

DEAN'S ADVISORY COMMITTEE  
STUDENT VENTURE GRANT APPLICATION

Please read all instructions and regulations on the reverse side of this sheet prior to the completion of this form. The original plus 6 copies of your proposal are due in the Dean's Office on the 2nd Friday of the Block by 1:00 p.m.

DATE SUBMITTED November 11, 2005

NAME [REDACTED] CLASS Senior WORKER BOX [REDACTED] EXT. [REDACTED]

ID # [REDACTED] HOMETOWN (Not Address) Denver

NAME OF ORGANIZATION Colorado College

BRIEF DESCRIPTION OF INTENDED USE OF FUNDS

The funds will be used to enhance my thesis experience. I would love to travel to Cincinnati, Ohio and visit Proctor & Gamble and meet with someone to focus on a particular product that will lead to a case study that will be included in my final thesis. My thesis is marketing based and this case study would be the perfect supplement to my project.

PROPOSED DATE/BLOCK OF USE

Block 4

NAME OF FACULTY SPONSOR

Daniel Johnson

HAVE YOU BEEN THE RECIPIENT OF A PREVIOUS VENTURE GRANT Yes  No

IF SO, WHAT AMOUNT? \_\_\_\_\_ WHEN? \_\_\_\_\_ REPORT SUBMITTED? \_\_\_\_\_

TOTAL AMOUNT OF VENTURE FUNDS NOW REQUESTED \$850

ARE YOU SEEKING OTHER FUNDING FOR THIS PROPOSAL? Yes  No

IF YES, WHAT IS THE SOURCE?

If this proposal is approved, I understand that it is my responsibility to notify the Dean's Office immediately if I do not pursue my project as proposed to the Dean's Advisory Committee. I further understand that all funds are to be used according to the proposal as submitted and approved by the Dean's Advisory Committee. Any changes to an approved project must be submitted to the Chair of the Committee for approval. Please note: the IRS requires that we report Venture Funds as taxable income.

SIGNATURE [REDACTED] DATE 11/11/05  
\*\*\*\*\*DO NOT WRITE BELOW THIS LINE\*\*\*\*\*

DATE \_\_\_\_\_ ACTION TAKEN \_\_\_\_\_ DATE \_\_\_\_\_

**COLORADO COLLEGE VENTURE GRANT APPLICATION INSTRUCTIONS**

Carefully read the application instructions and regulations outlined below. In addition, consult the accompanying memorandum describing the purpose and the use of the Venture Fund. **The original plus six (6) of the application form on the reverse side of this instruction sheet must be accompanied by seven (7) copies of each of the following:**

1. **A typewritten description of the proposed use of funds stressing the relationship of the proposal to one's academic program and/or general educational interests and the forum through which the results will be presented to the College community.**
2. **A detailed budget showing how the requested funds will be used.**
3. **For individual applicants, a transcript and letter of recommendation from one or more faculty sponsors.**

**VENTURE GRANT REGULATIONS**

Venture funds exist to provide opportunities for enrichment within the aims and confines of existing curricula and the educational philosophy of Colorado College. The Dean's Advisory Committee is interested in helping students carry out innovative projects of high merit which benefit the individual applicant and the College community. Since there are many more proposals submitted than it can fund, the Committee has established the following guidelines for the allocation of funds.

1. The Committee provides a maximum of \$850.00 for any one student project. Projects or conferences involving more than one student, can request more than \$850, but no more than a total of \$1,000.
2. The Committee looks closely at the student's transcript, the quality of writing, the organization and the clarity of each Venture Grant proposal and the letters of recommendation from one or more faculty sponsor.
3. The Committee does not accept proposals for projects already in progress or completed.
4. If a student's research project is in an applicant's hometown, the Committee will not fund transportation or room and board costs.
5. The Committee will use its discretion in awarding funds for conference registration fees. (An applicant should not expect to receive full funding for conference registration.)
6. The Committee will fund round-trip transportation for students engaged in research or who are attending conferences. If a student drives a private car, the Committee will pay travel costs at 36 cents per mile.
7. The Committee urges most strongly that proposals be submitted as early as possible so that the Committee may make fair and accurate judgments. All funding of proposals is limited by the availability of funds and is on a "first come, first served" basis.
8. If an applicant has received previous funding from the Committee, a subsequent proposal will receive lower priority.
9. Individual projects should have tangible results for the College community (i.e., presentations to campus, to classes, colloquia, etc.).

A file of successful Venture Grant applications is available in Tutt Library at the Reference Desk. Applicants may find them helpful in preparing their applications.

## Venture Grant Proposal

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November 11, 2005

My proposed thesis will concentrate on the relationship between winners and losers in the market place and the independent variables that effect whether a company or brand will win or lose. A winner is defined as the product that is most successful in its product category. Winners versus losers can be defined by evaluating their market share and or long term success. A product that has been successful in the market for a long period of time and has a higher market share than the competition would be considered a winner. Therefore, a loser is the product that has not been successful in achieving a large market share and may have possibly been taken off the market.

Case studies are the typical study format for this question; however, in this current study, a larger sample of 30 product categories will be compared and assessed. In particular, I am studying the role that four independent variables play in the final categorization of whether or not the product was a winner or a loser in the market. For simplicity, this paper will only be looking at the first and second movers in each product category.

Win/Lose = f ( Order of Entry, Dominant Design, Interconnectedness of the Organization, Inimitability)

*Order of Entry:* A long-standing hypothesis is that firms that enter the market early (“first movers”) tend to have higher performance than their followers (“first-mover advantage”). Looking back to the seventies, there were two studies from the Federal Trade Commission arguing that the first brand of a new product category usually enjoyed

enduring performance advantages over competitors that entered later. In 1977, Bond and Lean charted the market share paths of the brands of two prescription drug categories.<sup>1</sup> In 1979, Whitten did the same for seven segments of the cigarette industry. They found that the first brand held the highest market share anywhere from 3 to 50 years after its introduction.<sup>2</sup>

Although most literature points to an advantage for pioneers<sup>3</sup>, other research suggests that later entrants may also enjoy advantages.<sup>4</sup> In another study, Srinivasan, Lilien, and Rangaswamy study the effects of network externalities, in conjunction with other product and firm characteristics, on the survival of pioneers. (Positive network externalities exist when a customer's utility for a product increases as the number of customers who use identical or compatible products increases.) They apply an accelerated failure time model to data on 45 office products and consumer durables, and find evidence that network externalities have a negative effect on the survival duration of pioneers because customers using compatible products increases.<sup>5</sup>

**Hypothesis 1:** The first entrant into the market, the pioneer, will experience a higher market share than its subsequent follower and in most cases be a winner in the market.

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<sup>1</sup> R.S. Bond and D.F. Lean, "Sales Promotion and Product Differentiation in Two Prescription Drug Markets," Staff Report to the Federal Trade Commission, February 1977.

<sup>2</sup> I.T. Whitten, "Brand Performance in the Cigarette Industry and the Advantage to Early Entry, 1913-1974," Staff Report to the Federal Trade Commission, June 1979.

<sup>3</sup> Gregory Carpenter and Kent Nakamoto, "Consumer Preference Formation and Pioneering Advantages," *Journal of Marketing Research*, Volume 26, 1989: 285-298.

<sup>4</sup> Chakravarthi Narasimhan and John Zang, "Market Entry Strategy Under Firm Heterogeneity and Asymmetric Payoffs," *Marketing Science*, Volume 19, Number 4, 2000: 313-327.

<sup>5</sup> Raji Srinivasan, Gary Lilien, and Arvind Rangaswamy, "First in, First out? The Effects of Network Externalities on Pioneer Survival," *Journal of Marketing*, Volume 68, 2004: 41-58.

Excluding the order of entry variable, the three other independent variables in this model build on previous research done by David Teece.<sup>6</sup>

*Dominant design:* dominant design will be used as a type of product positioning variable.

A dominant design in a product class is the one that wins the allegiance of the marketplace. Competitors and innovators must adhere to this dominant design if they hope to have a significant market following.<sup>7</sup> An example of a product considered to have the dominant design is the Chrysler minivan.<sup>8</sup> Even today, Chrysler's original design continues to dominate the market segment for minivans, despite fierce competition. However, whether first- or second-mover, developing the dominant design can ensure the success of a particular product.

**Hypothesis 2:** The product with the dominant design will be a winner in the market regardless of whether or not they were the first-mover or the second-mover.

*Inimitability:* If a product can be easily imitated it does not really matter whether or not the product was first or second to the market. For example, RC Cola was the first company to introduce canned soft drinks and RC-Rite cola was the first diet cola introduced. Unfortunately, these innovations have never given RC Cola any long-term competitive advantage because competitors were able to easily imitate this company's innovations.<sup>9</sup>

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<sup>6</sup> D.J. Teece, "Profiting from technological innovation: Implications for integration, collaboration, licensing, and public policy." *The Competitive Challenge: Strategies for Industrial Innovation and Renewal*, 1987.

<sup>7</sup> James M. Utterback. *Mastering the Dynamics of Innovation*. United States: Harvard Business School Press, 1994.

<sup>8</sup> L.J. Bourgeois III, Irene M. Duhaime, and J.L. Stimpert. "An Introduction to competitive Advantage." *Strategic Management Concise: A Managerial Perspective, Second Edition*, 1999.

<sup>9</sup> Ibid 198.

In many cases, patented products are still candidates for imitation if companies are able to innovate and engineer “around” patents. Yet, companies must imitate with extreme care for fear of patent infringement lawsuits. Polaroid had tremendous success in creating instant photography. Shortly after, Kodak became the second-mover in this market. Polaroid sued Kodak and the court awarded Polaroid \$900 million in damages.<sup>10</sup> If second-movers are able to successfully imitate an existing product, there is a chance that the second-mover can experience a competitive advantage over time.

**Hypothesis 3:** The harder it is for the first product to the market in each product category to be imitated, the higher success they will have in the market. If the product is easily imitated and successfully duplicated, it will probably be considered a loser.

*Interconnectedness:* Finally, Teece suggests that interconnectedness is an important difference between successful and less successful first- and second-movers.

Interconnectedness is the interconnected set of resources and capabilities that a company has to assist it in bringing a product to market. If interconnected resource capabilities are needed to ensure the success of a new product or service, both first- and second-mover will face larger costs to bring their product to market. However, second-movers may experience more problems than the original innovator. If a company relies on its interconnectedness to bring the product to market, the second-mover might incur large costs in attempts to imitate. The process for this subsequent mover can also prove to be

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<sup>10</sup> L.J. Bourgeois III, Irene M. Duhaime, and J.L. Stimpert. “An Introduction to competitive Advantage.” *Strategic Management Concise: A Managerial Perspective, Second Edition*, 1999.

very time consuming. On the other hand, if the second-mover has better interconnected resources, the first-mover will have a difficult time maintaining their lead.<sup>11</sup>

A good example of a company holding an advantage over another based on interconnectedness is Microsoft's advantage over Netscape. Each produces Internet products and services, but Microsoft holds a near-monopoly in the market for personal computer operating systems. Microsoft "bundles" their Internet Explorer product with the Windows operating software it sells, thus placing Internet Explorer in every personal computer it sells. As consumers upgrade to newer versions of Windows, Microsoft can saturate the market with Internet Explorer.<sup>12</sup>

**Hypothesis 4:** The more interconnected each firm is with its resources and capabilities, the more likely the product will be considered a winner in the market.

The \$850 in funds will be used for travel expenses upon visiting Proctor & Gamble in Cincinnati, Ohio. This visit to P&G will be used to supplement my thesis work with a case study on P&G. When considering firms to visit, P&G is at the top of my list. They are one of the largest and most successful marketing firms in the nation. Two billion times a day, P&G brands touch the lives of people around the world. P&G is large enough that, on my visit, I will be able to contrast two products within the firm. I can draw conclusions based on my variables rather than be concerned about the firm making the difference.

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<sup>11</sup> L.J. Bourgeois III, Irene M. Duhaime, and J.L. Stimpert. "An Introduction to competitive Advantage." *Strategic Management Concise: A Managerial Perspective*, 1999.

<sup>12</sup> L.J. Bourgeois III, Irene M. Duhaime, and J.L. Stimpert. "An Introduction to competitive Advantage." *Strategic Management Concise: A Managerial Perspective*, 2001.

The root of my thesis work is in marketing, and after college I wish to pursue a career in this field. During my visit, I will be exposed to specific marketing tools and strategies that could be beneficial to my future in this area. I will be shadowing a professional working in this field while gathering data related to my model above. By working with the professional for two days, I will be able to collect information on when the product entered the market, the positioning of the product and if it has a dominant design, the inimitability of the product or how hard it is for competitors to imitate it, and the interconnectedness of the organization's resources. More than that, with specific information on a these products, I will be able to produce a case study that will increase the depth of my thesis work. The case study will involve a comparison of two products at P&G and will be a prominent component of my Senior Thesis.

In efforts to be prepared for the grant, I have contacted Millie Olson, the head of advertising for Amazon Advertising in San Francisco. Millie came to Colorado College and worked with me as part of Larry Stimpert's Consumer Marketing class last year. She has connections at P&G and works with them on many of their marketing campaigns. Moreover, I have also sent off an email to P&G expressing my interest in this endeavor.

The results of my thesis will be presented to the students and faculty of the Economics and Business Department at the Senior Research Symposium in Block 8.

### **Budget**

The plane ticket from Denver, Colorado to Cincinnati, Ohio will be the most expensive portion of the trip. The lowest price for a round trip non-stop flight is currently with Delta Airlines, \$576 including tax. However, if I choose to book both the

hotel and flight together I can save \$229, and the total cost of the trip is \$724. Below are the exact flight and hotel details. I would be traveling on Sunday the 27<sup>th</sup> of November, right before the first week of Block 4, and returning on Tuesday night the 29<sup>th</sup> of November. This would give me two business days to meet with someone at P&G and collect the information I need.

### **Flight + Hotel package cost: \$724**

per person

#### **Flight: 1 round trip ticket**

L	Sun, Nov 27	Delta Air Lines 626	
Leave			
	Depart:	Denver, CO	Non-stop   2hr 33min   Economy   Boeing Douglas MD-
	5:15pm	(DEN)	80   90% on time   1066 miles
	Arrive:	Cincinnati, OH	
	9:48pm	(CVG)	
R	Tue, Nov 29	Delta Air Lines 899	
Return			
	Depart:	Cincinnati	Non-stop   2hr 54min   Economy   Boeing 757   80% on
	8:42pm	, OH (CVG)	time   1066 miles
	Arrive:	Denver, CO	
	9:36pm	(DEN)	

Total miles: 2132 miles

**[View all hotels](#) Hotel: 1 guest, 2 nights, 1 room**



#### **Hyatt Regency Cincinnati**

★★★★☆

151 West Fifth Street, Cincinnati, OH 45202

0 Miles North of Cincinnati

[More hotel details](#)

Check in:

Sun, Nov 27, 2005 (3PM)

Check out:

Tue, Nov 29, 2005 (12PM)

Guests:

1

Rooms:

1

Air Fare and Hotel	\$724
Meals	
(2 full day, Breakfast \$10, Lunch \$10, Dinner \$20)	\$80
Transportation	
(Shuttle to and from Colorado Springs to DIA)	\$150
(Cab Fare in Cincinnati)	\$50
<b>Total</b>	<b>\$1,004</b>

\*\*Transcripts, working bibliography, and two letters of recommendation are attached.

## SOURCES CONSULTED

Journal Articles

- Bayus, Barry, Sanjay Jain, and Ambar Rao, "Too Little Too Early: Introduction Timing and New Product Performance in the Personal Digital Assistant Industry," *Journal of Marketing Research*, Volume 34, 1997: 50-64.
- Bond, R.S. and D.F. Lean, "Sales Promotion and Product Differentiation in Two Prescription Drug Markets," Staff Report to the Federal Trade Commission, February 1977.
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- Kerin, Roger, Rajan Varadarajan, and Robert Peterson, "First-Mover Advantage: A Synthesis, Conceptual Framework, and Research Propositions," *Journal of Marketing*, Volume 56, 1992: 33-52.
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- Robinson, William and Sungwook Min, "Is the First to Market the first to Fail? Empirical Evidence for Industrial Goods Businesses," *Journal of Marketing Research*, Volume XXXIX, 2002: 120-128.
- Shilling, Melissa, "Technology Success and Failure in Winner-Take-All Markets: The Impact of Learning Orientation, Timing, and Network Externalities," *Academy of Management Journal*, Volume 45, Number 2, 2002: 387-398.
- Srinivasan, Raji, Gary Lilien, and Arvind Rangaswamy, "First in, First out? The Effects of Network Externalities on Pioneer Survival," *Journal of Marketing*, Volume 68, 2004: 41-58.
- Szymanski, David, Lisa Troy, and Sundar Bharadwaj, "Order of Entry and Business Performance: An Empirical Reexamination," *Journal of Marketing*, Volume 59, 1995: 17-33.
- Urban, Glen L., Theresa Carter, Steven Gaskin, and Zofia Mucha, "Market Share Rewards to Pioneering Brands: An Empirical Analysis and Strategic Implications," *Management Science*, Volume 32, Number 6, 1986: 645-659.
- Vanderwerf, Pieter A. and John F. Mahon, "Meta-Analysis of the Impact of

Research Methods on Findings of First-Mover Advantage,” *Management Science*, Volume 43, 1997:1510-1518.

Whitten, I.T. “Brand Performance in the Cigarette Industry and the Advantage to Early Entry, 1913-1974,” Staff Report to the Federal Trade Commission, June 1979.

#### Internet Sources

*Industry Standard*, “It’s Long Been Clear That Having a Good Idea First Doesn’t Mean Much,” September 1999, accessed February 2005, <http://www.thestandard.com>.

#### Books

Bourgeois, L.J. III, Irene M. Duhaime, and J.L. Stimpert. “An Introduction to competitive Advantage.” In *Strategic Management Concise: A Managerial Perspective*. Fort Worth: Harcourt College Publishers, 2001.

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Utterback, James M. *Mastering the Dynamics of Innovation*. United States: Harvard Business School Press, 1994.