

PRODUCT INNOVATION AND CUSTOMER PATRONAGE OF DEPOSIT MONEY BANKS IN PORT HARCOURT

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Abstract

The study empirically examined the relationship between product innovation and customer patronage of deposit money banks in Port Harcourt. One hundred and thirty eight (138) copies of questionnaire were administered to the customers of various deposit money banks in Port Harcourt. 26 copies of questionnaire were invalid while 112 copies were successfully retrieved and valid for analysis using Spearman Rank Correlation Coefficient in testing the hypotheses with the aid of Statistical Package for Social Sciences (SPSS). Results revealed that there is a strong positive relationship between incremental innovation and customer patronage. From our findings it was concluded that there is a significant relationship between product innovation and customer patronage of deposit money banks in Port Harcourt. It was therefore recommended that the deposit money banks should appeal to customers with what they reckon with in order to reduce the time they take to accept new products.

Keywords: Product Innovation, Incremental Innovation, Customer Patronage, Repeat Purchase, Perceived Value

Introduction

Products are the main thrust for satisfying customers' needs as successful product innovation is essential to every organizations including private sectors operating increasingly in a competitive market; the capacity to innovation is ever more viewed as the single most vital factor in developing and supporting competitive advantage (Aremu et al. 2015).

According to Davita, Epteing, and Shelton (2006), innovation has element necessary for institutional survival, it also involves creative ideals to make some specific and tangible difference in the domain in which the innovation occurs.

Financial firms in developing new products are expected to exhibit some high level of creativity and innovativeness which is consistent with their customer perception of both their product and company image. Furthermore, product innovation and development is the life blood of numerous arms and represents the best hope for future growth over time, it has been

refined with attention paid to the consumer, the development process, the nature of the product, the channel, the nature of marketing venue, and the source of the product concept (Decker and Scholz, 2010).

Banking is a financial sector that deals with the control, and circulation of money into an economy. Some of the activities of a bank in Port Harcourt metropolis centers around helping individuals, firms, organizations to attain their goals and objectives. These activities carried out by the banking sector in Port Harcourt metropolis is accomplished by creating initiatives and innovating banking products that create value for customers, the innovations of banks include introduction of Automatic Teller Machine (ATM), online transactions, Point of Sale (P. O. S) which enables the customers to gain access to their account at any time not minding where they are and it enables the bank accomplish its goals and objectives (Aremu et al. 2015).

According to Babatunde and Olukemi (2012), one of the benefits derived from the current technologies in banking operations especially with respect to service delivery is improved efficiency and effectiveness of their operations so that more transactions can be processed faster and most conveniently. The customers on the other hand, stand to gain benefit of quick service delivery, reduce frequency of going to banks physically, and reduced cash handling, which will give rise to higher volume of turnover. Agyapony, Agyapong and Dartor (2011), opined that banks are profile seeking institutions that must provide acceptable returns to shareholders.

Studies shows that one of the major challenges faced by banks as they provide financial products is the integration of the different system into an effective and efficient infrastructure, as they carry out maximum level of customers service and convenience without exposing their customers to the banks internal system integration problem (Amoako, 2012). However, no research has shown product innovation of deposit money banks using incremental and radical innovation as its dimensions in Nigerian context and these necessitate the current paper.

Research Problem

Deposit money bank is highly aggressive and customers have also become more demanding due to sufficient knowledge and information they have about the different trends in banks which causes, increase the significance of effective marketing strategies to get the customer loyalty. Numerous deposit money bank have failed to pay attention, study, assess and implement the marketing strategies with product innovation that is aimed at gaining maximum market share of customers (Amoako, 2012).

The patronage of new products will experience an upsurge initially but later a decrease; this decrease is caused by lack of perceived value by customers excessive and multiple bank charges, the discrimination of granting bank credit and activities of online fraudsters (Eboime and Gbandi, 2014). If firms do not innovate their competitors will put them out of business even as most firms stop growing in most cases after reaching a certain stage, as their leadership may try to maintain the status quo and discourage innovative thoughts (Aremu et al., 2015).

Aim of the Study

The aim of this study is to empirically evaluate the relationships between product innovation and customer patronage of deposit money banks in Port Harcourt.

Theoretical Foundations

Diffusion of Innovation Theory

Diffusion of innovation is a theory that analyses, as well as helps explain the adaptation of a new innovation. It helps to explain social demand and how innovation is communicated through selected channels over time among members of a social system (Ogunnaike et al., 2014). According to Rogers (1995), the four main elements in the diffusion of new ideas are; (1) The innovation (2) Communication channels (3) Time (4) The social system (context).

According to Everett M. Rogers (2003), the diffusion of innovation theory describes how an innovation is adopted through consumers over times. He also pointed out that the consumer perception of an innovation plays an important role

Study Variables and Model Specifications

The predictor variable of this study is product innovation with its dimension as incremental innovation while its dependent variable is customer patronage with its measures as repeat purchase and perceived value.

The functional relationship can be represented mathematically as follows:

$$PI = F(CP) \dots\dots\dots 1$$

$$CP = F(RP, PV) \dots\dots\dots 2$$

$$PI = F(II) \dots\dots\dots 3$$

Where;

- PI = Product innovation
- CP = Customer patronage
- PV = Perceived value
- RP = Repeat Purchase
- II = Incremental Innovation

Product Innovation: Is the development of new products, changes in design of established products, or use of new materials or components in the manufacture of established products.

Incremental Innovation: This an improvement on an existing product.

New Product Development: It is done to develop an item to compete with a particular product/service or may be done to improve an already established product.

Customer Patronage: It implies consumer behavior towards purchase of goods and services (Kaul, 2006).

Repeat Repurchase: The buying of a product by a consumer of the same brand name previously bought on another occasion.

Perceived value: Customer perceived value is defined as the perception about quality, social psychology, benefit and money.

Conceptual and Operational Framework

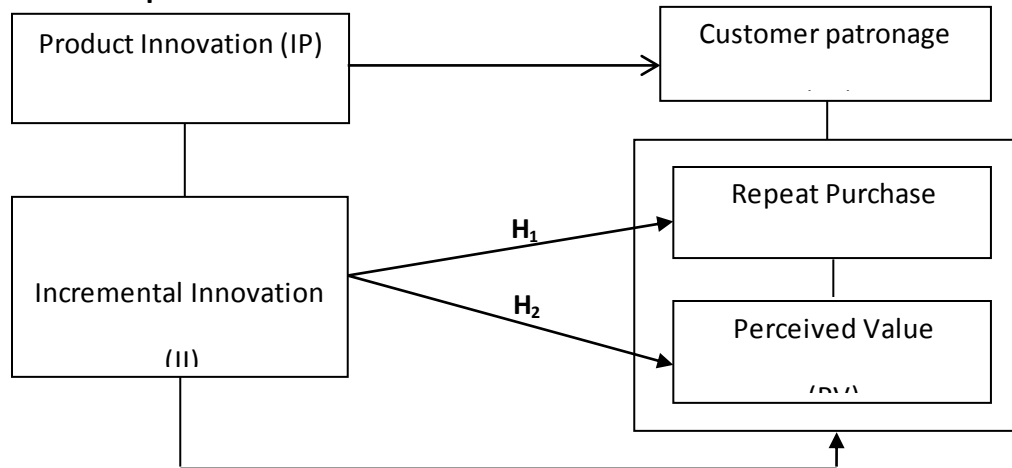


Figure: 1. Conceptual and Operational Framework for product innovation and customer patronage of deposit money Banks in Port Harcourt.

Research Hypotheses

H₁: There is no significant relationship between incremental innovation and repeat purchase of money deposit banks in Port Harcourt.

H₂: There is no significant relationship between incremental innovation and perceived value in money deposit bank in Port Harcourt.

Literature Review

Concept of Product Innovation

Innovation itself leads to a process of change in organizations and its market offerings; it is a key weapon that marketing strategists use to win customers through the development of sustainable competitive advantage (Nagasimha, 2015).

Product innovation is the development of new products, changes in design of established products or use of new materials or components in the manufacture of existing products. Product innovation is the act of bringing something new to the market place that improves the range and quality of the products (Aremu et al. 2015).

Kanagal (2015), opined that a product is a combination of one or more of ingredients, attributes, benefits, advantages, features, functionality, performance, business model and usage experience. He further noted that innovations that manifest in products as defined are called “product innovation” which are required by organizations to cope with competitive pressures, changing tastes and preferences, short product life cycles, technological advancement (or contrarily technological obsolescence), varying demand patterns and specialized requirements of customers.

According to Mohr and Sarin (2009), product innovation is a cross functional activity and for innovations to succeed, marketing has to be integrated with research and development, manufacturing and finance. Innovations have to be assessed on multiple dimensions to obtain its added value to the firm and the customer/market place. According to Shapiro (2006), the

first dimension in assessing innovation is the return on marketing investments in innovation. Innovations are assessed by the equity (brands firm, social) revenue, profits that accrue to the firm and the increase in the market capitalization that the innovation could bring about relative to the spending for innovation.

New Product Development Process/Stages

New product development process enables a firm to attain its objectives by making use of its competitive advantage. Kotler and Armstrong (2010), opine that in order for any company to evolve new products, it must understand its markets and deliver superior products value to consumers. According to them, the major eight stages in new – product development are; idea generation, idea screening, concept development and testing, marketing strategy development, business analysis, product development, testing marketing, and commercialization.

Idea Generation: The most innovative firms usually exploit various sources of ideas from new products as well as various means to process those ideas. The idea creation phase (creativity) is usually much less costly than the later development stages of the product development process.

Idea Screening: It involves screening new-product ideas in order to spot good ideas and drop poor ones as soon as possible.

Concept Development and Testing: In concept testing, new product concepts been tested with a group of target consumers to find out if the concepts have strong consumer appeal.

Marketing Strategy Development: This involves the design of an initial marketing strategy for a new product based on the product concept.

Business Analysis: This involves a review of the sales, costs and profit projections for a new product to find out whether these factors satisfy the company's objectives.

Product Development: This stage, the product concept is being developed into as physical and several product prototypes in order to ensure that the product idea can be turned into a workable product.

Test Marketing: This is the stage of new product development in which the product prototype and marketing program are tested in more realistic market settings (Kotler and Armstrong 2010).

Commercialization: In commercializing a product, such new products could be distributed intensively, exclusively or selectively.

Incremental Innovation

Incremental product innovation concerns an existing product whose performance has been significantly enhanced or upgraded. Norman et al., (2012), stated that incremental product innovation refers to the small changes in a product that helps improve its performance, lower its cost, and enhance its desirability or simply to announce a new model release. Incremental innovation is less ambitious in its scope and offers less potential for returns for the organization, but consequently the associated risks are much less.

The drivers of incremental innovation initiatives can include approaches to continuous improvement such as lean manufacturing and its advantages of are lower risk with the possibility of achieving small degrees of growth (Kanagal, 2015). More also, Chandy and Prabhu (2012), holds that an incremental innovation is one that involves only minor changes to technology or minor improvements in benefits.

Further, Kanagal (2015), noted that a simple product may be enhanced in terms of improved performance or lower cost through use of higher performance components or materials, or a complex product that is made up of a number of integrated technical subsystems.

Concept of Customer Patronage

Customer patronage is the support, encouragement, privilege or financial act that an organization or individual bestows to another. According to Kalu (2006), patronage is defined and determined in behavioural terms which could also mean “the act of being a regular customer to a shop.

In a highly competitive industry, such as banking, satisfying the customers should be the primary aim in order to return patronage (Nwulu and Asiegbu, 2015). According to Bake et al., (2002), willingness of customers to repurchase, deliver word of mouth and continuous purchase are make ups of patronage.

Repeat Purchase

Repeat purchase is the willingness of an individual to re-patronize a service organization (Wirtz and Lwin, 2009). Repeat purchase can be seen as the continuous order after order by a consumer from the same organization, and it can be described as the buying of a product or service by a consumer of the same brand (Asiegbu and Nwulu, 2015). Caudiland and Murphy (2010), opined that repeat purchase is a regular visit to a particular organization based on their perception of trust. Repeat purchase customers are customers that are satisfied emotionally, intellectually, physically by a firms offering. A higher repeat purchase value drives higher customer value which means a better top line in the loyalty ladder. Repeat purchase can be referred to as re-patronage intention

Perceived Value

Customer perceived value is defined as the perception about quality, social psychology, benefit and money. The customer’s overall assessment of the utility of a product based on perceptions of what is received and what is given (Zeithaml, 1998). According to Bettman et al (1998), customer perceived value is the value that customers perceived to experience by using a service, and it steers purchase behaviour.

Perceived value is based on customers’ experiences and it’s seen as a trade-off between benefits and sacrifices (Gronroos, 2000). The sacrifices have originally included primarily monetary sacrifices such as price and acquisition costs, but they have been extended to include also perceived non-monetary price and e.g. risk of poor performance (Monroe 1990).

Perceived value of consumer is treated to be the key outcome in the general model of consumption experiences and it has been argued to be one of the most important predictor of purchase intentions (Morar, 2013).

Perceived value is a multidimensional construct and according to Sa'chez et al., (2006) includes functional dimension that represents the rational and economic appraisal i.e. the quality of the product or service. While emotional and social dimensions contain the emotions and feelings towards products and services.

Product Innovation and Customer Patronage

Innovation is a prerequisite for success and perhaps even for survival, that's why innovation has found its way to the top of the agenda of organizations around the world. Falodun (2002) evaluated the development of new product as a dynamic management process that must be embraced by every bank which intends to survive in the market.

ReidenBach (1991) opined that there is a need to always passion out new services by banks in order to retain and secure customer's patronage. The desire to offer new services and product of value as bait to attract customers is not an issue of choice but a necessity for most banks (Adele and Akanbi 2012). Marketing and product development have become veritable tools and objects employed by banks to sustain/retain their market position in present day competitive market, such as: liberalization of credit/lion procedures, negotiable interests on deposits; loan syndication, equipment leasing; warehouse financing, foreign exchange financing, cash encashment services, also is the introduction of electronic devices in the mould of Automated Teller machine (ATM); electronic funds transfer; internet banking etc (Afolabi 2002).

Adeosun (2005), worked on the issue of new financial product in merchant banking subsector and tried to measure performance of such on their profit, liquidity, solvency and deposit. Innovation in deposit money banks has provided a range of convenient electronic payment mechanisms making it easier for all prospective customers to purchase goods and service online. It could also lead to fast processing and transmission of information which will enhance customers' access and awareness (Bulo and Nenbee, 2013).

Product innovation relates creates and generates value that shows in co-created value which entails improving and increasing superior value that it relevant to customers, from their point of view (Kanagal, 2015). Innovation behavior increases the performance of financial sector and retains customers (Pishgar et al., 2013).

Innovation in deposit money banks bring in cost-effective technology that will improve speed, efficiency and quality of banking services through delivery model that will ensure fair treatment of customers with unique characteristics (Amoako 2012).

Incremental Product Innovation and Customer Patronage

Incremental product innovation has to do with small changes in a product that helps enhance performance, lower its costs and improve want or clearly declare a new model release (Norman and Verganti (2012). It can succeed in a market because small improvements in experience can provide significant customer value and also provide opportunity for innovation. It leads to ultimate satisfaction because it responds to customer's needs as identified from existing offers.

The consumer perception against incremental innovations can be different from positive to negative, which could have an effect on the success of the products market performance. If

the consumer perception against the incremental innovation is not positive and strong enough, it is likely that the new product will fail in the market. (Demirgunes, 2015).

Organizations can take some actions to ensure repeat purchase of either their products or services by listening to customers comment, suggestion, feedback and complaints about the product or services they are offering by providing value adding services to the customers' experience (Asiegbu and Nwulu, 2015). According to Balachandher (2001), customers are interested in quality, they need good and effective service delivery, they want flexibility so that the exact product or service is obtained.

H₁: There is no significant relationship between incremental innovation and repeat purchase of money deposit banks in Port Harcourt.

H₂: There is no significant relationship between incremental innovation and perceived value in money deposit bank in Port Harcourt.

Research Methodology

The study adopted a survey design and the target population consists of customers of 23 deposit money banks in Rivers State. 6 copies of questionnaire were given to each customers of the selected deposit money bank making a total of 138 copies of questionnaire. After data cleaning 26 copies were invalid while 112 copies were found valid and useful for analysis using spearman rank correlation coefficient with the aid of SPSS.

Table 1: List of Deposit Money Banks for the Study

S/NO	NAMES OF BANKS	NO OF RESPONDENTS
1	Access bank	6
2	Afribank	6
3	Bank PHP	6
4	Citibank	6
5	Diamond bank	6
6	Eco Bank	6
7	Equatorial trust bank	6
8	Fidelity Bank	6
9	First Bank Nig.	6
10	First City Monumental Bank	6
11	First Inland Bank	6
12	Guarantee Trust Bank	6
13	Heritage Bank	6
14.	Keystone Bank	6
15.	Mainstreet Bank	6
16.	Skye Bank	6
17.	Stanbic IBTC Bank	6
18.	Standard Chartered Bank	6
19.	Sterling Bank	6
20.	Union Bank	6
21.	United Bank for Africa	6
22.	Wema Bank	6
23.	Zenith Bank	6
	Total	138

Source: List of Commercial Banks in Nigeria Oscar Frank. May 28, 2015 (www.oscarmini.com)
Data Analysis and Presentation

Decision rule: Reject null hypothesis if $P < 0.05$

0.1 and above = Positive relationship

-0.1 and above = Negative relationship

Table 2: Correlation Analysis between Incremental Innovation and Repeat Purchase Correlations

		Incremental innovation	Repeat Purchase
Spearman's rho	Incremental innovation	1.000	.744**
	Correlation Coefficient		
	Sig. (2-tailed)	.	.000
	N	112	112
	Repeat Purchase	.744**	1.000
	Correlation Coefficient		
	Sig. (2-tailed)	.000	.
	N	112	112

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

Source: Field Survey Data, 2017, SPSS Output

Table 3: Correlation Analysis between Incremental Innovation and Repeat Purchase Correlations

		Incremental innovation	Perceived Value
Spearman's rho	Incremental innovation	1.000	.773**
	Correlation Coefficient		
	Sig. (2-tailed)	.	.000
	N	112	112
	Perceived Value	.773**	1.000
	Correlation Coefficient		
	Sig. (2-tailed)	.000	.
	N	112	112

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

Source: Field Survey Data, 2017, SPSS Output

Discussion of findings

Table 1 and 2 shows that the p-value for both tests is $0.000 < 0.05$, and their correlation values are 0.744 and 0.733 respectively. Therefore, we reject the null hypotheses and accept the alternate which state that there is a significant relationship between incremental innovation, repeat purchase and perceived value in money deposit bank in Port Harcourt.

Conclusion

Based on the results found, the paper concludes that there is a significant relationship between product innovation and customer patronage of deposit money banks in Port Harcourt

Recommendations

- Customers are of the view that new products are rare and such deposit money banks should engage in more advertisement to get the customers aware of new products.

- Deposit money banks should appeal to customers with what they reckon with in order to reduce the time they take to accept new products.
- The study shows that customers prefer improved products as such deposit money bank should always flood them with improved products.
- Deposit money bank should always provide products with reduced risk as perceived risk deters customer from purchasing.

Suggestions for Further Research

The researcher suggests that other dimensions of product innovation and other measures of customer patronage which were not included in this study be looked into in subsequent studies.

The researcher also suggests that this study should be conducted in another geographical area of the country to see if the result gotten here will correlate with the result that would be gotten from the other area.

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