



Antecedents and consequences of innate willingness to pay for innovations: Understanding motivations and consumer preferences of prospective early adopters



Björn Frank ^{a,*}, Takao Enkawa ^b, Shane J. Schvaneveldt ^c, Boris Herbas Torrico ^d

^a Sophia University, Graduate School of Global Environmental Studies, 2-1520, 7-1 Kioi-cho, Chiyoda-ku, Tokyo 102-8554, Japan

^b Tokyo Institute of Technology, Department of Industrial Engineering and Management, W9, 2-12-1 O-okayama, Meguro-ku, Tokyo 152-8552, Japan

^c Weber State University, Goddard School of Business and Economics, 3713 Edvalson St Dept 3802, Ogden, UT 84408-3802, USA

^d Bolivian Catholic University San Pablo, Department of Industrial Engineering, M. Marquez Street and Jorge Trigo Andia Park, Tupuraya, Cochabamba, Bolivia

ARTICLE INFO

Article history:

Received 29 October 2013

Received in revised form 24 June 2015

Accepted 25 June 2015

Available online xxxx

Keywords:

Product innovation

Consumer technology adoption

Consumer innovativeness

Quality management

Willingness to pay

Customer satisfaction

ABSTRACT

Managers use knowledge of innate consumer innovativeness (inherent interest in new products and services) to adapt the marketing mix to preferences of the consumers most likely to adopt new products/services. As mere interest in new products/services may not sufficiently characterize early adopters in contexts with price differences between established and innovative, new products/services, this article introduces the concept of innate willingness to pay for innovations (IWTPi). Based on data from Germany, Indonesia, Bolivia, USA, and Japan, it tests hypotheses about the antecedents to IWTPi, the moderating effects of IWTPi on the formation of customer satisfaction, and their differences between products and services. IWTPi tends to be positively influenced by income (satisfaction), financial expectations, and importance of status symbols and negatively influenced by female gender, savings orientation, and stress avoidance. These effects are moderated by cultural and economic factors. IWTPi positively moderates the effects of perceived quality (only for products, not services), competitive advantages, public brand image, and social recognition and negatively moderates the effect of perceived value on customer satisfaction. These results inform managers on how to adapt marketing strategy to early vs. late adopters in different country and industry contexts with price differences between established and innovative, new products/services.

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1. Introduction

As a key driver of organizational success, innovation is one of the most important issues in business research today (Bartels and Reinders, 2011). The role of innovation has been explored on both the supply and demand sides of the economy. This research deals with the demand-side topic of innate consumer innovativeness, which concerns an inherent interest in innovations (Bartels and Reinders, 2011; Hoffmann and Soye, 2010). While not all consumers with an interest in innovations convert into early adopters of every innovative new product or service, innate consumer innovativeness is an antecedent of early adoption and considered useful by scholars and practitioners alike (Cotte and Wood, 2004; Donthu and Garcia, 1999; Im et al., 2003; Shannon and Mandhachitara, 2008; Steenkamp and Burgess, 2002). Managers use knowledge of needs and behavioral patterns associated with innate consumer innovativeness to adapt the marketing mix to innovative consumers and launch new products and services more successfully (Hoffmann and Soye, 2010). However, interest alone

(i.e., innate consumer innovativeness) is not sufficient for characterizing early adopters when there are price differences between established and innovative, new products and services. In such cases, an enhanced willingness to pay constitutes an additional precondition for purchase. This precondition commonly arises in contexts where the benefits of new products and services come at the expense of higher initial prices caused by temporary monopolies for innovations or by higher production costs at early stages of the product life cycle (Homburg et al., 2013). It also arises when the purchase of new products requires consumers to discontinue the use of older, still functioning products. Consequently, many consumers interested in innovations are unwilling to actually pay the price premium necessary for purchase, and instead limit themselves to free activities such as window shopping, file sharing, test driving, or playing with gadgets in stores (Giesler and Pohlmann, 2003). In order to better understand potential early adopters in such situations, we introduce the concept of innate willingness to pay for innovations (IWTPi), which describes a general disposition to pay price premiums for the latest innovations.

Innate consumer innovativeness is an antecedent of IWTPi because consumers need a motivational force as a prerequisite to giving up

* Corresponding author.

financial resources (Blanchard, 2006). In turn, IWTP is an antecedent of early adoption because the purchase of most innovations requires enhanced willingness to pay. Therefore, IWTP partially mediates the influence of innate consumer innovativeness on early adoption. This indirect, mediated effect can be expected to be pronounced in contexts with perceptible price differences between established and innovative, new products. In such contexts, only the subset of consumers whose innate consumer innovativeness translates into high IWTP is relevant to managers, and IWTP consequently is more useful than innate consumer innovativeness in identifying and understanding prospective early adopters. While the literature has studied innate consumer innovativeness, our research aims to address the gap in analogous knowledge of consumer-specific antecedents and consumption-specific consequences of IWTP.

Fig. 1 presents our conceptual framework, research questions (RQ), and hypotheses. RQ1 deals with the consumer-specific antecedents of IWTP, which have not yet been explored by the literature. Such knowledge would help managers identify consumers with a high likelihood of buying expensive innovations. We posit that IWTP varies by the financial value which consumers with different demographic profiles and personalities attach to innovations. Also, we posit that it varies by financial aspects such as current income, expected income, and spending habits. RQ2 asks how the importance of these antecedents varies across countries with different cultural values and levels of economic development. Knowledge of such moderating effects is grounded in the cultural and economic dependency of consumer values identified by international marketing (Abulaiti et al., 2011), and could guide firms in differentiating product launch strategies internationally. RQ3 focuses on consequences of IWTP for consumer preference structures, which we conceptualize as the relative importance of different aspects of products, services, and brands in the formation of customer satisfaction (Frank et al., 2012, 2013). That is, we describe consumers as having a strong [weak] preference for something that contributes strongly [weakly] to their satisfaction and as lacking preference for something that does not contribute to their satisfaction. We predict that IWTP moderates the formation of customer satisfaction, which is influenced by perceived quality, perceived value, pre-purchase quality expectations, perceived competitive advantages, public brand image, and social recognition, as has been shown by the cross-contextually valid

American and European Customer Satisfaction Indices and context-specific studies (Fornell et al., 1996; Frank, 2012; Frank et al., 2013; Johnson et al., 2001). Knowledge of such consequences of IWTP would inform managers on what is necessary to sell industry-specific innovations to early adopters in order to initiate the diffusion process. As consumer preferences are contingent upon industry context (Frank et al., 2014a), RQ4 asks whether these consequences of IWTP differ between products and services. Such knowledge would guide marketers in tailoring the product launch strategy to the specific industry context. Of further note, IWTP is conceptualized as an innate, consumer-specific trait, rather than as a trait specific to concrete purchase situations. Consequently, product-specific price information would be relevant to the study of consumption-specific consequences of IWTP, rather than consumer-specific antecedents.

We will investigate these research questions with consumer data from ten industries in Germany (developed; Western culture) and Indonesia (developing; Asian Islamic culture). When analyzing the antecedents of IWTP, we will further use data from Bolivia (developing; Western culture), USA (developed; Western culture), and Japan (developed; Asian culture) to examine the generalizability of our results related to RQ1 and to benefit from greater cross-country variance in cultural and economic conditions when addressing RQ2.

2. Development of hypotheses

This section will present our hypotheses about the antecedents to IWTP, the moderating effects of IWTP on the formation of customer satisfaction, and their differences between products and services (see Fig. 1). As IWTP incorporates the concepts of innate consumer innovativeness and willingness to pay, we will draw on arguments and results from these research areas to develop our hypotheses. Bartels and Reinders (2011) and Hoffmann and Soye (2010) provide good reviews of this literature.

2.1. Consumer-specific antecedents to IWTP

Theoretical framework: demography, resources, and values as drivers of behavior. The literature on the antecedents of consumer innovativeness and early adoption tends to focus on variables that mainly belong to one of three groups: demography, financial resources, and values.

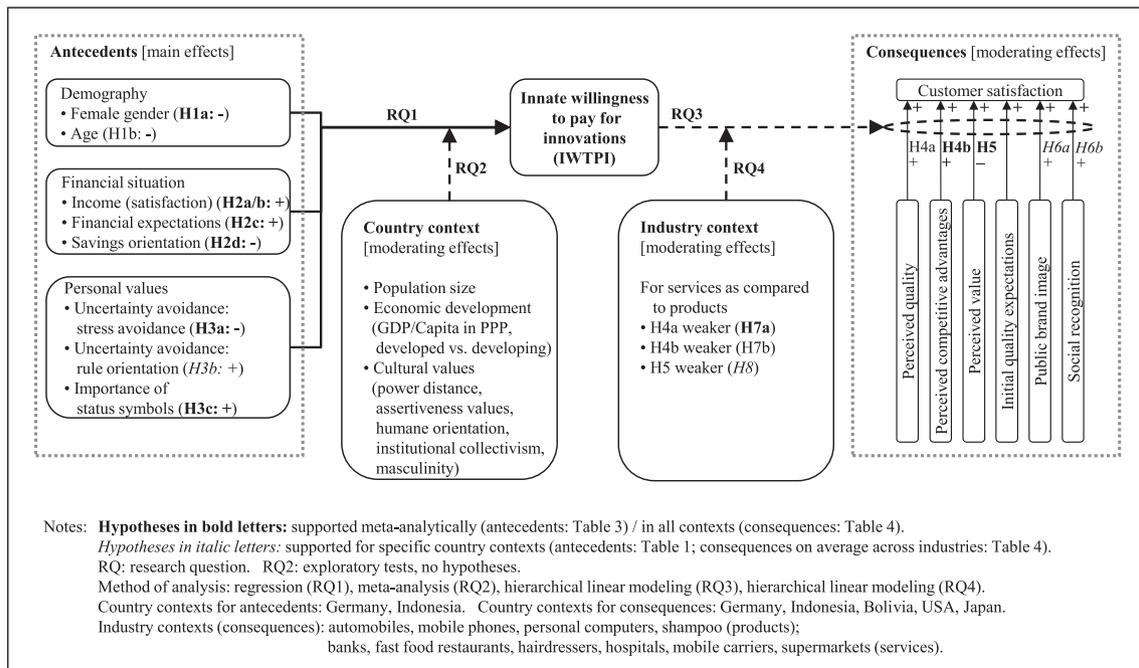


Fig. 1. Conceptual framework, research questions, hypotheses, and degree of empirical support.

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