- *Third and probably most important, Diet Rite was the first sugar-free cola to be featured on the same supermarket shelves as regular soft drinks. That removed the stigma attached to consuming a product meant for the medically afflicted. Previously, sugar-free soft drinks were sold in the dietetic section of the supermarket, a special category distant from the regular soft drink aisle.*
- *Fourth, Royal Crown boosted promotion to push the trend toward calorie-consciousness by spending $ 11 million on advertising Diet Rite Cola in 1964. up from $ 7.5 million in 1963.*

Basically, Royal Crown Cola figured out how to sell diet soft drinks to the mass market. Following closely in Kirsch's footsteps, it successfully educated consumers as to the merits of diet soft drink with heavy promotion, by putting the product in the right form and by making it widely available. As a result of Royal Crown's efforts, sugar free soft drinks became less an oddity and more a mainstream consumer product.

Royal Crown pushed a growing trend futher upward. Sales exploded in the years directly following its entry. In 1961,before Royal Crown entered, diet soft drinks made up 1.5 per cent of total soft drink sales. By 1962 sales of diet soft drinks doubled to 50 million cases. and their share of all soft drinks rocketed to 4 per cent. By 1963, 7 per cent of all soft drinks sold were dietetic. Forecasts called for their share to climb to 15 to 20 per cent and may be even 30 per cent, of the entire market.

Competitors jumped into the market with abandon for fear of being left out. Canada Dry and Dr. Peeper quickly introduced parity cola products, as did regional seller but Royal Crown ruled supreme. First-mover advantages seemed to ensure its successful hold on the newly created market.

According to published reports at the time Diet Rite was introduced, Royal Crown Cola's strategy aimed squarely at Coke and Pepsi drinkers. Diet Rite tried to get regular cola drinkers to switch to diet colas. Since Royal Crown held only a miniscule share of the regular cola business, it had little to lose if consumers switched. Coke and Pepsi had plenty to fear, however, since most of their sales came from regular colas. They had little to gain by introducing a diet soft drink and a lot to lose. The market leaders seemed to be trapped in a lose-lose situation. If diet soft drinks turned out to be a fad, then spending heavily on new product development would be wasteful and unwarranted. If diet soft drinks succeeded, however, Coke, and Pepsi would spend heavily only to switch their loyal regular cola drinks to their new and unproved, "diet" versions. It was a classic case of fear of cannibalizing sales of existing product.

Coke and Pepsi were forced to follow Royal Crown's lead in order to thwart Diet' Rite's impressive gains. As per Business Week at that time "Coca-Cola and its biggest rival, Pepsi-Cola Co. were slow to notice how Royal Crown was carving out a new market". In February 1963, both Coke and Pepsi had just entered limited test markets. Both firms were reluctant to put their flagship brand names on the new unproved products. Coke entered with Tab, which was introduced by its Fanta division. Tab was test-marketed in Springfield, Massachusetts. Pepsi entered with Patio Diet Cola, which was introduced in Greenville, South Carolina.

Pepsi entered earlier than Coke. In June 1963, about a year and after Diet Rite's entry Pepsi was selling in sixty key markets, while Coke was selling in only twenty-five, with no estimate as to when it would achieve national distribution.

In the beginning, Coke's Tab and Pepsi's Ratio Diet Cola were defensive entries. They sought to protect their regular soft drink business from the disruptive actions of a reckless renegade. As one Pepsi executive, put it "we don't want Royal Crown taking our market". Instead, both firms tried to attract "new consumers—those people who because of health or weight problems never have consumed soft drinks". But the trend toward diet soft drinks was bigger than either of the industry giants. They had no choice but to compete for customers that preferred a sugar-free product.

Royal Crown Cola dominated the fast growing market for diet soft drinks through the mid-1960s. Although it was only one-twentieth the size of Coca-Cola, it owned a 50 percent share of the fast-growing diet soft drink market. Until the late 1960s Royal Crown held roughly double the share of either Coke or Pepsi in the growing diet soft drink segment.

Sales of Pepsi's Patio Diet Cola were disappointing, so it was quickly replaced with Diet Pepsi,a risky decision that entailed using the company's coveted flagship brand name on an unproven product. Like most sellers, Pepsi targeted calorie conscious women. Its early ads feature "Debbie Drake," a well-known exercise maven with stunning figure.

Coke's Tab sold well from the start, mostly among women, and was not supplemented until 1982, fully twenty years age after Royal Crown's entry, when the firm introduced Diet Coke. Diet Coke represented only the second time in its nearly hundred year history that Coca-Cola used its flagship brand name on a soft drink. The stakes were deemed high enough to warrant that action. Diet Coke initially appealed to a growing market for men wishing to limit caloric intake.

Royal Crown's dominance started to erode once Coke and Pepsi entered. It was not a question of clear product superiority. Diet Rite Cola was tasty as Tab or Diet Pepsi. Basically, Coke and Pepsi entered with parity a product that had no overwhelming sensory advantages. Their success was due to other factors.

- *Coke and Pepsi dominated soft drink distribution channels and it is no secret that distribution advantages often decide the outcome of marketing battles in the industry. Royal Crown was at a disadvantage when it came to distribution. In 1964 Coca-Cola had 1,120 franchised bottlers, Pepsi was distant second with only 530 bottlers and Royal Crown's total was a pitiful 370. A similar imbalance existed when it came to the power to command supermarket shelf space. Coke and Pepsi used their superior distribution to win market share in diet soft drinks.*
- *Both Coke and Pepsi had the financial resources to run massive promotional programs that Royal Crown could not match throughout the second half of the 1960s, while Royal Crown held double the market share of Coke and Pepsi, the two soft drink giants spent three to four times as much as Royal Crown on advertising. Innovation gave Royal Crown an early lead, but in the long-run first-mover advantages proved relatively unimportant in deciding the competitive outcome.*

In sum, first mover advantages seemed to count for little in diet soft drinks. Royal Crown picked a fight with much stronger opponents and got beaten up pretty badly. Those advantages provided no more than a temporary benefit. Furthermore they instilled in managers a false sense of the products ultimate potential. In the end, it was distribution and marketing strength that detemined the outcome of diet soft drinks leadership, not order of market entry. There seemed to be no need for Coke and Pepsi to hurry up and rush to market as they could displace the weak innovator with heavy promotional spending and distribution advantages.

The history of the soft drink industry is filled with instances in which the order of entry counted for little, even in competition between the two largest players. Pepsi Team, for example, had preceded Coke's Sprite to market but Coke ended up in the lead position.

The evolution of diet soft drinks is a classic case of a well-heeled firm entering a market after the pioneer and then being able to buy what it was unable to obtain first. The meager resources of the pioneer proved no match for the marketing clout of larger, later entrants. When the market blossomed there was no other firm that could match the marketing prowess of Coke and Pespi, not by a mile.

PATTERNS OF SUCCESSFUL IMITATION

Innovations exhibit many common patterns as they make their way from lab to market. The same is true for imitation.

In 1935 S.C. Gilfillan concluded that innovations typically get stuck in a long, long useless stage. Once a major new product idea is conceived, it typically takes years, sometimes decades, for the idea to transform itself into a commerically successful product. After more than half a century Gilfillan's findings still ring true. Many innovations still spend years incubating in laboratories and in the marketplace at great

expense to a long string of pioneers. Often the pioneer spends heavily only to find that consumer prefers the wares of a later entrant.

The Long, Long Useless Stage

There are really two phases to the long, long useless stage. First, there is the lag between the time a product is first conceived and the time it first reaches the market. Second, there is the time lag between when it is first placed on the market and when it achieves commercial success.

In both instances the problem with pioneering is that it takes enormous staying power to shepherd a new product over the long,long useless stage. That provides advantage for imitators and later entrants, who are able to enter after the pioneer has exhausted himself. The imitator starts fresh, just as the pioneer ends wasted.

Gilfillan conductd a series of studies on the subject. He quotes another researcher, H.S. Hatfield, when referring to the problems present to pioneers by the long, long useless stage:

"[The pioneer] conceives of a fundamentally new idea, which he feels is assured of startling and immediate succes. It is a notorious fact that many, if not most, of the pioneer inventors to whom the edifice of modern technology owes some of its chief pillars, have died in poverty, or if alive, are receiving absolutely no reward at all for the incalculable benefits conferred upon industry by their labours"

More relevant to the topic of pioneering versus imitation is the time lag between first entry and the time a product reaches commercial acceptance. That lag gives an indication of how long the pioneer has to wait (and the imitator has to enter) before the demand for the product materializes.

Of the twenty-eight innovations listed in Table 2.4 (drawn earlier), about half spent more than five years floundering in the market before attracting much consumer interest. Those products are listed in Table 2.7.

TABLE 2.7

Products Stuck in a Long, Long Useless Stage

Product	*Time Between First Appearance and Commercial Acceptance*	*Comments*
35 mm cameras	40 Years	The product was introduced in the 1920s, but demand stayed small until the 1960s,when the Japanese reduced prices and brought the product into the mainstream.
Ballpoint pens	8 Years	The idea was patented in the late 1800s, the first commercial success occurred in the late 1940s, but not until eight years later did the product overcome its fad status.
Credit/charge cards	8 Years	The first charge and credit cards appeared in the 1930s, but Dinner's Club started in 1950. It was not until the late 1950s, however, that the product gained widespread acceptance.
Diet soft drinks	10 Years	It was not until Royal Crown promoted the product that it gained widespread acceptance.

TABLE 2.7 (Contd.)

Product	*Time Between First Appearance and Commercial Acceptance*	*Comments*
Light beer	9 Years	The pioneers spent nearly a decade trying to figure out how to position the product to consumers.
Mainframe computers	10 Years	First introduced in 1946, there were only slightly more than 100 computers sold by 1956, the year IBM surpassed Univac.
Microwave ovens	20 Years	Discovered in 1946, the first commercial microwave was not introduced until 10 Years later. After numerous false starts, it was not until the mid-1970s that microwaves gained widespread acceptance.
Non-alcoholic beer	6 Years	Imports lingered on the market for at least six years until consumers valued the benefits offered by the new product.
Paperback books	5 Years	Paperbacks have really been around since several years but in their modern format they started in the 1940s. A number of pioneers failed before consumers became interested.
Personal computers	6 Years	The market started with hobbyists, but demand did not explode until IBM entered.
Telephone answering machine	15 Years	The market evolved slowly, starting in the late 1950s. Demand did not explode until the mid-1980s.
VCRs	20 Years	The First commercial model was introduced in 1956. It was not until 1975 that the home market took off.
Video-games	13 Years	Started in 1972, the market boomed, then went bust. Not until 1985, when Nintendo entered, did demand materialize for the long term.
Warehouse clubs	7 Years	Sam's club did not enter until seven years after the Price Club.

Source: Schanaars, Steven P., *"Managing Imitation Strategies: How Later Entrants Seize Markets from Pioneers,"* New York, Fress Press, 1994

Some Specific Cases of Products that Spent Time in the Long Useless Stage

In light beer, there was a nine-year gap between Rheingolds pioneering entry and the stunning commercial success of Miller's lite beer. That allowed plenty of time for the pioneer to stumble and the later entrants to learn.

A similar pattern was observed for diet soft drinks. There was at least a ten-year gap between the first commercial entry and the first sustained commercial success. It took even longer for the latest entrants to prevail.

Microwave Ovens took even longer to attract large number of customers, First invented in 1946, it took ten years to get to market, then twenty years more to gain commercial success. By the time the product became a commonplace fixture in America, it was low-cost Asian producers, who had entered last, that dominated the product category-at the expense of the pioneers.

The long, long useless stage tends to work against poineers and in favour of later entrants. In many cases, either the product is not ready for the market or the market is not ready for the product. Either way, the entry turns out to be premature and uneconomic. The pioneer ends up trapped by those products instead of enjoying sustainable competitive advantages. That disadvantage was recognized many years ago, and it still holds true today.

A Start with "Oddball" Products

In hindsight, any pioneering entries turn out to be "Oddball" products, which means they are not fully formed when they were first brought to market. Often they are techinically crude devices based on first generation technologies. Being little more than first attempts to move a product from the lab to the market, they wear their weaknesses on their sleeve.

Example, Ball point pens were rushed to market in the mid-1940s by the Reynolds pen company, a small entrepreneurial upstart and Eversharp, a perennial second tier player in the then dominant fountain pen industry. The first commercially successful (if short-lived) ball points were erude devices that leaked, skipped, smudged and generally failed to write the way they were crude devices that leaked, skipped smudged and generally failed to write the way they were supposed to. At a minimum price of $ 12.50, they were expensive as well as inefficient writing instruments. They were the first and the worst.

The same pattern was observed with video-games. Magnavox Odyssey, the first attempt at a home entry, had extremely crude graphics and required users to hang an acetate sheet on the TV set as a background playing field. Odyssey was odd in comparison with today's games.

Early entry seemed not to help the early entrants. Weaknesses in their products conveyed an "Oddball" image that hobbled their efforts instead of providing an early advantage in terms of product positioning. The pioneers paid a heavy price for being first and reaped few benefits beyond a footnote in industry history.

A start with "Oddball" innovations points out the incremental nature of innovation. Rarely do inventions spring forth the lab fully formed without close ties to what has gone before. Instead, technological progress usually takes a series of small steps forward, each step pushing the innovation a little farther ahead and a little closer to market acceptance.

Example, consider the case of credit and charge cards. Neither innovation burst upon the scene without precedent. Each evolved slowly from the nineteenth century practice of informally extending credit to valued retail customers whom the merchant knew personally. Throughout the twentieth century, that basic idea evolved slowly into the third-party charge/credit card.

The idea of innovation as an incremental process contrasts with the general tendency to portray innovation as a series of astonishing breakthroughs driven by genius inventors and bold entrepreneurs who dream of radical new product ideas and shepherd them from concept to commercial success, That sometimes happens, but it is rare.

The myth of the genius inventor first became popular during the early years of the twentieth century, when memories of inventors like Eli Whitney and the cotton gin, James Watt and the steam engine and Thomas Edison and the light bulb coloured the popular view of how breakthrough innovations made their way to market. But that view is misleading. It attributes to individual inventors a mythical genius they rarely deserve. Few innovations appear out of nowhere. Almost always there is a long history of small steps that precede, and then follow. the tioneers products. Products evolve slowly. They don't burst upon the scene without precedent.

The pioneer's product, being the first to enter the market is almost always ill formed and flawed. It pays a price for first entry. It almost always enters with one foot still in the lab.Those flaws often allow later entrants to take next step, leapfrogging the pioneer's "Oddball" product with a more workable design.

Example, consider the case of diet soft drinks. Kirsch entered first with a product targeted to diabetics and teenagers with acne. Kirsch then repositioned the product for women dieters but was quickly followed by Royal Crown, which entered with a mainstream product.

The very earliest entrants are often gone from the scene by the time the latest entrants prevail. Their "oddball" products quickly fail, and the firm's contributions recede quickly back into obscurity. That means the true innovators are often forgotten,giving unearned glory to subsequent entrants, who, in a revisionist view of history, are deemed the creators of something they actually copied.

Even in brand-new industries where change is rapid and innovation is frequent, the earliest entrants are often stuck with "Oddball" products that hurt rather than help. In word processors and personal computer spreadsheets, for example, the earliest entrants were stuck with crude packages designed for small- memory machines, which faded in popularity with the obsolete machines for which they were designed.

Timing is Everything for Later Entrants

Many times, the most successful entrant is not the very first firm to enter but the first to enter when demand explodes. Pioneers may simply be too early. They enter before demand materializes, risking what Francisco-Javier-Olleros calls "burnout". Francisco contends that "again and again we see industries emerge over the dead bodies of early pioneers". It is easy to enter a nascent market — entry barriers are low to non-existent — but difficult to survive the long, long useless stage until demand explodes.

Successful imitators have superb timing when it comes to later entry. That timing can be affected by many factors. Some imitators wait until a change occurs in the market, a change that is sure to boost growth, before entering.

Example, throughout the early 1950s social mores held that buying on credit was somehow immoral. For nearly a decade Diner's club was forced to bear single-handedly the entire burden of persuading consumers to use its new service product. It faced two bad choices: either to change existing attitudes or wait until they changed on their own. The change took eight years. By 1958 consumers had become comfortable with and even attracted to the idea of easy credit. That change corresponded almost perfectly with American Express's entry. Its product carried the gloss of modern sophistication, while Diner's Club was reeling from it's eigth-year ordeal.

Timing can also be based on changes in the underlying technology. Firms that enter first frequently do so with first generation technologies that quickly become obsolete. That happened in early personal computers. Few of the pioneers who sold computers based on the Z-80 chip were able to make the switch

to the more advanced chip used in the IBM-PC. Those pioneers performed a valuable market function, they created and promoted a new technological product, but they were stuck with the small sales and even smaller profits that come with nascent markets. Their timing was off, they were too early.

Some imitators enter very late in the game. They wait until the potential exists to create a huge market to which they can apply very low-cost production. In microwave ovens, 35mm cameras and food processors, for example, the imitators did not enter until market growth was well under way. They then entered with lower-priced products that drew in additional customers and expanded the market further.

That brings the issue of intent. It is too easy to argue that imitators hold back and deliberately wait for a market to form before entering at exactly the right time. That happens sometimes, but not always. To suggest that it does give the later entrant's credit for a talent they often do not possess. In many cases, later entrants just happen to be in the right place at the right time with the right product. By sheer chance, they enter just as demand explodes.

Scores of later entrants have benefited from such fortunate circumstances. Nike, for example, was formed on a shoestring in 1964 to sell running shoes to a tiny market of dedicated track athletes. Ten years later, in 1974, sales had climbed only to a paltry $ 4.8 million. Then the market exploded. Weekend atheletes and non-atheletes in search of comfortable, casual footwear entered the market in droves. The trend toward health and fitness, which had started in the 1960s, accelerated in the 1970s. Nike found itself in an enviable position. It had the right product in the right place at the right itme. By 1976 sales had reached only $ 14 millions. By the early 1990s they had soared to an astounding $ 3 billion.

A similar pattern explains the rapid growth of diet soft drinks and low calorie beer. Demand for both products accelerated when consumers exhibited a new found interest in a lower calorie diet and the beauty of a slender figure. At that point the large sellers entered just as demand exploded. Their entry was simultaneously a reaction to an emerging trend and an action that fueled that trend.

The same trend affected sales of caffeine-free soft drinks. Sales languished for years, and early brands failed, but demand soared once caffeine was perceived to run counter to the trend toward health and fitness. Once again, the major soft drink sellers entered later but benefited economically from that innovation when the timing was right.

In every one of these cases, the imitator not only benefited from a rapidly growing market but also caused additional growth. They caused that growth by legitimizing the market.

Large Firms Replace SMALLER ONES

One of the most prominent patterns in the battle between innovators and imitators is for large firms to replace small firms once the market becomes more attractive. Industry giants, whose current products are challenged by the pioneer's innovative entry, introduced imitative designs and use their market power to push the pioneer to the sidelines.

Size clearly counted as a competitive advantage when it came to market dominance. Smaller firms may be more entrepreneurial, faster-moving, and more insightful—and they are typically the first to spot emerging trends and product opportunities,but it is the large industry leaders who possess the power to muscle their way into emerging markets, which they then quickly dominate.

That happened in both diet and caffeine free soft drinks, where Coke and Pepsi dominated a market that was pioneered by Royal Crown, which incidentally, had "borrowed" its innovative idea from even smaller earlier rivals. The incumbent's power ensured that outcome.

An identical pattern was observed with three innovations in the beer industry-light beer, dry beer and non-alcoholic beer. In each case, the innovation was pioneered by a succession of weak competitors. But when the market showed its true potential the industry giants, especially Anheuser-Busch, jumped in and quickly crushed the innovative pioneers, in some cases pushing them into oblivion. Size proved crucial in beer brewing.

The only cases where that pattern did not hold up were in brand-new industries where there were really no entrenched market leaders to react to the pioneer's entry. In word processors, spreadsheets and operating systems for personal computers, for example small firms supplanted other small firms for reasons that had nothing to do with size-based advantages. Since all of the competitors were small entrepreneurial startups, relative market power did not appreciably affect the outcome.

But those cases are more peculiar than they are representative of most markets. A more typical pattern is for a small entrepreneurial startup to invade the turf of a powerful incumbent. The giant is then awakened to an opportunity that it did not initially see. It counterattacks with an imitative entry and uses its vast market power to fight back. The pioneer is at a disadvantage. It is somewhat like the war with Iraq. The outcome was never in doubt, only the timing and other tactical issues were uncertain.

Table 2.8 illustrates, nineteen of the twenty-eight cases (see table 2.4 for cases) examined resulted in a larger firm replacing a small entrepreneurial startup. Not a single case was observed where a small firm entered an emerging market with an imitative product after a large pioneering industry leader. The table 2.8 shows that:

- *Large firms most frequently replace small firms.*
- *Small firms sometimes replace other small firms.*
- *Large firms somtimes replace other large firms and*
- *Small firms rarely (or never) supplant a large market leader.*

TABLE 2.8

Large Firms Tend to Replace Small Firms

PIONEER \ IMITATOR	Small Firm	Large Firm
Small Firm	5 Cases Computerized ticketing services Operating systems Paperback books Spreadsheets Word processors	19 Cases ATMs Ballpoint Pens Caffeine free soft drinks CAT scanners Credit cards Diet soft drinks Dry beer Food processors Light beer Money market funds MRIs Mainframe computers Non-alcoholic Beer Personal computer Pocket calculators Projection TV Telephone answering machines Warehouse stores VCRs.
Large Firm	No Cases	4 Cases 35 mm cameras Commercial jet aircraft Microwave ovens Videogames.

IMITATION STRATEGIES

Imitators and later entrants succeed by using one or a combination of three strategies (Box No. 2.4)

Imitation Strategies
• *Offer lower prices than the pioneers.* • *Sell a superior product, or Imitate and Improve.* • *Use their market power to overwhelm the weaker pioneer.*

Box 2.4

I. Lower Prices

One of the most popular and successful imitative strategies is to sell knock-off of a pioneer's product at bargain basement prices. Typically, there are two ways to peruse that strategy:

- By selling an exact duplicate of the pioneer's product at a reduced price, or
- Selling a trimmed -down, barebones version at a much lower price.

What both strategies have in common is that they attempt to expand the market into the mainstream, attracting consumers who would otherwise be unwilling to pay high prices demanded by the pioneer.

(i) Lower Cost Equal Lower Prices. The essence of a lower price imitation is to keep costs low, passing those savings along to consumers. The imitator sometimes has an advantage when it comes to lower costs,being able to avoid the heavy up-front costs associated with research and development. The imitator merely copies a product that already exists. The innovator has had to create that product from scratch.

Lower price point imitatiors also save on promotional expeditures. In many cases they are able to catch a free ride on the pioneer's ads positioning. The pioneer may have created interest in the product category- VCRs, microwave ovens and food processors, for example,but when the consumer visits a retailer to make a purchase, he or she is often drawn to lower priced imitations, which are perceived to be of acceptable if not equal quality.

Some imitators create the impression that they sell the same product or service as the innovator, but at lower prices. That practice infuriates competitors. For e.g., the case of Helene Curtis, whose Suave shampoo built its name in the 1970s by bootstrapping on the ads of the leading brands. At that time Helene Curtis sought to gain market share by advertising Suave as follows: "We do what they do for less than half the price." Competitors were livid. Their response: "It's parasitic to leech off the reputations and advertising of established brands." That may be so, but it is often an effective entry strategy. Suave's sales rocketed skyward as a result of lower prices.

(ii) Timing Entry to Match Market Growth. Timing is an essential ingredient in the success of price imitations. Successful imitations have had the good fortune of entering — either by chance or by design—just as the market has growth larger and more price sensitive. Price-point imitations often succeed because they match their less expensive wares to the needs of an expanded mass market, which is less enamoured of top-of-the -line models and is unwilling to pay the high prices demanded by the pioneer.

This type of pattern occurred in microwave ovens, VCR's and a host of other product categories, where price-point imitators succeed by serving a large group of mainstream customers who were not aficionados and were put off by high prices. In every instance, the pioneer found itself stuck at the high end of the market as a result of actions taken by an imitator who offered lower priced, generic goods. Time played a key role. The later entrant's product both benefited and caused the emergence of a mass market.

Telephone answering machines were pioneered by Code-A-Phone in 1958. When the product caught fire in the 1980s, nearly twenty-five years after it was first created, the later entrants moved production overseas, lowered prices and pushed their way to the forefront with imitations of equal, if not superior quality. Code-A-Phone was the last major seller to move productions overseas. By the time it reacted, it was too late. The pioneer was a shadow of its former self.

(iii) A Two Step Imitation Process. Often a two step imitation process, as illustrated in figure 2.4 can be observed.

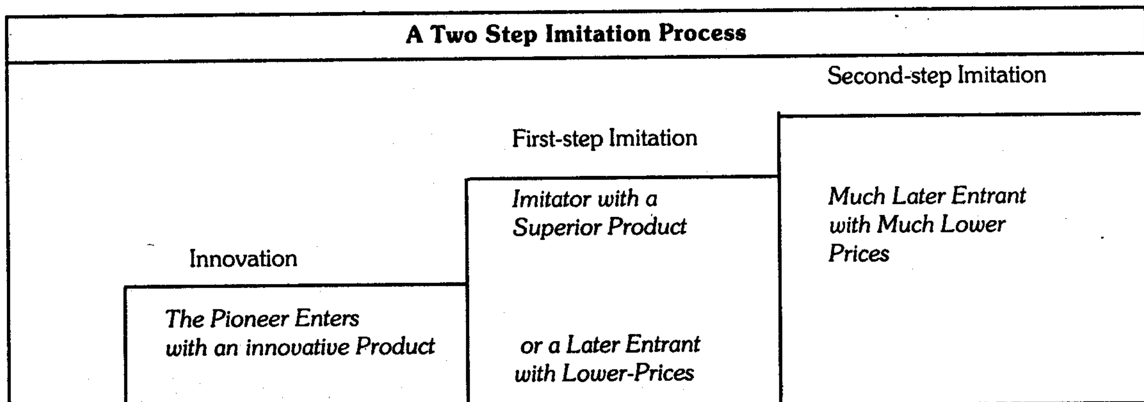

Fig. 2.4

In the first step of the imitation process, the pioneer is challenged by either knockoff artists selling at lower prices or later entrants who follow the pioneer to market with a superior product. Either strategy can work.

The second step occurs much later, sometimes years later, When a second group of imitators enters the market with still lower-priced knockoff, which then go on to dominate a much larger market. Often, but not always, this group of later entrants comprises low-cost Asian producers with an eye toward export markets.

Many examples of the two-step imitation process can be cited. Pocket calculators were pioneered by a number of small assemblers who spotted a market opportunty before the electronics giants who made the integrated circuits used in early calculators. Second into the market were those integrated circuit manufacturers, who observed the success of the early pioneers and then quickly entered with products of their own, a move that crushed the pioneers. But as calculators moved from a speciality product used by engineering students and other small market segments willing to pay the high prices charged, low- cost Asian copycats mobilized their manufacturing muscle and sold millions of cheap, highly reliable calculators to the masses for a few dollars each.

A nearly identical two-step imitation process occurred in digital watches. The small pioneers were driven from the market by a second group of entrants. Then, as the market expanded, low-cost Asian copycats combined much later entry with much lower prices to dominate a much larger market.

The same pattern was also observed in microwave ovens, which were pioneerd by American firms, then challenged by Japanese sellers using lower prices soon after the product became popular with consumers. Eventually, however, the market was dominated by even lower-cost producers from Korea, who sold strictly on the basis of lower prices.

Ballpoint pens also experienced a two step imitation process. The two initial pioneers were an entrepreneurial startup and a weak industry incumbent. Both were replaced by the industry leaders in the related fountain pen business, particularly Parket Pen. Then,nearly fifteen years after the pioneers first entered, Bic transformed the market by once again selling low-priced generics, essentially disposable pens, which were sold by the bagful strictly on the basis of price.

II. Sell a Superior Product — Imitate — and — Improve

Some imitators succeed by being "second but better." Such later entrants do not seek to clone the pioneer's product. Nor do they seek to compete on the bacis of lower prices. Instead their strategy is to improve upon the pioneer' design and to hope that consumers will prefer a superior design to early entry. Table 2.9 illustrates that in thirteen of the twenty-eight case histories later entrants succeeded by using an imitate-and-improve strategy.

(i) Technological Leapfrog. When technological products are involved an imitate-and-improve entry strategy typically takes the form of a " technological leapfrog". In such cases the imitator enters with a second-generation technology that eclipses the pioneer's product rendering it obsolete.

In projection television, the innovation was created in 1973 by Henry Kloss, an American inventor and industry pioneer. In the early 1970 s his front-projection systems sold well, but by the 1980 s the tables had turned. Later entrants introduced rear-projection designs that eliminated the need for bulky projection units sitting in the middle of a customer's living room. By the mid-1980s rear-projection units outsold front projection units six to one. But the pioneer did not make rear projection units. Kloss was stuck on an obsolete standard that served a shrinking market.

The case of projection televisions illustrates that the setting of early standards sometimes offers an opportunity for a technological leapfrog. The pioneer, by virtue of first entry may have bet on an inferior standard, which proves difficult to switch away from once the technology advances. Sunk assets and experience in the first-generation technology may hold the pioneer back.

Two other cases in which later entrants leapfrogged pioneers stuck on an inferior standard are word processors and spreadsheets. Later entrants were able to surpass pioneers because they did not enter until the memory capacity of personal computers had grown large enough to support full-featured programs. In the end, pioneers were caught with crude programs purposely designed to match the limited capacity of early computers. As a result, Word Perfect and Lotus moved ahead while Word Star and VisiCalc were stuck on an old standard into which they had sunk considerable assets. They were forced to rejigger their products, while the imitators had a fresh start.

Aside from the purely economic reasons, a pioneer is often reluctant to adopt the latest standrd because of emotional ties as well. To switch to another standard, especially a standard set by a later entrant, is implicitly admitting defeat. At the very least, it is an affront to the pioneer's pride. Pride and sheer stubbornness often keep pioneers loyal to the old design long after they should.

In the case of Sony's Betamax VCR versus JVC's VHS format. After the vast majority of the world's sellers had switched to the VHS standard, Sony stayed loyal to its own offspring. Sony argued that the picture quality of the Beta was better.

(ii) Is Fast Second Entry Important? Implicit in an imitate-and-improve strategy is the belief that later should react quickly to the pioneer's first move. Time is of the essence, advocates argue. Instead of trying to replace a standard set by the pioneer, a fast second entry tries to gain share before the pioneer has had a chance to impose its standard on the marketplace.

In VCRs, for example Sony's early success with the Beta format was quickly countered by Matsushita's VHS format, which played longer and was priced lower. The fast second entry of VHS occurred before the Beta standard could be established. That is one reason why it was successful.

The case of VCRs however, is unique. While widely touted as the essential ingredient of later market entry, only a few examples of "fast second " imitations were observed in the twenty-eight cases examined in this study. More often than not, a fast second century did not seem to be that important for the success of an imitate- and-improve strategy, Time was not of the essence.

The most important success factor seemed to be the extent to which changes in the product, its underlying technology or the market presented an opportunity for imitators to improve. In other words, it was not how quickly the imitator followed that mattered but whether there was an opportunty to enter with a better product. It also helped if the pioneer made errors.

In ballpoint pens, while the pioneers rushed to market with flawed, premature products, the later entrants waited years until they could perfect the technology and ofter customers a superior product. The pioneers were long gone by the time the imitators entered — victims of a technological leapfrog.

The opportunity to imitate and improve upon the pioneer's product is frequently availble to the later entrant. It is well documented that pioneers rarely get everything right on the first try.In their rush to enter first, pioneers often make what in hindsight turn out to be mistakes in product design, segments served or promotional appeals. By definition, most nascent markets are poorly formed and not well understood. It is virtually impossible for the pioneer to foresee clearly and in detail how the market and product technology will unfold. That suggests that imitators often have an opportunity to learn from the mistakes made by the pioneer and to correct them

(iii) The Importance of Staying Technologically Current. Another important success factor in an imitate-and-improve strategy is the presence of an ongoing research and development program. Later entrants should not have to start from scratch. In personal computers, projection television and VCRs to name but a few of the products examined, every one of the later entrants had extensive research efforts under way at the time of the pioneer's initial entry. Their work on technology had paralleled the pioneer's efforts. They simply were not the first to enter.

III. Market Power

In theory, pioneers erect impenetrable barriers to any entry that keep copycats at bay. In practice, however, those barriers are weak or non-existent when matched against the sheer market power held by well-heeled industry giants whose existing products are challenged by the pioneer's innovative entry. The incumbents may not have the foresight of their smaller but quicker-moving challengers, but when they decide to move into a market they do so with unparalleled strengths that many times overwhelm the pioneer.

Market power was the most frequent reason why imitators were able to supplant pioneers. Industry leaders possess three potent strengths that they can use to fight back against the pioneer:

- Large industry leaders have the marketing clout to promote their imitative products. They can also have the respected brand names, coveted reputation and existing customers to help their products gain share.
- Incumbents have existing distribution channels into which they can place their imitative products.
- Finally, incumbents have the financial resources to make the business grow, an advantage smaller pioneers often cannot match.

Consumers also benefit from the incumbent's entry. When brand-new technological products are involved, customers can rest assured that industry giants are likely to survive the shakeout that will occur once the market matures. Buying early entries from unknown pioneers entails a high degree of consumer risk.

(i) Moving in from an Allied Area. Sales of new products almost always impinge upon sales of existing products. The problem for pioneers begins when their new product steals sales from the wares of an industry giant with expertise in marketing and the money to fight back. The industry giant may have missed the new product opportunity created by the pioneer, but once the potential of the pioneer's product

becomes apparent, the incumbent will rely on its expertise in selling and distributing similar products to push the pioneer out of the way and dominate the new category. There is an advantage to "bigness" in imitative later entries. The pioneer may have made a large leap forward by creating a brand-new product, but the powerful incumbent has only to make a short leap sideways from its current products to the new related ones.

Telephone answering machines were pioneered in the late 1950s by Code-A-Phone, anything but an industry giant.For years the small firm toiled to perfect its pioneering product. But by the 1980s, when the market had grown huge and attractive, its efforts counted for little. Its barriers to entry were virtually nonexistent against the AT & T and Panasonic, which moved in and dominated the market.

(ii) Most Effective Where Advertising and Distributions Are Key. Not unexpectedly, the imitator's advantage is greatest in those product categories where advertising and distribution are most important. Small pioneers who rush to market with innovative entries face the worst odds of all in such circumstances. Two industries in particular, beer and soft drinks, have a long history of new market opportunities opened by small producers while the biggest sellers stood by. Then, when the market proved attractive, the industry giants muscled their way in with superior advantages in promotion, distribution and money to push the pioneers to the sidelines. The pattern has been repeated time and time again. It is a depressing picture for dedicated pioneers who enthusiastically pursue new product opportunities but have little real chance of success once the market grows larger.

The undisputed innovator in soft drinks over the past thirty years has been Royal Crown, which introduced (or at least popularized) Diet Cola, Caffeine-free Cola and Cherry Cola. In every case, its success attracted Pepsi and then Coke (typically in that order), which were able to dominate those markets quickly and decisively once they decided to do so. There was never really any doubt about the outcome. Royal Crown's resources were minuscule compared with those of the industry giants. The idea that this tiny firm could erect entry barriers or concoct some conceptual competitive advantages solely on the basis of first-mover advantages is pure fantasy.

Table 2.9 summarizes the strategies used in various cases. It shows that in ten cases lower prices played a role in successful later entry, in thirteen cases imitators won with an imitate-and-improve strategy and in sixteen cases market power was a factor. There was considerable overlap. More than one strategy was used, by either a single later entrant or a sequence of later entrants, to gain the dominant market position in nine of the cases. In one instance, projection television, the later entrants used all three strategies to surpass the pioneer.

TABLE 2.9

How Imitators Surpasses Pioneers

S.No.	*Product*	*Lower Prices*	*Imitate-and-Improve*	*Market Power*
1.	35 mm cameras	X	X	
2.	Automated Teller Machines			X
3.	Ballpoint Pens	X	X	
4.	Caffeine free soft drinks			X
5.	CAT scanners (Computed axial tomography)		X	X
6.	Commercial jet aircraft		X	
7.	Computerized ticketing services		X	
8.	Credit/charge cards			X
9.	Diet soft drinks			X
10.	Dry beer			X

TABLE 2.9 (Contd.)

S.No.	*Product*	*Lower Prices*	*Imitate-and-Improve*	*Market Power*
11.	Food processors		X	
12.	Light Beer			X
13.	Mainframe computers	X	X	
14.	Microwave ovens	X		
15.	Money market mutual funds			X
16.	MRI (Magnetic resonance imaging)	X		X
17.	Nonalcoholic beer			X
18.	Operating systems for personal computer		X	X
19.	Paperback books			X
20.	Personal computer	X		X
21.	Pocket calculators	X		
22.	Projection television	X	X	X
23.	Spreadsheets		X	
24.	Telephone answering machines	X		X
25.	VCRs	X	X	
26.	Videogames		X	
27.	Warehouse clubs			X
28.	Word processing software		X	

Source: Schnaars, Steven P., "Managing Imitation Strategies: How Later Entrants Seize Markets from Pioneers, "New York, Free Press, 1994.

ASSESSING THE BRAND IMITATION

Some economists like Schumpeter and Galbraith have argued in favour of monopolies and big companies, respectively, as being the locomotives of innovation. Big companies often have the capacity to maintain specialized R & D departments. They have routines regarding innovative structures and competencies, which is by definition a catalyst of innovation.

When a lot of innovative ideas are generated in small firms, the firms lack the resources to support such marketing activities as distribution and branding. Therefore, the companies like Microsoft find success in buying small firms with innovative products and bundling those products with it existing ones (and existing channels).

There is a difference between innovation as a strategically planned process and innovation as an outcome or product. When imitation supports small companies eager to attain capital by imitating the innovation and they consequently discover something new and make improvements in the innovation, then imitation is good for society, Therefore, imitation is good if learning results or if it is serendipitous in nature.

Fig. 2.5 presents a framework to assess when imitation benefits society and at what cost. Competition is the heart of a healthy marketplace, when imitation is a form of competition, then the market may become

more efficient. When imitation misguides, misleads or confuses consumers, there is deception in the marketplace that can destroy the language of brands and devalue the whole product categories.

Assessment of Brand Imitation

CONSUMER'S AWARENESS OF TRUE MANUFACTURER OR IMITATOR	QUALITY OF IMITATOR COMPARED TO ORIGINAL		
	Better	Equal	Worse
Knowledgeable	Society better off	Depends on price ratio: better value, society better off	Has potential to destroy equity of original brand
Confused	Destroys the language of brands	Destroys the language of brands	Destroys the language of brands and can destroy the whole product category

Fig. 2.5

Good quality imitators are a boon. They can be defined as adding value by producing goods of equal value at lower prices and/or producing goods with additional functional attributes that enhance the performance of the original brand or product, which is readily perceived by the consumer. With this interpretation, economic efficiency is promoted by greater customer utility through lower costs, better value or a better product.

However, the argument against this is that firms will less likely spend resources on developing a new product if competing firms with no investment can duplicate the product and produce it at the same marginal cost as the innovator. Thus, imitation will inhibit innovation and consumers will be worse off.

I. Does Imitation destroy the language of brands?

There are two issues, which affect the damage to brands their equity by those who imitate. The first is whether the consumer is knowledgeable or confused about copying, the second is the quality and the value of the imitated brand (Fig. 2.5).

(i) Misguided or Confused Consumers. Consumer's always have the right to be informed about their purchases. It is rare for imitators, which misguide consumers about their origin, to be of better or even equal quality to the original good. This is because those who produce better or equal copies want consumers to know exactly who did so and to reward them for their efforts, now and in the future.

There is also the potential of destroying the whole product category through experiences with poor imitation products. This is especially so when the original defines the product category and there are many product substitutes. A customer who buys a Parle-G biscuit expects a certain level of quality.When a customer unknowingly purchases an imitator of Parle-G such as Parag-G, and tries to join the new piece with the original without getting a perfect fit, then not only is the language of Parle-G damaged, but perhaps the whole product category of Parle-Foofs. A poor image of the brand that defines the product category could then mean a poor image of the whole product category and thus paved to other similar products.

Consumers who do not now the true origin of goods and are unable to link the brand to the actual manufacturer will not be able to use the language of brands successfully for communication.Over time, the growth of imitators, which confuse consumers, may eventually destroy the language of brands as the trust, risk reduction and communication properties of the brands become invalid.

(ii) Knowledgeable Consumers. When consumers are knowledgeable about the sources of goods, then there is little harm and perhaps some benefit to the consumers. Consumers are not seen as being cheated because they use their own free will to buy the lower-priced but usually lower-quality goods. They might be disappointed in the quality but then would lose trust in the imitated goods.

When the goods is of better quality, then it will be a contribution to the welfare of society, giving consumers more and better products to choose from. However, at present there is not even a single example available to quote. There are perhaps many examples of goods of equal quality, in content, that follow an imitation strategy. They help the social welfare if they are of better value or priced much lower than the original. E.g. is acceptance of generic drugs. Society is given the option of purchasing a substitute brand at a lower price.

If a consumer perceives the poor-quality imitator to be an unsuitable substitute, then the imitating brand may quickly die in the marketplace. The problem scenario, from a broad marketing point of view, is when the selling price is very low. Then the price-sensitive consumer may still buy the imitator and its poor quality may destroy the equity of the original brand just by its presence on the market.

II. Destruction of Brand Equity

The destruction of brand equity is somewhat different than of the language of brands. Brand equity is something owned by an individual brand that captures consumer response to its marketing efforts. The components of brand equity build on consumer's knowledge of the brand derived from their brand awareness and its image. Whereas brand awareness can be defined and measured in terms of simple recognition and recall, brand image is a more complex construct derived from different types, favourability, strength and uniqueness of brand associations. The types of associations are: attitudes toward the brand, both functional and experiential; benefits derived from use of the brand and perceived product attributes, which are product and non-product-related .

The demise of a brand's equity as a result of others imitating it can be traced back to the weakening of the brand's perceived uniqueness and possible unfavourable associations. Poor-quality imitators or pirated goods may lead to an association effect weighted by negative information. It is like judging one's worth by the company one keeps. If luxury brands are copied using inferior materials and workmanship and are then knowingly purchased by the masses, the original is seen as losing its exclusivity.

Some consumer's want goods simply because they are exclusive. The proliferation of look-alikes would mean the original brand would no longer be exclusive, an inherent attribute of the brand. If exclusivity is the desired important characteristic, then the brand's equity will be destroyed. Overtime, no one would want either the imitator or the original, since it was the image of exclusivity that motivated the purchase. The brand would no longer provide the benefit of the elevated feeling of prestige to those who could afford the original.

The problem is that rich people, who own the original, no longer are privy to the image of publicy consumed luxury goods. People wearing a real Rolex watch can be asked about the genuinity of the watch. A question, that does not enhance the experience of owning the real thing. Once the brand loses its appeal to the affluent segment, the imitator will also lose its market because it no longer represents a brand that communicates wealth.

The question of whether imitation helps or harms society must be answered from Fig. 2.5, which outlines a combination of the consumer's perspective and the quality of the imitator good. High-quality

imitators are not a problem to society and may even benefit the marketplace by providing good competition and more choices for consumers. Equal-quality imitators are only beneficial if they are sold at a lower price. Poor-quality imitators may not be a problem to society when consumers can easily judge for themselves that the imitation is inferior. Poor-quality imitators, which are easily identifiable, will probably not have a long market life.

In general, there may be a benefit to society or to marketing when imitations are uniquely identified, are knowingly purchased by consumers and are of better quality and/or value to the consumer. Under these circumstances, original manufacturer may be motivated to further improve their market offerings. To be effective competitors, imitators need to advertise in order to signal to the consumer their existence as a superior substitute for the original brand . Through advertising or word of mouth, the consumer is likely to be informed as to the source of the substitute good. If the imitator is of poorer quality and/or represents less value than the original, then there will probably be no effort to communicate product attributes. Therefore, a key in determining whether the imitator is benefiting society is its level of advertising that is what leads to knowledgeable consumers.

Most serious problems arise when consumers are misguided or misled about the origin of the goods, regardless of the quality. In all cases, no matter the value or quality, the language of brands is is danger of being destroyed.

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CHAPTER 3

CONSUMER BEHAVIOUR AND BRAND IMITATION

Understanding human needs is half the job of meeting them.

—*Adlai Stevenson*
Speech, Columbus, Ohio,
October 3, 1952.

UNDERSTANDING THE CONSUMER

Consumer Shopping Behaviour

The behaviour of consumers is very important in determining their perception of any brand imitation. The consumer choice behaviour is one factor, which can't be overlooked.

According to Judge Cattanch, in a case involving brand names and pet food with respect to consumer shopping behaviour— "The ordinary person buying groceries and other wares off the shelf does not look beyond the brand on the label in distinguishing the origin of the wares he or she is contemplating buying. There is neither the time nor the inclination, during the course of a shopping excursion, to stop and peruse the fine print on the labels, much less appreciate the fine distinctions of meaning that might be taken therefrom" (Bonus Foods Ltd. *vs.* Essex Packers Limited, 1946:20).

Consumer Decision-Making

How consumers make or do not make decision about the goods and services they purchase or reject in the market place is a major field of study in business schools all over the world. It is called the study of consumer behaviour or buyer behaviour. In other words, the study tells us the how, when, where, why and from whom etc. of the buyer related to purchasing i.e., Why a consumer is motivated to purchase a particular brand? What is there in his mind? And how he selects brands? Thus, consumer behaviour is the

behaviour that the consumer displays in searching for, purchasing, using, evaluating and disposing off products or services, which they expect, can satisfy their needs (Schiffmann and Kanuk). Consumer behaviour, as a discipline, evolved when psychologists joined the business faculties of major universities in the 1960s and subsequently the first academic textbooks were written wholly devoted to the subject. Over the years, consumer behaviour theorists have kept-to-date the study of how decisions are made in the market place. It appears that the consumer is a very adaptive decision-maker, changing his or her behaviour to meet the demands of the environment. This adaptation is largely the result of the change in lifestyles and in the marketplace.

The Economist's View. According to this view, purchasing decisions are thought to be the result of largely rational and conscious economic calculations. The early models of consumer behaviour were based on economic theory. Consumer are not only assumed to be aware of all available alternatives in the market place, but they are also assumed to be able to rationally rank order the available alternatives by preferences. Thus, this is the case of perfect information in the marketplace and unlimited ability of the consumer.

There are several problems in applying these assumptions to actual consumer consumption. First, consumer do not have perfect information in the marketplace. Neither do they have the same information about the existing alternatives and/ or the attributes of known alternatives. Each consumer has fragmented knowledger of his or her own set of known alternatives and, as a result, consumer cannot always rank order a set of alternatives available to them. In addition, preferences often violate utility theory. Different people prefer different styles, have different tastes and hence make choices built on preferences of style or image rather than objective information such as price.

The early economic models are not helpful in understanding the purchase behaviour of the consumer. Over time the marketplace has become more diversified and the increasing competition and multiplicity of brands have made the purchasing and thus the decision-making more complex.

The Consumer as a Problem Solver. The consumer now is given a more elevated status and we have an Act like Consumer Protection Act (1987) (Discussed in Chapter 4) as a social contract between the business and the society. As the consumer has a right to be informed, labels are to be put on all products listing the ingredients, name of manufacturers etc. The advertising cannot be misleading. Thus, the consumer is getting all the information.

As a result of this environment, consumer is seen as a "Cognitive man". They are receptive to products or services that met their needs. They are thought to search actively for information about the products and services they bought and striving to make the best possible decision.

However, consumer researches have found that, even though consumers are given information, they often failed to use that information to make decisions. In one choice and evaluation experiment by Scammon 1975, consumers were given objective product information on several brands available in the marketplace. The result of the study showed that consumers recall of product attributes decreased with increasing information and that consumer felt better about their brand selections with more information but actually made poorer choices. Consumers were limited by the extent of their knowledge about the marketplace and their capacity to store information about the marketplace in short-term-memory.

The finding of the study coincided with another research study about the consumer ability to use information. In general, humans are able to store a limited amount of information in their short-term-memory. This imposes limitations on the amount of information that the individual is able to process and remember in the long run. According to G.A. Miller's seven (plus or minus two) pieces of information were the optimum amount for individual decision-making.

The Consumer as a Simplifier of Information. The consumer's skills, habits, reflexes, values and goals shape the way they search for and use the information to make their decisions. Although the

consumer's skills are limited, the number of choices available to them increases every day. Thus, they are unable or unwilling to engage in extensive decision-making activities and settle for "satisfactory" decision.

Generally, people do not spend their discretionary time shopping or making consumer decisions. In the changed environment i.e. both husband and wife working, the wife is still mainly in charge of regular family shopping and the shopping is now squeezed into minutes between returning home after work and meal preparation. Most consumers simply do not take the time to look carefully at the items they buy because they simply do not have the time or the inclination to do so.

Consumer develops rules of thumb or heuristics to simplify purchase behaviour. In an in-store study it was found that consumers go through almost no brand price comparison behaviour (Hoyer 1948). Decision heuristics such as "buy the cheapest", "buy name brands", or "buy what my friend bought" gives the consumer a satisfactory choice in the marketplace that supplants an optimal choice. The market provides over-choice to today's consumer and the decision-making effort must be simplified.

Level of Involvement. When consumer decision with concurrent decision about one's spouse or significant others, children, career and health is compared the consumer decision seem very simple. Furthermore, everyday hassles of travelling on crowded streets or subways causes one to focus on expediting way home rather than lingering in a supermarket. It is this perspective that must be kept in mind when examining the importance and effort put into purchase decisions. As per Kassarjian (1977) — "The average consumer, who blithely purchases, consumes and discards the product, most likely could not be careless. Consumer makes the purchase, switches brands, ignores commercials and worries about the important decisions in their lives and not the purchase of toilet paper".

However, when a brand comes before the courts in an issue of trademark infringement, all those parties to the case become very involved. Lawyers, judges, manufacturers, marketers, and advertisers are aware of every detail that identifies the brand. They are keenly aware of any differences that exist between the plaintiff's and the defendant's product. It is this close scrutiny that highlights the behaviour of being involved.

The concept of involvement means that the person is motivated to think about the object in quesion. When one is highly involved, more importance is attached to the object and more evaluation takes place. Also, one sees more differences among brands, whether the differences are real or imaginary. When one has little involvement, little or no arousal exists to motivate the consumer to evaluate the object. Alternatives seem very similar and price becomes a primary differentiating factor (Zaichkowsky 1989). Therefore, consumer behaviour theorists speak of low-involved consumers, low-involving products, low-involving advertisement and low-involving decisions. These are usual and frequent conditions of consumers in the marketplace. The implication is that decision-making is minimal and the most common-form of purchase decision is just pure and simple recognition of the product. The legal system must not lose sight of the concept of the low-involved purchaser. Marketers know it well.

It is this difference between the low-and high-involved purchaser that leads to the differences in views of the object. That is why one gets such varied views on the perception of similarity or differences among the objects in question. Consumers who are highly involved with the object under investigation may not be confused at any time, while those who are low involved may be easily confused at any time.

Emotional High Involvement. To delineate further the concept of involvement, marketing researchers and parctitioners have examined a second dimension of thinking or feeling. This second dimension allows for the explanation of why consumers may be highly motivated toward products, yet secure so little hard information about them. It departs from the original model, which implies that high-involvement products require a thinking or cognitive orientation first, whereas low-involvement products are more suited to an affective or non-informational appeal. The expansion of involvement along an orthogonal continuum from thinking to feeling allows for a more complex approach that takes into account the excitement that accompanies certain purchases.

THE FOOTE, CONE AND BELDING GRID FOR PRODUCT CLASSIFICATION

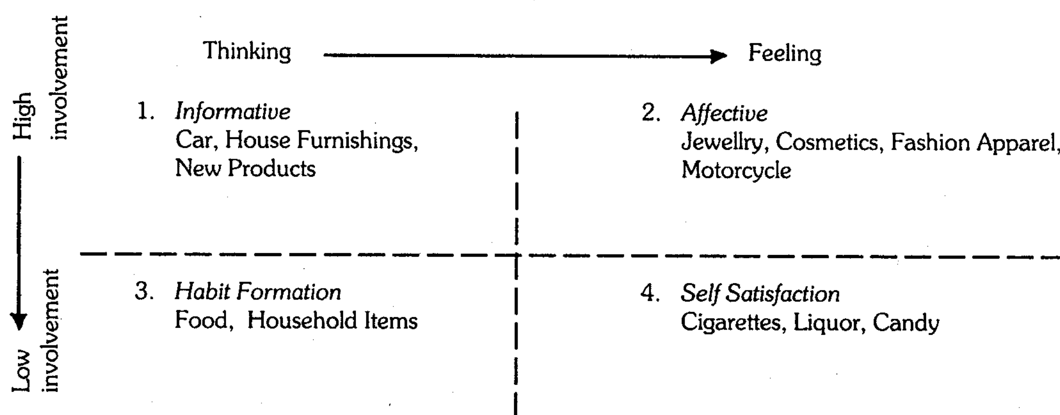

Fig. 3.1

The original classification scheme for products was produced by Vaughn (1980) for the advertising firm Foote, Cone and Belding in Los Angeles. It implies that different marketing strategies, different decision-making styles and different advertising copies are needed for different types of products. The scheme is depicted in Fig. 3.1. It proposes that, for a great number of products, the decision process is based on emotion, or effect, rather than thought or facts. The consumer behaviour researches of 1980s were heavily influenced by this model.

In a case on brand imitation of handguns (Sturm, Ruger & Co. Inc. Vs. Arcadia Machine & Tool Inc., 1988), this theory of emotional involvement was used to explain the likely consumer decision-making process with respect to handguns:

> *Gun purchasers are more interested or involved than they would be if they were buying a bar of soap, but heightened interest does not necessarily mean that more care is exercised. That only happens when more actual intelligence is brought to bear. It does not happen if the purchaser's heightened interest is more emotional than intellectual. Gun purchasers tend to be emotional. Guns often have psychological attraction for people who buy them. When various complex subliminal factors have convinced a customer to buy a particular gun, he buys it without spending much time finding and reading the objective technical literature. The average customer probably does not exercise a high degree of care in purchasing a gun.* (Fletcher 1989:823).

This testimony also brings forth the notion that involvement and knowledge is not the same thing. They may be correlated but they predict different avenues to decision-making. Someone who is highly involved with a product is not necessarily an expert on that product. Having knowledge is definitely different from being involved and leads to different types of information seeking and processing.

We have not only the low and high-involved purchaser but we have high involvement and low involvement products also i.e., coustmer's level of involvement in the product. Since high involvement products often demand more customer time; hence the decision process here can be schematically understood as follows: (Fig. 3.2)

CONSUMER DECISION-MAKING PROCESS FOR HIGH INVOLVEMENT PRODUCTS

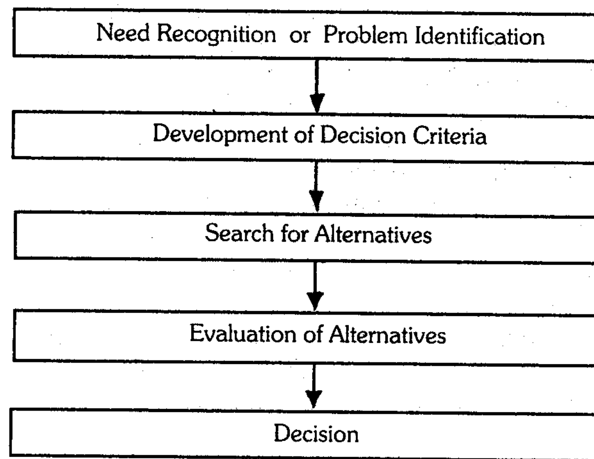

Fig. 3.2

By their very nature low involvement products are one where the customer spends least time in searching for alternatives or for that matter in evolving decision Criteria. The decision process here, then, is as shown in Fig. 3.3:

CONSUMER DECISION-MAKING PROCESS FOR LOW INVOLVEMENT PRODUCTS

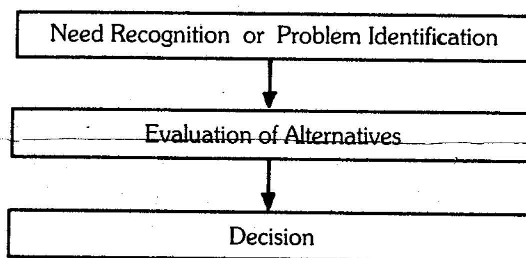

Fig. 3.3

Consumers Decision-making and Literacy

A great number of people may not make informed decisions because of their lack of ability. In India, most of the population cannot read or write and illiteracy is one reason for purchase of imitated brands.

Measuring literacy has always been controversial because there is no one accepted definition. In 1948, a United Nations commission proposed, "the ability to read and write a single message" as a working definition. Due to illiteracy great numbers of people may not be able to read labels accurately. They may frequently rely on other cues besides print information to aid their decision making and choices.

Intelligence. Educated and intelligent people who are involved in commerce tend to have a very narrow social world and are not fully aware of the below-average abilities of many consumers. People of one social class rarely interact on a regular basis with members of another social class. Therefore, one often forgets that other people may view things differently. A substantive question is: what intelligence level of

the consumer should be used as the standard for evaluating the level of confusion in the marketplace? This question becomes relevant because consumer surveys are relied upon as evidence in determining trademark infringement.

The whole history of consumer research tell that people who choose to participate in surveys are of higher intelligence and education than those who do not participate. Since most consumer research uses convenience samples, subjects are inherently self-selected and hence the results are usually biased toward higher education than if a truly random sample were chosen.

The particular product in question has a great deal to do with the sample used in determining confusion. However most products subject to consumer confusion, whether they are frequently purchased brand goods such as salt and soft drinks or specialty products such as faucets or guns, are bought by consumers of various intelligence and educational levels. Therefore it should be kept in mind that surveys might be biased toward the conservative end of detection of confusion because, on average, those who respond are likely to be more literate, educated and intelligent than those who do not respond. Actual confusion and potential confusion are likely to play a greater role in consumer choice, due to the great number of consumers who cannot correctly read and interpret package labels.

SHOPPING SCENARIOS

Levy and Rook (1981) first interviewed consumers as to their experience with consumer confusion in the marketplace. In general, it was found that consumers had three different views with respect to this issue. First, consumers could blame themselves for the mistake. Those who blame themselves admit to being embarrassed that perhaps they were not careful enough in the purchasing environment. Second, some consumers expected brands to be similar from time to time therefore thought consumers should be aware to make adequate discrimination. Third some consumers saw the need for legislation to protect companies, and perhaps themselves, from imitators.

Able, But Other Cues Dominate

The majority of the population that is literate may still make mistakes in the marketplace because other cues, such as symbols, colour and/ or shape, supersede any careful decisionmaking. The mistakes made are often viewed by the consumer as not being serious enough to take any action. Purchasing is viewed by consumers in the context of all the things they must think about during the day.

Shopping Experiences. The following examples will illustrate the brand confusion. Upon shopping in a drug store, Mr. X decided to buy some vitamins. These vitamins were a major brand heavily advertised on television. He walked to the vitamin shelf, looked and picked up what he thought were Zevit vitamins. He had bought Zevit before and was well aware of what the vitamins looked like. When he had looked closer at the package, he noticed that it was not Zevit but a similar like, which had a design and package colour very similar to Zevit. Instead of returning he purchased it.

Mr. X did not return and buy what he intended for two reasons. First, he thought, they were only vitamins and how different could they be? Second, he did not want it to appear that he made a mistake. He thought other people might think he was not that bright for making such a mistake at the point of purchase. This consumer is not alone who has been mistaken. Even the experts when they are consumers commit such mistakes from time to time.

The other example is shopping of Head & Shoulders dandruff shampoo, also in a drug store. Upon examining the brand on the shelf, Mr. Y noticed a similar bottle next to it, picked it up, and examined it. He decided that he wanted to buy the real thing and picked out a bottle to take to the cash register. When Mr. Y arrived home and unpacked his purchases, he discovered that he had purchased the similar bottle rather than the original bottle of Head & Shoulders he wanted. He did not take imitator brand back to the

store for an exchange. Mr. Y did not think it was worth his time and he felt a little stupid about making such a mistake, especially since he consciously decided not to purchase the imitation.

These types of purchase situations exits every day for most of the consumers. Consumers might take the relative cost of such mistakes more seriously if they were aware of the potential damage being done to the original brand.

PSYCHOLOGICAL PRINCIPLES UNDERLYING BRAND IMITATION

Understanding why a company would want to copy aspects of a successful brand requires some review of the relevant literature from psychology. Because consumer behaviour is just another aspect of human behaviour, marketers have often turned to cognitive and social psychology for an explanation and prediction of consumer behaviour in the marketplace. For the concept of brand imitation, learning theory from cognitive psychology is important. A framework for understanding how individuals learn to make choices and discriminations is based on their learning from the environment. Also from cognitive psychology, theories of perception and attention provide an understanding of how objects are perceived or noticed by the consumer.

Social psychology, specifically attitude theory is important to the understanding of why others would want to associate with owners of successful trademarks. The premise is that positive attitudes can be developed through simple association with well liked objects and these positive attitudes can lead to purchase behaviour of the associated product, as well as the original product. Most of the theories relevant to brand imitation are very simple.

Stimulus Generalization

The reason that imitation as a strategy exists may be partly explained by the concept of stimulus generalization. Repetition, stimulus generalization and stimulus discrimination are useful concepts in explaining how consumers learn to behave in the market place. Stimulus generalization means that the individual generalizes from one incident or stimulus object to another similar incident or stimulus object. The phenomenon is rooted in the theory of Classical Conditioning. This learning theory states that learning depends not only on repetition but also on the ability of individuals to generalize from one object to the next.

Classical Conditioning. Classical conditioning gets its name from the fact that it is the kind of learning originally studied in the "Classical" experiments of Ivan P. Pavlov (1849-1936). Pavlov, a Russian psychologist, undertook experiments conditioning dogs to salivate at the sound of a bell rather than at the sight or smell of meat paste. It was the meat paste that elicited legitimate or direct salivation from the dog. To condition the dogs, a neutral stimulus or bell acted as the conditioned stimulus. This bell was paired several times with the meat paste (Unconditioned stimulus) presented to the dog. The dog would salivate, which was an unconditioned or natural response. After a while the meat paste was taken away and only the bell was presented to the dog. As a result of the continued pairing the dog would salivate at the bell even though there was no food accompanying it. This was called a conditioned response. The process is outlined in Fig. 3.4.

PAVLOVIAN MODEL OF CLASSICAL CONDITIONING

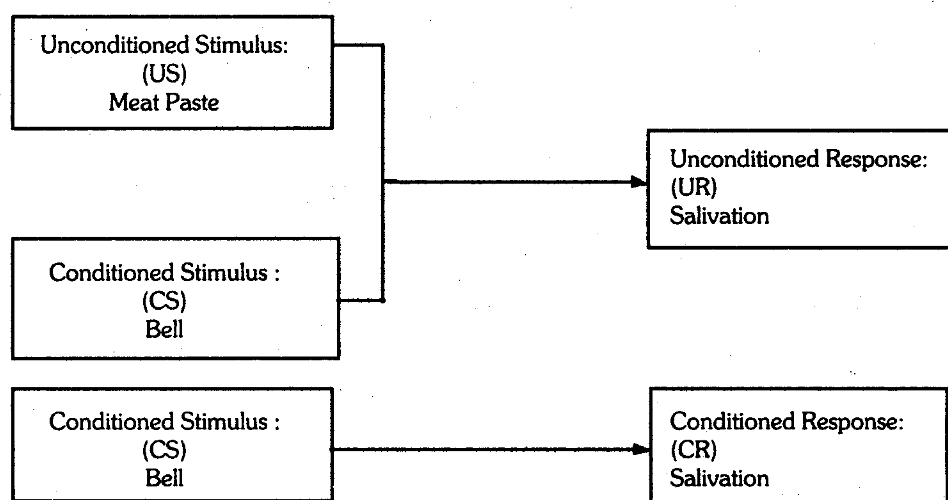

Fig. 3.4

DIAGRAM OF THE CLASSICAL CONDITIONING PROCESS

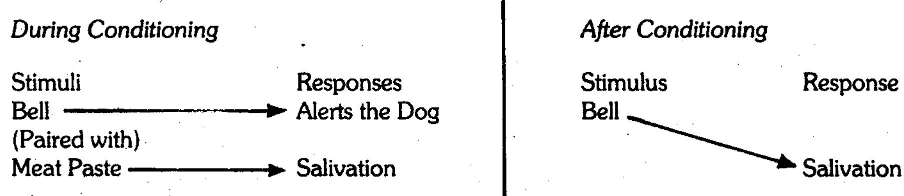

Fig. 3.5

In Pavlov's case the dog was conditioned to salivate at the sound of the bell when there was no meat paste present. While the possibility of applying this type of learning to humans might seem outrageous, consider the conditioning that takes place with food. Movie-goers have been bombarded by the smell of popcorn at theaters for decades. The sight and smell thus entices them to purchase popcorn to eat during the movie. It is a learned pairing of movies and popcorn.

According to classical conditioning theorists, learning depends not only on repetition but also on the ability of individuals to generalize. Over time, Pavlov noticed, his dog would salivate not only to the sound of a bell, but to the sound of keys jangling, a buzzer or even a metronome. These were sounds that only resembled a bell. Thus, the animal tended to generalize the conditioned response to stimuli that were different from the original sound of the bell, but somewhat similar to the sound to which it was specifically conditioned. It is this same response to a slightly different stimuli, or stimulus generalization, that facilitates learning or is a key aspect of learning.

Marketing Studies of Stimulus Generalization. Stimulus generalization provides a theory to explain why consumers react similarly to imitations that closely resemble original brands, i.e., explains why manufacturers of imitative 'me too' products succeed in the market place. It in other words, explains why manufacturers of imitated brands try to make their packaging resemble the brand leaders. They want the consumer to generalize brand images.

An academic study of brand imitation dealing with manufacturers of private brands and national brands found that the similarity in physical appearance of originals and imitators was significantly related to consumer perceptions of a common business origin between them (Loken, Ross and Hinkle 1986). Respondents thought the look-alike brands (National vs. Private) were produced at the same manufacturing plant. In addition, the researchers speculated that the physical similarities between brands, such as colour and shape, have marketing consequences independent of the product origin perceptions. The researcher felt consumers used the external package cues, such as colour, to evaluate the product attributes and to motivate purchase behaviours.

A follow-up study by Ward *et al.*(1986) provided support for the speculation. In this study, subjects were given various brands of shampoo to evaluate. The results confirmed that different brands with similar packages were rated as similar in quality and perceived performance. The subjects appeared to generalize from the physical appearance of the package to the contents inside the package.

A field experiment, based on the concept of stimulus generalization, provided evidence in a trademark infringement case of breath mints (Miaoulis and D' Amato 1978). The original brand, Tic Tac Mints, felt two new competitors (Mighty Mints and Dynamints) had infringed on its trade dress by copying the look of its package and mint. In the study Mighty mints and Dynamints were placed for sale in retail outlets in cities where Tic Tac was an established brand, but neither Mighty Mints nor Dynamints was known. Consumers were questioned about their reasons for purchase after buying either the Mighty Mints of Dynamints, but before eating the product. The responses suggested that the consumers purchased the new competing products mainly because of the expectations raised by the physical appearance of the package and the mint. Consumers said the expectations were learned from previous experiences with Tic Tac brand mints.

Some experimental and survey evidence thus suggests that consumers generalize between look-alike brands and may form similar expectations about product attributes and performance based on the external product cues. The concept of stimulus generalization is useful in explaining why a consumer would knowingly purchase a brand imitator.

CONFIRMATION VERSUS DISCONFIRMATION OF EXPECTATIONS

If consumers use the package to generalize to the performance of the attributes inside the package, then they may have certain expectations toward the performance of the imitators based on their expectation of the original brand. Consumers form preconsumption expectancies, observe product performance, compare performance with expectation, form disconfirmation perception, combine these perceptions with expectation levels, form satisfaction judgements, and then re-evaluate product offerings (Oliver and De Sarbo, 1988; Oliver, 1993). Depending on the type of experience (positive or negative), the consumers may change their evaluation of the product. Implicit in this explanation is that consumers are making comparative judgements.

To conclude with first, the consumers are generalizing their experience and expectations with the imitated brand. Second, consumers have some evaluation of the original brand, based on prior brand experience and brand image. If the brand is a category leader, it is a high positive evaluation. Third, imitators are possible brand substitutes to the original. If consumers have satisfying experiences with the imitator, then the evaluations of the original and the imitator should be assimilated. That is, since the imitator is evaluated as a good product, it may be seen as a brand substitute as the experience tells the consumer the original is not as unique as previously thought.

Conversely, if consumers have negative experiences with the imitator, then their evaluations of the original and the imitator should be contrasted. Contrasting effects should cause an increase in the evaluations of the original because negative experiences with an imitator may lead to avoidance of the imitator product. The consumer may think the original is really worth seeking out because substitutes are not good.

In the case of a new imitator, consumers who have positive expectations confirmed might decide any price premium demanded by the original is not worth it. They might be more likely to purchase the imitator in the future because it — (i) meets or exceeds expectation and (ii) it is sold at a lower price. If the expectations raised by the imitator are disconfirmed through a negative product experience, then the evaluations towards the original should be reinforced. The consumer might think any price premium demanded by the original is really worth it, since they realize that they are paying for a superior-quality product. Confirming that the original is superior may actually increase the evaluations of the original due to a contrast effect from the negative consumption experience with the imitator.

Interestingly, brands might benefit from comparison to imitating brands. Does the brand become more attractive because it has more substitutes? Imitation might not only be flattering but responsible for building market share. This may lead a company to advertise that "We know we're number one because we have more competitors wanting to be like us." Coca-Cola started an advertising campaign in 1994 to persuade people who drink other colas that any "imposter" is inferior because "Only Coca-Cola can refresh stunning thirst". Their strategy was to concentrate on whatever makes Coca-Cola stand out and therefore worth the premium price it commands over private-level colas. Their goal was to "do what-ever is in (their) power to remind consumers there are a lot of imitators of Coke but there's no alternative to Coke" (Elliot 1994). Advertising is supplying the consumer a decision rule before the customer faces the purchase situation where imitators are available.

ATTENTION AND PERCEPTION

Sometimes consumers initially select an imitator brand because they think it is the original brand. They make a mistake or misperceive the actual differences between the original and the imitator. This mistake may be in just the initial identification and may be discovered once the item is in the hand of the consumer. The mistake might also go unnoticed by the consumer until the product is about to be used. In some cases the mistake may be entirely undiscovered by the consumer. In all of these cases, it is not stimulus generalization that is primary but perception and attention to the object.

The initial step in understanding perception is to understand what kind of things cand be perceived at all. For the consumer to use marketing cues in decision-making, the cues first must be perceived by the individual. For the cues to be perceived the individual must first pay attention to them. Attention has two parts, intensity and direction, which sometimes exist in a a non-conscious environment. In other words, attention is usally immediate and effortless.

Intensity has to do with the time spent looking at the object. The longer the consumers are exposed to a stimulus, the more likely it is to be perceived. Direction means that the individual must have the stimulus in focus. For example, a disclaimer on an advertisement will likely not be perceived unless the person is led to focus on it. This focusing could be aided by size, colour, contrast and position. These are all-important factors in directing attention. It is to be kept in mind that the consumer's main response to marketing communication might be one of disinterest when compared with other aspects of the personal environment. Therefore, attention to marketing communication is likely to be fleeting and superficial, having little intensity and fluttering direction.

Attention to Visual Information

There are several physical properties that direct attention when considered in the context of the visual field. For example, the size of an advertisement can account for over 25% of the variance in readership scores (Troldahl and Jones 1975; Twedt 1952). There is an abundance of evidence to suggest that colour increases attention to an advertisement, although many studies of colour could be interpreted as supporting the effectiveness of colour as a contrast tool. Thus, the impact of colour depends on the surrounding information (Janiszewski 1991). The manner in which individuals direct their attention to areas in a visual display is sensitive to the characteristics of each piece of information relative to competing