

ANALYSIS OF PRODUCT QUALITY AND PRODUCT INNOVATION ON CONSUMER LOYALTY OF CONVECTION COMPANIES

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Abstract

In today's competitive marketplace, businesses face the ongoing challenge of fostering consumer loyalty to sustain their market presence and growth. The purpose of this study is to examine the effect of Product Quality and Product Innovation on Consumer Loyalty of Fizzul Putra Mandiri Convection in Jombang Regency. The study population consists of consumers from Fizzul Putra Mandiri Convection in Jombang Regency, specifically regular customers. This research employs a quantitative approach, with a fixed sample size of 85 regular consumers. Drawing from information provided by Fizzul Putra Mandiri Convection, the sampling method utilizes the saturated sample technique, encompassing the entire population as respondents. Data were collected through a questionnaire and processed using the Structural Equation Model (SEM) with SmartPLS 3 software. The results revealed that product quality had an insignificantly positive effect on consumer loyalty. This suggests that higher product quality is associated with increased consumer loyalty, though the effect is not statistically significant. In other words, a minor increase in product quality leads to a slight rise in consumer loyalty, and a slight decrease in product quality results in a slight decrease in consumer loyalty. Conversely, product innovation significantly and positively influences consumer loyalty, indicating that higher levels of product innovation led to higher consumer loyalty, while lower levels of product innovation result in lower consumer loyalty. Additionally, the study demonstrates a positive and significant correlation between product quality and product innovation. This suggests that higher product quality is linked to greater product innovation, whereas lower product quality is associated with reduced product innovation.

Keywords: *Consumer Loyalty, Product Innovation, Product Quality*

1. INTRODUCTION

Activities of companies operating in both the services and goods sectors share a common goal, which is to generate profits. Additionally, companies aim to provide customer satisfaction with their produced products, as customer contentment serves as a measure of a company's success in delivering quality products. In achieving the right and best marketing strategy to implement, one of the factors that companies can consider is marketing. This is crucial because marketing constitutes a fundamental aspect of market opportunities in consumer decision-making for product purchases. Failure to be attuned to consumer needs will undoubtedly result in missed opportunities to attract consumers, rendering the products offered ineffective.

Consumer needs are a paramount and primary concern for every business, especially within the realm of the garment industry. This is due to the competitive environment where garment businesses strive to compete for consumer loyalty. In this competitive landscape, a successful garment business that builds a solid and loyal consumer base through superior service or products at competitive prices has a greater potential to attract consumers. Satisfied consumers indicate a strong likelihood of

remaining loyal to the company for long-term purchases (Farisi & Siregar, 2020; Simanjuntak & Purba, 2020).

The garment business, particularly in mass-producing clothing based on demand, holds promising profit potential due to changing trends and the evolution of clothing from a basic necessity to a lifestyle choice. The garment industry in Indonesia has experienced rapid growth due to high market demand, especially in Kabupaten Jombang. One such business striving to maintain and enhance consumer loyalty is Konveksi Fizzul Putra Mandiri. This business prioritizes quality over superior service, offering products such as school uniforms, sports costumes, and batik attire. The production of school uniforms, costumes, and batik clothing related to schools is the primary focus of Konveksi Fizzul Putra Mandiri, which is developed and upheld with a strong sense of work responsibility to provide excellent service to every consumer. The business has also expanded its offerings to include shorts, jackets, and t-shirts, with marketing efforts extending to the eastern regions of Sulawesi, North Maluku, and Maluku.

The garment industry's commodities are products in constant demand for household, office, industrial, and governmental needs. Behind the promising business potential, challenges are faced by business entities, particularly Konveksi Fizzul Putra Mandiri, including fluctuations in raw material prices that can impact production capacity and potentially lead to rapid depletion of business capital. This situation results in price increases for garment products, making it challenging to compete with competitors, especially imported garment businesses. Likewise, from the consumer perspective, they may turn to cheaper and higher-quality consumer products.

The significance of efforts to enhance consumer loyalty underscores the importance of identifying factors or variables that directly influence consumer allegiance. The first variable is product quality, a marketing strategy aimed at differentiating a business's products or services from competitors (Ibad, 2020). Successful product quality begins with the identification and creation of unique product qualities while observing differences between the offering and competitors. Product quality evolves alongside the development of a strong value proposition to make products more appealing to the market.

2. LITERATURE REVIEW

2.1. Product Quality

One of the primary values expected by customers from manufacturers is product quality. According to the American Society for Quality Control, quality refers to the overall characteristics and attributes of a product or service that affect its ability to satisfy stated or implied needs. (Kotler & Keller, 2016) state that product quality encompasses the totality of features and characteristics of a product or service that has the capacity to satisfy implied needs, and (Kotler & Keller, 2016) define it as the characteristics of a product or service that enable it to meet stated customer needs. According to Garvin as cited in (Aditiya et al., 2022), there are seven dimensions of quality, including:

- a. Performance, which relates to the functional aspects of a product and is the primary consideration for customers when making a purchase.
- b. Features, which enhance the basic functions of a product by providing options and developments.
- c. Reliability, which pertains to the likelihood that a product will perform successfully within a specific period under certain conditions.

- d. Conformance, which concerns the degree to which a product aligns with pre-established specifications based on customer preferences.
- e. Durability, which measures the lifespan of a product. Serviceability, which involves characteristics such as speed/politeness, competency, ease, and accuracy in repairs.
- f. Aesthetics, which relates to subjective beauty and personal reflection of individual preferences.
- g. Perceived Quality, which is subjective and pertains to customer feelings while consuming a product, such as enhancing self-esteem.

2.2. Product Innovation

Innovation is a corporate choice to address market competition and sustainable management. (Kahn, 2018) views innovation as a company's effort through the use of technology and information to develop, produce, and market new products. In other words, innovation involves continuous modification or idea discovery for improvement and development to meet customer needs. (Dachi, 2020) explains stakeholder involvement in innovation as applied by entrepreneurs in the context of entrepreneurial development. Recent research highlights that innovation extends beyond products and services to encompass technological innovation concepts that offer opportunities for individuals to discover, develop, disseminate, and decentralize applications, thereby revolutionizing entrepreneurship. (Lukas & Ferrell, 2000) identify indicators of product innovation:

- a. Line Extensions, where the company's produced product is not entirely new but relatively new to a market.
- b. Me-Too Products, which are new for the company but not new for the market.
- c. New-to-the-World Products, which are new for both the company and the market.

2.3. Customer Loyalty

According to (Rangkuti, 2006), "Customer loyalty is the allegiance of customers to the company, brand, or product." (Sutisna, 2002) defines loyalty as a favorable attitude towards a brand demonstrated by consistent purchases of the brand over time. (Tjiptono, 2007) states, "Customer loyalty is the commitment of customers to a brand, store, or supplier based on a highly positive nature in long-term purchases." Loyalty to a brand is obtained through a combination of satisfaction and complaints, with customer satisfaction stemming from the company's performance in minimizing complaints to achieve long-term customer purchases. According to (Kotler & Keller, 2016), indicators of customer loyalty include:

- a. Repeat Purchase of the product,
- b. Retention despite negative influences about the product, and
- c. Referrals to others.

3. RESEARCH METHODS

This type of research falls under the category of quantitative research, where the aim is to explore the relationships and influences between one variable and other variables. (Sugiyono, 2016) states that quantitative research is aimed at understanding the relationships between two or more variables. This research was conducted in a garment company in Jombang, East Java.

The research population consists of permanent customers of garment companies in Jombang, East Java, and the research sample uses a saturated sample because the population is below 100, thus the entire population is used as the sample. This research employs a quantitative method and data analysis is performed using SmartPLS version 3. According to (Abdillah, n.d.), PLS (Partial Least Squares) is a variance-based structural equation modeling (SEM) that can simultaneously conduct testing of measurement models as well as testing of structural models. The measurement model is used for validity and reliability testing, while the structural model is used for testing causality (hypothesis testing using the prediction model).

4. RESULTS AND DISCUSSION

4.1. Research Result

4.1.1. Evaluation of Measurement (Outer) Model

A. Validity Test

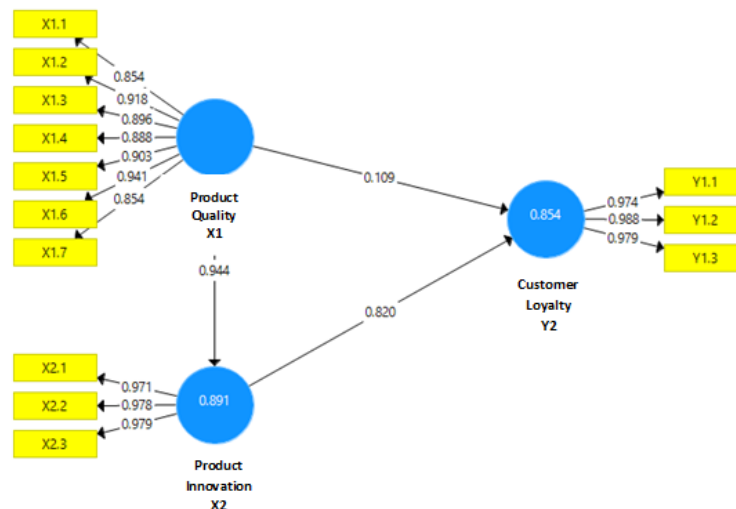


Figure 1. Loading Factor Value

Discriminant Validity:

Table 1. Result of Cross Loading

	Product Quality (X1)	Product Innovation (X2)	Customer Loyalty (Y1)
X1.1	0.854	0.709	0.656
X1.2	0.918	0.841	0.817
X1.3	0.896	0.822	0.772
X1.4	0.888	0.890	0.803

X1.5	0.903	0.830	0.731
X1.6	0.941	0.925	0.850
X1.7	0.854	0.861	0.869
X2.1	0.971	0.914	0.844
X2.2	0.978	0.921	0.951
X2.3	0.979	0.928	0.906
Y1.1	0.903	0.859	0.974
Y1.2	0.917	0.870	0.988
Y1.3	0.896	0.870	0.979

Average Variance Extracted (AVE):

Table 2. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Product Quality (X1)	0.799
Product Innovation (X2)	0.952
Customer Loyalty (Y1)	0.961

B. Reliability Test

Table 3. Result of Composite Reliability

	Composite Reliability
Product Quality (X1)	0.983
Product Innovation (X2)	0.965
Customer Loyalty (Y1)	0.987

Table 4. Result of Cronbach's Alpha

	Cronbach's Alpha
Product Quality (X1)	0.973
Product Innovation (X2)	0.975
Customer Loyalty (Y1)	0.98

4.1.2. Testing the Structural Model (Inner Model)

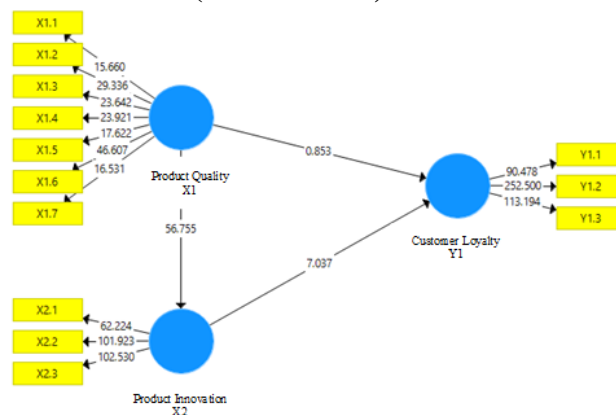


Figure 2. Result of Inner Model

A. R-Square

Table 5. R-Square Results

	R Square	R Square Adjusted
Product Innovation (X2)	0.891	0.890
Customer Loyalty (Y1)	0.854	0.851

B. Hypothesis Test

Table 6. Result of Hypothesis Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Product Quality (X1) -> Consumer Loyalty (Y1)	0.109	0.080	0.128	0.853	0.394
Product Innovation (X2) -> Consumer Loyalty (Y1)	0.820	0.851	0.117	7.037	0.000
Product Quality (X1) -> Product Innovation (X2)	0.944	0.945	0.017	56.755	0.000

4.2. DISCUSSION

Hypothesis 1:

The table 6 illustrates that the relationship between Product Quality (X1) and Consumer Loyalty (Y) is significant, with a T-Statistic of 0.834 (>1.96). The original sample estimate value is positive, at 0.109, indicating a positive relationship between Product Quality (X1) and Consumer Loyalty (Y). Thus, hypothesis H1 in this study is rejected. Product Quality does not have a significant influence on Consumer Loyalty. This suggests a positive connection between product quality and consumer loyalty, meaning that higher product quality leads to increased consumer loyalty.

Hypothesis 2:

The table 6 indicates that the relationship between Product Innovation (X2) and Consumer Loyalty (Y) is significant, with a T-Statistic of 3.938 (>1.96). The original sample estimate value is positive, at 0.769, revealing a positive relationship between Product Innovation (X2) and Consumer Loyalty (Y). Therefore, hypothesis H2 in this study, which states that Product Innovation (X2) influences Sales Volume (Y), is accepted.

Hypothesis 3:

The table 6 reveals that the relationship between Product Quality (X1) and Product Innovation (X2) is significant, with a T-Statistic of 69.168 (>1.96). The original sample estimate value is positive, at 0.962, indicating a positive relationship between Product Quality (X1) and Product Innovation (X2). Thus, hypothesis H3 in this study, asserting that Product Quality (X1) affects Product Innovation (X2), is accepted.

5. CONCLUSION

Based on the outcomes derived from the analysis using SEM (Structural Equation Modeling) and the extensive discussions undertaken throughout this study, a number of conclusions can be deduced. Firstly, while the impact of product quality on consumer loyalty might not be statistically significant, the aspect of reasonable pricing renders it attractive to devoted customers. This implies that higher levels of product quality are associated with elevated levels of consumer loyalty. Secondly, the research findings unveil that there exists a positive and noteworthy correlation between product quality and consumer loyalty, which subsequently influences the degree of product innovation. Enhanced product quality fosters increased innovation, whereas lower quality may hinder innovative efforts. Additionally, the study underscores the positive and substantial connection between product quality and the level of product innovation. Amplifying product quality corresponds to heightened innovation, while diminished quality could potentially impede innovative processes.

Moreover, building on the insights derived from the research outcomes, a range of recommendations can be offered to Konveksi Fizzul Mandiri. Firstly, it is advisable for the company to consistently uphold and augment the durability of their textile offerings. A heightened emphasis on the robustness of materials and the manufacturing process can contribute to products with prolonged longevity and greater resistance to wear and tear. Secondly, the company should prioritize research and the development of new products as an integral facet of their strategy. Product innovation stands as a pivotal means of adapting to evolving fashion trends and effectively competing within the industry. Lastly, the unwavering maintenance of product quality emerges as a paramount consideration. Beyond its impact on consumer loyalty, superior product quality also serves as a catalyst for increased product innovation, thereby yielding enduring advantages for the company.

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