Impact of product innovation on consumer brand loyalty: A study based on the Sri Lankan Tea Industry

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Abstract

Understanding the consumer perceptions on brand innovation is crucial as these perceptions of consumers impact the brand loyalty of consumers. Therefore, the purpose of this study is to identify the impact of product innovation on consumer brand loyalty in the Sri Lankan tea industry. This study identified that product quality, product variety and product price are the most common factors that have an influence on brand innovation, which impacts the loyalty of consumers when purchasing tea products of different brands. An online survey online was conducted among 100 individuals who live in the city of Colombo, Sri Lanka using a structured questionnaire to gather data quantitively. The study revealed that product quality and product price have a strong positive correlation with consumer brand loyalty, while product variety did not.

Keywords: Product Innovation, Brand Loyalty, Tea Industry

1. Introduction
1.1 Background to the Study
Companies are using innovation in the modern business world in an effort to survive and prosper in the long term (Thongsri & Chang, 2019). In this sense, companies use innovation to gain an edge over rivals in the consumer market. Larsson (2017) claimed that product innovation refers to how much a product is viewed as innovative by consumers. Winarti et al. (2021) stated that innovation could be described as the successful creation and delivery of distinctive products of high quality at a reasonable price. As per Thongsri & Chang (2019) companies must maintain high levels of efficiency and quality control through innovation in order to acquire sustainable competitive advantage in the industry.

Understanding consumer perceptions of brand innovation is crucial because these perceptions have an impact on consumer brand loyalty (Shahidan, 2020). According to Mao (2010), consumer brand loyalty refers to the preference for a particular good or service. Fernandes & Moreira (2019) define customer brand loyalty as a strong desire to continuously buy a favourite good or service. A consumer's brand loyalty is often influenced by factors such as customer satisfaction, product trust, brand image, quality and brand trust (Tabish et al., 2017).

Brands must concentrate on continuous innovation to increase consumer brand loyalty, and to remain competitive in order to capture a larger market within the industry. According to Tabish et al. (2017), customer satisfaction, product trust, brand image, quality, and brand trust all have an impact on consumers' purchasing decisions and brand loyalty. Therefore, investigating the connection between product innovation and consumer brand loyalty is crucial. Additionally, according to Winarti et al. (2021), product innovation helps companies to maintain a competitive advantage by drawing customers in through brand loyalty. Thus, one of the main goals of strategic marketing is to increase brand loyalty among consumers in order to gain a competitive edge (Shahidan, 2020).

1.2 Industry Overview
According to Ranasinghe et al. (2017), Sri Lanka's tea industry is vital to the nation's economic growth, due to the fact that Sri Lanka's tea industry is a major contributor to the country's employment generation and export revenue. As per Thasfiha et al. (2020), Ceylon Tea, the name given to Sri Lankan tea, is well-known throughout the world and held in high esteem for its exceptional quality, fragrance, and flavour. According to Kasturiratne (2015), Sri Lanka is the third-largest producer of tea worldwide. According to the Tea Exporters Association (2022), the amount of tea produced in Sri Lanka in February 2022 was 18.16 million kg, a decrease of 4.36 million kg from February 2021's output of 22.52 million kg. This is due to the fact that

Sri Lanka's tea industry is hampered by a number of problems, such as declining tea cultivation, high production costs, and a lack of labour (Thasfiha et al., 2020).

1.3   Rationale

The purpose of this study is to examine product innovations in the Sri Lankan tea industry, which has recently embraced many innovative trends. As a result, according to Heany and Koidis (2018), there are many tea brands available today, including flavoured teas with flavours like lemon, peach, cinnamon, lavender, etc. Additionally, according to Sacthivel and Goonasekere (2020), there are tea products in Sri Lanka that are used for a variety of things, including teas that aid in weight loss like green tea, matcha, and black tea. Additionally, there are numerous herbal teas made from herbs, spices, infusions, and decoctions of herbal plant material, including chamomile, peppermint, and ginger tea (Ravikumar, 2014).

Nevertheless, according to Bhattacharjee (2015), each of these teas has particular health benefits, including those for digestion, cleansing, and weight loss. Due to the high levels of antioxidants, minerals, and vitamins in these teas, people can relax, recover, and feel refreshed mentally while also living a healthy lifestyle. Since there are many different tea brands available in Sri Lanka, conducting this study is important because brand loyalty is essential for retaining customers. Although, companies spend a lot of money on product innovation to keep and win over customers, uncertainty still exists regarding the contribution of innovative products to increased brand loyalty. Numerous studies on product innovation and consumer brand loyalty have been conducted, but none of them have specifically focused on the Sri Lanka's tea industry. Hence, it is crucial to look into how brand loyalty is affected by product innovation in the Sri Lankan tea industry.

1.4   Research Aim

The aim of this study is to examine the impact of product innovation on consumer brand loyalty in the Sri Lankan tea industry.
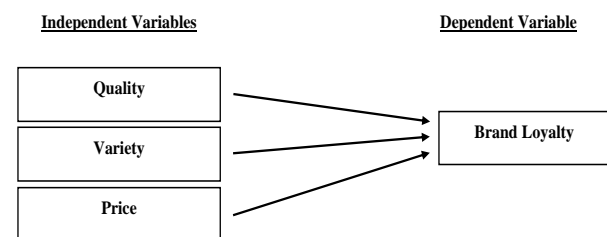
1.5   Scope of the Study

A survey was conducted from a sample of 100 people who consume tea and reside in the city of Colombo.

2. Research Methodology

This study used the quantitative mono research method.

2.1   Conceptual Framework

The conceptual framework of this study is given in Figure 1.

Figure 1. Conceptual Framework.

2.2   Research Hypothesis

The research hypotheses formulated based on the conceptual framework are given below.

H1: There is a relationship between innovation in quality and brand loyalty

H2: There is a relationship between innovation in variety and brand loyalty

H3: There is a relationship between innovation in pricing and brand loyalty

2.3   Operationalisation Table

The operationalisation table with the variables and the corresponding measures are given in Table 1.

Table 1. Operationalization Table

Variable	Measures
Quality	• Quality of innovative tea products • Competitiveness with other brands
Variety	• Variety of innovative tea products • Variety of innovative flavoured teas • Variety of innovative herbal teas • Variety of unique tea products
Price	• Variety of pricing options • Affordability • Good value for money
Brand loyalty	• Willingness to continue purchasing • Satisfaction • Recommendation

2.4 Population and Sampling

The Colombo city of Sri Lanka has a population of 2,480,000 individuals (Registrar General's Department, 2021). The sample size is 100 individuals. The study used the non-probability convenience sampling method by taking into account its convenience and inexpensiveness.

2.5 Data Collection

The data was collected using Google Forms using a Likert based structured questionnaire.

2.6 Data Analysis

The data was analysed using SPSS software using correlation and multiple linear regression analysis.

3. Findings and Discussion

3.1 Response Rate

In this study, 95 out of the 100 respondents who received the questionnaire responded to it. Therefore, the total response rate is 95%.

3.2 Demographic Details

Table 2 provides the summary of the demographic data of the respondents.

Table 2. Demographic Details

Age	
18-20	23%
21-30	54%
31-40	20%
More than 41	3%
Gender	
Male	53%
Female	47%
Employment status	
Student	6%
Employed	92%
Retired	2%
Monthly income	
Less than 30,000	14%
30,000-50,000	44%
50,000-80,000	13%
More than 80,000	29%

3.3 Cronbach's Alpha Test

Cronbach's alpha test was used to evaluate the reliability of the primary data collected. The results are presented in Table 3.

Table 3. Cronbach's alpha Test

Variable	Cronbach's alpha	Reliability
Quality	0.959	Very Good
Variety	0.826	Very Good
Price	0.748	Good
Brand loyalty	0.684	Good

As per the reliability test results shown in Table 3, it can be concluded that all the variables can be considered reliable, since they are above 0.6.

3.4   Correlation Analysis
The results of the correlation analysis are given in Table 4.

Table 4. Correlation Analysis

Independent Variable	Pearson Correlation Coefficient	Significance (5%)
Quality	0.597	0.000
Variety	-0.003	0.979
Price	0.852	0.000
Dependant variable – Brand Loyalty		

As shown in Table 4, at 5% significance level both quality and price have a strong positive correlation with brand loyalty. However, it can be concluded that variety does not have a correlation with brand loyalty.

3.5   Hypotheses Validation
Based on the correlation analysis, the hypotheses can be validated.

H1: There is a relationship between innovation in quality and brand loyalty

H1 is Accepted

According to Rahmawati and Sentana (2021) product quality has a positive impact on consumer brand loyalty. Also, product innovation has helped to improve product quality, which has benefitted organisations by increasing loyal customers due to brand loyalty (Guthrie, 2021).

H2: There is a relationship between innovation in variety and brand loyalty

H2 is Not Accepted

As per Yuen and Chan (2010), even though consumers could have various preferences they might not care about product variety when it comes to purchasing. Hence, even if there is no variety in products, consumers would still continue to be brand loyal. As for them, the quality and price of a product could be the main factors that would drive them to make a purchase decision (Sonntag, 2022).

H3: There is a relationship between innovation in pricing and brand loyalty

H3 is Accepted

According to Bucklin, Gupta and Siddarth (1998) and Albari and Safitri (2018) price has a significant impact on consumer choice and purchase frequency as the purchase decisions of consumers are influenced by price. Thus, price impacts on brand loyalty, as price influences a consumer's purchasing power which in return could make a consumer brand loyal (Decker, 2022).

3.6   Multiple Linear Regression
Based on the multiple linear regression analysis given in Table 5, at 5% significance level, quality and price have a significant relationship with brand loyalty. However, variety has no significant relationship with brand loyalty.

Table 5. Multiple linear regression analysis

Independent variable	Beta	Significance (5%)
Quality	-0.395	0.000
Variety	0.009	0.845
Price	0.852	0.000

3.7   Descriptive Analysis
The descriptive analysis results based on the responses to questions regarding tea consumption and innovation are summarised in Table 6.

Table 6. Tea consumption and innovation

How long have you been consuming tea?	
Less than a year	3%
1 to 5 years	1%
6 to 10 years	6%
More than 10 years	90%
How many times a day do you drink tea	
Once a day	13%
Twice a day	49%
3 times a day	14%
More than 3 times a day	24%
Do you find the tea industry innovative?	
Yes	83%
No	17%

As shown in Table 6, the majority of the respondents (90%) have been consuming tea for a very long period of time (more than 10 years). 49% of the respondents consume tea at

least twice a day. The vast majority (83%) of the respondents consider the Sri Lankan tea industry to be innovative.

Individual Preferences

The individual preferences of the respondents in relation to the factors examined in this study were gathered using a 1-5 Likert Scale, where 1 – Strongly Disagree and 5 – Strongly Agree.

Table 7. Individual Preferences

Quality	Mean
My favourite brand's quality of innovative tea products are excellent	4.05
My favourite brand's innovative tea products are of high quality	4.15
My favourite tea brand's innovativeness quality is on par with any other brand	4.87
Overall	4.37
Variety	**Mean**
My preferred brand offers me a wide variety of innovative tea products	3.58
My preferred brand offers me a wide variety of innovative flavoured teas	4.17
My preferred brand offers me a wide variety of innovative herbal teas	4.08
My preferred brand offers me a wide variety of unique tea products	4.07
Overall	3.97
Price	**Mean**
My preferred brand offers me a wide variety of pricing options	4.93
My preferred brand offers me affordable tea products	3.93
My preferred brand offers me good value for money	4.17
Overall	4.34
Brand loyalty	**Mean**
I plan to continue purchasing tea products from my preferred brand	4.62
I am satisfied with the purchases that I have made from my favourite brand	3.93
I can recommend my favourite brand of tea to my friends and family	4.33
Overall	4.29

Table 7 shows that the majority of the respondents agree with the statements given, since the mean values are close to 4 (Agree).

In terms of the quality, the overall mean value is 4.37, which implies that the respondents are satisfied with the quality of the innovative tea products.

In terms of variety, the overall mean is 3.97, which means that the respondents are satisfied with the variety of innovative tea products available in the market.

In terms of price, the overall mean is 4.34, which means the respondents are satisfied with the pricing as well.

In terms of brand loyalty, the overall mean is 4.29, which means the respondents are brand loyal.

4. Conclusion

In conclusion, when considering the responses from the survey, the findings of this study indicate that there is a significant relationship between price and quality of innovative tea products and consumer brand loyalty. However, this study found no correlation between the variety of innovative tea products and brand loyalty. This finding can be explained by the fact that the majority of Sri Lankans prefer black tea, and their brand loyalty is not impacted by the availability of other innovative tea product varieties, as long as the quality and price of black tea is to their satisfaction. Thus, companies need to ensure that the quality of black tea is of a high standard and affordable to the average consumer to ensure brand loyalty.

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