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COMMENTARY ON "MARKETING MIX REACTIONS TO ENTRY"

SUNIL MEHROTRA

Thomson Consumer Electronics

Professor Robinson's paper is an important contribution to the literature on competitive analysis. From a practitioner's point of view it provides a useful framework for developing a response to a new entrant and for anticipating a competitive response.

Robinson's findings are generally consistent with my experience in three consumer industries—Major Appliances (mature life cycle stage), Consumer Electronics (growth) and Consumer Banking (recently deregulated). Particularly useful is the finding that the scale of entry and industry concentration generally lead to an aggressive response. For example, any new entry by either GE or Whirlpool in major appliances is met with aggressive response from the other. Witness, for example, the "color war" in the early 1980's and the more recent bidding for the acquisition of Roper. Similarly, innovative entries are met with more aggressive response—note, for example, the competitive response to Chase Manhattan Bank's introduction of market-indexed CDs.

It would be interesting to explore two areas further:

- (1) The interaction effects between industry characteristics, incumbent characteristics and innovativeness of the new entry (i.e., would the magnitude of reaction to a less innovative entry from a leader be more aggressive than from a smaller entrant? Would it be similar to an innovative entry from a smaller competitor? Would the magnitude of response be nonlinear?).
- (2) How much of the competitive response is influenced by "qualitative" factors such as competitive rivalry, personalities of the CEOs, and the impact on company image?