UNIVERSITI UTARA MALAYSIA
PEPERIKSAAN SEMESTER DISEMBER SESI 1990/91

KOD KURSUS: PM2023 PENGURUSAN PEMASARAN
TARIKH: 4 JUN 1991 (SELASA)
MASA: 9.00 - 11.30 PAGI (2½ JAM)
TEMPAT: PERPUSTAKAAN PARAS 5

ARAHAN:
1. Kertas soalan ini mengandungi TIGA (3) Bahagian: Bahagian I, II dan III dalam LIMA (5) muka surat yang bercetak bersama LIMA (5) muka surat kes.
2. Anda dikehendaki menjawab SEMUA soalan.

NO. MATRIK: ____________________________  [ ] [ ] [ ] (dengan perkataan)  [ ] [ ] [ ] (dengan angka)

NO. KAD PENGENALAN: ____________________________

JANGAN BUKA SOALAN INI SEHINGGA DIBERI ARAHAN 10
MINICASE (BAHAGIAN 1)

The Specialty Jewelry Company primarily produces necklaces and rings. Recently, the firm's management decided to introduce a new ring that would identify the wearer's birth month. Sales of this ring are forecasted to be 800,000 units next year. A study of the firm's costs indicates the following:

- Total fixed costs = $2,000,000
- Average variable costs = $10 per unit

Specialty Jewelry's pricing objective is return on investment.

(20 Markah)

1. Apakah titik pulangan modal mengikut unit bagi pengeluaran cincin baru?

A. 800,000
B. 800,000
C. 400,000
D. 200,000
E. Tidak dapat ditentukan sebab data yang diberi tidak mencukupi.

2. Kiranya 800,000 unit dijual tahun hadapan, apakah harga yang perlu ditetapkan bagi firma supaya mendapat pulangan modal?

A. $25.00
B. $12.50
C. $4.00
D. $250.00
E. Tidak dapat ditentukan mengikut data yang diberi di dalam kes.

3. Apakah keuntungan keseluruhan firma sepatutnya berlaku, mengikut jawapan di dalam soalan 2.

A. $10,000,000
B. $6,800,000
C. $6,800,000 (Rugi)
D. 0
E. Tidak dapat ditentukan mengikut data yang diberi dalam kes.

4. Kiranya "Speciality Jewelry" menambah 20 peratus kepada keseluruhan kos (Total Kos) untuk menentukan harga terakhir, berapakah harga satu unit?

A. $15
B. $12
C. $8
D. $3
E. Tidak boleh ditentukan dengan data-data di dalam kes.
5. Apakah keuntungan yang dijangkakan kiranya harga ditentukan mengikut soalan 4.

A. $2,000,000  
B. $3,600,000  
C. 0  
D. $3,800,000 rugi  
E. Tidak boleh ditentukan dengan data-data yang diberi di dalam kes.
MINICASE: KES KITTY CHOW (BAHAGIAN 2)

Minicase: THE KITTY CHOW COMPANY

The Kitty Chow Company, a leader in the pet-food market, is trying to convert even more cat owners to the fast-growing dry eat food market with a new dry eat food, Cat's Meow. Kitty Chow anticipates its largest spending program to introduce this new offering. The new brand, a combination of three flavors—tuna, chicken, and liver—will hit the shelves very soon.

Although Kitty Chow would not reveal its promotional budget for Cat's Meow, it is said to be the largest ever used by the company. When they introduced a new product two years ago, their budget for promotion was reported to be $16.5 million. It would appear that even more money has been allocated for promoting Cat's Meow.

The promotion mix for Cat's Meow has not been finalized. However, the tentative promotion mix includes the following:

- Fourteen weeks of continuous network television, with 70 percent of it on prime time.
- Color advertisements, including a detachable coupon, in nine women's magazines
- Over 180 million coupons, mostly quarter-off, to be distributed through magazines, Sunday newspaper inserts, and door-to-door deliveries

Dry cat foods currently represent over 30 percent of the $900 million cat-food market. Over 50 percent of the market uses canned cat foods; this segment of cat owners who do not use dry food is Cat's Meow's target market. Competitive information indicates Kitty Chow is not the only company that intends to expand into the dry cat food market; two major competitors are now test-marketing dry cat foods.

(20 markah)

1. Berpandukan makanan di dalam kes, Kitty Chow masa kini bertujuan untuk menggunakan gabungan promosi manakah yang di bawah:

A. Periklanan
B. Jualan Persendirian
C. Promosi Jualan
D. Periklanan dan Jualan Persendirian
E. Periklanan dan Promosi Jualan
2. Ahli saluran manakah yang kemungkinan akan mengendalikan keseiuruhannya tenaga promosi untuk Cat’s Meow?
   A. Pengeluar
   B. Agen
   C. Pemborong
   D. Peruncit

3. Di dalam membuat keputusan terakhir bagi gabungan promosi, Kitty Chow perlu mempertimbangkan
   A. Sumber promosi yang ada
   B. Ciri-ciri sasaran pasaran
   C. Ciri-ciri produk
   D. Kos dan Kaedah-kaedah promosi yang ada

4. Kitty Chow lebih berkemajuan berbandingkan persaingan-persaingannya di dalam memperkembangkan pasaran makan kering kucing. Adakah penting kiranya mesej permulaannya ke arah...
   A. memberitahu orang ramai tentang makanan kering kucing
   B. mendidik orang ramai tentang betapa tidak baiknya makanan kucing di dalam tin.
   C. memberi pengaruh kepada orang ramai supaya membeli.
   D. memberi hiburan kepada orang ramai
   E. Iklan yang sama seperti yang digunakan oleh produk Kitty Chow yang lain

5. Masalah yang utama yang dihadapi oleh Kitty Chow di dalam memasarkan ‘Cat’s Meow’ untuk pasaran makanan kucing di dalam tin ialah:
   A. Mengubah sikap konsumer terhadap makanan kucing yang kering.
   B. Mempunyai sumber-sumber yang mencukupi
   C. Bersaing dengan pengeluar-pengeluar makanan kering kucing yang lain.
   D. Memansai pasaran makanan binatang pelan.
   E. Mencairi media periklanan yang boleh sampai kepada sasaran pasaran yang betul.
BAHAGIAN II : Soalan Kes "Winning by Being the First to Market? or Second?"

(60 Markah)

Jawab Semua Soalan,

1. Bincangkan kebaikan dan keburukan strategi produk bagi keluaran printis (pioneering) dan keluaran pengikut (follower).

2. Bagi syarikat printis (pioneering company), apakah jenis organisasi pengurusan produk (product management organisation) yang lebih sesuai? Terangkan jawapan anda.

3. Adakah perlu bagi firma printis menggunakan langkah-langkah di dalam proses perancangan produk baru (New product development process)?

4. Cadangkan beberapa cara bagi firma printis mempercepatkan proses penyerapan (diffusion process).
Winning by Being the First to Market? Or Second?*  

Introduction

A pioneering company is one that is the first to create a previously nonexistent market. Such companies build entirely new product categories. Well-known examples include Apple (personal computer), Dole (fruit juice bars), 3M (Post-it note pads), Federal Express (overnight delivery), Walt Disney (theme parks), BirdsEye (frozen vegetables), and McDonald’s (fast food). Many pioneering companies achieve lasting fortune and fame.

There is also another, often equally successful road, one that is used much more commonly, but with less fanfare: a prudent follower strategy. IBM in personal computers, Texas Instruments in transistors, Matsushita in video recorders, UPS in overnight delivery, Domino’s in pizza, and Pepsi in colas, all entered and prospered as prudent followers. Given the enormous investment in creating new product categories, many large companies often wait for other companies to open up the market and then enter with the expectation that their financial, marketing, and technological resources will enable them to dominate the pioneer. This is especially so in low-technology areas. It must also be realized that a company can be a successful follower in another category.

A problem arises, however, when companies try to answer the question: “Is a follower strategy better than a pioneering strategy for my firm?”

Advantages of a Pioneering Strategy

Pioneering is associated with many advantages.

An Entrenched Position in Consumers’ Minds

Consumers are more receptive to the advertising messages of a new product if they are received in the absence of competing messages from rival brands. For example, Perrier was able to establish itself as the leader in the premium bottled water market relatively easily given the fact that there was no competition to contend with. Consumers will generally try a pioneering brand if it promises to meet an existing, unmet need or want.

Through consumption or experience, consumers acquire information about the brand, including their perceived satisfaction from its use. But consumers have no comparable experience with follow-on brands, and the satisfaction to be derived from these brands is still uncertain. The risk-averse nature of most consumers causes them to avoid the perhaps lower satisfaction of the follower brands. In other words, the pioneering brand usually becomes the gold standard.

Even if the consumer is exposed to an advertising message for a newer brand, such information does not readily substitute for experience. And even if a follower brand has the same expected level of satisfaction as the pioneer, most consumers will choose the latter if they have had positive experiences with it, because doing so reduces their risk. This reluctance to switch results in a positive advantage to the first entrant into a market.

Higher Thresholds for Later Entrants

To overcome the advantage of the market pioneer and achieve an equal or better share, later entrants are forced to provide noticeable product advantages, more advertising and distribution support, and a reduced risk of initial trial. Kimberly-Clark had to do all these to overcome P&G’s advantage with its pioneering Pampers brand. Product advantages can be intangible, in which case an even greater amount of advertising dollars are required to establish the product in the consumer’s mind.

Followers must sometimes be satisfied with a diverse or geographically dispersed segment of potential consumers, making for difficult and expensive advertising and distribution. Reducing the risk of initial trial may require couponing, free samples, or other consumer or trade deals, all of which pose additional financial hurdles to successful entry.

Long-Term Market Share Advantages

There is generally a significant market share penalty for late entry. For example, one study led to the following statistics:1

<table>
<thead>
<tr>
<th>Average Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pioneer firm</td>
</tr>
<tr>
<td>Early follower firms</td>
</tr>
<tr>
<td>Late entrant firms</td>
</tr>
</tbody>
</table>

That is, pioneers generally had a sustained market share advantage over other firms in a category. Similar results were obtained in another study, which reported that, other things being equal, relative market share declines with the order of brand entry.2 And if the later entrants’ positioning or advertising support are inferior to the pioneer’s, their market shares will be even lower.


Cost and Experience Barriers for Later Entrants

Market leadership is usually best seized at the outset, when experience quickly doubles and costs fall rapidly (e.g., Texas instruments in calculators). Later, as accumulated industry volume increases and competition enters, costs fall much more slowly. The pioneering firm can thus build a significant cost advantage and gain lasting price leadership.

The pioneering firm can further strengthen its position and discourage competitive entries by increasing advertising and cutting prices. And being the first entrant, a pioneer can pre-empt the most lucrative product positioning and market segments.

Image/Reputation Benefits

Pioneering can firmly establish a brand name in the public’s mind and associate it with innovative, state-of-the-art products (e.g., Sony through its Walkman and other such products). The company can even become synonymous with the product category (e.g., Xerox copiers).

This is a significant advantage for the pioneering firm, because it allows the firm to maintain a stable or growing market position while spending fewer advertising dollars per unit sold. When this “image advantage” (often expressed as consumer brand loyalty) exists on a large scale, later entrants may find it extremely difficult, even with heavy advertising expenditures, to challenge the pioneer’s position.

Disadvantages of a Pioneering Strategy

Pioneering can be risky in terms of proper identification of market demand and choice of appropriate technology to meet that demand.

Seemingly promising markets can quickly disappear, along with invested cash, management time, and other corporate resources. The demand for CB radios disappeared in this manner, and Exxon suffered huge losses when, after investing hundreds of millions of dollars in shale oil technology, it saw the market vanish. The technology or product design that eventually will dominate the market is often unclear during the embryonic stage of development. The pioneer’s entry may fail in the marketplace but provide valuable les-
sons to later entrants. And the pioneer must always educate and persuade first-time buyers to purchase—usually an expensive proposition.

The technological risk in pioneering arises from the fact that several technologies are normally vying for supremacy during a product’s infancy. One of these technologies usually will win out over the others and become the industry standard. This was clearly the case in the VCR market, where IBM technology got the nod over Beta technology. A pioneering firm that championed a side-tracked technology is likely to lose its investment.

Advantages of a Follower Strategy

The advantages of a prudent follower strategy center on the lower costs and risks which it entails.

Knowing the Market Is Really There

Some firms appear to operate under the premise that it is best to conserve their resources and keep their options open while allowing a competitor to take the expensive pioneering plunge. The follower’s entry costs and risk of failure are reduced because the pioneer has demonstrated the viability of the market. The pioneer in effect sells the attractiveness and potential profitability of the market to those who follow.

Many firms hold back until the merits of the market become clearer. For example, IBM entered mainframe computers after Sperry, and personal computers after Apple, but built commanding leads over both ground-breaking pioneers. Coca-Cola initially held back in the caffeine-free, juice-added, and cherry-flavored segments of the cola market but now has dominant shares in all three segments.

Learning from the Pioneer’s Experience

A pioneering firm’s trials and tribulations, as it sails in uncharted waters, may teach valuable lessons to subsequent entrants.

For instance, RCA committed early to color TV. Potential followers observed from RCA’s experience that demand for color TV sets was some years away and avoided premature entry. Learning can take place in a variety of ways. Companies often discover what they should do watching others demonstrate what they should not do.

Introducing Superior Manufacturing Techniques

A firm with experience in allied areas, or the ability to capitalize on forward or backward integration, may be able to enter the market soon after the pioneer and dominate the market with low-cost products and aggressive pricing. A follower can utilize newer manufacturing technologies to leapfrog over a pioneer in terms of manufacturing costs. It may also have access to the accumulated knowledge and experience of customers and suppliers of the pioneering firm.

For example, Texas Instruments was able to swamp Bownar, the pioneer in hand-held calculators, by capitalizing on superior manufacturing technologies, forward integration, and cost efficiencies that were not available to Bownar.

Introducing Products with Superior Design Attributes

If the pioneering firm correctly understands the needs of the market and designs its products to meet them, then it probably has pre-empted the “best positioning.” Later entrants will then have lower market shares because, if they want to differentiate, they must adopt “inferior positions.” If, however, market needs and the pioneering firm’s product do not fit hand-in-glove, then the next entrant can gain an immediate advantage by redesigning its product attributes to better satisfy these current consumer needs (e.g., Matsushita in video recorders).

For instance, one segment of the U.S. automobile market was dominated by small-car pioneer Volkswagen (VW). Toyota knew that success in this market hinged on challenging and displacing VW. Japanese producers typically study the most successful competitor firm to learn the reasons for its success; accordingly, Toyota commissioned an American marketing research firm to interview VW owners and determine what they liked and disliked about their cars. VW owners wished that their cars heated up better in the winter, had more room in the back seat, and had more attractive interiors. The Japanese firm then went to the drawing board and designed small cars that offered all the perceived advantages of the VW with none of the perceived disadvantages. To clinch small-car segment leadership, Toyota put a lower price tag on its cars,
Considerations in Choosing a Strategy

It has been shown that both pioneering and follower strategies can lead to success (or failure). What are some considerations in choosing between these two strategies? We will consider both general and firm-specific criteria.

General Criteria

Perhaps the most important consideration in deciding to be a pioneer in a product category is a strong and unshakable conviction that there is an unmet want or need and that the potential size of the market justifies the costs and risks required to satisfy that need. Frederick Smith of Federal Express had such an unshakable conviction about overnight delivery, as did Art Fry of 3M about "Post-it" note pads.

Recent studies have revealed some common elements of pioneering success. These include superior product quality, superior service, lower direct costs, and lower selling prices, all relative to actual and potential competition. A firm incapable of exploiting these key variables technologically, financially, and managerially should not consider pioneering.

In some industries, there may be distinct disadvantages to pioneering. In electronics, for example, it seems better to wait and undercut pioneering entrants on capabilities and/or costs. Those who pioneer in this industry must bear the burden of having later entrants leapfrog one or more cycles of high-technology product and manufacturing research and development.

Firm-Specific Criteria

The choice between pioneering and following also depends on two other factors: sustainability of product/market leadership positions and institutionalization of first-mover advantages.

Pioneering is favored if product/market leadership can be sustained, either because competitors cannot easily duplicate the product or because the firm can continue to innovate as fast or faster than any competitor. Of course, the rate of technology diffusion depends on the industry. A firm can partially control (slow down) the rate of technology diffusion by means...
Following in the footsteps of a pioneer can be advantageous and profitable too. It must be borne in mind that the pioneer spent a great deal of money to educate consumers and create the market. With this already accomplished, the follower firm can now concentrate on allocating its funds to building consumer recognition for its brand. Through marketing research, the follower can identify weaknesses and gaps in the pioneer’s product and marketing strategy. Coupling this with better environmental and competitive analysis enables the follower firm to fine-tune its product and marketing mix to ensure success. In some industries, it is relatively easy to be a follower, because there is no patent protection, capital requirements are small, and existing products are easily copied. In others, lengthy reverse R&D and product redesign are required, and a follower strategy may indeed be a risky proposition.

A follower firm must ensure that its decision is consistent with the skills and resources it can bring to bear. In the case of Barlès & Jaymes, cited earlier, Gallo successfully brought together the elements of product development, advertising, packaging, pricing, and distribution—areas in which the company was confident it possessed considerable strengths.

For followers, awareness of changing societal trends that impact on consumer behavior is important. An example is the impact of the fitness movement on food selection. Heinz’s Weight Watchers, the pioneering brand, focused on a narrow segment: women who wanted to diet. Stouffer’s Lean Cuisine, the current market leader, recognized that low-calorie meant more than just weight loss. To many people, weight maintenance and low-calorie food are means of taking control of one’s diet—with its contribution to overall health and well-being—without compromising on taste or convenience. Thus, a better reading of an underlying societal trend permitted the follower to surpass the pioneer. Quick reaction time and good execution skills were both necessary elements of this successful follower strategy.

**Conclusions**

The appropriate choice of strategy depends fundamentally upon the industry's characteristics, the firm’s specific skills and strengths, and the caliber of current and potential competition.