

The influence of product innovation on customer engagement through customer experience and customer value of OVO users

G.A. Abet, M. Adiwijaya & H. Subagio

Faculty of Business and Economics, Petra Christian University, Surabaya, Indonesia

ABSTRACT: This study aims to find out the influence of product innovation on customer engagement through customer experience and customer value. It employs a quantitative research method by distributing online questionnaires on social media. In total, 210 respondents participated through purposive sampling technique. The findings show that: 1) product innovation has a significant effect on customer value, customer experience, and customer engagement; 2) customer value has a significant effect on customer engagement, and 3) customer experience has no significant effect on customer engagement.

Keywords: customer engagement, customer value, customer experience, product innovation

1 INTRODUCTION

Due to the persistent development of technology, the internet functions beyond just a means for sharing and receiving information, it also has become a need that involves humans emotionally and intellectually. *Customer Engagement, Customer Experience, Product Innovation, Customer Value* become the variables to be investigated in cashless phenomenon using OVO. This study aims to determine how customer engagement is created through customer experience and customer value when making cashless transactions, and to identify and clarify the role of mediation given by customer experience and customer value that result from product innovation to establish an enduring relationship between customers and OVO.

2 LITERATURE REVIEW

A research conducted by Su (2011) brought about positive results, suggesting that product innovation can affect customer experience if the service providers focus more on the experience consumers will receive when they introduce their products. In addition, Rodríguez-Salvador et al. (2016) propose that customer experience can be achieved with the help of product innovation; it helps companies to find out more about consumers' expectations and identify the next strategy to be implemented as an attempt to attract more customers. Edvardsson and Witell (2010) argue that the consumer participation in an innovation process can produce its own value for consumers, which is resulted from the knowledge and expertise of a consumer. Meanwhile, a study conducted by Moon et al. (2013) indicates that a company that is already advanced must always innovate while providing modern designs.

Customers can interact and create value in various ways. A study conducted by Kumar et al. (2010) finds that customers can give value to the company not only through their purchase behavior, but also through the internet which is able to contact customers and WOM. The relationship between customer value and customer engagement was also studied by Higgins (2006) which resulted that the value itself is a strong experience and provides great motivation for customers, and furthermore can be achieved adjusting to the customers' needs and goals. This value is also obtained not only

from the hedonic experience but also from a strong motivation to have and want something appealing to happen.

There are six hypotheses formulated as follows:

- H1: Product innovation has an effect on customer experience
- H2: Product innovation has an influence on customer value
- H3: Product innovation has an influence on customer engagement
- H4: Customer experience has an influence on customer value
- H5: Customer experience has an influence on customer engagement
- H6: Customer value has an influence on customer engagement

3 METHODS

This study employed a quantitative research method. Google Form was used for the sampling method in order to obtain online coverage and involve national participation. Purposive/judgmental sampling used were respondents who had been using OVO for the past one year. The link of Google Form questionnaire was shared via two social media, namely WhatsApp and LINE, in 5 cities (Manado, Padang, Banjarmasin, Makassar, and Surabaya) with a total of 217 respondents. This distribution stage took two months and three weeks. Subsequently, a screening process was carried out and 210 questionnaires met the requirements. The respondents who had filled in the questionnaires were identified based on gender, age, occupation, and monthly income.

4 RESULTS AND DISCUSSIONS

The respondents consisted of 114 men and 96 women. In the age range, most respondents were from the age group of 17–34 years old, with the total of 120 respondents, followed by the age range of 35–51 as many as 54 respondents, and age range >51 as many as 36 respondents. In terms of occupation, 95 respondents were employees, 64 respondents were entrepreneurs, 19 respondents were students, and 32 had other jobs. In terms of income, respondents who have income below IDR 2 to above 10 million/month also used OVO mobile payment.

Table 1. Hypotheses testing

Hypothesis	Influence between variables	Original Sample (O)	S. Mean(M)	S. Dev (STDEV)	T Stats
H1	PI (X1) → C Ex (X2)	0.676	0.679	0.042	16,022
H2	PI (X1) → CV (Y1)	0.261	0.257	0.069	3,776
H3	PI (X1) → C En (Y2)	0.254	0.255	0.067	3,776
H4	C Ex (X2) → CV (Y1)	0.612	0.619	0.066	9,269
H5	C Ex (X2) → C En (Y2)	0.094	0.106	0.103	0.909
H6	CV (Y1) → C En (Y2)	0.502	0.489	0.109	4,583

Table 1 shows that the *t* value of the effect of product innovation on customer experience (H1) as much as 16,022, greater than 1.96. This implies that product innovation has a significant effect on the customer experience of OVO users. From these results, the first hypothesis of the study is that H1 is accepted. This is in accordance with Rodríguez-Salvador et al. (2016) who suggest that customer experience can be obtained through product innovation that facilitates an efficient shopping process. Product innovation has a significant influence on the customer value of OVO users. Consequently, H2 is accepted. This result supports the previous research by Kim et al. (2015) that suggests the innovation of a product with various advantages can affect consumer value when the product is used. In H3 test, product innovation has a significant effect on customer engagement of OVO users. As a result, H3 is accepted, in accordance with research by Piller et al. (2004) that suggests product innovation has the potential to make consumers feel satisfied and helped.

Moreover, customer experience has a significant effect on customer value of OVO users. Thus, H4 is accepted, in line with Gentile et al. (2007) who propose that customer value can rise at different levels depending on customer experience, such as sensorial components so as to generate values for its users.

Regarding the fifth hypothesis test, the effect of customer experience on customer engagement (H5) is rejected. The indicator of customer experience that has the highest value is the QR Code provided by OVO while the indicator with the highest value in customer engagement indicator providing experience sharing using the OVO mobile payment. With the QR Code provided by merchants, it makes payment process faster, but this does not have a direct impact on consumers to share their experiences using the QR Code. This is solely to make payment easier, but not to make consumers interested in using OVO mobile payments, as in line with a research by Dovalienė et al. (2016), which states that customer engagement can be encouraged if there is consumerism and satisfaction emerged from it. Addressing the sixth hypothesis, customer value has a significant influence on customer engagement of OVO users. Therefore, H6 is accepted, as it is in line with a research from Higgins (2006) which suggests that the value earned from outside factors will have a big impact on customer engagement.

Table 2. Direct and indirect effects.

Variables	Direct Effect	Indirect Effect	Total
$PI(X) \rightarrow C Ex (X2)$	0.676	–	0.676
$C Ex (X2) \rightarrow CV (Y1)$	0.612	–	0.612
$PI (X1) \rightarrow CV (Y1)$	0.261	–	0.675
$PI (X1) \rightarrow C Ex (X2) \rightarrow CV (Y1)$	–	0.414	0.675
$C Ex (X2) \rightarrow C En (Y2)$	0.094	–	0.094
$CV (Y1) \rightarrow C En (Y2)$	0.502	–	0.809
$C Ex (X2) \rightarrow CV (Y1) \rightarrow C En (Y2)$	–	0.307	0.809
$PI (X1) \rightarrow C En (Y2)$	0.254	–	0.487
$PI (X1) \rightarrow CV (Y1) \rightarrow C En (Y2)$	–	0.131	0.487
$PI (X1) \rightarrow C Ex (X2) \rightarrow C En (Y2)$	–	0.064	0.487
$PI (X1) \rightarrow C Ex (X2) \rightarrow CV (Y1) \rightarrow C En (Y2)$	–	0.039	0.487

The relationship between the influence of the two variables, namely customer experience and customer value, are partial mediation, meaning the two variables affect the value, but not greater than the direct effect. This study illustrates the influence of product innovation on customer engagement through customer value and customer experience. In this study, the samples were Indonesian who use OVO as a digital payment service for less than one year. It is found that product innovation has an influence on customer engagement through customer experience and customer value. Based on this finding, the H5 which suggests that customer experience influences customer engagement was rejected. This was because the QR Code used as an indicator was just a means to ease payment when making transactions at merchants who are in cooperation with OVO mobile payment.

5 CONCLUSION

This study provides insights about more up to date features for OVO customers to pay attention to. When more attention given from the customers, a long-lasting relationship between customers and the firm can be established and they can benefit from it. The earned benefits can be distributed through mobile payment, which stimulates customer engagement. Future researchers should consider using another indicator for customer experience to see if there is an influence on customer engagement. Regardless, the result of this study encourages the firm to explain further about features they released for customers. This study was limited in the Republic of Indonesia, however this study can be expanded to other countries using digital mobile payment as a payment method.

REFERENCES

- Brodie, R. J., Ilic, A., Juric, B., & Hollebeek, L. (2013). Consumer engagement in a virtual brand community: An exploratory analysis. *Journal of Business Research*, *66*(1), 105–114.
- Butz, H. E., Goodstein, L. D., & Edsel, F. (2001). Gaining the Strategic Advantage. *1197*, 321–337.
- Danneels, E. (2002). THE DYNAMICS OF PRODUCT INNOVATION AND FIRM COMPETENCES, *1121*(January 2000), 1095–1121.
- Dovalienė, A., Piligrimienė, Ž., & Masiulytė, A. (2016). Factors influencing customer engagement in mobile applications. *Engineering Economics*, *27*(2), 205–212.
- Edvardsson, B. A. G. P. K., & Lars Witell. (2010). Handbook of Service Science.
- Freeman, C., & Soete, L. (1997). The Economics of Industrial Innovation | The MIT Press. Retrieved from <https://mitpress.mit.edu/books/economics-industrial-innovation>
- Gentile, C., Spiller, N., & Noci, G. (2007a). How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value With the Customer. *European Management Journal*, *25*(5), 395–410. <https://doi.org/10.1016/j.emj.2007.08.005>
- Gentile, C., Spiller, N., & Noci, G. (2007b). How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value With the Customer. *European Management Journal*, *25*(5), 395–410. <https://doi.org/10.1016/j.emj.2007.08.005>
- Higgins, E. T. (2006). Value from hedonic experience and engagement. *Psychological Review*, *113*(3), 439–460.
- Kim, J., Kim, K. H., Garrett, T. C., & Jung, H. (2015). The contributions of firm innovativeness to customer value in purchasing behavior. *Journal of Product Innovation Management*, *32*(2), 201–
- Kotler, P., & Keller, K. L. (2009). *Marketing Management. Organization* (Vol. 22).
- Kotler, P., & Keller, K. L. (2012). *Marketing Management*.
- Kumar, V., Aksoy, L., Donkers, B., Venkatesan, R., Wiesel, T., & Tillmanns, S. (2010). Undervalued or overvalued customers: Capturing total customer engagement value. *Journal of Service Research*, *13*(3), 297–310.
- Kumar, V., & Pansari, A. (2016). Competitive advantage through engagement. *Journal of Marketing Research*. <https://doi.org/10.1509/jmr.15.0044>
- McCarthy, J., & Wright, P. (2004). *Technology as experience. Interactions* (Vol. 11).
- Mohd-ramly, S. (2017). Exploring the influence of store attributes on customer experience and customer engagement.
- Mollen, A., Wilson, H., Oxon, M., & Dipcompsi, C. (2010). Engagement, Telepresence and Interactivity in Online Consumer Experience: Reconciling Scholastic and Managerial Perspectives. *Journal of Business Research, Special Issue on Internet Customer Behavior*, *63*(910), 919–925.
- Moon, H., Miller, D. R., & Kim, S. H. (2013). Product design innovation and customer value: Cross-cultural research in the United States and Korea. *Journal of Product Innovation Management*, *30*(1), 31–43.
- Nagasawa, S. (2008). Customer experience management Influencing on human Kansei to management. *Customer Experience Management*, *20*(4), 312–323. <https://doi.org/10.1108/17542730810881302>
- Nasution, H. N., & Ā, F. T. M. (2008). Customer value in the hotel industry: What managers believe they deliver and what customer experience, *27*, 204–213. <https://doi.org/10.1016/j.ijhm.2007.02.003>
- Piller, F., Ihl, C., Füller, J., Stotko, C., & Ag, C. E. O. H. (2004). Toolkits for Open Innovation - The Case of Mobile Phone Games, *00*(C), 1–10.
- Rodríguez-Salvador, M., Paredes, F., & Yi, G. (2016). Towards future customer experience: Trends and innovation in retail. *Foresight and STI Governance*, *10*(3), 18–28.
- Sawhney, M., Verona, G., & Prandelli, E. (2005, January). Collaborating to create: The internet as a platform for customer engagement in product innovation. *Journal of Interactive Marketing*. <https://doi.org/10.1002/dir.20046>
- Solomon, M. R., Marshall, G. W., & Stuart, E. W. (2011). *Marketing: real people, real choices*.
- van Doorn, J., Lemon, K. N., Mittal, V., Nass, S., Pick, D., Pirner, P., & Verhoef, P. C. (2010). Customer engagement behavior: Theoretical foundations and research directions. *Journal of Service Research*, *13*(3), 253–266.
- Vivek, S. D., Beatty, S. E., & Morgan, R. M. (2012). Customer Engagement: Exploring Customer Relationships Beyond Purchase. *The Journal of Marketing Theory and Practice*, *20*(2), 122–146.
- Woodruff, R. B. (1997). Customer value: The next source for competitive advantage. *Journal of the Academy of Marketing Science*, *25*, 139–153.