

The Impact of Product Innovation and Service Quality on Customer Loyalty (Literature Review)

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ABSTRACT

This study aims to analyze the influence of product innovation and service quality on customer loyalty through a literature review approach. Increasingly fierce business competition demands that companies continuously innovate and provide quality service to maintain customer loyalty. The research method used was a qualitative approach with a literature review. This approach involved examining various scientific journals, books, articles, and previous research relevant to product innovation, service quality, and customer loyalty. The results of the study indicate that product innovation has a positive effect on customer loyalty because innovative products can provide added value, attract consumer interest, and meet customer needs in line with market developments. Furthermore, service quality also has a significant influence on customer loyalty by creating customer satisfaction, trust, and comfort in using a product or service. Good service can foster a positive relationship between a company and its customers, thereby increasing repeat purchases and customer commitment to the company. Furthermore, the combination of product innovation and service quality can increase customer loyalty optimally and sustainably. Therefore, companies need to continuously develop innovative products and improve service quality to maintain competitiveness and foster long-term customer loyalty.

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Introduction

The development of the business world in the current era of globalization has been undergoing very rapid and dynamic changes. Advances in technology, the expansion of information, and shifts in people's lifestyles have intensified competition among companies. Every company is required to keep pace with market developments in order to survive and grow amid increasingly competitive conditions. Companies no longer compete solely on product prices, but also on product quality, service excellence, and customer satisfaction.

These conditions compel companies to formulate appropriate marketing strategies to attract consumer attention and retain customers over the long term (Maharani & Bella, 2026).

In the modern business environment, customers represent one of the most valuable assets for a company. A company's success is not determined merely by the number of new customers acquired, but also by its ability to retain existing customers. Loyal customers generate positive impacts for the company, as they tend to make repeat purchases on a continuous basis and demonstrate strong commitment to the products or services they use. In addition, loyal customers can also support the company through word-of-mouth promotion to the wider community. Therefore, customer loyalty has become one of the primary objectives pursued by every company (Anggraeni & Ismail, 2026).

According to Warsito and Si (2021), customer loyalty refers to a form of customer commitment to a product or service, reflected in consistent repeat-purchase behavior. Customer loyalty does not develop instantly; rather, it requires a long process shaped by customer experiences in using products and receiving services from the company. Customers who are satisfied with the products and services provided are more likely to continue using those products rather than switching to competitors. Conversely, if a company fails to meet customer expectations, customers will easily move to other companies perceived as better able to deliver satisfaction.

One of the factors that can influence customer loyalty is product innovation. Product innovation refers to a company's efforts to create renewals or developments in its products in order to meet the constantly changing needs and preferences of consumers. Today, consumers tend to be more attracted to products that offer uniqueness, quality, and added value compared to others. Therefore, companies need to continuously innovate in order to keep up with market trends and evolving consumer demands.

Product innovation can take various forms, such as creating new designs, improving product quality, adding product features, or offering more attractive product variations. Companies that are capable of implementing product innovation will find it easier to capture consumer attention, as the products offered are perceived as more modern and aligned with customer needs. Moreover, product innovation can enhance a company's competitiveness in the market, enabling it to maintain its existence over the long term. Through product innovation, customers gain new benefits and experiences, which can increase customer satisfaction and, ultimately, customer loyalty toward the company.

In addition to product innovation, service quality is also a crucial factor influencing customer loyalty. Service quality refers to a company's ability to provide the best possible service to customers in accordance with their expectations and needs. High-quality service creates feelings of comfort, security, and satisfaction, making customers feel valued by the company. In increasingly intense business competition, service quality serves as a key differentiating factor among companies (Akbar et al., 2025).

Service quality encompasses various aspects, including service speed, employee friendliness, accuracy in serving customers, the ability to provide clear information, and the

company's capability to handle customer complaints. Good service delivers positive experiences that foster customer trust in the company. Conversely, poor service can lead to customer dissatisfaction and prompt customers to switch to competitors. Therefore, companies must continuously improve service quality in order to build strong relationships with customers (Wahono et al., 2022).

The relationship between product innovation and service quality and customer loyalty is very close. Innovative products that are not supported by good service may not optimally generate customer loyalty. Likewise, excellent service without ongoing product innovation may cause customers to become bored and turn to other, more appealing products. Hence, companies need to balance product innovation and service quality to deliver maximum customer satisfaction.

Based on various previous studies, product innovation and service quality have been proven to have a positive effect on customer loyalty. Customers tend to be more loyal to companies that are able to offer high-quality, innovative products supported by satisfying services. This indicates that customer loyalty is influenced not only by product quality, but also by customer experiences throughout their interactions with the company. Therefore, companies must recognize the importance of product innovation and service quality as strategic efforts to enhance customer loyalty. A company's ability to create innovative products and deliver high-quality services will provide added value that strengthens customer trust and satisfaction. When customers feel satisfied and comfortable, they are more likely to remain loyal to the company's products or services over the long term.

Based on the above discussion, the focus of this literature review article is to examine and analyze the influence of product innovation and service quality on customer loyalty, drawing on relevant theories and findings from previous studies. This article is expected to provide insights into the importance of product innovation and service quality in fostering customer loyalty and to serve as a reference for future research.

Method

The research method employed in this article adopts a qualitative approach using a literature review design, which aims to examine and analyze various theories, concepts, and findings from previous studies regarding the influence of product innovation and service quality on customer loyalty. The data used are secondary data obtained from scientific journals, reference books, academic articles, undergraduate theses, and various reliable publications relevant to the research topic.

Data collection was conducted through a systematic literature search from multiple academic sources using keywords related to product innovation, service quality, and customer loyalty. The selected sources were then screened based on their relevance and the quality of the information provided. Subsequently, the data were analyzed using a descriptive qualitative method by grouping, comparing, interpreting, and synthesizing the findings of previous studies in order to obtain a systematic and comprehensive understanding of the role of product innovation and service quality in enhancing customer loyalty amid increasingly intense business competition (Afiyanti, 2020).

Results and Discussion

Based on the results of a literature review of various previous studies, it can be concluded that product innovation and service quality play a highly important role in enhancing customer loyalty. Customer loyalty is one of the primary objectives of companies, as loyal customers provide long-term benefits through repeat purchases, recommendations to others, and a strong commitment to continue using the company's products or services. In increasingly competitive business environments, companies are not only required to produce high-quality products, but also to deliver excellent service to their customers.

1. The Effect of Product Innovation on Customer Loyalty

Product innovation is one of the key factors in maintaining customer loyalty. The continuously evolving needs and preferences of consumers require companies to create innovative, unique products that are aligned with market trends. Innovative products can provide new experiences for customers, encouraging them to continue using the products. According to the relevant theories, product innovation refers to the process of product development carried out by companies to deliver added value to consumers. Product innovation does not only involve the creation of entirely new products, but also includes the development of features, designs, quality, and benefits of existing products. Through innovation, companies are able to enhance product attractiveness, thereby fostering customer satisfaction and loyalty.

Previous research conducted by Amongraga indicates that product innovation has a positive and significant effect on customer loyalty. This finding suggests that the better the product innovation implemented by a company, the higher the level of customer loyalty toward its products. Customers tend to be more attracted to products that offer novelty, uniqueness, and superior benefits compared to competing products. Moreover, product innovation can also strengthen customer trust in the company. Products that undergo continuous development demonstrate the company's ability to respond to changing market needs. This condition makes customers feel that the company is consistently striving to provide the best products for its consumers. As a result, customers become less likely to switch to competing products because they are satisfied with and confident in the products they use. Indicators of product innovation—such as product novelty, customer orientation, frequency of new product introductions, product contribution to the market, and customer value—are essential aspects in building customer loyalty. Products that provide greater benefits, convenience, and quality will increase customer satisfaction and encourage sustainable repeat purchases.

2. The Effect of Service Quality on Customer Loyalty

In addition to product innovation, service quality is also a major factor influencing customer loyalty. High-quality service creates feelings of satisfaction, comfort, security, and appreciation among customers. In modern business contexts, customers evaluate products not only based on their physical quality, but also on the service experience provided by the

company. According to established theories, service quality consists of five main dimensions: tangibles, reliability, responsiveness, assurance, and empathy. These dimensions serve as benchmarks for assessing a company's service quality. When the services provided meet or exceed customer expectations, customers are more likely to feel satisfied and develop loyalty.

Research findings indicate that service quality has a positive effect on customer loyalty. Good service is capable of creating an emotional bond between customers and the company, making customers feel comfortable and loyal in continuing to use the company's products or services. Customers who receive friendly, prompt, accurate, and professional service tend to have positive and memorable experiences.

Other studies conducted by Sakyarsih also reveal that consistent and superior service quality can enhance customer satisfaction, which ultimately leads to increased customer loyalty. This demonstrates that service quality is a crucial strategy for retaining customers amid intensifying business competition. High service quality also contributes to improving a company's image in the eyes of customers. Customers who are satisfied with the service are more likely to provide positive recommendations to others through word-of-mouth communication. This condition helps companies attract new customers while retaining existing ones. Conversely, poor service can lead to customer dissatisfaction and encourage customers to switch to competitors perceived as offering better service.

3. The Effect of Product Innovation and Service Quality on Customer Loyalty

Product innovation and service quality are interrelated and mutually reinforcing factors in creating customer loyalty. Innovative products that are not supported by good service may not be sufficient to optimally generate customer loyalty. Conversely, excellent service without ongoing product innovation may lead customers to feel bored and seek more attractive alternatives offered by competitors. Therefore, companies need to balance product innovation and service quality in order to deliver maximum customer satisfaction. High-quality and innovative products can capture customer interest, while excellent service fosters comfort and emotional connections with customers. When both factors are implemented effectively, customer loyalty is likely to increase.

Based on the findings of various previous studies, product innovation and service quality have been proven to exert a positive influence on customer loyalty. Customers tend to be more loyal to companies that provide products aligned with their needs and supported by satisfying services. High customer loyalty yields positive outcomes for companies, including increased sales, higher profitability, and sustained competitive advantage in the long term.

Conclusion

Based on the findings of the literature review on the influence of product innovation and service quality on customer loyalty, it can be concluded that product innovation and service quality are two crucial factors that have a positive effect on enhancing customer

loyalty. Product innovation is able to create consumer appeal through novelty, uniqueness, quality improvement, and the product's ability to meet the continuously evolving needs and preferences of customers. Innovative products provide added value and new experiences for customers, thereby increasing satisfaction and encouraging sustained repeat purchases.

In addition, service quality plays a highly significant role in fostering customer loyalty. High-quality service that is prompt, friendly, accurate, and professional can create feelings of comfort, security, and satisfaction among customers. Optimal service quality helps build emotional bonds and trust between customers and the company, leading customers to remain loyal to the company's products or services.

The results of various previous studies indicate that the combination of strong product innovation and high service quality can enhance customer loyalty more effectively. Companies that are able to offer innovative products while simultaneously delivering high-quality services will find it easier to retain customers and succeed in business competition. High levels of customer loyalty generate positive outcomes for companies, including increased sales, the creation of word-of-mouth promotion, and the strengthening of long-term competitive advantage.

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