

Course title: Digital Strategy and Action

Continual Innovation

Dr. Shakhlo Ergasheva

Diffusion

- ▶ In consumer behavior terms, refers to research on the consumer acceptance of new products and services
- ▶ Involves understanding two closely related processes:
- ▶ **Diffusion:** a *macro* process concerned with the spread of a new product--an innovation--from its source to the consuming public
- ▶ **Adoption:** the *micro* process concerned with the stages the consumer goes through in deciding to accept or reject a new product

The diffusion process

- ▶ Diffusion is the process by which
 - ▶ the acceptance of an innovation--a new product, service, idea or practice
 - ▶ **is** spread by communication--mass media, salespeople, or word-of-mouth
 - ▶ to members of a social system--target market
 - ▶ over a period of time

► Four basic elements of the diffusion process:

1. The innovation
2. The channel of communication
3. The social system
4. Time

1. The innovation

- ▶ Innovation takes many forms
- ▶ There is no universally accepted definition of the terms *product innovation* or *new product*
- ▶ Instead, approaches to define the term have taken place within certain contexts:
 - ▶ Firm-oriented definitions
 - ▶ Market-oriented definitions
 - ▶ Consumer-oriented definitions
 - ▶ Product-oriented definitions

Product-oriented definitions

- ▶ This approach focuses on the *features* inherent in the product itself and the effects these features are likely to have on consumers' established usage patterns
- ▶ Robertson identified three types of product innovations:
 - ▶ Continuous innovation
 - ▶ Dynamically continuous innovation
 - ▶ Discontinuous innovation

Continuous innovation

- ▶ Introduction of a *modified* product rather than a totally new product
- ▶ Little or no change in technology
- ▶ Has the least disruptive influence on established usage patterns
- ▶ *Symbolic innovations* tend to be continuous

Dynamically continuous innovation

- ▶ May involve a new product or modification of an existing product
- ▶ *Some* technical advances
- ▶ Still does not disrupt or alter consumer buying and usage patterns

Discontinuous innovation

- ▶ Introduction of a *pioneering* product
- ▶ Involves a *major* technological advance
- ▶ Consumers must learn new behavior patterns
- ▶ May be difficult to market initially
- ▶ Is rare

Product characteristics that influence diffusion

- ▶ Not all new products meet with immediate success
- ▶ No precise formula marketers can use to predict how consumers will react to their products

- ▶ Researchers have identified five characteristics that *appear* to influence consumer acceptance
 1. Relative advantage
 2. Compatibility
 3. Complexity
 4. Trialability
 5. Observability

Relative advantage

- ▶ The degree to which potential consumers perceive a new product is *superior* to existing substitutes

Compatibility

- ▶ The degree to which potential consumers feel a new product is *consistent with* their present needs, values and practices

Complexity

- ▶ The degree to which a new product is difficult to understand or use

Trialability

- ▶ The degree to which a new product is *capable of being tried* on a limited basis

Observability

- ▶ The ease with which a product's benefits or attributes can be *observed*, *imagined* or *described* to potential consumers

2. Channel of communication

- ▶ *Speed* with which an innovation spreads through the market depends in great part on communications
 - ▶ Between the marketer and consumer
 - ▶ Between consumers (word-of-mouth)
- ▶ In recent years a number of new channels of communication have been developed

3. The social system

- ▶ The *physical, social, or cultural environment* to which people belong and within which they function
- ▶ Members of a social system have at least one characteristic in common that makes them potential buyers of a particular product
- ▶ The *values* and *norms* of a social system will influence the acceptance or rejection of new products

- ▶ Three characteristics of a social system influence spread of new products
 1. The degree of compatibility between innovation and values of members
 2. Homogeneity of members
 3. Across cultures, depends on social similarity of the cultures

4. Time

- ▶ Time relates to diffusion in three ways:
 1. Amount of purchase time
 2. Adopter categories
 3. Rate of adoption

1. Purchase time

- ▶ Refers to the amount of time that elapses between a consumer's *initial awareness* of a new product or service and the point at which he or she purchases or rejects it
- ▶ Important because is a predictor of the overall length of time it will take for the product to achieve widespread adoption

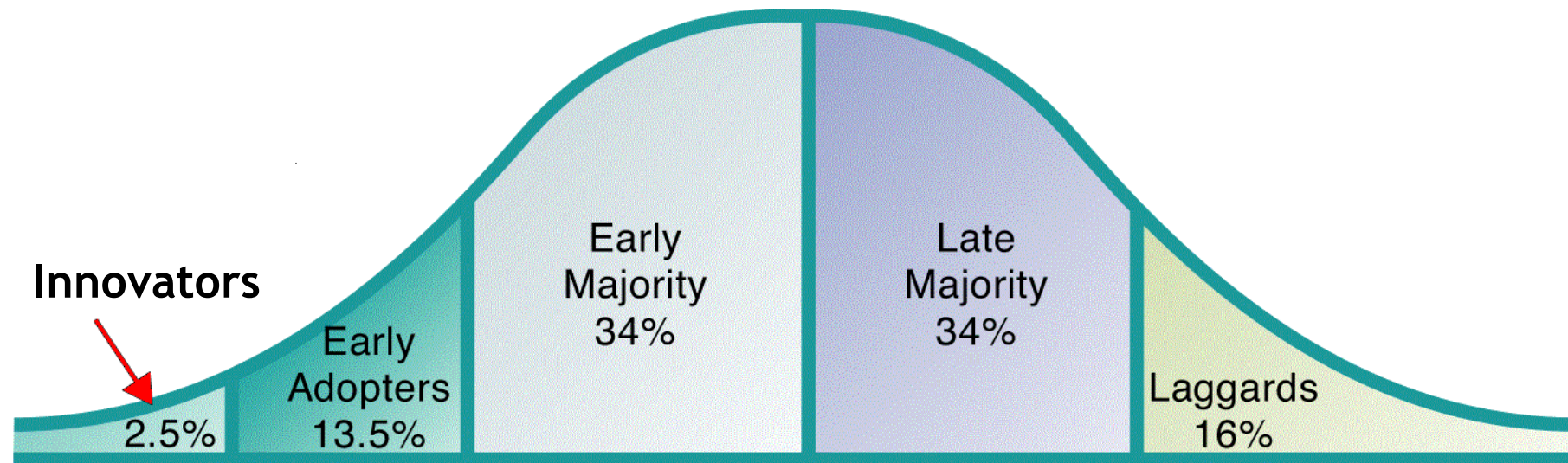
2. Adopter categories

- ▶ Involve a classification scheme that indicates where a consumer stands relative to other consumers in terms of when they adopt a new product (i.e., time)
- ▶ Five categories identified in research:
 1. Innovators
 2. Early adopters
 3. Early majority
 4. Late majority
 5. Laggards

Opinion leaders

- ▶ Opinion leaders are most likely to be found among the *early adopters* category
- ▶ Opinion leadership is the process by which one person--the opinion leader--*informally* influences the actions or attitudes of others
- ▶ The key characteristic is that it takes place between two *individuals*, neither of whom represents a commercial selling source and is thus considered more reliable

Time and the Adopter Categories

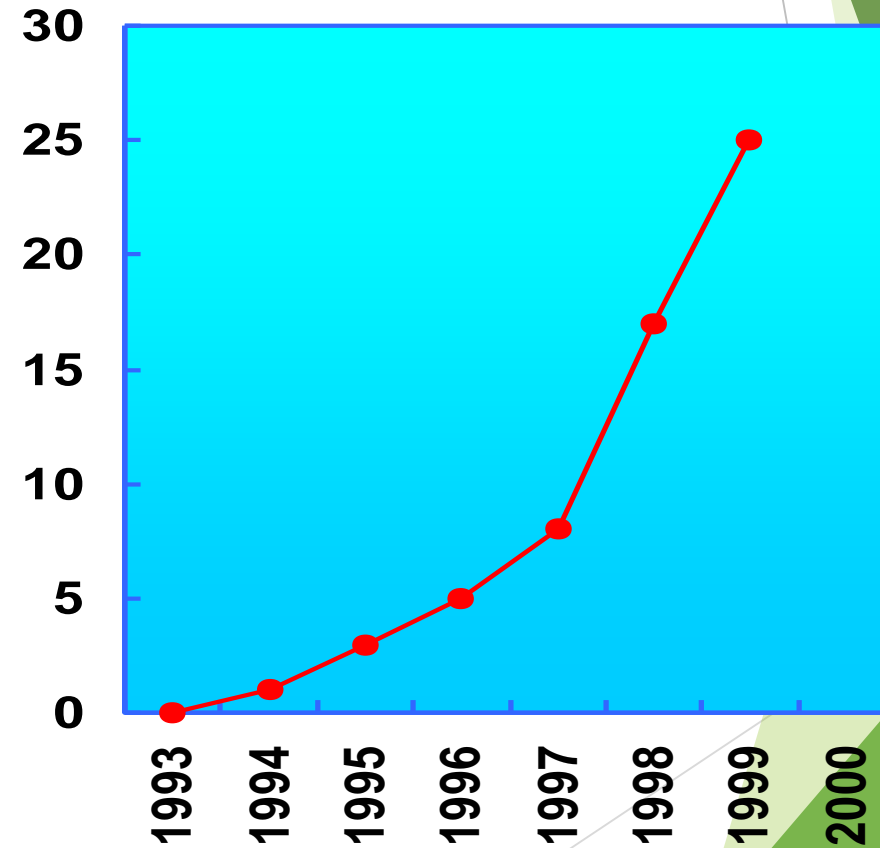


Adopter Categories Based on Innovativeness

The S-Shaped Diffusion Curve

A pattern of market acceptance for an innovation that begins slow, then accelerates, and finally slows-down.

The S-Shaped Diffusion Curve for Beanie Babies



3. Rate of adoption

- ▶ How long it takes a new product or service to be adopted by members of a social system
- ▶ Rate of adoption generally is becoming *faster*
- ▶ Diffusion of products *worldwide* is becoming more rapid as well
- ▶ Marketers generally desire as fast a rate of adoption as possible in order to dominate a market before competitors enter

“Skimming”

- ▶ Sometimes marketers don't seek a rapid rate of adoption
- ▶ Making the product available at a very high price to consumers who are willing to pay top dollar, then gradually lowering the price over time for additional segments of the market
- ▶ Permits manufacturers to recover development costs more quickly

The adoption process

- ▶ Series of stages the consumer moves through in arriving at a decision to purchase or reject a new product
- ▶ Five stages include
 1. Knowledge/awareness
 2. Persuasion/interest
 3. Decision/evaluation
 4. Implementation/trial
 5. Confirmation/adoption (rejection)

Resistance to adoption

- ▶ Researchers have identified five factors that may result in consumers' failure to adopt a new product
 1. Value barriers
 2. Usage barriers
 3. Risk barriers
 4. Tradition barriers
 5. Image barriers

The Stages in the Adoption Process

NAME OF STAGE	WHAT HAPPENS DURING THIS STAGE	EXAMPLE
Awareness	Consumer is first exposed to the product innovation.	David sees an ad for a new digital camera in the newspaper.
Interest	Consumer is interested in the product and searches for additional information.	David reads about the camera on the manufacturer's Web site, ad then goes to a camera store near his office and has a salesman show him the camera.
Evaluation	Consumer decides whether or not to believe that this product or service will satisfy the need--a kind of "mental trial."	After talking with a knowledgeable friend, David decides that his camera should be able to provide him with the photos he needs to use in PowerPoint presentations. He also likes the fact that it uses "standard" floppy disks for storage.

The Stages in the Adoption Process

NAME OF STAGE	WHAT HAPPENS DURING THIS STAGE	EXAMPLE
Trial	Consumer uses the product on a limited basis	Since camera cannot be “tried” like a small bottle of a new shampoo, David buys the camera from a dealer offering a 14-day full refund policy.
Adoption (Rejection)	If trial is favorable, consumer decides to use the product on a full, rather than a limited basis--if unfavorable, the consumer decides to reject it.	David finds that the camera is easy to use and the results are excellent; consequently, he keeps the digital camera.

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