

The Effect of Product's Attribute Attractiveness on The Relationship Between Product Innovation and Customer's Purchasing Interest (A Study on Customers of Honda Matic Motorcycle in Indonesia)

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Abstract : The aim of this paper is to investigate empirical study of product innovation and identify the effect of product attractiveness and product positioning quality in customer's repeat intention on the firm based on the context of customer. This paper aims to develop and give solution of research gap problem on product innovation in customer purchasing interest. Hypothesis 1 is supported, which indicates that positive impact of product innovation on customer purchasing interest. Hypothesis 2 is supported, which indicates the impact of product innovation on product positioning quality. The results did not support hypothesis 3, which states that the impact of product's attractiveness on product positioning quality. The results indicate the positive impact of product attractiveness, on customer purchasing interest, thus, confirming hypothesis 4. Finally, hypothesis 5 is supported, which indicates that impact product positioning quality on customer purchasing interest.

Keyword : product innovation, product attractiveness, product positioning quality and repeat intention.

1. Introduction

The competitive advantage of a product is an important key to achieve business superior performance [1]. Key factor to achieve business competitive advantage, organization can be develop product innovations and create a value. A value which is created through innovation is then manivested into a new method in conducting a new process or product produced by the organization [2]. Gunday, Ulusoy [3] asserts innovations as one of the basic instruments as part of organization's strategy to achieve new markets, increase market share, and facilitate business competitive advantage.

Several researchers have explained that innovation, namely : innovations on design, product, service, process, and channel carried by the business (Siguaw, Simpson [4]. Stock, Six [5] claimed that "innovate or die" is the slogan adopted by many organization in the United States that organizations need to underline product innovation as an instrument to achieve competitive advantage, value life-time growth, and enhance the business performance. The organization efforts in acquiring

sustainable competitive advantage include product's attractiveness based on the customers' needs and desires [6].

According to Holak and Lehmann [7], the success of product innovation depends on how customers' acceptance on technology factor. Furthermore, Hung, Chen [8] assessed antecedent of luxury products towards purchasing interest with output that there is a positive influence of product innovation towards product repeat buying. Leerapong, Mardjo [9] explained the relationship between innovation and customer buying decision of product with unique and improving life style characteristics. The research found the product's innovation diffusion related with relative excellence, compatibility, complexity, and observability are factors that determine the customers' purchasing intention.

The aims of this study is to assess and develop a research model on the relation between product innovation and customers purchasing intention. Several previous researchers have elaborated the crucial relationship between product innovation and

customers' purchasing intention. This paper also investigate the empirical model of product innovation and identify the effect of product attractiveness and product positioning quality in customer's repeat intention on the firm based on the context of customer.

2. Theoretical Foundation And Hypothesis Development

2.1. The Relationship between Product

Innovation on Product Attractiveness

Neely and Hii [2] explain that product innovation refers to developing and introducing a new product to the market. Furthermore, Neely and Hii [2] have explained that product innovation is one of the crucial tools for the organization to create products which are based on market demand. According to Drucker [10] outlined that innovation is a process of completing something new, updating capability, and enhancing benefit.

Haryanto and Polluan [11] focused study on the effect of product innovation and forthcoming innovation towards customers' purchasing intention. Moreover, the study found that product innovation has a positive affects on innovation and customers' purchasing intention. Product innovation as the most crucial part in the customers' perception to determine their purchasing decision.

Lebbink [12] stated that innovation is the new technology utilization to replace the out of date technology. Furthermore, Lebbink [12] has explain that purchasing decision or innovative product adoption can be categorized into five groups of customers when a product is introduced to the market. The groups are *innovators*, *early adopters*, *early majority*, *late majority*, and *laggards*. Tung [13] defined product innovation is the introduction of a new product to the market by using different technology and own high benefit for customers than the current existing products.

Moon, Chadee [14] asserts that an innovative product, when compared to the existing products, provides differentiation to the customers' desires in conducting purchasing process. Moreover, Moon, Chadee [14] found that innovative product attributes are information considered by customers during the decision making process.

Based on literature review and previous studies, we propose :

H1 : Product innovation has a positively affects on product attractiveness

2.2. The Relationship between Product Innovation on Product Positioning Quality

Strecker [15] defined an innovation as a process which qualitatively has significant differences compared to the previous products or processes. Gunday, Ulusoy [3] explained that innovation is the basic instrumental of a growth strategy in entering new market, increasing market share, and completing the company to competition. This product positioning effectiveness is reached through value proportion creation of the product offered [16].

Furthermore, Fuchs and Diamantopoulos [17] explained that the finishing process of the new product development is the new product introduction which becomes the crucial point for the new product. To assure that the new product can be well accepted by the market, the product needs to be positioned effectively inside the customers' mind.

Zirger and Maidique [18] established a model of a new product development which becomes one of the indicators for the product innovation. In the study, Zirger and Maidique [18] argue that a new product provides value for customers and positively affects perceptions on new product developed.

This research output provides a basis that product characteristic and product value created by the company and superiority of a product positively affects perceptions on customers' value.

Bhoovaraghavan, Vasudevan [19] explained that customers define product as a collection of attributes used by customers in analyzing and evaluating the decision making. In addition, Bhoovaraghavan, Vasudevan [19] emphasized that by putting the basis on assumption logic of innovation by customers, then the customers' assessment towards product innovation enhance the success probabilities of their decision.

Rindova and Petkova [20] clarified that researchers on innovation area acknowledge the existence of improving potential of value creation from the innovative product with technology new and assume that the use and

value of product novelty is constructed socially. In addition, Rindova and Petkova [20] confirmed that the product positioning process can be determined through the prospective customers' perceptions on valued available in the product. Therefore, they build a model that technological changing level affects the new product and product innovation affects value perception.

Based on literature review and previous studies, we propose :

H2 : Product Innovation has a positively affects on Product Positioning Quality

2.3. The Relationship between Product Attractiveness on Product Positioning Quality and Customers' Purchasing Interest

Ledwith and O'Dwyer [21] asserts that product attractiveness as the important determinant for the success of a product performance. Product attractiveness viewed from the company's side is considered as the superiority value relatively retrieved towards competitors' products. However, from the customers' side which refers to their need, product attractiveness is the benefit received by customers from a product. Product attractiveness tends to go on the superior value creation for customers relative towards those offered by competitors [22].

Chen [23] asserted that most researches on product innovation tend to assess from the company's side or provider. Only few researches were done on product innovation from the perspectives of the customers. In addition, Chen [23] proposed a study on product innovation and product attractiveness from the customers' perspectives. On the other study, Holbrook [24] stated that a product will have excellences when it has close position with the *ideal point* from the targeted segment than the other available offers. Ideal point represents characteristics, attributes, and peculiarity of the product which is relevant to the market segmentation. Furthermore, ideal point indicates the position of maximum customers' value.

Based on literature review and previous studies, we propose :

H3 : Product Attractiveness has a positive affects on Product Positioning Quality

2.4. The Relationship between Product Attractiveness on Customers' Purchasing Intention

Fuller, Matzler [25] stated that a brand of a product which is geographically unbinded owns typicals as sharing awareness on product, has shared tradition or ritual on product, and owns moral responsibility feeling to the group. Product innovation needs to put concern on the group characteristics in producing a product. Furthermore, Fuller, Jawecki [26] elaborated the community role in innovation of resulted product is able to improve the product characteristics which reflect the community characteristics.

Oost, Verhaegh [27] confirmed the users' role in the innovation process has acquired improving attention from innovative studies, technology study, and media study. In addition, Oost, Verhaegh [27] found that the basis of innovation triggered by users community produces products with specific attributes which lead to the community.

Karjalainen and Snelders [28] explained that the introduction of a product can be established through explicite and implicite visuals. Explicite visual attaches to the established feature design in order to be directly perceived and known. Implicite reference is based on features that are not immediately distinguishable by customers. In addition, the characteristics of a new or innovative product are attributed to the customers' reference or certain group that will enable to enhance the product value and acknowledgement.

Based on literature review and previous studies, we propose :

H4 : Product attractiveness has a positive affects on customers' purchasing intention

2.5. The Relationship between Product Positioning Quality and Customers' Purchasing Intention

Positioning has been evolved from the market segmentation, target determinant (targeting), and market structure, which put more highlight on what is happening inside the prospective customers' mind (prospect) than on what to the product or service. In other words, positioning has shifted the marketing pressure from product to the imagery inside the customers' mind [29]. Furthermore, Kalafatis, Tsogas [29] defined positioning as an

intended, proactive, and repeated process in determining, modifying, and monitoring customers' perceptions from the marketable object.

powers, repositioning and redesigning the current company's products or introducing new products are required. Rogers [31] suggested that product excellence viewed from the concept of customers-based innovation diffusion, then, product excellence has relation with customers' purchasing interest.

Holak and Lehmann [7] studied purchasing interest and dimension of innovation from the aspect of customers based on the established framework. Moreover, Holak and Lehmann [7] explain the positive relationship between relative excellence from product towards customers' purchasing interest. Meanwhile, Chen [23] proposed that attractiveness from the shape of a product depends on customers' interior perceptions which affects the creation of customers' purchasing decision.

Xu [32] measured the product excellence perceived by customers into three

Kaul and Rao [30] urged that to defend and enhance the company's advantage which encounters external

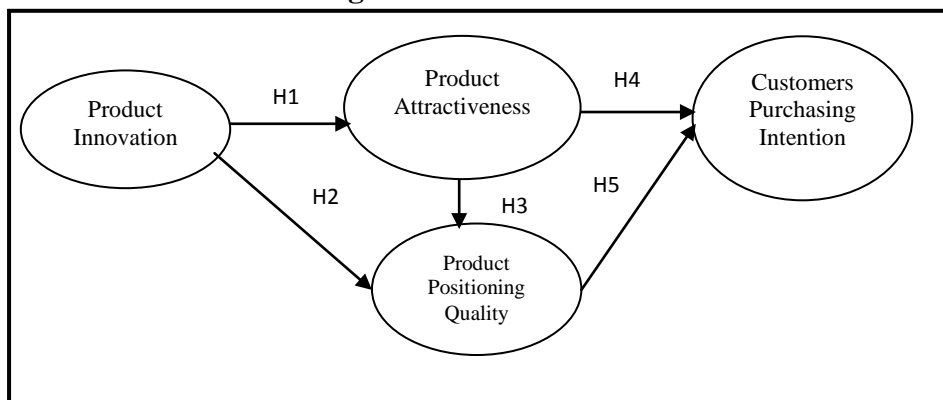
measurements, they are, meaningful creative product (*meaningfulness*), new creative product (*novelty*), and communicable creative product (*communicableness*). The three characteristics of those product excellences positively affect customers' purchasing interest. Besides, a study from Giese, Malkewitz [33] revealed that, theoretically and empirically, product attractiveness consistently plays a role as the marketing which brings effect on the customers' behavior intention.

Based on literature review and previous studies, we propose :

H5 : Product positioning quality on customers' purchasing interest

Based on literature review and previous studies have led to the following developed research model:

Figure 1. Research Framework Model



The research framework model explains the relation between product innovation and customers' purchasing intention. Several previous researchers have found that product innovation positively affects on customers' purchasing intention. Product attractiveness and product positioning quality become a bridge in improving customers' purchasing intention.

3. Research Method

3.1. Research Framework

This research is categorized as *basic research* or *fundamental research* which puts target on science development or certain science field with certain degree of "*contribution to the body of knowledge*".

The object of this study was customers who were the members of Honda Matic Motorcycle community in Central Java and Yogyakarta Provinces. Samples used in this research were 400 respondents from Honda matic motorcycle community members in Central Java and Yogyakarta Provinces.

The reason of why using the 400 respondent samples was the samples number

have met the maximum criteria for *maximum likelihood estimation* [34]. In addition, technique in collecting the samples employed non probability sampling which is *purposive sampling* (samples collection with certain criteria). Criteria employed in determining the samples were those above 18 years old of age in which they have met the criteria to acquire Driving License (SIM) which was also one of the requirements to become the community member. Next was the requirement of per month income which was more than or equaled to Rp. 2.000.000, - which characterized the customers' purchasing power.

3.2. Operational Definition and Variable Measurement

Operational definition and variable indicator in this research consisted of product innovation, product positioning quality, product attractiveness, and purchasing interest. Operational definition of each variable and their measurement can be explained further.

Product innovation is defined as new categories of a product which is shown by the new product introduction that significantly improves with the characteristics or usages [35]. Product innovation indicator consists of appearance peculiarity, product update, product specification improvement.

Product positioning quality is defined as how far a product is considered to place in the different position, favorable and credible in the targeted customers' mind [36]. Product positioning quality indicator consists of product peculiarity, appearance uniqueness, and positive impression of the product.

Product attractiveness excellence is the additional value given by the difficult-to-imitate product, rare, valuable, and irreplaceable which distinguishes it with the competitor's products [37]. Product attractiveness excellence indicator consists of product benefit excellence, feature excellence, and quality excellence.

Purchasing interest is defined as customers' subjective tendency in buying a

product or taking actions which is related to the purchase measured with the customers' probability level to buy [38]. Purchasing interest indicator consists of product information searching, readiness to wait for the product, immediate desire to buy.

All variables in this research were measured with interval scale, a data measurement that can produce data that have score range with meaning, which enables to carry out parametric statistical test [39]. The scale applied was *Agree-Disagree Scale* answers in different score range. Agreement level on each statement for each indicator started from scale 1 (very disagree) to scale 10 (very agree).

4. Data Analysis and Measurement Models

Hypothesis assessment in this research model, the researcher employed SEM approach. Causality relation in this research was tested with covariance structural model application. The hypothesis model employed SEM analysis approach, explained two constructs, observable/manifest variable; and latent/non-observable variables. Observable variables explained indicator established from a construct of theory development.

The data processing applied SEM with AMOS program. The focal point in analyzing path model is the extent to which the hypothesized model fits, or, in other words, adequately describes the sample data. In evaluating the fit of the model, several goodness-of-fit indices were used normed fit index (NFI); comparative fit index (CFI); Tucker-Lewis index (TLI); root mean square error of approximation (RMSEA) in addition to the X^2 statistic.

The research concluded that indicators can explain for measuring construct.

Table 1. Scale Item for Measures

Reflective scale names and items (measured on 10-point scale indicating the extent to which respondent agrees with following statements)	Standardized factor loading
Product Innovation	
• The product appearance of Honda matic motorcycle is completely different to others.	0.71
• In my opinion, there are always new additional features on Honda matic motorcycle.	0.87
• I feel that the engine specifications and chassis of Honda matic motorcycle are always improved.	0.59
Product positioning quality	
• I can remember clearly on the peculiarity of Honda matic motorcycle product compared to the other matic motors.	0.79
• I can clearly acknowledge the uniqueness appearance of Honda matic motorcycle product.	0.70
• I can perceive the positive impressions of the Honda matic motorcycle product.	0.75
Product Attractiveness	
• I feel that the additional function of Honda matic motor product facilitates me to be in my community.	0.68
• I feel that product design of Honda matic motor is able to bring me more confidence to be in my community.	0.73
• I feel that the aesthetic appearance of Honda motor matic product reflects peculiarity embraced by my community.	0.65
Customers' Purchasing Interest	
• Several times lately, I keep searching information on Honda matic motor product.	0.80
• Once Honda matic motor product at store runs out, I will keep waiting for the new one to come.	0.76
• I feel to have Honda matic motor product immediately.	0.70

Table 1 has provided explanations about indicators for each construct which was developed in this research and factor loading

value in each indicator which showed above 0.5 score [40].

5. Results

In testing the empirical research and the difference hypotheses against the structure model, we used covariance-based path estimation, namely structural equation modeling based on the Maximum Likelihood Estimation. The overall fit measures showed a good fit of the model; $\chi^2 = 1.094$ ($p=0.302$), GFI=0.967, AGFI=0.947, CFI=0.995, TLI=0.994, RMSEA=0.019. Correlation among the observed variables was illustrated in Table 2. With data ranged from 1 for lowest performance to 10 for greatest performance. The all construct also showed moderate level with average rate ranged at 7.

Reliability test adopted quality criteria, which is composed of Construct Reliability (CR) and Cronbach Alpha (CA). The CR measurement showed that all variables had coefficient greater than 0.7. This result implies that all variables' reliability was accepted. The measure of average variance extracted (AVE) showed that all variables had greater number than 0.5. Figure 2 and Table 2 showed that the path analysis, which indicates that there is no significant relationship between product innovation and purchase intention, due to the path-coefficient and probability. T-table with samples greater than 100 showed that t-statistics for two tails should be 1.96 for alpha 5%.

Table 2. Descriptive Statistic and Correlations

	KPP3	KPP2	KPP1	MBK3	MBK2	MBK1	DP3	DP2	DP1	IP3	IP2	IP1
KPP3	1.000											
KPP2	.504	1.000										
KPP1	.599	.563	1.000									
MBK3	.273	.219	.253	1.000								
MBK2	.247	.288	.219	.531	1.000							
MBK1	.267	.297	.236	.556	.604	1.000						
DP3	.171	.140	.099	.202	.299	.255	1.000					
DP2	.247	.186	.253	.260	.292	.310	.461	1.000				
DP1	.130	.121	.079	.239	.294	.306	.489	.479	1.000			
IP3	.143	.150	.125	.228	.217	.253	.203	.281	.227	1.000		
IP2	.325	.249	.274	.238	.270	.326	.158	.360	.203	.508	1.000	
IP1	.258	.132	.168	.207	.144	.233	.149	.273	.177	.426	.620	1.000

**Correlation is significant at the $p < 0.01$ level (2-tailed).

The empirically model illustrated in Figure 2 has five hypothesized relationships among the variables, namely product innovation, product attractiveness, product positioning quality, and repurchase intention. Figure 2 showed the path diagram resulted from the structural equation model analysis using AMOS software. The results showed that all the measurements had significant loadings to their corresponding second-order construct.

Hypothesis 1 is supported, which indicates that positive impact of product innovation on repurchase intention. The standardized coefficient was 0.351, which was statistically significant at $P < 0.05$ ($CR = 5.296$). The implementation will be the positive impact of product innovation on product attractiveness.

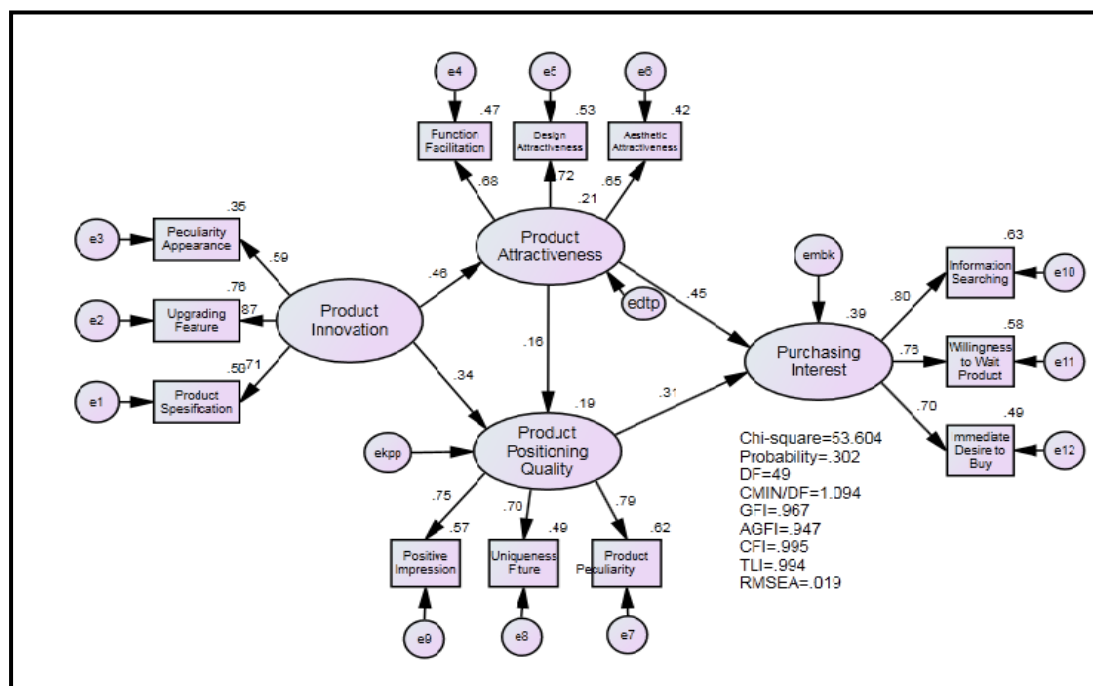
Hypothesis 2 is supported, which indicates the impact of product innovation on product positioning quality. The standardized coefficient was 0.351, which was statistically significant at $P < 0.05$ ($CR = 3.792$). The implementation will be the positive impact of product innovation on product positioning quality.

The results did not support hypothesis 3, which states that impact of product attractiveness on product positioning quality. The standardized coefficient was 0.082 which was statistically significant at $P > 0.05$ ($CR = 1.740$). The statistical insignificance of hypothesis 3 confirms the relationship between product attractiveness on product positioning quality.

The results indicate the positive impact of product attractiveness, on repurchasing intention, thus confirming Hypothesis 4. The standardized coefficient was 0.608 which was statistically significant at $P < 0.05$ ($CR = 5.214$). For the implementation purpose will be the positive impact of product attractiveness on purchase intention.

Finally, hypothesis 5 is supported, which indicates that impact product positioning quality on purchase intention. The standardized coefficient was 0.314, which was statistically significant at $P < 0.05$ ($CR = 4.061$). The implementation will be the positive impact of product positioning quality on purchasing intention. Table 3 showed all the 5 hypotheses condensed.

Figure 2. The Product Innovation Construct Formed for the Customers' Repurchasing Intention Context



However, note that the relationship between relational capabilities and business

performance is significant regardless of the business performance context.

Table 3. Summary of Results from the SEM Models

Relationship	Path Coeff.	CR	Prob.	Hypotheses
Product Innovation → Product Attractiveness	0.351	5.296	0.000	Supported
Product Innovation → Product Positioning Quality	0.351	3.792	0.000	Supported
Product Attractiveness → Product Positioning Quality	0.214	1.740	0.082	Not Supported
Product Attractiveness → Purchasing Interest	0.608	5.214	0.000	Supported
Product Positioning Quality → Purchasing Interest	0.314	4.061	0.000	Supported

**P < 0.01; *P < 0.05

Table 3 illustrated that product innovation has a direct effect on repurchasing intention ($\beta=0.351$, CR= 5.296, $p<0.05$) and that support H1. Product innovation directly affected with product positioning quality ($\beta=0.351$, CR= 3.792, $p<0.05$) and that support H2. Product attractiveness did not affect product positioning quality ($\beta=0.214$, CR= 1.740, $p>0.05$) and that do not support H3. Product attractiveness had an effect to repurchasing intention ($\beta=0.608$, CR= 5.214, $p<0.05$) and that support H4. Furthermore, we can deduce that product positioning quality has a partial mediating effect on the relation

between product innovation and repurchase intention, and that support H5.

6. Discussions and Implications

6.1. Theoretical and Practical Implications

These research findings indicate the positive effects of the product innovation on product attractiveness. The findings give strong support to argumentations stated by Fuller, Matzler [25] that product innovation can improve attractiveness and trust on the resulted product, for the innovation improves the product characteristics which represent the community characteristics. This research has

also strengthen a research from Oost, Verhaegh [27] and Karjalainen and Snelders [28] who stated that product innovation can produce products with specific attributes which aim to the users community.

Product innovation also positively affects product positioning quality. This finding strengthens the argument and model established by Zirger and Maidique [18], Bhoovaraghavan, Vasudevan [19], and Rindova and Petkova [20] that product innovation provides value for customers and gives positive effect on their perceptions about the product that eventually it has strong position in the customers' mind. In addition, this research has also given strong support for a study done by Noseworthy and Trudel [41] who underlined that product innovation with new function or aesthetic attractiveness improvement and hedonic additions gives positive effect towards product positioning quality inside the customers' mind.

That differentiates this research with the previous findings in that this research explains product attractiveness gives insignificant effect towards the product positioning quality. The finding is completely different with previous studies conducted by Eckman and Wagner [42], Sashi and Stern [43], and Huber, Hermann [44] about the role of product characteristics as reflected in the product attributes which cause clear acknowledgement and differentiation between the company's product with those competitors that facilitate the customers in the decision to buy. Furthermore, this research also does not give strong support on a research done by Pan, Kuo [45] that differentiation strategy which emphasizes towards the product's attributes improvement gives positive effect onto the company's reputation and customers' purchasing interest.

A conceptual framework developed by Eckman and Wagner [42] has given basic explanations on the relation between product attractiveness excellence and customers' purchasing interest, in which product attractiveness interest includes design and visual appearance that are considered as excellences that will effect the customers in evaluating product. The evaluation will affect the customers' interest to buy. This finding figures out that product attractiveness gives positive and significant effect on the customers' purchasing interest. It means that

the higher excellence of a product attractiveness which covers difference on benefit value, uniqueness on feature appearance, and quality that beyond the competitors' product according to their assumptions, customers' purchasing interest to buy the product will increase.

This research gives strong support for researches done by Rogers [31], Holak and Lehmann [7], Xu [32] and Chen [23] who found the positive effect from product attractiveness, in either attractiveness in functional form, symbolic attractiveness, and inherent intrinsic attractiveness, as parts of the product attractiveness excellence that affect the customers' behavior and decision in purchasing the product. In addition, this research has also confirmed the research from Giese, Malkewitz [33] who found that, empirically, product attractiveness plays as a marketing stimuli which affects the customers' behavior intention.

This research has also revealed the positive role of product positioning quality towards customers purchasing interest. It supports a research finding from Tung [13] and Moon, Chadee [14] in which product positioning quality as reflected in the product differentiation and product attributes addition become an important information for customers in carrying purchasing process. Finally, this research also supports a study from Hung, Chen [8] who found that product innovation which includes functional, experiential, and symbolic values give effect on the customers' purchasing interest.

6.2.Limitations and Future Research

Findings in this research indicate the important role of product attractiveness and product positioning quality in bridging the research gap between product innovation and customers' purchasing interest. This study focuses on the customers' perceptions towards researched variables which cover product innovation, product positioning quality, product attractiveness, and customers' purchasing interest. Limitations of this research are related to the amount of samples used which is only 263 respondents. From the multivariate analysis view, the samples have actually met the minimum samples requirement, however, on research about customers' perceptions, bigger amount of samples are required.

Limitations of this research indicate that nearly all the variables have relatively low *squared multiple correlation* score that, consequently, the upcoming research agenda need to add more required variables to produce higher *squared multiple correlation*. Some of the determinant variables that can be added are promotion and advertising.

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