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Willingness of consumers toward innovation

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Abstract

Innovativeness influences by national culture is broadly discussing in the literature of innovation, willingness to pay (WTP) by consumer for improvement. However, innovative high technical firms complete by enhancing their goods with advanced features, and evaluating consumer WTP for these new attributes in different countries is important to adapting the launching price and enhancing profits during the critical launch phase. To fill this gap, the purpose of this paper is to study the impact of national culture and globalization on consumer value and the related WTP for technological innovation. Using large illustrative and similar consumer samples, data were collected in two culturally different but economically similar countries (France and Germany). For principal method of data analysis, Choice-based conjoint analysis was used. This study indicates the influence of domestic culture on customer value and the WTP for IT inventions and the moderating effect of household revenue on this relationship. This study is providing strong empirical evidence and the first to reveal of the impact of domestic culture on WTP for innovations. Furthermore, this study shows moderating impact of income on this relationship and to highlight a developing European innovation adoption attitude.

Keywords: Willingness, consumers, toward innovation, WTP

1. Introduction

This study purposes to examine how the national or global culture will affect the consumer innovation adaptation attitude. The innovation. "Innovation as an "clue, practice or plan perceived as new by a person" new high-technological firms compete their competitor by leads their goods with new features or additional features, and measuring consumer WTP for these innovative Features. The adaptation of the innovation built upon the carrier of the product, the new features that is applied and as well as the innovation itself (Guerreor *et al*, 2010). Vanhonacker *et al*. (2013) and Almlil *et al*. (2011a) identified that the attributes those are offered in innovation are most important factor that effect the thinking power among consumers. In this the most important aspects are consumer national culture, consumer WTP for innovation, consumer income and as well as consumer knowledge.

A critical issue, a significance on the customer value and the purchaser willing to pay for innovation when organizing the lunching price of an innovation give the achievement of the innovation. (Ingebleek *et al*, 2013). That having more importance in the highly competitive industry, where innovative product failure amount is near by 42% according to the Castellion and Markham (2013) Here, failure rate means the hundreds of the new product launch in the market and then this product will be fail to meet the expectations of the consumers. The culture will be defined as the motives, beliefs, values of the social as well as organizational culture. The culture has most important effect on the success of an innovation product. If the innovative product will be according to the consumer national culture, then that have more chances to success and if vice versa then that have more chances to failure. And other aspect the consumer knowledge, as an important cause for the success of innovation is knowledge. Knowledge allocate in the social relation. (Brown and Duguid, 2000; Hayek, 1945). These all dimension will impact on the consumers willing to pay. In order to fill the gap this study has main aim to provide the best answers to the following question:

- How would you willing to pay for an innovation?
- What are nature of relation between the willingness to pay for innovation of a consumer: consumer culture, consumer's income, consumer's product knowledge?
- Does the customers' national culture have a significant impact on consumer related WTP for innovations and which circumstances may facilitate this relationship?

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That international market is of rising and dynamic importance today because of the awareness consumer willing to pay for high tech innovations. Firstly, markets are becoming increasingly international. Then high tech organizations need to awareness the consumer similarities and make different market strategies according to across changed markets in order to organize the effective innovation.

These organizations make their innovative products and launch price according to an effective innovation market strategy. Mostly organizations need and use the minimum innovation capitals and should target the right geographical area through the right innovation, according to the consumer income and the relating to pay consumer willing to pay, which are maximize the profit margin of the organization (Ingenbleek *et al.*, 2003). In this context, high technology Firms can adopt the product development plan to innovate.

The main scope of the study is in the previous research we will examine that the research on this topic is conduct in the European countries. But that research will be conduct in the Pakistan. Means main focus of this research is Pakistan. In current study the geographical area of this research will be change and also include more variable.

In this study we use the hypothetic deductive method. These hypotheses are derived since the literature review about the impact of consumer national culture as independent variable. And the consumer WTP for innovation as a dependent variable. There are mediating between these two dependent and independent are consumer knowledge. And the moderating variable between this relationship is consumer's income. To check the validity of this model, data are collected from the Pakistan. To collect the data, we target the main cities of the Pakistan.

2. Literature review

2.1 National culture

The tenure "culture" can be well-defined as "shared motives, values, beliefs, identities, and interpretations or meanings of signify sign that result from common practice of members of collectives that are convey across generations" (House *et al.*, 2004, p. 15) [2]. In this definition both culture is include social and organizational culture. But in this study focused on the social culture. The opinion of Sundqvist and colleagues' (2005) [3] study, customers in a country with high risky avoidance tend to adopt innovations by following, involve that consumers in this culture are low in exploratory attributes and wait to accept innovation by seeing others' behavior. These cultural characteristics are evaluated by the connected real practices (as is) and values (What should be) in every society investigated.

2.2 Impact of national culture on consumer innovativeness

Rogers and Shoemaker (1971, p. 19) [4] "Innovation as an "idea, practice or plan perceived as new by a person". Customer innovativeness mention to the degree to which some individuals are comparatively earlier in accepting innovations than other participants of their social system (Rogers and Shoemaker, 1971) [4].

A well-established form of literature also explore national culture in relation to customer innovativeness. For example, Singh (2006) [5] contrast French and German people's innovativeness and find that culture is a important issue in discover whether or not consumers will display a tendency

to adopt an innovation.

2.3 Impact of national culture on WTP for innovations:

Customer WTP is the high worth a buyer is willing to pay for a specific quantity of a good or facility under given situation of time and place (Smith and Nagle, 2002) [6]. Thus, purchaser WTP for innovations attention on the biggest sum of money an individual is WTP for an innovation. Different studies have focused on the overall elements inspiring consumers to accept to pay a greater price for a product.

Past investigation has also established assist for the negative connection between consumer innovativeness and price sensitivity. The related WTP for innovations within a certain product domain; studies have exposed that innovative consumers are competitively low price sensitive than other consumers and have a high WTP than later adopters (Goldsmith and Newell, 1997; Goldsmith *et al.*, 2005).

2.4 Innovation and top income inequality

We evaluate top income inequality by the top 1% income share, using data from Frank (2009). To measure present innovation in a US state, we first use the annual number of original patents per capita in that state (we refer to this measure as 'patent count'). Then, we exploit the info in the USPTO database to construct numerous measures of quality-weighted innovation centered on patent citations.

We use cross-US-state panel data over the period 1975-2010 to look at the outcome of innovativeness on top income inequality, where innovativeness is evaluated by the flow of (quality-weighted) patented innovations in the corresponding US state, and top income inequality is evaluated by the share of income held by the top 1%.

2.5 Willingness to Pay

Willingness to pay (WTP) is usually clear as the maximum price a buyer is willing to pay for a given quantity of a product or service (Werthenbroch & Skiera, 2002). Therefore, it can be considered a serious input for the business models of all firms that aim at implementing optimal pricing policies. There are many different approaches for measuring WTP. Bredert (2005) classifies these into two main groups. The methods in the first category goal at measuring WTP by eliciting revealed purchaser preferences through observations, which may be based on actual market data, or on field or laboratory experiments.

The methods in the second type goal at measuring WTP by eliciting stated consumer preferences through direct or indirect surveys. In direct surveys, consumers are directly asked about their WTP by using open-ended or closed-ended questions.

2.6 Consumer knowledge and WTP for innovation

Previous findings have some significant implications for the study of customer WTP for innovations of potential adopters. Prior Results confirming the effect of consumers' national culture on their identified consumer value and the connected WTP for innovations increase to the theoretical knowledge of innovators and their behavior, thereby refining this aspect of innovation adoption theory. And most important thing is that how the knowledge of innovator and their behavior will be relate the purchaser knowledge and willing to pay for innovation.

2.7 Effective Investment on innovation

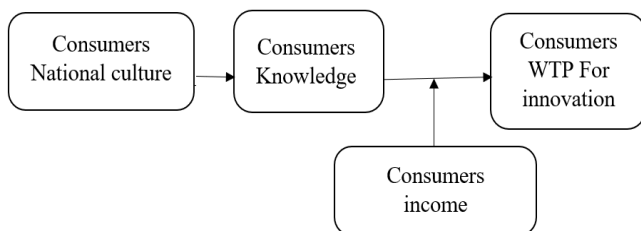
Replication of a new study published in this journal by Johannesson *et al.* (1997) shows how serious the problem of insensitivity can be, even for a study that reports plausible results. The effect of variations in tools design on estimated sensitivity to magnitude is examined. Overall, estimated WTP for threat reduction is inadequately sensitive to the difference in probability, that is, the magnitude of the difference in WTP for different reductions in risk is typically smaller than proposed by standard economic theory.

2.8 Power to pay for Innovation

No transmissions can be made from the planner to the entrepreneur (Gilbert and Shapiro, 1990; Klemperer, 1990; Green and Scotchmer, 1995; O’Donoghue *et al.*, 1998; Scotchmer, 1999; Hopenhayn and Mitchell, 2001), ruling out prizes and R&D or output subsidies, or that the asymmetry of information is so severe that prizes can only drain the plan- ner’s resources (Cornelli and Schankerman, 1999; Gallini and Scotchmer, 2002; Hopenhayn *et al.*, 2006; Chari *et al.*, 2009).

This work thus moreover associates quantity-independent prizes and IP (Shavell and van Ypersele, 2001; Wright, 1983), or concludes that quantity-dependent prizes achieve the first-best (Kremer, 2000a, b). By allowing multidimensional heterogeneity, our framework generates a smooth trade-off among screening and ex-post pricing distortion that determines which of a range of institutions running among IP and quantity-dependent prizes is optimal.

2.9 Research Model



Hypothesis

- H1:** Consumers national cultural enhance customer knowledge.
- H2:** Consumer knowledge increase consumer WTP (willing to pay) for innovation.
- H3a:** High consumer income would strength the positive relation between the consumer knowledge and consumer WTP (willingness to pay) for innovation.
- H3b:** Lower consumer income would weaken the positive relation between the consumer knowledge and consumer WTP (willingness to pay) for innovation.
- H4:** Consumer knowledge mediates the positive relation between the consumer national culture and consumer WTP (willingness to pay) for innovation.

3. Methodology

We will conduct the structure questionnaire. That have two portions. In the first portion include demographics questions. The second portion based on the research questions.in this we use five point liker scale for taking the response. The target population include the upper class. Because the income level of the upper class have relatively

high. They have the power to adopt the innovation. We conduct this survey the main city of the Pakistan for example Multan.

4. Results

H1: Consumers national cultural enhance customer knowledge.

CO-Relation

Correlations				
		Q1	Q2	Q3
Q1	Pearson Correlation	1	.017	-.040
	Sig. (2-tailed)		.904	.784
	N	50	50	50
Q2	Pearson Correlation	.017	1	.328*
	Sig. (2-tailed)	.904		.020
	N	50	50	50
Q3	Pearson Correlation	-.040	.328*	1
	Sig. (2-tailed)	.784	.020	
	N	50	50	50

*. Correlation is significant at the 0.05 level (2-tailed).

According to this result of bivariate co-relation among the 2 variables the consumer national culture and the customer knowledge shows a weak co-relation which is (0.17). It shows a negative relationship between 2 variables. We have N = 50 which shows we have 50 respondents.

H2: Consumer knowledge increase consumer WTP (willing to pay) for Innovation.

CO-Relation

Correlations				
		Q4	Q5	Q6
Q4	Pearson Correlation	1	.266	-.196
	Sig. (2-tailed)		.062	.173
	N	50	50	50
Q5	Pearson Correlation	.266	1	.013
	Sig. (2-tailed)	.062		.927
	N	50	50	50
Q6	Pearson Correlation	-.196	.013	1
	Sig. (2-tailed)	.173	.927	
	N	50	50	50

According to this result of bivariate co-relation among the 2 variables the consumer knowledge and WTP (willing to pay) for innovation which is (-0.40). It shows a negative relationship between 2 variables. We have N = 50 which shows we have 50 respondents.

H3a: High consumer income would strength the positive relation between the consumer knowledge and consumer WTP (willingness to pay) for innovation.

Correlations				
		Q7	Q8	Q9
Q7	Pearson Correlation	1	-.008	-.158
	Sig. (2-tailed)		.954	.274
	N	50	50	50
Q8	Pearson Correlation	-.008	1	-.067
	Sig. (2-tailed)	.954		.642
	N	50	50	50
Q9	Pearson Correlation	-.158	-.067	1
	Sig. (2-tailed)	.274	.642	
	N	50	50	50

Co-relation

According to this result that the high consumer income and the consumer WTP (willing to pay) for innovation has a moderate co-relation which is (0.266). We have N = 50 which shows we have 50 respondents.

H3b: Lower consumer income would weaken the positive relation between the consumer knowledge and consumer WTP (willingness to pay) for innovation.

Co-Relation

Correlations				
		Q7	Q8	Q9
Q7	Pearson Correlation	1	-.008	-.158
	Sig. (2-tailed)		.954	.274
	N	50	50	50
Q8	Pearson Correlation	-.008	1	-.067
	Sig. (2-tailed)	.954		.642
	N	50	50	50
Q9	Pearson Correlation	-.158	-.067	1
	Sig. (2-tailed)	.274	.642	
	N	50	50	50

According to this result that the lower consumer income and the consumer WTP (willing to pay) for innovation has a negative co-relation which is (-0.196). Where the number of respondents N = 50.

H4: Consumer knowledge mediates the positive relation between the Consumer national culture and consumer WTP (willingness to pay) for Innovation.

Co-Relation

Correlations			
		Q10	Q11
Q10	Pearson Correlation	1	.044
	Sig. (2-tailed)		.762
	N	50	50
Q11	Pearson Correlation	.044	1
	Sig. (2-tailed)	.762	
	N	50	50

According to these results that a consumer knowledge and WTP (willing to pay) for innovation has a very weak relationship among themselves which is (-0.08) with the relationship of consumer national culture and WTP (willing to pay) for innovation has also inverse relationship between them which is (-1.58).

5. According to these results show that

1. Consumer knowledge and consumer national culture the value of F-Stat = 1.275 and P.Value = 0.289 ≥ 0.05. So, the result (relationship) is significant.
2. Consumer national culture and WTP (willing to pay) for innovation the value of F-Stat = 2.156 and P.Value = 0.127 ≥ 0.05. So, the result (relationship) is significant.

6. Conclusion

This study examine how the national or global culture will affect the consumer innovation adaptation behavior. How would you willing to pay for an innovation? What are nature of relation between the willingness to pay for innovation of a consumer: consumer culture, consumer’s income, consumer’s product knowledge? Does the consumers’

national culture have a significant impact on consumer related WTP for innovations and which conditions may facilitate this relationship? Results shows that the higher consumer income willing to pay for more innovation as compare to the lower consumer income.

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