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Title: Opinion Leadership & Diffusion of Innovations.

Academic Script

Introduction:

This session deals with opinion leadership. In some cases, the Opinion Leader just likes to talk and discuss about a product or service category. In other cases, prior to a purchase, people could approach an Opinion Leader and request him for information and advice about the product category and/or about brands.

In this session we will explore the profile of opinion leader. Opinion Leaders provide both favorable and unfavorable information about product and service offerings and/or brands, and this adds to their credibility.

This session deals with the dynamic processes that impact consumers' acceptance of new products and services. In this session we will explore factors that encourage and discourage acceptance or rejection of new products and services.

In this process students will learn about adoption process. This process consists of the different states: awareness, comprehension, attitude, legitimating, trial, and adoption.

Students will also learn about profile of consumer innovators with context to interest in the product category, personality traits, purchase and consumption characteristics etc.

1. Opinion leaders and opinion receivers/seekers:

Opinion Leader:

One of those people, who indulge in informal product related communication, usually provides information about a product or product category, whether it would be useful to buy, how it would be used etc. He would also offer advice as to which of several brands is the best and from where it should be bought. This person is known as the Opinion Leader and the process is known as Opinion Leadership.

Opinion Receivers:

In some cases, the Opinion Leader just likes to talk and discuss about a product or service category. He voluntarily provides information about the product and product category and/or about brands. The people who form the audience and listen to him are called Opinion Receivers.

Opinion Seekers:

In other cases, prior to a purchase, people could approach an Opinion Leader and request him for information and advice about the product category and/or about brands. That is, the Opinion Leader would provide information only when asked for. In such cases, the persons (audience/or the receiver of information) are known as Opinion Seekers. Individuals who on their own seek information and advice about products and brands are called Opinion Seekers.

Two-way exchange of information: Both, opinion leaders and opinion receivers/seekers interact with each other. Opinion leaders provide the receivers/seekers with product information, advice, and relate to them their experiences. In return for this, they gather more information, personal opinion and personal experiences from the receivers/seekers.

1.1 Dynamics of opinion leadership process:

The Opinion Leadership process is highly dynamic in nature.

Opinion Leaders communicate informally about product and service offerings and/or brands. They offer product information and advice, and narrate experiences. They are not generic in nature; they are specific to a product category, and an expert in one product category would not be an expert for another product category. Thus, a person may be an Opinion Leader for a product category and an Opinion Receiver for another.

Opinion Leaders provide both positive and negative information:

Opinion Leaders provide both favorable and unfavorable information about product and service offerings and/or brands, and this adds to their credibility. Compared to positive and neutral information and/or evaluation, the impact of negative information and/or evaluation is much greater and has a bigger impact on Opinion Receivers/Seekers. Thus, they would avoid such product and service offerings and/or brands that are spoken negatively by Opinion Leaders.

Opinion Leaders are influential and persuasive:

Opinion Leaders are highly influential and very effective at persuading people around them. They are credible informal sources of product knowledge, information and advice. People look up to them for advice and they are good at influencing the former because of the following:

1. They are regarded as subject experts, i.e. it is believed that opinion leaders are knowledgeable and experienced about a product or service category.
2. Since, they receive no monetary compensation, their information, advice, opinion and experiences about a product or service category, are perceived as genuine, objective and unbiased.
3. They are thought to have no selfish, ulterior or hidden motives, and this adds to their credibility (unlike a marketer who wants to make a sale) because they have no self-interest, their advice is regarded as being in the best interests of others (potential and actual consumers).

Opinion Leaders are not generic in nature:

They are specific to a product or service category, and possess expertise and specialization in it. Because of the in depth knowledge they have about the product category, people approach them for information and advice for that product or service category.

Opinion Leaders could also become Opinion Receivers/Seekers:

As explained above, Opinion Leaders are category specific. They are experts in one product/service category, and act as Opinion Leaders. However, when it comes to another product/service category, they may become Opinion Receivers/Seekers. They may even seek information from people to whom they had given information earlier about another product category. Thus, the roles may get reversed from Opinion Leaders to Opinion Receivers/Seekers in the context of other product/service categories.

Sometimes a person may become an Opinion Receiver/Seeker for the same product also. This is when he is in a product-related conversation/discussion with a Opinion Receiver/Seeker who is more informed, enlightened and updated with information product knowledge. This information then adds to the Opinion Leaders' knowledge database in his memory (adds to his associated network).

1.2 Motives behind opinion leadership:

Both Opinion Leaders and Opinion Receivers/seekers have their own reasons for providing information and receiving/seeking product information and advice.

- Opinion Leaders give product related information and advice sometimes voluntarily on their own and sometimes when are approached and asked for.
- Similarly Opinion Receivers/Seekers request for information or listen with patience to all that the Opinion Leader has to say. There are various reasons as to why such communication exchange takes place between Opinion Leaders and Opinion Receivers/Seekers, be they relatives, friends, acquaintances or even strangers. Some of the reasons why Opinion Leaders provide information and why Opinion Receivers/Seekers receive or seek information and advice are discussed below.
- These explain the motives behind the Opinion Leadership process.

i) Why do Opinion Leaders provide information?

- Opinion Leaders like to give product news, provide expert advice and also love to share their experiences with others. This is because they are involved and interested in a product or service category, and love to talk about it (product involvement).
- Word Of Mouth communication gives them an opportunity to talk about their interests to others. Further they may feel so positively and favorably or negatively and unfavorably about a product and/or brand that they feel like telling about it to others (product involvement, self involvement and social involvement)
- As they possess knowledge, expertise and experience with a product category, they feel important and powerful when people approach them for information and advice. It confers upon them a sense of superiority or special status over others. They take pride in providing information and advice (self gratification, power and pride). They also feel that others to whom they have given information and advice on new products or services have bought them because of them.

- Opinion Leaders may be also trying to reduce their own level of post-purchase cognitive dissonance (self-interest).
- Interestingly true, many provide information as(a) they may be wanting to try out a new product or service offering after someone else buys and uses it first; or (b) they may themselves be trying to reassure themselves of their own purchase decision by recommending it to others; and (c) they may be dissatisfied with a purchase and like to complain about the purchase of the product and service and/or brand and/or company and/or store from where it has been purchased.

ii) Why do Opinion Receiver/Seekers request for information?

- Opinion Receivers/Seekers gather information so that they can make the right purchase decision, with respect to the right product and service offering, the right brand, at the right price, from the right store and at the right time. Especially in cases of high involvement products, a person may be less knowledgeable and less involved and can take advice from someone who is more experienced and knowledgeable for that product category.
- They obtain information about new-product or new-usage.
- It reduces the physical and cognitive effort that the Opinion Receivers/Seekers has to take to gather information, evaluate alternatives and take the right decision. They also save on time required to gain information about product and the varying brands.
- Product knowledge and advice reduces the level of uncertainty associated with a purchase. It helps them reduce the perceived risk as they are able to gain product and/or brand knowledge from experts, who are also many a times innovators and first-time users of the product.
- People also turn to Opinion Leaders so as to confirm their purchase decisions. This is particularly true for high involvement products, as also for products that need social approval and/or match social class and social status.

2.Profile of opinion leadership:

Characteristics of opinion leaders:

Characteristics of Opinion Leaders is helpful to marketers so that they can target their marketing efforts, particularly their promotional efforts and their communication programme at all such consumers.

Consumer researchers and market practitioners have successfully identified traits and characteristics of Opinion Leaders, and developed their profile. Such traits and characteristics are discussed as follows:

- i) Opinion leaders possess high levels of involvement and interest in a specific product or service category. They gather information from various sources (print, electronic and audio visual, internet and websites etc.) about product development, and are updated about information. They have greater interest for exposure to media and news specifically relevant to their subject areas of interest and specialization.
- ii) They are subject experts and have tremendous knowledge about the specific product or service category. They are well-informed about product attributes and features, benefits and utility, knowledge about brands, price and availability. Because of their knowledge and expertise, people turn to them for advice. They are authority figures and provide information, advice and narrate experiences to Opinion Receiver/Seekers.
- iii) Opinion Leadership could tend to overlap across certain combinations of interest areas, i.e., Opinion leaders in one product category can often be Opinion Leaders in related areas, like kitchen ware and household goods, fashion apparel and cosmetics, computers and mobiles, tourism and travel.
- iv) In most cases, Opinion Leaders are also consumer innovators. Because of their interest in a product or service category, they have a tendency to purchase a new product offering as soon as it is launched in the market.
- v) Opinion Leaders also possess certain personal characteristics; by nature, they are self-confident and gregarious. Because of the knowledge and experience that they possess, they are self-confident. They are extroverts and sociable by nature, who enjoy being in company of others, love talking to others and provide them with product news and advice and share their experiences.

3.Frequency, overlap and situational environment:

The question of whether generalized opinion leaders exist for a wide variety products as opposed to specialized opinion leaders for each product has been a subject of much debate. There is moderate opinion leadership overlap across product categories, that is, general opinion leaders do appear to exist to some extent.

4. Application to marketing strategy:

Opinion Leadership and Marketing Strategy:

The study of informal interpersonal communication, particularly through Opinion Leadership holds relevance for a marketer. The Opinion Leader provides product news, advice and experience to Opinion Receivers/Seekers

(potential consumers). This reduces the latter's physical and cognitive effort associated with the purchase decision making process. It also reduces their level of perceived risk.

Leaders are regarded as credible sources of WOM (word of mouth) communication. They also successfully exert tremendous amount of influence on consumers' choice and preferences as also the actual purchase activity. Thus, the study of Opinion Leadership holds relevance for a marketer.

As Opinion Leaders act as a vital link between marketers and consumers, the marketers should concern themselves with the identification of Opinion Leaders, as also the identification of those who have the potential to become Opinion Leaders. For this they need to have an understanding of the traits and characteristics that make up an Opinion Leader for a type of product or service category.

Marketers would provide them with information about the product and product category, about the brand, about the usage, its benefit and utility etc. They would also tell them about the various attributes and features, the price and the availability. Once such people (Opinion Leaders or those who have the potential to become Opinion Leaders) are exposed with such a message, they would "carry around the word" to the masses, by talking about it to others in their social group. This would make the job easier for a marketer.

Marketers often attempt to encourage Opinion Leadership through their marketing strategies:

1. Through schemes like "share your experiences", "tell others that you like our brand", etc., marketers encourage consumers to discuss their experiences with others (eg. Electronic goods etc).

2. Through showing advertisements that portray product/service informal discussions about products/services amongst people (eg. health drinks, skin and hair care products etc.).

It needs to be mentioned here that word of mouth communication is difficult to manage and control. When a person is satisfied with the purchase of a product and/or brand, he would speak in favor of it.

On the other hand, when he is dissatisfied with the purchase and the usage, he would speak unfavorably about it to others. Similarly, Opinion Leaders provide information that could be both favorable and unfavorable to a product or service category and/or brand. To counter this, marketers are desirous of handling customer relations in a better manner, and have introduced help lines and toll free numbers.

5. Diffusion of innovation process:

Diffusion

Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. Diffusion is a special type of communication concerned with the spread of messages that are perceived as new ideas.

An innovation

An innovation, simply put, is “an idea perceived as new by the individual.” An innovation is an idea, practice, or object that is perceived as new by an individual or other unit of adoption. The characteristics of an innovation, as perceived by the members of a social system, determine its rate of adoption.

There are three types of product innovations:

1.A continuous innovation:

Innovations come in different degrees. A continuous innovation includes slight improvements over time. Very little usually changes from year to year in automobiles and even automobiles of the 1990s are driven much the same way that automobiles of the 1950 were driven.

2. A Dynamically continuous innovation:

A *dynamically continuous* innovation involves some change in technology, although the product is used much the same way that its predecessors were used—e.g., jet versus propeller aircraft.

3. *Discontinuous* innovation:

A *discontinuous* innovation involves a product that fundamentally changes the way that things are done—e.g., the fax and photocopiers. In general, discontinuous innovations are more difficult to market since greater changes are required in the way things are done, but the rewards are also often significant.

The diffusion of innovation refers to the tendency of new products

Many firms today rely increasingly on new products for a large part of their sales. New products can be new in several ways. They can be new to the *market*—no one else ever made a product like this before.

The diffusion of innovation refers to the tendency of new products, practices, or ideas to spread among people. Usually, when new products or ideas come about, they are only adopted by a small group of people initially; later, many innovations spread to other people.

The four main elements in the diffusion of new ideas are:

(1) The innovation

(2) Communication channels

(3) Time

(4) The social system (context)

1 The Innovation

The innovation, to spread and be adopted should show, the characteristics which determine an innovation's rate of adoption are:

(1) Relative advantage:The degree to which potential customers perceive a new product as superior to existing substitutes.

(2) Compatibility:The degree to which potential consumers feel a new product is consistent with their present needs, value and practices.

(3) Complexity:The degree to which a new product is difficult to understand or use.

(4) Trial ability:The degree to which a new product is capable of being tried on a limited basis.

(5) Observability to those people within the social system:

The degree to which a new product's benefits or attributes can be observed, imagined or described to potential consumers.

2. Communication

Communication is the process by which participants create and share information with one another in order to reach a mutual understanding.

A communication channel is the means by which messages get from one individual to another. Mass media channels are more effective in creating knowledge of innovations, whereas interpersonal channels are more effective in forming and changing attitudes toward a new idea, and thus in influencing the decision to adopt or

reject a new idea. Most individuals evaluate an innovation, not on the basis of scientific research by experts, but through the subjective evaluations of near-peers who have adopted the innovation.

3. Time

The time dimension is involved in diffusion in three ways.

The first way, time is involved in the innovation-decision process. The innovationdecision process is the mental process through which an individual (or other decisionmaking unit) passes from first knowledge of an innovation to forming an attitude toward the innovation, to a decision to adopt or reject, to implementation of the new idea, and to confirmation of this decision. An individual seeks information at various stages in the innovation-decision process in order to decrease uncertainty about an innovation's expected consequences.

3.2 - The second way in which time is involved in diffusion is in the innovativeness of an individual or other unit of adoption. Innovativeness is the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than other members of a social system. There are five adopter categories, or classifications of the members of a social system on the basis on their innovativeness:

- (1) Innovators
- (2) Early adopters
- (3) Early majority
- (4) Late majority
- (5) Laggards

3.3 - The third way in which time is involved in diffusion is in rate of adoption. The rate of adoption is the relative speed with which an innovation is adopted by members of a social system. The rate of adoption is usually measured as the number of members of the system that adopt the innovation in a given time period. As shown previously, an innovation's rate of adoption is influenced by the five perceived attributes of an innovation.

4. The social system

The fourth main element in the diffusion of new ideas is the social system. A social system is defined as a set of interrelated units that are engaged in joint problem-solving to accomplish a common goal. The members or units of a social system may be individuals, informal groups, organizations, and/or subsystems.

The social system constitutes a boundary within which an innovation diffuses. How the system's social structure affects diffusion has been studied. A second area of research involved how norms affect diffusion. Norms are the established behavior patterns for the members of a social system.

A third area of research has had to do with opinion leadership, the degree to which an individual is able to influence informally other individuals' attitudes or overt behavior in a desired way with relative frequency. A change agent is an individual who attempts to influence clients' innovation-decisions in a direction that is deemed desirable by a change agency.

Adopter categories:

<u>Categories</u>	<u>Definition</u>
Innovators	Innovators are willing to take risks, have the highest social status, have financial liquidity, are social and have closest contact to scientific sources and interaction with other innovators. Their risk tolerance allows them to adopt technologies that may ultimately fail. Financial resources help absorb these failures
Early Adopter	These individuals have the highest degree of opinion leadership among the adopter categories. Early adopters have a higher social status, financial liquidity, advanced education and are more socially forward than late adopters. They are more discreet in adoption choices than innovators. They use judicious choice of adoption to help them maintain a central communication position
Early Majority	They adopt an innovation after a varying degree of time that is significantly longer than the innovators and early adopters. Early Majority have above average social status, contact with early adopters and seldom hold positions of opinion leadership in a system
Late Majority	They adopt an innovation after the average participant. These individuals approach an innovation with a high degree of skepticism and after the majority of society has adopted the innovation. Late Majority are typically skeptical about an innovation, have below average social status,

	little financial liquidity, in contact with others in late majority and early majority and little opinion leadership.
Laggards	They are the last to adopt an innovation. Unlike some of the previous categories, individuals in this category show little to no opinion leadership. These individuals typically have an aversion to change-agents. Laggards typically tend to be focused on "traditions", lowest social status, lowest financial liquidity, oldest among adopters, and in contact with only family and close friends.

6. Adoption process:

The acceptance and continued use of a product or brand by an individual is referred to as adoption, although there are differing views about when this happens. This model consists of the following states:

Awareness: At this stage the potential adopter finds out about the existence of a product but has very little information and no well-formed attitudes about it.

Comprehension: This stage represents the consumer's having knowledge and understanding of what the product is and can do.

Attitude: Here, consumer develops favorable or unfavorable behavioral predispositions towards the product. Termination of the adoption process is likely at this stage if attitudes are not favorable toward the product.

Legitimation: Here the consumers become convinced that the product should be adopted. This stage is predicted upon favorable attitudes toward the innovation and the consumer may use information already gathered as well as additional information in order to reach a decision.

Trial: If possible, the consumer tests or tries the product to determine its utility. Trial may take place cognitively, that is whereby the individual vicariously uses the product in a hypothetical situation or it may be actually used in a limited or total way, depending on the innovation's nature.

Adoption: At this stage the consumer determines whether or not to use the product in a full scale way. Continued purchase and/ or use of the item fulfill the adoption process.

7. Profile of consumer innovators:

■ Interest in the Product Category:

Consumer innovators are more likely than noninnovators to seek information concerning their specific interests from a variety of informal and mass media sources. They are more likely to give greater deliberation to the purchase of new products or services in their areas of interest than noninnovators.

■ **The Innovator is an Opinion Leader:**

When innovators are enthusiastic about new products and encourage others try to it, the product is likely to receive broader and quicker acceptance. When consumer's innovators are dissatisfied with a new product and discourage others from trying it, its acceptance will be severely limited, and it may die a quick death.

■ **Personality Traits:**

Personality traits are distinguishing the consumer innovator from the non-innovators. Consumer innovators generally are less dogmatic than non-innovators. They tend to approach new or unfamiliar products with considerable openness and little anxiety.

■ **Purchase and consumption characteristics:**

Consumer innovators possess purchase and usage traits that set them apart from non-innovators. For example consumer innovators are fewer brands loyal; that is, they are more apt to switch brands.

Consumer innovators are more likely to be deal prone (to take advantage of special promotional offers such as free samples and cash less coupons) they are also likely to be heavy users of the product category in which they innovate specifically, they purchase larger quantities and consume more of the product than noninnovators.

■ **Media Habits:**

Consumer innovators are also less likely to watch television than non-innovators. Consumer innovators have higher than average magazine exposure and lower than average TV exposure.

■ **Social Characteristics:**

Consumer innovators are more socially accepted and socially involved than non-innovators. This greater social acceptance and involvement of consumer innovators may help explain why they function as effective opinion leaders.

■ **Demographic Characteristics:**

Consumer innovators tend to be younger than either late adopters or non-innovators. This is no doubt because many of the products selected for research attention are particularly attractive to younger consumers.

Summary:

The diffusion and adoption process are two closely related concepts concerned with the acceptance of new products by consumers. The diffusion process is a macro process that focuses on the spread of an innovation from its source to the consuming public.

The definition of the term innovation can be firm oriented , product oriented, a continuous innovation discontinuous innovation, dynamically innovation.

Five product characteristics influence the consumers' acceptance of a new product: relative advantage, compatibility, complexity, trailability and observability.

Time is an integral consideration in the diffusion process. The five adopter categories are innovator, early adopters, early majority, late majority and laggards.

Consumer research has identified a number of consumer- related characteristics, including product interest, opinion leadership, personality factors, purchase and consumption traits, media habits, social characteristics and demographic variables that distinguish consumer innovators from later adopters.