

Chapter 10

Assessment of Risk of Misinforming: Dynamic Measures

ABSTRACT

This chapter discusses some ideas regarding how to model the changes of the value of misinforming after the wrong purchase decision is made. How the likelihood and impact of the risk changes as a result of adoption of the newly acquired product during the initial period of using it. Changes in assessment of a product's suitability are considered for the two categories of users – optimists and pessimists. The role of encouraging pessimists to purchase the product by providing incentives in the form of warranty that offer free trial period may serve as a bridge to the fourth part of the book.

INTRODUCTION

In the previous chapters we presented models which allow us to evaluate the risk of misinforming in a static scenario – at the time of making decision. In a business trade case this is the time of making the decision to purchase or not, or which product to choose in the case of competing options. Usually, the act of purchasing initiates the process of adopting the product. Adoption is learning weather and how the buyer (at that time owner) will be able to accomplish all works she or he intended to do with the product. Additionally, during this lengthy period, the buyer learns also what else can be done with the product, what additional or better properties of the product will give more benefits, and for what the product is not suitable at all or only partially.

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The learning process is a process of decreasing misinforming. In this chapter we will discuss the case of how the risk of misinforming changes during accumulation of experience in using the information – exploring product’s capability. Or the learning dynamics and progress as related to the level of misinforming.

During the period of using a product, the knowledge regarding its properties and suitability of the product to accomplish needed activities increases as well as the skills for efficient use of the product. Usually, the change is toward increasing understanding in the two aspects of utilizing the product. First is the knowledge regarding the product’s properties and what the new owner can do by using the product, what are constraints, and what are extra options. The second is increasing the more general understanding of what kind of relevant activities can be executed with a product in this category. This results in adjustment of the set of relevant problems, works and activities. Also this experience redefines the needs, degrees of acceptance, and in general redefining the conditions leading to justify the acquiring of the product. This process is defined also by the updates of assessment of the risk of becoming misinformed. In general, learning increases competences and results in decreasing the misinforming risk’s exposure.

This chapter addresses the evolution of the risk of wrong purchase decision over the period of adoption of the new product. The offered warranty of misinforming may play a significant role in this process by offering a risk-free trial period that may encourage pessimists to purchase the product and to try it. Part 4 is dedicated to warranty, including discussion about launching warranty policy to enhance learning in product adoption process.

SETTING THE STAGE

Let us assume that a customer b_j purchased a new product d , e.g., a new personal computer (PC). The purchase is made in order to address some particular, recognized before the time of purchasing, b_j needs to solve for a particular set of problems by using the product d . For example, in the case of purchasing a PC, these problems or works are to develop text documents, to perform simple or complex calculations, to send and receive e-mails, to browse Internet, to play games, or to listen music and watch movies. The PC has characteristics (technical properties), such as CPU’s speed, memory’s capacity, etc., which allow the customer to accomplish her or his work.

There are two stages in the adoption (acceptance) of the new product. The first one is to select the product, to make the purchase decision, and to acquire the product. The second one is to utilize the product. The second stage is related to the initial period of product usage when the buyer discovers whether and how the product

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