CONSUMER RECEPTIVITY TO INNOVATIONS: INDIVIDUAL, PEER-GROUP AND COUNTRY-LEVEL EFFECTS

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Principal Topic

An innovation is only as good as a consumer’s confidence in it. More often than not, an individual’s demand for and confidence in an innovation has been measured using the dispositional approach wherein it is the degree of an individual’s eagerness to engage with new product or service or his perception of benefit that the product or service has to offer are what become the sole drivers of an individual’s confidence in an innovation. In this paper, we draw upon sociological theories of social norms and look at the regulatory influence of an individual’s peer-group’s perception of an innovation on the individual’s confidence in that innovation. Thus, the paper intends to contribute towards explanations of individual-level innovation confidence by highlighting the socially contextualized aspects of adoption and diffusion of innovation.

Method

Using Global Entrepreneurship Monitor (GEM), we formed an initial database of over 25,000 individual-level observations from 47 countries from 2007-2010. We used this dataset to form an individuals’ peer-group based upon country, age category, level of education and household income. The individuals were thus distributed over 1,600 groups with each group representing a peer-group, making this study a multi-level analysis with the individual at level-1 and the peer-group at level-2. The arithmetic mean of three items measuring individual-level innovation confidence – “likely to buy”; “likely to try” and; “likely to improve life” - yielded our dependent variable of individual’s innovation confidence. Three peer-group variables of innovation confidence were formulated by the taking the mean of all individual-level responses on the three items mentioned above within each peer-group. We make a major methodological contribution in this paper by performing a multi-level random-intercept outcome analysis which examined the influence of peer-group confidence in an innovation on the individual’s confidence in that innovation.

Results and Implications

In this paper, we hypothesize that peer-group norms of likely to try, likely to buy and likely to improve life will be positively associated with the individual’s innovation confidence. We also hypothesize that peer-group level communal value (obtained from tradrat) will be positively affect individual-level innovation confidence. Our findings have implications that suggest that interactions amongst similar others and their perception and acceptance of an innovation is an important predictor of innovation adoption by the individual.

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