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From Laggards to Innovators: A Review of the Financial Services Industry

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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Review Article

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ABSTRACT

This review paper delves into the topics of innovation adoption, marketing strategies, and consumer behavior within the context of the financial services industry. The focus is on converting laggards into innovators, recognizing the pivotal role of embracing innovation and cultivating a culture of change for sustainable growth. Drawing insights from Rogers' diffusion of innovations theory, the dynamics of early adopters, and the characteristics of laggards are explored. A comprehensive search is conducted across academic databases, research repositories, and reputable journals. Keywords such as "laggards", "innovators", "financial services", "innovation adoption," and related terms are used to identify relevant studies. The inclusion criteria encompassed papers published within the past two decades, focusing on innovation adoption in the financial sector. The papers are thoroughly reviewed, and key information are extracted. This includes insights on the characteristics of laggards and innovators, innovation adoption theories, marketing strategies, consumer behavior, and case studies within the financial services industry. Data synthesis is carried out to identify

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common themes and trends across the literature. Environmental factors, changing consumer needs, and marketing tools like personal selling, promotion, direct marketing, and public relations are also analyzed. The significance of positive word of mouth from friends and family as a powerful influencer in consumer decision-making is highlighted. Overall, this paper underscores the importance of customer-centricity, innovation, and relationship marketing principles in fostering long-term success for businesses in an ever-evolving market landscape. By actively engaging consumers, businesses can drive product-market fit, build trust, and achieve enduring prosperity, especially within the financial services space.

Keywords: Innovation; diffusion; innovators; laggards, financial services.

1. INTRODUCTION

Product diffusion and adoption play a crucial role in understanding how different consumer segments respond to innovations in products and services [1]. When a new innovation emerges, various categories of consumers engage in trying or adopting the novel solution [2]. Rogers' [3] seminal theory of the diffusion of innovations focuses on the acceptance and incorporation of innovations into practice by users within an organization. Central to Rogers' theory is the exploration of uncertainties that arise when individuals contemplate replacing existing designs with new alternatives. Additionally, Rogers classifies adopters into distinct categories based on their presumed inclination to embrace new innovations:

- ✓ The Early Majority, representing approximately 34% of the population.
- ✓ The Late Majority, accounting for another 34% of the population.
- ✓ The Early Adopters, comprising around 13% of consumers.
- ✓ The Innovators, constituting a pioneering group of only 2.5% who are quick to adopt innovations.
- ✓ The Laggards, forming approximately 16% of the population, who are the last to adopt a novel solution.

According to Rogers' theory, laggards are often socially isolated and situated on the periphery of a social system. They exhibit a tendency to resist change and novelty. However, one limitation of this theory is its focus on consumers who possess strong, well-developed needs and a willingness to adopt new and innovative solutions.

2. CHARACTERISTICS OF LAGGARDS

Laggards represent the final market segment for innovation and adoption, accounting for approximately 16% of the market share [4]. They are characterized as the last group to embrace new ideas, often adopting only when they have no other choice. Unlike innovators, laggards tend to reside on the fringes of social circles and are generally unconcerned about others' opinions. This independence makes them resistant to the typical methods of persuasion based on social influences. When presented with a new idea, laggards tend to perceive it as too troublesome to adopt or simply misguided. They exhibit contentment with the status quo and actively

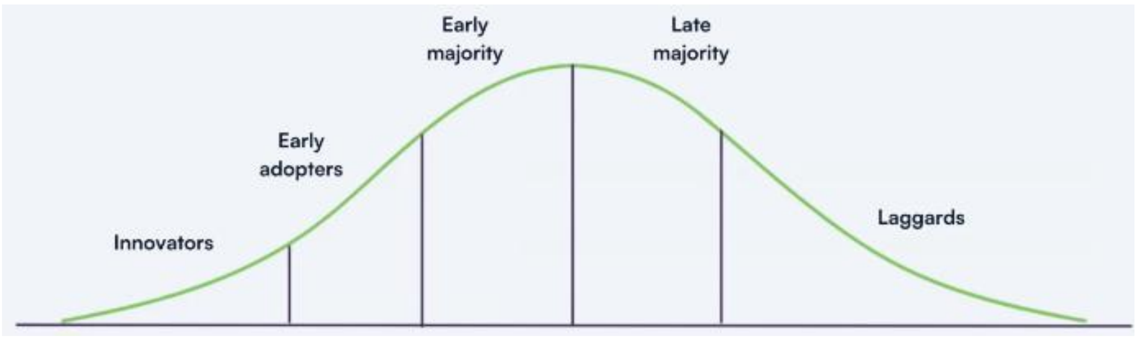

Fig. 1. The product adoption curve [3]

avoid change, holding traditional values and lacking opinion leadership [5]. Some are also constrained by a cultural tendency to grow resistant to change and innovation.

The reasons for people being laggards are varied: some harbor deep-seated grievances, retreating into their comfort zones; others possess a deep attachment to conventional practices; some fear the uncertainties of the future; and some find contentment in their present situation, showing little desire for change. Effectively engaging with laggards requires attentive listening and obtaining individual insights from each person, allowing them to freely express themselves [6].

To move laggards towards adoption, it is crucial to understand their unique perspectives and motivations. A personalized approach that addresses their concerns and values can prove more effective than using generalized techniques. By empathetically engaging with laggards, innovators and marketers can gain valuable insights into their apprehensions, preferences, and barriers to change.

3. CHARACTERISTICS OF INNOVATORS

The Innovators constitute the pioneering group that eagerly embraces new products or services when they are introduced to the market. They display a lower level of concern regarding potential risks and pricing, often characterized by higher levels of education and financial affluence. Motivated by the opportunity to be at the forefront of innovation, innovators prioritize being the first to experience a new product over considerations of its monetary cost, time investment, or perceived risk [7].

To stay informed and gather information about the latest offerings, innovators actively seek out specialized sources such as special interest publications, magazines, exhibitions, product launches, websites, and conferences [8]. These platforms serve as valuable resources for obtaining insights into cutting-edge developments and emerging trends, allowing them to make well-informed decisions and satisfy their appetite for novelty.

4. FINANCIAL SERVICE EXPLAINED

The term "financial service" encompasses the various services offered by the finance industry, specifically related to the management of money. It also refers to organizations that engage in financial management activities [9].

For this review, our main emphasis will be on the Banking service, which is a vital component of the broader financial service industry. The banking sector offers a range of essential services, including:

- ✓ Safekeeping of funds, providing customers with secure storage for their money and allowing easy withdrawals when needed.
- ✓ Issuance of checkbooks to enable bill payments and other transactions, which can be conveniently delivered by mail.
- ✓ Provision of loans and mortgage loans, which cater to various financial needs such as acquiring a home, property, or financing a business venture.
- ✓ Issuance of credit cards to facilitate cashless transactions and online purchases.
- ✓ Enable financial transactions at branches or through Automatic Teller Machines (ATMs) for convenient access to funds.
- ✓ Facilitate standing orders and direct debits, enabling automatic bill payments for customers' ease and convenience.
- ✓ Offer overdraft agreements, providing temporary advancements of the bank's funds to meet monthly spending commitments in a customer's current account.
- ✓ Provide credit advances, allowing customers to settle credit obligations on a monthly basis using the bank's own funds.
- ✓ Issue cheques guaranteed by the bank itself, known as travelers' cheques, which are recognized as valid payment instruments by other banks for secure and hassle-free travel transactions.

5. CONVERTING LAGGARDS INTO INNOVATORS

Laggards represent the final segment of the market that adopts new offerings only when left with no other choice. They are often overlooked, considered resistant, and critical. However, if successfully converted, laggards can become powerful allies and advocates for a product or service.

While Rogers' concepts have been valuable in marketing products and services to consumers, in the context of user innovation, new concepts are required to create value collaboratively with consumers. Labeling certain consumers as lead users, innovators, or laggards based on permanent traits of being laggards may be misleading. It is essential to recognize that resistance to new offerings does not necessarily make a consumer a "laggard." The responsibility for the mismatch between supply and demand in the market lies not solely with consumers but may also be attributed to providers.

Existing markets often offer standardized services targeting stereotypical consumer segments that laggards cannot identify with. The products available may not meet laggards' specific needs but instead prioritize service providers' interests that shape the offerings.

To foster successful business solutions early in the innovation process, it is crucial to view consumers' role not as mere adopters but as valuable sources of information [10]. Shifting from producer-driven to consumer-driven design and innovation, with a focus on relationship marketing, can lead to more effective and relevant products and services tailored to consumers' needs and preferences.

6. FACTORS INFLUENCING THE CONVERSION OF LAGGARDS INTO INNOVATORS

6.1 Information

One of the bank's products, ATMs, lacks sufficient information for potential users. Many customers who don't utilize this service refrain from doing so due to a lack of awareness and understanding. For example, some consumers may perceive ATMs as risky, but with adequate information, they can be convinced and reassured, leading them to start using an ATM card [11].

6.2 Environment

The adoption of innovative products can be influenced by the prevailing environment, leading individuals to become either laggards or innovators. For instance, ATMs were present in Europe and America about 15 years before being introduced in Ghana, a third-world country. The delayed adoption in Ghana can be attributed to the state of the product lifecycle and the unavailability of technology at that time. Factors such as Political, Economic, Socio-cultural, and Technological elements within the environment can significantly impact individual decisions and attitudes towards products [12].

6.3 Obsolescence or Retirement of Products/New Systems

Company decisions to retire products or technological advancements can compel individuals to become innovators. For instance, the introduction of the system enabling customers to pay utility bills directly from their bank accounts offers greater convenience and eliminates the need to visit agencies in person. This newfound efficiency encourages people to adopt the new system due to its benefits [13].

6.4 Changing Customers' Needs and Wants

Individual needs and desires evolve through various life stages [14]. As people progress through different phases, their preferences and requirements change accordingly. A student, for example, may not require a bank account or an ATM card, thus acting as a laggard in adopting these services. However, as they enter the workforce, their needs shift, and they become innovators in adopting banking and ATM solutions to cater to their new demands.

7. TECHNIQUES AND TOOLS USED BY MARKETERS TO ACHIEVE THE CONVERSION FROM LAGGARDS TO INNOVATORS

7.1 Personal Selling

Personal selling involves one-on-one communication between paid representatives and prospective buyers with the aim of making a sale. This direct interaction can allow financial services marketers to persuade customers effectively and build long-term, mutually beneficial relationships [15].

7.2 Promotion

Promotion comprises various marketing techniques used tactically to add value to offerings, accelerating sales and gathering market information. Financial services marketers can utilize this tool to attract attention, create awareness, and provide information and incentives that can influence consumers to transition from being laggards to innovators [16,17,18].

7.3 Direct Marketing with Emphasis on Catalogs

Direct marketing seeks to elicit behavioral responses from consumers, such as purchases, information requests, or generating sales leads. Catalogs play a vital role in this interactive marketing approach, enabling direct communication with consumers and eliciting a response [19].

7.4 Public Relations and Publicity

Public relations are concerned with shaping how the organization is perceived by target markets. It involves evaluating public attitudes, identifying areas of interest, and executing programs to earn public understanding and acceptance. Publicity, a form of public relations, involves non-personal communication transmitted through various media without an identified sponsor. Financial services marketers utilizing these tools can positively influence customers' perception of the company, fostering trust and a strong image, thereby encouraging the adoption of products like ATM cards [20].

7.5 Positive Word of Mouth by Friends and Family

Word of mouth from friends and family is a highly effective tool in decision-making. People often rely on information from their close connections when making important choices. Positive word of mouth can significantly influence individuals to adopt products or services, as they trust the opinions and recommendations of their loved ones [21].

8. IMPLICATIONS AND CONCLUSIONS

The present review paper has covered various aspects related to innovation adoption, marketing strategies, and consumer behavior. We explored the concept of converting laggards into innovators within the financial services industry, recognizing the significance of fostering a culture of innovation and embracing change in this dynamic landscape.

Understanding the diffusion of innovations theory, we recognized that different consumer segments respond at varying speeds to new products and services. Early adopters and innovators play a crucial role in driving innovation adoption, while laggards may initially resist change but can become valuable allies when properly engaged.

The environmental context in which products are introduced can influence adoption rates. Factors such as technological advancements, market maturity, and the level of information available can impact individuals' decision-making and attitudes toward new offerings. Additionally, the changing needs and wants of consumers at different life stages contribute to their adoption behaviors, necessitating tailored marketing approaches.

We explored various marketing tools and strategies, including personal selling, promotion, direct marketing with catalogs, and public relations and publicity. These approaches provide opportunities to connect directly with customers, create awareness, and influence consumer perceptions. Positive word of mouth from friends and family emerged as a powerful tool for consumer decision-making, underscoring the importance of building trust and credibility in the market.

The key takeaway from this paper is the need for a customer-centric approach to design and innovation. Engaging with consumers to gather insights and understand their unique perspectives is critical for successful product development and marketing. By recognizing the role of consumers in providing valuable information, businesses can shift from a producer-driven to a consumer-driven approach, ultimately driving better product-market fit and sustained success [22,23].

In the financial services industry and beyond, fostering a culture of innovation, providing ample information to potential customers, and addressing consumer needs and preferences can lead to higher adoption rates and greater customer satisfaction [24]. The adoption of Relationship Marketing principles can facilitate deeper connections with consumers, leading to more meaningful and lasting relationships.

As technology and markets continue to evolve, a continuous commitment to consumer-centricity, innovation, and adaptation will be essential for businesses to thrive. Embracing the principles discussed in this review can empower organizations to navigate the ever-changing landscape, driving growth and success in the pursuit of meeting and exceeding customer expectations.

Overall, the insights shared serve as a reminder that customer needs should remain at the forefront of decision-making processes. By prioritizing the voice of the consumer and engaging in meaningful interactions, businesses can unlock opportunities for growth, foster innovation, and build sustainable competitive advantages.

9. FUTURE RESEARCH RECOMMENDATIONS AND OPPORTUNITIES

As this is a review paper which may qualify as a opinion piece, we take the liberty to raise a few of broad research streams we find particularly exciting. First, future researchers can delve deeper into the perception and attitudes of laggards and innovators within the financial services industry. Understanding their motivations, concerns and expectations can provide valuable insights for tailoring marketing strategies and innovation adoption initiatives.

Future research can also explore the effectiveness of market segmentation in identifying distinct laggard segments and understanding their unique characteristics. Researchers can investigate how personalized marketing strategies can be designed to resonate with each segment, fostering higher rates of innovation adoption.

Another future research avenue is to evaluate the impact of different marketing strategies such as personal selling, digital marketing, and relationship marketing, on the conversion of laggards into innovators, while identifying which approaches yield the most significant results and potential synergies in combining different strategies.

Researchers can also study the long-term effects of converting laggards into innovators on customer loyalty and retention within the financial services industry, while assessing how successful conversion impacts customer satisfaction, repeat business, and referrals.

More studies are needed to examine the role of technology advancements, such as mobile banking applications and digital payment solutions, in driving innovation adoption among laggards, while also investigating how user-friendly and accessible technology influences their willingness to adopt new financial services.

More research is also needed to investigate the role of organizational culture in facilitating innovation adoption within financial institutions, while also identifying potential barriers or facilitators to conversion efforts and explore how regulatory changes can promote innovation adoption.

Future research can assess the effectiveness of consumer education initiatives in increasing awareness and understanding of innovative financial services, while examining how education campaigns can address misconceptions and build trust among laggards, encouraging them to embrace new offerings.

More studies are needed to draw insights form other industries that have successfully converted laggards into innovators, while also analyzing best practices and strategies employed in different sectors and explore their potential application in the financial service industry.

Finally, more research is needed to compare innovation adoption trends and marketing strategies across different countries and regions to identify cultural, economic, and regulatory factors influencing laggards' conversion into innovators, while learning from international experiences to develop targeted approaches in specific markets.

By pursuing these key research recommendations, stakeholders in the financial services industry can gain valuable insights into the conversion of laggards into innovators. The findings will inform evidence-based strategies, fostering innovation adoption, and driving the sector towards sustainable growth and enhanced customer experience.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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