Influence of Consumers’ Perceived Brand Innovativeness on Customer-Brand Identification and Brand Loyalty

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Abstract— In the current state of the business environment, an organisation considered innovativeness as one of the most valuable assets. The paradigm shift is to understand that innovation is viewed not only from the technological innovation but the innovative capability of the firm such as marketing, manufacturing process, or design innovativeness. This study focuses on consumer perceived brand innovativeness (CPBI) on brand identification and loyalty. Given rapid changes and the excess of new product availability, the influence on consumer loyalty might not be the same factors as found in the past studies. Therefore, the focus of this study is to examine the impact of predictors on loyalty behaviour. The current study develops a conceptual framework and reviews the literature on the role of brand innovativeness, brand identification and loyalty. Specifically, the focus is towards luxury cosmetic brands in Malaysia that were understudied. Hopefully, the study of brand innovativeness as an extrinsic information cue will assist marketers in understanding consumers better and enables an appropriate response to their needs.

Keywords— Brand Innovativeness, Consumer-Brand Identification, Brand Loyalty, halal cosmetic

1. Introduction

Business innovativeness is regarded as one of the most valuable assets of organizations where consumers seek variety breakthrough products that not only fulfilling ones need but also providing the sense of uniqueness [22]. Supported by study from [21] innovation can influence the growth of business in a very positive direction.

The increasing importance on the issues of innovations and innovativeness is directed towards how individuals and organizations generate and exploits information to maximize their capability and competitiveness. Moreover, innovativeness is a key determinant of the knowledge economies as it helps the firms to cope with the new challenges such as globalization, increased technological complexity and related effects on products. The paradigm shift in innovation is merely on technological innovation, but variety of ways to reflect innovative capability of the firm such as marketing or design innovativeness. In addition innovation is also influenced by changing demand and preferences of the stakeholders and the new approach in management and the managerial process [22]. Thus, how the external stakeholders are perceiving the firm of being innovative is define as “perceived innovativeness”.

The perception of innovativeness is also reflected the degree of relationship and contact with organization’s members and the perceiver’s overall approach to innovation, and the amount of information that the perceiver is knowledgeable and aware of [29]. This information is often used by brand managers as information cues as perceptual indicators to influence consumer behaviour. In addition, consumers use cues for information to assist decision making [16]. Previous research has investigated various information cues such as brand name, country of origin, advertising [4]. However, no prior research has investigated how brand innovativeness impact important consumer behaviour. Thus, this study focuses on consumer perceived of brand innovativeness (CPBI) on brand identification and loyalty.

Previous studies on brand innovation, firm innovation, product attractiveness and brand innovativeness has been focusing into technological based product such as car and mobile phone. However, as per the meaning of brand innovativeness is referring to the consumers’ perceptions about a brand’s tendency to engage in and support new idea, novelty, experimentation, and creative process [11]. Thus, the success of marketers’ approach in conditional on understanding how consumers perceived marketing efforts relevant to new product introductions. Brand innovativeness as an extrinsic information cue assists in understanding consumers better and enables an appropriate response to their needs.

For instance, in a study done by [24], consumers may be aware of their individual responsibility to protect the
environment, but it is not translated into action. Similarly, the statement consistent with previous studies [23] that the customers’ knowledge about the environmental issues can affect the customer actual purchase behaviour but the outcome shows no significant relationship between environmental knowledge and actual purchase behaviour. This problem is further added with the wider choice of alternative products. Therefore, consumer’s intention for loyalty may not rely on after purchase experience as suggested by previous study [19]. Given rapid changes and current development of product and brand innovation, the factors influencing consumer loyalty might not be the same anymore as founded in the past studies. Therefore, this study does not address the issue of loyalty, however the researcher is examining the impact of predictors on loyalty behaviour. This study fills these gaps. It develops a conceptual framework and reviews the literature on the role of brand innovativeness, brand identification and loyalty. The study specifically focuses on luxury cosmetic brands for which no previous research exists. Thus, the objective of the research is to examine the influence of CPBI on consumer-brand identification and brand loyalty towards luxury cosmetic brands; to examine the role of halal certification and packaging towards CPBI; and to examine the role of CBI as a mediator between CPBI and brand loyalty.

2. Literature Review

2.1 Consumer’s Perceived Brand Innovativeness

On top of researching on the perceived value of luxury sustainable cosmetic as one of the consumer’s perceived of brand innovativeness, another way of providing information cues to the users at the level of marketing strategy is reside in product packaging. This study adds in additional construct in relation to how different cues residing at different levels of marketing strategy would impact the consumer behaviour. Thus, besides how consumers perceived the value of brand innovativeness in influencing customer loyalty, product packaging is also an important information cues to explore the customer loyalty.

Product packaging plays a vital role as a communication medium at the point of purchase to ensure the brand stands out and is recognized. Since 75% of purchasing decision are made in store with 68% of consumers entering the store without any pre planned idea of what exactly they want to by [12]. In the context of sustainable luxury cosmetics, what would consider as critical is the information shared is insufficient or rather not clear to the customers. Most of the information regarding sustainability effort engaged by the organization were mostly delivered in a form that is not user friendly to the customers. Some information was published in annual report or websites that customers may over looked.

Thus, using product packaging and halal certification, brand managers can communicate brand personality through brand elements such as brand logo, colours, product packaging materials, and innovative practices signalling rich brands associations and brand values [11] and present packaging as a container of images and dreams to trigger inner emotions and make consumer realize that the brand understands their needs and desire.

Halal certification is one of requirement that must have among Muslim consumers when making consumption decision. Without even realizing, consumers are making selection from a varieties of consumer products and in reality, some of them are somewhat doubtful. In case of Muslim consumers in Malaysia, looking for authentic halal certification such as the one issued by JAKIM is considered a must to ensure the product’s use is permissible. The introduction of the halal certified logo by JAKIM has generated more awareness among Muslims as the purchase of manufactured products or engaging in services that follow Islamic guidelines and principles. Malaysia’s determination to set standards for halal products according to Islamic principles is anticipated as a new effort by JAKIM to bring the credibility of the halal logo to cosmetics as well. With that, the following hypotheses are proposed:

H1: Halal certified relates positively to consumer’s perceived brand innovativeness
H2: Product packaging relates positively to consumer’s perceived brand innovativeness

2.2 Consumer-Brand Identification and Brand innovativeness.

Perceived brand innovativeness by the customer is referring to the customer predisposition to buy new and different products and brands rather than remain with previous choices and consumption patterns [5]. Highly innovative customers develop a higher initial level of identification with the brand than non-innovative consumers due to the reason that this perceived brand innovativeness provides symbolic meanings to these customers. By matching the brand image of innovativeness with their own innovative self-concept consumer satisfy their self-congruity needs. This self-congruity of being innovative is also guided by self-concept motives such as the need for self-esteem and self-consistency [1]. With that notion, the hypothesis proposed is as follows:

H3: Consumers’ perceived of brand innovativeness relate positively to consumer-brand identification

2.3 Effects of brand innovativeness on brand loyalty.

Customer loyalty is defining as ‘a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand-set purchasing, despite situational influences and marketing efforts having the potential to cause consumer to change their choice [32] and customer reveal true loyalty when both attitudes and behaviour are favourable Brand managers are able to communicate brand personality through brand elements such as brand logo and packaging materials and innovative practices signalling rich brand associations and brand values [7]. Brand innovativeness with unique brand associations acts as a signal of quality and commitment
Helping customers to consider the brand at the point of purchase leading to a favourable behaviour for the brand [6]. Positive customer evaluation of brand innovations results in increasing customer loyalty. Thus, the hypothesis proposed is as follows:

H4: Consumers’ perceived of brand innovativeness relate positively to brand loyalty

2.4 Consumer-Brand Identification and Brand Loyalty.

The goal of most company is to have loyal consumers, since loyal consumers will be profitable for the company. The personal experience from customers that are satisfied with their perceived brand innovativeness is a source of information in the decision process [28]. Consequently, the positive effects of satisfaction and loyalty are reflected in the consumer’s intentions to repurchase a brand or product or service and their willingness to recommend it to other people [31]. Empirically, the consumers’ brand identification has positive impact to consumers’ brand loyalty. Since consumers feel and share a common image with their bran, they will promote their brand favourably, then to purchase more from current brand and recommend the current brand to other people more frequently. There was a clear relationship between consumers’ brand identification to consumers’ brand loyalties in the future of current brand. Thus, the hypothesis proposed is as follows:

H5: Consumer-Brand Identification relates positively to brand loyalty

2.5 Consumer-Brand Identification as a mediator

The current study suggests that that the beauty brand must be displayed in a manner that will not only tapping into consumers ‘memory but has a competitive advantage strategy which can connect the brand with the consumers’ self-value and personality. Thus, it is important for the current study to investigate consumers’ perceived brand innovativeness and tendency to become a bran loyal to a beauty product brands. There is still lack of studies on brand identification as a mediator for perceived brand innovation. Consequently, customer-brand identification should be projected across context and social setting of several important customer behaviours. The use of customer-brand identification could assist in exploring the effect of customer behavioural loyalty on company’s product brand level [18]. Thus, the hypothesis proposed is as follows:

H6: CBI mediates the relationship between CPBI and brand loyalty

3. Methodology

In this study, brand innovation based on consumer’s perception of luxury cosmetic brands are the determining factors. The impact of perceived brand innovativeness on consumer brand identification and loyalty, which is the outcome of the study is to be examined. In this study, predicting factors are considered important as they play a role in luxury sustainable consumption. Therefore, the set of relationship and hypotheses between constructs are examined. The research focuses on the side of the customers whom vital for creating loyalty for the cosmetics brand through the examination of the level of value consumers place on the issue of brand innovativeness that orientated the consumer action.

Statistical data for number of cosmetic outlets from selected brands of cosmetics are very limited and thus, the researcher initiated the effort to go through all the identified organizations’ websites to ascertain the estimated figures. In case of those without such online information, the researcher will personally visit main shopping mall located in Klang valley area to get the response from cosmetics users and purchasers. Outlets located in Klang valley (Kuala Lumpur and Selangor) were chosen due to the high density of these brands outlets in the area. Particularly most of the luxury brands are place in high end retail outlets. Some self-administered questionnaires are to be used in this study.

3.1 Results

In this study, Partial Least Squares (PLS) analysis technique using SmartPLS 3.0 software was used to analyze the research model [27]. As suggested [2], two-stage analytical procedures were conducted. The researcher tested the measurement model reliability of the measures, followed by an examination of the structural model [14], [25] and Bootstrapping method was also used to test the significant path coefficients and the loadings.

3.2 Measurement Model Evaluation

Two types of validity were engaged to evaluate the measurement model. The first known as the convergent validity followed by discriminant validity. In the case of convergent validity, it is a measurement model that is examining the loadings, average variance extracted (AVE) and the composite reliability [13]. As per past study [14], the loadings were all higher than 0.7, the composite reliabilities were all higher than 0.7 and the AVE were also higher than 0.5. The discriminant validity of the measures was tested [15] criterion of comparing the correlations between constructs and the square root of the AVE for the construct (Refer to Table 2). Based on Table 1, the square root of the AVEs as characterized by the bolded values on the diagonals were greater than the corresponding row and column values (correlation between constructs) representing the measures were discriminant.

| Table 1: Discriminant Validity of Measurement Model |
|---------------------------------|-----|-----|-----|-----|-----|
|                                 | BI  | BL  | CBI | HC  | Pkcg |
| Brand Innovativeness            | 0.876 |     |     |     |     |
| Brand Loyalty                   | -0.012 | 0.728 |     |     |     |
| CBI                             | 0.633 | 0.144 | 0.733 |     |     |
| Halal Cert                      | 0.555 | 0.089 | 0.602 | 0.802 |     |
| Packaging                       | 0.469 | 0.154 | 0.604 | 0.401 | 0.708 |

Note: Values on the diagonal (bolded) represent the square root of AVE while the off-diagonals represent the correlation.
### 3.3 Structural Model Evaluation

The structural model involved by calculating $R^2$, beta and the corresponding $t$-value and bootstrapping procedures with 5000 resamples was applied. The researchers also reported on the predictive relevance ($Q^2$) and effect sizes ($f^2$) [27]. Based on the test conducted, not all relationships were found significant. Relationship between Halal certified and packaging towards brand innovativeness were found significant with ($B=0.437$, $p<0.01$) and ($B=0.294$, $p<0.01$) respectively. Consumer’s perceived of brand innovativeness was also has a significant relationship with consumer-brand identification ($B=0.633$, $p<0.01$). The same goes to the relationship between CBI and brand loyalty that was proof to be significant ($B=0.252$, $p<0.01$).

Only the relationship between CPBI was not significant towards brand loyalty ($B=0.012$, $p>0.01$). However, these findings, shows that the relationship between CPBI was mediates by CBI. Further, based on analysis, it also shows that CBI play a role as a mediator, when the R2 value increased from 0.038 (or 3.8%) to 0.400 (or 40%), Therefore, the result for Hypothesis H6 is supported. The full result of the structural model analysis (hypothesis testing) is summarized in Table 4. Based on the findings, the $R^2$ value of 0.400 was higher than the 0.35 (substantial) value [9]. The study also measured effect sizes ($f^2$) as recommended [30] and proposed that the change in the $R^2$ value should also be studied [2].

The method suggested is to examine the $R^2$ change when a specified exogenous construct is absent from the model. The standard to measure the magnitude of the effect size is 0.02 (small), 0.15 (medium), and 0.35 (Large) [9]. Looking at the $f^2$ value in Table 3, it can be perceived that the relationship of both significant predictors was ranged from small to large. In addition, we also calculated the predictive relevance of the model by using the blindfolding procedure.

The blindfolding is a sample reuse technique that remove every $dth$ data point in the endogenous construct’s indicators and estimates the parameters with the remaining data points [8] and [7]. Furthermore, ref. [14] if the value of $Q^2$ is larger than 0 the model has predictive relevance for a certain endogenous construct and otherwise if the value is less than 0. From Table 2 we can see that all the $Q^2$ values are 0.270 and 0.186 which suggests that the model has sufficient predictive relevance.

### 3. DISCUSSION

The study finds that product packaging and halal certification on the package positively influence consumer’s perceived of brand innovativeness. These two factors indicated that consumers’ perception of innovativeness not only surrounded by the idea that a product has to be fancy by using an advanced technology but rather the manufacturer initiatives to ensure that effective and reliable information can serves as the extrinsic information cues. The main features in the beauty industry has been evolved around heavy promotion and research and development and new product introduction [10]. However, the result has suggested that consumers still perceived that such practiced to ensure the beauty product should have a genuine halal certification form the respective bodies with an attractive product packaging that showcase the innovative features of the beauty brands as being innovative. The analysis is important for several reasons. The result suggest that product packaging and halal certified brand can influence consumers’ perceptions of the brand of being innovative. The findings extent research previously done [16], which indicated that brand innovativeness has a significant on consumers’ perception of quality. The findings of the study also suggested that brand innovativeness could influence important relational aspects of buying behavior such as customer loyalty and WOM intentions. However, the current study extends the previous research findings by suggesting that consumer’s perceived brand innovativeness relationship with brand loyalty mediated by consumer-brand identification.

The current study introduces a consumer-brand identification as a mediator that mediates the relationship between perceived brand innovativeness with brand loyalty. Based on self-identity theory, it proposed that individual tend to choose activities that are important to their identities and support the institutions that reflect those identities [3]. Opposite from the findings of a study [26], recorded that brand identification is not significantly related to brand loyalty, the currents study reveals differently. The findings of this study strongly show that consumer-brand identification is significantly related to

#### Table 2: Result of the Structural Model Analysis (Hypotheses Testing)

<table>
<thead>
<tr>
<th>Relationship</th>
<th>std beta</th>
<th>std error</th>
<th>$t$ value</th>
<th>Decision</th>
<th>$R^2$</th>
<th>$f^2$</th>
<th>$Q^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halal Cert -&gt; Brand Innovativeness</td>
<td>0.437</td>
<td>0.048</td>
<td>9.095</td>
<td>Support</td>
<td>0.259</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging -&gt; Brand Innovativeness</td>
<td>0.294</td>
<td>0.043</td>
<td>6.808</td>
<td>Support</td>
<td>0.117</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Innovativeness -&gt; CBI</td>
<td>0.633</td>
<td>0.027</td>
<td>23.318</td>
<td>Support</td>
<td>0.381</td>
<td>0.667</td>
<td>0.27</td>
</tr>
<tr>
<td>Brand Innovativeness -&gt; Brand Loyalty</td>
<td>-0.012</td>
<td>0.087</td>
<td>0.167</td>
<td>Not Support</td>
<td>0.010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBI -&gt; Brand Loyalty</td>
<td>0.252</td>
<td>0.07</td>
<td>3.59</td>
<td>Support</td>
<td>0.400</td>
<td>0.040</td>
<td>0.186</td>
</tr>
</tbody>
</table>
consumer brand loyalty. In the context of luxury natural beauty product, consumers will express their support to the brands for being loyal when they believe and value the identity portrayed and carried by the brand of their choice. The consumer-brand identification could be viewed as a relationship between two human beings, through long term interaction between them, they have shared and communicate their image and personality with each other. This bond will continue in the future if they are fit with each other. Thus, the congruence between consumers and the brand is determined by the similarity of consumers’ self-image with the brand image, the consumers could be keep to loyal with the current brand, if they were easy to identify themselves with the brand. The research finding implied the importance of consumers’ brand identification framework in maintaining more loyal customers since loyal customers can pay premium. The consumers tend to be loyal with the brand if they are satisfied with the brand and they could identify with the brand.

**Implication and Future Research**

The findings have important implications for brand managers. The overall significance of product packaging and halal certification as part of brand innovativeness should advocate the brand managers to guide the consumers in making useful inferences by changing and manipulating different product packaging elements (such as shapes and symbols) and bringing innovative practices to the brand on a continuous basis. In addition, it is a strong encouragement for beauty products manufacturer to ensure that authentic halal certification to be place on the packaging to increase consumers’ trust and belonging to the brand that have invested in. Innovation in product design, merchandise, and manufacturing are particularly crucial for building brand equity [9]. The findings imply that investing in product features and engaging in innovative practices may strengthen the consumers’ identification to the brands of their choice. In addition, consumers’ examination of the product packaging and halal certification is the light of their self-identity that can help to reduce or eliminating the risk they might have in their mind about certain brands of beauty product. Being halal certified products can ensure that the beauty products are free from unsafe ingredients. It is suggested that the brand managers to develop an effective promotional strategy that focus on the brand innovativeness to reduce confusion and to promote a positive effective congruence between the consumers’ self-identities and to strengthen the brand loyalty. A potential limitation of this study is the respondents who are among the Muslims females, thus future research should include non-Muslims respondents and opposite gender as well. The study uses statistical significance testing for exploratory purposes rather than strictly probability testing due to the use of non-probability sampling. In addition, the use of convenience sampling may restrict the extent to which one can generalize the findings. The study applies single item measure that might appear to be too simplistic and future research may use a multi-items scale for improvement. The current study also uses only one product context which is beauty products, thus other product categories before application to other domains. However, despite the limitation, the current study highlights many potential future research projects. Future studies should consider respondents from different population and cross-cultural groups and perhaps to include a moderator such as consumer congruence.

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