As can be seen from the chart, consumer acceptance begins slow, and then increases rapidly after a threshold number of consumer is reached. Turning to the cable television service acceptance rate, one should remember that level of acceptance is affected, in large part, by forces outside the control of the consumer. Specifically, local governing boards assigned to implementing cable service and the bidding process associated with those boards have held up some services. One should also remember that pay satellite services (e.g., HBO) were not available to cable systems until the mid 1970s, seven to ten years after the introduction date used in the diagram.

Price History

Clearly one important determining factor in consumer acceptance of a new product is the price. The price histories of these new video products have been similar to each other and to many other new consumer products. The prices of the new products decrease rapidly once the manufacturers start producing large quantities and additional consumers start showing interest in purchasing. Manufacturers producing larger amounts begin to realize economies of scale and pass those savings (because of competitive pressures) on to consumers.[4]

The following figure demonstrates the price history of color television sets and VCRs soon after their introduction. Prices were adjusted to 1962 dollars to account for inflation. The tremendous decrease in prices for color television sets is particularly noticeable. The inflation-adjusted price for 1986 was 75% lower than the average price in 1962. This decrease in prices occurred even when the quality of the receivers were improved.

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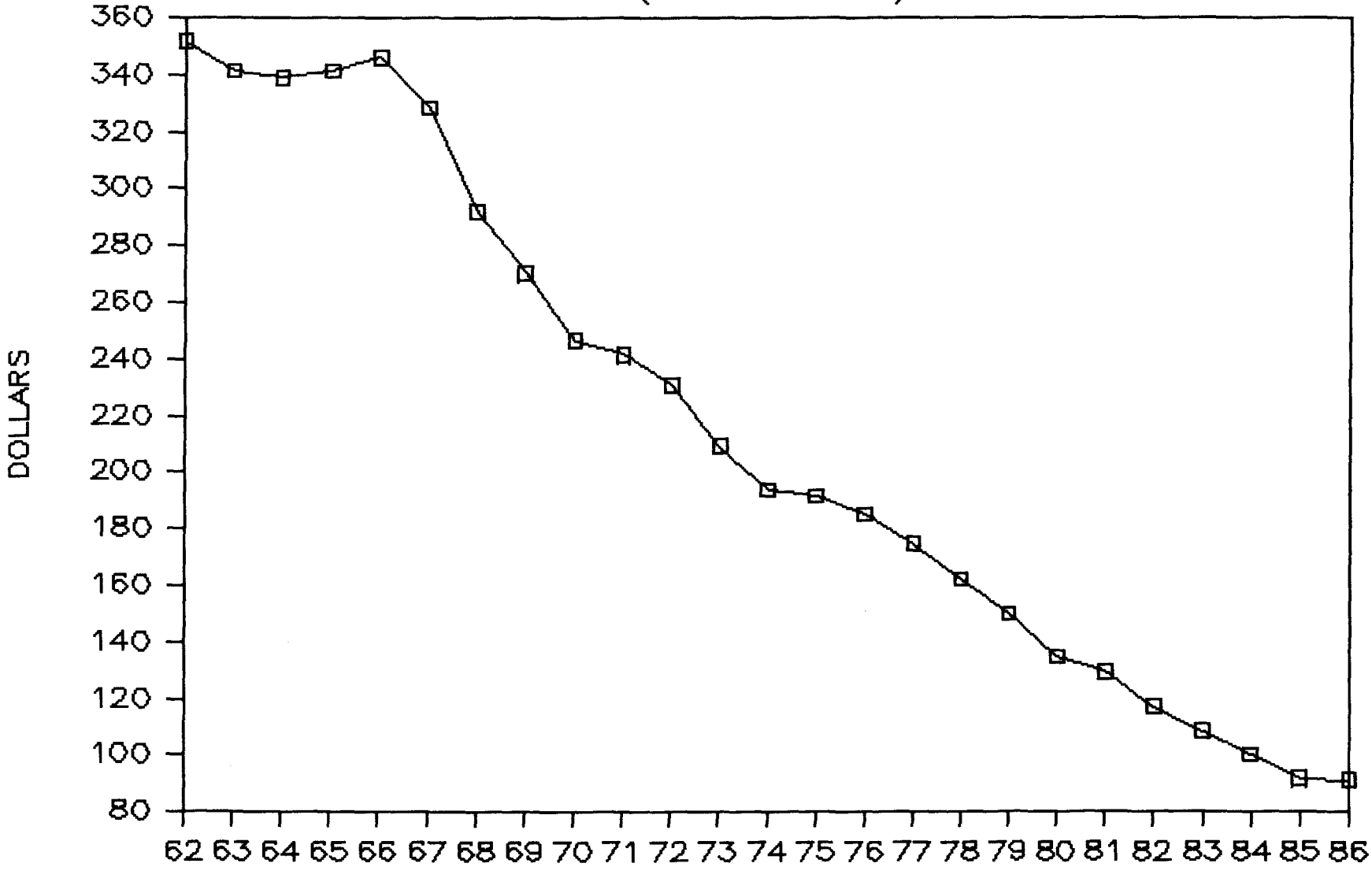
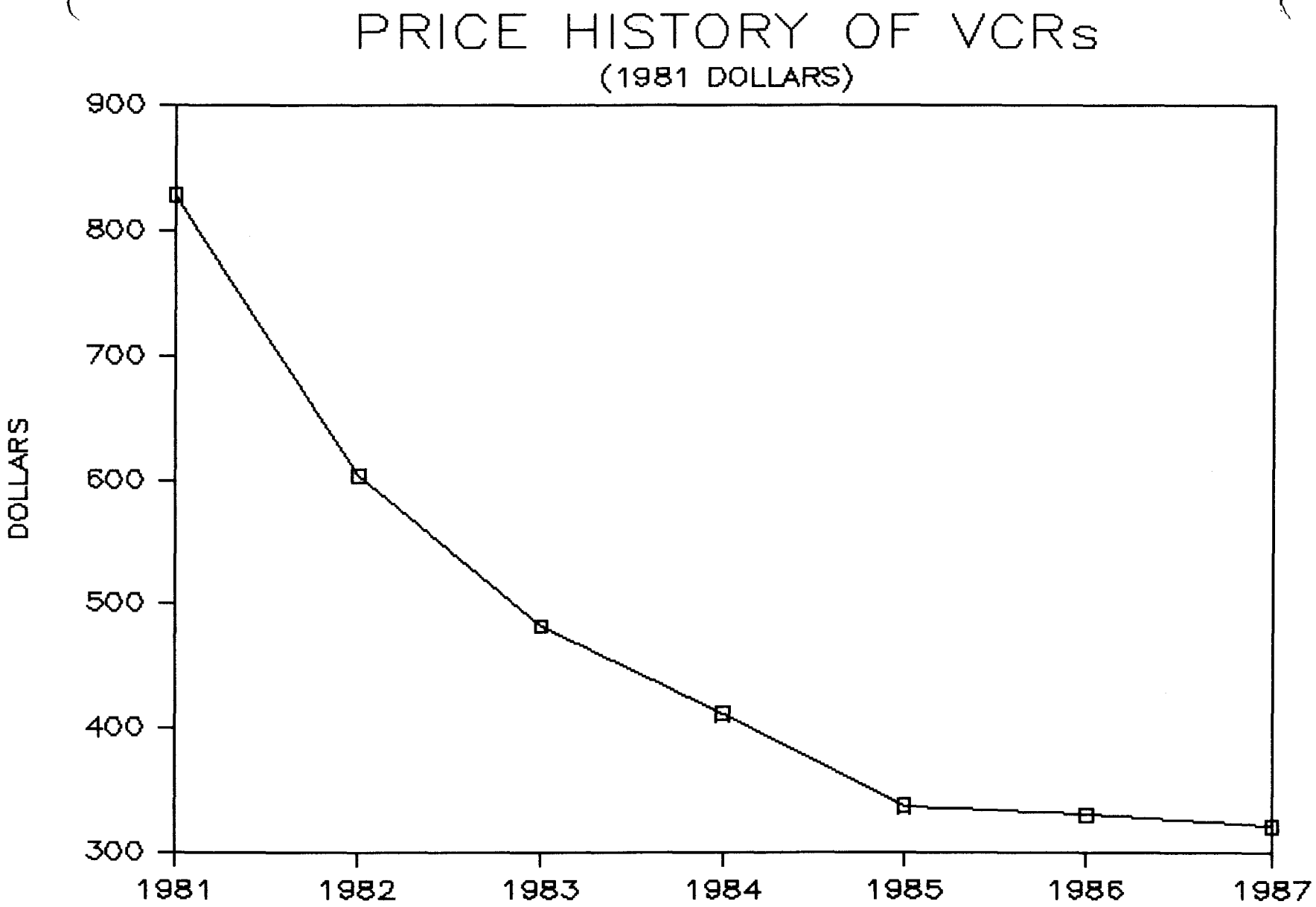
[4] Another reason for this decrease in prices is that manufacturers are price discriminating against consumers who tend to buy new products soon after introduction, no matter what price is charged. This theory could explain some of the price decrease if manufacturers enjoyed market power at the time of introduction. In any event, prices would decrease over time under this scenario.

PRICE HISTORY OF COLOR TVs

(1962 DOLLARS)




PRICE HISTORY OF VCRs
(1981 DOLLARS)
DOLLARS
900
800
700
600
500
400
300
1981
1982
1983
1984
1985
1986
1987

Conclusion

It is clear that consumers do not rush to the stores once a new video product is introduced. Many wait for prices to decrease among other reasons. What is somewhat surprising is that this pattern has remained consistent over the years and with different products. There is some small indication, however, that the pace of consumer acceptance of new video technologies is increasing.