Service innovation and customer satisfaction: the role of customer value creation

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Abstract

Purpose – The purpose of this paper is to explore the relationships between service innovation, customer value creation (CVC) and customer satisfaction (CS) with specific emphasis to Ghanaian telecommunication operators.

Design/methodology/approach – Assuming a positivist philosophical approach with a quantitative data analysis technique, the study samples 510 registered adult customers of at least one telecommunication network in Ghana. An exploratory factor analysis, confirmatory factor analysis and structural equation modeling were used to assess and confirm the proposed scales validity and the relationships of the research model.

Findings – The study unveiled that a service firm’s ability to achieve CS is dependent on how telecommunication operators harness and deploy their service innovation activities. In addition, the study showed that CVC mediates the relationship between service innovation and CS. Thus, service innovation must create value for customers in order to enhance CS.

Practical implications – By relating the study findings to firms’ innovation strategies, managers can improve the strength of their service offerings to achieve CS by spending more on consumer research, market research and increased customer interactions.

Originality/value – Considering the uniqueness of this study in a Ghanaian context, the research draws on two influential theories, which are signaling theory and expectation disconfirmation theory to examine the differential role played by service innovation in enabling telecommunication operators in Ghana, to create customer value in order to achieve CS amidst the constraints in the business environment.

Keywords Innovation, Ghana, Customer satisfaction, Telecommunication industry, Service innovation, Customer value creation

Paper type Research paper

1. Introduction

In a global competitive market place where consumers seek value in their daily purchases, innovation has become contemporarily essential in both theory and practice. Innovation is all about offering new or adapted solutions to customer needs or problems in such a way that adds value as defined and used by customers (Vargo and Lusch, 2004; Michel et al., 2008). In Sub-Saharan African countries, for which Ghana is not an exception, the continuous growth in technology and its sophistication, coupled with the proliferation of mobile phones, especially in the telecommunication industry (Aker and Mbti, 2010), have pushed many mobile network operators to build robust innovative service products in order to gain consumer satisfaction.

Evidently, it can be seen that operators within the Ghanaian telecom sector have introduced several innovative services in order to offer customers with variety of choices,
aside simply receiving and making phone calls (Mahmoud and Hinson, 2012). The purpose of this move is to increase the satisfaction of customers toward their service offerings.

The strength of achieving customer satisfaction (CS) is therefore acknowledged as a significant indicator of a service innovation success. Despite the tremendous benefits firms acquire from satisfied customers, and the heavy investments made toward innovation to achieve these benefits, Wilke and Sorvillo (2005) explain that a vast majority of innovations fail within the first three years of their introduction into the market place. In recognition of this challenge, one key issue championed by marketing scholars, academics and practitioners is acknowledging that the success of service innovation to achieve CS greatly depends on customer value creation (CVC).

In the past, there have been some erroneous perceptions that innovation was a preserve of manufacturing businesses, reflecting the fact that innovation theory has its roots in a time where manufacturing was the major economic activity (Drejer, 2004). While services are seen to be generating a lot more to support nations’ GDP and have outdistanced manufacturing from an employment perspective (Menor et al., 2002), manufacturing has continued to dominate innovation studies (Jaw et al., 2010; McDermott and Prajogo, 2012). Quite profoundly, an earlier taxonomical review of literature on innovation studies revealed a paucity of research in the area of services, with little clear coverage of the subject area (Küpper, 2001; Hauser et al., 2006; Jaw et al., 2010). Scholars such as Ettlie and Rosenthal (2012) and Ostrom et al. (2010) have therefore championed a call for further extensively research into the area of innovation in services. In an attempt to catch up with the pace of manufacturing innovation, scholars have looked at different aspects of service innovation subject to the view of bridging this gap (Flint et al., 2005; Oke, 2007; Yusif, 2012; Carlborg et al., 2014). In spite of these attempts, a major area of service innovation literature that has not yet received massive attention is the service innovation measurement, particularly from the customers perspective (Janssen, 2011), as the above-mentioned studies mainly focused on management’s perception.

With respect to CVC, despite its centrality to marketing thought, research on the concept is still nascent and in the early stages of conceptual development (Zhao et al., 2015; Cheng and Chen, 2009; Brodie et al., 2009; Palmatier, 2008; Woodruff and Flint, 2006). Many companies fail to meet customer expectations with respect to creating customer value (Cheng and Chen, 2009; Klingmann, 2007; Van Riel and Lievens, 2004), probably because managers are not completely sure of what brings value to the customer, or how it is created. The apparent confusion of how value is defined by different scholars lend to the fact that there is a real importance for a study in value creation. This study makes an attempt to fill this gap by investigating into the value creation process and consumption of value by the customer.

Contextually, the study is conducted in an emerging economy. The study sees a contextual gap in the literature as empirical tests of potential business outcomes of innovation in service firms are heavily biased to data originating in developed nations’ settings (e.g. Sundbo, 1997; Grawe et al., 2009; Carlborg et al., 2014), meaning the benefits or costs of investing in innovation in less developed societies are unknown. The study sees the scanty research into innovation in service firms in emerging market contexts as telling, since the literature indicates that the beneficial effects of a firm’s strategic orientation such as an innovation may be context specific as opposed to being universally applicable (e.g. Li and Zhou, 2010).

This study is opportune, as there is increasing call by scholars for an extensive study that focuses on innovation in services, which has arguably received scanty research focus and its impact on CS within the African context (e.g. Li and Zhou, 2010). This paper, therefore, sought to find answers to the following questions:

RQ1. What is the effect of service innovation in terms of new service concept (NSC), new service process (NSP) and new technological systems (NTSs) on CS in Ghana’s telecommunication industry?
RQ2. What is the relationship between service innovations, customer value creating and CS in the telecommunication industry in Ghana?

RQ3. Does CVC have a negative or positive effect on CS in the telecommunication industry in Ghana?

2. Theoretical foundation and hypotheses development
The theoretical foundation of this study is based on two influential theories. They are as follows:

1. signaling theory (ST); and
2. expectation disconfirmation theory (EDT).

2.1 ST
ST and EDT have since become dominant contemporary approaches to the analysis of innovation and satisfaction research (Pappu and Quester, 2016; Henard and Dacin, 2010; Boulding and Kirmani, 1993; Kirmani, 1990; Erdem and Swait, 1998; Giese and Cote, 2000). Far back from the time of Spence (1974), who was the first to formally model the signaling equilibria, the theory as of today, has become the basis of many models, ideas, other theories and hypotheses. Importantly, the ST provides a parsimonious clarification amongst frameworks used in extant literature to explain the innovativeness-satisfaction relationship (Henard and Dacin, 2010). This is so because of the complex nature of other theories, such as the exchange theory, cues utilization theory and many others (Eisingerich and Rubera, 2010; Kunz et al., 2011). The basic premise of the ST, as suggested by prominent scholars like Spence (1974, 2002) and Stigler (1961), is that the market place is characterized by information asymmetry or imperfect information. Thus, unlike the firm, consumers do not have the full information required for judging the quality or value of an innovation in services newly introduced into the market (Stiglitz, 2000). Firms therefore attempt to convey information about the quality and value of their innovations to the market using signals. Consumers therefore rely on variables such as advertising (Kirmani, 1990), brand name (Erdem and Swait, 1998; Rao et al., 1999), price (Dawar and Sarvary, 1997) and warranty (Boulding and Kirmani, 1993), as signals to infer value of these communicated innovations, to determine their satisfaction or dissatisfaction levels.

2.2 EDT
EDT further provides explanation to how customers become satisfied with an introduction of a new product or service offering. Expectancy disconfirmation theory is built on the base of cognitive dissonance theory definition, which was developed by Leon Festinger in 1957, to explain how dissonance between an individual’s cognition and reality influence his/her subsequent cognition and/or behavior (Bhattacherjee and Premkumar, 2004). EDT measures CS from the difference between customer’s expectation and experience in perceived products or services (Oliver, 1980; Patterson et al., 1996). EDT has been used severally to examine various field of study, such as marketing (Oliver, 1977, 1980; Diehl and Poynor, 2010; Santos and Boote, 2003), tourism (Fallon and Schofield, 2003), psychology (Gotlieb et al., 1994), information technology (Bhattacherjee and Premkumar, 2004; Bhattacherjee, 2001a, b; Hsu et al., 2006; Khalifa and Liu, 2002), repurchase behavior and retention (Bhattacherjee and Premkumar, 2004; Hsu et al., 2006; Patterson et al., 1996), and the airline industry (Chen, 2008) for a better understanding of customer’s expectations and requirements for attracting their satisfaction. The basic premise of the EDT model is that customers form expectation
before the purchase or use of an offering. These expectations are used as a frame of reference in the evaluation/judgment of the actual performance perception. CS therefore emerges after the comparison between the perceived performance and pre-purchase/use expectations. Three possible outcomes occur at this stage: the customer becomes satisfied, neutral or dissatisfied toward the new product or service offering.

2.3 Service innovation and CS
The key to remaining competitive and surviving in the market is the firm’s ability to provide products tailored to meet the needs of its customers. In a chain relationship, scholars have suggested that the key to remaining competitive through meeting customer needs is innovation (Darroch and McNaughton, 2002), as trends, customer needs and perceptions keep evolving with the passage of time. In this respect, firms in attempt to produce superior value at all times have to adopt the practice and culture of innovation. This is to say that innovation explicity increases the chances of the firm producing to meet the very need of customers, consequently offering opportunity for the firm to satisfy its customers.

2.4 Service innovation and CVC
In today’s competitive global market, companies should focus on their customers’ needs to gain an understanding of the buyer’s entire value chain (holistic needs), referring to not only as it is today (the current needs), but also as it changes/evolves over time (anticipated needs) (Slater and Narver, 1994). Companies should then use the understanding of the buyer’s value chain to mix and match their various products and/or services (service package/bundle), refer to adaptations of existing services or newly launched services, and adjust or evolve the processes to deliver and maintain these services (like improved service delivery rates), to meet the customer’s needs with the goal to influence the customers perceived value of the offering. Service innovations can be regarded as a value creating activity (Slater and Narver, 1995).

For service providers, innovating services in such a way that enables them to serve their customer’s present and future needs which adds to their perceived value is what establishes a firm’s competitive advantage (Kandampully and Duddy, 1999). Besides, innovation on its own is of lesser significance, as it is the value of the innovation as perceived by the customer that provides the advantage of the offering (Chapman et al., 2002). According to Tether et al. (2001), service innovations typically transform the state of the customer’s perceptions (De Jong et al., 2003). This influence will add to the customer’s perception of the value of the service, as has also been suggested in other studies (Flint et al., 1997; Kandampully and Duddy, 1999). The view of service innovation as a value creating activity or one that influences/adds to the perceived value of the offering is important, as it suggests and emphasizes the interrelation between service innovation and perceived customer value.

2.5 Service innovation, CVC and CS
Within this study, CS has been defined as a response to an evaluation of perceived product or service performance, based on the customer’s judgments of the value that has been created for them (Flint et al., 1997). While perceived customer value has been defined as the customer’s assessment of the value that has been created for them by a supplier, given the trade-offs between all relevant benefits and sacrifices in a specific use situation (Flint et al., 2002). When looking at these definitions, one can easily confuse one with the other. Although they show similarities, they are different.

Based on the comparison of the definitions, theoretically, perceived customer value antecedes CS, as the value judgment (perceived value) comes before the evaluation response (satisfaction). The theoretical relation between perceived customer value and CS has been empirically confirmed as several service marketing literature have shown the CVC concept
to be an important factor in gaining CS (Zeithaml, 1988; McDougall and Levesque, 2000; Cronin et al., 2000; Wang and Ahmed, 2004; Turel and Serenko, 2006; Hume and Sullivan Mort, 2008; Kuo et al., 2009). The argument for creating customer value as a significant driver of CS is that when customers perceive higher levels of value in an offering they are likely to feel positive about their consumption experience and purchase decision (Oh, 2000; Zeithaml, 1988).

From the ensuing discussion, the researchers propose a conceptual model presented in Figure 1, which theorizes that firm’s innovation in services acts as an antecedent to CVC to enable firms gain CS. It can, therefore, be hypothesized that:

**H1.** A NSC innovation has a positive and significant relationship on CS.

**H2.** A NSP has a positive and significant relationship on CS.

**H3.** A NTS innovation has a positive and significant relationship on CS.

**H4.** The greater the fit between a service firm’s CVC and service innovation, the greater the CS.

**H5.** There is a positive and significant relationship between CVC and CS.

### 3. Methodology

This paper adopts a positivist methodological paradigm in formulating research questions, hypothesis and empirically testing constructs under careful controlled circumstances (Boateng, 2016). In this quantitative study, a survey design was used with a semi-structured questionnaire as the primary data collection instrument. The survey strategy is deemed appropriate due to the fact that it is usually associated with a deductive approach and explanatory research of this nature. Adopting a convenience sampling technique, the study sampled 510 registered adult customers of at least one telecommunication network in the Greater Accra metropolitan area out of a target population of all registered adult subscribers of mobile telecommunication network in Greater Accra.

![Figure 1. Conceptual framework](image)
Statistical Package for Social Sciences (SPSS V.20) was used for the preliminary coding and inputting of the raw data as well as for data cleaning and exploratory factor analysis (EFA). Drawing on the view of Pallant (2011), three main steps were followed in carrying out the EFA: “(1) Assessment of the suitability of the data for factor analysis, (2) Factor extraction, and (3) Factor rotation and interpretation.” After EFA, a confirmatory factor analysis (CFA) was performed before onward transferal to AMOS 22 for further analysis. It must be mentioned that there were two different sets of data responses used for the EFA and CFA; 200 responses were used for the EFA while 310 were used for the CFA. Thus, two major phases were undergone in carrying out the analysis. The proposed model was, therefore, assessed for model fitness using the structural equation modeling (SEM) via Amos 22. Assessing model fit involves the interpretation of how well the conceptualized model fits the empirical research. The process is comparative in nature because it involves choosing between numerous fit indices that subjectively indicate whether the data fit the theoretically postulated model (Bagozzi and Yi, 2012; Hair et al., 2010; Schumacker and Lomax, 2004). Scholars have proposed a number of fit indices. However, there are at least two main conventions for the assessment of model fit that are apparent in literature; thus, the assessment of the absolute fit of the model and the assessment of the comparative fit (Tanaka, 1993).

Model fit criteria commonly used in absolute fit are $\chi^2$, goodness-of-fit index (GFI), adjusted goodness-of-fit index, root mean square residual and root mean square error of approximation (RMSEA). These criteria are based on differences between the observed and model-implied correlation or covariance matrix (Hair et al., 2014). Comparative fit deals with whether the model being considered is better than a competing model in accounting for observed data. Comparative fit assessment is based on the examination of a “baseline” model in comparison with theoretically derived models (Kelloway, 1998). Some criteria in this category include normed fit index (NFI), comparative fit index (CFI) and the relative non-centrality index. The following fit indexes were used to evaluate how well the measurement model fit the data collected, with each one having conventionally acceptable values: RMSEA $\leq 0.08$, GFI $\geq 0.90$, NFI $\geq 0.90$ and CFI $\geq 0.90$ (Hair et al., 2014; Bagozzi and Yi, 2012; Hu and Bentler, 1999). The sufficiency of the theorized model’s creation of a covariance matrix is evaluated by the $\chi^2$ goodness-of-fit value; it also estimates coefficients compared with the observed covariance matrix. However, since the value of $\chi^2$ is affected by the sample size, a large number of participants can cause $\chi^2$ to be inflated when assessing model fit (Hu and Bentler, 1999). Many researchers have applied the method that divides the value of $\chi^2$ by degrees of freedom instead of relying only on the overall $\chi^2$ and its associated test of significance. It is typically suggested that a normed $\chi^2$ of less than 3 is favorable for a large sample. These fit indices were employed to assess the strength and acceptability of the construct measurements. The selection of these fit indices was based on the classification proposed by Kline (2015) and Byrne (2013) as being the most commonly accepted criteria in social sciences.

To ensure reliability of the current study, two main criteria were adopted which include Cronbach’s $\alpha$ and composite reliability (CR), which are widely and mostly used in SEM (Hair et al., 2016). To ensure validity in this study, construct validity measures such as convergent validity (Rezaei and Ghodsi, 2014; Rezaei, 2015) and discriminant validity (Rezaei, 2015; Rezaei and Ghodsi, 2014) were employed. Discriminant validity used construct correlations and cross-loading criterion while convergent validity employed average variance extracted (AVE) and factor loadings (Kim et al., 2016; Rezaei, 2015).

4. Results
Before performing the actual analysis of the main data, preliminary data analysis (PDA) was done. During the PDA, data sets and variables were cleaned and cleansed to eliminate unengaged responses, outliers and replace missing data. Data analysis was then conducted
in different distinct phases. First the paper shows the descriptive statistics of measurement items; depicts the exploratory and CFA; tests for hypothesis; examines the mediating effect of CVC on service innovation and CS; and finally discusses the findings.

4.1 Descriptive statistics of measurement items
Table I shows the means and standard deviations of the various variables used. The highest mean was 4.033 (my mobile service has automated service options) while the lowest was 2.868 (using my mobile service gives me pleasure). This gives an indication that telecommunication network subscribers are satisfied with their network providers automated service options that give them adequate and frequent information through ATM alerts, SMS alerts and many others. However, subscribers indicated that they gain very little pleasure with their mobile service. The 35 variables displayed in Table I represented the components of the five main constructs depicted in the conceptual framework for the study: NSC, NSP, NTS, CVC and CS.

4.2 EFA
The 35 items used for the scales on the conceptual constructs were factor analyzed and subjected to principal component analysis (PCA) using SPSS version 22. Prior to performing PCA, the suitability of data for factor analysis was assessed. The Kaiser-Meyer-Olkin value was 0.878, exceeding the recommended value of 0.6 (Kaiser, 1970) and Bartlett’s (1954) test of sphericity reached statistical significance (approx.: $\chi^2 = 5,469.993$, df 595, sig. 0.000). This confirms that there was a significant correlation among the variables; thus, factor analysis was appropriate. The PCA revealed the presence of seven components with eigenvalues exceeding 1. The seven-component solution altogether explained 63.088 percent of the variance, with the highest component contributing 10.842 percent and the lowest component contributing 7.923 percent.

To assist in the interpretation of these seven components, varimax method of rotation was performed on the 35 variables to examine the number of strong loadings and ascertain the specific variables which loaded substantially onto the various components. The variable loadings for EFA are considered high if they are all 0.7 or greater to be retained for analysis, although some scholars suggest a considerable loading value of 0.5 to be adequately strong (Hair et al., 2014). Out of 35 variables rotated, 33 loaded perfectly onto 7 components with a threshold of 0.6. Table II presents a comparison of the principal component extraction of the various rotation methods as well as the internal consistency measures on the final retained variables of the various constructs.

Having established an internal consistency in the final structures of the construct scales through the EFA, the second phase of the study was conducted. The surviving items were designed into a new questionnaire in order to test the relationships among the constructs of the study. A 33-item questionnaire was therefore re-designed to collect data from 310 adult registered subscribers of at least one telecommunication network in Greater Accra, exclusive of those used for the exploratory design. The subsequent section presents the results obtained from the CFA analysis for the purpose of establishing the best possible underlying structure for the conceptual model of the study.

4.3 CFA
The measurement models of the five constructs (NSC, NTS, NSP, CVC and CS) were assessed through a CFA. It must be noted that the variable codes stipulated in the EFA were maintained in the confirmatory stage. As a result, the codes represent the scale statements indicated earlier in this paper. Consequently, the original measurement model was then subjected to modification according to the sizes of factor loadings, cross-loadings,
measurement errors and correlation between measurement errors. In the case of this investigation, the AMOS software output suggested modification of some items via stage-by-stage re-specifications of some weak variables. As a result, scale items were rather dropped systematically to ensure that the deletion of each item was necessary. During the modification of the original unfitted model, six items (CVCF1, CVCFU3, CVCEM3, CVCEM5, Scale items

<table>
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<th>Variable codes</th>
<th>Mean</th>
<th>SE mean</th>
<th>SD</th>
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Table I. Descriptive statistics of variables
CVCSO3 and CVCSO5) were deleted from CVC, two items (NSP1, NSP4) from NSP, another two items (NSC4, NSC5) from the NSC and one item (CS4) from CS. Thus, 11 items were eliminated after the CFA which left the new purified constructs with 22 items which provided the best fit indices.

4.4 Reliability and validity test

Research scholars such as Bagozzi and Yi (2012) have specifically suggested that “testing of a structural model may be meaningless unless it is established that the measurement model holds; if the chosen indicators for a construct do not measure that construct, the specified theory must be modified before it can be tested.” Table III shows the robustness test result of the study constructs for the model to check for model fit.

Table III depicts the PCA which revealed the presence of seven components, internal consistencies of items, reliability test and validity test. Data reliability was tested via Cronbach’s α and CR. For CR, the values recorded a range between 0.70 and 0.90. Evidently, all CR values were above 0.6 meeting the acceptable recommended limits stipulated by extant renowned research scholars (Hair et al., 2016). Again, the Cronbach’s α coefficients
ranged from 0.70 to 0.91. The result indicates appreciable values above the accepted 0.5 desirable level (Coakes et al., 2008; Nunnally, 1978). The researchers ascertained the internal consistency to draw validity conclusions for the data using AVE and factor loadings. The AVE values fell between 0.50 and 0.65, exceeding the acceptable stipulated limits of 0.5 (Fornell and Larcker, 1981; Hair et al., 2016). The factor loadings ranged from 0.69 to 0.90, which exceeded the acceptable limit of 0.6, showing a strong reliability status of the items (Hair et al., 2016).

4.5 Measurement model fit indices
In evaluating the appropriateness of the measurement model fit in relation to the data collected, conventionally acceptable values including RMSEA $\leq 0.08$, GFI $\geq 0.90$, NFI $\geq 0.90$ and CFI $\geq 0.90$ (Hair et al., 2016; Bagozzi and Yi, 2012; Hu and Bentler, 1999) were used. The sufficiency of most theorized model’s creation of a covariance matrix is evaluated by the $\chi^2$ goodness-of-fit value; it also estimates coefficients compared with the observed covariance matrix. The selection of these fit indices was based on the classifications proposed by Kline (2015) and Byrne (2013) as being the most commonly and widely accepted criteria in social science research. The model fit indices revealed a good fit to the data (RMSEA = 0.04, NFI = 0.92, RFI = 0.90, IFI = 0.97 and CFI = 0.97). The $\chi^2$-statistic was 1.45 representing the normed $\chi^2$ value. This value fell within the acceptable limit between 0 and 3. Figure 2 shows the final measurement model.

4.6 Second-order construct measurements model
This study also modeled one second-order constructs, namely, service innovation, and assessed its measurement model. The outer loadings for NTS innovation (0.799), NSP innovation (0.878) and NSC innovation (0.853), AVE (0.559), Cronbach’s $\alpha$ (0.898) and CR (0.868) were evaluated for the second-order reflective constructs. Composite reliabilities
exceeded the 0.6 benchmark and Cronbach’s \( \alpha \) exceeds 0.70 (Fornell and Larcker, 1981; Vandenbosch, 1996).

The researchers also assessed the fit indices of the second-order construct modeled. The model fit indices revealed a good fit to the data (RMSEA = 0.042, NFI = 0.966, RFI = 0.952, IFI = 0.988 and CFI = 0.988). The \( \chi^2 \)-statistic was 1.545 representing the normed \( \chi^2 \) value. This value fell within the acceptable limit between 0 and 3.

4.7 The structural model

The structural model conducted in this study was intended to test some hypothetical propositions based on the conceptual framework for this research. For this study, the \( R^2 \) value for service innovation, NSC, NSP and NTS was 0.221 for CS. The \( R^2 \) values show that a service firm’s innovation in NSC, NSP and NTS could have a moderate predictive capacity in determining CS. The path coefficients were assessed based on signs and magnitude. The path coefficient and \( t \)-value for significant \( (\alpha) \) level of 0.05 is 1.96 and
α level of 0.01 is 2.575. Specifically, a service firm’s NSC innovation related significantly to CS ($\beta = 0.31, p < 0.01$) with a $t$-value > 2.575 (3.932). This indicates that an innovation in a firm’s service concept significantly influences CS. Customers are satisfied with their mobile network provider’s new ideas or solutions to a problem. Therefore, $H1$ was supported. Also, a service firm’s NSP innovation related significantly to CS ($\beta = 0.22, p < 0.01$) with a $t$-value > 2.575 (2.797). This indicates that an innovation in a firm’s service process significantly influences CS. Customers are satisfied with the extent to which their mobile service providers alter their service systems to enhance value delivery. Therefore, $H2$ was also supported. However, a service firm’s NTS innovation failed to relate significantly to CS ($\beta = 0.05, p > 0.05$) with a $t$-value < 2.575 (0.700). This indicates that an innovation in a service firm’s technological systems has no significant influence on CS. Customers are not satisfied with their mobile networks’ latest technological options. Therefore, $H3$ was not supported. The extent of variance of the endogenous variables accounted for by the hypothesized influences was as follows: $R^2$ for CS = 0.22. This is also displayed in Table IV.

4.8 Test for mediation

In testing for the mediation, the second-order construct modeled above was used as it combined all the three individual constructs, which are NSC, NSP and NTSs to comprise of service innovation as operationalized earlier for this study. To establish mediation effects, all significant parameters were tested using guidelines from Baron and Kenny (1986) for partial and full mediation conditions. A number of regression equations were estimated. In this study, first, CVC (mediator) was regressed on service innovation (independent variable) and it showed a significant effect (service innovation → CVC, $\beta = 0.60, p = 0.000$). Second, CS (dependent variable) was regressed on service innovation (independent variable) and this showed a significant effect (service innovation → CS, $\beta = 0.59, p = 0.000$). Third, CS (dependent variable) was regressed on the service innovation (independent variable) and CVC (mediator) and the effect was significant (service innovation → CVC → CS, $\beta = 0.60, p = 0.000$ was recorded for the first path, $\beta = 0.24, p = 0.000$ was recorded for the second path). The results of the regressions are presented in Table V.

The assumption was that if all the three relationships are significant, then mediation testing would be possible. From Table V, all three relationships tested were significant.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Unstandardized regression path</th>
<th>$\beta$ estimate</th>
<th>$t$-value</th>
<th>$p$-value</th>
<th>Hypothesis results</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H1$</td>
<td>New service concept → customer satisfaction</td>
<td>0.31</td>
<td>3.93</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>$H2$</td>
<td>New service process → customer satisfaction</td>
<td>0.22</td>
<td>2.80</td>
<td>0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>$H3$</td>
<td>New technological system → customer satisfaction</td>
<td>0.05</td>
<td>0.70</td>
<td>0.48</td>
<td>Not supported</td>
</tr>
</tbody>
</table>

Notes: RMSEA = 0.039, NFI = 0.953, RFI = 0.939, CFI = 0.984, $\chi^2$/df = 1.472. $p$-values of ***Represent 0.000 significance level

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<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized regression path</th>
<th>$\beta$ estimate</th>
<th>$t$-value</th>
<th>$p$-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Service innovation → customer value creation</td>
<td>0.60</td>
<td>8.31</td>
<td>***</td>
</tr>
<tr>
<td>2</td>
<td>Service innovation → customer satisfaction</td>
<td>0.59</td>
<td>8.16</td>
<td>***</td>
</tr>
<tr>
<td>3</td>
<td>Service innovation → customer satisfaction</td>
<td>0.59</td>
<td>8.16</td>
<td>0.02</td>
</tr>
<tr>
<td>4</td>
<td>Customer value creation → customer satisfaction</td>
<td>0.24</td>
<td>4.21</td>
<td>***</td>
</tr>
</tbody>
</table>

Notes: $p$-values of ***Represent 0.000 significance level
Now, determining the type of relationship, if service innovation on CS is less in the third model than in the second model, then the mediation is said to be partial. Full mediation holds if the service innovation has no effect when the CVC is controlled. Even though the $t$-values in the third and second models were the same (8.16), the significant level for model two ($p$-value = 0.00) was stronger than that of model 3 ($p$-value = 0.02). This indicates a partial mediation.

After determining that a customer value created by a service firm partially mediates the relationship between their service innovation and CS, a systematic analysis was applied to the structural model to provide a comprehensive representation of $H_4$ and $H_5$. First, the path coefficients for the relationships service innovation and the CS was examined. The effect of service innovation on CS was positive and statistically significant ($\beta = 0.59$, $p$-value = 0.00) with a $t$-value $> 2.575$ (8.16). Second was the inclusion of the mediator. The second and third objectives of this study were to identify the mediating role of CVC and the relationship between CVC and CS.

The results indicate that CVC partially mediated the relationship between service innovation and CS as both the direct effect with mediator (service innovation $\rightarrow$ CVC $\rightarrow$ CS, path 1: $\beta = 0.48$, $p = 0.00$; path 2: $\beta = 0.24$, $p = 0.02$) and the indirect effect with mediator (service innovation $\rightarrow$ CS, $\beta = 0.59$, $p = 0.00$) were significant. The results imply that service innovation influences CS even without creating customer value. However, CVC improves the relationship between service innovation and CS since it has a significant positive relationship with CS ($\beta = 0.24$, $p = 0.00$). This provides support for $H_4$ and $H_5$. Table VI presents a summary of the mediation test.

### 5. Discussions

The key objective of this study is primarily to explore the utilization of service firms’ innovation to achieve CS on service firms’ CVC efforts. The fundamental question underlying the current study is thus articulated as: How do service firms realize CS through the deployment of their service innovations amidst the constraints of their environment? In an attempt to address this question, the study sought to evaluate three key questions which cumulated into both theoretical and empirical investigations in the previous chapters.

#### 5.1 Influence of service innovation on CS

The first objective of this study sought to examine the influence of Ghanaian telecommunication operators’ innovation, that is, in a NSC ($H_1$), or a NSP ($H_2$), or a NTS
(H3) on CS. Supporting H1, the findings of the study showed that Ghanaian telecommunication operators’ innovation in a NSC has a positive and significant effect on CS ($p < 0.01$). Thus, as firms continuously innovate and strive for the creation of new ideas, products and services that have the potential of solving customer problems satisfactorily, customers’ consideration to repurchase the service/product is assured. This finding is congruent to that of some scholars (Edvardsson et al., 1995, 2005), who posit that for a service firm to increase CS, a service concept innovation that has a higher degree of solving customer problems, not only providing information on the service system, must be implemented.

Supporting the proposed H2, the results revealed that Ghanaian telecommunication operators’ outstanding service process innovations have a positive and significant effect on CS ($p < 0.05$). The results could be interpreted as “a service firm’s deployment of an enhanced way of customer interaction and outstanding service delivery process to meet customer needs, guarantees customer satisfaction.” This finding confirms Iacobucci et al.’s (1994) assertion that during interactions and service delivery that take place between a customer and a firm, customers form perceptions about their service encounter, and subsequently evaluate whether the service experience met their expectations by providing value for them before they consider repurchase intentions.

Disconfirming the proposed H3, the findings indicated that Ghanaian telecommunication operator’s NTS innovation does not significantly relate to CS ($p > 0.05$). The possible translation for this outcome would be that just the mere introduction of a new technology application does not guarantee CS. In order to enhance CS in a more significant manner, innovation in technological systems must be able to meet customer needs satisfactorily, as well as provide outstanding value to customers. Confirming this finding, Joseph and Stone (2003) postulate that an organization’s technological innovations will engender CS if only they are responsive to advances in the technological environment and meet the expectations and needs of customers.

5.2 Mediating role of CVC on service innovation and CS

The second objective of the study sought to examine the mediating role of CVC on the relationship between their service innovation and CS. To achieve this objective, the researcher first modeled a second-order construct named service innovation, which combined all three construct, that is, NSC, NSP and NTS, to examine its effect as a whole on CS. It was not surprising that service innovation positively and significantly influenced CS ($p < 0.01$). This empirical result therefore can be interpreted that the more Ghanaian telecommunication operators engage in robust service innovation practices that meet customer needs, the higher the level of their CS toward their service offering. This conclusion is consistent with previous studies (Georghious and Keenan, 2006; Georgantzas and Acar, 1995; Auluck, 2002). Confirming the findings of earlier studies, Byerlee et al. (2002) suggest that through service innovation, companies can create highly satisfied customers who are loyal to an organization.

For the mediation effect, the researcher followed the suggestion of Baron and Kenny (1986). From the study, CVC was found to have a mediating effect on the relationship between service innovation and CS. Concerning the type of mediation, the results of the study showed that CVC partially and significantly mediates the relationship between service innovation and CS ($p < 0.01$). This indicates that telecommunication operators’ innovations alone can influence CS even without creating customer value. However, a service innovation that creates value for customers can better improve and increase CS toward the service operator’s offerings. Confirming this result, the findings of Chapman et al. (2002) indicate that innovation on its own is of lesser significance, as it is the value created by the innovation as perceived by the customer that provides the advantage of
the offering. According to Tether et al. (2001), service innovations typically transform the state of the customer’s perceptions (De Jong et al., 2003). This influence will add to the customer’s perception of the value of the service, as has also been suggested in other studies (Flint et al., 1997; Kandampully and Duddy, 1999). Additionally, Kandampully and Duddy (1999) severally suggest that a service firms’ innovation that create, serve and add value to their customers’ present and future needs is what establishes the firms’ competitive advantage through increased CS.

5.3 The influence of CVC on CS

The third objective of the study sought to examine the influence of CVC on CS. The findings of the study suggested that creating value for customers through a service innovation could positively and significantly influence CS ($p < 0.00$). This result could be interpreted that when customers perceive to gain high social value, emotional value and functional value from a telecommunication operator’s innovation, they are more likely to feel positive about their consumption experience, purchase decision and satisfaction toward the offering. This finding is similar to the findings of numerous scholars in different studies within marketing literature (Zeithaml, 1988; Rust and Oliver, 1993; McDougall and Levesque, 2000; Cronin et al., 2000) who found out that CVC is a significant driver of CS. This finding also confirms earlier suggestions that when customers recognize higher levels of value in an offering, they are likely to feel positive about their consumption experience and purchase decision (Oh, 2000; Zeithaml, 1988).

6. Managerial implications

From the research objectives and results, it was found that firms are better positioned if they have consumers’ top of the mind consideration to continuously repurchase their products and services. This infers that service firms must invest wisely and co-ordinate their service innovation activities well, so as to deliver outstanding innovative services that provide satisfaction to customers. This will enable companies to gain consumers’ top of the mind consideration to build and enhance loyalty.

Furthermore, this research also identified three interrelated constructs which characterize the strategic process through which service firms can harness and deploy their service innovations to achieve CS. The conceptual framework for this study suggests that NSP, NSC and NTSs should be given astute consideration by managers if they want to increase CS toward their service offerings. In this regard, service providers should take into account the multi-dimensional nature of service innovation, as the different dimensions encompass very different service innovation aspects, offering varying possibilities for them to innovate on.

Service companies should also be aware that the service innovation dimensions are interrelated. Hence, changes within one service innovation dimension usually coincide or require relating or fitting changes in one or more of the other dimensions. In light of the significant results pertaining to service innovation and CVC influencing CS, managers should keep up the constant process of service innovation enhancement in order to create value for customers.

Practically, it is logical to realize that customers accepting a service product and their intentions to repurchase are essential to gaining higher market share. “Intentions to repurchase” is a viable indicator in estimating the number of re-acquisitions of the customer. It is therefore essential for managers to need to balance the two very well in order to maintain their market share through repeat patronage. Managers can therefore create very smart marketing strategies with outstanding service innovations to capture the market while leveraging on CVC to maintain their market share.
7. Conclusion and further research directions
The first objective of the study provided evidence for the justification that service innovation aid in achieving some level of CS. Thus, service innovation in a NSC and a NSP positively and significantly influences CS. However, service firm's NTS innovation had a feeble influence on CS. Results from the second objective saw a very strong and significant relationship between service innovation, CVC and CS. The third objective revealed a positive and significant relationship between CVC and CS.

From the various analysis and discussions, the study established that service innovation in creating customer value has a strong and positive influence on CS. This is essentially rational, as a firm’s ability to put together innovative services that meet customers’ functional, social and emotional value expectations will lead to CS. The study further established three major dimensions of service innovation (NSC, NSP and NTS) that are very effective in influencing CS.

The results from this current study are largely in accord with theoretical expectations. However, as with any scientific research, there are a number of study limitations and future direction which need to be pointed out. This research primarily used a specific service type, namely, mobile telecommunication service. This forms a certain limitation, as it may not yet be enough to derive conclusions for different types of services within the sector. However, this does form a basis for further research, in which other service types, such as hospitality, insurance, banking and many others can be assessed, offering data for cross-comparisons within the services sector.

References


**Further reading**


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