

EXPLORING TYPES OF INNOVATION, CUSTOMER PERCEIVED VALUE, AND CUSTOMER SATISFACTION: A LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

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Abstract

Furniture enterprises can produce products in a new way to provide a better service to the customer. That means customers buy furniture and receive other aspects of the purchase, such as product attributes and related add-ons. In fact, the ultimate goal of the firms is to achieve customer satisfaction, and one way of obtaining this is to make a strong relationship with the customers. Therefore, the right strategy for any firm would be promoting the perceived value of customers via increasing the customer's ability to buy their desired products. To do this, managers must coordinate different types of innovations to combine new ideas, processes, and changes to deliver innovative products. This can then gradually bring about sustainable revenue streams for the firms. This paper aims to explore the relationship between innovation types by object, customer perceived value, and customer satisfaction.

Keywords: Innovation; Customer perceived value; Customer satisfaction; Furniture.

I. INTRODUCTION

The Interior and furniture reflect the lifestyle, value, and social status of an individual. Therefore, innovation can be a key factor for furniture enterprises to succeed in a highly competitive and complex environment to create efficiency and profitability. Furthermore, innovation facilitates firms to maintain competitive advantages and respond to market changes in which rough competition is reduced by reshaping consumer value.

In many industries, customer satisfaction has been given a lot of attention, and improving customer satisfaction is also one of the challenges that firms need to consider. This makes innovation and customer-oriented management a key factor in improving business performance. Thus, firms are always creating value in designing and promoting their new

products to potential customers. However, customers will also compare and evaluate the perceived value between firms' services and competitors when deciding to buy products that suit their desires (Jamroz & Lawonk, 2017). At this time, customer perceived value has been identified as one of the most important metrics for achieving a competitive advantage (Demirgüneş, 2015). Recently, studies have shown the relevance of the perceived value of customers in many different contexts. Also, the increase in these studies has led to heterogeneity in the perception of customer perceived value. Therefore, the growing importance of value research through the customer's eyes becomes apparent (Zauner et al., 2015).

Nowadays, furniture distribution is also related to conflict and temporary manufacturers, which bring about pricing competition. When the competition of pricing starts, there are always

lower prices from other competitors. However, even if enterprises create new prices in line with competitors' prices, their profit margin will be lower or negative. Firms must consider and choose the appropriate innovation objectives to survive in a volatile environment (Rosli & Sidek, 2013).

This study investigates the relationship between different types of innovation, customer perceived value, and customer satisfaction. This article will explore what types of innovation will bring satisfaction to customers and create competitive advantages for businesses by studying the published literature. From customer perception, managers, especially marketing managers of furniture business, will discover the relationship that affects innovation activities. They will take specific actions to change the product/service to attract their customers positively.

2. THEORETICAL BACKGROUND

2.1. TYPES OF INNOVATION

The latest definition of business innovation is outlined in the Oslo Manual 2018. The Oslo Manual 2018 identifies two major types of innovation: innovations change the firm's products (product innovation), and innovations change the firm's business processes (business process innovation). Also, when determining the specific objectives, top managers can decide to combine different types of innovation. For example, a unique innovation can combine product innovation and business process innovation (bundled innovations). Moreover, it is also assumed that a company may introduce more than one type of innovation to suit its effective needs.

PRODUCT INNOVATION

The furniture sector is a sector that brings a lot of emotions to consumers; before the changes in the economy, society, and global environment, it also requires the responsibility of the designer and the furniture company. There are two kinds of product innovations, including innovative furniture design and innovative furniture services.



Figure 1 A smart furniture illustrates three design attributes.

Besides the basic functions of the furniture itself, forming "Style" always brings satisfaction to customers. Nowadays, a new multifunctional product is created from the need to occupy space and the desired comfort in tiny houses or apartments. It also marks the improvement of the environmental efficiency of furniture firms (González-García et al., 2012). Likewise, the modularity of furniture will make it easy to combine in manufacturing to create good products at reasonable prices with complementary strengths between enterprises and suppliers in the value chain. Figure 1 illustrates the application of these three design attributes.

The final result that the department of design and design development creates is a tangible new product and an intangible service and interior design service. From there, furniture can meet customer requirements, and furniture is tailor-made to define the individual value of the right design (Junior et al., 2018). Nowadays, virtual reality and three-dimensional digital models help designers and customers decide to edit or develop the product virtually. This technology will help the furniture enterprises to provide impeccable services to customers with long-term satisfaction; it certainly makes firms rated for excellence in service (Edvardsson & Enquist, 2011).

BUSINESS PROCESS INNOVATION

Business process innovation develops and deploys ideas into effective new products and services (Garud et al., 2015). According to the

Oslo manual (2018), business process innovation may involve improvements to one or more aspects of a single business function or a combination of different business activities. However, in an innovation's competition, the lower innovation rate or "Upgrading" could result in lower value-added (Kaplinsky et al., 2008). Therefore, innovation could be a process, which can be referred to as one of upgrading.

To gain a competitive advantage for business success and development, it is required that firms need to invest in product research and development (R&D). In fact, the use of Information Technology to access data management and innovation needs has made the product development process effective to streamline the process (D'Avolio et al., 2018). For firms with limited marketing and other resources across channels, expanding distribution and sales through e-commerce with traditional sales channels will also bring efficiency to the service when quickly and effectively providing product information and attributes to customers. Firms using highly customizable software applications can link with the partner system to manage and share information with their partners and alliances. It allows the company to take orders or manage deliveries better (Yu et al., 2017).

Furniture enterprises have also been quick to use Augmented Reality (A.R.) and Virtual Reality (V.R.) solutions to create customer experiences more diversely, which leads to increased conversion rates from selection to purchasing of the customer. This gives customers a better idea of the actual product than the risks of buying furniture with regular sales websites (Swack, 2018).

BUNDLED INNOVATIONS

According to the Oslo manual, "A business process innovation can significantly improve the quality of a product, resulting in a joint business process and product innovation" (OECD/EUROSTAT, 2019). The introduction of new products can also help marketing activities to be more effective. Furniture enterprises also distribute new products with various services (Slotegraaf & Pauweks, 2008). Therefore, it requires innovators to coordinate and utilize different types of innovation to reach and bring their products to customers quickly

and attract product-loving customers and corporate brands (Roy, 2016). In addition, "Low emission energy can be a business process innovation and a product innovation." (OECD/EUROSTAT, 2019).

2.2. CUSTOMER PERCEIVED VALUE

Customer perceived value is a multidimensional structure with both perceived and emotional aspects rather than just perceptions of price and quality (El-Adly, 2018). In a chaotic business environment, furniture firms must have innovative furniture to make profits and grow sustainably. This innovation can make furniture created from a product innovation cost more than other competitors.

The quality of products is specific physical attributes that the customer can readily perceive; the value of wooden furniture is determined by its aesthetic appeal, functionality, and durability (Ali et al., 2015; Bennington, 2003). However, the quality of the service is quite complicated because the perceived quality of the service depends on many factors. The difference between expectations and experience will give customers a sense of the value of services that enterprises bring to them.

In particular, expectations are influenced by word of mouth, personal needs, past experiences, and advertising activities. Besides, a company with a good brand image can control the choice of consumers to buy products. Many studies also stated that brands influence consumer perceptions of product attributes and customers are also aware that a product's brand represents their personality (Malik et al., 2013).

Sometimes, the delightful values that the company brings will make them accept a cheap price product with the brand of an ordinary company (Vera, 2015). Today, customers' perceived value is influenced by feeling factors, ownership pride, and environmental aspects. Therefore, the logic of value is driven by ethical values, and consumers tend to buy environmentally sustainable products and bring them joy by "Lifestyle" (Edvardsson & Enquist, 2011; Ratnasingam & Ioras, 2003).

2.3. CUSTOMER SATISFACTION

Customer satisfaction can also bring new opportunities and competitive advantages to the furniture industry. However, there is different

customer satisfaction with furniture products and services suppliers in other countries or localities.

The economic policy that customers always want is a reasonable price (Roy, 2016); they are also interested in promotions with discounts that bring more buying power and need a reliable payment method. The cost following manufacturing quality, design, warranty, safety, and color are the most important furniture attributes (Kaputa et al., 2018). This is perfectly reasonable and suitable for the furniture industry. Thus, economic factors such as price, paying conditions, and discounts are the three main factors that significantly influence customer satisfaction.

Product specifications are also a group of factors that significantly affect customer satisfaction in the furniture industry. In particular, the quality of design details, durability, and updates of the furniture's design is always interested and paid more attention to the product by customers (Kizito, 2012).

Services are a group of factors that influence customer satisfaction, including before sales services (designing and decorating in virtual software before ordering, customized production, e-services) and after-sales services (delivery method, delivery speed). To survive the growing competition, furniture firms are already aware of the importance of customer satisfaction for after-sales services (Jeong et al., 2010).

Customers will be more comfortable and confident in using the product if they feel that the company provides good service with high reliability of the promised service delivery (Solvang, 2007). Therefore, credibility in the product lifecycle performance (from the start of the contract to buy furniture until not in use and recycle) is the main factor affecting customer satisfaction in the furniture industry.

The environmental attributes will create enjoyment and fun for the "Green" users with "eco-branded furniture products" (Kaputa et al., 2018). Raw materials, including Green material, modern material, and high-quality material, are important factors that influence customer satisfaction in the furniture industry.

The quality of service inside furniture stores can bring satisfaction to customers based on the

ability of the staff there to create a sense of responsiveness (customer service and quick delivery) and courtesy (courtesy of employees and the ability to convey their beliefs and confidence) (Solvang, 2007). Therefore, competence to be a group of factors that influence customer satisfaction in the furniture industry, including interaction methods, efficient knowledge for responsiveness, positive recommendation behavior, courtesy and respect, cleanliness, and decoration (Azizi et al., 2017).

3. DEVELOPING THE RESEARCH HYPOTHESES

3.1. PRODUCT INNOVATION AND CUSTOMER PERCEIVED VALUE

Product innovation will have the potential to both attract new customers and increase the value of existing customers. Through the ability to design and create new products and the subjective value of customers, customer perceived value will be implemented with customers' appreciation for the quality of functionality and aestheticism of furniture (Antal et al., 2017). The features of furniture product design correlated significantly with consumers' perceptions of value. Consumer demand for new wooden furniture and designs with functional and aesthetic proportions that meet customer expectations and always satisfy customers' needs. Maximum satisfaction will easily be achieved with the expectations of the customers (Antal et al., 2017; Lee, 2014). It implies that the customer perceived value may be related to product innovation. Thus, the first hypothesis can be suggested as follow:

H1: Product innovation has a positive relationship with customer perceived value.

3.2. BUSINESS PROCESS INNOVATION AND CUSTOMER PERCEIVED VALUE

Business process innovation also includes efforts to organize innovation activities. These efforts will bring value to customers and the company's performance (Garud et al., 2015). Process innovation also includes using external services to support business process development activities for market research, product development, and trade promotion activities (Alharthey, 2018). Customer value will be accumulated from firms investing in

information technology in business innovation activities. This will create customer perceived value for the primary purpose of long-term business performance and profitability. Besides, if innovation means creating new value for customers, an adaptive approach to the local market is needed, and innovation will achieve specific effects for each market (Pegan & De Luca, 2015). Thus, this relationship can be hypothesized as follow:

H2: Business process innovation has a positive relationship with customer perceived value.

3.3. BUNDLED INNOVATIONS AND CUSTOMER PERCEIVED VALUE

In markets in which customers are willing to pay a high price for innovation, there is always a need for investments in product innovation and brand development through innovation in marketing to bring customer value (Pegan & De Luca, 2015). Besides, to increase customers' awareness of their brand, furniture enterprises should also invest more in functional innovation to create different designs of products, to bring customers with new and other values from competitors in the market (Tamyez et al., 2014)..

From there, quality assessment methods of functional and aesthetic functions of furniture can be defined to evaluate the effectiveness of design and marketing orientation. It will form a technique for identifying and directing the design of the new products. Therefore, firms will create customer value in product innovation (Antal et al., 2017). Studies on combinations of several innovation types by object and their relationship to customer perceived value can help to hypothesize the relationship as follow:

H3: Bundled innovations have a positive relationship with customer perceived value.

3.4. PRODUCT INNOVATION AND CUSTOMER SATISFACTION

Innovation is one of the success factors, considered the fundamental factor in achieving customer satisfaction and satisfying customers' desires with products and services that bring value. This facilitates products to be innovated with changes in response to new features and consistent size, style for customers that causes their satisfaction (Reguia, 2014). The practical use of the design shape with ergonomic features creates customer satisfaction. The wooden

furniture products are designed and built with a proportion of functional and aesthetic functions dictated by the shape and fashion style that meet customers' expectations. It always makes customers' needs fully satisfied and easily achieves customers' expectations (Antal et al., 2017; Lee, 2014). Thus, a fourth hypothesis is proposed as:

H4: Product innovation has a positive relationship with customer satisfaction.

3.5. BUSINESS PROCESS INNOVATION AND CUSTOMER SATISFACTION

There is a connection between innovation (innovation from external environmental factors and business process innovation) and customer satisfaction in firms (Daragahi, 2017). The features of a valuable furniture product design that bring satisfaction to customers always require the participation of components and laterals in designing new product processes. Designers need the cooperation of production engineers or materials, marketing experts, architects, and others, sometimes including the involvement of customers (Junior et al., 2018).

Nowadays, the internet and other information technologies have enabled furniture sellers to understand customers' needs and desires better. Through adjusting production in production capacity supported by automation, furniture suppliers can create products that match those needs and desires (Dewan et al., 2003). The virtualization of products that are introduced to customers is one of the most important levers for furniture enterprises to bring customer satisfaction (Oh et al., 2008). Therefore, the relationship can be hypothesized as follow:

H5: Business process innovation has a positive relationship with customer satisfaction.

3.6. BUNDLED INNOVATIONS AND CUSTOMER SATISFACTION

With the combination of types of innovation, customers will quickly realize the value of receiving benefits. In addition, firms can perceive and respond to customer needs through marketing tools to collect and disseminate market information across the organization, develop products and services, and enhance customer satisfaction. Therefore, supporting innovation activities to the effectiveness of new

products also requires customers' satisfaction (Lau et al., 2010).

Consumer value dimensions for sustainable wood products and social responsibility are shaped by improving information content sustainability, raising awareness and environmental education, adding "green" as an attribute to wooden products with a sustainable nature. This will create consumer satisfaction, who tend to be sensitive to environmental factors (Holopainen, 2014). Based on the perspectives on using different types of innovation to bring customer satisfaction to beautiful, aesthetically pleasing, eco-friendly, and well-designed furniture. Thus, this relationship also can be hypothesized as follow:

H6: Bundled innovations have a positive relationship with customer satisfaction.

3.7. CUSTOMER PERCEIVED VALUE AND CUSTOMER SATISFACTION

Regarding the new design of the furniture, the customer's perceived value will be satisfied to the maximum by the customer when the function and aesthetics of the furniture achieve the interference or convergence of each other according to the customer's expectations (Antal et al., 2017). At the same time, the formation of customer expectations for the service and the appearance of customer satisfaction also positively affect the creation of customer value (Chen et al., 2015). Customers have high expectations and a happy feeling about buying products when they expect a higher quality-value-price relationship. When firms provide products that create increased interest and satisfaction for customers, customers will also buy products regardless of the brand's quality. At that time, satisfaction comes from the accumulated experience that customers get from a personal reference (Vera, 2015). Therefore, the perceived value is an important contributor to customer satisfaction. This implies that the customer's perceived value may have a relationship or an influence on customer satisfaction (Lin, 2003). The relationship is hypothesized as follow:

H7: Customer perceived value has a positive relationship with customer satisfaction.

4. DEVELOPING THE THEORETICAL MODEL

Nowadays, orientation for innovation is determined from the efficiency that firms want to achieve from market positioning, organizational efficiency, and financial performance results. Firms will choose the types of innovation and the investment rate for innovation activities from the innovation direction. However, not all stretched resources can create a competitive advantage. Enterprises with organizational capacity will have the power to implement innovation and the ability to create many types of innovation (Siguaw et al., 2006). Thus, innovation is clearly defined in terms of efficiency, but it requires a more straightforward definition of the objective of innovation.

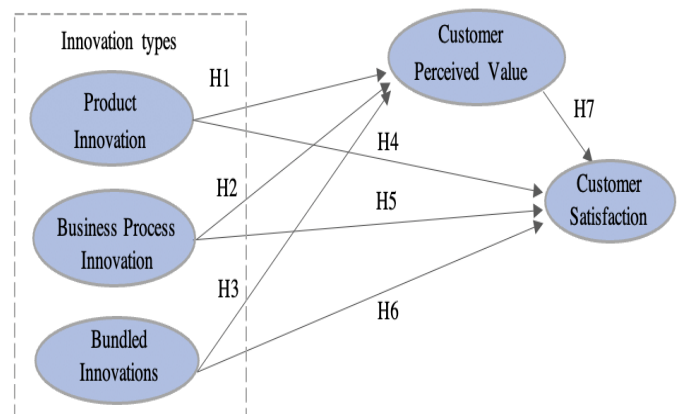


Figure 2 Research framework and hypotheses

Many studies also suggested that product innovation is the way or the entrance to lead to a presence in the domestic market. It is also the main driving force of the internationalization process of firms deploying business activities in the furniture sector (Pegan & De Luca, 2015). However, the development of innovation for the furniture sector is having difficulties and strong competition. Therefore, firms need to redesign strategies by innovative products in research and develop portfolios to create high added value. Thus, innovation objectives of furniture enterprises will be practical when innovation is applied appropriately (Trigkas et al., 2012).

The perceived value is considered the decisive factor in building customer satisfaction and creating value for customers that can bring satisfaction in a chaotic business environment by innovating services. It is something that enterprises can make with their efforts (Mahmoud et al., 2017). This study was

developed from the findings from the literature and the formulated hypotheses. This conceptual model theorizes that types of innovation to customer perceived value and enhancing customer satisfaction can be proposed. Figure 2 illustrates this proposed conceptual model.

5. CONCLUSION

In the age of digital information and technology development, customers have also become intelligent customers. Consumers approach products and firms that have become fast and borderless. Firms must continually increase customer satisfaction, which will lead to an increase in their competitiveness. Therefore, types of innovation are intended to bring new value to customers. In this study, a comprehensive literature review has been performed to gain more insight into the relationship between the types of innovation, customer perceived value, and customer satisfaction. Besides, it also was committed to building a construct model, which theorizes that types of innovation as a reason to customer perceived value and enhance customer satisfaction. Seven hypotheses were developed to test the relationship between latent variables in the research model. The results of the research model will strengthen the firm's belief that the management has customer-oriented and the effectiveness of business operations for the new change. Furthermore, the model can be used for further qualitative analysis and to test the hypotheses.

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