incidental and can not be planned for by the pioneer.

Pioneering advantages on the other hand are to a degree under the control of the pioneer but need input in terms of investment and time to reach a threshold after which they become beneficial to the pioneer and they are by no means automatically granted to the pioneer. The process involved in creating pioneering advantages however is easily disrupted by a follower through determining his own market entry (Lead Time Factor) and the size of his own investment (Benchmarking; Outspending) in the market. This means that in a worst case scenario the pioneer would not be able to achieve any pioneering advantage as a return for his high risk strategy as a result of the follower's timing and form of market entry.

Market leadership has not been found to be a direct result of pioneering. Although the pioneer may be the market leader during the monopoly stage it is in the long term up to the competitiveness of the pioneer and the followers who achieves market leadership. If the pioneer can not succeed in securing important pioneering advantages for the time when competition has entered the new geographic market the higher risk strategy of entering first has not paid off as it has not provided advantages over later entrants.

Summing up the evidence of this in one argument it can be concluded safely, that pioneering in the context of new geographic markets is of relatively little strategic value, as a great number of significant factors that have a bearing on the success of a pioneering strategy can not be controlled by the pioneer. Furthermore the perceived returns of the higher risk strategy of pioneering in the form of positive pioneering effects are partly beyond the control of the pioneer (Pioneering Bonuses) and partly need considerable input by the pioneer (Pioneering Advantages) at which point followers can severely disrupt the process of creating them. The evidence of this study does not support a causal relationship between pioneering and continued long term market leadership.

Bearing this conclusion in mind it becomes clear, that only a very careful evaluation of a particular situation can determine whether pioneering is a suitable strategy to enter a new geographic market under given circumstances. From the evidence in this study it can be safely asserted that in most cases pioneering is most likely not the most suitable strategy and a follower strategy would very likely be more rewarding and more successful.

A further factor which makes the position of the follower more attractive in comparison to that of the pioneer is the opportunity of the follower to see the results achieved by the pioneer in a market and use that as a benchmark to determine his investment in this market. The follower can use the investment of the pioneer as a basis and assess the success this has bought and then decide on a scale from outspending the pioneer to not investing at all. Entering after the pioneer also enables the follower to benefit from the experience of the pioneer in many ways, all of which were discussed in detail in the previous chapter.

Summing up the evidence of this in one argument it can be concluded safely, that the strategy of the follower in a new geographic market is much safer and much easier to carry out than that of the pioneer. The follower has more options to influence the success of the pioneer than vice versa.

Follower disadvantages such as entry barriers, pioneering brand loyalty and blocking advantages are unlikely to be a problem for a follower in the context of NGM pioneering, effectively removing the risk from a following strategy. The evidence of this study does not support a causal relationship between following and an inability to achieve the market leadership in a new geographic market.

The evidence in this study also suggests that the time a follower enters a market is the most dangerous time for the pioneer and the likelihood of losing the market position is then at its greatest. This means that it is not sufficient for a pioneer to be good at pioneering to succeed in the new market but also at defensive strategies to defend his position at the time a follower enters the market.

Having drawn the final conclusions of this study, it remains to revisit the research objectives and compare them against what has been achieved in this study. The following section therefore revisits the research objectives and points briefly at the relevant findings.

7.4 Research Objectives Revisited

This study set out with 3 main research objectives and 6 sub-objectives. This section revisits the objectives and briefly proves that they have been achieved which makes this study a success as far as the accomplishment of the research objectives is concerned.

The three main objectives were formulated as:

- To advance the understanding of the phenomenon known as 'pioneering advantages'.
- To determine the composition of any pioneering advantages found
- To evaluate the strategic value and importance of pioneering advantages

The six sub-objectives were formulated as:

- To identify the perception respondents have of pioneering advantages in their industry.
- To identify and describe the factors found to contribute to the condition of the *pioneering advantages found*.
- To determine the factors which have lead to the creation of pioneering advantages.
- To assess the composition of pioneering advantages in respect of their relation to follower disadvantages.
- To assess the potential longevity of pioneering advantages.
- To assess the differences and similarities of the evidence found in this study to previous research conducted in industrialised markets.

The first main research objective has been accomplished and exceeded by establishing two categories of positive pioneering effects, pioneering bonuses and pioneering advantages. This contribution has very much advanced the understanding of the phenomenon 'pioneering advantages' and pioneering effects in general.

The second main research objective has also been accomplished in analysing pioneering advantages and establishing that they consist of two stages which are distinctly different. It has also been found for the first time in this study, that pioneering advantages require the input from the pioneer to become a beneficial effect.

The third main objective was to evaluate the strategic value and importance of pioneering advantages. The evaluation of pioneering and pioneering advantages in an NGM context has been made earlier in this chapter on the basis of the findings and the supporting data.

The first sub-objective was to determine the perception held by respondents on pioneering advantages. Not only has the perception of the respondents been an integral part throughout the study but it has been discussed in explicit detail earlier in this chapter.

The second and third sub-objective aimed at identifying factors which affect pioneering advantages in their occurrence and condition. The previous chapter saw a major proportion dedicated to 21 factors that affect pioneering effects which have been identified in this study, some of which for the first time.

The fourth sub-objective aimed at assessing the advantages of pioneering against disadvantages of following. Although this topic has been prevalent in the previous chapter it has again been addressed in detail in the previous section of this chapter, leading to a reversal of the initial assumption in finding that following under the given circumstances in the NGM context was more advantageous than pioneering.

The fifth sub-objective has been accomplished in the previous chapter where the two stage process of pioneering advantages was discussed in detail resulting in a graph explaining the importance of the lead time factor on the longevity of pioneering advantages.

To assess differences and similarities of the findings of this study with previous research was the sixth sub-objective. Although it has constantly been made clear that NPD pioneering is considerably different from NGM pioneering and that findings from one area can only be transferred after careful evaluation, findings made in previous NPD research have been discussed and quoted wherever appropriate throughout this study, either to highlight similarities or differences to this work.

Having addressed all research objectives set out at the beginning of this study the following section sums up the findings of this study on a more practical level, leaving out much of the more academic issues concentrating on a brief and concise set of recommendations for marketing practitioners but based on the findings and the evidence of this study.

7.5 Recommendations to Practitioners

A study like this which is based on a limited number of cases can not produce recommendations which would be universally applicable to all situations in the context of NGM pioneering. However, based on the findings of this study a number of recommendations can be given which are applicable to NGM pioneering beyond the cases studied. The following set of recommendations has been compiled on the basis of the key findings of this study to aid practitioners in their decision making process about pioneering and also to aid their strategy in using pioneering advantages. The list has been formulated as 5 key points addressing the most pertinent issues for a practitioner considering a pioneering strategy in a new geographic market.

7.5.1 Self Assessment

In order to be able to decide whether a pioneering strategy is a suitable strategy for entering a new geographic market it is essential, that an assessment of the company and its pioneering capabilities is made. Further to the assessment of the company the industry and the target market need to be assessed to find out as much as possible whether a particular situation lends itself to pioneering or not. The list of factors which have been found in this study to affect pioneering effects have been compiled in a self assessment form below. With the help of the definitions of individual factors given in the previous chapter the profile of a particular pioneering opportunity can be drawn and used as a tool in decision making to determine whether a pioneering strategy is suitable.

A potential pioneer can assess each factor assigning a value between -2 and +2 for each factor effectively ranking the abilities of the company and the environment and likely competition in their likely influence on achieving pioneering advantages as a return for the high risk associated with pioneering.

Figure: 7.2

Pioneering Self Assessment Form

Factor:	Self Assessment Score:				
	-2	-1	0	1	2
Willingness					
Ability					
Continuity					
Understanding					
Adaptability					
Alertness					
Flexibility					
Judgement					
Defence Capability					
Advertising Media					
Retail and Distribution					
Market Size					
Market Readiness					
Previous Exposure to Brand					
Need to Educate					
Brand Loyalty					
Political Stability					
Market Liberalisation / Privatisation					
Protectionism					
Lead Time					
Incumbent Inertia					
Ability of Follower					

Source: Author

In the internal assessment the most vital points are the willingness, ability and continuity to maintain and increase the levels of commitment to the new market. If there is any doubt on any of these three points and the highest rating not achieved, pioneering can not be recommended as it is very likely that a follower would take the market leadership sooner or later. The target market can also be assessed with the environmental factors listed in the previous chapter and if particular factors such as the retail and distribution environment are important for the particular industry they need to rank highly on the scale to make pioneering feasible.

Some issues of this list will turn out to be more important than others depending on the industry of the potential pioneer and it is important that these are all assessed carefully. The factors in the self assessment form relating to the competition can be used as a guideline to assess likely followers and their effect on the pioneering strategy. In addition to this a potential pioneer can attempt to gather data on how competitors have previously entered similar markets to assess their likely strategy.

Only after all the data has been collected any decision should be made on how suitable a pioneering strategy is for an individual company and a particular target market.

In general however it still needs to be considered that even if a pioneering strategy turns out to be suitable according to the assessment whether or not a follower strategy may not be even better and more likely to achieve the desired results because of the reduced risk and greater control, as the evidence of this study suggests that the follower strategy is generally preferable to a pioneering strategy.

7.5.2 Mistakes to be Avoided in NGM Pioneering

The difficulties in pioneering in a new geographic market must not be underestimated and the more a pioneer knows beforehand about a market the better prepared he can be. Secondly, it is vital not to expect pioneering advantages to occur automatically, they have to be actively created and defended. The power of pioneering must not be overestimated and lead to incumbent inertia. A realistic assessment of the pioneering advantages while being in the market can help to maintain an overview of what has been achieved and how to use it.

The experience gained through being the pioneer must be guarded against followers, records need to be kept on the experiences made and staff must not be lost to followers. A pioneer always needs to be prepared for a follower entry, in that case a structured strategic defence must be mounted not to lose the valuable market leadership to the follower.

7.5.3 The Use of Pioneering Advantages in the NGM Context

Pioneering advantages must be actively created. Some of those found are well suited for short lead time situations whereas others require long lead times to work effectively.

It is up to the pioneer to select those which are best suited to the particular situation he finds himself in and disregard those which are unsuitable. Even before the pioneer enters the market, a portfolio of pioneering advantages can be tailored to the pioneer, his industry, the competition and the target market so that the market entry strategy can be build around the set of pioneering advantages which are being created. The pioneer however has to remain flexible in the light of moves made by a follower which effectively determine the lead time and the form of the follower's entry, as these factors can strongly influence the effectiveness of individual pioneering advantages, as table 6.10 in the previous chapter shows, the pioneer must be able to react accordingly and rethink his original strategy in terms of using certain pioneering advantages, if that becomes necessary.

7.5.4 Pioneering and Market Leadership

Market leadership is not guaranteed by pioneering in a new geographic market. The market leadership needs to be achieved by the pioneer against local competition and actively and vigorously defended against followers when they enter the market. If a pioneer is unable to mount an effective defence the market leadership is lost and the pioneering effort rendered worthless.

Further to the recommendations to practitioners it is custom to highlight areas in which the research in the subject area could be directed as a result of the presented study. The following section therefore forms the closing part of this study in giving recommendations as to which issues would warrant future research on the basis of the findings and experiences from this study.

7.6 Recommendations to Researchers / Areas of Future Research

The first part of this section are remarks on the methodological approach which was used in this study its suitability for this study and the potential for marketing research in general.

The following sections deal with areas in which future research could contribute to the area of pioneering that evolve directly from this study. The sections are divided along methodological boundaries, as this seems sensible in respect to the distinctly different philosophical objectives. It has been opted for a smaller number of pinpointed research opportunities which directly evolve from this study and which seem most intriguing to the author, rather than a broad across the range selection of possibilities which are not closely related to the subject at hand.

The first of these sections discusses qualitative research as the author of this study is convinced, that further qualitative research in this field has more to contribute to the study of NGM pioneering and pioneering effects than quantitative research because despite the findings of this study NGM pioneering remains an area of research in which too little is known.

The second section deals with mixed studies in which qualitative elements are supplemented by quantitative research.

The final section deals with quantitative research for those researchers who are interested in developing a firmer statistical base on which to either accept or reject hypotheses based on the findings made in this study.

7.6.1 Remarks on Grounded Theory

The qualitative approach which was chosen in this study has been used successful and resulted in a considerable contribution to the area of research. Considerable shortcomings of previous quantitative research have been identified in this study using a grounded theory approach and a solution based on analysis and data from this study has been suggested. The success of this study is to a large degree due to the chosen methodological approach: Grounded Theory. The author believes, that grounded theory should occupy a much larger role in marketing research than it currently does and that more studies could benefit from this approach.

It has to be noted however, that the literature available on the subject is far from ideal, being of little practical use and often patronising and needlessly complicated, and that little if any guidance on the method is available in Europe, the Department of Marketing at Strathclyde and Dr. Andy Lowe are notable exceptions to this. Grounded Theory lends itself to many areas of study and the little success it had so far seem to be due to the fact that one of the originators (Barney Glaser) of the method has done little to encourage others to introduce it to the mainstream of marketing research but has kept it needlessly complex and doctrinal as to discourage anybody to use it other than his own disciples. It is therefore little surprising that Glaser condemns the only book which seems to have raised a wider awareness of the method written in a more practical and less dogmatic, convoluted manner by his co-founder of Grounded Theory, Anselm Strauss and Juliet Corbin (Strauss & Corbin 1990). It can only be hoped that the ongoing controversy which has ensued will continue to manoeuvre grounded theory into the mainstream of marketing research, make it more accessible as a result and give it the attention of researchers in the field it deserves.

7.6.2 Future Qualitative Research

1. Replication

This study has been successful in analysing the phenomenon of pioneering advantages in a new context. In this study a number of findings have been made for the first time and it seems sensible to suggest a replication of this study in a different environment using the same proven methodological approach to find out whether the findings of this study hold true in a different environment and whether supplementary findings can be made to find even more pioneering effects and factors influencing pioneering.

2. Shift of Focus to Following

This study has uncovered, that in a NGM context a follower strategy seems to be more likely to be successful. This has been found despite the fact, that pioneering was the focus of the study. A study which would focus on following as a strategy may yield interesting findings on following as a viable and attractive strategy. The approach which has been successful in this study would most likely also be successful in a study concentrating on following which is why it would be suggested to replicate the methodology.

3. Shift of Focus to NPD Pioneering

Having used a qualitative grounded theory approach successfully to analyse pioneering in a NGM context, it seems also a *sensible strategy to use this approach to re-examine pioneering in the NPD context*. For this a replication of the methodological approach could be carried out in any industrialised market looking at new product development pioneers and followers who bring out similar products to follow the pioneer. A study focusing on NPD pioneering would also help to establish the differentiation between NGM and NPD pioneering in analysing underlying processes in NPD pioneering and being able to compare and contrast these even better with those found in this study for NGM pioneering.

7.63 Future Qualitative - Quantitative Research

Attitude Changes in Central European Markets

This study found that consumer attitudes towards western brands in central European market have changed considerably over the last years, ranging from an initial state of Euphoria at the beginning to a disenchanted and frustrated frame of mind recently. Research into this phenomenon which has also been observed earlier in what was East Germany could provide interesting results and insights for other markets and future marketing in 'new' markets as to how attitudes develop and what counter measures are there to prevent the 'frustration stage'. As this is a subject which is very much a behavioural issue qualitative research seems to be indicated trying to find the deeper motivations and triggers for the change in attitude.

A quantitative addition to this research could be to measure the degree of dissatisfaction and disenchantment with western brands on various scales and divided into different product categories, to have a hard data background as to how common and important this development is and whether some groups of consumers are more affected than others. Using a panel on a longitudinal basis changes can be monitored and investigated with qualitative research if considered strong enough to warrant more qualitative research.

7.64 Future Quantitative Research

1. Quantitative Add-On to this Study

The basis of this study was in-depth interviews with executives of western multinationals.

In order to assess some of the behavioural issues which are important in terms of measuring the success of a pioneer versus follower strategy a large scale consumer survey would be a sensible next step to this study. The degree to which a pioneer may have achieved better brand recognition and awareness amongst consumers can only be empirically measured with a quantitative survey amongst local consumers in the target markets. However, in such a survey it would be important to also take advertising spends and advertising spending patterns over time into consideration to eliminate biased results due to differences in spending and spending patterns.

Secondly and given access to commercial market monitoring data i.e. Nielsen market shares and advertising spends in the target markets of this study, a data base could be set up monitoring the success of the respondents, not unlike the PIMS database albeit for a more specific research purpose and on a smaller scale.. Following the success of the pioneer and followers with market shares is admittedly only a crude measurement but a quantitative indicator of success in a new geographic market.

2. Quantitative Analysis of Factors and Effects

In this study two cross reference grids between different pioneering effects and factors influencing pioneering effects were presented. Using a quantitative approach with more data on the individual effects a more exact and detailed relationship between the factors and effects could be established providing even better data to assess a pioneering strategy for practitioners and which factors and effects are more important in their influence than others. Quantitative methods like factor analysis and cluster analysis would provide additional data to evaluate the effects and factors found in this study.

3. Caution

In the light of the findings in this study it can not be recommended to isolate key issues on pioneering and pioneering effects from this study and attempt to test them using basic quantitative methods i.e. large scale mail survey to FMCG multinationals in new geographic markets. It is the strong belief of the author that the results would misrepresent the reality in much the same way in which respondents of this study believe in pioneering and its advantages. Any form of testing hypotheses based on the findings of this study need to find a way to deal with the difference between perception and reality on the issue of pioneering amongst the current generation of managers and basic quantitative methods seem to be inappropriate on this issue.

7.7 References: Chapter 7

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Chapter 8

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