RESEARCH PAPER

Impact of Innovation on Customer Satisfaction and Brand Loyalty

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ABSTRACT

Main purpose of this study is to analyze the effect of innovation that what changes it brings in bringing customer satisfaction and loyalty of brand .The study was observed on the employees working in the Organizations and University students of Lahore. Questionnaires were used to collect the data for this research. Almost every firm change features of their products; sometimes prices get higher or sometimes lower as well can bring changes in design and sometimes there way of providing services also changed. To check all these innovations impact on customer satisfaction and brand loyalty we did a research. Literature review is formed for the formulation of hypothesis. It also explains the relation of one variable to another. The results of our study gave us the result that innovation brings positive impact in order to satisfy customers and brand loyalty.
Key words: *Innovation, Customer Satisfaction and Brand Loyalty.*

INTRODUCTION

Customer Satisfaction is the key objective of any business as a result it not solely helps within the growth of profit however additionally attracts your new customers toward your product. Satisfying customers provides a path for the managing of business. Holding the purchasers is incredibly necessary thus that's why corporations gave competitive advantage against the contestant. So as to extend company's revenue and enhance market share corporations attempt their best. To be market leader corporations ought to introduce new product and artistic ideas within the market so customers became loyal to them. If the purchasers area unit glad from the product or services of any company, then they're going to show loyal behavior for the product or services of that company. Contented customers can repurchase those products and that they can volitionally produce positive words of mouth this specific firm. Kasper (1988) argued that satisfaction is often used as a predictor of future consumer purchases.

Innovation refers to introducing new things within the market and changing new data in new merchandise and services so as to satisfy existing customers and to draw in new customers. If the businesses are going to be artistic and innovative then they're going to be able to differentiate themselves from their competitors. According to Schumpeter (2006) innovation is combining new product, new process, opening of new market, new way of organizing the business, and new sources of supply in an entrepreneur.

Brand loyalty can be defined as the repurchase behavior of the customer (Basrawi, 2009). They will obtain identical product yet again and again if the merchandise fulfills their demands. There square measure many benefits to all or any those firms that have loyal customers. Such firms place fewer prices on publicity because customers recognize their merchandise. Once they get the surety that customers can ne'er switch to alternative brands they will charge premium costs for his or her merchandise. As a result their profitability will go up and costs will go down (Rundle-Thiele & Bennett, 2001).

This study helps in the judgment of how novelty will be done and how the inventive product would gratify the customer requirements and needs and why a buyer for all time demands a particular brand, e.g. Someone using a brand since he is being satisfied, he won't bother about any supplementary brand, every person needs value maximization so novelty would enlarge brand trustworthiness, and would help in ever-increasing customer satisfaction. In Pakistan this kind of

exploration with having these counterpart variables has never been done before. Our examination showed that manufactured goods worth and time-to-market are considerably completely allied with customer happiness, while unit cost has no momentous effect.

LITERATURE REVIEW

Innovation means creation of something new by an organization that can 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. An innovation can be big or small. There might be some small changes in the product and totally new product can also be introduced in the market by the companies. These changes are brought in a product for the satisfaction of existing customers and its purpose might be to attract new customers. Innovation can be defined as a continuous process of discovery, learning and application of new technologies and techniques from many sources (Rao et al., 2001).

Customer satisfaction has a positively influence the repurchase intention (Anderson and sallivam, 1993). Customer always becomes loyal and satisfied if company makes 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. According to (Zairi, 2000) all organizations depends on customers. They try to focus on the needs of customers and then introduce different products in the market according to their requirements. Koskela (2002) in his research discussed that the difference between customer's perception and customer's expectations defines the customer satisfaction.

According to Basrawi (2009) brand loyalty can be determined by the repurchase behavior of the customer. It is the behavior of purchasing and then repurchasing one brand again and again. Using the brand again and again makes the consumers loyal to it. When consumers become committed to your brand and make repeat purchases over time. Brand loyalty is a result of consumer behavior and is affected by a person's preferences. Loyal customers will consistently purchase products from their preferred brands, regardless of convenience or price **(**Tynan and McKechnie 2009).

PROBLEM STATEMENT

This research will be focusing on answering the following questions;
1. What is the impact of innovation on customer satisfaction?
2. How innovation is related to brand loyalty?

These queries can facilitate the businesses to seek out that to what extent innovation is critical for the consumer. However innovation will attract new clients and the way it's associated with customer satisfaction and brand loyalty.

RESEARCH OBJECTIVE

Companies maintain on introducing new matters by means of using new ideas to be on the pinnacle in businesses rating. This new idea may be implemented inside the shape of recent product, new provider, and new technology. The objectives of this research are to find out:
1. To investigate that brand innovation helps in satisfying the customers.
2. To measure the behavior of customers toward innovative products.
3. To measure that how customers are loyal to their brand if they are satisfied.
4. Find out the impact of innovative products on brand loyalty.

HYPOTHESIS

The following hypotheses are developed on the basis of literature review.
H1: Innovation has significance relationship with customer satisfaction.
**H2**: Innovation has significance relationship with brand loyalty.

VARIABLES

There are three variables in this research paper one is independent and other two variables are independent. They are as follow;

1. Innovation (Independent variable)
2. Customer Satisfaction (Dependent variable)
3. Brand loyalty (Dependent variable)

THEORETICAL FRAMEWORK

To examine the purpose of this research and to find the view of target market (Customers) towards the association between independent variable (innovation) and dependent variables (customer satisfaction and brand loyalty) the following theoretical model is developed on the basis of existing literature and recognized variables:

Fig. 1: Relationship of Innovation with Customer Satisfaction and Brand Loyalty
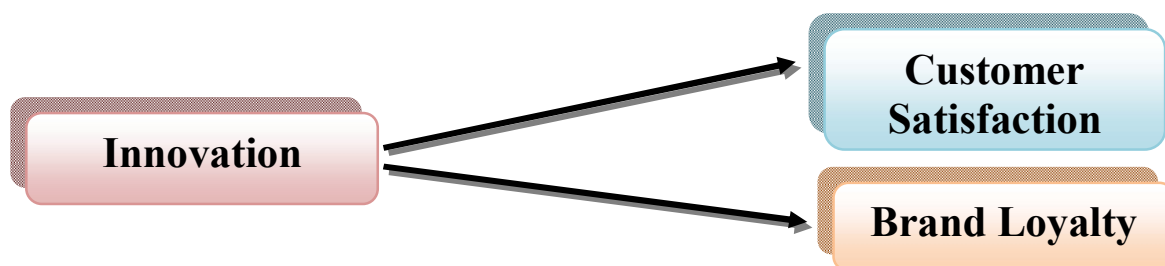
ECONOMETRIC MODEL

Innovation	Independent Variable
Customer Satisfaction	Dependent Variable
Brand loyalty	Dependent Variable

PROPOSED EQUATION

Dependent Variable = $\beta_0 + \beta$ Independent variable + μ

$Y_i = \beta_0 + \beta_1 X_{1i} + \mu$
CS= $\beta_0 + \beta_1 Innovation + \mu$
BL= $\beta_0 + \beta_1 Innovation + \mu$

RESEARCH METHODOLOGY

The reason at the back of carrying out this have a look at is to decide the effect of innovation on consumer satisfaction and brand loyalty. Main objective of this research is to decide that how innovation can alternate the pride degree of clients and how it may turn a regular customer to a faithful client. To discover the consequences of these questions sample of university students and employees has been taken to acquire number one records. Questionnaire is the tool this is selected for records series.

RESEARCH INSTRUMENT

The questionnaire was used as the data collection instrument for this research. It contains four sections. The Likert scale was used to measure the variables indicating a score of 1 for strongly agree, 2 for agree, 3 for neutral, 4 for disagree and 5 for strongly disagree.

RESEARCH DESIGN

This was a non-contrived research design. A non-contrived research design was appropriate for this study because it allows gathering of information for both independent and dependent variables using questionnaires.

UNIT OF ANALYSIS
The unit of analysis of this study is "individuals" of Lahore, Pakistan.

POPULATION AND SAMPLE
Target population of this research was university students and employees working in different organizations of Lahore. Questionnaires are distributed to the target populations that are using different brands.

TIME HORIZON
This research is based on cross-sectional study as data has been gathered at one point of time from individual.

INSTRUMENTAL DATA GATHERING
Authentic and valid instrument has been selected for the research project. Questionnaire approach is the easy and accurate way with respect to gather data in following sections:
1. Section 1 of questionnaire includes information about gender, marital status, age and qualification.
2. Section 2 of the questionnaire includes questions about innovation (independent variable).
3. Section 3 of the questionnaire includes questions about customer satisfaction (dependent variable).
4. Section 4 of the questionnaire includes questions about brand loyalty (dependent variable).

RESPONSE RATE
There were total 120 Questionnaires that were distributed in different areas. Total 100 questionnaires were received. The response rate was 83%.

Table 1: Demographic Information of the Sample

Attribute	Category	Frequency	Percentage
Gender	Male	73	73%
	Female	27	27%
	Total	100	100%
Marital Status	Married	36	36%
	Unmarried	64	64%
	Total	100	100%
Population	Government Employed	25	25%
	Private Employed	30	30%
	Students	45	45%
	Total	100	100%
Qualification	Bachelors	36	36%
	Masters/M.Phill	58	58%
	PHD	6	6%
	Total	100	100%
Age	15-25	52	52%
	25-35	39	39%
	Above 35	9	9%
	Total	100	100%

INNOVATION ON CUSTOMER SATISFACTION AND BRAND LOYALTY SURVEY QUESTIONNAIRE
Gender: a) Male   b) Female   **Marital Status:** a) Married   b) Unmarried
Qualification: a) Bachelors b) Masters/M.phill c) PHD   **Age:** a) 15-25 b) 25-35 c) above 35

DIRECTIONS

Please indicate your level of agreement or disagreement with each of these statements.

Perticulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Innovation: 1) Brand innovation helps to build a superior brand image.					
2) Advertisement influences the Purchase Decision.					
3) Innovation like purchase of FMCG online is an easy access to meet the customers demand.					
4) Innovations enhance the value of market shares of the firms.					
5) Brands that are making innovation can retain their customers.					
6) Innovation is necessary to make customer satisfied.					
Customer Satisfaction: 7) Brands play an important role in the satisfaction of customers by creating competitive advantages with brand performance.					
8) Online products provide satisfaction to customers.					
9) Apparent differences among products through branding catch the attention of customers by proving a lot of benefits.					
Brand loyalty: 10) Customers tend to buy expensive products with required features according to their demand.					
11) You are a frequent buyer of the brand you are using.					
12) Customers switch to another brand if they are providing more superior quality products.					
13) Customers stick to the brand they are using if they are not making innovation in their products.					

DATA ANALYSIS

The data was evaluated through correlation and regression techniques by using SPSS software. Correlation analysis showed the relationship between the variables innovation, customer satisfaction and brand loyalty while regression analysis showed the strength of relationship between these variables.

Innovation is treated as independent variable while customer satisfaction and brand loyalty as dependent variable.

Table 2: Regression

Variables Entered/Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	Innovation[b]	.	Enter
a. Dependent Variable: BL			
b. All requested variables entered.			

Table 3: Model Summary

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716[a]	.524	.519	.2657
a. Predictors: (Constant), Innovation				
b. Dependent Variable: BL				

The value of R^2 in the above table indicates that 52.4% variation in dependent variable (brand loyalty) is due to independent variable (Innovation) and while 47.6% variation is because of other factors.

Table 4: Anova

ANOVA[a]						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.217	1	.217	.985	.323[b]
	Residual	21.580	98	.220		
	Total	21.797	99			
a. Dependent Variable: BL						
b. Predictors: (Constant), Innovation						

Table 5: Coefficients

| Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**95.0% Confidence Interval for B**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**
1	(Constant)	.936	.124		7.548	.00	2.018	2.876
	Innovation	.731	.051	.514	14.33	.00	-.305	.102
a.	Dependent Variable: BL							

The above table shows that one unit increase in innovation will increase brand loyalty by .731 units and coefficient of innovation is statistically significant at 1 % level of significance and t value is also significant.

Table 6: Residuals Statistics

Residuals Statistics[a]					
	Minimum	**Maximum**	**Mean**	**Std. Deviation**	**N**
Predicted Value	2.1419	2.3453	2.2375	.04682	100
Residual	-.95970	.97249	.00000	.46688	100
Std. Predicted Value	-2.042	2.303	.000	1.000	100
Std. Residual	-2.045	2.072	.000	.995	100
a. Dependent Variable: BL					

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: BL

Histogram

Dependent Variable: CS

Mean = -1.73E-16
Std. Dev. = 0.995
N = 100
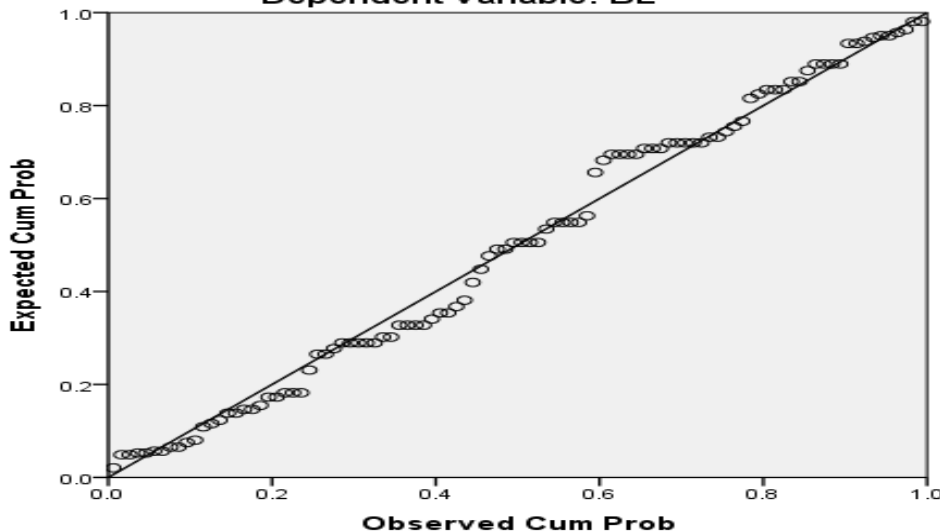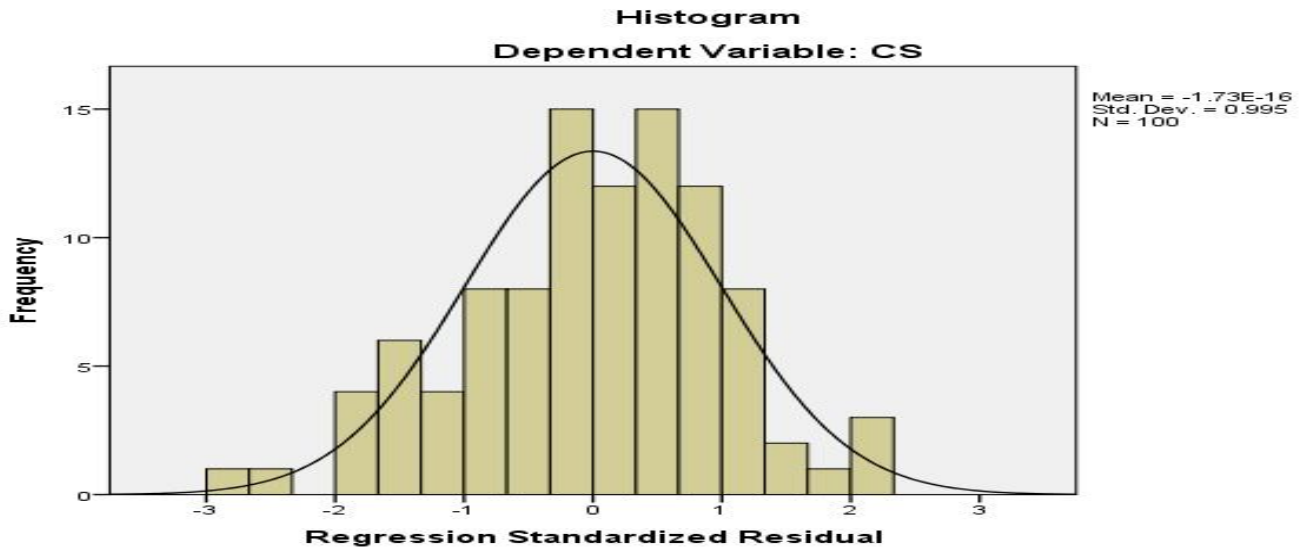
Table 7: Variables Entered/ Removed

Model	Variables Entered	Variables Removed	Method
1	Innovation[b]	.	Enter
a. Dependent Variable: CS			
b. All requested variables entered.			

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.786[a]	.603	.592	.2631
a. Predictors: (Constant), Innovation				
b. Dependent Variable: CS				

The value of R^2 in the above table indicates that 60.3% variation in dependent variable (customer satisfaction) is due to independent variable (Innovation) and while 39.7% variation is because of other factors. The value of r square shows that 61% variation in dependent variable (Customer satisfaction) is due to innovation while rest of the 40% is due to other factors.

Table 9: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.411	1	5.411	18.518	.000[b]
	Residual	28.638	98	.292		
	Total	34.049	99			
a. Dependent Variable: CS						
b. Predictors: (Constant), Innovation						

Table 10: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.812	.127		.6393	.00	.906	1.895
	Innovation	.784	.053	.517	14.792	.00	.274	.742
a. Dependent Variable: CS								

The above table shows that one unit increase in innovation will increase customer satisfaction by .784 units and coefficient of innovation is statistically significant at 1 % level of significance and t value is also significant.

Table 11: Residuals Statistics

Residuals Statistics^a					
	Minimum	**Maximum**	**Mean**	**Std. Deviation**	**N**
Predicted Value	1.9082	2.9241	2.4467	.23379	100
Residual	-1.50085	1.25577	.00000	.53784	100
Std.Predicted Value	-2.303	2.042	.000	1.000	100
Std. Residual	-2.776	2.323	.000	.995	100
a. Dependent Variable: CS					

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: CS
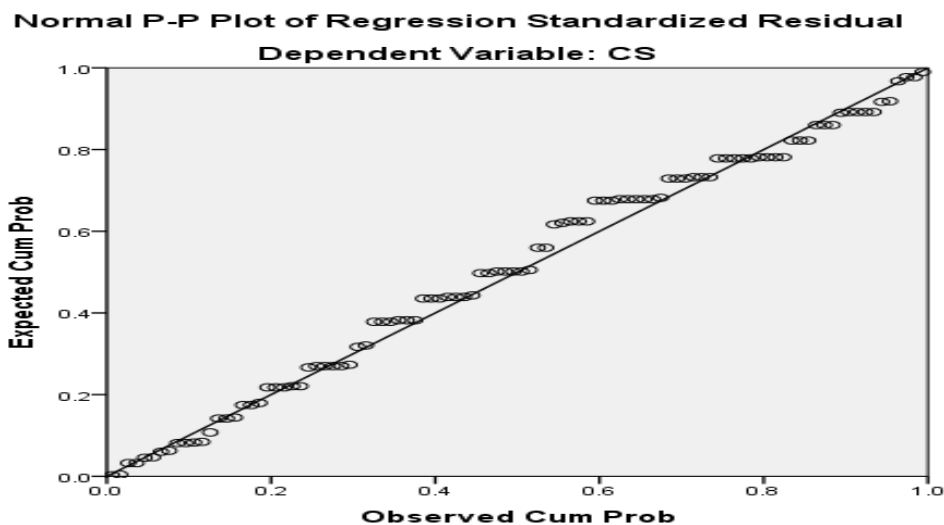
Table 12: Descriptive Statistics

	Mean	**Std. Deviation**	**N**
Innovation	2.0600	.46027	100
BL	2.2375	.46922	100
CS	2.4467	.58645	100

Mean: It explains how much limit is available for a variable on an average
Standard deviation: How much is the variation in your results.

Table 13: Correlations^b

		Innovation	**BL**	**CS**
Innovation	Pearson Correlation	1	.511	.671**
	Sig. (2-tailed)		.323	.000
BL	Pearson Correlation	.511	1	.701
	Sig. (2-tailed)	.323		.039
CS	Pearson Correlation	.671**	.701	1
	Sig. (2-tailed)	.000	.039	
**. Correlation is significant at the 0.01 level (2-tailed).				
b. List wise N=100				

The correlation analysis shows that the value of correlation between innovation and customer satisfaction is 0.671 which shows the positive and significant relationship between innovation and customer satisfaction. Correlation value between innovation and brand loyalty is 0.511which means that innovation also has mild relation with brand loyalty. Moreover, the correlation between

customer satisfaction and brand loyalty is 0.701 which shows that the relationship between customer satisfaction and brand loyalty is also positive and significant.

DISCUSSION

This examine explores the conduct of various customers in the direction of impact of innovation on consumer satisfaction and brand loyalty. Information was collected via the university students and employees in different organizations through comfort sampling approach with the help of followed questionnaire. All above outcomes concerning conduct of brand users support the hypotheses H1 and H2 and suggests that there is high quality large relationship of innovation with consumer satisfaction and brand loyalty. Consumers buy such products with the aid of thinking about different factors in mind along with product's design, product's rate, and its quality. So if the businesses do not deliver changes in such elements it may lose its consumer and can lose their position within the marketplace. The primary hypothesis explored positive conduct of the customers closer to adoption of latest technology that is gratifying their needs and demands. The popularity of second speculation showed that innovation also has significant courting with brand loyalty. The dependable clients are the nice supply of profitability as literature support this statement that price of attracting of recent clients is greater than the maintaining of present customers. The patron's loyalty depends on purchaser satisfaction that's proved via this have a look at that the clients usually repurchase the manufacturers that satisfy their want and they do not take threat to exchange to every other brand. So if corporations want to lead within the market they ought to hold on introducing value brought products which can increase purchaser delight and customer pride results in emblem loyalty. The series starts from innovation and ends on purchaser loyalty that's the sign of success.

CONCLUSION

This take a look at is a try and discover the connection of latest merchandise produced by using different brands of Pakistan and the way this innovation is affecting pleasure and brand loyalty. This examines shows high quality mindset of customers in the direction of innovation. Innovation has tremendous impact on purchaser pride and logo loyalty. There is full-size association between independent variable (innovation) and dependent variables (customer's satisfaction and brand loyalty). Effects indicate that innovation plays a critical function in pleasing a client and client delight results in logo loyalty. This study additionally suggests that client pride has nice and good sized relation with logo loyalty. Consequently, if the groups need to increase their marketplace proportion and they need to fulfill their clients or want to guide within the market they should deliver innovation of their services or products.

LIMITATIONS

1. Time was too short for collecting the data so sample size was very small.
2. Restricted area of Lahore was selected for collecting data.
3. Sample group was only university students and employees working in different organizations of Lahore.

RECOMMENDATION

Keeping in view the above study the further researches may be carried out to determine the impact of innovation on some other variables or mediation and moderator effect can also be included in the existing study. Further studies may be carried out in some other regions of Pakistan.

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