Is advertising a barrier to market entry?

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ADVERTISING ASSOCIATION

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Stephen King published his now classic article, *Advertising as a Barrier to Market Entry* in 1980.[1] The world has since moved on, in exciting ways as far as advertising, media and marketing are concerned. Despite this, King's article remains an excellent overview on the role of advertising, concluding at its core that, for established brands, advertising is not a barrier to entry in the sense of an unfair restraint that prevents new manufacturers from trying to enter a market. On the contrary: by building reasonable profit margins in that market, it makes the idea of entry more attractive.

Whether advertising[2] is a barrier to market entry remains an important topic for any business that has goals of either launching a new brand, launching an existing brand into a new market(s), and/or operating in categories where new competitors might threaten their existence. It is also an important topic for policy makers concerned with regulating competition and trade. Our understanding of how brands grow and compete, of how much we should spend on advertising, and of how our brains – and particularly our memories – work, has advanced materially since King's original publication, and it's time to revisit the issue.

King noted an increase in concentration in British manufacturing through the 1960s and 1970s – an acceleration of a long-term trend. Many UK markets that had comprised hundreds of manufacturers in the preceding 50 years were, by the 1980s, dominated by only a handful of firms. As we head towards 2020, this trend has continued on a global scale, for manufacturing and other industries. Global players now dominate many categories, with the Internet transforming many industries and giving rise to important new competitors. Brand rankings of powerful or valuable brands (e.g. Forbes, 2015;[3] Interbrand, 2016)[4] consistently include the likes of Apple, Coca-Cola, Microsoft, IBM, Toyota, General Electric, McDonald's, BMW, Intel, Nike, Louis Vuitton, Google, H&M, Gillette, Disney, American Express, IKEA, Pampers and eBay – brands that are known and bought the world over. Clearly, these brands have shown that it is possible to expand into new markets. Is it that they have just out-advertised others, or that the barriers to entry are not impenetrable?

To answer this and to get to the crux of our question, we first need to understand what is known about normal competitive markets, and how brands compete within them.

How do brands compete?

"Economists do not seem to be at their most persuasive on competition theory or at their most informed on how advertising works."[5]

We now have extensive empirical evidence on how brands grow and

[1] King, S. (1980). *Advertising as a Barrier to Market Entry*. The Advertising Association.

[2] Advertising is 'any communication, usually paid-for, specifically intended to inform and/or influence one or more people,' in Bullmore, J. J. D. (2016). *What is advertising?* The Advertising Association.

[3] Forbes (2015). *The World's Most Valuable Brands: 2015 Ranking*. Jersey City, New Jersey. Available at: http://www.forbes.com/powerful-brands/list/.

[4] Interbrand (2016). *Rankings 2015 Best Global Brands*. Available at: http://interbrand.com/best-brands/best-global-brands/2015/ranking/.

[5] King, *Advertising as a Barrier to Market Entry*, p. 6.

how they compete.[6] This knowledge provides benchmarks to enable us to understand 'true competition' – an idea raised by King – as well as demonstrates where there are barriers blocking normal competition, providing the opportunity to explore if advertising acts as a barrier to entry.

While buying patterns vary across categories (e.g. milk is bought regularly, cars and mortgages less often), robust patterns in how brands compete *within* their category exist across diverse markets, from soup to gasoline and prescription drugs to aviation fuel. Various empirical laws can now be proposed, including:[7]

- Brands compete in line with their size, as opposed to any unique positioning or particular features (the duplication of purchase law).
- Big and small brands differ greatly in how many buyers they have, but little in how loyal these buyers are. Smaller brands get hit twice: they have fewer buyers, and the buyers that they do have buy less than the buyers of bigger brands (the law of double jeopardy).
- Many of a brand's buyers are light buyers; as a brand grows, most of the movement is due to the brand's penetration (increasing the number of buyers).
- Sole brand loyalty is rare, with repertoire buying the norm – especially for heavier category buyers.

At its core, the empirical evidence leads to the conclusion that *brands are successful when they have broad mental and physical availability;* therefore, for a new brand to successfully enter a market, it needs to gain both.[8] The question that follows is: Can established brands stop a new entrant simply by advertising? An equally pertinent question: Is advertising critical for a new brand to establish broad mental (and physical) availability, or can these be gained in other ways?

Is advertising critical to establish or defend a brand's mental and physical availability?

*"It is often suggested that **heavy** advertising by the established companies constitutes one of those barriers to entry."*[9]

There is growing evidence that there are specific levels of the advertising budget that is typically necessary for brands to spend if they are to successfully compete.[10] Some conditions that affect the amount a brand needs to spend have been proposed, such as the level of advertising in the category, the level of competition, and brand size.[11] Brands that consistently spend at the proposed levels seem more likely to grow, while those that consistently underspend are more likely to decline.[12] This knowledge provides advertising spend benchmarks that also apply to any new brands that wish to enter a market. By doing so, they give an initial answer to the size of 'the advertising barrier' in any given category.

We should note, however, that not all spend is equal (either in terms of copy or how media is scheduled). In terms of advertising's effect on sales, studies confirm that creative execution is the primary driver of success, but there is major variation in copy quality and are many varied tactics that marketers can use.[13] Powerful executions have been found to be 10–20 times more sales effective than mediocre ones.[14] That is, some advertising may be good enough to launch a new brand or defend against a new entrant, while other campaigns may not.

[6] Goodhardt, G. J., Ehrenberg, A. and Chatfield, C. (2006). The Dirichlet: A Comprehensive Model of Buying Behaviour. *Journal of Empirical Generalisations in Marketing Science*, vol. 10, no. 1; Romaniuk, J. and Sharp, B. (2015). *How Brands Grow: Part 2.* Melbourne: Oxford University Press; Sharp, B. (2010). *How Brands Grow.* Melbourne: Oxford University Press; Sharp, B., Wright, M., Dawes, J., Driesener, C., Meyer-Waarden, L., Stocchi, L. and Stern, P. (2012). It's a Dirichlet World: Modeling Individuals' Loyalties Reveals How Brands Compete, Grow, and Decline. *Journal of Advertising Research*, vol. 52, no. 2, pp. 203–213.

[7] Ehrenberg, A., Uncles, M. D. and Goodhardt, G. J. (2004). Understanding Brand Performance Measures: Using Dirichlet Benchmarks. *Journal of Business Research*, vol. 57, no. 12, pp. 1307–1325.

[8] Romaniuk and Sharp, *How Brands Grow: Part 2*; Sharp, *How Brands Grow.*

[9] King, *Advertising as a Barrier to Market Entry*, p. 6.

[10] Binet, L. and Field, P. (2013). *The Long and the Short of It. Balancing Short and Long-Term Marketing Strategies.* London: IPA; Danenberg, N., Kennedy, R., Beal, V. and Sharp, B. (2016). Advertising Budgeting: A Re-Investigation of the Evidence on Brand Size and Spend. *Journal of Advertising*, vol. 45, no. 1, pp. 139–146; Hansen, F. and Bech Christensen, L. (2005). Share of Voice/Share of Market and Long-Term Advertising Effects. *International Journal of Advertising*, vol. 24, no. 3, pp. 297–320; Jones, J. P. (2006). *When Ads Work: New Proof That Advertising Triggers Sales.* 2nd ed. New York: M. E. Sharpe, Inc.

[11] Danenberg, Kennedy, Beal and Sharp, *Advertising Budgeting: A Re-Investigation of the Evidence on Brand Size and Spend*, pp. 139–146; Hansen and Bech Christensen, *Share of Voice/Share of Market and Long-Term Advertising Effects*, pp. 297–320.

[12] Binet and Field, *The Long and the Short of It: Balancing Short and Long-Term Marketing Strategies*; Danenberg, Kennedy, Beal and Sharp, *Advertising Budgeting: A Re-Investigation of the Evidence on Brand Size and Spend*, pp. 139–146.

[13] Dyson, P. (2014). Top 10 Drivers of Advertising Profitability, *Admap*; Jones, When Ads work; Lodish et al. (1995); Wood, *Short-Term Effects of Advertising: Some Well-Established Empirical Law-Like Patterns*, pp. 186–192; Hartnett, N., Kennedy, R., Sharp, B. and Greenacre, L. (2016). Creative That Sells: How Advertising Execution Affects Sales. *Journal of Advertising*, vol. 45, no. 1, pp. 102–112.

[14] Wood, *Short-Term Effects of Advertising: Some Well-Established Empirical Law-Like Patterns.*

In terms of media, spend that maximises reach with continuity is typically needed for brand growth.[15] Brands that are launching may need to have a heavy initial advertising presence to help secure distribution, but to survive long term they also typically require reach with continuity. If bursting heavily upfront means the new brand then needs a long period off air, then those buyers who are making a category purchase are not receiving a nudge for the new offer (but may for many of the competitor brands that they also happily purchase).

A plausible working conclusion might therefore be that a new entrant needs to fund sustainable advertising investment, and to that extent, advertising for incumbent brands acts as a barrier to entry.

That said, we know that advertising is mostly 'creative publicity'[16] and therefore a weak force compared to heavy price promotions or personal selling. The norm is for most markets to be stable in the medium term, with competitors copying each other's attributes and activations.[17] Clearly, industries can be disrupted, with the likes of Nespresso shaking up the coffee market with its Pods; retailers such as Amazon and eBay changing the face of retailing; Uber redesigning taxi services; and Apple and other smartphones having an impact far beyond phones. Much of this disruption is not being driven by advertising; for example, while Apple has had many notable campaigns (e.g. launching the Macintosh and iPod), the brand has disrupted categories that did not even appear in these campaigns.

Then we have successful brand launches that occurred without traditional advertising, despite entering categories where this is common. Two examples are Tesla Motors and Airbnb.

Tesla Motors appears to have successfully launched without traditional advertising. Nonetheless, it has generated scale attention for its brand, with early sales for their premium electric vehicle exceeding expectations. In 2014, General Motors spent $5 billion on marketing, of which advertising was a major element. In contrast, Tesla spent $49 million on marketing, with no traditional advertising.[18] In this case, the existing advertising was not a barrier to Tesla's entry with its innovative product offering. Clearly, Tesla is still much smaller, but the brand has built its mental availability in other ways. One route has been the general media, which has covered even the most minor Tesla news, supplemented by the company's stores, which Tesla believes play an advertising-type role.[19]

With more nights booked than the Hilton and a greater valuation than both Wyndham and Hyatt, Airbnb is another successful brand entry story created without traditional advertising, though it came to rely on it later.[20] While most brands normally need to build physical and mental availability in order to enter a new market, Airbnb's challenge is to build a two-sided marketplace: when they enter into new markets, they have to grow demand (guests) as well as the supply side (hosts).[21] Despite traditional advertising not being the core to their strategy, Airbnb acknowledges the role of mass media in their success: "The story that we tell has a very human element to it – people

[15] Nelson-Field, K., Riebe, E. and Sharp, B. (2013). Reach (Still) Reigns. In: K. Nelson-Field (ed.) *Viral Marketing: The Science of Sharing*. Melbourne: Oxford University Press; Romaniuk, J., Beal, V. and Uncles, M. (2013). Achieving Reach in a Multi-Media Environment: How a Marketer's First Step Provides the Direction for the Second. *Journal of Advertising Research*, vol. 53, no. 2, pp. 221–230; Sharp, B. (2013). *Marketing: Theory, Evidence, Practice*. Melbourne: Oxford University Press; Sharp, B., Riebe, E. and Nelson-Field, K. (2013). Media Decisions: Reaching Buyers with Advertising. In: B. Sharp (ed.) *Marketing: Theory, Evidence, Practice*. Melbourne: Oxford University Press.

[16] Ehrenberg, A., Barnard, N., Kennedy, R. and Bloom, H. (2002). Brand Advertising as Creative Publicity. *Journal of Advertising Research*, vol. 42, no. 4, pp. 7–18.

[17] Graham, C. (2012). *The Patterns of Long-Term Repeat-Buying in Dirichlet Markets*. London: South Bank University; Graham, C. D. A. (2009). What's the Point of Marketing Anyway? The Prevalence, Temporal Extent and Implications of Long-Term Market Share Equilibrium. *Journal of Marketing Management*, vol. 25, no. 9–10, pp. 867–874; Bogomolova, S., Szabo, M. and Kennedy, R. (2016). 'Retailers' and Manufacturers' Price-Promotion Decisions: Intuitive or Evidence-Based? *Journal of Business Research*.

[18] Baker, D. R. (2016).Tesla's Bold Approach to Advertising: Don't Do It. *The San Francisco Chronicle*. Available at: http://www.sfchronicle.com/business/article/Tesla-s-bold-approach-to-advertising-Don-t-6843488.php%3E.

[19] Ibid; McCarthy, M. (2013). Tesla Generates Small Sales, Big Buzz without Paid Ads. *Advertising Age*, June 10.

[20] Brown, M. (2015). *Airbnb: The Growth Story You Didn't Know*. Growth Hackers. Available at: https://growthhackers.com/growth-studies/airbnb.

[21] Ibid.

connecting online, meeting in person, being resourceful – that it garners press like this 2 page write-up in *The Washington Post*. Coverage like that or our piece in *TIME* Magazine puts the idea in front of millions of people. Obviously not everyone who reads about us jumps on board, but those articles do generate a significant amount of traffic and users".[22]

Joe Gebbia, one of Airbnb's founders, has also noted that word of mouth was very kind to them, while also crediting their innovative offer: "We have an original idea, and a really easy to use process that people like sharing".[23]

While mental and physical availability are essential for growth and therefore a hurdle for any new entrant, these cases demonstrate that it seems possible to build a brand without necessarily spending on advertising. Therefore, we can say that advertising is not always needed to enter a market, nor is advertising from existing players always a barrier to entrants succeeding – if they have a good offer and can build broad distribution and mental availability in other ways.

The role of advertising

To shed further light on our question, it is useful to reconsider what advertising does. Solid evidence indicates that it can drive sales; specifically, it can nudge the propensities of those who are exposed to it to buy the advertised brand.[24] While most of this evidence comes from television advertising for consumer packaged goods (CPG), online advertising appears to broadly show the same patterns.[25]

As King noted, advertising can play an obvious role at launch, building up sales to an early peak and helping to secure distribution. Advertising can play a role in demonstrating to retailers that this is a brand they should stock of the many they could choose from. This may be particularly important in young categories.[26] For brands that self-distribute (e.g. Tesla and Apple), it can likewise nudge people to enter a store.

After launch, heavy category buyers are mostly likely to try a new offer. For success to be assured, the role for advertising soon becomes one of maintaining sales at what appears to be a more or less stable level – though, at the individual level, advertising is driving sales that would otherwise not have occurred (defending them against habitual buying of competitive brands and the nudge of competitor activations).

> *"It is the role of maintaining and building the brand, reminding those who have tried it to buy it again. Advertising here can make all the difference between the consumer sales being stable-upwards or stable-downwards."*[27]

King suggested that this maintenance of sales – once the first excitement of novelty has worn off – is related to keeping up the rate of purchase (i.e. reminding buyers to buy again). While partly true, our analysis of the data underlying brand purchases demonstrates that, instead, it is mostly about nudging the many light buyers; that is, gaining penetration as opposed to stimulating rate of purchase. In many categories, most consumers don't buy from that particular category very often. This has implications for copy (as people typically know and care little about the category and brand) and for media strategy (where nudging many buyers rather than nudging buying frequency is critical).

[22] Ibid.

[23] Nguyen, T. G. (2009). *Travel Like a Human with Joe Gebbia, Co-Founder of Airbnb!* Available at: https://allentrepreneur.wordpress.com/2009/08/26/travel-like-a-human-with-joe-gebbia-co-founder-of-airbnb/.

[24] Jones, *When Ads Work*; McDonald, C. (1970). What Is the Short-Term Effect of Advertising? *Admap*, pp. 350–366; Wood, *Short-Term Effects of Advertising: Some Well-Established Empirical Law-Like Patterns*, pp. 186–192.

[25] Taylor, J., Kennedy, R., McDonald, C., Larguinat, L., El Ouarzazi, Y. and Haddad, N. (2013). Is the Multi-Platform Whole More Powerful Than Its Separate Parts? Measuring the Sales Effects of Cross-Media Advertising. *Journal of Advertising Research*, vol. 53, no. 2, pp. 200–211

[26] Bronnenberg, B. J., Mahajan, V. and Vanhonacker, W. (2000). The Emergence of Market Structure in New Repeat-Purchase Categories: The Interplay of Market Share and Retailer Distribution. *Journal of Marketing Research*, vol. 37, pp. 16–34.

[27] King, *Advertising as a Barrier to Market Entry*, p. 17.

To delve further into how advertising works, it is useful to tap into the advances in knowledge made since 1980 about the human brain and how it works. Given that advertising needs to work through buyers' memories,[28] it is important that we understand how our brains form new memories, encode stimuli and identify what gets retrieved.[29] For new brands, this means that we need to know how people learn about them (especially the role of advertising in this) what is it is that they encode – e.g. the brand name or the look of the product – and what barriers might stop or delay memory occurring.

I have already mentioned the term mental availability. The understanding we have of memory, advertising and buyer behaviour leads us to believe all new brands need to build mental availability. This relates to the propensity of a brand to be noticed or be at the forefront of consumers' minds in buying or consumption situations.[30] It reflects the quantity and quality of the network of memory structures that potential buyers hold about a brand.[31] Therefore, much brand advertising is about building and refreshing the relevant memory structures that help increase awareness of a brand for potential buyers in a range of situations where they may consider opting for that brand.

"Advertising is therefore acting as a form of 'unfair competition'...it is unfairly reinforcing buying habits; and...acting as an unreasonable barrier to the new brand."[32]

Established brands have a head start, as they have already established memory networks in the minds of many potential buyers and have more users who know about them.[33] There is evidence that advertising and usage effects linger for long periods.[34] Prior users are also more likely to notice advertising for brands that they already buy.[35]

New brands have to overcome this mental availability barrier. And, in the heavily cluttered modern world with lots of choice and lots of advertising, this is not an easy thing to do. But, given that repertoire shopping[36] is the norm, combined with near instant loyalty for new brands, this suggests that it is not an unreasonable barrier.[37]

"Very few new brands are actively disliked; the problem is far more often one of indifference."[38]

[28] Ehrenberg, A., Barnard, N., Kennedy, R. and Bloom, H. (2002). Brand Advertising as Creative Publicity. *Journal of Advertising Research*, vol. 42, no. 4, pp. 7–18; Kennedy, R., Sharp, B. and Hartnett, N. (2013). Advertising. In: Sharp, B (ed.) *Marketing: Theory, Evidence, Practice.* Victoria: Oxford University Press.

[29] Anderson, J. and Bower, G. (1980). *Human Associative Memory: A Brief Edition.* Hillsdale, NJ: Erlbaum Associates; Cabeza, R. and Moscovitch, M. (2013). Memory Systems, Processing Modes, and Components of Functional Neuroimaging Evidence, *Perspectives on Psychological Science*, vol. 8, no. 1, pp. 49–55.

[30] Romaniuk, J. and Sharp, B. (2004). Conceptualizing and Measuring Brand Salience. *Marketing Theory*, vol. 4, no. 4, pp. 327–342.

[31] Romaniuk, J. (2013). Modeling Mental Market Share. *Journal of Business Research*, vol. 66, no. 2; Romaniuk and Sharp, *Conceptualizing and Measuring Brand Salience.*

[32] King, *Advertising as a Barrier to Market Entry*, p. 25.

[33] Barwise, T. P. and Ehrenberg, A. (1985). Consumer Beliefs and Brand Usage. *Journal of the Market Research Society*, vol. 27, no. 2, pp. 81–93; Bird, M. and Ehrenberg, A. (1966). Non-Awareness and Non-Usage. *Journal of Advertising Research*, vol. 6, pp. 4–8; Bird, M. and Ehrenberg, A. (1966). Intentions-to-Buy and Claimed Brand Usage. *Operational Research Quarterly*, vol. 17, no. 1, pp. 27–46; Bird, M. and Ehrenberg, A. (1972). Consumer Attitudes and Brand Usage – Some Confirmations. *Journal of the Market Research Society*, vol. 14, no. 1, p. 57; Romaniuk, J., Bogomolova, S. and Dall'Olmo Riley, F. (2012). Brand Image and Brand Usage: Is a Forty-Year-Old Empirical Generalization Still Useful? *Journal of Advertising Research*, vol. 52, no. 2, pp. 243–251.

[34] Braun-LaTour, K. A. and LaTour, M. S. (2004). Assessing the Long-Term Impact of a Consistent Advertising Campaign on Consumer Memory. *Journal of Advertising*, vol. 33, no. 2, pp. 49–61; Bronnenberg, B. J., Dubé, J. P. H. and Gentzkow, M. (2012). The Evolution of Brand Preferences: Evidence from Consumer Migration. *American Economic Review*, vol. 102, no. 6, pp. 2472–2508; Connell, P. M., Brucks, M. and Nielsen, J. H. (2014). How Childhood Advertising Exposure Can Create Biased Product Evaluations That Persist into Adulthood. *Journal of Consumer Research*, vol. 41, no. 1, pp. 119–134; Guest, L. (1955). Brand Loyalty – Twelve Years Later. *Journal of Applied Psychology*, vol. 39, no. 6, pp. 405–408; Guest, L. (1964). Brand Loyalty Revisited: A Twenty Year Report. *Journal of Applied Psychology*, vol. 48, no. 2, pp. 93–97.

[35] Romaniuk, J. and Wight, S. (2009). The Influence of Brand Usage on Responses to Advertising Awareness Measures. *International Journal of Market Research*, vol. 51, no. 2, pp. 203–218; Vaughan, K., Beal, V. and Romaniuk, J. (2016). Are Brand Users Really More Likely to Remember Advertising? *Journal of Advertising Research*, forthcoming.

[36] Types of behaviour that a person habitually displays when shopping.

[37] Ehrenberg, A. and Goodhardt, G. J. (2001). New Brands: Near-Instant Loyalty. *Journal of Targeting, Measurement and Analysis for Marketing*, vol. 10, no. 1, pp. 9–17.

[38] King, *Advertising as a Barrier to Market Entry*, p. 20.

The real world of brands is complex, with lots of choice. Shoppers are often time-poor and our brains have limits; we are not perfectly rational, carefully evaluating all alternatives – instead, we are cognitive misers, who ‘satisfice’.[39] Emotions are what people pay attention to and influence the decisions we make.[40]

“Getting a better performance than existing brands and producing a new brand that is radically different from them is a very great deal easier said than done.”[41]

It can be useful to consider brands as mental shortcuts that save shoppers time and mental energy, and advertising facilitates this.[42] The many consumers who buy branded medications – even though chemically equivalent generic substitutes are available at the same stores for much lower prices – are relevant examples of the value of brands to shoppers; it saves them having to think.[43]

“Distribution is clearly shown as vital to success.”[44]

King noted that one of the key determinants of success is good distribution. This has not changed. Recent analysis of 225 new brand introductions across 22 repeat purchase product categories over five years concluded that access to distribution breadth played the greatest role in the success of a new brand, and that investments in distribution and product innovation lead to greater marginal increases in sales for new brands than discounting, feature/display or advertising.[45] Good physical availability remains fundamental to a successful launch or to defend share in light of a new entrant; this means being accessible to as many potential category buyers as possible, in the range of situations where they may consider a category purchase. However, the power of retailers across the globe such as Walmart, Aldi and Tesco has increased, along with new opportunities for retailers to distribute online from their own websites or the likes of Alibaba, eBay and Amazon. Whatever routes are used to distribute, wide physical availability increases the chance that potential shoppers can access the brand, assuming that a brand is noticed or considered. If a brand is not available, many shoppers will simply default to a competitor.

It has been suggested that “…the Internet has changed the launch process – now companies seed products with influencers, leak information to reporters, bloggers, and consumers, live-stream launch events globally, and reward brand advocates with exclusives. The insatiable 24/7 news cycle and the dominance of social media makes launching a new product far easier in some ways – and more difficult in others.”[46] Clearly, there are some new opportunities, but the established knowledge about how brands compete and grow suggests that, even with these changes, the fundamentals have not changed, and cost-effective and broad mental and physical availability will remain critical.

Conclusion

Brands need both mental and physical availability to enter a market, and to defend their sales from new entrants. Nobody can buy a brand if it is not available. Consumers won’t consider it if it does not come to mind or get noticed.

Advertising remains important in order to provide creative publicity for brands and to drive sales that would otherwise not occur.[47] It helps build and refresh the memories that exist in the mind of habitual shoppers, memories that are a key mental barrier to entry for many new brands. However, the success of some innovative brands that are either very distinct or disrupt the category – in managing to increase mental and physical availability via advertising or other means – demonstrates that there is more than one way to enter a market.

*“Advertising for established brands is not a barrier to entry in the sense of an **unfair** restraint which prevents new manufacturers from trying to enter a market.”[48]*

So, ‘Is advertising a barrier to entry?’. It can be a barrier to new entrants by building and refreshing mental and physical availability for incumbent brands. However, consumers are not strictly loyal to existing brands, meaning that advertising can also give promising new entrants the oxygen they would otherwise lack. It seems that advertising is not an unfair restraint, just one important lever that brands use to compete. It is an optional lever, then, for incumbents and new entrants alike, but an impermeable barrier for neither.[49]

Want to read more? Stephen King’s original work can be found here
https://goo.gl/QOSDHT

[39] Fiske, S. and Taylor, S. (1991). *Social Cognition*. Mcgraw-Hill Book Company; Simon, H. A. (1956). Rational Choice and the Structure of the Environment. *Psychological Review*, vol. 63, no. 2, pp. 129–138.

[40] Bechara, A., Damasio, H. and Damasio, A. (2000). Emotion, Decision Making and the Orbitofrontal Cortex. *Cerebral Cortex*, vol. 10, no. 3, p. 295; Damasio, A. (2000). *The Feeling of What Happens: Body and Emotion in the Making of Consciousness*. US: Mariner Books; Yiend, J. (2010). The Effects of Emotion on Attention: A Review of Attentional Processing of Emotional Information. *Cognition and Emotion*, vol. 24, no. 1, pp. 3–47.

[41] King, *Advertising as a Barrier to Market Entry*, p. 22.

[42] Kahneman, D. (2011). *Thinking, Fast and Slow*. US: Farrar, Straus and Giroux; Kahneman, D., Slovic, P. and Tversky, A. (eds) (1982). *Judgment under Uncertainty: Heuristics and Biases*. Cambridge University Press.

[43] Ling, D. C., Berndt, E. R. and Kyle, M. K. (2002). Deregulating Direct-to-Consumer Marketing of Prescription Drugs: Effects on Prescription and over-the-Counter Product Sales. *Journal of Law and Economics*, vol. 45, no. S2, pp. 691–723.

[44] King, *Advertising as a Barrier to Market Entry*, p. 15.

[45] Ataman, M. B., Mela, C. F. and van Heerde, H. J. (2008). Building Brands. *Marketing Science*, vol. 27, no. 6, pp. 1036–1054.

[46] Schneider, J. (2015). 10 Tactics for Launching a Product Using Social Media. *Harvard Business Review*, April 16.

[47] Ehrenberg, Barnard, Kennedy and Bloom, *Brand Advertising as Creative Publicity*.

[48] King, *Advertising as a Barrier to Market Entry*, p. 33.

[49] A full bibliography is available at www.adassoc.org.uk/publications/advertisings-big-questions.

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Rachel is the Associate Director and one of the founders of the world-famous Ehrenberg-Bass Institute for Marketing Science. She is heavily involved in advancing and disseminating empirically grounded knowledge about how brands grow and how marketing interventions, especially advertising, work.

She is a regular speaker on the international stage, sharing innovative research on advertising and buyer behaviour topics. Her research interests include improving measures of how advertising works – from biometrics and other competing pretesting approaches to single source in-market measurement; knowing how much to spend on advertising and in which media; understanding patterns in shopper behaviour; and much more.

Rachel is also on the Editorial Advisory Boards for the *Journal of Advertising Research*, *International Journal of Market Research* and *International Journal of Advertising*.

Appendix A. King's framework, updated (2016)

King provided a broad framework that continues to provide a useful checklist for a brand that is considering entering into a new market. It is summarised and updated here, with changes that reflect the empirical knowledge that has been advanced since King's original article.

Planning considerations for market entry Considerations include:	
1. Company assets	Is it feasible to introduce a new brand into a particular market, within the constraints of the company's own skills? What is the company competitively good at? What are its strengths – production, distribution, branding, etc.? Where could those strengths lead?
2. Technical ability	Is the company a pioneer or an improver? Can it meet the needs of the market?
3. Market data	Which markets seem to be untapped or growing? Global players have invested much energy into China, with many also now looking at India and Africa; that is, looking towards markets where there has been growth or there is likely to be growth. It remains important to appreciate who the consumers are (e.g. how many may buy). Are there any barriers to consumers purchasing the new brand? If so, can they be overcome? What is the market structure – fragmented or oligopolistic? How easy is it to get wide distribution and be noticed at scale?

Barriers at the planning stage	
Barrier No 1. Low profitability	Low profitability remains a barrier to entry, especially in CPG categories, where price promotions are prevalent (recently documented by Bogomolova et al., 2015). Global giants already possess a good offer and the ability to provide it at scale, putting them in a stronger position to enter new markets than completely new players. An ability to innovate and disrupt current models may be needed to achieve entry in mature categories and to provide an offer that adds additional value to consumers or brings in many new users who would otherwise not have bought. There is also some relevant knowledge about how much a brand needs to spend on its advertising in order to maximise profits (Wright, 2009). Developed through empirical optimisation, if advertising elasticity is 0.10, then the optimal advertising budget is 10% of gross profits. Many new brands, however, have no profits initially.

Continued on next page

Barriers at the planning stage continued	
Barrier No 2. Capital investment	The need for capital and start-up investments remains (as well as an ability to establish and then maintain a scale presence in the new market). There have, however, been some important changes in this space since King's original article. Some markets are now in negative interest rates, and new sources of funding are becoming more common, via crowdfunding (e.g. GoFundMe and Kickstarter), which has witnessed a surge in popularity (Chen et al., 2016). For example, the Pebble E-Paper Watch raised $10 million in 37 days, while the OUYA open-source game console raised over $8.5 million in 29 days (Schroter, 2014). In some fields, 3D printers are also demonstrating different ways to launch in varied industries (e.g. space, shoes and culinary), reducing the initial capital investments required to get started. For an example related to building better, cheaper prototypes more quickly, see the Timberland case study (3D Systems, 2012).[50]
Barrier No 3. Legal/Regulatory/trade	Legal/regulatory-related barriers to check range from IP issues; branding rights (e.g. use of colours/names); distribution agreements; labelling requirements; local content rules; and many, many more. While patents are still formidable and require persistence and time to overcome, key players have demonstrated that there are ways to bring sales-effective attributes to market (such as copying competitors' sales-effective attributes).

Barriers to In-Market Success	
Barrier No 4. The need for broad physical availability/ distribution	To be successful, a new entrant needs to be readily available and easy to buy for the many people who might buy from the category. If distributing in store, this also means being present where people are in store, or, if online, being present where people are shopping online. That is, both quality distribution and quantity of location matter.
Barrier No 5. The need for mental availability	Brands need to be considered by the consumer if they are to be bought. This requires that they get noticed at relevant times, especially by the many light buyers in the category who often satisfice and fail to notice many of the brands on offer. Creative publicity (which is what much brand advertising offers), with reach and continuity, is critical to build mental availability for the brand. Establishing distinctive assets (e.g. unique cues like colours or shapes) can help a brand and its activations be noticed long term.
Barrier No 6. Efficiency of competitors	Competitive pressures lead brands to market better offers. Any new brand needs to have a competitive offer (e.g. quality, price). There are, however, advantages of scale – the biggest brands win – and light buyers default to them (natural monopoly), and they can underspend relative to their size (Danenberg et al., 2016; Hansen and Bech Christensen, 2005; Jones, 1990). They are the brands most likely to be in the minds of the many potential shoppers who do not buy often and who may not even notice a new brand. Furthermore, it has recently been documented that, across categories, bigger brands consistently have larger portfolios, with changes to portfolio sizes positively correlated to market share changes (Tanusondjaja, 2015). For new entrants, this is a further barrier that they need to overcome.

[50] 3D Systems (2012). *The Timberland Company: Timberland Save Time and Money, Finds Right Style with 3D Printing*, 3D Systems, Available at: http://www.3dsystems.com/sites/www.3dsystems.com/files/21_CaseStudy-Timberland-FINAL.pdf.