The Impact of Innovation on Customer Satisfaction and Brand loyalty: A Study of the Students of Faisalabad

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The Impact of Innovation on Customer Satisfaction and Brand loyalty: a case study of Student of Faisalabad Pakistan

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Abstract

The competition within the mobile market is increasing day by day in Pakistan. The rapid changes in the technology are the challenge for the companies to satisfy the customers and to get their loyalty through innovative products. Purpose of this study is to investigate the benefits (customer satisfaction and loyalty) and cost (customer dissatisfaction) associated with innovation. These benefits and costs are investigated through analysing the relationship between the innovation, customer satisfaction and brand loyalty. The hypothesis was developed through literature review and data was collected through questionnaire from 85 university students, received questionnaires were tested through simple linear regression and correlation for appropriate findings. The results described the significant relationship of innovation with customer satisfaction and brand loyalty. This also showed significant relationship between the customer satisfaction and brand loyalty.

The studies on mobile market in Pakistan are conducted at minor level and this study has uniqueness in investigation only students as a mobile users market. This provides the way to marketers in targeting a specific class of mobile consumers, a way to conduct the research on the bases of these variables in other classes of mobile users.

Keywords: Brand loyalty, Customer Satisfaction, Innovation, and Pakistan

1. Introduction

The production and distribution of new or enhanced products with aggressive performance and functionality is considered more interested and attentive thing in the course of action of industry, and innovative approach has proven to be winning strategy either the industries working in full-growth markets. Creativity means making new product but innovation mean when financial benefits are engaged with that creative product. Innovation means to create a new product or make and implement a new process; the main purpose of innovation is to gain sustainable competitive edge or improve the efficiency of the organization and to get customer satisfaction (Leonard-Barton, 1992).

When a company makes innovative product, customer satisfaction is achieved and the loyalty of the customers also increases towards their product. The value of the innovative product in the view of customer also maximizes. In the context of Pakistan this kind of research have been done at minor level before especially with the match of these kinds of variables. According to researchers it is proved that when a firm introduces an innovative product, it should keep in mind the competitors' products and also the abilities of their own firm (Homas and Eigelt 2000). The resources of the firm should be used very efficiently when company is working on innovation in the product. The managers of organization should keep in mind the resources which they are using and resources which are needed for preparation of the product (Danneels, 2002).

Customer satisfaction may be defined as when the user of the product is satisfied with the performance of the product and the expectations are met from the product. According to

Oliver (1997) '' satisfaction of the customer in general words means customer response to the condition of fulfilment, and customer decision of the statement of fulfilment ''. The customer satisfaction is the source of customer loyalty, as Mital et al (1998) described that the customer satisfaction leads to the statement of customer loyalty. The survival of the business is dependent on the loyalty of customer to its brand. Oliver (1999) has defined loyalty as "an intensely held promise to repurchase a preferred product/service every time in the future, inS so doing cause repetitive same brand or same brand set buying, despite situational effect and marketing efforts having the potential to cause to switch behaviour". The after sale services are considered as key point in purchasing a product decision. The customers satisfaction and customer expectations are always inter related. The organizations which have less focus on customer satisfaction are always out of the market.

According to Tatikonda and Weiss Kenan (2001) when company makes a product, which functionality needs technical assistance, the reliability of that product will increase the uniqueness of that product; this superiority will lead customer satisfaction to sale.

Shane and Ulrich (2004) proved that after introduction of an innovative product, it increases its features, the customer achieves these characteristics and value of the customer maximizes. When he or she is satisfied from the product they buy more products.

The competition between the mobile phone companies has been increasing for last few years in Pakistan. The companies are competing to each other for customers, market share and long-term survival. In this competitive environment the companies can get success that is creating differentiation in their products and services.

Researchers describe that satisfaction and loyalty relationship is affected by two factors first is trust and other factor is commitment. These two factors are result of satisfaction of customer and quality service.(javadein, khanlari and Eistiri, 2008). Especially in the case of mobile phones, the customer satisfaction about the product and dissatisfaction can be measured on the basis of how much he or she uses the product. Their experience with the product tells that how much they are satisfied and dissatisfied (Goode, Davies, Moutinho and Jamaal, 2005) that leads to loyalty or to switch. The researchers also concluded that customer satisfaction is very much related to this factor that what is perception of customers about the product and what is the actual performance of the product (Yu and Hong, 2002).

In the context of Pakistan, a study was conducted by Nemati, Khan and Iftekhar (2010) to find out the relationship of these variables in general public. They concluded that people were satisfied with innovative products but not showed loyalty due to price sensitivity in Pakistan.

Purpose of this study is to investigate relationship of innovation with customer satisfaction and brand loyalty within a specific segment of the students of GCU Faisalabad, Pakistan. Research is regarding the students of university because the students of university are considered an attractive group of people to use mobile. When the mobile phone company introduces an innovative product, what it has effect on the satisfaction of university students? And up to what extent students are loyal with brand? And is this product keeps them with that company or not. This research will define the parameters that are these customers stick with their old brand or switch to innovative brand. Convenience sampling technique will use to collect data through structured questionnaire and data will be analysed by using simple linier regression and correlation. The results will provide purposeful understanding that how much innovation influence to university student's satisfaction and brand loyalty. The findings will provide help to suggest managers to make strategy for obtaining the competitive edge in the intense competition of mobile market for students.

Research question: Is the innovation has an impact on university students according to satisfaction and loyalty? Are innovative products yielding a significant market share or caused the dissatisfaction that leads to losses and caused weakness for the company?

2. Literature review
2.1 Innovation
When term innovation used, it means creation of something new by an organization that satisfy its customers and increase the market share. Because the purpose of innovation is to bringing something new that is unique and your competitors do not have and caused positive and good experience of customer towards the provider company. According to Pan and Zinkhan (2006), the innovation used for strategic orientation toward customer satisfaction, loyalty, and to gain market potential that increase the market share of the company. So, the innovation can be new product or new concept that has derived from systematic research and new ideas. It also defined as commercialization of creation. The innovation also described as a process of converting the invention or idea into a product that customer purchase and provides financial benefits to its providers. This idea that have to convert into an innovation into a product or service must have the quality to satisfy some specific needs of the customers and can be can be implement at an economic cost to be convert into an innovation (Nemati, Khan and Iftekhar, 2010). According to Hausman (1995) the market of telecommunication is in the middle of severe changings like broadband spread along with hotheaded growth of mobile telecom and arrival of new technologies. Innovation is the generation of products that are totally new, new production techniques, new market openings, use of the supply chain resources in a new way and generation of new markets in a specific industry (Nemati, Khan and Iftekhar, 2010). But it does not mean that innovation is always treated as a totally new thing that is introduce in a market but it is also innovation to enter in a new market with new features.

2.2 Customer satisfactions
Customer satisfaction is business term which identify that the product which company supplied to its customers how much satisfying them. In the era of intense competition every business tries to achieve customer satisfaction in competitive environment which is considered key elements for all businesses. For the best customer satisfaction firm have assured the safety of its customer because every customer wants safety. Customer satisfaction has a positively influence the repurchase intention (Anderson and sallivam, 1993). Customer always becomes loyal and satisfied if company make the product according to customer requirements. Some companies that are well established bear losses to develop their customer satisfaction and loyalty. According to Bolton (1998) customers who have longer relationship with the firm have prior cumulative satisfaction rating and few smaller subsequent perceived losses associated with subsequent service encounter. Innovation leads to the customer satisfaction in every sector because company brings innovative changes in its products to make customer satisfied and meet their needs. Sometimes customers are very conscious about the behaviour of company related their complaints either companies take their complaints seriously or not. If the companies work on customer complaints then customer think company care them that enhance the customer satisfaction.

Anderson and Sullivan (1993), argues that customer repurchase product will depends on customer satisfaction. The companies which are quickly handling the complaints of customer lead to loyalty and reduce the negative impression by the customer. Although some companies supplied good quality product to customer but sometime still suffer because lack of customer interaction and failed to understand exact the information about customer need due to lack of awareness of changing in technology and trends. According to researchers sometime companies failed to achieve customer satisfaction by providing high quality feature which customer think these are not important by their point of view (Lacobucci, ostrom, Graysan, 1995). This problem arises due to lack of contact with customers. Companies do not directly interact with customers about their product (how satisfied the customer is about the

product. But they change the product according to their distribution and market intelligence information. The supply chain players (retailer and distributor) are representative of the organization. According to Chu and Dosai (1995) in many cases if the companies have little interaction with its customer then the retailer perform vital role to enhance the customer satisfaction. In that case the retailer treats the customer as a representative of the company. Companies try to make new changes in their products which attract the customer and enhance their satisfaction level that is important for new demand of mobile phone market in Pakistan.

2.3 Brand loyalty

The customer who re-purchases the product which is manufacturer manufactured the specific product that is available in the market offer by different companies. That is called brand loyalty. It is called brand loyalty which customer purchase consistently specific brand from the different other brands available in the market. According to the Carman (1970) opinion the most important thing of product loyalty is retail loyalty. When customer have enough choice about different brand under one roof this will bound him to switch to other brands which are available in the market. So the store loyal customer always increases the brand loyalty because he thinks that all benefit of his brand is better than other brands. The brand loyalty concept does not depend only on product quality and product succession. Some scholar did enough work on brand loyalty and also predicts different variables which affect the brand loyalty.

According to Mcconnel (1968) point of view for the whole understanding about brand loyalty, then enough work required. This research aims to define the important factors which not related to time and also show the different advantage which customer gain from re buy of that brand. Advertising also affect and enhance the brand loyalty because through advertisement company motivate the customer that brand offer by company give value and quality according to its price. Brand equity always understands with the quality and uniqueness which is related to customer memory (Dillon et al 2001). Attraction of customer is base on company's offered product which attracts the customers according to their needs and wants. If company is providing the product according to customer need and wants that thing increase the satisfaction of customer and brand loyalty. According to Bayous (1992) that analysis provide help the company and retailer to identify the brand loyalty which related customer means that make brand attractive. There are number of variables which influence the re purchase trend. This influencing variables are still hidden they are not explored. When a consumer re purchase a commodity, there are many other external factors that affect its re purchase behaviour. These factors may be his/her gender, consummation pattern or Age. It means that brand preference cannot be identified only by organization. There are many other factors that have great impact of his/ her re purchase behaviour (Allenby and Lenk 1995), Loyality of the brand from the customer side also affected by many different factors. These factors include his behaviour, personal contacts with the person who is selling the product, family pressure to purchase the product and other people who are using that product. According to Newman and Werbel (1973) there is positive relationship between old product satisfaction and brand loyalty. Brand loyalty also has strong positive relationship with the age of household head. This brand loyalty also has positive relationship with presence of children in the house. When the customer is loyal with the product it would be very easy to make and launch a new product. Incentives and deals are also offered by the organization. Tellis (1988) also suggested that when a person is loyal to your product it will be less conscious in the decision of pricing. It is also resulted from literature when a customer is loyal with brand it will not go to any other brand unless any similar brand is offered. Example of Apple Mobile phone can be taken. The customer of Apple doesn't go to any other product Although Samsung and Nokia are offering the similar featured product. They are also not price

conscious. When a customer is loyal to brand in real terms, it become advocate of your product also encourage the other persons to buy that product.

1. To investigate the behaviour of university students regarding to innovative products.

2. To provide the suggestion related to this specific market of students to the managers to make strategy of launching product in the market that provide customer satisfaction and brand loyalty.

For this purpose, there are three hypothesis are developed on the basis of literature review.

H1; Innovation has positive relationship with customer satisfaction.

H2: Innovation has a positive relationship with brand loyalty.

H3: There is positive relationship between customer satisfaction and brand loyalty.

Figure 1: Model of innovation and its affect on customer satisfaction and brand loyalty
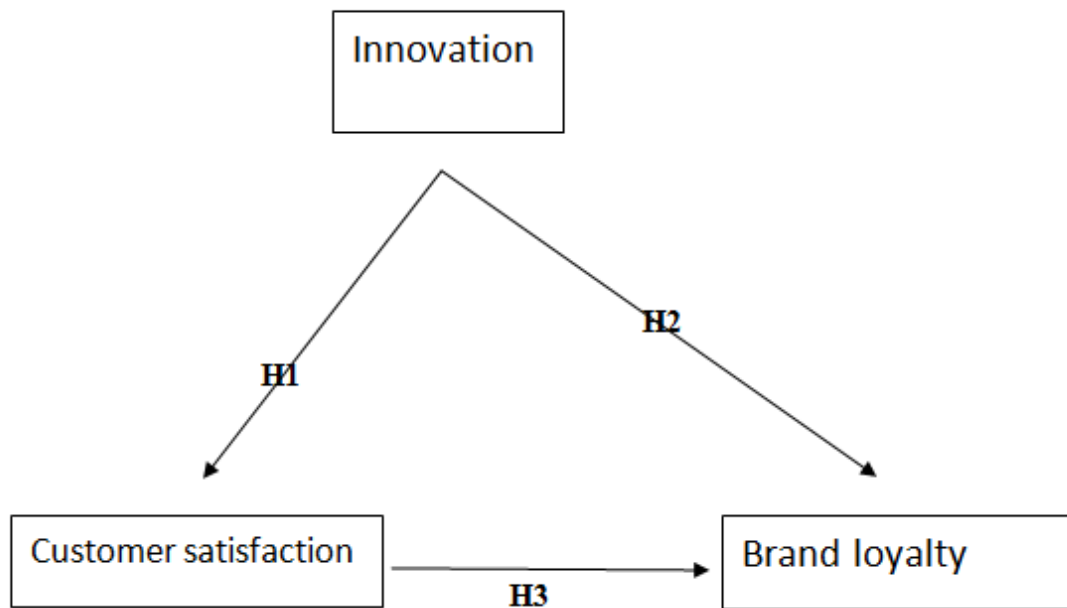
3. Methodology

In this section of research data collection method and respondents are described.

3.1 Questionnaire: Quantitative method was used to conduct this study. Question was adopted that's validity and reliability already was checked. This questionnaire had used by Nemati, Khan and Iftekhar (2010). Through this questionnaire data was collected. The items in this scale were total 27 in number. For the measurement of variables, likert scale was used. There were total 100 questionnaires that were distributed. Total 85 questionnaires were received. The response rate was 85 percent.

3.2 Selection of population and sample: the population was consists on university students for this research. The technique that use was convenient sampling and questionnaire were distributed to the students of university that were using mobiles.

3.3 Statistical analysis

The data was analysed with the help of SPSS software. Correlation and regression techniques were use to analyse the received data. The correlation analysis showed the relationship between variable innovation and customer satisfaction and brand loyalty while

regression analysis showed the strength of relationship between these variables. The innovation is treated as independent variable, customer satisfaction as moderating while brand loyalty as dependent variable.

4. Results

Table 1: Correlation analysis

	Innovation	Customer Satisfaction
Customer Satisfaction	.757(**)	
Brand loyalty	.720(**)	.745(**)

n=85 **correlation is significant at 0.01 level

The correlation analysis is showing that customer satisfaction is correlated with innovation and have positive and highly significant (.757**) relationship. The second variable that is brand loyalty also has positive and high significant relationship with innovation. The significance level is (0.720**). The other variables (customer satisfaction and brand loyalty) also are correlated and have highly significant relationship. These relationships are describing that every variable is effecting by other variables that show the acceptance of hypothesis by the respondents.

Table 2: Summary 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.757(a)	.573	.568	.29141

Independent variable: Innovation
Dependent variable: customer satisfaction

In above table analysis R is showing that innovation is explaining highly to customer satisfaction. It shows that there is positive relationship between innovation and customer satisfaction. R value .757 is showing that the innovation in a product or service caused the satisfaction of the consumers.

Coefficients (a)

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	.911	.250		3.636	.000
Innovation	.752	.071	.757	10.554	.000

Dependent Variable: customer satisfaction

In above table it is showed the coefficient of innovation and customer satisfaction. Beta value is describing that if the innovation change one unit, the customer satisfaction will change .752 percent. The column of standard error is showing that the error is very small that describe the significant relationship of variables. In the last column, the standard error .000 is showing high significance of innovation on customer satisfaction.

Table 3: Summary 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.720(a)	.518	.512	.29267

Independent variable: innovation
Dependent variable: Brand loyalty
In above table analysis R is showing that innovation is explaining highly to brand loyalty. It shows that there is positive relationship between innovation and brand loyalty. R value .757 is showing there is very strong relationship that the innovation in a product or service caused the brand loyalty.

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1.098	.252		4.365	.000
	Innovation	.676	.072	.720	9.448	.000

Dependent Variable: brand loyalty
In above table it is showed the coefficient of innovation and brand loyalty. Beta value is describing that if the innovation change one unit, the brand loyalty will change .676 percent. The column of standard error is showing that the error is very small that describe the significant relationship of variables. In the last column, the standard error .000 is showing high significance of innovation on brand loyalty.

Table4: summary 3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.745(a)	.555	.549	.28132

Independent variable: customer satisfaction
Dependent variable: brand loyalty
In above table analysis, R is showing that customer satisfaction is explaining highly to brand loyalty. It shows that there is positive relationship between brand loyalty and customer satisfaction. R value .757 is showing that the customer satisfaction has strong affect on brand loyalty. The brand loyalty will increase with increasing the customer satisfaction.

Table5: Descriptive Statistics

	Mean	Std. Deviation	N
Innovation	3.4882	.34639	85
customer satisfaction	3.5329	.37331	85
Brand loyalty	3.4555	.41911	85

The above table is describing that there is reasonable mean of every variable which is describing the good propensity to accept the hypothesis by the population. The standard deviation is describing the variation to the origin. These variations are bearable in some extents.

5. Discussion
This study describes the relationship of innovation with customer satisfaction and students loyalty to the new brands. The acceptance of first hypothesis described that the customer satisfaction is effected by new products in mobile market. The results are showing that this relationship is very strong. In the mobile market of university students, the companies can get competitive edge by getting high level satisfaction through launching new product. These results are also showing the behaviour of the students to adoption new technology and techniques to meet the latest demand of the environment. Technologies and product attract significantly to this specific market for mobile product. The acceptance of second hypothesis showed that innovation also has relationship with brand loyalty. The loyal customers are

proved a most profitable class which retain with the products for a long period of time. Cost of attracting of new customers is more than the retaining of existing customers. When the mobile companies launch new products, the students are purchase it. They stick to the company till company provide them new products that meet the new trends in mobile market. If the company do not provide innovated product, the customer switch to other brand that has unique features. The acceptance of third hypothesis described that the relationship between customer satisfaction and brand loyalty has strong relationship. Customer satisfaction leads to brand loyalty. For the customer loyalty, customer satisfaction is a signal. This showed that the university students mostly repurchase the brands that satisfy their need. If a brand is providing them innovative products that meet to their needs, they do not take risks to switch to another brand. The history of mobile phone industry described that the mobile technology and features that are appropriate at one time, it is not assure that are considered like so in future. The wants of the people have changed over the period of time. The old technology and process becomes unable to meet future requirements. If a company wants to long term survival, it must have to work for customer loyalty. To get customer loyalty, innovation is considered an important element.

6. Conclusion
In this study it is tried to investigate the relationship of new product produced by mobile industry of Pakistan and how this innovation is effecting the satisfaction and brand loyalty. In this study this relationship is observed in the GCU Faisalabad, Pakistan. Three hypotheses were developed on the bases of literature review and describe them through hypothesised model. The data was collected through convenience sampling method. For getting data, questionnaire was used. The responses were analysed through SPSS software by using Pearson's correlation and regression method.

The results described the significant relationship between the independent variable (innovation) and independent variables (customer satisfaction and brand loyalty). These results described that innovative product caused the customer satisfaction and brand loyalty. The value addition is that this kind of study is at minor level in the mobile industry of Pakistan. With these variables and on the specific market of university students have not done before. So, this study provides the information about behaviour of university students towards the innovative products.

7. Limitations and future research
1. The sample group consists of only university students.
2. The name of the mobile company is not used to save the privacy of the companies.

Future implications
For future study, someone can conduct study by using the variables of this study to investigate the relationship between them. The students of colleges and schools that are using the mobile technology can also include covering the whole market of students.

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