



Diffusion of Innovation

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MKT 6310 - Consumer Behavior

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Diffusion of Innovation Theory

Definitions:

Innovation:

the constitution of a new product, idea or practice adopted by people as a behavioral change.

Not perceived to be mechanically or technologically driven.

Diffusion of Innovation:

process through which innovation is introduced to potential market.

Markets can be attributed to different types according to their respective time of adoption.

Diffusion of Innovation Theory

- Diffusion of Innovation Theory was developed in 1962 by Everett M. Rogers.
- It explained how, over time, an idea or product diffuses (spreads) through a population or social system.
- It is built on the idea that all consumers are different and their willingness to accept new products and services vary.
- Goal is to persuade consumers to try out new products, services or ideas.
- End result is that people as a part of a social system adopt a new product, idea or behavior.
- Key to successful adoption is that consumers must perceive the product, idea or behavior as “new” or “innovative”.

Classification of Innovation



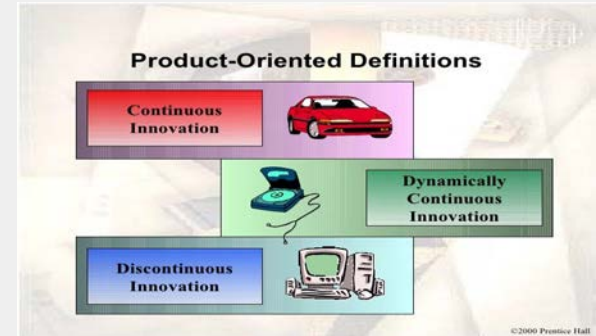
Market Oriented

When the product is introduced as in accordance to the needs of target customers in the market fulfilling the needs and spread in terms of sales for a company, innovation is market oriented.



Firm Oriented

Product is new to the firm. In such a case, a new product should be produced by an organization attempting to reach new market with the consideration of need.



Product Oriented

Developing a new product to meet the needs of its target customers to actually feel the innovative idea or concept in product.

Product Oriented Innovations

Discontinuous

- Game changing products/services
- Market changing innovations
- Competition shaping innovations

Dynamically Continuous

- Between Discontinuous and Continuous
- Drastic but NOT too drastic
- Changes are NOT marginal

Continuous

- Already existing products
- Marginal changes to products/services
- Not as Drastic as Discontinuous

Product Oriented Innovations



Continuous

Dynamically
Continuous



Discontinuous



The Elements of Diffusion

Innovation

Anything that is perceived as new

Social System

It refers to the cultural, physical & social boundaries, norms and leadership to which people belong and function within.

Communication Channel

The marketers must decide the means by which the information about the product will reach individuals.

Time

Time an individual is made aware about that product to accepting or rejecting a product.

Adopters

Individuals or organizations.

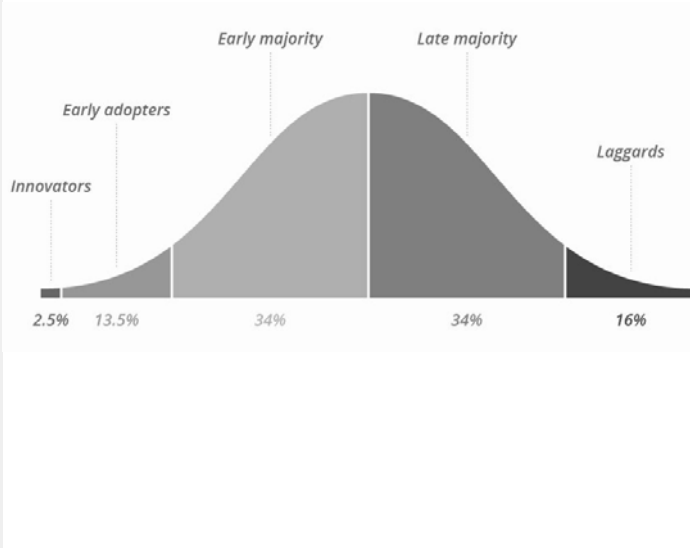
Diffusion vs. Adoption



Diffusion



Adoption



Adopter Categories

Innovators

- Love to adopt new technology or ideas simply because they are new
- Tend to take more risks
- Most venturesome

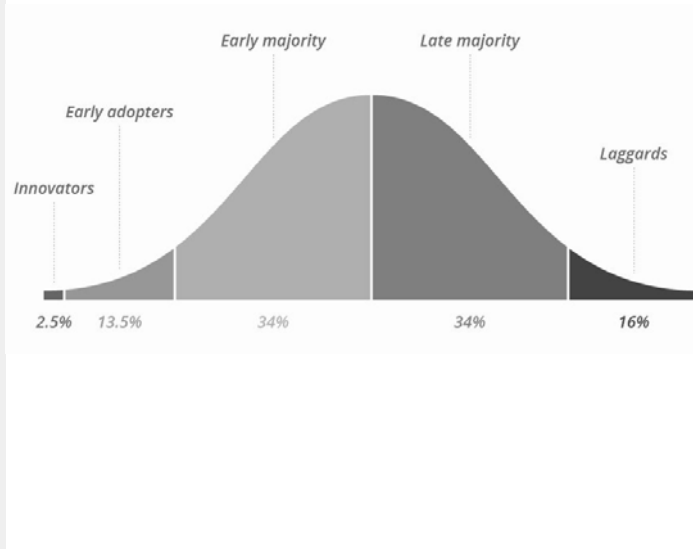
Marketing Strategy

- Private events
- Innovators often keep up with the latest technologies and companies without needing to be advertised to

Examples

- Consumers that know about products before they gain momentum
- Consumers that take risks knowing that there is a good chance of failure
- Venture capitalists

Adopter Categories



Early Adopters

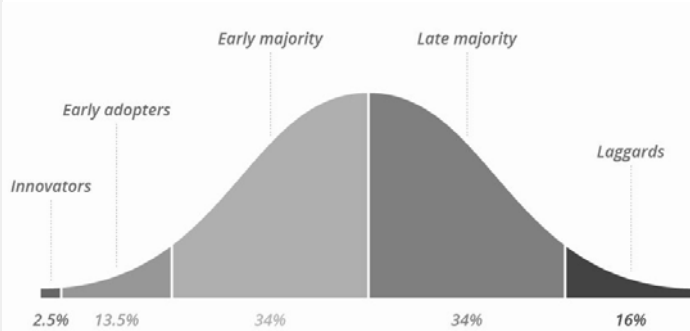
- Tends to create opinions that create trends
- Concerned about their reputation being ahead of the curve
- Companies rely on early adopters to provide feedback about product deficiencies and to cover the cost of the product's research and development

Marketing Strategy

- Company outreach
- Ambassador/sponsorship programs targeting key influencers

Examples

- Influencers
- Bloggers



Early Majority

- If an idea or innovation comes to this group, it is widely adopted fairly quickly
- Tend to be less technologically educated than innovators but are willing to take a chance on new products
- Group makes decisions based on practical benefits over “coolness”

Marketing Strategy

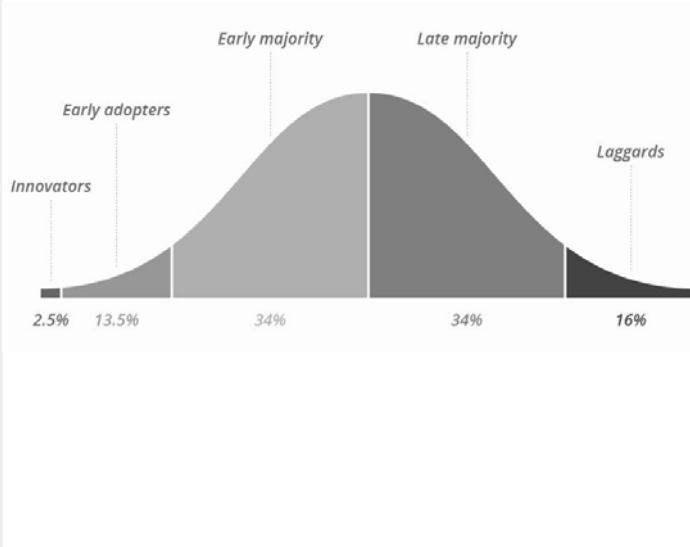
- Mass media

Examples

- Usually higher than average social status
- Online “followers” of the early adopters
- People using cloud services

Adopter Categories

Adopter Categories



Late Majority

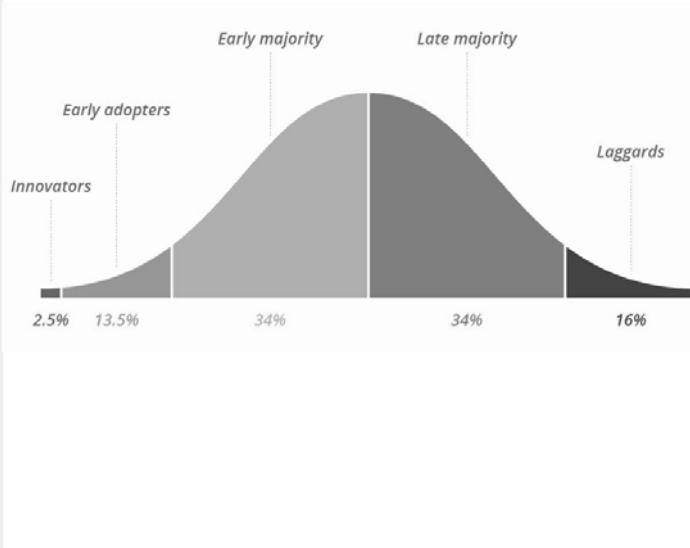
- Shares some characteristics with early majority
- More cautious before committing
- Need more assistance as they adopt
- Usually gets the biggest price discount to entice them to buy after the early majority has all bought in

Marketing Strategy

- Promotional advertising
- Word of mouth promotions
- Discounted pricing

Examples

- Usually lower than average social status
- Wait for the hype of the Instant Pot to die down and for early majority to buy it so that they can purchase when Instant Pot runs a discount and they know/trust that it is worth the investment



Adopter Categories

Laggards

- Slow to adopt new ideas or technology
- Sometimes only adopt when they are forced to or because everyone else has already

Marketing Strategy

- Not usually worth marketing efforts because they are not interested in adapting

Examples

- Older people who know about new technology from younger people in their life, but still have no interest in purchasing or changing
- Grandparent that doesn't want a cellphone

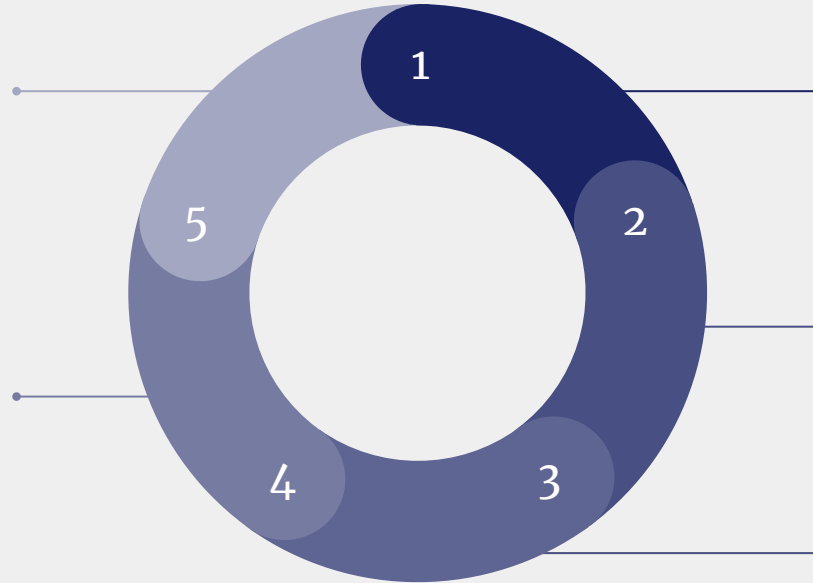
The Adoption Process

Adoption

- Decides to adopt/purchase
- Solution to their problem

Trial

- Tries innovation for the first time
- Strengthens / changes their thoughts on it from evaluations stage



Awareness

- Exposed to the innovation from ads, relatives, friends, etc.
- They don't give a lot of attention to it.

Interest

- Looks for info in their own time
- More receptive to receiving info about the innovation

Evaluation

- Has information collected
- Analyzes information collected
- Compares/contrast alternatives or substitutions

Factors Affecting Adoption

Relative Advantage

how improved a innovation is when compared to substitutes/previous versions

Compatibility

How the innovation fits into the consumer's life

Complexity

How difficult it is to use the innovation

1

2

3

Factors Affecting Adoption

Trialability

How easily can consumers try the innovation

Observability

The benefits of using the innovation are visible

Other Factors

Aggressive Marketing
Timing

4

5



Limitations to Diffusion of Innovation

1. Cultural Differences
2. Economic Differences
3. Individual Perspective Differences
4. Adopters may fail to observe benefits in the new product
5. Social norms can outweigh innovative ideas
6. Theory provides a road map but doesn't guarantee success

Diffusion of Innovation: Case Studies & Real World Examples



Apple: The Most Innovative Company

“An iPod, a phone, an internet mobile communicator... These are not three separate devices!” Steve Jobs (2007)

- Apple was able to figure out what consumers wanted and designed products to meet their needs.
- First iPod launched in Oct 2001 had a mechanical scroll wheel and was the size of a deck of cards.
- First iPhone was released in June 2007 and went on to become Apple's signature product.
- It was a cellphone, iPod and mobile internet combined into one device.
- iPhone was the first smartphone to have a full touchscreen and no physical keyboard.
- Innovative user interface enabled consumers to use iPhone with minimal instructions.
- Consumers can try out products in Apple store before deciding whether to purchase it or not.



Flexible Modular Scheduling at Troy High School



- In 1965, Troy High School adopted “flexible modular scheduling” developed at Stanford University.
- It divides school day into 24 teaching modules of 15 minutes each.
- These modules can be combined into class periods of 45, 60 and 90 minutes.
- Students were responsible for how they utilize their school hours.
- Each of the ninety courses at Troy School had to be redesigned by the teachers.
- Attendance went down drastically and parents began to complain about children skipping classes.
- The school board voted to discontinue computer scheduling in 1970.

Why did computer scheduling fail at Troy School?

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NOT an element of
diffusion?**

- A. Communication Channel
- B. Time
- C. Social Systems
- D. Evaluation

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- B. Dynamically Discontinuous
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Which of these measures how easily a consumer can see the benefits of using an innovation?

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Thank you

Questions?