

First Movers

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First Movers

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Explain the term “first mover” and discuss some of the advantages and disadvantages of being a first mover in the market

A first mover is any company that takes the risks of establishing itself first in the market. Several companies have positioned themselves in various Web marketplaces since the introduction of World Wide Web. A good example to justify this scenario is the Yahoo. The company availed to its users the first search engine and popular directory in the market. Although there is stiff competition in the market from companies the likes of Google and Alta Vista the company is able to entrench its position since it was the ‘first mover’ in the Web industry. Also, being the first mover in the market, users are able to remember the company’s brads easily thus making it difficult for other companies to overlap it in the market. In order to have a clear understanding of the same, literature will deeply discuss advantages and disadvantages of being a first mover in the market.

Advantages of Being First Mover

First movers in an industry enjoy the benefit of technological leadership (Gomez et al., 2016). There exist high chances for the later entrants to find it hard to replicate the already technology being used by the first movers. For example, it is possible for the first mover to introduce absolute cost advantage if they lower the cost of production. On the other hand, patent rights application can help a first mover gain advantage over the rest who are entering the market.

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According to Gomez et al. (2016), control of resources is another advantage experienced by first movers. First movers in most cases are able to control scarce or strategic resources used in the operation process. In this case, the entrants in the market get it difficult to cope with the situation due to insufficient resources. A good example to illustrate this scenario is how Wal-Mart is able to establish their stores in even small towns and such a step prevents competitors from entering the market. Controlling of resources is what has made many companies keep going and beat their competitors in most of the aspects.

Another advantage enjoyed by first movers is the buyer-switching costs. Buyers in most cases are unable to change the brands due to price inconveniences (Gomez et al., 2016). Thus, they opt to remain loyal to one brand an aspect that becomes an advantage to the first movers. Many of the first movers have used this advantage to survive the stiff competition in the market for many years despite the massive entrants into the market.

Disadvantages of First Movers

Despite several advantages enjoyed by first movers in the market, there also exist some disadvantages. This brings in the conviction that it is not a guarantee to have advantages all the times. According to KODAMA (2016), the first disadvantage experienced by first movers is that they may spend a lot of funds on educating consumers about their brands and later the entrants benefiting from the same. In recent past entrants have benefited from this aspect which has made them not to spend more on educating their consumers thus taking advantage. Such a situation is much frustrating as new entrants joy ride in the market at the expense of first movers.

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Secondly, since first movers make mistakes during the entry to the market, entrants avoid the same mistakes and hence become successful (KODAMA, 2016). In this case, first movers act as pacesetters and the moment entrants have already learned the mistakes done by first movers is when now they enter into the market. This is a clear indication that new entrants thrive as a result of the mistakes done by first movers in the past. By avoiding the same mistakes done before helps them to attract and retain more customers.

Also, the other disadvantage of being first movers is when they are unable to satisfy their customers and thus the entrants take this advantage for their own benefit. Perfecting the weaknesses of first movers enable the entrants to penetrate the market and attract customers why even shy away from going back to first movers. According to KODAMA (2016), it is the responsibility of the first movers to ensure that they satisfy their customers through the products they are offering at all times.

Reversing engineer products by the entrants is another disadvantage faced by first movers. Companies such as Google have taken advantage of this and made it their strong point when competing with the likes of Yahoo (KODAMA, 2016). Again, new entrants are good at identifying the areas to improve on and take advantage of this in competing with the first movers.

In summation, it is evident that first movers have both the advantages and disadvantages in the market. It is also evident that if first movers take seriously and utilize the advantages in their exposure can thrive and no matter how the new entrants try to overlap them they definitely fail. However, having the disadvantages also at hand does not guarantee first movers of smooth

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operations in the market and thus they have to keep on improving and perfecting their weakness day after another.

¹ References

Gomez, J., Lanzolla, G., & Maicas, J. P. (2016). The role of industry dynamics in the persistence of first mover advantages. *Long Range Planning*, 49(2), 265-281.

²
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