Desires of an Adopter’s Heart: Which Product Characteristics Influence Brand Loyalty among Different Types of Adopters?

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EXECUTIVE SUMMARY

Consumers differ greatly in their readiness to try new products, so researchers classify them according to different adopter categories based on the relative rate that they adopt innovations. This study examines the impact of product benefits on consumer loyalty between two adopter categories in the software industry. Research findings conclude that the impact of software benefits on consumer loyalty differs between the early and the late adopter categories. Early adopters value price, quality, and entertainment value more than late adopters do, whereas ease of use is more important to late adopters. Managerial implications are discussed at the conclusion.

Keywords: Product lifecycle, Brand loyalty, Product benefits, Diffusion of innovation, and Adopter category

INTRODUCTION

Maintaining customer loyalty has become a strategic mandate in today’s competitive market (Ganesh et al., 2000; McMullan & Gilmore, 2008). Heskett et al. (1989) suggest that it costs three times as much to obtain a customer than to hold one. When companies increase 5% of their customer base, they increase their profit by 25-95% (Reichheld, 2001). Therefore, customer loyalty leads to a significant profit increase, more predictable sales and profit streams, and positive word-of-mouth (Arnould et al., 2002; Hoisington & Naumann, 2003).

Value signifies an important element of managing long-term customer relationships (Pride & Ferrell, 2010). Traditionally, value can be classified according to its relative utilitarian and hedonic nature (Babin et al., 1994; Bridges & Florsheim, 2008; Chandon, Wansink, & Laurent, 2000; Homer, 2008). Utilitarian value can help customers maximize the utility, efficiency, and economy of products. Hedonic value is more subjective and personal, and results more from fun and playfulness than from task completion (Chandon, Wansink, & Laurent, 2000). Products can be tentatively classified as utilitarian due to their definition, e.g., affordable price, high quality, complexity, convenience, and ease of use (Chandon, Wansink, & Laurent, 2000; Monroe & Lee, 1999; Monsuwé, 2004). In contrast, products have hedonic value if they are entertaining, fun, novel, intrinsically rewarding, and related to emotions and pleasure (Chandon, Wansink, & Laurent, 2000; Lim & Ang, 2008; Monroe & Lee, 1999). Previous studies (Andreassen & Lindestad, 1998; Chandon, Wansink, & Laurent, 2000; Chiu et al., 2005; Monsuwé, 2004; Pura, 2005; Ryu, Han, & Jang, 2010) indicate that utilitarian and hedonic values impact customer loyalty, which leads us to believe that customer perceptions of these benefits may increase their loyalty.

This paper focuses on technology products, software in particular, for the following reasons. First, although the computer software industry is growing rapidly and is increasingly critical for the international competitiveness of other high-technology industries, it has received relatively little attention from previous scholars (Mowery, 1995). Second, the software industry, as part of the high-tech industry, possesses three important characteristics: market uncertainty, technology uncertainty, and competitive volatility (Mohr, Sengupta, & Slater., 2005). For example, Burruss and Kuttner (2003) indicate that typical electronic consumer products have a life cycle ranging from nine to 18 months. Such an uncertain environment and short product life cycle make it critical for companies to formulate an effective customer loyalty strategy (Mohr,