The reason why Competitive Advantage (CA) sources are only available to a market leader in serving a customer need segment (or to an alert 2nd or 3rd challenger).

Most CA sources require an initial cost investment to secure them:

- Scale economies involve a fixed cost asset being purchased.
- Scope economies have an up-front cost decision to start a new activity that shares costs.
- Network effect requires a costly investment into developing an initially superior service to attract customers.
- Learning curve can require forfeiting initial sales' profits in order to increase volume to learn from
- (Distribution toll and Switching cost emerge as a result of the above earlier CA investments).

If there was no initial cost investment to secure CA sources, rivals would match the investment and no advantage in delivering superior customer value could be achieved.

CA sources first become 'available' to the market share leader in the customer need segment.

A company with a leading market share unit volume in serving a customer need segment is the first to be able to financially justify investing in a CA source. Because the company's high sales unit volume ensures that it would reach a CA source investment's break-even point (i.e. the volume point when the early loss turns into generating a profit) before rivals with less volume attempting the same purchase.

Similarly, the 'payback period' in years for the investment would be reached sooner (payback in years is the investment cost divided by annual profit). And the Net Present Value of the cash inflows from the CA source after the initial cash outflow is more likely to be positive (i.e. the 'Internal Rate of Return' IRR or RoIC will be above Cost of Capital).

Subsequently the other companies risk lagging behind.

After the company with the leading volume or the 2nd or 3rd largest alert challenger makes the CA source investment, the other companies with (increasingly) fewer sales in that market will have to take greater financial risk in making the same CA source purchase. Risk in being further away from break-even, longer payback, less likely a positive NPV.

Or rivals don't make the investment and offer less customer value and lose sales and increasingly be at a competitive disadvantage. Or they could wait until the cost investment of the CA source comes down in price (e.g. a technology CA source becoming cheaper). Or the market grows sufficiently in size such that inevitable sales volume growth for other companies enables imitating the CA source purchase and nullify the advantage.

For this reason, CA sources first become financially feasible to the company with a leading volume of units sold to that market, or to an alert challenger who is far-sighted enough to recognise the competitive advantage that could be gained.

Example:

A new technology that lowers production cost (a scale economy CA source) is available for £50,000.
The company with a #1, 2 or close 3rd leading share in a customer need market may calculate:

Break-even point at 10,000 units sold (a profit is realised after 10,000 units are sold).
Payback period as 3 years
The net present value of cash inflows leading to a RoIC of 15%.

A company with smaller volume in the need segment may calculate the same investment's break-even at 13,000, payback in 7 years and IRR at 9%.
That calculation could deteriorate if the leading company is able to make the investment now, drive down price (or increase customer utility by transferring the cost saving into adding utility at the same price) and so impact the smaller company's profitability.
Therefore a company with a larger share in serving a need segment is taking less risk in making the investment than a company with less volume share.

Other barriers can prevent rivals from imitating CA sources and matching the customer value.
Alternative mechanisms to preventing rivals from duplicating a CA source and nullifying it can include:

- Causal ambiguity (rivals cannot understand how the customer value is created),
- Legal restrictions (patents, licences),
- Rival immobility (rivals would be undermining their existing structure if they were to imitate investment in the same CA source), and
- Strategic fit (the entire business' activities fitting together in delivering value).

However these inhibitors to rivals imitating can be worked around and so are more likely surmountable, compared to the barrier of leading sales volume share of a need segment (the biggest barrier of all is a clearly dominant share of the need segment; an extension of marginally leading sales volume).