

## THE EFFECT OF INNOVATION AND ADVERTISING TO CUSTOMER LOYALTY AT CINEMAXX STUDIO IN MANADO

### *PENGARUH INOVASI DAN IKLAN TERHADAP KESETIANN PELANGGAN STUDIO CINEMAXX DI KOTA MANADO*

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#### **ABSTRACT**

*Today, the competition in the business is getting tougher, the success of a company in achieving optimal synergy of performance is determined by how company was able to create a product or service that always follow trends in the market. The study aims to find out the effect of innovation and advertising to customer loyalty at Cinemaxx Studio, Manado. 100 of Cinemaxx Studio, Manado customers were surveyed as respondents. Research show that variable innovation and advertising have significant positive effect on customer loyalty simultaneously, also advertising has significant and positive effect on customer loyalty partially, and variable innovation become strongest and dominant that impact to customer loyalty in this research, and advertising also have significant and positive impact to customer loyalty. As the recommendation, the company must still make innovation with their product and their must focus on the advertising to promoting their product to customers.*

*Keywords: Innovation, Advertising And Customer Loyalty*

#### **ABSTRAK**

Pada era globalisasi saat ini, persaingan dalam bisnis semakin ketat, keberhasilan sebuah perusahaan dalam mencapai sinergi kinerja yang optimal ditentukan oleh bagaimana perusahaan mampu menciptakan produk atau layanan yang selalu mengikuti tren di pasar. Tujuan dari penelitian ini adalah untuk mengetahui pengaruh inovasi dan iklan terhadap loyalitas pelanggan di Cinemaxx studio Manado. Penelitian ini merupakan penelitian kausal dan menggunakan pendekatan kuantitatif. 100 pelanggan dari Cinemaxx studio di Manado menjadi responden dalam penelitian ini. Hasil penelitian menunjukkan bahwa variable inovasi dan iklan berpengaruh positif dan signifikan terhadap loyalitas pelanggan secara bersamaan, juga iklan berpengaruh signifikan dan positif terhadap loyalitas pelanggan sebagian, dan inovasi menjadi variable terkuat dan dominan untuk loyalitas pelanggan dalam penelitian ini, dan iklan juga memiliki signifikan dan dampak positif terhadap loyalitas pelanggan. Iklan menjadi variable terkuat kedua yang memiliki dampak terhadap loyalitas pelanggan. Sebagai rekomendasi, perusahaan masih harus melakukan inovasi dengan produk mereka dan mereka harus fokus pada iklan untuk mempromosikan produk mereka kepada pelanggan.

Kata Kunci: Inovasi, Iklan Dan Loyalitas Pelanggan

## **1. INTRODUCTION**

### **1.1. Research Background**

On this globalization era, the competition in the business is getting tougher, the success of a company in achieving optimal synergy of performance is determined by how company was able to create a product or service that always follow trends in the market and is even able to be a pioneer in competition to create a new product. Similarly, entertainment business in Indonesia is currently evolving. A various of entertainments are considered as the basic needs of urban communities. By considering a bustle of urban society in all of its activities will have consequences reducing improper work life balance. Which means, people in several cities in Indonesia have served with various work fatigue and exhaustive activities. The need of physical and mental refreshment is considered important. Showing by those facts, the emergence of theatre or cinema as a solution of congesity is inevitable.

In Manado the operators of cinema business not only one but already three operator, they are: Cinemaxx studio, Cinema XXI, Cinema 21. Its means they have a competition to get customers. The creation of customer satisfaction can provide several benefits including the relationship between the company and its customers to be harmonious, provide a good basis for the purchase and re-creation of customer loyalty, and create some word of mouth recommendation of that given advantage for the company. To communicate the innovation operator need to understand that advertising has a key role on it. The researcher want to make this research because in order to make advertising and innovation a company or organization must spend a lot of cost, that's why the researcher want to find out how effective this two variable influence the customer loyalty of the product. And the cost that a company or organization spend it's not becoming some unless cost.

### **1.2. Research Objective**

This research has several objectives are to analyze the influence of:

1. To evaluate the effect of innovation and advertising to customers loyalty at the Cinemaxx studio in Manado simultaneously.
2. To evaluate the effect of innovation to customers loyalty at the Cinemaxx studio in Manado partially.
3. To evaluate the effect of advertising to customers loyalty at the Cinemaxx studio in Manado partially.

## **2. THEORETICAL REVIEW**

### **2.1. Marketing**

Marketing is one of the important things that underlie company's survival, where good marketing can do the development of the company to obtain the maximum profit for enterprises. According to Kotler and Keller (2009:45) "Marketing is about identifying and meting human and social need. Marketing has been defined as an organizational function and set of processes for creating, communicating, and delivering value to customer and for managing customer relationship in ways benefits the organization and its stakeholders". It is means the marketing is important for the process of business.

## **2.2. Marketing Communication**

Marketing communication is a critical component of any marketing activities. Effective marketing communication will ensure that the right messages are conveyed to the right audiences through the right channels. Marketing communication is a fundamental and complex part of a company's marketing efforts. Loosely defined, marketing communication can be described as all the messages and media you deploy to communicate with the market.

## **2.3. Consumer Behavior**

Consumer behavior is one thing that is very important to be known by any company or organization. Because by knowing the consumer behavior the company will be able to know the process in creating marketing programs, advertising planning and promotional planning so that things that happen in the future can be predicted. According to Schiffman and Kanuk (2004:8) consumer behavior is the behavior shown in the search consumer will purchase, use, evaluation and replacement products and services that are expected to satisfy their needs.

## **2.4. Advertising**

Advertising is a very important part in the marketing, because with advertising we can promote or introduce our product to customers. According to Tom Duncan (2008:9), Advertising is non-personal, paid announcements by an identified sponsor. It is used to reach large audiences, create brand awareness, help differentiate a brand from its competitors, and build on image of the brand. In the advertising there are several media to promote the product they are: print media, broadcast media and out of home media.

## **2.5. Innovation**

Innovation is about finding a better way of doing something, innovation can be viewed as the application of better solution that meet new requirement, in articulated need, or existing market needs. This is accomplished through more effective product, process, services, technology, or ideas that are readily available to markets, governments and society. The term innovation can be defined as something original and as a consequence, new, that "break into" the market or society. A definition consistent with these aspect would be the following: "An innovation is something original, new and important in whatever field that breaks in to a market or society".

## **2.6. Customer Loyalty**

Customer loyalty is very important for companies that maintain business continuity and continuity of their business activities. Loyal customers are those who are very satisfied with the products and specific services, so as to have the enthusiasm to introduce it to anyone they know, and when the customer has been loyal to the company's products that the customer is going to make repeat purchases in these products. According to Lovelock and Wirtz, (2004) said that customer who has high attitudinal loyalty, don't look for alternative product. It's clear enough that customer loyalty have a big effect in establishing company.

## **2.7. Previous Research**

Kai Chieh Hu and Mei Chieh Huang (2011) in their journal about Service quality, innovation, corporate image, customer satisfaction, and customer loyalty. the result show that customer satisfaction has statistical on loyalty, and service quality, innovation capability, and corporate image have a positive effect on customer satisfaction respectively. Based on Dr. Mohammad Hossein Moshref Javadi, Dr. Sayyed Mohsen Allamed, and

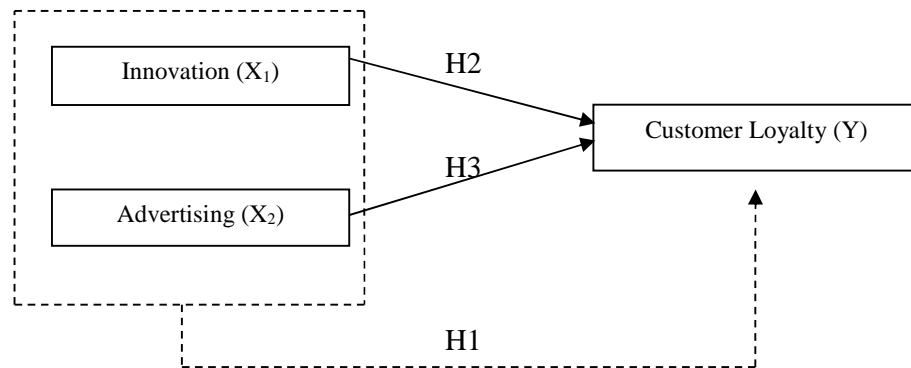
Amir Poursaaedi (2014) about analyzing the impact of brand equity and advertising on customer loyalty in Isfahan City, The result showed that brand equity of SNOWA Company has an impact on its customer loyalty. Also, all dimension of Keller’s brand equity model which were salience, performance, image, judgment, feeling and resonance have had significant and positive impact on its customer loyalty. Munir Hussain. AmnaMunir. Mughees Siddiqui (2012) about Impact of innovation in FMCG product on customer loyalty and satisfaction: a case study of Confectionary Producer “English Biscuit Manufactures” in Pakistan, The aims and objective of this of this research are to determine the impact of innovation on customer satisfaction, customer loyalty, new features of product, customer retention the factors affecting the innovation, and comparison of existing old and new product in terms of innovation.

**2.8. Research Hypothesis**

The hypothesis of this research:

- H0: there is no significant influence between the innovation and advertising to customer loyalty at the Cinemaxx studio in Manado simultaneously.
- H1: There is a significant influence between the innovation and advertising to customer loyalty at the Cinemaxx Studio in Manado simultaneously.
- H2: There is a significant influence between innovation and customer loyalty at the Cinemaxx Studio in Manado partially.
- H3: There is a significant influence between advertising and customer loyalty at the Cinemaxx Studio in Manado partially.

**2.9. Conceptual Framework**



**Figure 3.1 The Conceptual Framework Model of This Research.**

*Source: Data Processed, 2015*

**3. RESEARCH METHOD**

**3.1. Type of Research**

This research will be conducted to analyze the effect of innovation and advertising to customer loyalty at Cinemaxx studio in Manado. The customer loyalty as the dependent variable (Y) and the variables that affect customer loyalty, which is innovation and advertising into an independent variable or variables (X). This research is causal type. Causal since the purpose is to determine if one or more variables cause another variable to occur or change. This research is a quantitative method since using questionnaire as a tool to gather data and analysis.

### 3.2. Place and Time of Research

This research is conducted in Manado from May until July 2015.

### 3.3. Population and Sample

The population is the entire group of people, events or things of interest that the researcher wishes to investigate. (Sekaran and Bougie 2009). The population in this research is peoples that leave in Manado or the customers of cinemaxx studio at Manado who have experience buying this cinemaxx studio product more the 2 times. And the sample of this research is 100 respondents, that a customers of Cinemaxx Studio Manado. The random sampling was applied in this research regarding to obtain information quickly and efficiently.

### 3.4. Data Collection Method

Primary data is data collected first-hand for subsequent analysis to find solutions to the problem research (Sekaran and Bougie 2009). The researcher gets primary data from the result of questioners. Questioners are distributed to respondents so they can respond directly on the questioners. Secondary data in this research is gathered from some related books, journals, internet, and literature from library. Secondary data use to support the research in order to develop the fundamental analysis and adding information regarding to the research.

### 3.5. Operational Definition and Measurement of Research Variables

Independent variable is a variable which are manipulated or controlled or changed and influencing to dependent variable. In this research the independent variables are innovation (X1) and advetising (X2). Dependent variable is a variable which effected of independent variable. The dependent variable in this research is customer loyalty (Y).

### 3.6. Data Analysis Method

#### 3.6.1. Validity and Reliability Test

The questionnaire design is conducted to perform validity and reliability test and to prove the truth of hypothesis and to know the relation rate between variable Y and variable X. from the result of research's analysis conducted that questionnaire design with Pearson correlation coefficient more than 0.3 indicates valid and alpha coefficient more than 0.6000, so questionnaire design indicates reliable.

#### 3.6.2. Multiple Regression Analysis Method

The method of analysis that used in this study is multiple regression models approach the return. The formula of multiple linear regressions is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Whereas:

Y	: Customer loyalty		: Alfa or Constant
	: Beta		: Error
X <sub>1</sub>	: Innovation	X <sub>2</sub>	: Advertising

## 4. RESULT AND DISCUSSION

### 4.1. Reliability and Validity of the Research

**Table 1. Validity and Reliability Test Results**

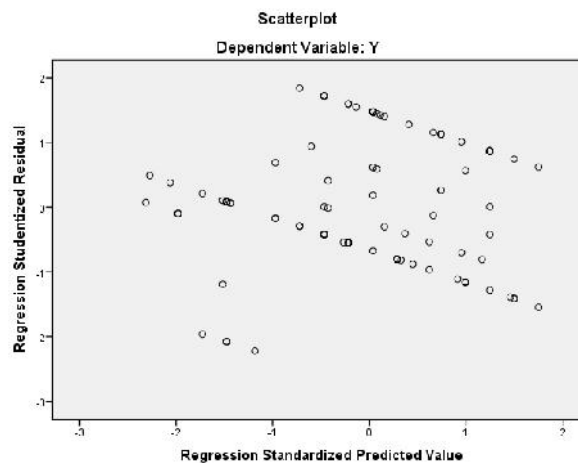
Variables	Indicators	Correlation (r)			Coefficients	
		R	Sig	Explanation	Alpha Cornbach	Explanation
Innovation (X <sub>1</sub> )	X1.1	0.844	0.000	Valid	0.925	Reliable
	X1.2	0.927	0.000	Valid		
	X1.3	0.900	0.000	Valid		
	X1.4	0.836	0.000	Valid		
	X1.5	0.887	0.000	Valid		
Advertising (X <sub>2</sub> )	X2.1	0.738	0.000	Valid	0.841	Reliable
	X2.2	0.918	0.000	Valid		
	X2.3	0.847	0.000	Valid		
	X2.4	0.749	0.000	Valid		
	X2.5	0.702	0.000	Valid		
Customer loyalty (Y)	Y1.1	0.897	0.000	Valid	0.956	Reliable
	Y1.2	0.939	0.000	Valid		
	Y1.3	0.951	0.000	Valid		
	Y1.4	0.916	0.000	Valid		
	Y1.5	0.909	0.000	Valid		

Source: Data Processed, 2015

The Table 1, shows the independent and dependent variable are valid with a Pearson Correlation values are above 0.3. and the value of Cronbach’s Alpha are more than 0.6, indicated that all research instrument indicator of variable are reliable.

### 4.2. Heteroscedasticity

Heteroscedasticity occurs if there are dots which form a certain pattern regularly as waves. Homoscedasticity occurs if there are no certain patterns which are clear, and the dots spread above and below the 0 the Y-axis.



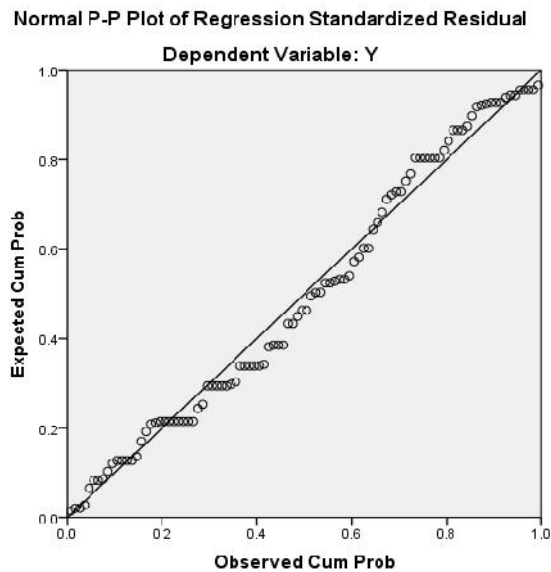
**Graph 1. Heteroscedasticity Test**

Source: Data Processed, 2015

Graph 1 can be seen all the data spread on top and in that the number 0 indicates the Y axis does not occur heteroscedasticity. This suggests that the multiple regression model meets the requirements for classical assumption test.

**4.3. Linearity / Normality Test**

Normality test can be identifying by using graph of P-P Plot. The data will distribute normally if the value of P-P Plot is near diagonal line of the graph.



**Graph 2. Linearity Test**  
 Source: Data Processed, 2015

From graph 2, shows that the graph Normal P-Plot of Regression Standardized Residual describe the distribution of data around a diagonal line and spread in the direction of the diagonal line graph, then the regression model used in this study meet the assumption of normality.

**Table 2. Autocorrelation Test**

<b>Model Summary<sup>b</sup></b>	
Model	Durbin-Watson
1	2.229

Source: Data Processed, 2015

Basis for a decision to autocorrelation test are:

1.  $1.65 < DW < 2.35$  autocorrelation no occur
2.  $1.21 < DW < 1.65$  or  $2.35 < DW < 2.79$  inconclusive
3.  $DW < 1.21$  or  $DW > 2.79$  autocorrelation occur.

From the results of statistical calculations that can be seen in Table 4.4 , the value of Durbin - Watson = 2.229 means that DW is in the range  $1.65 < DW < 2:35$  Then it can be concluded there is no autocorrelation.

**4.4. Multiple Regression Analysis**

The following table is a summary of the summary table models, coefficients, and ANOVA.

**Table 3. Multiple Regression Test**

	Regression Coefficient (b)	Std. Error	Beta	t <sub>count</sub>	Sig.	Description
Constanta	8.001	2.769		2.889	0.005	
X <sub>1</sub>	0.341	0.110	0.290	3.100	0.003	Significant
X <sub>2</sub>	0.294	0.100	0.276	2.943	0.004	Significant
R (Multiple R)	=		0.447			
R Square	=		0.199			
Adjusted R Square	=		0.183			
F <sub>count</sub>	=		12.079			
t <sub>table</sub>	=		1.660			
α	=		0.05 (5%)			

Source: Data Processed, 2015

Based on Table 4.4 can be written in the form of regression equation Coefficients Standardized forms obtained by the following equation:

$$Y = 8.001 + 0.341X_1 + 0.294X_2$$

Explanations:

- X<sub>1</sub> = Innovation
- X<sub>2</sub> = Advertising
- Y = Customer loyalty

The regression equation can be explained as follows:

1. Constanta value of 8.001 independent variables consist of innovation or X<sub>1</sub> , X<sub>2</sub> or advertising, increased by 1 scale , customer loyalty will be increased by 8.001 units .
2. The regression coefficient of 0.341 means innovation, if innovation increased by 1 scale in the answers of respondents will increase customer loyalty by 0.341.
3. The regression coefficient of 0.294 means the advertising, if advertising increases by 1 scale in the answers of respondents will increase customer loyalty by 0.294.

**4.5. Hypothesis Testing**

**Table 4 F-test**

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	134.574	2	67.287	12.079	.000 <sup>b</sup>
	Residual	540.336	97	5.570		
	Total	674.910	99			

- a. Dependent Variable: Y
- b. Predictors: (Constant), X<sub>2</sub>, X<sub>1</sub>

Source: Data Processed, 2015

F-test was conducted to determine the effect of jointly variable innovation, and advertising on customer loyalty, to test the hypothesis. Hypotesis test the effect of jointly using F. The test is done by comparing the calculation results with a significant level of significant level of 0.05 (5 %) with the following criteria:

1. If F<sub>count</sub> (sig) ≥ α0,05 then Ho accept and Ha refuse



2. If  $F_{count} (sig) < \alpha 0,05$  then  $H_0$  refuse and  $H_a$  accept

The test results for the overall regression model variables indicate the value of F count = 12.079 with 0.000 significance. By using the 0.05 limit (5 per cent). The results found that the significance value less than 0.05 (<5 per cent). With the direction of the positive coefficients , thus found that the hypothesis that the variable innovation, and advertising together have a significant effect on customer loyalty is accepted or proven.

**Table 5. T-test**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8.001	2.769		2.889	.005		
	X1	.341	.110	.290	3.100	.003	.941	1.063
	X2	.294	.100	.276	2.943	.004	.941	1.063

a. Dependent Variable: Y

Source: Data Processed, 2015

T test is done to see presence / absence of the influence of innovation , and advertising partially on customer loyalty in Cinemaxx Theater Kairagi Manado. T test can be performed by using the criteria of hypothesis testing:

1. If  $t_{count} \leq t_{table} (\alpha = 0,05)$ , than  $H_0$  accept and  $H_a$  reject.
2. If  $t_{count} > t_{table} (\alpha = 0,05)$ , than  $H_0$  reject and  $H_a$  accept.

Based on Table 5:

1. Innovation variable, T count 3.100 > T table 1.660 , thereby  $H_a$  accepted , and reject  $H_0$  who claim there is no influence of innovation to customer loyalty. Thus the second hypothesis which states there is the influence of innovation to customer loyalty is accepted or proven.
2. Advertising variable, T count 2.943 > T table 1.660 , thereby  $H_a$  accepted , and reject  $H_0$  who claim there is no influence of advertising to customer loyalty. Thus the third hypothesis which states there is the influence of advertising to customer loyalty is accepted or proven.

**4.6. Discussion**

**4.6.1. Impact of Innovation and Advertising To Customer Loyalty**

Based on the results of statistical tests found that simultaneous innovation, and advertising influence on customer loyalty in Cinemaxx Theater Studio Kairagi Manado. The results of this study indicate that the model is suitable or fit for the selected F test and T test results showed that innovation and advertising influence on consumer customer loyalty simultaneously and significant on Cinemaxx Studio Kairagi Manado.

**4.6.2. Impact of Innovation to Customer Loyalty**

Based on the test that the t test statistics can be explained that the effect on innovation in Cinemaxx Studio Kairagi Manado with a significant and positive coefficient. Innovation variable become strongest and dominant variable that impact to customer loyalty in this research. This indicates that the variable innovation have impact to customer loyalty at cinemaxx studio in Manado

#### 4.6.2. Impact of Advertising to Customer Loyalty

Based on the test that the t test statistics can be explained that the effect on advertising in Cinemaxx Studio Kairagi Manado with a significant and positive coefficient. Advertising in this research become second strongest variable that impact to customer loyalty. This indicates that the consumer Cinemaxx Studio Kairagi Manado that advertising variable impact on customer loyalty in the Manado region.

### 5. CONCLUSION AND RECOMMENDATION

#### 5.1. Conclusion

1. Based on the results of hypothesis testing in particular the model of the research found that the research model consisting of: innovation, and advertising has a positive and significant influence on customer loyalty. This model applies to Cinemaxx Studio consumers in Manado
2. Based on the results of hypothesis testing found that innovation has significant and positive impact on customer loyalty on Cinemaxx Studio consumer in Manado. Innovation become the stronger variable that impact to customer loyalty in this research
3. Based on the results of hypothesis testing found that advertising has significant and positive impact on customer loyalty on Cinemaxx Studio consumer in Manado. Advertising become the second variable that impact to customer loyalty in this research.

#### 5.2. Recommendation

1. Cinemaxx studio Manado needs to focus on the variables that influence consumer loyalty on the variables included the innovation and advertising. For example they should always update the new movie, new snacks, new equipment, new process marketing and other innovations that can make consumers feel satisfied so they will be a customer loyalty at Cinemaxx studio Manado and of course they will also be promote Cinemaxx studio on others peoples.
2. Advertising also is one of the variables that influence consumer loyalty, that why companies need to focus their attention to advertising in various media, such as mass media and social media. Mass media such as television, radio, local newspapers, as well as through popular online social media such as facebook, twitter and others, especially for customers in Manado and surrounding area. In fact, they also need to work with other businesses to promote their products to the customers, and they need to make a big billboards and many slogan, so that their product will be known by many peoples.

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