

MODULE 8: DIFFUSION OF INNOVATION

8.1.1 Innovation

8.2.2 Definition and Meaning of i) Diffusion of Innovation ii) Adoption

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8.2.4 Adoption Process

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Introduction:

Faced with a dynamically changing environment, marketers are always with regard to new product development. This could result in modification ranging from slight to moderate to large or the continuum, or even result in totally new product and service offerings. The two questions that face a marketer are, i) whether the modified/new product and service offering would be accepted by the segment(s), and ii) how quickly would the product and service offering be accepted by the segment(s). While the first pertains to what is referred to as diffusion, the second pertains to what is known as adoption. The two concepts, the dynamics and the implications for a marketer are explained in this module.

LESSON 40– DIFFUSION OF INNOVATION II

Instructional Objectives:

After completion of this lesson, the student shall know about:

8.2.5 Factors affecting Diffusion of Innovation/Adoption Process: Triggers and Barriers

8.2.6 The Profile of a Consumer Innovator

8.2.7 Diffusion and Adoption, and the Implications for a Marketer

8.2.5 FACTORS AFFECTING DIFFUSION OF INNOVATION/ADOPTION PROCESS:

The above sections have explained the diffusion and adoption processes in detail; however, the diffusion of innovation and an adoption as a process is not generic; it varies from product to product and or service to service. Some product or service offerings gain quick acceptance, and the diffusion is fast and rapid; for other products and services, the process may be slow and take considerable amount of time. For example, the colour TVs in India took a long time to get diffused, but for the satellite TV, the rate of diffusion was very fast. Also, the cordless telephone took a long time to get diffused into Indian homes, but the cell phone got readily accepted by all and diffusion was very fast. Thus, all products or services that are “new”, do not possess the same ease and potential for consumer acceptance.

Diffusion of innovation and subsequent adoption is impacted by socio-economic, cultural, technological as well as legal factors; it is also impacted by individual determinants like psychological variables and demographics; these are all forces are in most cases “uncontrollable” by the marketer. There are also the more relevant forces, related to the innovative product and /or service which constitute what is called the “controllables”, and which are in the hands of the marketer; these could be in the form of marketing communication or interpersonal communication etc and could be used by the marketer in a manner that facilitate quicker and easier acceptance of the innovative offering. Apart from these, there are also certain characteristics that an innovation possesses that can impact the diffusion and adoption process. Researchers have identified certain factors that can act as triggers and some that can act as barriers to the diffusion and adoption process.

Triggers to the Diffusion of Innovation/Adoption Process:

There are certain product and service characteristics that affect the diffusion process and can influence consumer acceptance of new products and services; the five factors that can impact the diffusion process, and the rate of adoption are relative advantage, compatibility, complexity, trialability, and observability.

a) Relative advantage: The relative advantage of the innovative product/service offering over already existing products/services, accelerates its rate of adoption by the target market. The degree to which customers perceive a new product/service as superior to similar existing products determines the relative advantage. A product/service that provides advantage over other existing products is indicative of being superior to existing alternatives, and thus higher in terms of “value”. The more radical a change, and the higher the relative advantage, the faster would be the diffusion. The relative advantage may lie in terms of it being a modified product (with better features, attributes, benefits, form etc), or at a lower price (better deals, discounts, terms of payment, warranty and exchange), or more accessible in terms of availability (physical store format, or virtual electronic format), or better communication. Thus, while product-based advantages are more attractive in nature, the other components of the marketing mix like price, place and promotion can also provide a basis for relative advantage. Examples of innovations that provide relative advantage are, flash drives versus compact discs, laptops versus computers, or digital libraries versus traditional libraries, ATMs versus bank teller counters.

b) Compatibility: The compatibility of the innovative product and service offering with the existing backgrounds, behavior and lifestyle patterns of consumers also affects its adoption by the consuming public. The compatibility of a product/service measures how closely it relates to needs, value systems and norms, lifestyles, culture etc. The higher the level of compatibility, the quicker the diffusion; and the lower the compatibility, the slower the diffusion. A product will diffuse more quickly if it does not require consumers to change their values, norms, lifestyles, cultures and day to day behaviors. Continuous and dynamically continuous innovations are higher on compatibility than discontinuous innovations. Fast food in the form of pizzas, burgers, noodles etc. took considerable amount of time to get diffused into the Indian society, as it contrasted heavily with the dal roti meal concept. The pace of adoption quickened in the 1990s and more so in the 2000s with the new generation, and their preference towards packaged foods and fast food. Another example that can be mentioned here is, coconut oil as a medium of cooking would be incompatible to people staying in North India. Even if positioned as “healthy and natural cooking medium”, it would be slow to penetrate and may even fail if

launched in North India. The same would penetrate easily in South India, as it is culturally more compatible.

c) Complexity: The level of complexity in a product purchase and usage also affects the diffusion process. An innovative offering would be easily diffused when there is ease of understanding, purchase and use. The easier it is to understand and use a product, the more likely it is to be accepted quickly, and vice versa.

While speaking of complexity, technological complexity acts as a barrier to diffusion. People resist adoption of new products because of fear of complexity in purchase and usage. This is well understood by high tech industries. Let us take the example of the electronic goods industry, eg microwave ovens or vacuum cleaners. While designing their communication, the marketer illustrates ease of use, so as to encourage quicker acceptance; prospects are provided with demos and trials; once purchased, arrangements are made for providing installation at home. Another example is the mobile phone industry; realizing the problem of complexity, simpler models are introduced for those who desire the mobile set just for making and receiving calls and sms'es.

It would be noteworthy to mention here that the youth are more techno savvy and have accepted electronic goods like MP3s and 4s, laptops, I-pods, ATMs etc much faster than the older generation. This is because the former have been able to deal with the complexity with a higher level of comfort than the older generation.

d) Trialability: The ease with which the product or service can be tested and tried also determines the rate of acceptance. The higher the degree of trialability, the greater would be the rate of diffusion. This is because the prospects get an opportunity to try the product/service, assess it and decide to accept/reject it. Trialability can be encouraged by providing free samples, or providing smaller packs and smaller-than-average sizes, (for FMCG and household goods) or even through demos and test-runs (for consumer durables). Consumers could try out the innovative offering, evaluate it and then decide on a purchase commitment by accepting/rejecting it. Trials leading to purchase can be encouraged through guaranty and warranty schemes. Such trials encourage a product/service to be diffused easily.

e) Observability: Observability refers to the ease with which the product can be observed. Observability in an innovative product refers to the degree to which a product/service's benefits can be observed, imagined and perceived by a potential consumer. The higher the degree of observability, the greater the chances of the innovative offering being accepted by the prospects.

Those new product offerings that are i) tangible, ii) have social visibility, and iii) whose benefits are readily observed (without much time gap), are more readily diffused than those that are intangible, or have no social visibility or whose benefits accumulate over long periods of time.

Thus, relative advantage, compatibility, complexity, trialability, and observability have an impact on the rate of diffusion. While all these factors relate to the product, they are dependent on consumer perception. A product/service offering that is relatively superior to existing ones, is more compatible to existing consumption behavior and usage, is less complex, easy to use and observable, is more likely to be purchased quickly by the public, than when it is not.

Barriers to the Diffusion of Innovation/Adoption Process:

There are also certain factors that negatively affect diffusion of innovation and subsequently the adoption process. These barriers have been dealt with extensively by consumer researchers and incorporated even in models on innovation resistance. They could range at the micro level from product characteristics, to the more macro, socio-cultural, economic, situational and technological forces.

While product characteristics like relative advantage, compatibility, trialability, and observability, do boost the rate of diffusion and adoption, perceived complexity in purchase and usage of innovative offerings, retard the process. Innovations could also meet resistance from socio-cultural, economic, situational and technological forces. The innovative offering may not with compatible with social norms, values and lifestyle; or may not go well with the economic strata; or be technologically complex, leading to fear to usage, obsolescence and risk. The basic barriers to the diffusion process and subsequent adoption are as usage, value, risk and psychological factors.

a) Usage: “Usage” as a barrier to innovation diffusion and adoption is said to exist when the social system (the target market) finds it incompatible to the existing usage and consumption behaviors and thus, finds it difficult to accept and use; in other words, they find it to be incompatible with their existing behaviors. The barrier is more psychological, based on deep rooted values, beliefs, attitudes and perception, resultant in such behavior of non-acceptance and non-usage. For example, people are often reluctant to enter into online monetary transactions for fear of loss of privacy and fraud.

Communication from the marketer based on rational and informational may not be sufficient to overcome such a barrier; he would need to use credible spokespersons, celebrities and experts to motivate people to change their existing lifestyle patterns and resultant behavior, and adopt the innovation.

b) Value: Consumers could also resist acceptance of an innovation, as they may feel low about the perceived value; consumers may perceive the new product/service offering to be the same as existing offerings, and “nothing new” or “better in value.” For example, while assessing mobile charges, people compare the post-paid plans with the pre-paid plans in terms of rental as well as call charges, and conclude that the former are cheaper, inspite of rental being high.

The perceived lack of value may be i) the product/service does not provide much benefit over the existing alternatives; ii) the product/service is costly, and doesn't seem to be of worth the price.

Consumers' perception of “high price” always takes over the perception over product value or product benefit; in fact, values is always assessed in terms of price; Also, price is a “catchy” issue than the benefits attached; price appears more tangible, than benefits; and, consumers generally tend to know more quickly about price, than they do about the benefits that the product brings along with it.

c) Risk: Risk also acts as a barrier to diffusion of innovation. Consumers show reluctance to use an innovative product/service offering out of fear of taking risks. There could be six types of risks that a consumer could face, viz., functional risk (would the product perform as expected), physical risk (would the product usage and or consumption pose a threat), social risk (would it cause risk of social embarrassment), financial risk (would the product will be worth the cost), psychological risk (would the innovation hurt consumers' ego), and time risk (would it lead to wastage of time spent while making the purchase).

The perceived risk barrier acts as a big barrier to the diffusion and adoption process; consumers are fearful of purchase, usage and consumption of innovative offerings, and thereby continue to patronize the existing alternatives, rather than adopt new ones (for fear of making a wrong decision).

In order to overcome this problem, the marketers could make use of both marketing communication (via audio-visual or print media, or company salespersons), as well as interpersonal communication (opinion leadership, word-of-mouth communication). Trials (free or discounted) as well as interpersonal communication with peers, colleagues and friends can also encourage personal experience by the consumer and help overcome this risk.

d) Psychological factors: Psychological factors also prevent a consumer from adopting a new product/service offering. These factors relate to a person's background, attitude and belief, perception, values, lifestyles, culture etc. They may find the innovation to be psychologically threatening. The two common threats are i) tradition barrier, and ii) image barrier.

Tradition barrier relates to socio-culturally accepted norms of behavior that are regarded as “right and appropriate,” by the consumer segment. Anything that is new and does not support traditional patterns is regarded as psychologically threatening; this includes usage and adoption of innovative products and services. For example, wearing western outfits is a taboo for women in the Middle East, and as such they would never attempt to wear skirts or trousers. Another example, Kelloggs Cornflakes, found it difficult to penetrate the Indian soil, primarily because it was positioned as a quick breakfast cereal to be had in cold milk, as opposed to the traditional Indian concept of cornflakes or cereal in hot milk.

Image barrier refers to the consumer's attitude and feelings about the product/service offering, the brand, or the dealer, or even the country of origin. It also relates to personality and self image (actual and ideal). Consumers' may resist adoption of new products/services if they are patriotic and ethnocentric; or if they do not regard the innovation or the marketer/dealer to be of their “class” in terms of socio-economic status or even quality. Thus, marketers try to come up with variants in offerings, and have separate names for separate variants depending upon the segment(s) for which they are aimed.

8.2.6 THE PROFILE OF A CONSUMER INNOVATOR:

Not all people are receptive to innovative offerings. People vary in degree with respect to their receptivity towards new product/service offerings. This has been dealt with in the section above, where we have also discussed the categories of innovators. The marketer needs to have an understanding on what constitutes an “innovator”, and what differentiates him from late adopters or non-innovators, so that he can design his marketing mix, and more specifically the promotion mix accordingly. The traits/qualities/ characteristics that differentiate an innovator from a non-innovator, indicate that separate media and message strategy need to be formulated for the two of them. For innovators, the marketer should focus on the print media with informative and rational appeal. On the other hand, for the late adopters and the rest of them, the marketer should focus on the audio-visual media with social and emotional appeals.

As mentioned above, innovators are those consumers' who are the first to go and purchase a new product or service offering; they comprise 2.5 percent of the target market(s) adopters, and they purchase the new product and service offering not because they possess a need, but because they desire new ideas and concepts, and seek product and service innovations. They have the interest and inclination to buy the “new”; and also have the purchasing power and the access to do so. They possess the following traits/qualities/ characteristics:

a) Innovators are not “generic”; they are “specific” to a product and service type. Consumers who are innovators of one product are more likely to be innovators of other new product/service offerings in the same general product category. Hence, they possess *interest in the product category*; those who innovate *within* a specific product category will innovate again within the same product category.

Innovators are desirous of new products/services in a particular category, and so they seek formal information from marketers, and informal information from their peers/friends/colleagues. Because of their interest in the product/service category, their search for information is active and ongoing, followed by deliberation, evaluation and assimilation of information.

b) Consumer innovators are generally younger than late adopters or non-innovators; they have more formal education, occupational status, and higher income and purchasing power. While education facilitates greater awareness, income facilitates a risk bearing ability (as they feel that they can afford to make a mistake).

c) After a while, innovators tend to become *opinion leaders*. Innovators possess a level of interest in the product/service category; they gather information on an ongoing basis, they are the first to purchase the innovative offering, and are a powerful source of information for other consumers. Other consumers like early majority and early adopters and early majority look up to innovators for advice and guidance about the new products/services. The advice given by innovators acts as a major influence, and impacts acceptance/rejection of the innovative offering. The marketer should keep in mind that his offering leads to satisfaction for the innovator; if the innovator is satisfied with the innovation, the product would generate a favorable response from him as an opinion leader, and lead to quicker acceptance by the public.

d) Innovators also possess certain *personality traits*.

- They are *low on dogmatism*, and as such open and willing to try out new products/services and/or brands. They are receptive towards the “new” and “unfamiliar.” Non-innovators, on the other hand are closed, and approach the “new” with considerable anxiety and discomfort.

- They are high on the *need for cognition*. They are *verbalizers*.

- They are *inner-directed*, and decide to take risk with the “new”, relying on their attitudes, perception, values etc. They take independent decisions rather than relying on others, and are self governed. Non-innovators, are other-directed or socially-directed, whose decisions/judgments depend on others; they wait and watch and they decide to go for the “new”.

- While on one hand, innovators tend to inner-directed, they are *socially more accepted and more*

involved than noninnovators. They are accepted by others as “experts”, and thus assume roles as *opinion leaders*.

- They are also *variety novelty seekers*. They are always eager to try out new offerings.
- Innovators happen to be *high on optimum stimulation levels*. They are willing to seek adventure, seek novelty and they enjoy unusual experiences. As a corollary, they enjoy taking risks.
- Innovators are *risk takers*, and are ever willing to take risks. This is because they are low risk perceivers. Perceived risk is a measure of *uncertainty or fear* that a consumer feels with respect to the consequences of a purchase and or usage of a new product. Consumer innovators score low on perceived risk, and they experience little or no fear in trying out the “new”. This is primarily because they are well informed, and possess enough purchasing power. So the likelihood to try new product/service offerings and/or brands is high.
- Innovators also display the quality of *venturesomeness*, which implies the their willingness to accept the risk of purchasing new product/service offerings.
- They also exhibit the need for *novelty and uniqueness*. They want to be the first to try out the “unique”, and also possess it. Thus, they go out and purchase the innovative offering.

e) Innovators also possess certain *purchase, usage and consumption characteristics*, which differentiate them from non-innovators.

- Innovators are *low on brand loyalty*, in fact they are *switchers*. This is quite natural, for if they were brand loyal, they would not have been variety novelty seekers, or venturesome, and would not have been ever willing to try out new products/service offerings.
- They are *deal hunters*; they are always on the look out for good deals, and like to take advantage of promotional offers, like free samples, discounts or small trial packs.
- They are *heavy users of the product/service category*. If a person has an inclination for electronic products, and is the first to go and buy a mobile or the I-pod, it is more than likely that he would also be the first to go and buy the I-pad. This implies that they act as innovators for all products in that particular category.
- As innovators possess special interest in a product category, and want to keep themselves aware and abreast with the latest, *special-interest magazines and journals* have a big role to play in educating them. Marketers need to provide information in such magazines as innovators prefer the *print media* over the audio visual. They gather and process information via central route to persuasion.

8.2.7 DIFFUSION AND ADOPTION, AND THE IMPLICATIONS FOR A MARKETER:

Diffusion of Innovation and Adoption, are important subjects that needs to be addressed by a marketer. While the first pertains to whether the modified/new product and service offering would be accepted by the segment(s), the second pertains to how quickly would the product and service offering be accepted by the segment(s). The marketer needs to understand the dynamics of the two processes, so as to be able to plan his marketing mix and his strategies.

While the initial objective to target the innovators, the early adopters and the early majority cannot be ignored. The various categories of the consumers have to be dealt with separately. While innovators can be lured through rational and logical messages over print media, with fact bearing messages, the rest have to be lured with social and emotional appeals, with emotional messages over the audio visual. The innovators, later on begin to take the role of opinion leaders. They can be used by marketers to their advantage; but this could happen only if the innovators are happy and satisfied with the innovative product/service offering.

The marketer also needs to understand the stages of adoption; and the objective of the marketer should be to first make the consumer aware of the innovative offering, and then elicit a trial that is satisfying. He should help the consumer move through these stages. He could encourage trial through free samples, small packs or even discounts. Once the consumer finds the experience satisfying, he would move towards purchase, and repurchase, and end up being loyal.

REFERENCES FOR FURTHER READING:

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FAQS (FREQUENTLY ASKED QUESTIONS):

Ques 1 Discuss the barriers to the Diffusion of Innovation/Adoption Process.

Ans. There are certain factors that negatively affect diffusion of innovation and subsequently the adoption process. These barriers have been dealt with extensively by consumer researchers and incorporated even in models on innovation resistance. They could range at the micro level from

product characteristics, to the more macro, socio-cultural, economic, situational and technological forces.

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Communication from the marketer based on rational and informational may not be sufficient to overcome such a barrier; he would need to use credible spokespersons, celebrities and experts to motivate people to change their existing lifestyle patterns and resultant behavior, and adopt the innovation.

b) Value: Consumers could also resist acceptance of an innovation, as they may feel low about the perceived value; consumers may perceive the new product/service offering to be the same as existing offerings, and “nothing new” or “better in value.” For example, while assessing mobile charges, people compare the post-paid plans with the pre-paid plans in terms of rental as well as call charges, and conclude that the former are cheaper, inspite of rental being high.

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offerings, and have separate names for separate variants depending upon the segment(s) for which they are aimed.

Ques 2 Write a note on the profile of an Innovator.

Ans Not all people are receptive to innovative offerings. People vary in degree with respect to their receptivity towards new product/service offerings. This has been dealt with in the section above, where we have also discussed the categories of innovators. The marketer needs to have an understanding on what constitutes an “innovator”, and what differentiates him from late adopters or non-innovators, so that he can design his marketing mix, and more specifically the promotion mix accordingly. The traits/qualities/ characteristics that differentiate an innovator from a non-innovator, indicate that separate media and message strategy need to be formulated for the two of them. For innovators, the marketer should focus on the print media with informative and rational appeal. On the other hand, for the late adopters and the rest of them, the marketer should focus on the audio-visual media with social and emotional appeals.

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b) Consumer innovators are generally younger than late adopters or non-innovators; they have more formal education, occupational status, and higher income and purchasing power. While education facilitates greater awareness, income facilitates a risk bearing ability (as they feel that they can afford to make a mistake).

c) After a while, innovators tend to become *opinion leaders*. Innovators possess a level of interest in the product/service category; they gather information on an ongoing basis, they are the first to purchase the innovative offering, and are a powerful source of information for other consumers. Other consumers like early majority and early adopters and early majority look up to innovators for advice and guidance about the new products/services. The advice given by innovators acts as a major influence, and impacts acceptance/rejection of the innovative offering. The marketer should keep in mind that his offering leads to satisfaction for the innovator; if the innovator is satisfied with the innovation, the product would generate a favorable response from him as an opinion leader, and lead to quicker acceptance by the public.

d) Innovators also possess certain *personality traits*.

- They are *low on dogmatism*, and as such open and willing to try out new products/services and/or brands. They are receptive towards the “new” and “unfamiliar.” Non-innovators, on the other hand are closed, and approach the “new” with considerable anxiety and discomfort.
- They are *inner-directed*, and decide to take risk with the “new”, relying on their attitudes, perception, values etc. They take independent decisions rather than relying on others, and are self governed. Non-innovators, are other-directed or socially-directed, whose decisions/judgments depend on others; they wait and watch and they decide to go for the “new”.
- While on one hand, innovators tend to inner-directed, they are *socially more accepted and more involved* than noninnovators. They are accepted by others as “experts”, and thus assume roles as *opinion leaders*.
- They are also *variety novelty seekers*. They like to try out new offerings.
- Innovators happen to be *high on optimum stimulation levels*. They are willing to seek adventure, seek novelty and they enjoy unusual experiences. As a corollary, they enjoy taking risks.
- Innovators are *risk takers*, and are ever willing to take risks. This is because they are low risk perceivers. Perceived risk is a measure of *uncertainty or fear* that a consumer feels with respect to the consequences of a purchase and or usage of a new product. Consumer innovators score low on perceived risk, and they experience little or no fear in trying out the “new”. This is primarily because they are well informed, and possess enough purchasing power. So the likelihood to try new product/service offerings and/or brands is high.
- Innovators also display the quality of *venturesomeness*, which implies the their willingness to accept the risk of purchasing new product/service offerings.
- They also exhibit the need for *novelty and uniqueness*. They want to be the first to try out the “unique”, and also possess it. Thus, they go out and purchase the innovative offering.

e) Innovators also possess certain *purchase, usage and consumption characteristics*, which differentiate them from non-innovators.

- Innovators are *low on brand loyalty*; in fact they are *switchers*. This is quite natural, for if they were brand loyal, they would not have been variety novelty seekers, or venturesome, and would not have been ever willing to try out new products/service offerings.

- They are *deal hunters*; they are always on the look out for good deals, and like to take advantage of promotional offers, like free samples, discounts or small trial packs.

- They are *heavy users of the product/service category*. If a person has an inclination for electronic products, and is the first to go and buy a mobile or the I-pod, it is more than likely that he would also be the first to go and buy the I-pad. This implies that they act as innovators for all products in that particular category.

- As innovators possess special interest in a product category, and want to keep themselves aware and abreast with the latest, *special-interest magazines and journals* have a big role to play in educating them. Marketers need to provide information in such magazines as innovators prefer the *print media* over the audio visual. They gather and process information via central route to persuasion.

Section A True/false:

1. Continuous and dynamically continuous innovations are higher on compatibility than discontinuous innovations.
2. Innovators are “generic” in nature.

Section B Fill up the blanks:

1. The degree to which customers perceive a new product/service as superior to similar existing products determines the _____.
2. The _____ higher/lower the degree of trialability, the greater would be the rate of diffusion.

Section C Multiple choice questions:

1. Innovators possess certain *personality traits*. Which is the trait that they do not possess?
 - a) Low on dogmatism
 - b) High on brand loyalty
 - c) Variety novelty seekers
 - d) Risk takers

2. _____ barrier relates to socio-culturally accepted norms of behavior that are regarded as “right and appropriate,” by the consumer segment.

- a) Social
- b) Tradition
- c) Moral
- d) Ethical

Section D Short answers:

- 1. Mention the five factors that can act as triggers to the diffusion/Adoption process.
- 2. What do you mean by Image Barrier?

KEY

Section A True/false:

- 1. True
- 2. False

Section B Fill up the blanks:

- 1. Relative advantage
- 2. Higher

Section C Multiple choice questions:

- 1. b
- 2. b

Section D Short Answers:

- 1. Relative advantage, compatibility, complexity, trialability, and observability.
 - 2. *Image barrier* refers to the consumer’s attitude and feelings about the product/service offering, the brand, or the dealer, or even the country of origin. It also relates to personality and self image (actual and ideal). Consumers’ may resist adoption of new products/services if they are patriotic and ethnocentric; or if they do not regard the innovation or the marketer/dealer to be of their “class” in terms of socio-economic status or even quality.
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