The Impact of Anticipated Follower Entry on Consumer Acceptance of Pioneer Brands

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Most research on pioneering advantage has implicitly treated followers as a threat to the pioneer. In this study we show that the impact of the market entry announcements by me-too followers on the pioneer brand is contingent on the product’s innovation newness and network externalities. Specifically, anticipated follower entry increases consumers’ adoption intention toward the pioneer when the product is really new (versus incrementally new). Moreover, the positive impact of followers’ entry on consumers’ acceptance of the pioneer of really new products is more pronounced when the products exhibit high versus low network externalities.

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EXTENDED ABSTRACT
Existing research on pioneering advantage has implicitly treated followers as a threat to the pioneers (Shankar, Carpenter and Krishnamurthi 1998; Golder and Tellis 1993). However, Carpenter and Nakamoto (1989) suggest that the market entry by late movers may actually increase consumers’ preference for the leaders, especially when the late movers’ products are not sufficiently differentiated (i.e. ‘me-too’ followers). In this study, we propose that the impact of the anticipated market entry by ‘me-too’ followers on the pioneer brands depend on the innovation newness and network externalities of the products. We show that the me-too followers’ market entry announcements increased consumers’ acceptance of the pioneer of really new products but not incrementally new products. We also demonstrate that for the pioneers of really new products, the positive impact of anticipated follower entry is more evident when the products exhibit high (versus low) indirect network externalities.

The Moderating Effect of Innovation Newness
Consumers usually perceive higher risks in buying really new products (RNPs) (Ram and Sheth 1989). Based on the research on category learning, we propose that the anticipated market entry by me-too followers may increase the conceptual clarity of the RNP category, thereby reducing consumers’ uncertainty about the pioneer brand. Specifically, for a RNP category, me-too followers serve as category exemplars to increase the perceptual and conceptual salience of the RNP as a distinct product category. The increased conceptual clarity about the category can in turn reduce consumers’ uncertainty and enhance consumers’ acceptance of the pioneer. Moreover, the market entry by followers may be perceived as endorsement of the technologies used by the pioneer of a RNP, which increases consumers’ confidence in the pioneer. In contrast, followers’ entry may decrease consumers’ acceptance of the pioneer of an incrementally new product (INP), because when the innovation newness of the product is low, the perceptual dominance of the pioneer is low, and it is easy for late comers to design products that deliver better performance than the pioneer brand. We thus hypothesize:

\[ H1: \] Anticipated follower entry increases consumers’ purchase intention toward the pioneer of a really new product, but decrease consumers’ purchase intention toward the pioneer of an incrementally new product.

\[ H2: \] The effect of anticipated follower entry on consumers’ purchase intention toward the pioneer brand of a really new product is mediated by consumers’ perceived risks.

The Moderating Effect of Indirect Network Externalities
Indirect network externalities (INE) exist when a customer’s utility for a product increases as the number of complementary products increases (Srinavasan, Lilien and Rangaswamy 2004). Consumers often adopt a “wait-and-see” attitude toward pioneer brands with high INE, because they cannot obtain the full benefits of such products until there are sufficient complementary products. We posit that for the pioneer of a RNP with high INE, followers’ market entry increases consumers’ anticipated availability of the complementary products, thereby increasing the expected utility of the products. However, the impact of follower entry on the pioneer of low-INE will be minimal, for the link between anticipated availability of complementary products and the perceived utility is weak for such products (Farrell and Saloner 1986). We thus hypothesize:

\[ H3: \] Anticipated follower entry is more effective in increasing consumers’ purchase intention toward the pioneer of really new products that exhibit high versus low indirect network externalities.

Study 1
Research hypotheses were examined by two experimental studies. The purpose of Study 1 is to examine the effect of anticipated follower entry on consumers’ purchase intention towards the pioneer brand of a RNP versus an INP, and the underlying psychological mechanism of such an effect. One hundred and forty-five undergraduate students (94 males and 53 females) participated in this study. The study was a 2 x 2 design with anticipated follower entry (with- vs. without-follower) and innovation newness (RNP vs. INP) as the between-subjects conditions.

Anticipated follower entry and product type were manipulated by a purported news report about a new TV. In the RNP conditions, the product was described as a TV which can display vivid 3D images without the need for special glasses. In the INP conditions, the product was a LCD TV which outperforms existing models in several key attributes. In the with-follower entry conditions, the news report stated that the major competitors of the pioneer brand have announced plans to introduce their own LCD (3D) TV’s based on technologies similar to those of the pioneer. In the without-follower entry conditions, the news report stated that the pioneer brand is the only LCD (or 3D) TV of its kind in the market and will remain as the sole player in the foreseeable future.

Consistent with H1, anticipated follower entry increased consumers’ purchase intention toward the pioneer brand of a RNP, but had decreased consumers’ purchase intention toward the pioneer of an INP. Consistent with H2, the effect of anticipated follower entry on purchase intention toward the pioneer brand of a RNP was mediated by perceived risk, especially by perceived financial risk.

Study 2
Study 2 tests the impact of anticipated follower entry and indirect network externalities on consumer acceptance of the pioneer brands. The study used a 2 (high vs. low INE) x 2 (with vs. without anticipated followers) between-subject design. Seventy-two undergraduate students (48 males and 24 females) participated in this study. INE and follower conditions were both manipulated by a news report about a 3D TV. In the low NE condition, the news report claimed that the TV either require (high INE) or did not require (low INE) any specially formatted TV programs or DVDs to show the 3D images. The anticipated follower condition was manipulated in the same way as in Study 1.

Consistent with H3, anticipated follower entry increased consumers’ purchase intention toward the pioneer of high-INE products to a larger extent than toward the pioneer of a low-INE product.

Discussion
Previous research on pioneering advantage has focused on situations where the pioneer’s best strategy is to create and defend...
a market position that minimizes competition. In this study we found that the positive impact of the me-too follower’s entry on the pioneer is contingent on the innovation newness and network externalities of the product. Thus, marketing managers need to take into account these specific product characterizes when formulating competitive strategies.

REFERENCES


