

Managing market acceptance (case study)

[Finance](#), [Market](#)



Field course 'Developing for Markets' 2011 Case 2 BD Group: Introducing the Chicka Phone 1 Contents Introduction: 3 Part 1 - Influencing market acceptance in a consumer market3 1. 1 Knowledge phase3 1. 2 Persuasion phase4 1. 3 Decision phase4 1. 4 Implementation phase4 1. 5 Confirmation phase4 Part 2 - Influencing market acceptance in a B2B market4 2. 1 Influencing individual members of the DMU5 2. 2 Influencing the customer firm5 2. 3 Influencing a whole market segment5 2. 4 Influencing several market segments6 Part 3 - Evaluating market acceptance6 3. 1 Evaluate Market acceptance in an consumer market6 3. Evaluate Market acceptance in an B2B market7 Reference list8 Introduction: In this case we will treat different aspects in the field of Business Development. The theme is developing for markets, where the processes of adoption and diffusion will be elaborated. To illustrate the theory behind these processes, a case will be presented about a new start-up company, which is named the BD Group. The BD Group has been innovating theircommunicationsystems, and want to bring it to the market. For the consumer market, the BD Group wants to bring a new consumer phone: the Chicka Phone 1. This phone holds their new and nnovativetechnologyaddressing in particular the needs of students who are much socially active. For the B2B the BD Group is interested in exploiting the technology to other companies. This paper focuses on aspects a company should take into account before bringing a new product to a market and how it can evaluate the market acceptance when a product is actually launched. The former will be addressed in two parts in this paper. In the first part will be referred specific marketing tools that can be used when

bringing a new product to the consumer market, and in the second part, this will be done for bringing a new product to a B2B market.

The third part will show how to evaluate the market acceptance when the product is actually launched to one (or both) markets. Part 1 - Influencing market acceptance in a consumer market Many proactive firms try to positively influence market acceptance of their newly introduced products. This means that this company has to deal with both (1) the adoption processes at the level of individual customers and (2) the diffusion processes at the market level. In order to do so, a company can use different tools. In this section these tools will be addressed.

This will be done using the model of Rodgers (1995) of Stages in the innovation decision process, see also figure 1. The theory will be illustrated by using the case of BD Group. Figure 1: A Model of Stages in the Innovation-Decision Process (Rodgers, 1995) A new company, called the BD Group is going to bring the new Chicka Phone 1 to the market. Different actions have to be considered by BD Group in the adoption process, this to influence the adoption at the individual level. In each phase of the innovation-decision process; the knowledge, persuasion, decision, implementation and confirmation phase, different tools are needed. . 1 Knowledge phase “ Knowledge occurs when an individual (or other decision making unit) learns of the innovation's existence and gains some understanding of how it functions” (Rodgers, 1995, p. 20). In the knowledge stage innovators and early adopters become most engaged. In this stage, information from a different variety of sources and references (statistics etc.) will be most effective in increasing awareness and adoption of the Chicka Phone 1.

Knowledge should be spread in different kind of forms, from commercials to face to face contact with potential customers for the Chicka Phone 1. 1. 2 Persuasion phase Persuasion occurs when an individual (or other decision-making unit) forms a favorable or unfavorable attitude toward the innovation” (Rogers, 1995, p. 20). The persuasion stage is about uncertainty reduction for the customer. The customer wants to learn about the consequences the innovation will have on his or her personal situation (Rogers, 1995). Interpersonal networks play an important role, as customers are likely to be influenced by subjective evaluation of their peers (Rogers, 1995). In practice, this means that the information needs to reach a select group of customers first, before it can travel via word of mouth.

The groups to be reached first by the BD Group are the innovators and the early adopters. As these groups are eager to figure out more about the innovation, they can be presented with comparison charts and an overview of the benefits. Other persuasive communications tools that fit into this phase are benchmarks, cost comparisons and product reviews (Brenner, 2007). Once these groups are convinced of the value of the product they will start communicating with the early and late majority, which will lead to the laggards. 1. 3 Decision phase Decision occurs when an individual (or other decision-making unit) engages in activities that lead to a choice to adopt or reject the innovation” (Rogers, 1995, p. 20). Again, the customer wants to reduce uncertainty and is likely to be influenced by subjective evaluations within his or her interpersonal networks in this stage (Rogers, 2010). To address this problem, the effect of word of mouth should be enhanced by

positive confirmation from other sources. This can be done by the use of social media and free communication channels such as YouTube. com.

Providing positive product reviews will help the customer to make the right decision process. 1. 4 Implementation phase “ Implementation occurs when an individual (or other decision-making unit) puts an innovation into use. Re-invention is especially likely to occur at the implementation stage” (Rogers, 1995, p. 20). In the implementation stage marketing and communication will become more and more important. Ongoing communications should be used to satisfy the customers of the BD Group. A good customer service that has a high availability can be integrated in the organization to satisfy customer needs.

Also, a platform for customer feedback is needed, as re-invention is likely to occur. 1. 5 Confirmation phase “ Confirmation occurs when an individual (or other decision-making unit) seeks reinforcement of an innovation-decision that has already been made, but the individual may reverse this previous decision if exposed to conflicting messages about the innovation” (Rogers, 1995, p. 20). Dissatisfaction should be prevented, therefore communication channels should be established to provide proper service.

Adjusted and improved versions of the phone should be considered to keep the customers satisfied and attract potential customers. Part 2 - Influencing market acceptance in a B2B market Influencing market acceptance in a B2B market differs of that in a consumer market. In a B2B market, decisions to implement a technology is usually not made individually, but involves a comprehensive Decision Making Unit (DMU), consisting of both individuals inside the customer firm and outside organizations (such as consultants).

Therefore influencing market acceptance in a B2B market, is a more complex process and before it is done, there should be made a clear distinction of trying to (1) influence an individual members of the DMU, (2) influence the customer firm, (3) influence a whole market segment, or (4) influence several market segments. The BD Group wants to sell their technology to other businesses. The technology concerned is a sophisticated communication technology, and the company is convinced this technology could have many benefits for other businesses.

2. Influencing individual members of the DMU

Influencing individual members of the DMU is comparable with individuals in a consumer market, only the influence is mainly limited to the knowledge and persuasion phase. The process for doing so, is called diffusion. Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system (Rogers, 1995, p. 35). So when the BD Group wants to influence individual members of the DMU, they have to reach them personally or through their social systems.

An effective way of achieving this, is by offering the new equipment directly to these individuals, or to his or hers direct colleagues. When offering the communication system to this individual or his or hers social contacts, the benefits and the novelty of the product should be emphasized. But because it concerns complex equipment only approaching the individual and explaining the benefits and novelty, would probably not be sufficient. In order to convince him or her, this person also has to experience the product.

To ensure a sufficient experience, (1) a trial version of the system could be offered, combined with a tutorial which shows the ease of use and the

novelty of the product, or (2) a try-out event could be organized, in which the individual can directly ask questions to product experts when needed. These offers should of course meet the knowledge the individual that (might) already possess, and also should be realizable in terms of costs and technical possibilities for offering these instances.

2. 2 Influencing the customer firm

BD Group could also try to influence the whole customer firm. Influencing the customer firm can be done by reaching multiple levels within the firm. Given the likelihood of the presence of individuals of multiple classifications of the adoption model, i. e. innovators, early adopters, early majority, late majority and laggards, the manufacturer should consider methods to reach these different segments, since this will result in a different attitude of the people within the firm towards the communication system.

In order to make the communication system known to an organization, possible innovators and early adopters should be identified, because they can be 'used' in later stages to convince the early and late majority to adopt the system, because late adopters overweight the current system's benefits over the new one by a factor of three (Gourville, 2006). The innovators and early adopters can be regarded as the first ones which are enthusiastic about the system, even when it is not flawless yet.

Since they like to try something new and are regarded as the 'opinion leaders', they can convince decision makers to make use of the system. To ensure that they are convinced themselves, evidence from research, press releases or other third party confirmations could be provided to them.

2. 3 Influencing a whole market segment

Because the technology of BD Group is

sophisticated, it could also try to get market acceptance by emphasizing one particular part of the technology that really stands out, and offer this for free.

By addressing one specific need or a service, and offer that particular service for free, the whole technology would be taken for granted. A good example of this came of another telephone technology business, RIM, it has made its service (ping) for free, but earned money by selling phones. Another possibility is to use traditional marketing tools, like advertisement campaigns. By using specific trade journals which can be addressed to specific market segment, businesses of this specific segment could get aware or familiar with the new communication system. Also using existing 'partners' can be beneficial.

So could BD Group work together with another (mobile) phone company, like Motorola, to use their market access to make a market segment familiar with the new system. In addition to specialist journals an organization can also use specific Internet pages to inform visitors about the new system and offer them an easy opportunity to learn more about the system. This should not be done by so called banners, since many visitors find them annoying, but by creating a short bulletin on the home page for example. Finally, an organization can use an exhibition at which they can physically show the system to potential users.

However, the effectiveness is really depending on the market segment, but the advantage is that an exhibition will mostly be visited by higher involved people of DMU's in the segment.

2. 4 Influencing several market segments

To influence the broadest group of several market segments, an organization could try to influence the end user of the communications system,

notwithstanding the fact that the company is active in a B2B market, to make them aware of the product and convince the different market segments that there is enough demand for the new communications system.

This influencing of the end user could be done with broadcasting tools which will have the greatest potential reach. That are television commercials, radio messages and some Internet advertisements, excluding banners since these are more suited for products with lower involvement of the user. Part 3 - Evaluating market acceptance Market acceptance can be described as the process in which a good or service satisfies the needs of a sufficiently large number of customers or business customers to continue or increase its production or availability.

With this definition in mind, a set of variables will be put forward to measure the degree of market acceptance in the mobile phone market. BD Group will use these variables to measure the success of the Chicka Phone 1. First factors that can influence market acceptance of the consumer market are proposed and will be explained how to analyse these factors. After that, the same will be done for the B2B market. 3. 1 Evaluate Market acceptance in an consumer market

By Huizingh (2008) it is stated that the adoption decision, which is the decision from a consumer or a company to buy a certain product, depends on four variables: perceived product characteristics, activities of the supplier, characteristics of the customer and external factors. Therefore, for the BD Group it can be stated that the degree of market acceptance that will be achieved for the Chicka Phone 1 depends on these factors. Figure 2: Diverse group of factors which determine market acceptance of an innovation In the

competitive industry of mobile phones it might be difficult to find market acceptance.

Moderators influencing market acceptance are mentioned above in a model. Variables that BD Group, a supplier of the new mobile phone can use to measure the market acceptance of customers can be the following: * Amount of complaints of customers * Intensity of use * Total base of customers * Profits on the Chicka Phone 1 * Increase of selling in different phases of the PLC * Amount of positive comments in social media * Amount of positive comments in expert sites The different variables are chosen, because of their relationship with market acceptance.

This are indicators of market acceptance and are directly measurable. The indicators are measuring the degree of market acceptance from the customers of the Chicka Phone 1. Factors influencing the degree of market acceptance of BD Group are different than the indicators mentioned. These are discussed in figure 2. 3. 2 Evaluate Market acceptance in an B2B market Following the same reasoning mentioned earlier, the influencing factors of the degree of market acceptance for the BD Group are: perceived product characteristics, activities of the supplier, characteristics of the customer and external factors.

Rogers argued that the rate of adoption of an innovation is determined by the perceived attributes of the innovation (relative advantage, compatibility, complexity, trialability, and observability), the type of innovation-decision (optional, collective, authority), communication channels (mass media or interpersonal), the nature of the social system and the extent of change agents' promotion efforts. However, due to the specifics of B2B market, the

measuring variables differ comparing to consumer's market. Economic factors: initial cost may affect its rate of adoption, therefore by decreasing the price during diffusion process; a rapid rate of acceptance can be expected * Status aspects: one motivation for organizations to adopt an innovation is the desire to gain social status (for example the CE mark on products increases customer's trust, therefore many companies want to have it on their products and pay significant fees to such organizations) * Relative advantage: as organizations pass through the decision process, they are motivated to seek information in order to decrease uncertainty about the relative advantage of an innovation.

Potential adopters want to know the degree to which a new system is better than the existing one. * Preventive innovation: in order to lower some unwanted future events, an organization might adopt the new system. * Compatibility: with socio-cultural values and beliefs; previously introduced systems/ideas; client needs for the innovation. Reference list Brenner, B. K. (2007). Adopt a Marketing Model to Increase Client Satisfaction. *Journal of Financial Service Professionals*, 61(3), 8 – 10. Gourville, J.

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