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EFFECT OF PRODUCT INNOVATION ON CUSTOMER SATISFACTION: AN OVERVIEW OF INSIGHT INTO NIGERIAN SERVICE MARKET

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ABSTRACT: The objective of this study was to gain an insight into service innovation dimensions that affect customer's satisfaction in the service industry. Some service innovation dimensions were selected to be tested in First Registrars operations and its relationship with customers in order to explore the relationship between service innovation and customer satisfaction. Findings showed that service innovation affects customer's satisfaction when customers were satisfied in relation to their expectations being met or surpassed. Finally, recommendations were made. Topmost among the recommendations was that service providing firms should innovate so as to meet customers' expectations and if possible surpassed them.

Keywords: Product Innovation, Customer Satisfaction, Nigerian Service Market, Client.

1. INTRODUCTION

We are in an age where organizations world over, are being faced with dynamic and continuously competition. The tide of economic instability had carpeted many Managing Directors, Chief Executive Officers, Chief Operating Officers; President of Corporations and Board members alike. Hence, service sector is facing obvious competition, more so, as relating to customers' satisfaction and by assertion the capital market-its tributaries inclusive. By tributaries one is referring to the subset of capital market such as Stock Exchanges, Share Registrars, and Stock Broking firms. Several problems relating to shareholders dissatisfaction were confronting Share Registration in business just as each and respective service firm has its fair share of headache relating to unflinching/optimal satisfaction of customers. The issue is even worrisome, in spite of several intellectual weapons being applied; it seems no much impact is being felt. Hence, the observer of event in the service industry could not help exclaiming! How the mighty fallen, and the weapons of war are perished. The Strategists' weapons of war such as generic strategies (low-cost, differentiation, and focus); segmentation; competitor analysis; life cycle concept; joint venture; integration (vertical & horizontal); SWOT analysis; portfolio analysis; turnaround and diversification strategies (Pearce and Robinson, 2009) had proved inconsequential in several situations.

The problems, cumulating to dissatisfaction of Shareholders, are not limited to, but, include the problem of delay in delivery of share certificates. How can the problems relating to delays in delivery of share certificate to the rightful owners be solved? Can this problem be solved through electronically aligned innovation? Will the shareholders appreciate it if online facilities are employed to delivered share certificate directly to the mail boxes provided by the individual shareholders? Hence, each shareholder could both view/print and keep the custody of soft copy as well as hard copy and make use of the certificate as at when needed. Will a shareholder feel satisfied with the service(s) of the share registration organization if he/she could without agony receive/access the share certificate online from the comfort his/her home?

Share certificates get lost in transit. A missing or misplaced certificate could by one means or the other get to the hands of fraudster who may proceed with such certificate and start making claims i.e. collecting dividend and bonus claims. Will the use of innovated electronic platform make it possible to detect impersonator and put a stop to cases of shareholders losing the reward of their sweat to

impersonator who gained unauthorized access to their share certificates? Is it possible to devise an electronic contact whereby the owners of certificate can make contact with the share registrars once the where about of certificate is not known? Can an unauthorized person(s) be electronically detected and prevented from using a lost certificate? Will shareholder be delighted if stock registration organization could prevent the usage of their lost certificate by someone else?

Shareholders do not receive timely information. How can the problem of untimely information be overcome? Is it possible to mitigate this via innovation with specific focus on usage of information technology? Can messages and alerts keep the shareholders sufficiently informed of the happenings relating to their holdings in an organization? Will the text messages and alerts be desirable by both the well learned and the unlearned shareholder? Will timely dissemination of information assists the shareholder in making relevant decision on issues relating to his shares? What are the other Information Technology interface through which shareholder could receive timely information? Would such interface be embraced by the concerned shareholders? If the problem of untimely information is addressed will shareholders feel some relief and be satisfied with the services rendered them?

The cases of stockbrokers/close relations/associate and confidant either individually or collaboratively misrepresenting the shareholders interest. Given the foregoing scenario, can the problem of masqueraders in capital market be nip in the board by using information and communication technology based innovation? Can the stock owner's data be captured/stored electronically and be used to verify the identity of claimant on the stock account at any given point in time? Can the electronically kept bio-data, image and signature be used to check misrepresentation and intended fraud? Will the shareholders be satisfied with a development whereby no one could misrepresent them without being successfully checked by the stock registration organizations?

Shareholders get frustrated due to bureaucratic/traditional process in service delivery by share registration organizations. Can the problem and jinx of bureaucracy be dashed or broken using innovation that is seated on the tripartite pillars of information and communication technology (ICT)? In this case rather than moving from one table to another and making several repeat visits to share registration organization, ICT platform could be a desirable replacement. By way of innovation, can bureaucracy be eliminated? Can those things being done manually/mechanically from table to table be done better and faster using online facilities? Will it be less expensive and time saving? Would the shareholders feel satisfied if they get things done faster, better and less expensive?

2. LITERATURE REVIEW

This innovation affects all actors in a value chain, and can thus be called a paradigmatic innovation. It involves complex and pervasive innovations affecting suppliers, customers and the service firm itself. When driven by fundamentally new technologies, such innovations are labeled technological revolutions, or new technology systems. But they may also be driven by regulations, resource constraints, and other dramatic changes that require innovation to take place across many elements of the value chain, implying completely new infrastructures, new types of knowledge and adaptation on the part of intermediate and final users. For example, if in a very densely populated area, the regular transport of goods is no longer possible and the decision to switch to underground transport was taken, parties across the whole value chain would have to innovate and change practices. Manufacturers of transport equipment would have to provide completely new transport equipment; transport companies would have to change their service offerings, retrain their personnel, market their product in different ways; users would have to change their behavior and use of transport facilities.

2.1. Product Innovation

Innovation has been widely studied and appears to have a variety of phases and stages. This has perhaps been best described in the literature on continuously innovating firms [Dougherty and Hardy \(1996\)](#). Innovation can be encouraged by a design that fosters competition between multiple teams all attempting to develop the best idea or model; this been called the exploration phase ([Wang, 1997](#)) and is characterized by numerous experiments, some successful, others not, as an individual or team attempt to move from idea to a prototype that can be tested in production. At some point choice favors one or several of these experiments and diverts all resources towards exploiting the possibility of these ideas in the form of new products or processes. As the product or process moves into production or exploitation phase, the prototype is further modified and the organization gains experience at production, becoming more efficient until the product or process can be replicated with maximum efficiency and hence profitability. Its fate then rests with the market. If demand increases then more of the product is produced. Eventually,

however, demand will decrease due to dynamics of the larger market, the competitive context, or changing social and economic conditions. The firm with only one product will therefore go out of business. To be resilient over long periods of time, the firm must be able to generate new products or variations of old products in response to this shifting demand context.

In a recent survey of the literature, [Henderson and Clark \(1990\)](#) examined the theory behind disruptive technological innovation and identified a number of issues that require further and deeper exploration. One of these issues is the actual definition of disruptive innovation. It appears that despite the widespread use of the term by both managers and academics, there is still a rather unclear understanding of what constitutes disruptive innovation. In its original formulation, [Christensen \(1997\)](#) focused primarily on technological innovation and explored how new technologies came to surpass seemingly superior technologies in a market. Over time, Christensen widened the application of the term to include not only technologies but also products and business models. [Christensen and Raynor \(2003\)](#) listed as disruptive innovations such desperate things as discount department stores; low-price, point-to-point airlines, cheap, mass-market products such as power tools, copiers, and motorcycles and online business such as book selling, education, brokerage, and travel agents.

Although I agree that all of these innovations are disruptive to incumbents, treating them all as one and the same has actually confused matters considerably. A disruptive technological innovation is a fundamentally different phenomenon from a disruptive business-model innovation as well as a disruptive product innovation. These innovations arise in different ways, have different competitive effects, and require different responses from incumbents. Lumping all types of disruptive innovations into one category simply mixes apples with oranges, which has serious implications on how we study disruptive innovations in the future ([Henderson and Clark, 1990](#)).

To appreciate this point, this article summarizes what the academic literature has to say about two specific types of disruptive innovations – namely, business-model innovations and radical product innovations – and then demonstrates that even though both are disruptive innovations; they nevertheless pose radically different challenges for established firms and have radically different implications for managers.

2.2. Customer Satisfaction

[Kotler \(1994\)](#) defined customer satisfaction as “the level of a person’s felt state resulting from comparing a product’s perceived performance or outcome in violation to his/her own expectancies. Hence, customer satisfaction could be considered a comparative behavior between inputs beforehand and post obtainments. In this study, the focus is on investigating the effect of product innovation on customer satisfaction in service industry, a study of First Registrars Nigeria Limited a member of Nigeria Stock Exchange – for the purpose of the study being conducted, customer satisfaction is defined as “the levels of service up-datedness as against obsolescence of the service aimed at meeting the client’s expectations”.

2.3. Measurement of Customer Satisfaction

[\(Westbrook, 1980\)](#) made a suggestion that future researchers could make use of multi-item scale for measuring customer satisfaction, reduction in measurement errors and improving the scale reliability at the same time. [Sureshchandar et al. \(2002\)](#) pointed out that customer satisfaction should be viewed as a multi-dimensional construct and the measurement items should be generated with the same dimension of service quality.

2.4. Types of Customers’ Complaints

Customers’ complaints have been categorized under the following headings:

- 1. Unmet expectations:** Unmet expectations i.e. failure to upload online form filled by customer, not updating the customer on account transaction.
- 2. Delays:** Delays come in various form i.e. keeping customer too long on the queue, keeping customers’ file too long on a desk, undue rules, regulations, policies and undeserving bureaucracy.
- 3. Unprofessional manner/conduct:** Unprofessional manner/conduct could be by i.e. soliciting a tip/reward from customers, inordinate affection with opposite sex, divulging third party information etc.

4. **Poor communication:** Poor communication may come inform of disregard for the office/title of a personality or inability to show politeness by using the word please, sorry, excuse etc. More so, it could simply mean lack of clarity and absence of coherency in a message being passed across.
5. **Difficulty getting in touch:** Difficulty getting in touch with the personnel/officers in an organization could be frustrating to the customers i.e. failure to make hotline available or not picking incoming calls or not reading and make prompt response to mails
6. **Unfriendliness:** Unfriendliness, which could be i.e. wearing a moody face, not smiling while attending to customers, harsh tones etc.
7. **Insensitivity:** Insensitivity i.e. failure to read the emotion/temperament of customer and thereby avoid every form inflammatory statement/ reaction.

2.5. Service Versus Product

In actual practice, products and services cannot be clearly distinguished [Easingwood \(1986\)](#) he further buttressed that ‘not all services are intangible, produced simultaneously, heterogeneous, and perishable, and manufactured goods may possess one or more of these characteristics as well’. For instance, in transport services, travel documents and (insurance-) policy conditions can be thought of as the physical parts of the service. Another example is the effect of information technology (IT) on the delivery of services. Software service providers tend to offer homogeneous products which are not produced and consumed simultaneously. Moreover, in manufacturing most products are increasingly accompanied by additional services, think for instance of repair and maintenance services. It is more useful to think about services and physical products as the extremes on a continuum ([Johne and Storey, 1998](#)). In this study, we focus on the rather extreme case in which the characteristics of services apply to a large extent. Looking at the great number of studies which stress the specific characteristics of services as compared with products, it seems inevitable to develop a specific approach to service innovations. It is not surprising that the number of researchers who see no need for a specific approach to service innovation is rather limited ([Gallouj and Weinstein, 1997](#)). This study does not discard the insights from innovation in manufacturing. As products and services can be considered to be opposites on a continuum, certainly not all research findings from manufacturing contexts will be inapplicable. Therefore, in this study a balance shall be maintained.

2.6. Innovation in Service

Most researchers agree that innovation in service firms has a different character than in manufacturing ([Johne and Storey, 1998](#); [OECD., 2000](#)). Innovations in service industries are often non-technological. They mostly involve small and incremental changes in processes and procedures. Many service innovations are not very radical and have often already been implemented in or by other service organizations. According to [Johne and Storey \(1998\)](#) Service innovations do not require much R&D. Service firms tend to invest less in fixed assets to support innovations. Service firms spend less money on buying patents and licenses in the services sector because a lower percentage of revenues is invested in innovation. [Atuahene \(1996\)](#) Service innovations are easier to imitate. An explicit human resources strategy has a larger influence on the success of new services than on new manufactured products. Cooper and [Cooper and Brentani \(1991\)](#) technology is less important for new service development (NSD).

In the submission of [OECD. \(2000\)](#) service innovation is not limited to changes in the product’s characteristics. It usually involves changes in the delivery process and client interface as well. [Sirilli and Evangelista \(1998\)](#) lack of well-educated co-workers is a main barrier to innovation in service firms, more often than in manufacturing. Organizational problems often prevent new services from being successful.

2.7. Innovation in Services Could Manifest Thus

1. Development of service products which are new to the supplier ([Johne and Storey, 1998](#)).
2. Offering not previously available to a firm’s customers resulting from additions or changes in the service concept ([Menor et al., 2002](#)).
3. Ideas, practices or objects which are new to the organization and to the relevant environment, that is to say to the reference groups of that innovator ([Van-der and Elfring, 2002](#)). Like innovation in manufacturing, innovation in services is essentially about change and renewal ([Bitran and Pedrosa, 1998](#)). For example, a new jet-powered sea ferry is both a product and process innovation. Because of the simultaneity of services, product- and process innovations usually coincide. New services often go together with new patterns of distribution, client

interaction, quality control and assurance, etc. But there are huge differences in the specific patterns involved: what is important for introducing one new service into the market might be totally irrelevant for others.

2.8. Key concepts of Service Innovation

2.8.1. New Service Concept

New service concept is vital issue in service innovation (Avlonitis *et al.*, 2001; Cook *et al.*, 1999; Den-Hertog, 2000). It relates to the content and characteristics of the new or renewed service. Manufactured products (and processes) are typically highly tangible and visible. Services involve more intangible characteristics. A new service concept can include new combinations of existing service activities (Van-der and Elfring, 2002). Service firms often choose for changes in the service concept to imitate innovations by competitors. This form an important source of adaptations (Easingwood, 1986): the characteristics of existing and competing services because service firms to make adjustments in the service concept. Some examples of innovations with a new service concept include

- Call center services. These service firms install, organize and recruit staff for their clients' call centers - which have emerged from temporary staffing offices.
- Software and ICT services, these services firms originally stem from manufacturing companies that offered mainframe and personal computers.

2.8.2. Client Interface Concept

Innovation in the client interface is the second concept of innovation in services (Chase *et al.*, 1998; Den-Hertog, 2000). The client interface is the focus of many service innovations. Service offerings are increasingly marketed and produced in a client-specific way (even with client-specific pricing). Often, the characteristics and desires of existing and potential clients tempt a service firm to make adjustments in the client interface. This dimension of innovation can even entail clients acting as co-producers of the service offering (Van-der and Elfring, 2002):

- Electronic data interchange (EDI), which represents an effort to establish common formats for electronic documents that allow for a wide range of interactions to be partially automated - including various elements of design as well as ordering and invoicing.
- Delivery of database products (for instance, the Yellow Pages), by means of the Internet instead of via a hardcopy.

2.8.3. Service Delivery System Concept

The third concept consists of adjustments in the service delivery system (Avlonitis *et al.*, 2001; Cook *et al.*, 1999; Den-Hertog, 2000). It refers to the internal organizational arrangements that have to be managed to allow service workers to perform their job properly, to develop and offer innovative services. The service delivery system facilitates them so that they can perform their jobs and deliver service products adequately. It could be interpreted as the internal work processes and arrangements. This type of change is often the direct result by the preceding ones (the linkage between the service provider and its client, and/or the service concept). Also, the capabilities, skills and attitudes of existing co-workers can make any necessary adjustments in the service delivery. One example of innovation that led to changes in the delivery system is the introduction of e-commerce. This may require serious business process re-engineering. E-commerce may have a substantial impact not only on the way in which the actual commercial transactions occur, but also on the processes preceding and following the transaction.

2.8.4. Technological Options Concept

The fourth concept (technological options) is the centre of much analysis and debate (Kandampully, 2002). It is clear that service innovation is possible without technological innovation; technology is not always a dimension. Nonetheless, in practice, there is a wide range of relationships between technology and innovation in services. Changes in technological options may be forced by changes in the dimensions discussed above. On the other hand, technology can play a role as a facilitating or enabling factor. Although IT is certainly not the only relevant technology in service innovation, it is an example that is relevant in many innovations in services in Jong *et al.* (2003) Information Technology (IT) is often perceived as the great enabler of service innovation. In this context, Van-der and Elfring (2002) describe technological innovations as the development and implementation of new forms of technology and related

reconfigurations of service concepts and processes. The foregoing is the core focus of this study with a particular searchlight on First Registrars Nigeria Ltd.

- financial service firms, that increasingly sell insurance, via Internet, enabled by IT.
- tracking/tracing systems, enabling transport service providers, monitor the progress of their fleet and thus manage their transport services more closely.

3. CONCLUSION

From the foregoing discussion, the study concludes that product innovation in service industry can make significant impact on customers' satisfaction. Product innovation in service industry is desirable. In this age, competition has become a matter of survival of the fittest and adulation of the winner. From the discussion, it was made known that satisfaction occurs when the expectations are met or surpassed. Hence, service firms especially the capital market subsector need to innovate their services so as to meet and surpass the expectations of their customers. This is one of the ways to guarantee the survival and profitability of a firm. It was further deduced that service providing firms in Nigeria, especially in capital market subsector should embrace innovation so as to reap the benefit of closing the gap between the services rendered and customers' expectations. This could be increase in patronage or other silent benefit such as good image. The innovation should come in optional/multiple forms; this will give customers opportunity to make choice. Like in the case of this study, we have E-Share Notifier, Online-Access, M-Access and more. It was also revealed that E-Share Notifier plays a customer focused role. Furthermore, it showed that customers found Online-Access as a reliable E-Product and that customers will not engage a company that offers a reliable innovated product in any unwarranted litigations. Though customers admit that the E-Product M-Access is a breakthrough innovation, but the customers have not tapped the potentials fully, hence, there is need for more publicity and enlightenment to make them embrace it. Individual customers derive satisfaction using M-Access, but the organization needs to interact with them on the pros and cons of the usage so that they can be at their best at any given time.

4. RECOMMENDATIONS

On the basis of the conclusion, the following recommendations are put forward;

1. service providing firms should innovate so as to meet customers' expectations and if possible surpassed them. Close the gap between service rendered & Shareholders' expectations. Provide products that play customer focused role. Offer reliable product to customers. Minimize incidence of litigation associated with poor services and enjoy some feedback related privileges.
2. service organizations we do better by crafting their innovation in line with the observed gap in the sector effort should be made to educate the would – be consumer as regard the mode of usage and the associated benefits. Otherwise the objectives behind the innovation might be jeopardized.
3. products that were formerly being delivered through manual and paper work could initially get criticized by the targeted beneficiary and may sound discouraging to the innovator as witnessed in the study. This should not be taken in bad faith, at introduction level of newly invented products; resistances are often a case of unwillingness to change. Hence, this calls for broadened sensitization, campaign and enlightenment of the client/customers.

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