

Effects of Pre-Announced Product Characteristics on Customer's Purchase Intention

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Abstract

The purpose of this paper is to analyze that which attributes of NPP effect on the customer decision-making regarding the purchase intention of the customer. As in the customer decision making process, persuasion stage have most influencing effect in which the attributes of the new product seems to be have a strong impact on the purchase intention; this paper aims to empirically verify the effects of the attributes of the new product on the customer's purchase intention for the new preannounced product. Adopted questioners were used as primary source for data collection and cross tabulation method is used to analyze the data. The finding of this paper shows the positive impact of relative advantage, compatibility, obserbility and triability on the customer's purchase intention while the complexity has the negative relation to the purchase intention. By having these aspects in view it will be helpful to get succeed the new product. This paper provide a framework that how new products can be more successful and more quickly diffused in the market and let consumers to post pond their needs until the arrival of the product. This can also be helpful to increase the percentage of the innovators in the diffusion cycle of the innovation.

Keywords: – Diffusion of Innovation, Consumer Behavior, Preannouncement, Advertisement, and compatibility

1. Introduction

Declaration of the arrival of a new product is said to be as New Product Preannouncement (NPP). Some people know NPP as advertising and product positioning, in which companies send messages to the market about their new product. In Pakistan, film industry uses it, as before releasing a movie start advertising about the movie and make people aware of it. Like film industry, software and telecom industry are also using this strategy. Companies use NPP, just for keeping their potential customers away from buying their competitive products and suppose that customer will post pond his purchase until the arrival of their product (Bayus, et al 2001).NPP is used as the communication tool with the market.

Many researchers have made contribution in NPP in which; whether to preannounce(Eliash berg & Robertson, 1998) when to preannounce, timings (Lilly & Walters, 1997),impact of vaporware and customer exception and vendor reputation (Garsombke & Garsombke.H.P, 1998), vaporware and pre announcement,truth and concequences(Bayus, et al., 2001), preannouncement effects on the stock price and earning(Miller, 2005), preannouncement behavior on new product launch(Schatzel & Calantone, 2006), preannouncing pioneers vs follwers; what message should(Homburg, et al 2009), NPP as signal theroy (Su & Rao, 2010), Effect of preannouncement on purchase intention (Zhang & Su, 2011).

Considering the literature of NPP, many people do excessive work. To make the NPP effective, timings of the NNP which matters a lot with the product? When companies after pre announcing don't launch the product at time are came in vaporware, how companies encounter the vaporware in order to establish their reputation in the market. The introduction of the new product with the economical conditions and announcing through the signal theory is known as NPP. Most literature of NPP are on the firms, competitors and distributors; what message should be in NPP and how it effect to different peoples. NPP can be beneficial only if customers perceive that new product compatible with them.

Little research found on customer's intention about the new product, as the customers are the most important segment of the NPP and success of new product is also dependant on the customer's point of view.

A little gap exists between the customers point of view; the innovation attributes on NPP exists, and to fill this gap our study is providing a empirical framework to make understanding of the innovative product attributes (Relative Advantage, Compatibility, Complexity, Triability and Obserbility) on the customer's purchase intentions about the New Preannounced Product; and also explaining the how NPP can be perceived as the success of innovation. This paper is consist of different sections; Introduction, Literature Review, theoretical model, research methodology and conclusion.

2. Literature Review

2.1 New Product Pre announcement (NPP)

New product announcement (NPP) is product related news used to inform customers about the arrival of the new product. NPP is defined as “formal, deliberate communication before a firm actually undertakes a particular marketing action such as a price change, a new advertising campaign, or a product line change.” (Eliash berg & Robertson, 1998). Most of the industries in the market are now using NPP e.g softwares , film industry and telecommunication industry etc . In USA 50% of the companies use NPP while introducing the new product (Bayus, et al 2002).NPP has the great impact on the market anticipation with the market participants (buyers, distributors,suppliers,investors etc) and are positively related to the new product success (Schatzel & Calantone, 2006).Market participants value more to that preannounced products which have evidences of product attributes and arrival (Bharbra, et al 2001).

2.2 Signal Theory

For announcing new product companies use different tools, which tell the market about the intentions of the company. Most effective tool for pre announcing is signal theory,in which companies send signal to their customer,competitors and the market about their product.In marketing point of view people consider it as advertising or positioning.Signal theory have two main aspects; Signal sender;the person or company who is sending any news or signal about any thing . Signal receiver ; the person or company who is receiving the signal or news from sender side.

2.3 Innovation

Innovation is a term originated from initials, persons who like to use the new product are said to be as innovators and that product with new attributes are said to be as a innovation. Innovation is any idea or practice that is considered new by the customers or the market(Rogers, 1995). Whenever any innovation comes in the market, companies focus to tell customers about innovation. So that people aware of that innovation and go for purchase. The rate by which innovation spreads is said to be diffusion of innovation. (Rogers, 2003).Innovation is communicated by the means of different communication channels among the customers, in order to build the knowledge about the innovation.Many research has been conducted to investigate that what variables can influence the innovation behaviour of the customers or the product itself .How innovation is assessed by different peoples and how people perceive innovativeness? (Blythe, 1999).Relationship of consumer innovativeness on the internet ,its attitudes and online banking adoption(Lassar, et al 2005).Examination of consumer innovativeness and perceived risk in new product adoption (Hirunyawipada & Paswan, 2006).Proposal for the set of coping strategies which interact with the decision making of adoption or unadoption of innovation (Cui.G, et al 2009).Innovativeness and shopping styles(Park, et al 2010).These studies help to understand the innovativeness and its impacts on consumers.In the decision making process of innovation,first knowledge about innovation in which customer get aware of innovation , information on the basis of the customer variables like personality traits,social factors and customer novelty seeking.At the basis of knowledge ,persuasion stage comes in which attributes of innovation like relative advantage , complexity , compatibility,observability and trialability persuade customers to purchase.Past researches explain customer innovative characteristics leads customer to buy new product, but (Park, et al., 2010) argues that two types of behavioural customer innovativeness have different aspects , cognitive innovativeness leads customer to look on the utilitarian features of the product whereas sensory innovativeness leads customer to look on the aesthetic aspect of the product.As time passes consumers are having emphases more on the product innovativeness while on the behavioural innovative trait.Roger characterized innovation into five aspects to determine are as follows;

2.3.1 Relative Advantage

It is something which customers think superior than other and perceive it more beneficial.Any innovation that considered better than the other , it can better in terms of social ,economic,status and self- esteem (Rogers, 1995).Innovation with more relative advantage spreads more quickly and customers feel confident to use it.Now a days customers like to use the products which are more beneficial.Innovation is categorized into two aspects; preventive and incremental (non-preventive) innovations(Rogers, 2003).Preventive means a complete new product with means of all new attributes , its adoption rate is slow and customers also think that less beneficial relative to others, while incremental means some changes in existing product , customers perceive it more beneficial as they can easily compare that with earlier product before changes and can easily see difference between these two.Relative advantage of incremental innovation is more certain than preventive.Relative advantage is also depend on the situations, where the other options don't work and you have a opportunity to act that also your relative advantage of the product using that time (Mallat, et al 2006).Customer satisfaction is positively related to the relative advantage and also on the product intelligence (Rijdsijk, et al 2007).Firms which introduce a new product different from the earlier product have a relative advantage over others due to the differences among them (Choi.J.P, et al 2008).Pre announcements that focuses on the relative advantage of the product lead towards the success of product at its arrival (Homburg, et al 2009).

2.3.2 Compatibility

Compatibility refers an innovation to be compatible with the existing values. It is the degree to which innovation is perceived as relevant with the values, norms and needs of the present (Rogers, 2003). Innovation that is more compatible with existing values are considered as faster adoption. People feel more confident of using that innovation which is compatible with their needs and wants (Wungwanitchakorn & A, 2002). Internet user perceive self-service technology as compatible with them (Gerrard.J & Cunningham.J.B, 2003). People not only like new products just because of its newness but because they are compatible with them (Rijsdijk.S.A & Hultink.E.J, 2007). The product which is compatible with the values and norms of the customers have a higher rate of adoption (Lu & Su, 2009). Some people consider compatibility as same of relative advantage, while they are different as relative advantage is something beneficial than other; while compatibility is resemblance of current values.

2.3.3 Complexity

How much complex is a innovation or in other words at what extend innovation is easy to use. The degree to which an innovation is perceived easy to use and understand (Rogers, 1995). Innovation that is less complex have a high rate of adoption, as it's a human psychology to resist change .People don't want to learn new things and feel comfortable of using existing things. Complexity has the significant effect on the learning requirement of the customer of 10% (Wungwanitchakorn & A, 2002). Consumers who are familiar with the technology used in new product, don't face complexity issue, because once consumer will go through the technology then he will be familiar and perceive that easy (Gerrard.J & Cunningham.J.B, 2003). Consumers that perceive the innovation easy to use, will more likely possible to adopt the innovation (Changa, et al 2005a). IT based product are considered more complex, and mostly have the negative impact on the customer satisfaction, just because of the unawareness of the new technology (Rijsdijk.S.A & Hultink.E.J, 2007). To be compatible with needs of the customers leads towards the positive intention for the purchase of the new product. Products that are easy to use by the customers are perceived useful, and customer's intention of purchasing will enhance (Lu & Su, 2009).

2.3.4 Triability

The degree to which an innovation is experienced on some basis (Rogers, 1995). Nobody has enough money to spend on the product which can't be even checked before. Let customers try the new product, because on the basis of this a will for buying of that product can b produced in the customers. Customer learning is dependent on the triability of the product and as customer learn more he will have more intentions for purchasing (Wungwanitchakorn & A, 2002).

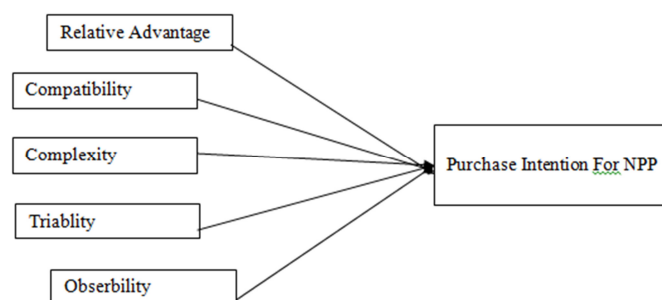
2.3.5 Obserbility

Obserbility of innovation means that how much innovation is view in routine.(Rogers, 2003) explains Obserbility as the degree to which an innovation is visible to peoples. As more innovation will be visible to others as more adoption of that innovation will be. While seeing the innovation give customer confidence to use that innovation as obserbility lead customer to think about adaptation and create a reason to adopt that in mind. As new product be more visible among the consumer and the market people will more likely to get aware of that and will be able to get more knowledge about the product. Once people will get the knowledge about the product then they are more convinced to buy the product as the knowledge decreases the consumer dissonance about the product and lead him to buy that product.

3. Theoretical Model

Introducing the NPP, characteristics of the innovated product has an important impact on it. As in NPP stage, companies are introducing products and having a look on these characteristics will influence positive impact on the customer purchase intention for NPP. In this study our independent variables are relative advantage, complexity, compatibility, Obserbility and Triability and consumer purchase intention is our dependent variable .All the characteristics of NPP have significant impact on the consumer purchase intention(Rogers, 1995).

Fig 1: - Model for Determining Characteristics of Innovation on NPP Purchase Intention.



Adopted from Literature

3.1 Hypothesis Development

The literature concludes that the positive impact of relative advantage, compatibility, Observability and Triability on the customer's purchase intention while the complexity has the negative relation to the purchase intention. From literature we concluded the following hypothesis

H1: Relative Advantage is positively related on the purchase intention of NPP.

H2: Compatibility is positively related on the purchase intention of NPP.

H3: Complexity is negatively related on the purchase intention of NPP.

H4: Triability is positively related on the purchase intention of NPP.

H5: Observability is positively related on the purchase intention of NPP.

4. Research Methodology

4.1 Sample Size

It is well establish from the literature that New Product characteristics had influence on consumer purchase intension. To empirically investigation of our developed hypothesis, adopted questioner has been distributed to the sample of 180 respondents of multidiscipline. 150 questioners feedback was obtained. Different dimension of NPP are compared with education level.

Table 1. Concludes that 81 % respondent consider that relative advantage have the significance influence on their purchase intention. Relative advantage has the positive impact on the customer purchase intention, the advantage which a product have on the other product that can be of functional, life style, value and status perspective. People perceive these things, as relative advantage and company while announcing the product must have to identify the customers about the relative advantage of the product in means of direct or indirect manner. They give preference to that product which has some advantage over others, verifying our hypothesis H1 that relative advantage is positively associated with consumer purchase intension. Our result is in line with the previous literature (Homburg, et al., 2009).

Table 2. Concludes that 85 % of the respondent from different level of education response positively that they give preference to that product which they have tried or test before. Online software and many other things have the trial period for customer so that he can able to understand the product and its feature so this phenomenon of triability is positive associated with the consumer purchase intension. Triability gives customer confidence to use that product and positively related on the purchase intention for the preannounced product. Triability also Enables Company to see the results of their new product whether they are accordingly as they are expecting otherwise they have chance to improve that product in the manner in which customers are demanding. Our finding is in line with the study of (Wungwanitchakorn & A, 2002). In which they suggest that customer learning is dependent on the triability and as customer learn more he will definatley purchase it more.

Table 3. Represent the result of complexity characteristic of NPP with consumer purchase intention. When the selected respondents were asked; whether they prefer to buy the complex things with new feature or the innovative product, which characteristics are not known to them. The majority of respondent responded in negative way that they will not buy that innovative product which characteristic they seem difficult in use or having complex. 94 % are in favor of not buying such type of product. The relationship between the complexity and consumer purchase intention is negative. Customers always like that product which is easy to use and have positively related to the purchase intention. The product, which is complex in use, customers most like to avoid the use of that product. Results of table 6 are in line with the studies of past researcher. Consumers that perceive the innovation easy to use, will more likely possible to adopt the innovation (Changa, et al 2005b). IT based product are considered more complex, and mostly have the negative impact on the customer satisfaction, just because of the unawareness of the new technology (Rijsdijk.S.A & Hultink.E.J, 2007).

Table 4 shows the result of compatibility with consumer purchase intention. When the respondent was asked whether they consider ethical values in purchasing a innovative product. 60 % of total sample respondent says yes that they consider these things. 30 % don't consider thing they will just buy things with their own use and 10 % are intermittent about the social value in purchasing. The products, which are more compatible with the customer values, have more intentions towards the purchasing of the product. As customers want things that are compatible with them and their values because often usage of a product that are not compatible with their values leads them to the by coat of their social members Crosstab result for the compatibility chractersitc of NPP product in relation to purchase intention suggests that our hypothesis H4: that compatibility is positively related with the consumer purchase intention and also in line with Rijsdijk.S.A & Hultink.E.J, (2007) and Gerrard.J & Cunningham.J.B, (2003).

Table 5. shows that the 85 % of the total respondent was in favor, when asked to purchase the product by talking about of other people. It shows how the people inspire from the opinion of other people for the use of innovative product. As new product be more visible among the consumer and the market people will more likely to get aware of that and will be able to get more knowledge about the product. Once people will get the knowledge about the product then they are more convinced to buy the product as the knowledge decreases the

consumer dissonance about the product and lead him to buy that product.

5. Conclusion

Through the above studies it is empirically concluded that these characteristics of innovation (Rogers, 2003); relative advantage, compatibility, complexity, triability and observability have the impact on the customers purchase intention as these are used to pursue the customer in the decision making process. In these relative advantage, compatibility, triability and observability have the positive effect on the customers purchase intention while only complexity have the negative effect on the purchase intention of the customer as customers don't like to get in trouble by the use of the new product. Customers for the new preannounced product look at these characteristics and that will influence the intentions of the customer's purchasing. By looking on these characteristics company can diffuse their innovation more rapidly and can enhance the innovators rate, which will give them to get succeed in the term of new product. The sample size of our study is small due to time constraint.

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Table 1:Relative advantage * Education Cross tabulation

		Education			Total
		Diploma	UG	PG	
Relative advantage	yes	10	63	49	122
	no	3	11	14	28
Total		13	74	63	150

Table 2: Triability * Education Cross tabulation

		Education			Total
		Diploma	UG	PG	
Triability	yes	10	65	52	127
	no	3	9	11	23
Total		13	74	63	150

Table 3 Complexity * Education Cross tabulation

		Education			Total
		Diploma	UG	PG	
Complexity	yes	13	68	60	141
	no	0	6	3	9
Total		13	74	63	150

Table 4:Compact ability * Education Cross tabulation

		Education			Total
		Diploma	UG	PG	
Compact ability	yes	7	33	31	71
	no	6	41	32	79
Total		13	74	63	150

Table 5:Obserability * Education Cross tabulation

		Education			Total
		Diploma	UG	PG	
Obserability	yes	10	64	49	123
	no	3	10	14	27
Total		13	74	63	150

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