

The Impact of Brand Innovativeness on Customer Loyalty

-----Take Apple Inc. as an Example

Ziyi Yang^{1,a}

School of Translation and Interpretation, Shandong University, Weihai, Shandong, 264209, China
Corresponding author's e-mail: angela@cas-harbour.org

ABSTRACT

Brand innovativeness, long been recognized as a critical aspect in developing a company, is conventionally considered to be useful in acquiring new customers. However, mixed findings have been focusing on the impact of brand innovativeness on customer loyalty. This article takes Apple Inc. as an example by interviewing Apple users and former Apple users to find out the double-edged impact of brand innovativeness. The result shows that meaningful product innovation shed positive impact on customer loyalty while product newness that lack valuable features may impair customer loyalty.

Keywords: *Brand Innovativeness, Meaningfulness and Newness, Customer Loyalty, Apple Inc.*

1. INTRODUCTION

Most of Fortune 500 enterprises describe themselves as innovative companies, and Apple Inc. is no exception. On October 24, 2019, Apple's stock price hit a record high and its market value exceeded the \$1.1 trillion mark for the first time[19]. The slogan of Apple Inc. "Switch" is the key word for its success[2]. However, Apple's creativity may also make customers feel uncomfortable, since they need to adapt to the constantly updating products and are confronted by incessant newness. According to Bloomberg, Maxim Group noted that Apple is facing a decline in iPhone retention. The analysis proposed that the number of iPhone user defections climbed, with the churn rate rising to 9% from 5%, while the inflow rate was only 7%, down from 13% in 2017 [12].

Enormous evidence indicates that many companies tend to focus only on the positive side of innovativeness such as increasing customer loyalty, and ignore potential threats derived from negative customer responses to new products, such as relationship termination[3]. The sources of brand loyalty and the process of its development are key concerns for brand management[4]. Therefore, it is of vital importance to understand how brand innovativeness may affect customer loyalty.

By analyzing major innovative strategies of Apple Inc. in recent five years, this article aims to conclude the impact of brand innovativeness upon customer loyalty and summarize suggestions about product and service innovation for other companies. Only if companies recognize the reasons that undermine customers' reluctance to adopt innovations and comprehend the opportunities and threats associated with innovations can they act wisely in making innovative decisions. The results can help product managers in their brand management and promotion of new products.

2. LITERATURE REVIEW

Since the pioneering work of Schumpeter[17], innovation has been widely regarded as the most important driving force of economic development, while "creative destruction" is often the product of "entrepreneurship". Yu proposed that according to Rogers, consumer perceived innovation refers to the subjective perception and judgment of consumers on product innovation, service innovation or other forms of innovation of enterprises[20]. Barone and Jewell concluded that brand innovativeness refers to the degree to which consumers perceive a brand to be innovative[5]. Ravi and Pascale defined brand innovativeness as "the extent to which consumers perceive brands as being able to provide new and useful solutions to their needs"[15]. Therefore, questions in interviews are designed according to these previous definition about innovativeness. Additional functions, update in system, and changes in appearance are taken into consideration.

Su believed that from the consumer perspective, customer brand loyalty refers to the customary bias of consumers for the purchase of a branded product[18]. Dick and Basu proposed that loyal customers are those who not only have a good attitude to repeat purchase but also can carry out repeat purchase behavior[6]. Liu and Li defined customer loyalty as the fact that customers, influenced by quality, price, brand, service and other factors, purchase particular product or services for several times[10].

However, researches about the impact of brand innovativeness on customer loyalty is vague. Petersen et al. proposed that brand loyalty is an important brand performance metric[14]. Henard and Dacin only concluded that the perception of innovativeness may lead to higher consumer involvement, which can indirectly exert positive impact on customer loyalty[8]. According to Kunz, Schmitt,

and Meyer, innovativeness may serve as a cue affecting the emotional and cognitive satisfaction of consumer, therefore affecting their loyalty indirectly[9]. Pappu and Quester argued that brand innovativeness acts as a signal which positively influences consumer perceptions of the quality of the brand[13]. Kunz et al. indicated an indirect relationship mediated by factors such as satisfaction[9]. Generally speaking, scholars have implied that brand innovativeness may have positive impact on customer loyalty. Therefore, whether there exists negative impact still need to be studied. According to Alan and Emma, conversation analysis is the fine-grained analysis of talk as it occurs in interaction in naturally occurring situations[1]. They also noted that Narrative Analysis is an approach to the elicitation and analysis of language. Thus, by analyzing conversations and interactions, this study can probe into the opinions of Apple users and former Apple users.

The whole interviewing process of this study was recorded and transcribed so that the detailed analyses which can uncover the underlying structures of talk in interaction can be carried out. This project also encouraged interviewees to share their stories about Apple's products with other people in order to learn more about their perception upon Apple's innovativeness.

3. DESIGN OF THE INTERVIEW

Given the fact that customer feedback is the subject of this study, this paper adopted qualitative interview. This project depended upon in-depth interviews for garnering results and collected information from Apple users and former Apple users. Interviews were tape-recorded and transcribed.

3.1. Sampling Approaches

This study adopted purposive sampling and snowball sampling approaches. Apple users and former Apple users were selected purposely according to the selling record of Apple retail stores, and interviewees were encouraged to introduce other qualified people to participate in our interview.

3.2. Interview Methods

3.2.1. Semi-Structured Interview

In addition to structured questions, our interviewer asked further questions in response to the significant answers provided by the interviewees in order to probe more of the inner thoughts of the interviewees.

3.2.2. Focus Group Interview

This study organized several focus groups which focused upon the use of Apple's products. Interviewers encouraged discussion among participants and the sharing of opinions in an open and relaxed environment.

3.2.3. Customer Interview

Interviewers of this project asked questions about Apple's products towards Apple users and those who used to be Apple users. Interviewees provided their perceptions and thoughts about the products and services of Apple company.

3.2.4. Critical Incident Method

Interviewees were guided to recall their experiences which enabled them to stick to or abandon using Apple's products.

3.2.5. Photo Elicitation

Interviewers provided pictures about Apple's products and asked respondents to reflect, explain, and comment on it. Interviewees described their experiences that related to these products as well as the emotions they associated with it.

3.3. Research Design

3.3.1. Grouping Methods

This 1-month study selected a total of 100 Apple users who have been Apple users for at least 5 years, named group A, and 30 former Apple users, named group B, as purposive samples to offer their ideas. The cross-section survey contained following elements:

Section A: Face-to-face focus group interview with 80 Apple users and 20 former Apple users.

Section B: Face-to-face interview with 20 Apple users and 10 former Apple users separately.

In section A, the interviewer organized 8 focus groups of Apple users and 5 focus groups of former Apple users simultaneously and asked mainly structured questions for effective discussion.

In section B, photos about Apple's innovative products in recent 5 years were displayed and interviewees were asked in detail about their personal experiences with Apple as well as their feelings.

3.3.2. Structured Questions in Section A

Table 1 Structured Questions in Section A for Apple Users.

Part I	
Questions	Apple Users
1	Which product or products have you been using?
2	What features attract you most? Please list at least two.
3	How often do you update your Apple products?
4	To what extent do you think Apple’s brand innovativeness creates affective attachment of the customer?
Part II	
5	Have you ever tried Near Field Communication in iPhone 6 or iPhone 7? What are your opinions towards it?
6	How do you think of the innovation of Live Photos in iPhone 5?
7	What are your opinions about the dual cameras in iPhone 7?
8	Were you attracted by the full screen appearance of iPhone X? How do you think of it? (face ID unlock)
9	What are your opinions about MacBook Air launched in 2015?
10	How do you think of the OLED virtual keyboard in MacBook Pro 2016?

Table 2 Structured Questions in Section A for Former Apple Users.

Part I	
Questions	Former Apple Users
1	Which product or products have you been using?
2	Why did you choose to abandon Apple’s products? (list at least 2 reasons)
3	Which product or products of Apple are unacceptable?
4	Did you find it difficult to adapt to Apple’s new products?
Part II	
5	Have you ever tried Near Field Communication in iPhone 6 or iPhone 7? What are your opinions towards it?
6	How do you think of the innovation of Live Photos in iPhone 5?
7	What are your opinions about the dual cameras in iPhone 7?
8	Were you attracted by the full screen appearance of iPhone X? How do you think of it? (face ID unlock)
9	What are your opinions about MacBook

	Air launched in 2015?
10	How do you think of the OLED virtual keyboard in MacBook Pro 2016?

3.4. Ethical Approval

Confidentiality was appropriately maintained at all stages of enquiry. Human rights and dignities were actively respected. Highly personal, intimate or private information will not be sought. There are no harm, discomfort, physical or philosophical risks.

4. RESULTS OF THE INTERVIEW

4.1. Opinions of Apple Users

In terms of the number of Apple’s products possessed by interviewees, about 67% respondents reported that they have 2 or 3 Apple’s products such as iPhone, iPad, Air pods and Mac pro. A quarter of the interviewees said they have almost a full set of Apple Family-----iPhone, Mac pro, iPad pro, Apple pencil, Air pods, which shows their affective commitment towards Apple’s products.

When being asked about features that attract them most, 75% of interviewees agreed that iOS system fascinates them. According to them, Apple’s products can make quicker responses than any other products because of its power and flexibility. iOS system can also effectively intercept advertisements and its operational pace never tends to get slower as time passes by. Besides, the information sharing function makes people’s work and life more convenient.

91% of interviewees will not update their products until it is not usable. That suggests a high loyalty of Apple-customers. However, they still take price and function into consideration rather than pursue new products blindly. Regarding innovativeness, 85% agreed that what makes them loyal to Apple is not merely because of innovativeness, but the significance of its innovation and the value the company creates for them. Their affective attachment is mainly a result of the operational system of Apple’s products instead of their appearance or so-called updating which only adds several tricks into the original one. 50% of Apple users described them as people who are “not sensitive to the updated functions of new products”, and therefore believe that “Innovations can be perceived only across several generations. The differences between two adjacent products are not as distinctive as imaged.”

4.2. Opinions of Former Apple Users

27% of them expressed that they stopped using iPhone because they thought many new functions made little difference on a common people. “I have never learned or used some of the photoing functions, which in my opinion

is designed for photographers.” Some of them added that if they stopped updating into new version, many functions will be forbidden. In this way, they must yield to updating program if they wanted to continue to use their phone although they preferred original functions.

13% of the interviewees said that they abandoned iPhone since it was not as firm as Huawei, and the screen broke easily. “Tumble resistant is my prior consideration and the repair cost is really expensive. I cannot afford it.”

53% of interviewees mentioned that despite of the fact that Apple updating its products frequently, many protruding defects have not been improved. “Internal storage card cannot be added. It brings much inconvenience to our work.” They believed that some changes such as appearance changes are not meaningful enough to attract more consumers.

4.3. Comparative Analysis Based on Specific Innovation

4.3.1. Near Field Communication in iPhone

In terms of iPhone 6/6Plus launched in 2014, Apple added Near Field Communication (NFC) function. Only 26% of Apple users here agreed that this innovation makes it more convenient for them to exchange files with their colleges nearby. More than 90% of the former Apple users in this section expressed that they “did not even notice this innovation when they were using it”, neither did they think it was useful or meaningful. It seems that NFC did not make too much sense at that time.

4.3.2. Live Photos in iPhone

Apple added Live Photos in iPhone 5, which was a bold idea. The results indicated that 83% Apple users believed that it was a brilliant idea and “these live photos and remind them of the scene as if it happened yesterday.” 55% of respondents from Group B said that it was useful, “but live photos take more time to pose on social platforms and sometimes it is annoying to use it properly when taking photos.”

4.3.3. MacBook Air launched in 2015

When being asked about the opinions toward MacBook Air 2015, 64% Apple users agreed that it was lighter than MacBook Air 2014 and the CPU was updated. On the contrary, 80% former Apple users said MacBook Air 2015 did not make much sense in the hard disk and memory capacity. There was still only one USB-c port on the body, which made them disappointed.

4.3.4. Dual Cameras in iPhone

iPhone 7 was equipped with dual cameras, which satisfied 86% of our Apple users in this interview because they hold that it made their pictures professional and attractive. 70% former Apple users expressed that they were indeed impressed by this function. “It really makes sense”

4.3.5. Full Screen Design in iPhone

The full screen appearance of iPhone X once attracted a great number of customers. 89% of Apple users said that they were attracted by its modern design, but what impressed them most was its unique function such as face ID unlock. 35% of former Apple users thought face ID unlock does not always work well, which overshadowed its outstanding appearance.

4.3.6. OLED Virtual Keyboard in MacBook Pro 2016

49% Apple users agreed that this OLED touch bar replaced the familiar multifunction media keys in a touch way. “It looks novel, but I will never update my Mac because of such a trivial feature!” 70% former Apple users believed that “it is not worthy buying it!” All they put in priority is the function and utility instead of novelty.

4.3.7. Apple Pay in iPhone 6

37% of our respondents agreed that Apple Pay was not as useful as before especially in China, which was originally the biggest attractive point in their perspectives. One of them said that he could use Apple Pay which was newly equipped in iPhone 6 when travelled in the UK. But now it was not so meaningful now because Ali Pay is more popular and widely used in China. “It did not attract me a lot.” Here we can see that what motivate consumers to abandon Apple was that the innovation of Apple Pay was only regarded as something new rather than meaningful creation.

4.4. Potential Factors that Affect Customer Perception of Innovativeness or Newness

In our interview, there are 7% interviewees who take painting or photographing as avocations or habits. Therefore, they pay much attention to whether an innovation can provide more professional functions related to these fields. If an updated product does make progress in coloring or light gathering ability, they are more likely to consider it as meaningful.

Most of people do not expect their electronic products more than communication tools. What they care most is whether the updated functions can make their life or study more convenient. Intelligent products and functions that are easy

to learn are more likely to be perceived as meaningful innovation. If an innovated function is hard to master, or it plays little role in the life of a majority of people, it will probably be regarded as just newness without actual value.

5. FINDINGS

Based on the interviews conducted, it has been found that consumers tend to pay more attention to the true value brought by innovative products of a brand. If newly launched or improved products indeed make their lives more convenient than before, customers are willing to stick to particular brand. Conversely, innovations, instead of dealing with people's real concerns, merely adopt useless tricks or make alterations in trivial matters will exert negative influence on the loyalty of existing and potential customers. Even worse, the brands will lose customers.

6. CONCLUSION

Overall, it can be concluded that in terms of the impact of brand innovativeness, it is the actual value that perceived by customers contributes to building up customer loyalty. If we take meaningfulness and newness as two dimensions of brand innovativeness, meaningful innovation of products such as updates in systems positively affects customer loyalty, while newness innovation of products such as changes in appearance negatively affects customer loyalty. Meaningful product innovation is more likely to create customer loyalty in the long run, while product newness is just regarded as something different that lacks actual value.

Although brand innovativeness is essential in developing brand loyalty, and price is also a great consideration of consumers, 70% of the former Apple users would like to tolerate the weakness of Apple if the price is much lower.

This study took Apple Inc. as an example to study the impact on brand innovativeness on brand loyalty. But the conclusions can also shed light on other brands for maintaining customers. Overall, customers still pay highest attention to the value they are promised to receive rather than useless tricks.

Because of time limitations and knowledge competence, the article may fail to cover some of the impact of brand innovativeness upon customer loyalty. In addition, the limited samples collected may be not representative enough, and the snowball sampling may make the results not as comprehensive as possible.

ACKNOWLEDGMENT

First and foremost, I would like to show my deepest gratitude to my teachers and professors in my university, who have provided me with valuable guidance in every stage of the writing of this thesis. Further, I would like to thank all my

friends and roommates for their encouragement and support. Without all their enlightening instruction and impressive kindness, I could not have completed my thesis.

REFERENCES

- [1] Alan, B. and Emma, B. *Business Research Methods*. (3rd edn). London: Oxford University Press. 2011.
- [2] Apple Inc. Retrieved on March 8th, 2020. Retrieved from: <http://www.Apple.com/>.
- [3] Athanassopoulos, A., Gounaris, S. and V. Stathakopoulos. Behavioural responses to customer satisfaction: An empirical study. *European Journal of Marketing*. 2001. Vol.35, No. 5/6, pp.687-707.
- [4] Brexendorf, T.O., Mühlmeier, S., Tomczak, T. and Eisend, M. The impact of sales encounters on brand loyalty. *Journal of Business Research*, 2010. Vol. 63, No. 11, pp. 1148-1155.
- [5] Barone, M. J. and Jewell, R. D. The innovator's license: a latitude to deviate from category norms. *Journal of Marketing*. 2013. Vol. 77, No. 1, pp.120-134.
- [6] Dick, A.S. and Basu, K. Customer loyalty: toward an integrated conceptual framework. *Journal of the Academy of Marketing Science*. 1994. Vol. 22, No. 2, pp. 99-114.
- [7] Eisingerich, A.B. and Rubera, G. Drivers of brand commitment: a cross-national investigation. *Journal of International Marketing*. 2010. Vol.18, No.2, pp. 64-79.
- [8] Henard, D.H. and Dacin, P.A. Reputation for product innovation: its impact on consumers. *Journal of Product Innovation Management*. 2010. Vol. 27, No. 3, pp. 321-335.
- [9] Kunz, W., Schmitt, B., and Meyer, A. How does firm innovativeness affect the consumer? *Journal of Business Research*. 2011. Vol. 64, No. 8, pp. 816-823.
- [10] Liu Y.N., Liu B.W., and Li X. Analysis of factors influencing customer loyalty. *Bohai rim economic outlook*. 2019. Vol. 6, pp.160.
- [11] Mark, S., Philip, L., and Adrian, T. *Research Methods for Business Students*. (7th edn). London: Copyright Licensing Agency Ltd. 2016.
- [12] Meiguanjushu, Apple's user churn rate has risen to 9%. Why is "apple powder" no longer "loyal"? Retrieved on: December 5th, 2019. Retrieved from: <http://www.meigushe.com/>
- [13] Pappu, R. and Quester, P. How does brand innovativeness affect brand loyalty? *European Journal of*

Marketing. 2016. Vol. 50, No. 1/2, pp. 2-28.

[14] Petersen, J.A., McAlister, L., Reibstein, D.J., Winer, R.S., Kumar, V. and Atkinson, G. Choosing the right metrics to maximize profitability and shareholder value. *Journal of Retailing*. 2009. Vol.85, No.1, pp.95-111.

[15] Ravi P., and Pascale G. Q. How does brand innovativeness affect brand loyalty? *European Journal of Marketing*. 2016. Vol. 50, No. 1/2, pp. 2-28.

[16] Ruth M. S. and Nicolas A. Z. Two Sides of the Same Coin: How Do Different Dimensions of Product Program Innovativeness Affect Customer Loyalty? *Journal of Product Development & Management Association*. 2013. Vol.30, No.3, pp 516-532.

[17] Schumpeter, J. A. The theory of economic

development: An inquiry into profits, capital, credit, interest, and the business cycle. Cambridge, MA: Harvard University Press. 1934.

[18] Su Z.H. *Customer Relationship Management: The Establishment and Maintenance of Customer Relationship Management*. (3rd edn). Beijing: Tsinghua University Press. 2014.

[19] Wang T. Apple is recovering from a 35% drop in iPhone sales. *China & foreign management*. 2020.Vol.01, pp.97-99.

[20] Yu W. A study on the influence of product form on customers' purchase intention--a case study of Shan Xiang Hu pearl. *Modern trading industry*. 2019. Vol.40, No.12, pp.66-67.