An Interactive Marketing Communication Model in New Product Diffusion

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Abstract

The introduction of the Internet medium has accelerated changes in marketing communications. This chapter proposes an Interactive Marketing Communication Model that reflects two types of online conversations, business-to-consumer and consumer-to-consumer in three settings: business-directed, consumer-directed and independent group-directed. The conceptual model serves as the foundation that postulates the increasing effect of the new medium in new-product diffusion. The model is empirically tested with the diffusion of two new products: the Video Cassette Recorder (VCR) and the Digital Video Disc (DVD) Player, introduced prior to and after the commercialization of the Internet medium. The diffusion of the DVD player introduced after the Internet is found to have an increased network effect in terms of a larger imitation effect over an innovation effect expressed in the parameters of innovation (p) and imitation (q) within the Bass Model. The empirical findings clarify prior postulation that the Internet medium would change the patterns of new-product diffusion among innovators and imitators. Both the conceptual framework and empirical findings shed light on the increasing importance for managers to include Internet-enabled communications in their new-product marketing strategy.
Introduction

We have been warned that the Internet has accelerated changes in customer management from media marketing to interactive marketing in which digital communication commands radical interactivity (Deighton and Barwise, 2001). Recently, we learned that Coca-Cola terminated its advertising agency relationship of 47 years because of their insistence on using the “old” way to deliver their advertising messages to consumers (Atlanta Business Chronicle, February 7, 2003). Coincidentally, history also shows that Coca-Cola fired its previous advertising agency exactly 47 years ago for the same reason - failure to incorporate the then new medium, television (Highlights in the history of Coca-Cola Television Advertising, n.d., http://memory.loc.gov). Recently, the president of Coca-Cola, Steve Heyer, urged marketers to include the Internet in a new marketing communication model such that the new medium’s influence on consumers’ behavior will be reflected (Guild, 2003).

Yet, new-product diffusion studies, which have built their foundation on marketing communication theory, have been silent about digital marketing communication except in the recent work by Rangaswamy and Gupta (2000). This work hypothesized that new-product diffusion in the Internet environment would result in more innovators’ and imitators’ influences in the social system, in addition to faster speed of adoption. Briefly, in the new-product diffusion literature, consumers are classified into only two groups. Innovators are those whose timing of purchase of new products is not influenced by other consumers in the social system. Imitators are those whose timing of purchase is influenced by the number of previous buyers.

Little is known about how the Internet interactive marketing communication will affect new-product diffusion. Even less is known about how to conduct such a study other than following the diffusion theory that relied on the traditional communication theory (innovators or opinion leaders receive messages from mass media and then transmit them to imitators through word-of-mouth) or the Two-Step Flow Theory formulated before the use of television.

The objective of this study is to develop an interactive marketing communication framework that is applicable to new-product diffusion. This chapter first attempts to break away from the traditional two-prong Two-Step Flow Theory and develop a model that addresses business-to-consumer (b2c) and consumer-to-consumer (c2c) communications. We then re-configure the new model with the old Two-Step Flow Theory and put together the linkage toward the Bass New-Product Growth Model, generally known as the Bass Diffusion Model (Bass, 1969).

This chapter then attempts to answer the following questions: (1) Has the addition of the Internet medium affected the new-product diffusion process in its increased influences on innovators, imitators, and speed of adoption? (2) How does the transformation from face-to-face, word-of-mouth to word-online in cyberspace displace or replace interpersonal communications, and does it affect new-product diffusion? This chapter discusses concepts from media studies, sociology, economics, and computer information systems to form a theoretical framework. I will test the theoretical framework by applying the Bass Diffusion Model to compare the diffusion of two consumer durable goods before and after the introduction of the Internet.
Comparing Consumer Purchase Behavior on the Internet and in Brick-and-Mortar Stores: An Overview of Recent Research


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