

SWEET TOOTH

In the rush and urgency of modern commerce, a product is often seen as less important than the speed at which it gets to market. But a new business philosophy is emerging that preaches the virtues of holding back: introducing second mover advantage.

Story by Lucy Smith

PHOTOGRAPH BY *Aaron Sami*

In the business world, conventional wisdom dictates that if you have a great idea, you've got to be first to market: you're either quick, or you're dead. First-mover advantage has become almost gospel in the dotcom era, when every second person seems to be an entrepreneur and new businesses are popping up constantly. With the speed at which competition can move, it's no longer safe to spend a lot of time developing an idea prior to launch – rather, if you want to secure that critical first-mover advantage, you've got to be in with all guns blazing and get started before someone else does.

But does that mean that, if you are second to market, you're doomed to forever play Pepsi to the market leader Coca-Cola? Not necessarily, because just as being first to market is no guarantee of success, being second doesn't mean you're at a complete disadvantage, as BioVittoria CEO David Thorrold will soon tell you.

In the United States today, there are two natural calorie-free sweeteners available in the food and beverage industry. One is stevia, a sweetener derived from the *Stevia rebaudiana* or sweetleaf plant, brands of which are produced by a number of companies. The other is Fruit-Sweetness, the brand name for a fruit-derived zero-calorie sweetener produced in China by BioVittoria, a product development and marketing company based at Waikato Innovation Park in Hamilton. Fruit-Sweetness is derived from the monk fruit, or *luo han guo*, a Chinese melon that contains an extremely sweet, yet calorie-free, naturally-occurring antioxidant. When the antioxidant is concentrated and spray dried it becomes a fine white powder, very similar to icing sugar, that's about 300 times sweeter than sugar. To put that in perspective, a quarter of a gram of Fruit-Sweetness can replace eight teaspoons of sugar – about what you'd find in an average can of soft drink.

While stevia has been used for decades in the natural health industry, it only achieved FDA approval, that holiest of food marketing grails, at the end of 2008. Fruit-Sweetness followed it a year later. "The launch of stevia had encouraged a lot of product formulators to start working with natural zero-calorie products, so there were many, many projects underway already," Thorrold says. "We were able to benefit from that because the first mover

had some significant limitations, and that's really the key to it – if [the second mover] can answer the questions the first mover can't answer, or can solve the problems the first mover can't solve, you can get quite an advantage."

Being able to achieve what the first mover may have failed to is one of the big considerations for determining potential success, says Bold Horizon senior brand strategist Wayne Attwell. "The first mover has done the hard yards, developing the market, learning what works and what is acceptable, usually at considerable financial cost. Market followers simply pick up from an advanced position and have the opportunity to improve on what's already in place." As examples of companies who have used the second-mover advantage and succeeded, he cites Google, which followed long after other search engines such as Yahoo! and Altavista, but which "learned from others and made a better product, [and is now] the market leader by a country mile". Likewise, Facebook was by no means the first player in the social media game, "but through innovation, product differentiation and clever integration into people's social networks and lives has become today's leader".

BioVittoria already had a significant advantage over stevia in terms of its market positioning, Thorrold says. "Having done consumer work, the people working with the first generation of stevia knew there was some consumer resistance to this leaf that no one had ever heard of before." Fruit, on the other hand, doesn't face the same problem. "Fruit being in your food is not unusual... [but] a leaf in your food isn't very common, you drink tea but that's about it, really. And fruit comes with its own connotations that are almost universally positive." It's challenging and costly to create awareness and acceptance of a new product, Attwell says. In some cases "it could be so costly as to crush the company entering, unless they have deep pockets or substantial venture funding". But when a company can follow a trail that's already been blazed, it removes much of that financial burden from the equation.

Of course, when it involves food, taste is perhaps the top priority. Stevia is known for having quite a pronounced aftertaste, an astringent, liquorice-like flavour, which doesn't go down well with some consumers. Fruit-Sweetness, on the other hand, only



Monk fruit

extracts certain sweet compounds out of the monk fruit, so has very little flavour beyond that sweetness, with perhaps a very slight fruity note. So, BioVittoria were able to solve the problems of both consumer resistance and taste that had dogged manufacturers of stevia-based sweeteners. "It was just an easier position for us to start from, in terms of [asking] 'how is the consumer going to respond to this?' knowing nothing about the product."

That's not to say the first-mover advantage is a total myth. eBay was the first online auction site and in many countries remains the major player – with the obvious exception of New Zealand, where Trade Me was the first mover and is still alpha. Microsoft started out as the dominant force in desktop computing and has managed to stay there. And offline, when Nike was formed in 1964, it created a new market for a new product, and is still the world's largest sportswear manufacturer. But, like most things in business, it's not easy, Attwell says. "The entry company will have to aggressively deconstruct and re-invent their product and brand in order to keep one step ahead, constantly innovating and adapting to changing market conditions."

In some ways, BioVittoria is a second mover even to itself. They've been making Fruit-Sweetness, previously called Pure-Lo, since about 2004, and it's now in its third generation. "When we first started making this, it was quite a lot darker-coloured and had a much stronger flavour. It was very sweet, but it had other off-flavours associated with it. So what we've done is make it higher purity, and by making it higher purity we're making it better tasting," Thorrold says. As well, an unsuccessful attempt at listing on the NZX in 2009 has not only given the company some experience in the listing process, almost a practice run for when the global economy improves and the business is larger and therefore more attractive to investors, but it has also forced the company to develop its internal processes to the level required for that. "If we were to list again in the future we wouldn't be going through such a process

of improvement, we're operating at that level now. Certainly if we do end up listing again, it will be a lot easier the second time round."

But in any case, BioVittoria has some exciting times ahead. Now that the company has the crucial "gold seal" of the FDA – who've given it the official "Generally Recognized As Safe" (GRAS) notification – it can get some traction on working with the big food and beverage companies. Just last month the company announced a five-year marketing partnership with global sugar giant Tate and Lyle. Already, Fruit-Sweetness can be found in some smaller products in the US market, and Thorrold hopes that by the end of this year products containing the ingredient will have been launched by larger companies. But New Zealanders won't be seeing Fruit-Sweetness products on the shelves any time soon: "It's a small market and it's quite a long regulatory process." Next, BioVittoria is setting its sights on the European market, which is large, wealthy and, like much of the Western world, interested in natural ingredients.

"The first mover has done the hard yards, developing the market, learning what works and what is acceptable, usually at considerable financial cost. Market followers pick up from an advanced position."

It's clear that business is all about problem-solving, for your own offering and for your customers. That's what BioVittoria has done: it's solved the problems inherent in previous iterations of its own product, and it's solved the food and beverage industry's problems with a natural, calorie-free sweetener. But business is also about looking for advantages and taking them when you find them, and BioVittoria has been there, too. "Without a doubt, our progress has been quicker than it would have been if there had been no stevia before us." ⊕



Wayne Attwell