

# THE IMPACT OF PRODUCT INNOVATION ON BRAND LOYALTY AND CUSTOMER SATISFACTION IN MOBILE PHONE INDUSTRY



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## ABSTRACT

In globalization world, competition in mobile phone industry is increasing efficiently. Nowadays, with innovation, mobile phone has been upgrade to the smartphone. With the innovation, people can use the smartphone to connect the wireless, email, and find location (GPS). This research is conducted to study the dominant innovation factor that influence customer satisfaction and brand loyalty of smartphone product. The first objective of this research is to identify the dominant innovation factor that influences customer satisfaction of smartphone product. Secondly is to identify the dominant factor that influences brand loyalty of smartphone product. Quantitative method has been used in this research and questionnaire has distributed to the respondent. Final year student were selected as a respondent from the nine faculties from University Malaysia Pahang. Participation randomly selected final year student from these nine faculty are the respondent to answer the questionnaire in this study. The respondents are 226 randomly selected from different faculty, gender and so on. The result showed that compatibility has 28.2%, complexity has 22.6%, relative advantage has 33.4% and trialability has 26.1% of influence on customer satisfaction. The R Square of customer satisfaction was 56.2%, it showed that innovation factors use very important for customer satisfaction. For the brand loyalty, compatibility has 32.7% and complexity has 31.1% of influence on brand loyalty. The R Square of brand loyalty was 31.1%, it showed that innovation factors also use very important for brand loyalty.

## INTRODUCTION

Product innovation is a process that seeks to provide solutions to existing problems. An increasing number of use mobile phone products are because of customer wants to try something new by using innovation product, easy to find the information, and also want to satisfy their need. In other word, users can spend more for high quality products.

As a generation Y, someone that knows the new update from innovative product is students. When mobile phone companies produce innovative products, what is the impact on the customer satisfaction to university students? And also whether the students will loyal to the brand?

According to Lacobucci, Ostrom, Graysan, (1995) some organizations fail to provide the high quality characteristics of a product and it causes them to fail to achieve customer satisfaction. To increase customer satisfaction and brand loyalty to a product, organizations need to know basis to attract customers and customer requirements (Bayous, 1992).

## RESEARCH OBJECTIVES

- ☐ To identify the dominant innovation factor that influence customer satisfaction of smartphone product.
- ☐ To identify the dominant innovation factor that influence brand loyalty of smartphone product.

## METHODS

### ☐ Quantitative Research Method

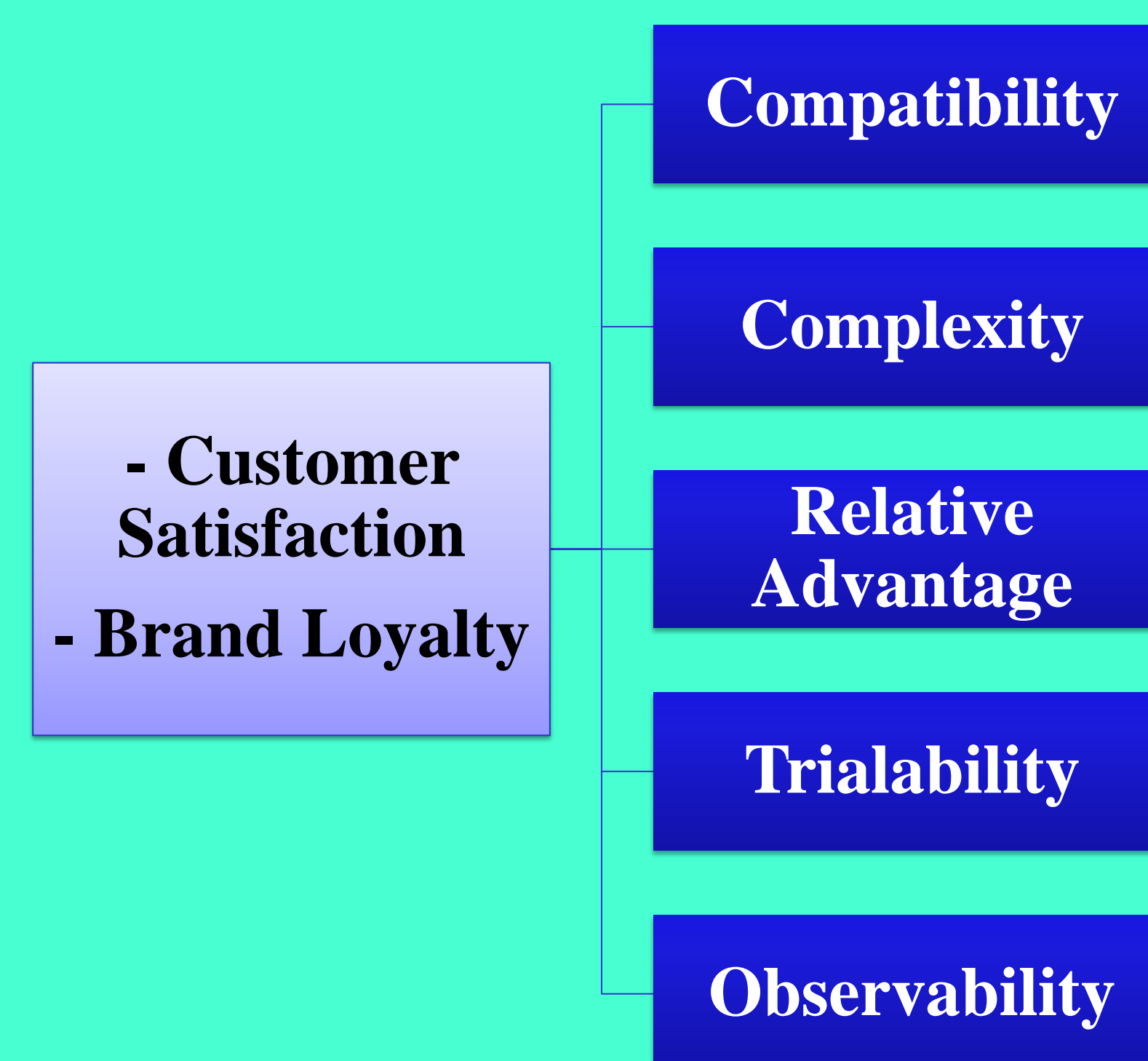
- Survey Questionnaire
- Likert Scale
- Unit of analysis – Customers

### ☐ SPSS Software

## CONCLUSIONS AND RECOMMENDATION

- ☐ Future researcher can be study the effect of product innovation based on customer satisfaction and brand loyalty with the addition of many other factors such as perceived risk, motivation and expectation for better product.
- ☐ Its better if have the larger of sample size apart of student such as another smartphone users which is staff or people outside UMP.
- ☐ A good improvement in product innovation can be maintained by increasing consumer's complexity.
- ☐ Customer perception is very important in product innovation in order to identify the good way or alternative to make customer satisfaction.

## THEORETICAL FRAMEWORK



## RESULTS

### MODEL ANALYSIS IN SPSS SOFTWARE

Pearson Correlation	CS	BL	COM	CL	REL	TRA	OBS
CS	1						
BL	.508**	1					
COM	.468**	.410**	1				
CL	.397**	.373**	.107	1			
REL	.548**	.328**	.304**	.159*	1		
TRA	.506**	.229**	.223**	.323**	.257**	1	
OBS	.262**	.130	.019	.036	.268**	.239**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\*. Correlation is significant at the 0.05 level (2-tailed).

Table 1 : Pearson Correlation of the Variables

Independent Variable	Std.					Collinearity Statistics	
	B	Error	Beta	t	Sig.	Tolerance	VIF
Compatibility	.234	.043	.282	5.451	.000	.876	1.142
Complexity	.249	.057	.226	4.384	.000	.885	1.129
Relative Advantage	.390	.063	.334	6.220	.000	.814	1.228
Trialability	.282	.058	.261	4.822	.000	.798	1.253
Observability	.086	.046	.096	1.868	.063	.885	1.131

Dependent Variable = Customer Satisfaction; R2 = 0.562; Adjusted R2 = 0.550; F = 47.931

Table 2 : Regression Model for Customer Satisfaction

- *Compatibility*
- *Complexity*
- *Relative Advantage*
- *Trialability*

Independent Variable	Std.					Collinearity Statistics	
	B	Error	Beta	t	Sig.	Tolerance	VIF
Compatibility	.311	.062	.327	5.040	.000	.876	1.142
Complexity	.393	.081	.311	4.821	.000	.885	1.129
Relative Advantage	.215	.090	.161	2.398	.017	.814	1.228
Trialability	-.003	.084	-.002	-.034	.973	.798	1.253
Observability	.071	.066	.070	1.078	.282	.885	1.131

Dependent Variable = Brand Loyalty; R2 = 0.311; Adjusted R2 = 0.293; F = 16.913

Table 3 : Regression Model for Brand Loyalty

- *Compatibility*
- *Complexity*