
Winning by Coming in Second



A white paper by Technology Futures, Inc.

**TECHNOLOGY
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Maximizing the Advantages of a Fast Follower Strategy

Although there are many good reasons for companies to be the first to offer products and services based on new technologies, there are occasions when this approach is not practical. For example, the company may not have the resources to develop the new technology on its own, potential markets may not be sufficiently defined, and the technical potential of the new technology may not be clear.

However, if a company decides to utilize a “fast follower” rather than “technology leader” approach, it must have a strategy that is as carefully crafted and as intelligently executed as that of its more aggressive competitors. Moreover, the company must have an extremely effective surveillance program, since the product initiative will lie with the competition. For more than 20 years, Technology Futures, Inc. has been assisting major companies in analyzing the implications of strategies based on rapid entry into markets opened by competitors and in determining how those strategies can best be implemented. One example of the ability of TFI to provide such services is illustrated below.

Challenge

Recently, the executives of a major chemical company were faced with a critical strategic decision. Two of the company’s major competitors had announced the development of a new production process that resulted in improved products and promised, in time, to also reduce the price of production. The competitors had already begun to use the new process themselves and had offered to license the process to other

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companies, but under very restrictive and expensive terms. The company was faced with several options:

- License the process immediately, despite its unfavorable terms.
- Postpone a decision until the business and technical situation became clearer.
- Initiate a program, singly or in concert with other companies, to develop a competing process.

Choosing the strategy would depend on their evaluation of how rapidly the new process would be adopted, the size of the total market over time, how much of the total market would be at risk, and the rate at which progress would be made to improve the technical and economic parameters of the new process. Because of the need to make a reasoned decision in a timely manner, company executives called on TFI to assist them in determining an appropriate course of action. The objective of this project was to determine the impact the new process would have on current operations and on potential new business over the next 10 years.

Project Activities

In the conduct of this project, TFI and company personnel worked together to:

- Determine the key factors that would influence the rate of adoption using *Impact Wheels*.
- Project the rate at which the new process would be adopted by the industry using *Fisher-Pry* and *Gompertz* substitution techniques.
- Analyze the relative impact of the new process on various sectors of the market using *Relevance Trees*.
- Identify and evaluate the importance of various events that might affect the rate and pattern of adoption using *Nominal Group Conference* and *Stakeholder Analysis* techniques.
- Integrate the results of these techniques into comprehensive, coherent overall forecasts using *Alternate Scenarios*.

Project Results

Based on the analysis described above, TFI and the client company arrived at the following conclusions:

- The new process represented no significant threat to present production for the foreseeable future.
- Essentially all new market growth would be served by the new process.
- There were a number of reasonably probable events that could materially speed adoption of the new technology.

Actions Taken

In order to ensure future market growth, the company decided that it must establish an early position. Therefore, it elected to enter into an agreement with another company to develop a new, competing process.

Relevance to Your Organization

Since its establishment in 1978, Technology Futures has been assisting its clients in accomplishing tasks of the type described above. During this period, TFI has developed a toolkit of more than 20 techniques and methods that it uses to assist its clients in developing practical, profitable strategies. A project of the type described above typically can be conducted for between \$30,000 and \$60,000. Such projects are normally completed in 60 to 90 days, with preliminary results available in about 30 days.

If you believe that TFI could be of assistance to your organization in developing a fast follower strategy, please contact John Vanston, Larry Vanston, David Smith, or any other member of the TFI consulting staff.