



time to lead or follow?

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I have been very lucky in my medical devices career. I have worked for businesses that are pioneers' and innovators and I have also worked for businesses that have followed on. In both situations it has often begged the question which is better, being a pioneer and leader or following on?

The timing of entry into a given market is often crucial to the success of that product, and the company has two basic choices: it can compete to enter the new product market first or it can wait for a competitor to create the market and follow their lead once that market has been proven as being viable. Apart from a conscious strategy decision the

companies' financial situation and its ability to invest in research and development also effects the direction many companies follow. Many will simply have no choice but to be followers.

However going back to the question, is it better to innovate or imitate? Many, perhaps the vast majority would immediately say that innovation and being first to market is always the best scenario for any company. However it could be argued that there can be an equally strong case made for being the follower, particularly in a conservative environment like healthcare.

The three main points behind this argument would be that the great successes of various

pioneers often only take account of the surviving pioneers. Many businesses and products that are "pioneering" simply don't make it in the long term. Additionally, the relevant research tends to focus on market share, and not profitability. High or higher market share does not mean higher profitability!

There is of course no doubt that being a pioneer or innovator could have many advantages, look at brand names that have become synonymous with specific products, like Hoover. For many new products, customers are initially uncertain about the benefit contributions of the new products and therefore their value. However the customer's

preferences for those benefits are learned over time, which does give the pioneer the benefit of shaping the customers preferences.

A pioneering and innovative product also can carry a lot of novelty value. It may open doors to accounts where previously the customer knew what you did and didn't need to see you. The "new" innovative product can unlock those doors again. Not just for the innovative product! Advertising and mailing campaigns are generally more successful for new products also, as your competitor's aren't sending out essentially the same message with a slightly different twist thus confusing the customer.

Pioneering products also have the opportunity to become the trusted brand in that area, followers must demonstrate to customers that there is no risk in changing again, and probably no associated cost, either financially or in terms of quality.

A pioneer can of course also create the opportunity to establish a large base of installed technology. This may restrict the ability of the followers, and there is sure to be some, to differentiate their product. One tactic to build that large customer base and restrict entry by others is to give away product. Perhaps where there is a capital and consumable cost it may make sense to give

away the capital and tie the customer in to your consumables? At the same time you exclude, or make it much harder for your follower to imitate you, by locking them out of the market. The pioneers product then becomes the market standard. Computer companies use this tactic to great effect.

In medical devices I have seen particularly good use of one of the main benefits of being the pioneer. That benefit is the use of patents, which can keep product developments proprietary and also limit imitation by other companies. Medical, and particularly pharmaceutical is one of the markets where this can be used to great effect. However it can be costly to defend your patent!

There are however definitely benefits to being a follower. The first to market can often spend significant resources on research and development, trials, customer education etc. Many of these investments can not be kept proprietary and thus the followers can gain from your investment and market creation.

When the followers enter the market, they will undoubtedly have benefited from more information than their predecessors. The follower can avoid the innovators mistakes and gain from customers whom are now at least aware of the generic product.

Earlier in the article I asked the question, which is best? For me, one measure, and perhaps the most important measure, is long term which is more profitable? Data would tend to suggest that in the early years of a product introduction the pioneer is more profitable, however this advantage is eroded over time and on average the follower is more profitable.

So when considering being the pioneer in a new market, consideration should be given to the expectation of long term and short term profitability, and how the pioneer reacts to the inevitable onslaught of competition. Otherwise the pioneer could do all the work and investment, only to find the follower makes all the money.

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