

# FACTORS THAT INFLUENCE CONSUMER SATISFACTION: THE ROLE OF CREATIVITY AND PRODUCT INNOVATION FOR SMES IN THE CITY OF BANDUNG

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## ABSTRACT

Bandung is one of the tourism cities with a wide variety of handicraft products which are an attraction for tourists. This study aims to determine the factors that influence consumer satisfaction by looking at the role of the creativity of business people and product innovation. 110 questionnaires were distributed online to customers in the West Java Province, Bandung City as part of this study. With the aid of the SPSS 25 program, multiple regression analysis was used to process the data. According to the study's findings, innovation and customer satisfaction are directly correlated. Additionally, consumer satisfaction is impacted by product innovation. This study's findings received a score of 54.2%. This result suggests that the factors of creativity and product innovation have an impact on customer satisfaction. This study has highlighted the value of innovation and creativity in product development, particularly in the city of Bandung's handicraft industry.

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## 1. INTRODUCTION

Currently, one aspect that affects the industry itself is the function of technology in industrial advancement [1]. According to this viewpoint, innovation becomes a crucial component for firms looking to maintain their position in a cutthroat market [2]. According to [3], an organization's capacity for innovation and creation is intimately tied to its creative capacity. According to [4], businesses must decide between being creative or following established practices. Organizational aptitude, self-assurance, and the ambition to always improve are what determine an organization's incentive to take creative action [5]. Along with creativity, product innovation is another element that is crucial for increasing organizational market power [7]. Product innovation can set a company's offerings apart from those of rivals [8]. If a product or service has values and benefits that are unique from those of the competition, customers will be particularly interested in using it [9]. Consumers today favor businesses or organizations that offer more inventive and unique goods with alluring characteristics. Consumer expectations will be high if the company can deliver high-quality and appealing items [10]. If a product or service has values and benefits that are unique from those of the competition, consumers will be particularly interested in using it [11]. If a product or service has values and benefits that are unique from those of the competition, consumers will be particularly interested in using it [11].

Innovation and creativity are now crucial factors in determining an organization's performance, future success, and survival. However, innovation and creativity are complicated phenomena that call for a leader's abilities, particularly in the setting of SME firms. Leaders will be able to compete with rivals and draw in customers if they can build creative and innovative capabilities for their products. Decisions made by consumers when making purchases are the outcomes of formulas created by businesses for personalized items [13]. The function of creativity and innovation is required to produce products in the environment of SMEs, particularly handicrafts in the city of Bandung.

Bandung has a lot of promise in a number of economic sectors, particularly the handicraft industry sector. The city is made up of mountainous, hilly, and coastal (sea) landscapes. It is anticipated that Bandung's economy will continue to grow rather quickly in the future, particularly thanks to the expansion of the creative sector, which enables SMEs to support economic activity in a number of West Javan villages, sub-districts, and regencies. The expansion of small and medium-sized businesses (SMEs) is crucial for the local economy, and employment and economic growth both affect how development outcomes are distributed to allow for proper development.

The provisions of RI Law number 9 of 1995, which was followed by RI Government Regulation number 32 of 1998 regarding the development and development of small businesses, indicate the significant role that Micro, Small, and Medium Enterprises (MSMEs) play in the development of the people's economy [2]. This study is being suggested to bridge the knowledge gap, particularly in terms of researching product innovation and originality in the context of the handicraft sector in the city of Bandung. Even while a lot of scholars are interested in creativity and product innovation [13];[1]), there are still very few who focus on SMEs, particularly the handicraft industry in the city of Bandung. As for how the problem is formulated in this study, it is whether product creativity and innovation have an impact on consumer purchasing decisions as well as whether product innovation has an impact on customer satisfaction.

## 2. LITERATURE REVIEWS

### 2.1. Creativity Concept

Currently Small and Medium Enterprises (SMEs), especially in the handicraft industry, creativity plays an important role in helping economic growth, especially SMEs. [4] stated that creativity is a process or ability that reflects fluency, flexibility (flexibility), and originality in thinking, as well as the ability to elaborate (develop, enrich, detail), an idea that emphasizes aspects of the process of change (innovation and variation). [14] mentioned that creativity is a result of the thoughts of a person/organization to create meaningful work. According to Ernawati (2020) creativity is an accumulation of company ideas in the form of ideas that differentiate from competing products. [14] says creativity is incorporating novelty and usability in products or services. This view holds that people who create must feel novelty and useful. In this case, a novelty does not eliminate the originality, and the characteristics of the product itself. But without some form of public recognition, it is not creativity [15].

Definitions that focus on creative products emphasize originality, as stated by Baron who states creativity is the ability to produce/create something new.. This shows that creativity can be stimulated by using it systematically through curiosity about the development of product trends [16]. Creativity can also be stimulated by using it systematically through the development of ideas and strengths that are owned with the aim of building images and various ideas that can be utilized to become something profitable. Currently, intensive training is something that can be provided to develop the creativity of SMEs in order to build consumer perceptions so as to provide satisfaction. The study from [13] states that there is an influence between product creativity on consumer satisfaction. The context of Small and Medium Enterprises (UKM) plays a role in assisting in absorbing labor as well as playing a role in developing the creative economy and providing value to consumers so that consumers have satisfaction.

*H1: Creativity affects consumer satisfaction*

### 2.2. Innovation Concept

When you hear the term innovation, it means the creation of something new by an organization to be able to satisfy its customers and increase market share. Because the goal of innovation is to present something new that is unique that competitors do not have. According to [17], innovation is used for strategic orientation towards customer satisfaction, loyalty, and to gain market potential that can increase market share. Innovation can be in the form of new products or new concepts derived from systematic research and new ideas and is described as the process of turning inventions or ideas into products that customers buy and provide financial benefits to providers.

Innovation is the consumer's view of products or services that have a novelty value that is born from the latest ideas. [3] explains that innovations made by companies or organizations are not just new products, but create opportunities in carrying out service methods that can provide value to consumers. Companies are able to create new assessments or ideas that can offer innovative products accompanied by improved services [18]. According to [14] stated that innovation is an activity that must be carried out through the development of products to meet consumer needs. According to [2], Innovation is the foundation or presentation of value. Innovation includes the generation of ideas and the adoption and execution of new ideas in processes, products and services. Nowadays innovation becomes more important when organizations adopt the technology used in it [6]. However, innovation is no longer carried out within organizations in today's dynamic and sophisticated world, and it is beyond organizational boundaries. Therefore, organizations seek knowledge, information and external partners as valuable sources of innovation [11]. This has changed the organizational approach from closed innovation to open innovation. [19] believed that innovation in product presentation results in

organizational preservation and growth which ultimately leads to socio-economic growth and development in developing countries [17].

[19] emphasizes the importance of providing maximum satisfaction to customers through innovation. Customer satisfaction is an after-purchase evaluation in which the chosen alternative can provide results that equal or exceed customer expectations, while dissatisfaction arises when the results obtained do not meet customer expectations. The results of this study are supported by the research of [10] which states that product innovation contributes significantly to consumer satisfaction. Likewise with [13] who stated that product innovation has an effect on organizational marketing performance.

H2: Product innovation affects consumer satisfaction

### 2.3. Customer satisfaction

Many previous studies have shown that getting new customers is very expensive, and the difficulty that is often experienced by small and medium businesses is retaining current customers. The concept of satisfaction itself shows the feeling that consumers have satisfaction with what is received, either product or service [20]. Thus, organizations need to understand how to build customer satisfaction with the product or service they want to provide. Satisfied consumers have a positive impact on the organization to build a good image. According to [21] the impact of perceived satisfaction will bring about loyalty, word and reputation for the organization. In general, satisfaction can also be considered as the most important factor in building a sustainable business. According to [22] the quality factor provided by either product or service is one of the determinants of consumer satisfaction. Therefore, consumers can feel satisfaction by determining whether a product or service received can meet expectations or vice versa.

According to [23] Consumer satisfaction is a term that identifies that the products provided by the company to its customers can satisfy. In an era of increasingly high competition, every business strives to provide products or services that can generate satisfaction and added value for consumers. In the context of SMEs, customer satisfaction has a positive influence on repurchase intentions [24]. Customers are always loyal and satisfied if the company makes products according to their needs. [4], argues that product repurchase will depend on customer satisfaction. Even though some companies provide good quality products to customers, sometimes it is still lacking. due to lack of customer interaction and not understanding precisely the information about customer needs due to lack of awareness of changing technology and trends. According to researchers, sometimes companies fail to achieve customer satisfaction by providing high-quality features that customers think are not important from their point of view [25].

H3. Customer satisfaction is influenced by creativity and product innovation

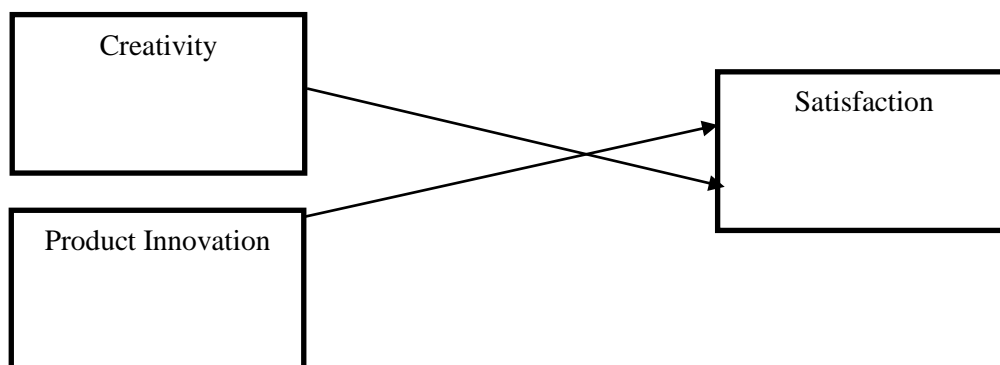


Figure 1 Research thinking framework

### 3. METHOD

Researchers in this study employed multiple regression analysis methods as part of a quantitative analysis strategy. There were 110 consumer respondents in the sample for this study. Non-probability sampling combined with incidental sampling was the sampling strategy used in this investigation. An approach to sampling that relies on coincidence to determine if a sample matches as a sample is known as

incidental sampling. In this study, observation, interviews, and questionnaires were employed as the data sources and collection methods. A variety of local government publications, business magazines, journals, and textbooks were used to obtain secondary data. The method used to gauge customer satisfaction (Y), product innovation (X1), and creativity (X2).

#### 4. RESULTS AND DISCUSSION

Table 1. Results of Validity Test

Variable	Items	r count	r critical	Conclusion
Creativity (X1)	x1	0.735	0.30	Valid
	x2	0.729	0.30	Valid
	x3	0.573	0.30	Valid
	x4	0.636	0.30	Valid
	x5	0.829	0.30	Valid
Product Innovation (X2)	x6	0.746	0.30	Valid
	x7	0.647	0.30	Valid
	x8	0.868	0.30	Valid
	x9	0.673	0.30	Valid
	x10	0.635	0.30	Valid
Customer Satisfaction (Y)	Y1	0.642	0.30	Valid
	Y2	0.576	0.30	Valid
	Y3	0.567	0.30	Valid

By examining each item above the threshold r, the table above demonstrates that the statement items for each variable—X1 (creativity), X2 (product innovation), and Y (consumer satisfaction)—are genuine. This is how the reliability test appears:

Table 2. Results of Reliability Test

Variable	Items	Cronbach's Alpha	Information
Creativity (X1)	x1	0.753	Reliable
	x2	0.742	Reliable
	x3	0.765	Reliable
	x4	0.734	Reliable
	x5	0.725	Reliable
Product Innovation (X2)	x6	0.750	Reliable
	x7	0.751	Reliable
	x8	0.763	Reliable
	x9	0.762	Reliable
	x10	0.755	Reliable
Customer Satisfaction (X3)	y1	0.764	Reliable
	y2	0.753	Reliable
	y3	0.763	Reliable

Table 2 above demonstrates the validity and reliability of the statement items for the variables X1 (creativity), X2 (product innovation), and Y (consumer satisfaction). The following is the results of multicollinearity test:

Table 3. Results of Multicollinearity Test

Coefficients			
Model	Collinearity Statistics		
	tolerance	VIF	
1 Creativity (X1)	.693	1,443	
Product Innovation (X2)	.741	1,350	
a. dependent variable: Customer Satisfaction (Y)			

There are no issues in the regression model due to multicollinearity between the independent variables, according to the calculation results in Table 3 above. Following are the outcomes of the multiple linear analysis:

Table 4. Multiple Regression Analysis

Model	Coefficients <sup>a</sup>							
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	correlations		
	B	std. Error	Betas			Zero-order	partia l	Part
1 (Constant)	2,735	2,507		1,091	.278			
Creativity (X1)	.299	.120	.179	2,499	.014	.487	.222	.154
Product Innovation (X2)	.521	.102	.379	5,098	.000	.629	.422	.315

a. Dependent Variable: Customer satisfaction (Y)

According to the calculations shown in Table 4, the acquisition value of constant (a) is 2.735, the regression coefficient on the creativity variable is 0.299, and the regression coefficient on the product innovation variable is 0.521. This yields the following regression equation:

$$Y = 2.734 + 0.299 X1 + 0.521 X2$$

This demonstrates that there is a positive relationship between an organization's creativity and product innovation, particularly the handicraft industry in the city of Bandung, and the perceived level of consumer satisfaction when purchasing a good. Following are the findings of the correlation analysis:

Table 5. Correlation Analysis

Summary models				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.735 <sup>a</sup>	.542	.530	3.79173

a. Predictors: (Constant), Innovation (x2), creativity (x1)

Based on the calculations in Table 5, the results indicate that the multiple correlation coefficient (R) has a value of 0.735. This indicates that the findings are in the range of 0.60 and 0.79. This demonstrates the close connection between creativity and product innovation and customer satisfaction. The following is the hypothesis test:

Table 6. Results of Hypothesis Test

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	2038085	3	679,362	47,245	.000 <sup>b</sup>
	residual	1725.262	120	14,377		
	Total	3763347	123			

a. Dependent Variable: Customer satisfaction (Y)

b. Predictors: (Constant), Product innovation (X2), creativity (X1)

The regression model is obtained by 47.245 with a p-value of 0.000, according to the findings of the hypothesis test in Table 6 above. The findings thus demonstrate that H1 is respectable and affects consumer happiness. Following are the effects of X1's influence on Y:

Table 7. Results on the Influence of Creativity on Customer Satisfaction

Variable	tcount	Prob (sig)	H0	Information
Creativity (X1)	5,368	0.000	Rejected	Significant at $\alpha = 0.05$

A value bigger than the t-table value is achieved at a significance level of 5% ( $5.368 > t \text{ table} = 1.980$ ), which means that H0 is rejected at the level = 0.05 and the H0 test is rejected because 0.000 < 0.05 (see Table 7), which illustrates the magnitude of the tcount value when compared to the t-table. The

following test will determine whether variable X2 (product innovation) has an impact on variable Y (consumer satisfaction):

Table 8. Results on the Influence of Product Innovation on Customer Satisfaction

Variable	tcount	Prob (sig)	H0	Information
Product innovation (X2)	2,479	0.014	Rejected	Significant at $\alpha = 0.05$

Table 8's findings demonstrate that, at a significance level of 0.05, the t count value is higher than the ttable value ( $2.479 > t_{table} = 1.980$ ). This indicates that at the threshold of  $\alpha = 0.05$ , H0 is rejected. The H0 test is failed based on these data, which also show that there is a significant impact of product innovation variables on customer satisfaction (0.014 < 0.05). The coefficient of determination's findings are displayed as follows:

Table 9. Results of Determinant Coefficient

Summary models				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.736a	.542	.530	3.79173

a. Predictors: (Constant), Product innovation (X2), Creativity (X1)

According to Table 9, the acquisition coefficient of determination (R<sup>2</sup>) is 0.542. These findings show that this value simultaneously has a 54.2% influence on Y (Customer satisfaction) from the variables X1 (Creativity) and X2 (Product Innovation). While additional variables not included by the variables under study have an impact on 45.8% of the population. By multiplying the value of the standardized coefficients with the zero-order correlation shown in the following table, one may determine the size of each of these influences:

Table 10. Standardized coefficients and Zero-order correlation

Partial coefficient of determination					
Model	Coefficients	correlations			
		Standardized Coefficients	Zero-order	partial	Part
1	(Constant)				
	Creativity (X1)	.379	.629	.422	.315
	Product innovation (X2)	.179	.488	.222	.154

a. Dependent Variable: Customer satisfaction (Y)

As a result, the numbers in the above table are  $0.379 \times 0.629 = 0.238$ . This indicates that the handicraft industry in the city of Bandung contributes 23.8% to explaining or influencing customer happiness. The impact of product innovation on customer satisfaction is now 0.087. As a result, this demonstrates that in the city of Bandung, there is an 8.7% contribution to the explanation of customer satisfaction with handicraft industrial items. The hypothesis testing recapitulation is as follows:

Table 11 Summary

No.	hypothesis	Statistics	coef reg $\beta_i$	Thit	Sig.	$\alpha$	Test decision	Influence
1.	Product creativity effect on customer satisfaction	H0 : $\beta_2 = 0$ H1 : $\beta_2 \neq 0$	0.520	5,098	0.000	0.05	H0 is rejected X1 has a direct effect on Y	23.8%
2.	Product innovation	H0 : $\beta_1 = 0$	0.120	2,499	0.014	0.05	H0 is rejected	8.7%

affects customer satisfaction H1 :  $\beta_1 \neq 0$

X2 has a direct effect on Y

Total influence

54.2%

## 5. CONCLUSION

The findings of this study suggest that creativity and product innovation have a good impact on customer satisfaction in Pacitan City, East Java Province, based on the research rationale provided above. Research by [13], [21], and [23], which argues that product innovation and creativity can affect customer satisfaction, supports these results and findings. This research further emphasizes the necessity of product development, particularly in the context of SMEs, in order to improve sales, especially given the current competitive environment. There are a number of options that may be used to ensure that the handicraft sector in Bandung remains productive and performs well, including coaching, technological learning, and product development training.

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