

EFFECT OF INNOVATION ON BRAND LOYALTY AND CUSTOMER SATISFACTION: A
STUDY OF MOBILE PHONES USERS IN OTA, NIGERIA

BY

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Abstract

The purpose of this research is to find out how innovation affect brand loyalty and customer satisfaction in mobile phones used by users in Ota, Nigeria. Data was collected from the users of cellular products in vicinity of Canaanland and Ota in Ogun State. The data was collected from 300 users through questionnaires. Results indicate that innovation has impact on customer satisfaction and brand loyalty.

Keywords: Brand loyalty, Customer satisfaction, Cellular products, Nigeria, Mobile phones

Introduction

Innovation means the creation, development and implementation of a new product, process or service with the goal of improving efficiency, effectiveness or competitive advantage. Innovation had better be capable of being started small, requires first little money, few people and only a small limited mark. The customer satisfaction mean the degree to which customer expectations of a product or service are met or exceeded. The quality of after-sales services can also be a crucial factor in influencing any purchasing decision. There exists an interaction between the desired results and customer satisfaction. Brand loyalty without the customer it is impossible for any business to sustain itself. Achieving the desired results is frequently a result of customer actions. Any business without a focus on customer satisfaction is at the mercy of the market.

This research is an important step forward finding out the impact of product innovation on customer satisfaction and brand loyalty in mobile phones. This research helps in finding out how process of innovation will be done and how the innovation product would satisfy the customer demand, needs and requirement and why a customer always demands a specific brand, e.g. a person using a brand from which he is being satisfied, won't be bothering about any other brand, every person wants value maximization so innovation would increase brand loyalty, and would help in increasing customer satisfaction. In Ota-Nigeria this kind of research with having this match of variables has never been done before.

First of all, our analysis showed that product quality and time-to- market are significantly positively associated with customer satisfaction, while unit cost has no significant effect(McConnell, 1998). According to Danneels(2002), when managers introduce new products they should consider the firm's capabilities and the position of their own and rival existing products. Our finding suggests that technical product functionality and reliability contribute to perceptions of product superiority and uniqueness, which translates into increased customer satisfaction and sales(Chu and Desai, 1995). The tactical use of resources is very important when the innovation is brought in a product. Managers should examine which resources are already in place, and which need to be built. This exercise will yield the extent to which the project involves customer or technological exploration(Danneels, 2002).

When new products come their new feature must be differentiated, this will inspire customers and they will be happy with what they get and once they are satisfied with product they will buy more. Development lead times have accelerated and the creation of new ventures has become more prevalent. In some ways, the innovation domain of management(Akinyele, 2010). According to researchers they confirm that the relation between loyalty and satisfaction is mediated by two factor commitment and trust as consequences of service quality and customer satisfaction(Javadein, Khanlari and Estiri,2008). The researchers based upon this research is to provide customer guidance, offer new idea and interaction to improve his quality for buyer/seller(McConnell, 1998). The customer satisfaction and dissatisfaction is to judgment with the experience of product, in the case of mobile phones(Goode, Davies, Moutinho and Jamal,

2005). The researcher shows that gender, participants' perception of product performance and their performance were significantly related to the product satisfaction (Goode, Davies, Moutinho and Jamal, 2005).

Literature Review

Innovation

Innovation may be defined as a new concept or product driven from any new idea or scientific research, or innovation may be called the commercialization of the invention. It may also be termed as the process by which an idea or invention is converted into a product or service for which people will pay. The idea must have the quality of satisfying any specific need and implementation at economical cost to become an innovation. In the services sample (telecom brand), there is a positive relationship between the extent to which consumers are innovative and the extent to which services brand extensions are favourably evaluated (Bayus, 1992). Hausman (1995) argued that telecommunications equipment markets are in the midst of a drastic change as broad band technology becomes widespread along with the explosive growth of mobile telecommunications and the advent of new market, and implementation of new supply sources and emergence of a new organization of any industry. Allenby and Lenk (1995) stated the strength and insistence of citizen demands for technologies are structured in ways that undermine rather than reinforce existing constellations of power. Innovation is not to be necessarily termed as introduction of new product in the market but it can take place in the process of approaching the market. Evans and Schmalensee (2002) argued unlike price/output decisions, analysis of dynamic competition requires evidence about, among other things the pattern of investment in developing new products (and complements thereof), the control of critical assets (particularly intellectual property and distribution channels).

H₁; Innovation has positive relationship with the customer satisfaction and brand loyalty

Customer Satisfaction

Customer satisfaction, is a business terminology to evaluate as how much a product or service supplied by company has been able to satisfy or please the customer. As the market has become very competitive these days so the major aspect of this competition is to achieve customer satisfaction which has gained the importance of key element in functioning of a business. For the better customer satisfaction companies have assured the safety of customers because customer would definitely go for safety. Companies have to assure customers that they will not be affected whatever happens to company or market. Customer satisfaction was found to have a positive impact on repurchase intentions (Anderson and Sullivan, 1993; Akinyele and Akinyele, 2008). Customer would become more loyal and satisfy your product if company will also be keen about their priority and satisfaction. Some good firms sustain losses to build their customer base and loyalty. According to Bolton (1998; Carman, 1990), customers who have longer relationship with the firm have higher prior cumulative satisfaction ratings and few/smaller

subsequent perceived losses associated with subsequent service encounters. Although some firms have monopoly (in the kind of situations it's easy for an organization to satisfy its customers but in sectors where competition lies it's difficult to satisfy customer. For example, mobile phone service (there is cut throat competition in this industry, customer satisfaction plays a key moderating role for intentions (Akinyele, 2010).

Innovation in every sector brings customer satisfaction especially in mobile phone users because companies bring new changes in their cell phones it makes customers more satisfied and fulfill their needs. Hausman (1995; Akinyele, 2010) found that telecommunication equipment are in the midst of a drastic change as broad band technology becomes widespread along with the explosive growth of mobile telecommunications and the advent of new technologies such as GSM and PCS. Most of the times customers are very much keen about the behaviour of the company towards their complaints. Either they take it seriously or not. If company takes it seriously it can increase customer satisfaction because customer can think that company cares about them. Anderson and Sullivan (1993; Akinyele, 2010), found that the customer's satisfaction affects the customer in building their will to repurchase any item. Provision of quick complaint handling and effective customer service help the management to prevent building of any negative impressions by the customer. Although some company can have very good quality product but still they suffer because element of interaction with customer is missing and they don't get the exact information about customer's need.

According to Iacobucci, Ostrom, Grays (1995) a firm may fail to achieve better customer satisfaction despite providing high quality service, because the properties improved are not important from the customer's point of view. In many cases company are not directly interact with customers but they get information about their product (that how much customer are satisfied with their product) from their distributors and other market intelligence. Retailers and distributors are indirectly representatives of the company. According to Chu and Desai (1995) in some situations if manufacturers' have limited direct contact with the customers then efforts made by retailers for customer satisfaction can play very important role. In such situations the customers treat retailers as representatives of the corporation. Companies have to make strategies and development to give better satisfaction to their customers. These strategies are a tool for satisfaction and to increase market share which is a very needy thing for a company because if any of these strategies works it can bring a massive change in customer's satisfaction and market share. It also brings loyalty of the customer towards your product. Akinyele, and Akinyele, (2008) explained that the business strategies can always be developed, altered or reshaped to achieve more customer satisfaction. Such a change may be useful for achieving greater customer satisfaction and higher share in the market.

Industry has to spend a lot of finance on productivity and innovation because innovation about any product or betterment in product requires high finance. This finance can only be recovered if your customer is satisfied with your product and willing to buy it. That is why for buying or increasing productivity you need a satisfied customer. According to Akinyele (2010) for the

purpose, understanding and extracting a highlighted link between customer satisfaction and productivity, it would be very useful to search for the industries getting greatest in financial returns, are they having only high productivity, or high satisfaction, or both at a time. The state of customer satisfaction will be different in case of different persons, similarly it will be different in case of product/service difference, therefore concept of customer satisfaction has to be both psychological and physical parameters correlating satisfaction behaviours such as return and recommended rate. Bolton (1998; Bayus, 1992) proved if we study a market having identical customers, the difference in behaviour if individuals will have a significant difference in market behaviour for longer times.

Brand Loyalty

The consumers which repeatedly buy an item manufactured by a particular manufacturer despite having choice of selection due to availability of same item supplied in same market by various manufactures are called brand loyalty. It can also be termed as the frequency to which the buyer consistently purchases the same brand from range of brands in a particular class. According to Carman (1990) the single most important predictor of brand loyalty is store loyalty. When the shopper makes her choice in a single store, she restricts the number of brand alternatives available to her. Thus, the store-loyal consumer will have higher brand loyalty scores simply because the number of possible outcomes in her brand choice experience is less. To understand the concept of brand loyalty is not a task because loyalty is not only factor of product succession. Some researchers worked on it and came up with the results that there are other variables which can also affect loyalty. According to McConnell (1998) considerably more work is needed before brand loyalty is understood. This study provides evidence of the importance of variables other than time and indicates some of the benefits of experimentation it's the degree to which a brand is repeatedly purchased by the consumer. For advertising point of view to achieve brand loyalty, the consumer has to be convinced that the brand offered consists of most suitable combination of price and quality. The nature and degree of customer based brand equity is noticed through the strength and uniqueness of brand association's stored in memory (Danneels, 2002). Customers can be attracted by providing them the things which are needed by them. If manufacturer will provide them this facility they will be satisfied and loyal. According to Bayus (1992), such an analysis can help manufactures and retailers assess brand loyalty in terms of the primary customer sources that a brand attracts. There are many other factors involved in repeat buy phenomena which are still unexpected may be it brand loyalty which urges customers to do this practice? Allenby and Lenk (1995) stated that more strategically, the results indicate that consumer preferences for brands are not nearly as entrenched as might be expected. Our analysis suggests that a large portion of repurchase behaviour is due to unexplained factors that are present across purchase occasions. Brand also varies from age, gender consumption pattern. There are many factors which affect the brand loyalty like consumer attitude, pressure from family and other persons sharing the use of brand, personal relations of a buyer with the sales person. Customer satisfaction is supportive element

to brand loyalty. Anderson and Sullivan (1993) found positive relationship between brand loyalty and satisfaction with the old product, and age of the household head and the presence of young children. When people become loyal to your brand it's easy to launch new brand or come up with any change in existing product or brand. Sometimes it increases with the other incentives given with product. For example, any deal in which your brand is also offered. Loyal customers are less price sensitive than non loyal customers in the choice decision(Akinyele, 2010). Every customer has its own psyche; some of the consumers would become loyal when they will find that you are discriminating other brands. According to Hausman (1995) argued some consumer will become brand loyal even when there is no discriminable difference between brands other than the brand itself. It is the degree of faithfulness of the consumers to a particular brand, indicated by repurchasing behaviour despite marketing pressures created by choices of other brands. A proved example of major brand loyalty can be seen by considering its consumers all over the world for last many years. This is one of the most significant examples of devotion shown by the consumers for the products of Apple company.

Theoretical Framework

Figure 1 : Relationship of Innovation with Customer Satisfaction and Brand Loyalty

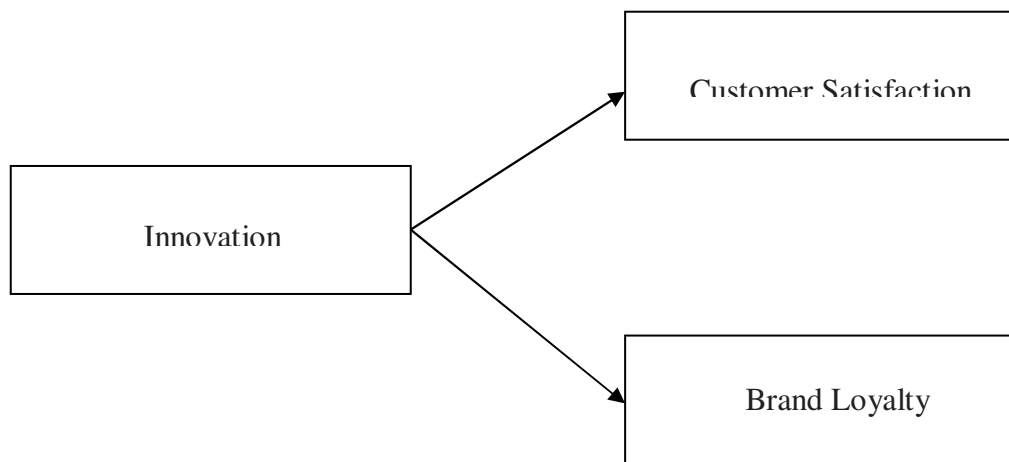


Diagram based on hypothesis indicates that customer satisfaction and brand loyalty are dependent variables and innovation independent variable and relationship between them is positive.

Research Methodology

The discussion about methodology adopted in research is included in this section. The discussion is about questionnaire and participants. Data was collected through a questionnaire. It contains three sections having 27 items. A five point Likert scale was used to measure the variables. Total

number of 200 questionnaires were distributed and out of which 150 were received and response rate was 0.75 percent.

Population for the present study includes university students, shopkeepers and general public using mobile phones. Convenient sampling technique was used and questionnaires were distributed among people living in Canaanland and Ota.

Table 1: Characteristics of Sample

Attributes		Frequency	Percentage
Gender	Male	90	60
	Female	60	40
Marital status	Married	39	26
	Unmarried	111	74
Qualification	Matriculate	4	2.67
	Intermediate	27	18
	Bachelors	58	38.67
	Masters	52	34.66
	PhD	9	6
Age	15-25	95	63.33
	25-35	23	15.33
	35-45	17	11.34
	45-55	11	7.33
	55 and above	4	2.67
Language	Yoruba	71	47.33
	Igbo	44	29.33
	Hausa	20	13.33
	Foreigner	5	3.33
	others	10	6.67

Source: Field survey, 2010.

Statistical Analysis

Statistical package for social science(SPSS) software was used to analyze data by using correlations and regression analysis. Correlation analysis shows that customer satisfaction depends on innovation to some extent and brand loyalty has no dependency on innovation. Regression analysis is used to find out the strength of dependency.

Results

Table 2: Correlation Analysis

	Customer satisfaction	Brand loyalty	Innovation
Customer satisfaction	1		0.302**
Brand loyalty		1	0.057
Innovation			1

n= 150, ** correlation is significant at 0.02 level

Correlation table shows that customer satisfaction is correlated with innovation. The correlation is positive and significant (0.302**) while Brand loyalty is not correlated with innovation.

Table 3: Regression Analysis

	Beta	T	Sig.
Innovation	0.302	13.692	0.000

N= 150(Dependent variable = customer satisfaction R square= .091, Adjusted R square = 0.85, F= 14.831, Sig = 0.000

The regression analysis indicates value of 0.091 for R square which shows that innovation has a impact on customer satisfaction to some extent. The value of F = 14.831 which is significant at 0.000. The β value of customer complaints(0.302) is significant at 0.000 which shows innovation has a positive effect on customer satisfaction in mobile phone users in Canaanland and Ota in Nigeria.

Table 4: Regression Analysis

	Beta	T	Sig
Innovation	0.057	14.839	0.487

N =150 (Dependent variable= Brand loyalty R square =.03,Adjusted R square= 0.003, F=0.486, Sig =0.487

The regression analysis indicates value of 0.03 for R square which shows that innovation has no impact on brand loyalty. The value of F= 0.486 which is not significant at 0.487. The β value of customer complaints (0.057) is also not significant at 0.487 which shows innovation has no effect on brand loyalty in mobile phone users in Canaanland and Ota in Nigeria.

Discussion

This research shows the impact of innovation on customer satisfaction. Although this relationship is not very much strong but still it is an important element for the satisfaction of the customer towards the mobile phones. Mobile phones are becoming an essential part of technology for satisfying people mobile phone makers companies have to bring new changes and features to attract customer. For doing this kind of practices companies have to bring innovation and changes. When any new product is introduced according to requirement of customer in cellular products it automatically increase the customer satisfaction. There are also some other reason for the brand loyalty and customer satisfaction. For example price in as important element for customer satisfaction. In the country like Nigeria people become mentally satisfy when they give high price for the product, its their mental phenomena.

The second variable is brand loyalty it has negative relationship with innovation. The data which is collected through questionnaire depicts that innovation has not any positive effect on brand loyalty. Here for the brand loyalty again price is an important element because according to the

economic conditions of the country people love to buy the product which gives them more features in an economical package. So we can say for the brand loyalty price is more important than innovation. For example after studying the environment of the country, researchers found that Nokia has the largest market share in the mobile market in Nigeria. When it is studied thoroughly it was found that in their market share there is a huge part for the economical mobile phones. Although mobile phone which have less price sell more than the expensive ones. Although factor for the dissatisfaction and unloyalty is the lack of interaction between customers and producers because companies which are selling mobile phones are foreigners and they do not have their customer centers in Nigeria, where people can come and interact directly with the company, for this reason they cannot tie their demand directly to the companies and the companies are unable to fulfill the demand of the people. Users have to follow and manage with the features provided to them by the company. This thing increases dissatisfaction. As mention above price is also an important element so if the companies have service centers so they can also find out the economic need of the people, with the help of it they can increase loyalty among the customers, which is a huge and plus point for the producer companies. These are the main and possible factors which do not let or hypothesis positive.

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