

••• new product research

The social butterfly effect

Tips on measuring crucial social factors in new product research

| By Briana Brownell



snapshot

Briana Brownell explores the roles that our families, friends and other groups play in our choices of and relationships with the products and services we consume.

There was something extraordinary about shopping for a smartphone on June 29, 2007. There was no choice-based-conjoint-style side-by-side comparison of different devices. Shoppers didn't need to be convinced that the switch from their existing device was worthwhile. A list of product specs that let customers assess whether the new smartphone's features would fulfill their needs was nowhere to be seen. No customer decided that the posted price was too high.

Instead, the experience of buying the first iPhone was an intensely social one. Shoppers who had been lining up for days – some of them for weeks – shared an important cultural experience. Their decision was reinforced by their peers: “The first shoppers to emerge victorious were cheered as heroes and brandished their trophies for the cameras.”¹ The product itself was dubbed the “Jesus phone”² and its launch was billed as “revolutionary” from the company's very first press release.³ Rather than being a solo undertaking, the purchase experience took on new dimensions, with a myriad of psychological, cultural and social components.

Compare this with most concept-testing and pre-launch research programs where researchers habitually ask focus group participants or survey respondents about their personal judgment of the product in isolation and disregard social factors that may influence new product adoption. This oversight is unfortunate because there are major risks to the company: charging the wrong price and missing out on profit; inventory issues caused by under or overestimating the market size; and wasting money on an inappropriate level of advertising support. Taking into account the social factors can separate a success from a flop.

Luckily, there is an extensive body of research that more fully explores these social effects. The qualities of the product being launched determine which social elements may be relevant to integrate into a research program. These key effects can be categorized into four categories:

- Seeing someone else use the new product increases awareness of its availability and works as a word-of-mouth complement to advertising efforts.
- The value of the product may directly depend on the number of users; a higher number



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of users may make the product more functional, such as a social media or communication product, or it may make it more desirable in other ways, such as a popular hardware system bringing about more software development.

- The behavior of others may work to make adoption socially acceptable by influencing the social norm within a consumer's peer group. The social norm is a strong driving force in fashion products but is also an influencing factor for products which suggest certain values on the part of the consumer, such as recycling or installing solar panels.
- Adopters may also provide information about the value and uses of the product after using it. Potential adopters may seek information from amateur reviewers or experts who review the product and this information may assist them in making their decision about whether or not to adopt.

A company that can take advantage of these factors through diligent pre-launch consideration can greatly increase its chances of a successful new product launch.

Become a permanent fixture

Sometimes, awareness of the product's availability is really the only barrier to adoption. When a Starbucks opened in my hometown, a small town of 16,000 on the prairies, it was only necessary for me to learn of its opening for it to become a permanent fixture every time I make it home to visit. In this case, it was word-of-mouth, the most straightforward element of social influence, which drove me to purchase at the store.

If the product in question is a straightforward one, where the consumer is easily able to assess the product's desirability, word-of-mouth may be the most important social component. The idea that word-of-mouth complements advertising by serving as a second channel that generates awareness about a new product has been widely researched.⁴ Despite its apparent simplicity, this model is able to predict adoption fairly well for a wide range of products, from dishwashers to televisions. Because of its wide use, the strength of the word-of-mouth effect has been estimated for various products and these values can be used by companies in their sales forecasting.

Products which are very similar to

existing ones, where one cannot be substituted for the other, such as a new book by an established author, require very little in the way of explanation and their adoption may be assisted by word-of-mouth effects. The sale of a product that was not previously available in a certain market but has received a substantial amount of mass-media marketing would also be a case in point: Because consumers already understand the product in question, only awareness of its availability is needed to drive sales. An improvement over existing products may also follow this model if there is not a meaningful difference in product attributes.⁵ In this instance, the perceived costs and benefits of switching is an important component of the research.

Visibility and relevance are important factors that help determine how strong the word-of-mouth effect may be. Some products may be quite visible, such as the make and model of a new car a stranger is driving, but other products may only be noticed by those in a closer social circle. For a less visible product to have a meaningful word-of-mouth effect, the product needs to be something that friends or acquaintances are likely to share. Adopting a new type of toothpaste is probably only visible to your spouse or close family and is unlikely to be something you would share with a friend, while a new book may be something that would come up in a casual conversation. Understanding the likely visibility of the product should be an element of the research strategy.

Not all adopters have an equal amount of influence on the word-of-mouth effect. Since reach is the most relevant component influencing sales, "network hubs," individuals who have a large social circle, have a greater influence on the product's diffusion regardless of how well they are perceived or trusted. In this case, individuals who socially share their adoption of the product do not need to be socially influential, just well-connected, since the product is simple enough to speak for itself. These network hubs may adopt earlier because they become aware more quickly due to their connections.⁶ Finding these network hubs through research efforts and targeting them for adoption can assist a company with increasing its sales.

More users make the product more valuable

Who wants to be the only person on a new social media platform or the only one using a chat service? For many products, more users make the product more valuable. Communication networks like telephones and fax machines, where only those who are part of the network can be contacted through it, become much more useful when there are many other users of the network. Hardware products also become more desirable when there is a large adopter network because more software will be available for it in the future.

When deciding how valuable the product may be, consumers take into account their prediction of the eventual network size. Those who believe that the network will be large are more likely to adopt, even if the network is small initially. For this reason, it is important that the firm understands the perceptions of non-adopters regarding the eventual network size and gauges how many others need to be a part of the network before an individual would choose to adopt. The relative importance of network size as compared to the product's other benefits is also important to understand because two rival networks can both be sustained if consumers place a high value on these differentiating factors and less emphasis on the overall network size.

The firm's credibility may also be an influencing factor in consumers' adoption decisions. If a firm has successfully created a mass-market network-based product before, consumers may be more likely to assume that the eventual network will also be large the second time around. For this reason, the research strategy should not neglect reputation and brand effects.

Concern about competition may play a role, since it is possible that early adopters will be locked into a format that is overtaken by a second one. For a hardware product with customizable software, the firm may wish to try to more strongly encourage the adoption of hardware to benefit from the later software sales. This may be done by heavily discounting the hardware or by securing exclusive rights to software products.⁷

Because encouraging others to adopt increases the value of the product for all adopters, the research and release strategy should focus on ways to encourage adopters to connect and spread

the adoption within their networks. Targeting a small, highly interconnected group may be more effective than encouraging adoption in disparate groups because a core group of adopters can coordinate communication with each other.⁷ Research can help to identify a target and thus help adoption get off the ground. To this end, exploring the salience of alternative business models such as leasing or giving consumers an on-boarding promotion where they are able to trial the product at low or no cost may provide a viable launch strategy that can be built and monitored through research efforts.

May be socially risky

Hands up if you've made a regrettable fashion decision in your life. As the former owner of both gold pleather pants and spiderweb fishnet stockings, I can certainly relate! Adopting a highly visible product such as a certain clothing style may be socially risky because adoption of an uncommon product defies the social norm of the peer group. This social risk is not limited to fashion products; any product which makes an implication about the adopter has an important social component. For instance, fashion products may suggest a certain taste or lifestyle and energy-efficient products may imply a certain set of values.

Adoption as a decision that carries social risk is a much-studied area that stems from a larger set of theories of behavioral change.⁸ New product adoption is considered to be a type of behavioral change that is susceptible to a social influence. Individuals have a certain risk threshold that determines when they are willing to accept the social risk of changing their behavior from the norm. This framework has the advantage of being able to explain a trend that gives rise to a suboptimal behavior, product adoption or otherwise.⁹

For a researcher, taking into account this social factor poses a challenge, as adoption by others works to change the societal norms and normalize adoption of even the most extreme products. Asking consumers their opinions in isolation, especially for a product that has not yet been launched, will support a very different conclusion about the desirability of the product. It is essential to understand the perception of how socially risky the new product may be.

Understanding the strength with which the new product implies values on the part of the adopter, how willing individuals are to be associated with these values and the variation of these impressions within the market will help to identify potential barriers to adoption.

Adoption by others factors into perceptions of the product's desirability because individuals may shortcut their own decision-making by looking at the behavior of others as an indicator that the product is appropriate for them. For this reason, understanding the opinions of individuals who take on specific roles in the social network is another important component of an effective research program. Of special interest are opinion leaders, who are highly socially influential but often more conservative in their adoption, and change agents, who are less socially influential but willing to adopt new products almost immediately.¹⁰ Many opinion leaders have their eye on numerous potential change agents and primarily have a role as a social curator and these groups wield the most clout when it comes to positively affecting the social component of adoption.

Because of the implication of values or qualities, there may be an aspirational factor in the purchase of the product. Luxury products are particularly prone to this effect. Any product which implies that the adopter is part of a certain social group, whether it be the wealthy elite who wear Hermes or the environmentally-conscious who have solar panels,¹¹ would benefit from pre-launch research to uncover these perceptions.

Unfortunately for businesses, this value implication component has the potential to run counter to a brand's marketing message. The much-publicized boycott of Cristal champagne by Jay-Z when the managing director Frédéric Rouzaud publically lamented "We can't forbid people from buying it" in *The Economist*¹² brought this problem to the forefront of marketers' – and consumers' – minds. In this case, the product took on its own life with significant social cues: "Today, the most high-profile consumers of Cristal are rap artists, whose taste for swigging bubbly in clubs is less a sign of a refined palate than a passion for a 'bling-bling' lifestyle that includes 10-carat diamond studs, chunky gold jewellery, pimped

up Caddies and sensuous women."

For this reason, adoption by specific groups has the potential to be a deterrent as much as it may be an encouraging factor. The smart marketer will be mindful of differences in cultural groups and their influence on each other. Segmentation on attitudes and barriers can help understand the social influence and segments can be sized and analyzed to determine their likely position in the adoption curve. Understand the perceptions of what kind of person would be an earlier or later adopter and examine the diversity of social barriers present. This will reveal areas of difficulty for the company's product launch if the majority of customers have serious trepidation towards adopting.

Advice of an expert

Any time my parents want to buy a new electronic device, they immediately call my husband, a gadget-gathering engineer, for his recommendation. He's helped them pick out TVs, tablets, smartphones and e-book readers and I'm sure he'll be on-call regardless of what incomprehensible tech is dreamed up in the future.

My husband's role in this case is that of an expert. Many consumers seek out the advice of an expert in order to simplify their own decision-making process. When a new product is complex or completely novel, it may be difficult for consumers to determine its value. They may need to use a considerable amount of resources in order to make the adoption decision on their own. Gathering information from others may be a shortcut to allowing them to quickly evaluate the value of the new product.

Informational influence is distinct from normative social influence, as discussed in the previous section. This distinction has been found to be particularly important when it comes to technology adoption.¹³ In this case, the individual is influenced by the direct information received from the other person, beyond just the inferred cue from their own adoption of a certain product. There are two major categories of social information: expert opinions, who have more information about the product category, and average reviewers, whose information is relevant because they are comparable to the adopter in knowledge and needs.

The product's characteristics will help to determine whether the

opinions of experts or peers are more relevant and a well-designed research program can identify what kind of information that consumers need about the product to be able to assess its value and what potential adopters see as likely sources, social or otherwise.

Universal elements

Although each new product is affected by social factors in different ways, there are universal elements that can be used for any research program that take into account the social factors influencing new product adoption.

Understand category perceptions.

The social component of a particular product's adoption may be related to the product category or to the brand, especially if the brand is well-established. The first step of any research program should be to understand this fundamental relationship. Although we mostly think of this concept in terms of consumer products, businesses are not immune to social norms and social pressures. Remember the old adage, "Nobody ever got fired for buying IBM."

Define your goal. Don't assume that producing the highest adoption should always be your goal. Another factor, such as increasing sales for the whole product portfolio, improving profitability of another product, brand strengthening or the clear-cut standby of maximizing profit, may be more important. Understanding the reasons behind adoption will help you to design an effective research program to meet your goal.

Decide who to target. Identify the various persona types, such as change agents, opinion leaders and network hubs, that may be important to understand when meeting your objectives. Persona types may vary depending on

the product in question – an opinion leader in consumer electronics may not be influential for a new fashion style, for example – so ensure that your research is tailored for your specific case. Although attitudes often trump demographics, you may only have demographics available in your CRM system. Make sure you plan both the research and the implementation phase to take this into account.

Pay attention to design. Exploring social influence is a difficult and delicate research area. No one wants to admit (nor do they necessarily believe) that they have been influenced by others. The researcher must often use indirect methods to get at some of the most pertinent results.

Identify potential roadblocks. So many things can inhibit the adoption of a new product, including both internal issues such as branding and company reputation, as well as market variables like salience by different social groups. The research needs to address both areas effectively.

Monitor progress frequently. Marketing innovative products is not a "fix it and forget it"-type of research program. Cross-sectional research should be used to continue to monitor awareness and social influence on non-adopters and to understand how potential adopters are getting their information. Consider "point of adoption" research as the innovation diffuses.

A success in the marketplace

Your new product may be straightforward or one that's fraught with many social cues. Either way, research into the social component of new product adoption can help make sure that the new product is a success in the marketplace. ①

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