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GREGORY S. CARPENTER and KENT NAKAMOTO*

The authors reflect on the research reported in their 1989 article that won the O'Dell award, the process of publishing that research, and the subsequent research that has grown out of it.

Reflections on "Consumer Preference Formation and Pioneering Advantage"

The William F. O'Dell award is presented annually to the article published five years previously in the *Journal of Marketing Research* that is judged to have made the greatest contribution to our field. Our article, "Consumer Preference Formation and Pioneering Advantage," published in the August 1989 issue of *JMR*, has been selected as the 1994 recipient of the award.

We are honored to receive the O'Dell award. Every attempt at research is a risky venture, some more so than others. Even successful (that is, published) projects at times fall short of the authors' expectations; subsequent citations, extensions, and improvements by others are more rare than some might like. We thus draw unexpected satisfaction from the measure of impact and recognition that our work has achieved. That satisfaction is sweetened by the fact that the work reported in our 1989 article began as something of an intellectual accident.

THE RESEARCH PROCESS

The accident out of which this piece grew occurred in the mid-1980s through the coincidence of three apparently unrelated events. Independently, we received and accepted offers to join the UCLA marketing faculty; at UCLA we discovered a common interest in midmorning caffeine; and (then *JMR* special-issue editor) Barton Weitz sent one of us a now-published article to review on pioneering advantage. As a result, we unintentionally began a series of morning discussions about pioneering advantage and the intriguing empirical studies of it (Robinson and Fornell 1985; Urban et al. 1986).

Given that we have little in common in our training (Kent worked with Peter Wright at Stanford on consumer decision making and Greg with John Farley on strategy models), our focus quickly turned to the underlying process creating pioneering advantage. The existing explanations focused on entry barriers created by switching costs and preemptive positioning enforced by a credible threat of price wars (e.g., Lane 1980; Schmalensee 1982). These seemed plausible but not wholly satisfying to us. Our observation suggested that pioneering advantage persists without entry barriers. Indeed, pioneering advantage, we observed, persists *despite* entry.

But what process produces both free entry and a persistent difference in market shares between pioneers and late movers? The examples we discussed suggested an important role for consumer decision making. Our discussions focused on the notion that pioneering advantage can arise from an underlying, enduring consumer preference for the pioneer even though other reasonable alternatives exist. But can the pioneer consistently develop just the "right" product and position it so well that others are relegated to inferior positions? Observation and logic suggest not. Perhaps pioneers *define* the ideal and in doing so disadvantage others.

We spent the next two years developing and testing that idea. Essentially we argued that the pioneer creates a preference structure that favors its attribute combination, and the pioneer becomes strongly associated with the category (prototypical). For example, Jeep defined in many customers' minds what is now termed the sport-utility vehicle category, and its name has become inseparable from it. The resulting preference structure and the prototypicality of the pioneer create a competitive advantage for it. It is positioned near the ideal point it helped to define and, if later entrants position near it, they are inevitably compared with the pioneer but suffer in such comparisons. This can create a preference asymmetry favoring the pioneer: As a later entrant is perceived as more similar to the pioneer, preference for the pioneer can increase and preference for the later entrant decrease. Thus, a pioneer could enter the market, define the ideal, and protect its position near the ideal point through its prototypicality.

We spoke with just about everyone that would listen to our idea, some that in retrospect were only marginally inclined to listen and, unfortunately, some that found our insight of "limited value" (actually, they hated it—why not be honest?). All these comments were very helpful; even the strongly negative comments suggested that we might be onto *something*. Our colleagues at UCLA, and later at Columbia and Arizona, were extremely helpful and support-

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ive. They listened; but more important, they offered helpful suggestions for further developing our explanation and testing it. That support was very valuable to us, two new doctorates working on an idea with little tradition, with some serious resistance, that was hard to classify on the basis of conventional "managerial" and "behavioral" categories so common in our field.

With a completed "first draft," we circulated it widely, and presented it everywhere we could, which included three conferences and over ten university workshops (e.g., Carpenter 1987; Carpenter and Nakamoto 1987). In doing so, we gathered many, many helpful comments and ideas. These were extremely helpful in preparing a manuscript for submission and anticipating potential obstacles.

PUBLICATION

We submitted the paper for publication to *JMR* in November 1986. It was rejected in April 1987. Although all four reviewers seemed interested in the idea, none recommended publication. Then-editor Robert Peterson did, however, offer the possibility of us submitting a new manuscript based on the same idea that addressed questions regarding both the theory and empirical studies.

Our next attempt, submitted in April 1988, focused on the same idea but was essentially a new paper. We had more fully developed the behavioral mechanism, dropped one of the original experiments, and replaced it with experiment 2 that now appears in the published version. We accompanied our "new" submission with a set of revision notes nearly as long as the paper itself. We received a letter from Robert Peterson in June 1988. Three of the original four reviewers responded; they remained concerned about the theory development and had some questions regarding the experiments.

We addressed these concerns by further analyzing existing data and largely rewriting the paper (the theory continued to go through major revisions to develop it and improve its exposition). We submitted a revised manuscript in January 1989. Later that month, then-editor Michael Houston responded to our submission. He asked for several minor changes and subject to those, conditionally accepted the paper. He also urged us to make the changes quickly, given the paper's "lengthy history," so it could be included in the August issue. We made those changes, submitted the revision, and the paper was unconditionally accepted by Michael Houston in February 1989.

EVOLUTION

Since its accidental inception nearly ten years ago, this line of work has encouraged others to pursue related issues (e.g., Kardes and Kalyanaram 1992), and it continues to have a significant impact on our thinking about marketing strategy and, more fundamentally, competitive advantage. Before this project began, our thinking about competitive advantage paralleled work based in economics that implicitly makes very strong assumptions about consumer decision making and preferences. In particular, consumer preferences are taken as fixed and exogenous—not the outcome of competition but the determinant of it. This is reflected in the marketing concept in that marketing is seen largely as a process of discovery, identifying and meeting consumer needs. Competitive advantage in that case can be created by those who meet consumer needs best.

Our work suggests that consumer preferences are, at least in part, the *outcome* of competition. Lacking fixed, exogenous preferences, buyers learn their preferences through trial and error—on the basis of the available alternatives, prices, and positions—making inferences about what attributes they do and do not like. Thus, preferences for attributes evolve with consumer experience. Competition, therefore, can be viewed in part as a race to shape the nature of consumer preferences.

In such a world, pioneering advantage is realized only if the first mover succeeds in framing consumer preferences as described previously at the individual level. If the pioneer fails to create this advantage for itself, as apparently can be the case (e.g., Golder and Tellis 1993), the advantage associated with pioneering can accrue to a later entrant that shapes consumer tastes and achieves exceptional perceptual prominence. To be sure, it is likely an easier task for early entrants (preferences are more fluid), but it is certainly not guaranteed by order of entry alone. Thus, at a general level, our work suggests that perpetual prominence and its impact on preferences—whether achieved through pioneering or late entry—can have a dramatic effect on competition and be a valuable competitive advantage (Carpenter and Nakamoto 1994b).

We have had the pleasure of exploring the implications of this insight in several situations—new product strategy, product differentiation in a mature market, and the competitive disadvantages associated with pioneering or, more generally, highly distinctive brands.

New Product Strategy

A late mover positioning a new product in a market dominated by a pioneer faces a difficult task: The pioneer is positioned near the ideal point, but as late movers position near the pioneer and the ideal point, they suffer because of the preference asymmetry (that is, their market share declines as they position closer to the pioneer and the ideal point). If the late mover positions a greater distance from the ideal point, its share might be small as well. What strategies are optimal for the late mover in that case? We address that question in two papers, Carpenter and Nakamoto 1990 and 1994a.

In our first effort (Carpenter and Nakamoto 1990), we considered the situation of a pioneer and a later mover differentiated on two dimensions and competing with advertising, price, and product positioning. Our analysis shows that if both brands maximize profits, the late mover has two options. One is to differentiate from the pioneer and the ideal point—intentionally adopt a position that is not preferred by the majority of consumers. We thus showed that pioneering, in one way, can turn the marketing concept around: The optimal strategy for a late mover was not to "give people what they want"; rather, positioning away, differentiating, from consumers' ideal to create a unique position distinct from the pioneer is optimal. Absent a powerful pioneer (in a market with a smaller preference asymmetry), the optimal late entry strategy is to "challenge" the pioneer for the position of the market standard, as Pepsi did relative to Coca-Cola.

Our more recent effort (Carpenter and Nakamoto 1994a) considers the impact of the preference asymmetry on man-

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agerial decision making. We model a late mover attacking a pioneer as in Carpenter and Nakamoto (1990) but in addition show that in such a situation, sales can become an important objective of the late mover. To account for this, we identify optimal late mover strategies if the pioneer maximizes profit and the late mover maximizes profit subject to achieving sales target.

Our analysis shows that the late mover has two options. When facing a powerful pioneer, a niche strategy is optimal (differentiating from the pioneer and the ideal point with a high price and low advertising budget). Thus, a powerful pioneer still drives a late mover to differentiate, but with a surprising twist: With a sales objective one might expect a low-priced strategy to be optimal; it is an easy way to generate the needed sales. However, we show that all low-price strategies are not optimal; other strategies exist that produce the same sales level and greater profit. The other option available to a late mover is a value strategy (position near the pioneer, price to offer greater value, but not be *the* price brand and support that position with a low advertising budget). Glass Plus's positioning as offering greater value relative to Windex is one example of such a strategy.

Meaningless Product Differentiation

The notion of consumers learning their preferences has substantial implication for product differentiation strategies. Conventional product differentiation strategies suggest distinguishing a brand on the basis of something that is meaningful and "widely valued" by buyers (e.g., Porter 1985). However, in many mature markets, brands also differentiate on attributes that *appear* to be valuable but on closer examination are irrelevant (e.g., the yellow color of Purdue chickens). We term this *meaningless differentiation*. In Carpenter, Glazer, and Nakamoto (1994a), we examine whether buyers can come to value an attribute that is distinguishing, unique, but irrelevant to buyers.

We show that if consumers are not aware of a differentiating attribute's true irrelevance, they may incorrectly infer or learn that the unique attribute is associated with a satisfactory brand and thus develop a preference for the attribute and the differentiated brand. Once formed, these associations can be very difficult to eliminate, even if consumers learn that the differentiating attribute is in fact irrelevant. Meaningless differentiation can also simplify consumer choice; it provides a simple way to distinguish between otherwise similar brands. Perhaps more surprising, we show that meaningless differentiation can continue to be successful, in some cases, even if buyers acknowledge that the differentiating attribute is irrelevant. They may still infer that the attribute is valuable, despite evidence to the contrary, and the irrelevant attribute remains unique, simplifying choice. In some cases, buyers are even willing to pay more for the differentiated brand—even if they know the differentiating attribute is irrelevant.

Pioneering Disadvantage

Pioneering and the preference formation that follows appears to have many competitive advantages. That raises an intriguing question—Are there any costs associated with it? We believe so and explore those in Carpenter and colleagues (1993). In it, we consider a pioneer attacked by a late mover; the pioneer responds either with a line extension or a new brand. In that case we show that a pioneering *disadvantage* exists.

The pioneer's competitive advantage arises from its position near the ideal point and its prototypicality. Those become liabilities if a competitor can "restart" the learning process and shift buyer ideal points to its position. In that case, if the pioneer extends its product line to the new position, it is disadvantaged, especially if the new position is far from the pioneer's initial position. It can be seen as "inconsistent" with its perception. For example, 7UP introduced 7UP Gold, a cinnamon- and ginger-flavored beverage; because of its brown color, it was seen as inconsistent with 7UP's "clear, cool, refreshing" position. Furthermore, if the pioneer introduces a new brand, then its principal advantages embodied in its brand name are lost, and the new entrant has the opportunity to become a new "pioneer" for at least a portion of the market.

CURRENT DIRECTION

Our work begun in the mid-1980s continues to affect our current work but in more fundamental ways. Suggesting that marketing strategy *influences* the evolution of consumer preferences has important implications for marketing strategy and the underlying view of competitive advantage on which it rests. The marketing concept implies that an objective of marketing strategy is to be "market driven"—meet customer needs—and competitive advantage arises from those who meet customer needs best. However, our work implies that preferences are a moving target, so that simply responding to consumer preferences may be too narrow a conceptualization on which to base marketing strategy and competitive advantage. Instead, shaping consumer tastes—or "marketing driving"—and creating competitive advantage in so doing may be a central objective of marketing strategy. Competition may then be a race to define consumer tastes, and competitive advantage in that case may arise from crafting a valuable asset—a favorable preference structure and distinct perception in customers' minds. We are currently exploring that notion and its implications in Carpenter, Glazer, and Nakamoto (1994b). And so our accident-turned-venture continues.

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