

Course: Economics of Innovation

Topic: Dissemination of innovations

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Threshold model in consumer demand: when one buys depends on the number of previous buyers



Bandwagon

Status - seeking

To get into the “swim of things”

In order to conform with those they wish to be associated with

In order to be fashionable or stylish

I-phone



I-phone



I-phone



Wii Sports





Wii Sports

Bandwagon



Empty
restaurant

Depend for their
utility on join
consumption
by others

Bandwagon

When services or accessories for one's purchase are more readily and cheaply available the more others have purchased

... and can be a signal of product quality.

Reverse bandwagon



25 de Março
Street/SP

Status - seeking
may require
avoidance or overly
popular products

... and the same product may be subject to both: bandwagon and reverse

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People are unwilling to purchase until some minimum number of others has, but that also becomes less appealing once some maximum number is exceeded

Diffusion of Innovations by Everett Rogers



Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system.

Innovation is any new idea, new behavior, new product, new message i.e., a new thing that one brings to you for your adoption.

Adoption of innovation step process

Knowledge



Person becomes aware of an innovation and has some idea of how it functions

Persuasion



Person forms a favorable or unfavorable attitude toward the innovation

Decision



Person engages in activities that lead to a choice to adopt or reject the innovation

Implementation



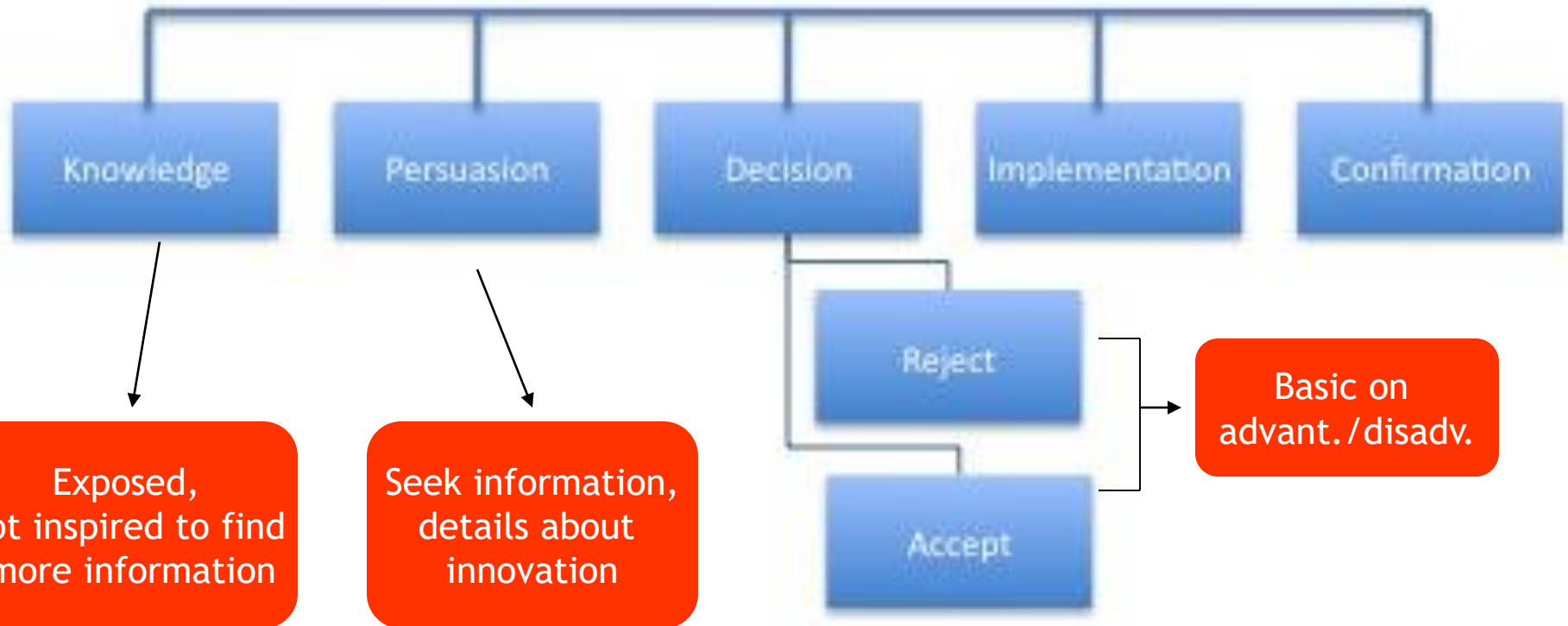
Person puts an innovation into use

Confirmation



Person evaluates the results of an innovation-decision already made

Five Stages in the Decision Innovation Process



Adoption of innovation over time



Innovations do not spread equally over different society segments (social groups) but through 5 stages with particular profile of reaction

5 particular profile

Innovators	→	Adopt new ideas (technologies, concepts, and behaviors in early stages
Early Adopters	→	Still have some traits of innovation (risk concern)
Early Majority	→	First sign of diffusion
Late Majority	→	Delay its adoption, must be clearly its advantages
Laggards	→	Mature implementation and risks involved are smaller

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Affecting the diffusion of an innovation



Powerful way for change agents to affect the diffusion of an innovation is to affect opinion leader attitudes.

Persuading opinion leaders is the easiest way to foment positive attitudes toward an innovation.

Leaders have the knowledge and the social skill to start word-of-mouth epidemics

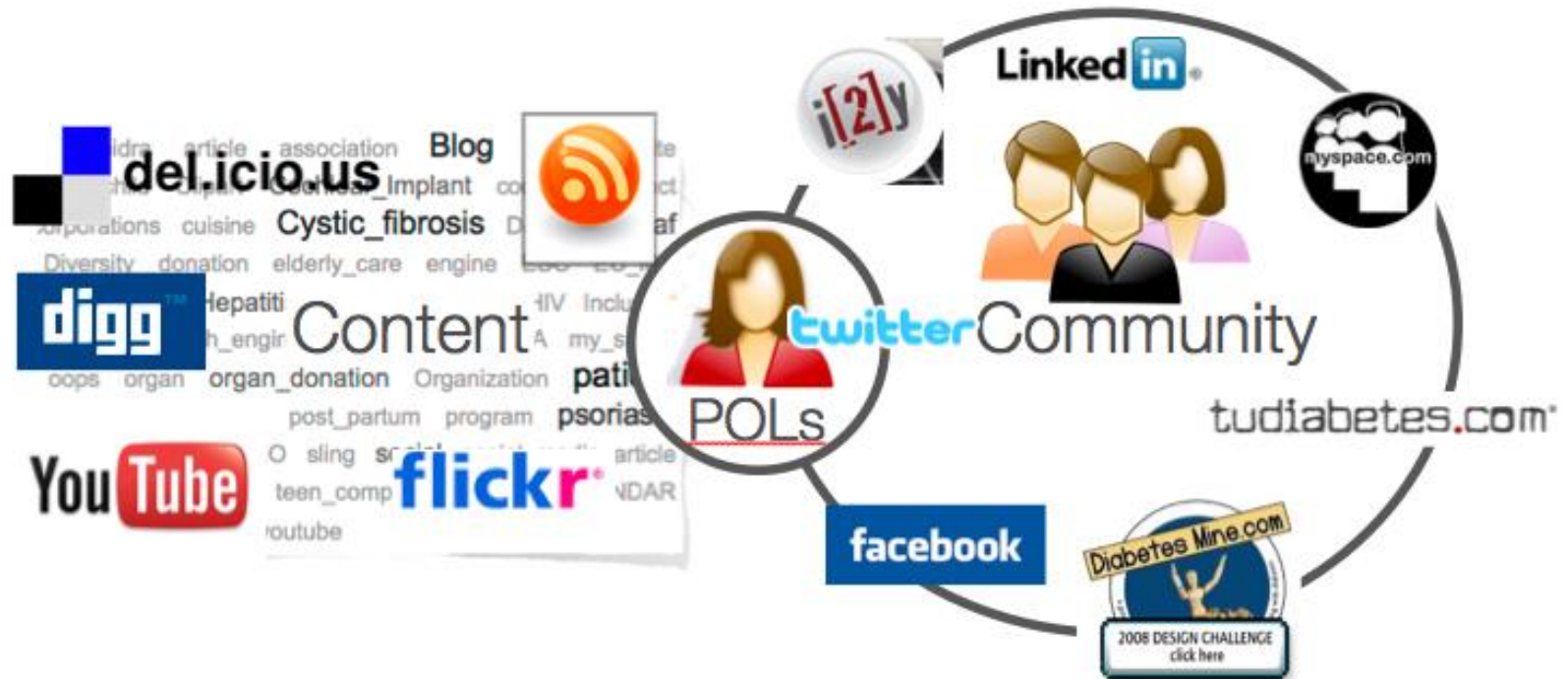
Early adopter is the leader



If innovators are marketers target, Early adopter has influence power to what becomes a market success.

Challenge for Marketing: how to find these types that are so valuable? its identity depends on the type of product or service?

Find the leader in Cyberspace



“Clicks” analysis helps to unravel diffusion *

Social networking

(word-of-mouth about
innovation)

E-mails

“Searcher”

Innovators

Early Adopters

Late Majority

“Tipping Point” concept *

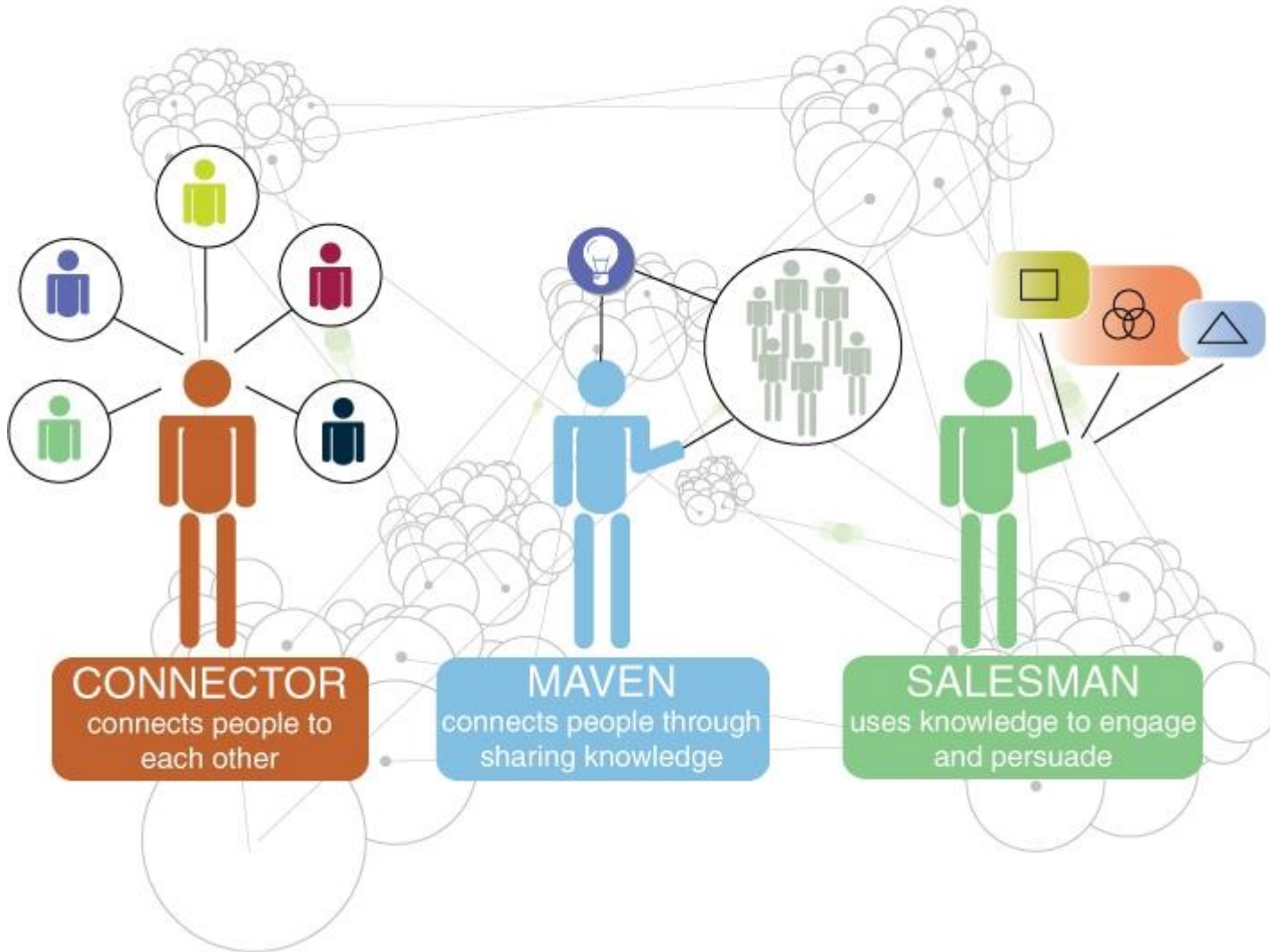


Ideas and products and messages and behaviors spread just like viruses do.

The change happens not gradually but at one dramatic moment, called “Tipping Point” (the message makes an impact) .

“Tipping Point” concept *

The Tipping Point + The Social Media Network



Rogers model evolution

*“Rate of
Adoption”*



Regardless the “experts” opinion, individual before making a decision takes into account the function that indicates how much he can lose with that decision

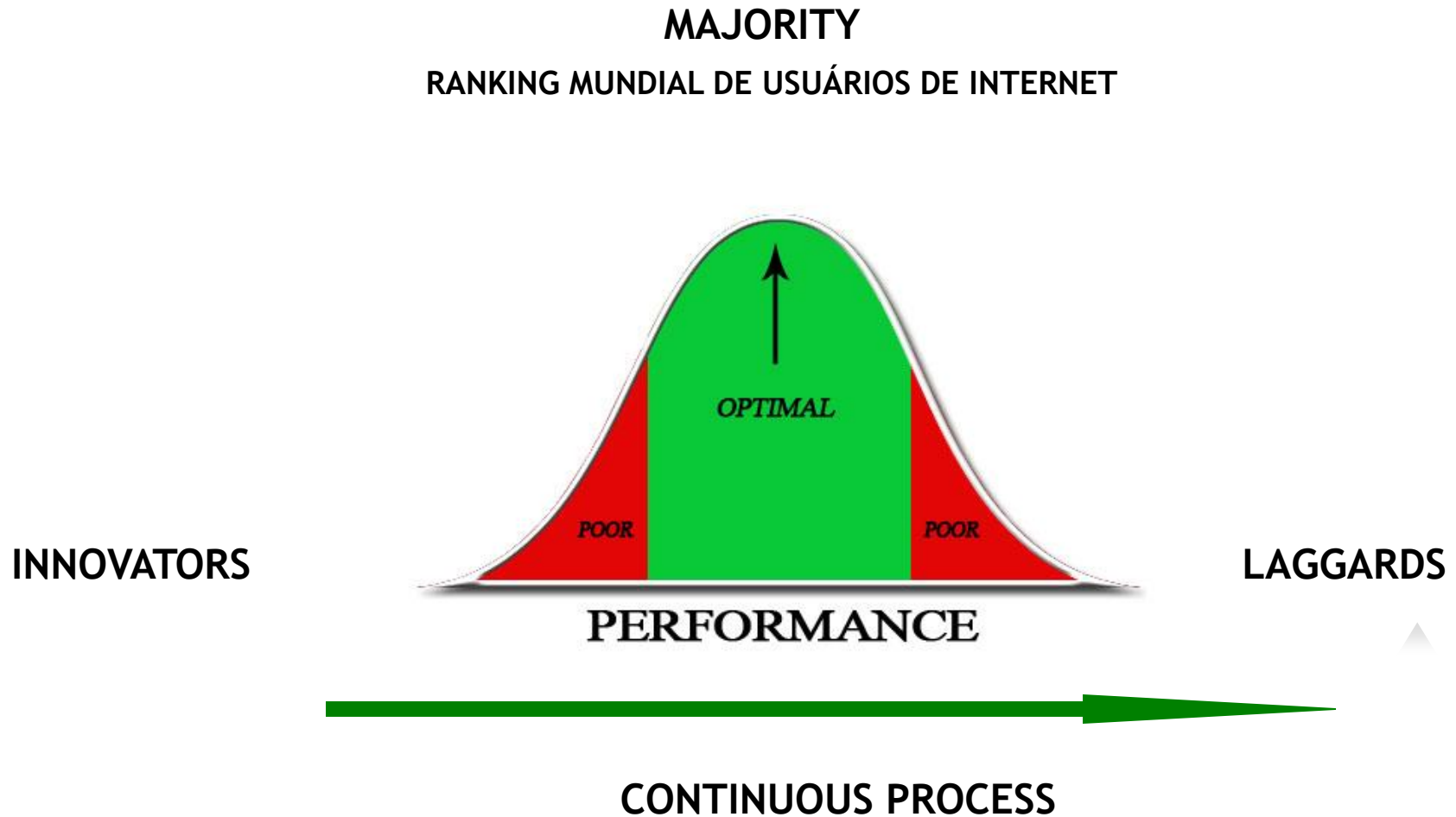
integrating
profiles



There is a huge range of different behaviors between each profile described (continuous model)



Innovation processes follow a normal distribution curve



5 critical factors influencing innovation diffusion

Relative advantage



Adoption probability grows if innovation has clear advantages for product, service or current behavior

Compatibility



The more innovation is consistent with pre-existing higher the adoption probability

Complexity of transition



Complex changes involved in innovation, reduce adoption likelihood

Possibility of testing



A chance to try an innovation before making a final decision increase adoption likelihood

Visibility of benefits



The more obvious innovation benefits the greater adoption likelihood

Market Liberalisation

- Convergence of international legislation and increasing liberalisation, such as the global movement towards a homogenised international financial reporting standard via the International Accounting Standards Board, is considered a double-edged sword for many KIBS.
- In London, they are considered to generate new opportunities but also increase market competition.
- As many of the KIBS firms in Helsinki are relatively small in size, international expansion opportunities for many firms is not considered feasible, with a number of firms expressing a fear that incoming international KIBS will force domestic concerns out of the market.

New Technology

- New technology is also a major driver of change in the KIBS sector.
- In Helsinki, the digitisation and commoditisation of KIBS has been a lever of new forms of collaboration such as between accounting and software service firms.
- In London larger legal firms are investing in sophisticated customer relationship management (CRM) systems and business management systems.
- Despite digital delivery, interviewees stressed that the creative processes underlying innovation within knowledge-intensive activities cannot be automated.

Human Capital

- A number of firms noted difficulties in recruiting and retaining skilled workers with both specialist and generic business skills due to the high level of competitiveness within the regional labour market.
- KIBS are using more flexible staffing models culminating in a leaner workforce, with the recruitment of fewer MBA graduates and a preference instead for graduates with more 'real world'.
- In London, firms have often put in place an open recruitment process allowing talent to emerge from around the globe.

Clustering, Networks, and Innovation Systems in Helsinki

- As KIBS develop they are increasingly likely to form part of the knowledge infrastructure of regional, national and international innovation systems, complementing the role traditionally played by university and government research institutions.
- The existence and utilisation of knowledge networks within Helsinki are an important element of the functioning of the regional KIBS sector, with a wide variety of formal and informal networks.
- Most of Finland's largest firms are headquartered within the region, and it is therefore crucial for many KIBS that they have communication with these firms.
- Many of the networks involving KIBS in Helsinki are built informally across common locations.
- For example, the Innopolis incubator in the Espoo area, near to Nokia's headquarters, houses a range of technology and KIBS-based firms that have developed informal links that have resulted in new business development as well as other positive spillovers.

Reference and source

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