

The impact of innovation credit on purchase decisions

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Abstract

The image of being innovative is associated with multiple benefits for brands, such as increased customer satisfaction and loyalty. Therefore, in many industries, we observe frequent new product introductions and a true hype about being innovative. However, investigations on the economic impact of this brand innovativeness are missing. Using data from the consumer packaged goods industry, we develop different measures for brand innovativeness and investigate the effect on consumers' brand choice. We specify a random utility model and estimate a heterogeneous multinomial logit model to measure the impact of brand innovativeness on brand choice probabilities. Preliminary findings suggest no significant effect and thus, no direct economic gains from brand innovativeness. This information alleviates the common opinion that brands must constantly innovate to be successful and might release managers from the public pressure to introduce new products in increasingly rapid cycles.

Subject Areas: *New Product Development and Launch, Product Management*

Track: Innovation Management & New Product Development