

Mishari A. Alnahedh
Larry P. Pleshko

*Kuwait University
Kuwait*

Disentangling the Effect of Switching Costs on the Presence of First-Mover Advantage: Evidence from Kuwait

Abstract

Purpose: The purpose of this paper is to disentangle the effect of switching costs as an isolating mechanism on the presence of first-mover advantage in the services industries.

Study design/methodology/approach: This study employs confirmatory factor analysis and structural equation modeling, performing mediation analysis to answer the research question.

Sample and data: A sample of 106 firms in four services industries and 968 responses from current customers in Kuwait were used in the study.

Results: The results show that switching costs operate as a mediating mechanism that helps explain the presence of first-mover advantage. They show that six dimensions (pre-switching search and evaluation costs, costs of lost performance, uncertainty costs, post-switching behavioral and cognitive costs, sunk costs, and setup costs) of switching costs lock-in customers for early entrants.

Originality/value: This study provides empirical evidence that a direct first-mover effect is evident in the service industries in Kuwait. It also disentangles the role of switching cost as a mediator and uncovers the dimensions of switching costs that explains how entry timing may generate a competitive advantage.

Research limitations/implications: Entrepreneurs and potential market entrants should not only consider the overall role of switching costs of the best time to enter the market, but also the differential effects each dimension of switching costs has on protecting the first-mover advantage. The empirical investigation of the multifaceted role of switching costs on first-mover advantage in the Arab region supports public policymaking to develop a local entrepreneurial ecosystem and anti-trust policies that allow for new venture entries and survival in markets dominated by incumbents.

Keywords: First-mover advantage, Entry timing, Switching costs, Service industries, Kuwait.

JEL classification: M210, L110, L250, L260, L800

Submitted: 15/6/2020, revised: 9/8/2020, accepted: 26/8/2020.

Introduction

Entry timing and first-mover (dis)advantage continue to be an important line of scientific inquiry and highly applicable managerial issues (Park *et al.*, 2020; Gomez *et al.*, 2019; Lieberman and Montgomery, 2013). First-mover advantage refers to the competitive advantage enjoyed by early entrants over late entrants by being first to a product or service market. Early entrants gain this advantage due to technological leadership, preemption of scarce assets, brand recognition, switching costs, or other isolating mechanisms (Gomez *et al.*, 2016; Suarez and Lanzolla, 2005; Lieberman and Montgomery, 1988). The advantage from being first in the market can come in the form of above average industry profitability, enduring high market share, or strong market leadership (Golder and Tellis, 2001). Empirical evidence on first-mover advantage, however, has been showing mixed results. Entry order is found to induce a negative effect on firm performance in some contexts while generating early entry advantages in others (Yao *et al.*, 2020; Wilkie and Johnson, 2016; Vidal and Mitchell, 2013; Mitchell, 1991), warranting further empirical testing of the first-mover effect. Recently, Lieberman and Montgomery (2013) called for research to further understand the mechanisms that lead to first-mover advantages. In their seminal paper, Lieberman and Montgomery (1988: 52) note that “*future empirical research needs to be more precise in elucidating specific first-mover mechanisms*”.

The literature on first-mover advantage features a debate on whether and how switching costs operate as a mechanism through which market pioneers can obtain sustainable competitive advantage (Gomez and Maicas, 2011). In this research, we disentangle the mediating effect of switching costs on the relationship between market entry timing and the presence of first-mover advantage. In particular, seven important sources of consumer switching costs identified from the switching costs literature are focused on, covering the psychological and economic dimensions of switching costs. Moreover, empirical examination of first-mover advantages has relied heavily on manufacturing industries in developed markets (Kalyanaram *et al.*, 1995). Magnusson *et al.* (2009) speculate that service industries in developing economies may not exhibit any time-in-market effect, a prediction that has only begun to be empirically investigated in the Middle Eastern markets (Pleshko *et al.*, 2017; Heiens *et al.*, 2015). Emerging markets, generally understudied in the academic literature, are suggested to be the source of most growth around the globe over the coming decade (Magnusson *et al.*, 2012). Furthermore, the Middle East region has received less attention in the management literature in

comparison to other parts of the world (Mellahi *et al.*, 2011; Budhwar and Mellahi, 2007). To address these research needs, our study examines the following research question:

RQ1. *Does first-mover advantage exist in the service industries?*

RQ2. *What dimensions of switching-costs mediate the relationship between entry timing and firm performance in service industries?*

In an exploratory investigation, we first test whether a first-mover advantage is present in four service industries, representing 106 firms in the developing economy of Kuwait in the Middle East. We have selected the services industries in Kuwait as a strategic research site (Merton, 1963) which may be generalized to the Middle East and North Africa (MENA), because it facilitates the empirical investigation of our research questions. The advantages of this strategic research site are discussed in the Methodology section. Next, we decompose switching costs into seven underlying dimensions of switching costs. By using these switching costs components in our empirical analysis, we more precisely isolate and test how switching costs operate as a mechanism through which early entrants obtain a first-mover advantage.

The present study makes several contributions to the entry timing and switching costs literatures. First, we provide additional empirical evidence supporting the argument for switching costs as an effective isolating mechanism through which first-mover advantages materialize and persist. More importantly, we disentangle the mediating effect of switching costs into different sources of switching costs and each role in the sustainability of first-mover advantage. Second, compared to product industries, empirical studies on first-mover advantages in service industries is still at an early stage with only limited empirical studies covering financial and mobile telecommunications industry (Usero and Fernandez, 2009). To address this gap, this paper investigates the presence of first-mover advantage in four service industries, namely health clubs, private schools, banks, and coffee shops. Finally, examining the multifaceted role of switching costs on first-mover advantage in the Arab region facilitates public policy-making by governments to develop a local entrepreneurial ecosystem and anti-trust policies that allow for new venture entries and survival in markets dominated by incumbents. The government in Kuwait, specifically, continues to emphasize a policy for supporting the establishment of new ventures (Alabduljader and Alhijji, 2019). Furthermore, Kuwait remains an underexplored business landscape in strategy and entrepreneurship literature.

Literature Review

There exist strong empirical evidence of the relationship between market entry timing and performance in terms of market share and profitability (Park *et al.*, 2020; Mac Cawley *et al.*, 2019; Brown and Lattin, 1994; Robinson and Fornell, 1985). Golder and Tellis (2001: 3) remark that “*the firm that pioneers or first enters a market is believed to have enormous advantages in terms of success, enduring market share, and long-term market leadership*”. In fact, Wang *et al.*, (2016) find that first-mover advantage persists in e-commerce platforms even though the industry exhibits low barriers to entry and imitation. But as empirical evidence illustrates, first-to-market firms may not always sustain a first-mover advantage when followers can vault first entrants (Rasmusen and Yoon, 2012; Tran *et al.*, 2012; Kopel and Löffler, 2008; Short and Payne, 2008; Shankar *et al.*, 1998), especially when late entrants adopt a new or improved strategy (Besharat *et al.*, 2016). In addition to first-mover advantages, the first-mover literature suggests several first-mover disadvantages such as cost disadvantages as a result of imitation or changes in demand orientation (Song *et al.*, 2013; Boulding and Christen, 2008).

Lieberman and Montgomery (1988) identify three isolating mechanisms that generate first-mover advantages for pioneer entrants in a market. The first mechanism is sustainable technological leadership that provides either a cost advantage to early entrants through a learning curve or a protected innovation advantage where patents deter imitators from entering the patent-race. Empirical evidence, however, shows a declining trend in cost advantage of first movers through the easier transfer of knowledge and skills (Agarwal and Gort, 2001). Another source of first-mover advantage is the preemption of scarce assets either in the form of input factors, especially when the first-mover exploits information asymmetry advantages, or in the form of spatial preemption by exploiting the limited geographic, product or positioning space in the market. The third isolating mechanism is the switching costs that lock-in customers or suppliers for the early entrant. Additionally, buyers’ imperfect information and brand loyalty create costly challenges for late entrants to acquire customers from first movers.

Early movers can enjoy an incumbency advantage in “winner-takes-all” industries as a result of network effects or network externalities. Katz and Shapiro (1985: 424) provide a clear definition of the concept network externalities: “There are many products for which the utility that a user derives from consumption of the good increases with the number of other agents consuming the good”. They further

add that for all different sources of network effects, “the utility that a given user derives from the good depends upon the number of other users who are in the same network” (Katz and Shapiro, 1985: 424). A classic example is the videocassette recorders (VCR) for which there were two competing technologies, beta, and VHS, which are incompatible with one another. The compatibility of videotapes produced for use on one technology with the VCR player determines the VCR technology adoption decisions by the user, signifying the increasing returns to scale in the presence of the complementary product (Katz and Shapiro, 1986). Thus, because of network externalities, the availability of complementary goods and the size of a technology’s installed user base drives user adoption of a technology (Brynjolfsson and Kemerer, 2008; Schilling, 2002; Farrell and Saloner, 1986; Katz and Shapiro, 1986).

Conditions for first-mover advantage to happen and persist

In most industries, entry barriers are eroding, and firms can more easily enter new markets either as innovators or imitators, resulting in shorter time between first and second market entries (Agarwal and Gort, 2001). The persistence of first-mover advantages depends on the market and non-market actions taken by early and late entrants. Usero and Fernandez (2009) examine how the type of actions adopted by industry pioneers and followers affect the sustainability of first-mover market share advantage in the European mobile telecommunication industry. Their empirical findings show that when followers take non-market actions such as litigation and complaints, they can capture market share from the pioneer. These findings are consistent with the non-market strategy literature on enabling or disabling first-mover advantage through firms’ use of political resources (Frynas *et al.*, 2006). The extent to which first-mover advantage persists also depends on industry dynamics. Empirical evidence shows that market growth, technological discontinuity (Gomez *et al.*, 2016), and the pace of market and technology evolution (Suarez and Lanzolla, 2007) influence first movers’ market share and profitability. Other contingency factors of sustaining first-mover advantage include firm-specific conditions such as a firm’s intrinsic speed capabilities (Hawk *et al.*, 2013), and industry incumbency (Kim and Min, 2012).

Switching costs

As discussed above, customers’ switching costs are a primary driver of first-mover advantage, but to uncover their role, an understanding of the nature and sources of a firm’s upstream switching costs is required. In many markets,

consumers must pay substantial costs to switch between sellers of a product or service, locking in the consumer with the first supplier they select. When switching from one product to another, consumers weigh in the benefits of switching to a cheaper or a differentiated product and the costs of switching from one brand to another. The average switching cost varies among markets characterized by significant switching costs. For example, the average switching cost in the US pay-TV market is \$116 (Honka, 2014), whereas in the satellite market consumers face a switching cost of \$186 (Shcherbakov, 2016).

Klemperer (1987a) points to three economic sources of customer switching costs. First, switching between identical service providers may come with transaction costs in leaving the initial provider and joining the new provider. For example, there are transaction costs associated with terminating membership with one health club and signing up for a new membership in another health club. Moreover, using a certain brand is associated with necessary learning to use the product or service and such learning may not be transferred to another brand. A common example of switching costs from learning is switching from Microsoft Office operating system to Apple's operating system. The third source of switching cost is the contractual cost brought by the firm to encourage repeat buying such as the use of frequent-flyer programs by airline companies or membership renewal discounts by health clubs for existing members only. The service providers in this case penalize switching customers relative to those who remain with them (Klemperer, 1987).

Switching costs, however, are not limited to the economic drivers that direct the rational decision of changing product or service provider. Customer switching costs can also be psychological and emotional in nature (Yang and Peterson, 2004). In general, customers exhibit inertia in their brand choices, reflecting a psychological dimension of switching costs, and such lock-in is a result of customer brand loyalty (Dubé *et al.*, 2009). For instance, an early entrant enjoys more learning advantage of its brands such that customers exhibit extreme judgments of the first entrant, held with greater confidence relative to late entrants (Kardes and Kalyanaram, 1992). Customer switching costs can have an impact on the customer's decision-making process even if such switching costs are not realized or experienced. There is a growing body of literature on perceived and anticipated switching costs that motivate customers to stay with their initial choice of the seller. Antecedent factors such as the perceived quality of relationship and offerings, negative experiences with the initial seller, buyer involvement and the nature of alternatives have been found to determine the level of perceived switching costs (Pick and Eisend, 2014).

The presence of switching costs can have a significant effect on industry prices. In highly competitive environments, switching costs lock-in attached customers and thus amplifies the seller's market power. Depending on industry conditions, switching costs have mixed effects on prices. Empirical tests have shown that introducing switching costs may cause declines in market prices. Competition for new customers increases as a result of decreasing switching costs leads to lower prices (Cabral, 2016; Dubé *et al.*, 2009). An illustration of the impact of reducing switching costs on market prices is the 800-number portability. Viard (2007) reveals how AT&T and MCI reduced their toll-free services prices as a result of reduced switching costs. Using panel data on bank retail deposits, Sharpe (1997) finds that as new households migrate to a market, interest rates become more competitive. The ensuing intensified price competition generates two price changes in the market. Whereas competition due to switching costs pressures price down to convince customers to switch, firms make up losses from reduced prices by increasing prices to "locked-in" consumers and harvesting loyal customers (Arie and Grieco, 2014; Viard, 2007). To the extent the proportion of new customers in a market is greater than that of existing customers, prices will be more competitive in the presence of switching costs (Klemperer, 1987).

Switching costs and first-mover advantage

A stream of theoretical and empirical research indicates the positive role of switching costs in securing a first-mover advantage (Castillo-Molina *et al.*, 2012; Bansal *et al.*, 1996). Switching costs, for example, can provide a first-mover advantage through increasing the market power of early entrants with locked-in customers (Cabral, 2016). But empirical findings suggest that whether and how switching costs influence first-mover advantage, is contingent on the industry context and market conditions. The relationship between switching costs and first-mover advantage is strongly depends on the characteristics of demand and technology in the industry. According to simulation results by Capone *et al.* (2013), homogeneous demand strengthens the functioning of switching costs as a mechanism leading to first-mover advantage. On the other hand, fragmented demand weakens the relationship between customer switching costs and first-mover advantage.

Another contingent market condition is the presence of network externalities along with customer switching costs. To facilitate market competition and encourage small firms to grow or enter the market, regulatory agencies in many

countries implement a telecommunication regulatory policy called Wireless Number Portability (WNP) that forces cellular phone service providers to allow customers to switch between providers while retaining their original phone numbers. Contrary to the prediction that reduced switching costs, in this case, would induce lower market prices, Shi *et al.* (2006) find that firms exploit network effects by adopting discriminatory pricing scheme that charge lower per-minute fee for within network calls. Thus, incumbents with larger market shares (i.e. a larger network) provide more benefits to their subscribers compared to subscribers of smaller networks.

In summary, switching costs operate as an isolating mechanism that explains how entry timing influences firm performance. The effect is sequential in nature such that entry timing determines the magnitude of switching costs customers incur to switch to another seller. Next, the extent of customer switching costs determines first-mover advantages by the early entrant, suggesting a mediation effect of switching costs as a mechanism in the entry-timing and performance relationship (Gomez and Maicas, 2011).

Research Methodology

Kuwait as a strategic research site

The service industries in Kuwait offers a strategic research site that enables the detailed investigation of customers' switching costs (Merton, 1963, 1987) as a source of first-mover advantage. First, across the four studied industries, customer's willingness to pay is considerably high as customers in Kuwait have relatively substantial disposable income (Langworthy and Warnecke, 2020), which reduces the intensity of price competition between rivals. Second, Kuwait has recently witnessed a shift from the dominant family business competitive structure into a surge in entrepreneurial entry across several industries, making it a valuable research context to answer our research questions. In selecting the strategic research site for this article, we have targeted a location where the studied phenomenon can be investigated more easily and robust cases of first-mover advantage of varying levels of each dimension of switching costs are offered (Bazerman, 2008). For these reasons, we believe that the service industries in Kuwait can serve as a strategic research site for a deep dive empirical exploration of the multidimensional customer switching costs as a mechanism of time-to-market advantage.

Sample

One-hundred and six companies are included in this study. All sampled companies are competing in services industries in Kuwait at the time of data collection. The companies are from four industries: banks, private English-language k-12 schools, coffee shops, and health clubs. The list of businesses in each industry is obtained from web-searches and/or the government lists of businesses in each category. Trained researchers affiliated with Kuwait University have gathered data for the study. Data are obtained from all companies included in the initial listings. All of the indicators under study are obtained from company websites, personal interviews with managers and customers, or government statistics. The firms in each category are inclusive of all the businesses in that category or sub-category in Kuwait as of the time of the study.

Measures

Three general concepts are included in the study: (1) time-in-the-market, (2) market share, and (3) switching costs. One variable is used to measure time-in-the-market. Two variables for each industry are used to measure market share. These are later averaged into a single indicator of market share for each indicator. Finally, seven measures are included for switching costs. These seven measures represent the main dimensions of switching costs from the literature, as described in the literature review.

Market share. Market share is the most popular used proxy for performance to investigate first-mover advantages in the entry timing literature (Lieberman and Montgomery, 2013). Within each industry, we have determined the competitive standing between competitors using the following general formula: Market Share (i) = (total of the relevant variable for firm i) / (total of all the firms in the industry for the relevant variable) (e.g. Heiens and Pleshko, 2014). The firms under study compete in different categories; therefore, the variables used to derive the market share indicator will vary. The specific measures of market share for each industry are discussed below. Table 1 lists the market share information for each of the four industries. Overall, share range from 0.002 to 0.334, with an average of 0.057 and a standard deviation of 0.063.

Table 1
Breakdown of Market Share Statistics per Industry

Industry	Private Schools	Health Clubs	Banks	Coffee Shops
N	26	31	10	39
Market Share Min.	0.050	0.007	0.016	0.002
Market Share Max.	0.334	0.118	0.312	0.215
Market Share Mean	0.115	0.032	0.101	0.026
Market Share Std. Dev.	0.060	0.025	0.100	0.038
Months Min.	24	12	91	2
Months Max.	768	300	784	366
Months Mean	328.15	92.97	509.10	94.97
Months Std. Dev.	188.517	74.417	222.291	78.434

As noted above, the market share measures are derived from different aspects of each industry under study. This is partly due to the availability of sensitive information and to differing customs in each industry. For banks, market share is computed for each of the total revenues and the total assets. The two items are highly correlated ($r < 0.994$, $p < 0.001$) and are combined with equal weights into an overall average market share. For private English-language schools, market share is computed for each of the total revenues and the total number of students. The two items are highly correlated ($r = 0.932$, $p < 0.001$) and are combined with equal weights into an overall average market share. For health clubs, market share is computed for each of the total numbers of members and the visits by customers per day. The two items are highly correlated ($r = 0.880$, $p < 0.001$) and are combined with equal weights into an overall average market share. For coffee shops, market share is computed for each of the total number of current users and visits per year. The two items are highly correlated ($r = 0.766$, $p < 0.001$) and are combined with equal weights into an overall average market share.

Months. Months refer to the total time-in-the-market and is found by determining the number of months between the month of the data collection and the month of entry (e.g. Heiens *et al.*, 2015). The month and year of entry are determined either from the company websites or through phone calls to the company. If a specific month is not available, then the month is assigned as the middle (June) for the given year. Table 1 reveals the month information for each of the industries included in the study. Overall, months ranged from two to 784 months, with an average of 190.65 months and a standard deviation of 192.517.

Switching Costs. Measuring switching costs is empirically challenging (Shcherbakov, 2016). We have collected switching costs data using a web-based survey tool and used a snowballing sampling technique to reach our sample of customers of four industries: private schools, health clubs, banks, and Coffee Shops. Upper-level business students at Kuwait University have been trained as data collectors and have served as recruiters for the survey, a technique that proves to be successful in prior research studies (e.g. Jones *et al.*, 2007; Wallendorf and Arnould, 1991). Students have recruited adults older than 18 years who are customers of a seller at one or more of the four studied industries. For private schools, respondents have to be parents of a child enrolled in a private school since the school selection and switching decision is typically made by the parent.

Seven distinct dimensions of consumer switching-costs are studied. Pre-switching search and evaluation costs, post-switching behavioral and cognitive costs, setup costs, sunk costs, uncertainty costs, and costs of lost performance items are taken from Jones *et al.* (2002), whereas personal relationship loss costs items come from Nagengast *et al.* (2014). All the variables are measured by participant responses to questions on a seven-point Likert-type scale ranging from “strongly disagree” to “strongly agree.” We have used identical items across the four industries included in the study and modified the service provider title to reflect the industry of focus. From the original English-language version, we have developed an Arabic-language version of the questionnaire items. From there, two independent translators have converted the items back into Arabic and back-translated them into English to ensure the equivalency of meaning (Zhou and Wu, 2010). The first translator is a bilingual research assistant while the second translator is an officially certified public translator working in the translation department of the State Audit Bureau of Kuwait. As a final step before applying the switching costs questions, we have pretested the survey among ten random respondents and two academics to improve the clarity of the survey.

All items under each construct are averaged into an overall scale score. Table 2 shows the survey items, the number of respondents in each industry, and the average values of all constructs for each studied industry. Switching costs across all dimensions are lowest for Coffee Shops and highest for private schools, which fits our predictions. Within-industry values of each switching-cost dimensions demonstrate a variance between the dimensions. For private schools, for example, pre-switching behavioral and cognitive costs have an average of 5.13 whereas personal relationship loss costs are averaged at 3.90. This indicates a distinct characterization for each switching-costs dimension.

Table 2
Measurement Items and Constructs

Variable	Survey Item	Private Schools	Health Clubs	Banks	Coffee Shops
Number of respondents		118	166	409	275
Average Values [1: Strongly disagree -7: Strongly agree]					
Pre-switching search and evaluation costs		5.08	4.26	3.89	2.98
PSS1	It would take a lot of time and effort to locate a new [service provider].				
PSS2	If I stopped going to my current [service provider], I would have to search a lot for a new one.				
PSS3	It takes a great deal of time to locate a new [service provider].				
Costs of lost performance		4.22	4.34	3.97	3.38
CLP1	This [service provider] provides me with particular privileges I would not receive elsewhere.				
CLP2	By continuing to use the same [service provider], I receive certain benefits that I would not receive if I switched to a new one.				
CLP3	There are certain benefits I would not retain if I were to switch [service providers].				
CLP4	I would lose preferential treatment if changed [service providers].				
Uncertainty costs		4.68	4.37	4.10	3.47
UC1	I am not sure what the level of service would be if I switched to a new [service provider].				
UC2	If I were to change [service providers], the service I might receive at the new place could be worse than the service I now receive.				
UC3	The service from another [service provider] could be worse than the service I now receive.				
Post-switching behavioral and cognitive costs		5.13	4.90	4.70	3.41
PBCS1	If I were to switch [service providers], I would have to learn how things work at a new one.				
PBCS2	I would be unfamiliar with the policies of a new [service provider].				
PBCS3	If I changed [service providers], I would have to learn how the "system works," at a new one.				
PBCS4	Changing [service providers] would mean I would have learned about the policies of a new one.				

Table 2 (Cont.)
Measurement Items and Constructs

Variable	Survey Item	Private Schools	Health Clubs	Banks	Coffee Shops
	Number of respondents	118	166	409	275
	Average Values [1: Strongly disagree -7: Strongly agree]				
	Sunk costs	4.52	4.06	3.43	3.40
KC1	A lot of energy, time, and effort have gone into building and maintaining the relationship with this [service provider].				
KC2	Overall, I have invested a lot in the relationship with this [service provider].				
KC3	All things considered, I have put a lot into previous dealings with this [service provider].				
KC4	I have spent a lot of time and money at this [service provider].				
	Setup costs	4.70	4.18	3.68	3.20
TC1	If I changed [service providers], it would take a lot of time and effort on my part to explain to the new [service provider] what I like and what I want.				
TC2	If I changed [service providers], I would have to explain things to my new [service provider].				
TC3	If I stopped purchasing from my current [service provider], I would have to search a lot for a new one.				
	Personal relationship loss costs	3.90	3.91	3.05	2.93
PRLC1	I have developed a personal friendship with at least one employee at this provider.				
PRLC2	I have a somewhat personal relationship with at least one employee at this provider.				
PRLC3	I am friends with at least one employee at this provider.				
PRLC4	At least one employee is familiar with me personally.				

To test for adequate *construct validity* in the switching costs measures, we have run confirmatory factor analysis for each of the multi-item scale (i.e. pre-switching search, uncertainty costs, sunk costs, etc.) using STATA 15.0 and dropped three items that possess low factor loadings. Table 3 shows the results of the confirmatory factor analysis and validity assessment results. All factor loadings are highly significant ($p < 0.001$), the Cronbach's Alphas for all constructs (0.76-

0.92) exceed the 0.70 benchmark, and all average variances extracted (AVE) are greater than 0.40. We also calculate composite reliabilities for each construct; the values are very close to Cronbach's Alpha, all exceeding 0.7, a piece of evidence for acceptable reliability (Nunally, 1978).

To assess the scales validity, we have performed a confirmatory factor analysis of all measures simultaneously. The results of overall model fit are shown in table 4 for the four industries. The chi-square statistic is significant as is common with large sample sizes (Jones *et al.*, 2000), whereas model fit statistics show a relatively good fit indicators ($0.700 < CFI < 0.753$; $0.115 < RMSEA < 0.134$; $0.672 < TLI < 0.730$). The RMSEA values are close to 0.10 which is considered a fair fit (Browne and Cudeck, 1989). Together, these measures confirm satisfactory convergent validity and reliability (Fornell and Larcker, 1981). We mitigate concerns about common method variance (Podsakoff *et al.*, 2003) in two ways. First, firm-level information is collected from different independent respondents. Market entry time and market share are both objective data used to construct our main dependent and independent variables. Second, data for firm-level and industry-level variables are collected from different sources, a research design that reduces the chances of common method bias (Chang *et al.*, 2010).

Table 3
Confirmatory Factor Analysis and Validity Assessment

Market	Private Schools			Health Clubs			Banks			Coffee Shops		
Measure	SFL	AVE	Cronbach's Alpha	SFL	AVE	Cronbach's Alpha	SFL	AVE	Cronbach's Alpha	SFL	AVE	Cronbach's Alpha
PSS1	0.744	0.53	0.77	0.580	0.61	0.81	0.683	0.65	0.84	0.772	0.66	0.85
PSS2	0.701			0.921			0.858			0.817		
PSS3	0.730			0.801			0.860			0.853		
CLP1	0.735	0.60	0.85	0.764	0.64	0.87	0.776	0.66	0.88	0.713	0.60	0.85
CLP2	0.789			0.806			0.872			0.760		
CLP3	0.781			0.888			0.850			0.939		
CLP4	0.78			0.730			0.742			0.649		
UC1	0.590	0.57	0.76	0.653	0.62	0.82	0.663	0.59	0.81	0.604	0.56	0.77
UC2	0.990			0.881			0.878			0.883		
UC3	0.623			0.819			0.755			0.723		
PBCS1	0.884	0.66	0.86	0.780	0.57	0.83	0.802	0.60	0.85	0.725	0.65	0.88
PBCS2	0.485			0.512			0.592			0.740		
PBCS3	0.960			0.865			0.856			0.895		
PBCS4	0.844			0.803			0.808			0.847		

Table 3 (Cont.)
Confirmatory Factor Analysis and Validity Assessment

Market	Private Schools			Health Clubs			Banks			Coffee Shops		
Measure	SFL	AVE	Cronbach's Alpha	SFL	AVE	Cronbach's Alpha	SFL	AVE	Cronbach's Alpha	SFL	AVE	Cronbach's Alpha
KC1	0.756	0.60	0.85	0.771	0.56	0.81	0.811	0.55	0.83	0.818	0.55	0.80
KC2	0.819			0.809			0.760			0.808		
KC3	0.866			0.874			0.787			0.837		
KC4	0.641			0.461			0.601			0.425		
TC1	0.895	0.62	0.82	0.853	0.57	0.79	0.835	0.54	0.77	0.869	0.60	0.80
TC2	0.862			0.705			0.726			0.804		
TC3	0.573			0.689			0.617			0.618		
PRLC1	0.775	0.68	0.89	0.880	0.70	0.90	0.835	0.73	0.92	0.873	0.76	0.92
PRLC2	0.927			0.886			0.857			0.902		
PRLC3	0.871			0.769			0.877			0.889		
PRLC4	0.703			0.811			0.855			0.810		

Notes: SFL: Standardized factor loadings; AVE: average variance extracted.

Table 4
Overall Model Fit

Survey Item	Private Schools	Health Clubs	Banks	Coffee Shops
Chi-square	756.5	993.9	873.4	1297.1
P-Value	< 0.001	< 0.001	< 0.001	< 0.001
Comparative Fit Index (CFI)	0.730	0.700	0.721	0.753
RMSEA	0.122	0.125	0.134	0.115
Tucker-Lewis Index (TLI)	0.706	0.672	0.696	0.730

To test for the role of switching costs as a mediator between time-in-market and market share, we used structural equation modeling (SEM) to test a partial mediation model. Our analytical technique is similar to Michael (2003) who uses structural equation modeling to test for the mediation effect of franchise outlet share in the relationship between chains' franchise timing and market share. We have first tried testing a complete model with all seven switching costs dimensions as mediators but failed to obtain usable results for two reasons. Firstly, due to significant multicollinearity between some of the switching costs dimensions, we are not able to run the complete model. Secondly, we tried running a partial model

with a subset of the seven mediators, but the goodness of fit measures is far from acceptable cutoffs ($CFI > 0.11$, $RMSEA > 1.25$). We attribute this limitation to including only four industries in our sample while each switching cost dimension is an industry-level variable. Therefore, we test the model depicted in figure 1 for each dimension of switching cost separately.

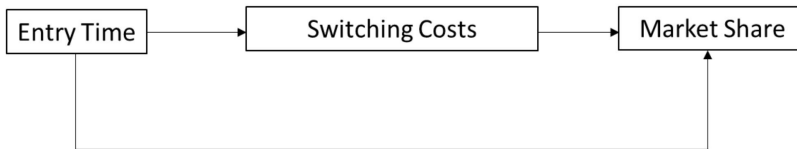


Figure 1: The Tested Structural Equation Model with Partial Mediation

Results

The descriptive statistics for all the variables are shown in table 5. At the time of the study, the most recent competitor had entered the market two months earlier, whereas the earliest competitor in our sample has been present for over 65 years. The range of time-to-market as well as a standard deviation of 192.5 months indicate a significant variation in time-to-market across sampled firms. Similarly, across the four industries, the data range for market share is 0.2% to 33%, showing an adequate variability in the dependent variable.

Table 5
Descriptive Statistics

Variable	N	Mean	Std. Dev.	Min.	Max.
Average Market Share	106	0.057	0.063	0.002	0.334
Time Since Entry (Months)	106	190.651	192.517	2.000	784.000
Pre-Switching Search	106	3.955	0.833	2.980	5.080
Costs of Lost Performance	106	3.922	0.428	3.380	4.340
Uncertainty Costs	106	4.089	0.502	3.470	4.680
Pre-Switching Behavioral and Cognitive Costs	106	4.389	0.760	3.410	5.130
Sunk Costs	106	3.871	0.465	3.400	4.520
Setup Costs	106	3.900	0.607	3.200	4.700
Personal Relationship Loss Costs	106	3.466	0.478	2.930	3.910

Table 6
Structural Equation Modeling Results

Associations	Coefficient	Std. error	95% Conf. interval	p-value
Time → PSS	4.33	0.000	(0.001,0.002)	0.000
PSS → Market Share	3.80	0.006	(0.011,0.036)	0.000
Time → Market Share	4.95	0.000	(0.000,0.000)	0.000
Time → CLP	2.42	0.000	(0.000,0.001)	0.016
CLP → Market Share	2.11	0.012	(0.002,0.050)	0.035
Time → Market Share	6.01	0.000	(0.000,0.000)	0.000
Time → UC	3.91	0.000	(0.000,0.001)	0.000
UC → Market Share	3.33	0.010	(0.014,0.056)	0.001
Time → Market Share	5.24	0.000	(0.000,0.000)	0.000
Time → PBCS	4.15	0.000	(0.006,0.034)	0.000
PBCS → Market Share	2.86	0.007	(0.006,0.034)	0.004
Time → Market Share	5.22	0.000	(0.000,0.000)	0.000
Time → KC	2.36	0.000	(0.000,0.001)	0.018
KC → Market Share	3.69	0.011	(0.019,0.061)	0.000
Time → Market Share	5.94	0.000	(0.000,0.000)	0.000
Time → TC	3.48	0.000	(0.000,0.002)	0.001
TC → Market Share	3.63	0.008	(0.014,0.047)	0.000
Time → Market Share	5.40	0.000	(0.000,0.000)	0.000
Time → PRLC	0.95	0.000	(-0.000,0.001)	0.345
PRLC → Market Share	2.54	0.011	(0.006,0.048)	0.011
Time → Market Share	6.47	0.000	(0.000,0.000)	0.000

Note: Reported are standardized parameter estimates of the structural equation models with partial mediations

The structural equation modeling parameter estimates are reported in table 6, where each column shows the parameter estimates for each individual switching cost dimension. Regarding the first research question, that a direct first-mover effect is evident in our sample, the coefficient for the effect of time-in-the-market on market share is positive and significant ($p < 0.001$) across all seven models for every dimension of switching costs examined, showing a significant direct effect. (See the row in table 6, labeled ‘Time → Market Share’). Therefore, given our sample, support is offered for research question one: time-in-the-market is positively associated with market share, indicating the presence of a first-mover advantage in the services industries in Kuwait.

Regarding the second research question, that switching costs have a mediating effect on the first-mover relationship, the results are shown in table 6 for each of the seven models. Note that in each of the seven models, the parameter estimates and the significance levels are shown for the mediation model pertaining to the relevant dimension of switching costs as the mediator, such that the model includes both direct and indirect paths.

For the first model (mediator: pre-switching search and evaluation costs), the parameter estimates and the significance levels indicate a significant parameter ($p < 0.001$), such that time in market has both a direct and indirect effect on a firm's market share. In other words, pre-switching search and evaluation costs partially mediate the relationship between time-to-entry and market share. The findings for the mediator models of costs of lost performance, uncertainty costs, post-switching behavioral and cognitive costs, sunk costs, and setup costs are similar to the first model: each of the separate switching costs partially mediates the relationship between time-to-entry and market share. Only for personal relationship loss costs is the indirect path between time in market and market share insignificant ($p = 0.345$). Therefore, given our sample, support is offered for research question two, as six of seven mediating relationships are found to be significant. The results of the mediator tests offer suggest that switching costs, as taken individually in the model, act as a mediator in the relationship between time-in-the-market and market share.

The direction of the mediation effect is positive, indicating that the longer the incumbent has been in the market, the higher are the respective switching costs exhibited by customers. For example, a long-time user of a service provided by a market pioneer will likely have invested a lot in the relationship with this service provider and has spent a lot of time and money over the extended period. Consequently, the perceived sunk cost associated with the current service provider will increase with the time for which the service provider has been in the market. Similarly, loyal and established customers are more likely to receive preferential treatment and adapt to the specific benefits received by the incumbent service provider, which in turn escalates the perceived costs of lost performance that result from switching to another service provider. Higher switching costs are, as predicted, associated with customer lock-in advantage, which translates to superior performance.

To summarize the results of the model tests, time-in-the-market is shown to have a significant effect on market share, having both a direct effect and an indirect

effect through the switching cost mediators. The mediator with the largest effect seems to be pre-switching search and evaluation costs, as it exhibits the largest absolute magnitude of the path coefficients ($\beta = 4.33$ for entry timing to switching cost, and $\beta = 3.80$ for switching cost to market share).

Discussion and Conclusion

The objective of this exploratory study is two folds. First, the intention is to test for the presence of first-mover (time-in-market) advantage pertaining to different service industries in Kuwait. Second, this study aims to disentangle the role of switching costs as an underlying mediating mechanism of first-mover advantage. Contrary to previous studies that have failed to detect a direct effect of entry timing on market share, covering a single industry in Kuwait (Pleshko *et al.*, 2017; Heiens *et al.*, 2015), our results support the presence of first-mover advantage in Kuwait across four services industries.

Also, consistent with prior studies (Dong *et al.*, 2017; Gomez and Maícas, 2011), we find evidence that switching costs operate as a mediating mechanism that helps explain the presence of first-mover advantages. More specifically, mechanisms through which first-mover advantages emerge include pre-switching search and evaluation costs, costs of lost performance, uncertainty costs, post-switching behavioral and cognitive costs, sunk costs, and setup costs. These costs are perceived to be incurred by the customer when switching from one seller to another and represent distinct dimensions of switching costs that serve to lock-in customers with their initial choice of a seller, providing early entrants with an advantage over late entrants in the market. By studying multiple dimensions of switching costs and including both direct and indirect effects of time in market, we are able to gain a more complete understanding of the switching costs mechanisms through which first-mover advantage is generated.

Contributions

The first contribution of this study is the finding that a first-mover effect may be dependent on other relevant concepts. We have shown that, given the industries under study, the first-mover effect is mediated by switching costs, providing needed empirical support for management theory. Other studies have shown that the first-mover effect does not exist alone. Heiens *et al.* (2015) find that there is a moderating effect on the relationship. Various relationship-marketing variables are shown to act with time to influence market share in a way that continued efforts

at customer maintenance are necessary to cement in place any advantages gained by entering an industry early. Other questions arise, not only as to whether switching costs may act as a moderator, but also whether other relevant variables, such as different barriers or marketing outcomes, should be included in future studies. Furthermore, we contribute to the market entry timing literature by shedding light on the separate effect of six dimensions of customer switching costs on the first-mover advantage. Our findings using multi-dimensional examining of market-level switching costs enrich the ongoing conversation on the role of market characteristics on the relationship between market entry timing and firm performance (Yao *et al.*, 2020) as we further investigate the psychological and economic dimensions of switching costs.

Another contribution of this study is empirical evidence that a direct first-mover effect is evident in service industries. This would seem to offer contradicting evidence to Magnusson *et al.*, (2009) who suggest that a first-mover effect is doubtful to exist in a service environment. This alternative finding may be due to the inclusion of multiple industries, and thus a larger sample size, whereas previous studies have only contemplated a single industry. So, it may be that there is an overall first-mover effect, but that it is difficult to detect in smaller samples of a single industry.

Practical Implications

The findings of this study have several practical and managerial implications. In the service industries in Kuwait, incumbents and market entrants alike should consider switching costs as a barrier to entry. Incumbents may consider market entry deterrence strategies utilizing customers' switching costs and amplify consumer demand inertia through customer relationship management (Wang *et al.*, 2016). As illustrated in this paper, early movers can intentionally increase set-up costs and emphasize the consistency of provided services to customers to increase switching costs that will strengthen their first-mover advantage. Furthermore, entrepreneurs and potential market entrants should not only consider the overall role of switching costs of the best time to enter the market, but also the differential effects each dimension of switching costs has on protecting the first-mover advantage. Not only do competitive strategies affect entry timing decisions, but also the order of entry and the existence of first-mover advantage shape subsequent future competitive strategies for both early entrants and followers in the market (Gomez *et al.*, 2019).

The strategic research site of Kuwait and MENA in general provides specific insights into customer switching costs as a lock-in mechanism. As Elhoushy and Lanzini (2020: 2) maintain, customers in the MENA region “share multiple cultural, political, and economic aspects that set them apart from other parts of the world”. National culture and economic conditions shape customer behavior (Kumar and Pansari, 2016), where society specific norms and individual cultural values have recently been shown to affect consumers’ switching behavior, particularly in emerging countries (Thompson and Tuzovic, 2020). Thus, firms in the MENA region may differently rely on distinct switching cost dimensions compared to those competing in Western and more developed economies. Moreover, the empirical investigation of the multifaceted role of switching costs on first-mover advantage in the Arab region supports public policymaking to develop a local entrepreneurial ecosystem and anti-trust policies that allow for new venture entries and survival in markets dominated by incumbents.

Limitations and Future Research

As the case with any research study, our study is not without limitations. First, due to data limitations, the limited number of industries covered in this study constrains the generalizability of results as well as the ability to test all dimensions of switching costs in a single structural equation model. Future research can address this limitation and test our model on a large number of services industries. In doing so, researchers can consider the heterogeneity of switching costs across customers and competitors (Biglaiser *et al.*, 2016).

Second, we focus solely on one measure of performance, the market share, to capture first-mover advantage. Other studies have argued for alternative measures of performance in testing for entry order effects, such as financial performance (Boulding and Christen, 2003) or the number of branches (Barnett *et al.*, 2012). Further studies could replicate our findings using other measures of performance in diverse industries and we encourage future researchers to examine switching costs compositions using a variety of different operationalizations. It would be interesting to investigate the effect of entry order in a dynamic industry experiencing a shakeout on the survival of startups (Park *et al.*, 2020). Another opportunity for future research is to investigate the effect of the mobile number portability (MNP) policy issued in Kuwait in 2013, affecting an oligopolistic market comprising three telecommunication service providers. Researchers can exploit this quasi-experiment and explore how reduced switching costs disturb competition, market prices,

and the persistence of first-mover advantage. Whereas our study is an empirical inquiry, future research can develop theoretical bases behind each dimension of customer switching costs as a market lock-in mechanism.

The evidence provided in this paper reveals that in service industries, switching costs operate as a mediating mechanism that helps explain the presence of first-mover advantage. Specifically, pre-switching search and evaluation costs, costs of lost performance, uncertainty costs, post-switching behavioral and cognitive costs, sunk costs, and setup costs lock-in customers for early entrants, providing them with first-mover advantages.

References

- Agarwal, R., and Gort, M. 2001. First-Mover Advantage and the Speed of Competitive Entry, 1887-1986. *Journal of Law and Economics*, 44: 161-177.
- Alabduljader, N., and Alhijji, E. 2019. Not Another Personality Study? Taking Personalities to the Middle East. *International Journal of Entrepreneurship*, 23(3): 1-26.
- Arie, G., and Grieco, P.L.E. 2014. Who Pays For Switching Costs? *Quantitative Marketing and Economics*, 12(4): 379-419.
- Bansal, H.S., Taylor, S.F., and James, Y. St. 1996. "Migrating" to New Service Providers: Toward a Unifying Framework of Consumers' Switching Behaviors. *Journal of the Academy of Marketing Science*, 33(1): 96-115.
- Barnett, W.P., Feng, M., and Luo, X. 2012. Social Identity, Market Memory, and First-Mover Advantage. *Industrial and Corporate Change*, 22(3): 585-615.
- Bazerman, C. 2008. Theories of the Middle Range in Historical Studies of Writing Practice. *Written Communication*, 25(3): 298-318.
- Besharat, A., Langan, R.J., and Nguyen, C.G. 2016. Fashionably Late: Strategies for Competing Against a Pioneer Advantage. *Journal of Business Research*, 69(2): 718-725.
- Biglaiser, G., Crémer, J., and Dobos, G. 2016. Heterogeneous Switching Costs. *International Journal of Industrial Organization*, 47(2016): 62-87.
- Boulding, W., and Christen, M. 2003. Sustainable Pioneering Advantage? Profit Implications of Market Entry Order. *Marketing Science*, 22(3): 371-392.
- Boulding, W., and Christen, M. 2008. Disentangling Pioneering Cost Advantages and Disadvantages. *Marketing Science*, 27(4): 699-716.
- Brown, C.L., and Lattin, J.M. 1994. Investigating the Relationship Between Time in Market and Pioneering Advantage. *Management Science*, 40(10): 1361-1369.
- Browne, M.W., and Cudeck, R. 1989. Single Sample Cross-Validation Indices for Covariance Structures. *Multivariate Behavioral Research*, 24(4): 445-455.

- Brynjolfsson, E., and Kemerer, C.F. 2008. Network Externalities in Microcomputer Software: An Econometric Analysis of the Spreadsheet Market. *Management Science*, 42(12): 1627-1647.
- Budhwar, P., and Mellahi, K. 2007. Introduction: Human Resource Management in the Middle East. *International Journal of Human Resource Management*, 18(1): 2-10.
- Cabral, L. 2016. Review of Economic Dynamics Dynamic Pricing in Customer Markets with Switching Costs. *Review of Economic Dynamics*, 20: 43-62.
- Capone, G., Malerba, F., and Orsenigo, L. 2013. Are Switching Costs Always Effective in Creating First-Mover Advantage? The Moderating Role of Demand and Technological Regimes. *Long Range Planning*, 46(4-5): 348-368.
- Castillo-Molina, F.-J., Rodriguez-Escudero, A.-I., and Munnera-Aleman, J.-L. 2012. Do Switching Costs Really Provide a First-Mover Advantage? *Marketing Intelligence and Planning*, 30(2): 165-187.
- Mac Cawley, A.F., Sevil, A., Vassolo, R.S., and Sepulveda Vargas, J.I. 2019. Entry-Timing Advantages in Renewable Natural Resources Industries. *Journal of Management Studies* 56 (7): 1482-1512.
- Chang, S.J., Van Witteloostuijn, A., and Eden, L. 2010. From the Editors: Common Method Variance in International Business Research. *Journal of International Business Studies*, 41 (2): 178-184.
- Dong, Q., Barcena-ruiz, J.C., Diaz-benito, J., Dong, Q., Ba, J.C., and Az-benito, J.D.I. 2017. Managerial Firms, Entry, and Switching Costs. *International Journal of the Economics of Business*, 1516 (July): 1-13.
- Dubé, J.-P., Hitsch, G.J., and Rossi, P.E. 2009. Do Switching Costs Make Markets Less Competitive? *Journal of Marketing Research*, 46 (4): 435-445.
- Elhoushy, S., and Lanzini, P. 2020. Factors Affecting Sustainable Consumer Behavior in the MENA Region: A Systematic Review. *Journal of International Consumer Marketing*.
- Farrell, J., and Saloner, G. 1986. Installed Base and Compatibility: Innovation, Product Preannouncements, and Predation. *American Economic Review*, 76(5): 940-955.
- Fornell, C., and Larcker, D.F. 1981. Evaluating Structural Equation Models with Unobservable Variables and Measurement Error. *Journal of Marketing Research*, 18(1): 39-50.
- Frynas, J.G., Mellahi, K., and Pigman, G.A. 2006. First Mover Advantages in International Business and Firm-Specific Political Resources. *Strategic Management Journal*, 27(4): 321-345.
- Golder, P.N., and Tellis, G.J. (2001). *Will and Vision: How Latecomers Grow to Dominate Markets*. McGraw-Hill.
- Gomez, J., Lanzolla, G., and Maicas, J.P. 2016. The Role of Industry Dynamics in the Persistence of First Mover Advantages. *Long Range Planning* 49 (2): 265-281.

- Gomez, J., and Maicas, J.P. 2011. Do Switching Costs Mediate the Relationship Between Entry Timing and Performance? *Strategic Management Journal*, 32(12): 1251-1269.
- Gomez, J., Pérez-aradros, B., and Salazar, I. 2019. Does Order of Entry Shape Competitive Strategies? An Analysis of European Mobile Operators. *Long Range Planning* (June 2018): 101874.
- Hawk, A., Pacheco-De-Almeida, G., and Yeung, B. 2013. First-Mover Advantages: Speed Capabilities and Entry Into the Emerging Submarket of Atlantic Basin LNG. *Strategic Management Journal*, 34: 1531-1550.
- Heiens, R.A., and Pleshko, L.P. 2014. Double Jeopardy Patterns in a Middle Eastern Retail Services Setting. *Asian Journal of Business Research*, 4(1): 16-29.
- Heiens, R.A., Pleshko, L.P., and Al-zufairi, A. 2015. Making Up Lost Ground: The Relative Advantage of Achieving Relationship Marketing Outcomes Versus Time-In-Market Effects. *Journal of International Consumer Marketing*, 27(1): 37-41.
- Honka, E. 2014. Quantifying Search and Switching Costs in the US Auto Insurance Industry. *RAND Journal of Economics*, 45(4): 847-884.
- Jones, M.A., Mothersbaugh, D.L., and Beatty, S.E. 2000. Switching Barriers and Repurchase Intentions in Services. *Journal of Retailing*, 76(2): 259-274.
- Jones, M.A., Mothersbaugh, D.L. and Beatty, S.E.. 2002. Why Customers Stay: Measuring the Underlying Dimensions of Services Switching Costs and Managing Their Differential Strategic Outcomes. *Journal of Business Research*, 55(6): 441-450.
- Jones, M.A., Reynolds, K.E., Mothersbaugh, D.L., and Beatty, S.E. 2007. The Positive and Negative Effects of Switching Costs on Relational Outcomes. *Journal of Service Research*, 9(4): 335-355.
- Kalyanaram, G., Robinson, W.T., and Urban, G.L. 1995. Order of Market Entry: Established Empirical Generalizations, Emerging Empirical Generalizations, and Future Research. *Marketing Science*, 14(3): G212-G221.
- Kardes, F.R., and Kalyanaram, G. 1992. Order-of-Entry Effects on Consumer Memory and Judgment. *Journal of Marketing Research*, 29: 343-357.
- Katz, M.L., and Shapiro, C. 1985. Network Externalities, Competition, and Compatibility. *American Economic Review*, 75(3): 424-440.
- Katz, M.L. 1986. Technology Adoption in the Presence of Network Externalities. *Journal of Political Economy*, 94(4): 822-841.
- Kim, N., and Min, S. 2012. Impact of Industry Incumbency and Product Newness on Pioneer Leadtime. *Journal of Management*, 38(2): 695-718.
- Klemperer, P. 1987a. Markets with Consumer Switching Costs. *Quarterly Journal of Economics*, 102(2): 375-394.
- Klemperer, P. 1987b. The Competitiveness of Markets with Switching Costs. *RAND Journal of Economics*, 18(1): 138-150.

- Kopel, M., and Loffler, C. 2008. Commitment, First-Mover-, And Second-Mover Advantage. *Journal of Economics*, 94: 143-166.
- Kumar, V., and Pansari, A. 2016. National Culture, Economy, and Customer Lifetime Value: Assessing the Relative Impact of the Drivers of Customer Lifetime Value for a Global Retailer. *Journal of International Marketing*, 24(1): 1-21.
- Langworthy, M., and Warnecke, T. 2020. Capabilities and (Missed) Opportunity for Women's Entrepreneurship in Kuwait. *Journal of Economic Issues*, 54(2): 404-412.
- Lieberman, M.B., and Montgomery, D.B. 1988. First-Mover Advantages. *Strategic Management Journal* 9: 41-58.
- Lieberman, M.B., and Montgomery, D.B. 2013. Conundra and Progress: Research on Entry Order and Performance. *Long Range Planning*, 46: 312-324.
- Magnusson, P., Westjohn, S.A., and Boggs, D.J. 2009. Order-of-Entry Effects for Service Firms in Developing Markets: An Advertising Agencies. *Journal of International Marketing*, 17 (2): 23-41.
- Magnusson, P., Westjohn, S.A., Gordon, G.L., and Aurand, T.W. 2012. Environmental Dynamics and First-Mover Advantages in Emerging Markets. *Marketing Management Journal*, 22(1): 17-37.
- Mellahi, K., Demirbag, M., and Riddle, L. 2011. Multinationals in the Middle East: Challenges and Opportunities. *Journal of World Business*, 46(4): 406-410.
- Merton, R.K. 1963. Resistance to the Systematic Study of Multiple Discoveries in Science. *European Journal of Sociology*, 4(2): 237-282.
- Merton, R. K. 1987. Three Fragments From A Sociologist's Notebooks: Establishing the Phenomenon, Specific Ignorance, and Strategic Research Materials. *Annual Review of Sociology*, 13: 1-28.
- Michael, S.C. 2003. First Mover Advantage Through Franchising. *Journal of Business Venturing*, 18: 61-80.
- Mitchell, W. 1991. Dual Clocks: Entry Order Influences on Incumbent and Newcomer Market Share and Survival When Specialized Assets Retain Their Value. *Strategic Management Journal*, 12: 85-100.
- Nagengast, L., Evanschitzky, H., Blut, M., and Rudolph, T. 2014. New Insights in the Moderating Effect of Switching Costs on the Satisfaction - Repurchase Behavior Link. *Journal of Retailing*, 90(3): 408-427.
- Nunally, J.C. (1978). *Psychometric Theory*. McGraw-Hill: New York, NY.
- Park, G., Shin, S.R., and Choy, M. 2020. Early Mover (Dis)Advantages and Knowledge Spillover Effects on Blockchain Startups' Funding and Innovation Performance. *Journal of Business Research*, 109: 64-75.
- Pick, D., and Eisend, M. 2014. Buyers ' Perceived Switching Costs and Switching A Meta-Analytic Assessment of Their Antecedents. *Journal of the Academy of Marketing Science*, 42: 186-204.

- Pleshko, L.P., Ahmed, A.A., and Al-zufairi, A. 2017. Investigating Time-in-Market Effects in Kuwait Health Clubs. *International Journal of Managerial Studies and Research*, 5(11): 97-104.
- Podsakoff, P.M., MacKenzie, S.B., Lee, J.Y., and Podsakoff, N.P. 2003. Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies. *Journal of Applied Psychology*, 88(5): 879-903.
- Rasmusen, E., and Yoon, Y.-R. 2012. First Versus Second Mover Advantage with Information Asymmetry About the Profitability of New Markets. *Journal of Industrial Economics*, 60 (3): 374-405.
- Robinson, W.T., and Fornell, C. 1985. Sources of Market Pioneer Advantages In Consumer Goods Industries. *Journal of Marketing Research*, 22(3): 305-317.
- Schilling, M.A. 2002. Technology Success and Failure in Winner-Take-All Markets: The Impact of Learning Orientation, Timing, and Network Externalities. *Academy of Management Journal*, 45(2): 387-398.
- Shankar, V., Carpenter, G.S., and Krishnamurthi, L. 1998. Late Mover Advantage: How Innovative Late Entrants Outsell Pioneers. *Journal of Marketing Research*, 35: 54-70.
- Sharpe, S.A. 1997. The Effect of Consumer Switching Costs on Prices: A Theory and its Application to the Bank Deposit Market. *Review of Industrial Organization*, 12: 79-94.
- Shcherbakov, O. 2016. Measuring Consumer Switching Costs in the Television Industry. *RAND Journal of Economics*, 47(2): 366-393.
- Shi, M., Chiang, J., and Rhee, B.-D. 2006. Price Competition with Reduced Consumer Switching Costs: The Case of " Wireless Number Portability " in the Cellular Phone Industry. *Management Science*, 52(1): 27-38.
- Short, J.C., and Payne, G.T. 2008. First Movers and Performance: Timing Is Everything. *Academy of Management Review*, 33(1): 267-270.
- Song, M., Zhao, Y.L., and Di Benedetto, C.A. 2013. Do Perceived Pioneering Advantages Lead to First-Mover Decisions? *Journal of Business Research*, 66(8): 1143-1152.
- Suarez, F., and Lanzolla, G. 2005. The Half-Truth of First-Mover Advantage. *Harvard Business Review*, April: 121-127.
- Suarez, F.F., and Lanzolla, G. 2007. The Role of Environmental Dynamics in Building a First Mover Advantage Theory. *Academy of Management Review*, 32(2): 377-392.
- Thompson, F.M., and Tuzovic, S. 2020. Why Organizational Loyalty Programs Cannot Prevent Switching. *Journal of Services Marketing*, 34(2): 207-222.
- Tran, V. Du, Sibley, D.S., and Wilkie, S. 2012. Second Mover Advantage and Entry Timing. *Journal of Industrial Economics*, 60(3): 517-535.

- Usero, B., and Fernandez, Z. 2009. First come, First Served: How Market and Non-Market Actions Influence Pioneer Market Share. *Journal of Business Research*, 62(11): 1139-1145.
- Viard, V.B. 2007. Do Switching Costs Make Markets More or Less Competitive? The Case of 800-Number Portability. *RAND Journal of Economics*, 38(1): 146-163.
- Vidal, E., and Mitchell, W. 2013. When Do First Entrants Become First Survivors? *Long Range Planning*, 46(4-5): 335-347.
- Wallendorf, M., and Arnould, E.J. 1991. "We Gather Together": Consumption Rituals of Thanksgiving Day. *Journal of Consumer Research*, 18(1): 13-31.
- Wang, S., Cavusoglu, H., and Deng, Z. 2016. Early Mover Advantage in E-commerce Platforms With Low Entry Barriers: The Role of Customer Relationship Management Capabilities. *Information and Management*, 53(2): 197-206.
- Wilkie, D.C.H., and Johnson, L.W. 2016. Is there a Negative Relationship Between the Order-of-brand Entry and Market Share? *Marketing Letters*, 27(2): 211-222.
- Yang, Z., and Peterson, R.T. 2004. Customer Perceived Value, Satisfaction, and Loyalty: The Role of Switching Costs. *Psychology and Marketing*, 21(10): 799-822.
- Yao, X., Zhang, P., Lu, X., and Huang, L. 2020. Early or Late? Entry Timing in Online IT Service Markets and the Moderating Effects of Market Characteristics. *Journal of Business Research*, 114: 265-277.
- Zhou, K.Z., and Wu, F. 2010. Technological Capability, Strategic Flexibility, and Product Innovation. *Strategic Management Journal*, 31(5): 547-561.

الملخص

تفكيك تأثير تكلفة التحويل على وجود ميزة المبادر الأول: دليل من الكويت

مشاري عبدالعزيز الناهض

لاري بلشكو

جامعة الكويت

هدف الدراسة: تهدف الدراسة إلى فصل تأثير تكلفة تحويل العملاء بوصفه آلية عزل تؤدي إلى ميزة المبادر الأول في أسواق مقدمي الخدمات في دولة الكويت.

تصميم/منهجية/طريقة الدراسة: اعتمدت الدراسة على المنهج التجريبي وبيانات أولية ومسحية، وقد تم تحليل البيانات باستخدام تحليل العامل التأكيدي وتحليل المعادلات الهيكلية. **عينة الدراسة وبياناتها:** استخدمت الدراسة بيانات حول 106 شركات في أربع أسواق خدمية وبيانات أولية لعينة عشوائية من 968 عميلاً حالياً لأسواق الخدمات تحت الدراسة.

نتائج الدراسة: وجدت الدراسة أن تكاليف تحويل العملاء تعمل بوصفها آلية وسيطة تساعد في تفسير وجود ميزة المبادر الأول، وتظهر نتائج الدراسة أن هناك ستة أبعاد لتكلفة التحويل (التحويل المسبق لتكاليف البحث والتقييم، وتكاليف فقدان الأداء، وتكاليف عدم اليقين، والتكاليف السلوكية والمعرفية بعد التبديل، وتكاليف الغرق، وتكاليف الإعداد)، تعمل على ربط العميل بالمبادر الأول الذي دخل السوق مبكراً.

أصالة الدراسة: تقدم هذه الدراسة دليلاً تجريبياً على أن تأثير المبادر الأول المباشر واضح في أسواق الخدمات في الكويت، كما تفكك الدراسة أيضاً دور تكلفة تحويل العملاء بوصفها وسيطاً، وتكشف عن أبعاد تكلفة التحويل التي تشرح كيف يمكن لتوقيت دخول السوق أن يولد ميزة تنافسية.

حدود الدراسة و تطبيقاتها: يجب على رواد الأعمال والداخلين المحتملين إلى السوق ألا يأخذوا في الاعتبار الدور العام لتكاليف تحويل العملاء في تحديد الوقت المناسب لدخول السوق فقط، ولكن يتحتم عليهم أيضاً أن يأخذوا في الاعتبار التأثيرات المختلفة لكل بعد من أبعاد تكلفة تحويل العملاء على حماية ميزة المبادر الأول. إن البحث التجريبي للدور متعدد الأوجه لتكلفة تحويل العميل في تحقيق ميزة المبادر الأول في المنطقة العربية يدعم صنع السياسات العامة لتطوير بيئة ريادة الأعمال المحلية وسياسات مكافحة الاحتكار التي تسمح بدخول مشاريع ناشئة ونجاحها في الأسواق التي تهيمن عليها الشركات الموجودة.

Mishari A. Alnahedh is an Assistant Professor of Strategy and Entrepreneurship at Kuwait University's College of Business Administration. He holds a Ph.D. in Business Administration from the Warrington College of Business at University of Florida and an MBA in strategy, finance and economics from the Chicago Booth School of Business. Mishari's research has appeared in *Strategy Science* and *Journal of Developmental Entrepreneurship*. Focusing on entrepreneurship, innovation, and corporate strategy, his research examines complexity and interdependency in the firm's activities, entrepreneurial finance, technology startup innovation, and firm growth strategies. (alnahedh@ku.edu.kw)

Larry P. Pleshko received his Ph.D. from Florida State University and he presently serves as Professor of Marketing at Kuwait University. He specializes in marketing strategy research as related to firm performance as well as research in practical applications of consumer behavior. He has worked at a variety of universities, mostly in the Middle East. (larrypleshko@yahoo.com)