THE INFLUENCE OF PRODUCT INNOVATION ON CUSTOMER LOYALTY IN THE BEVERAGE PRODUCT BUSINESS IN TANJUNGPINANG

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Abstract

One of the business goals is to be able to retain customers and make customers loyal. One of the things that makes customers loyal is product innovation, therefore product innovation is needed in every company to maintain its customers. his study aims to determine the effect of product innovation on customer loyalty of Seven Beverage Products in Tanjungpinang City. The research method used in this research is descriptive with a quantitative approach. The data analysis technique used is descriptive analysis, data quality test, classical assumption test, simple linear regression test, and hypothesis testing with the help of the SPSS 25 program. The results of this study are based on hypothesis testing, the t-test shows that product innovation has a significant effect on customer loyalty. Namely, Product Innovation (X) produces a t-value of 41,986 with a p-value of 0.000. The test results showed a p-value $(0.000) <$ level of significance $(= 5\%)$. Meanwhile, in terms of product innovation, Seven has made quite a good innovation, it can be seen from the score obtained on the results of the questionnaire. Then, customer loyalty Seven has received loyalty from its customers, it can be seen from the good score obtained from the customer loyalty variable questionnaire. The conclusion of this study shows that product innovation in Seven beverage products in the city of Tanjungpinang has a significant effect on customer loyalty, and Seven beverage products have made very good product innovations. Then on customer loyalty, Seven products have also gained loyalty from their customers.

Keywords: **Beverage Product, Customer Loyalty, Product Innovation**

1. INTRODUCTION

In this contemporary era, we are witnessing swift and continuous developments in the business landscape. The world of business has become increasingly accessible to the general public, particularly among the younger generation. Business, fundamentally, is an endeavor pursued by individuals or groups with the aim of achieving profitability. These endeavors encompass a spectrum of activities, ranging from production and sales to the acquisition of goods and services. At its core, business seeks to transform something of little value into something that holds marketable worth. Notably, this phenomenon is not limited to foreign markets; it is also thriving within the borders of Indonesia.

Indonesia is currently witnessing remarkable growth in several business sectors, attracting considerable attention from entrepreneurs, particularly among the younger generation embarking on their entrepreneurial journeys. Prominent among these burgeoning sectors are culinary enterprises, grocery stores, online ventures, and service-oriented businesses such as laundry services and barbershops. These businesses are experiencing a rapid surge in popularity and are garnering widespread affection among the Indonesian populace.

In the city of Tanjungpinang, the culinary industry is experiencing rapid expansion. The presence of culinary-focused social media accounts has played a pivotal role in aiding culinary entrepreneurs in effectively promoting their offerings to a broader audience. Moreover, the local culture of Tanjungpinang, characterized by a fervent interest in culinary tourism and food exploration, significantly contributes to the flourishing culinary scene. In this competitive landscape, each business stakeholder strives to ensure their products stand out as the best in the

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market, spanning from traditional Malay delicacies and souvenirs to contemporary creations, often crafted by young entrepreneurs. Notably, numerous products have successfully gained traction and garnered strong community support. A primary objective for these businesses is to establish and maintain customer loyalty, emphasizing the importance of retaining and satisfying their customer base.

Customer loyalty is usually formed from several causes, one of which is product innovation or development that continues to be carried out by a company/product so that it makes customers happy and comfortable to shop for these products. Previous studies have classified innovation as exploratory based on how close together technologies, products, sevices, and process are integrated (Lee et al., 2018). Product innovation is a process where a company updates or develops its products with the intention and purpose of keeping its customers loyal so that the company can always survive in the midst of fierce market competition. (Aryoni et al., 2019) state that product innovation is one of the developments of a product or a new thing that is discovered. While according to (Hasnatika & Nurnida, 2018), product innovation is a combination of various processes that affect each other between one with the other.

In Tanjungpinang there are several brands of local beverage products, namely WWW Boba Tea, Dom-dom, XXL Boba, Wieslav, and others. However, one of them is a brand of bubble tea drink products that consistently innovates its products. The beverage product is called Seven. This beverage product was launched to the market on September 7, 2017 by carrying a type of bubble tea drink that has many flavors ranging from fruit tea, fresh tea, milk tea, and chocolate. In contrast to other beverage product brands that rely on one type of drink, for example, some Thai tea brands only have types of drinks that contain milk.

Seven with its tag-line "more than just tea" tries to offer drinks that have many flavors and toppings, so not only drinks containing milk, but Seven has drinks with fruit flavors and chocolate so that consumers will still be able to choose the taste they want with the aim of not making consumers feel bored. Here are the innovations made by seven over time, for example: customers can adjust the size of the drink they want to order. Not only size, customers can also adjust the sugar content in the drink. This is done so that consumers are free to choose according to their wishes.

In terms of design changes, Seven beverage products have used packaging with a lid that is pressed directly on the top of the glass so that drinks are not easily spilled and easy to carry everywhere (a). Meanwhile, in terms of technical innovation, it has used an automatic sugar measuring machine that can make the serving process faster and hygienic (c). And for glass covers, Seven has replaced it with an automatic press (b). Furthermore, in terms of product development, Seven has also done many developments, for example: in the past Seven only had 1 glass size and now Seven adds it to 2 glass sizes, namely regular and large sizes so that customers can determine the size of the glass as they wish. In addition, Seven also added 4 topping variants, which previously 4 became 8 topping variants. Seven has also added product variants in the form of Seven Toast and Seven Ice Cream by following current developments, and it is very possible for Seven to carry out other forms of product innovations in the future. With technical innovations such as replacing automatic sugar measuring machines, it can improve service better, increase efficiency (Bitner, 2001; Meuter et al., 2000) so that it can have a positive and significant effect on consumer loyalty (Channa et al., 2022).

Before	After	Before	After	Before	After
a. Packaging		b. Glass Press		c. Sugar Measuring Machine	

Based on data collected from social media Seven (@seven7indo), until now the number of followers has reached 5663. This figure increased by almost 70% of the number of followers from the previous 2 years. If you look at the loyalty data, Seven experienced an increase in customer loyalty, which is evidenced by customers who make repeat purchases and share them on their personal Instagram social media. Loyalty can be seen from repeat purchases by consumers, this can be seen from the pattern of repeated consumer arrivals and can also be tracked through stories shared by consumers on social media about Seven drinks. This is in accordance with the statement (Dick & Basu, 1994), loyalty is define as a customer's repurchase intention and positive attitude towards a product or sevice. According to (Arif & Syahputri, 2021), customer loyalty refers to a customer's preference for the value the organization provides compared to alternative services from competing organizations.

Based on previous research by (Putra & Ekawati, 2020; Mustamu & Ngatno, 2021; Fauzi & Mandala, 2019; Sinurat et al., 2017; Santoso & Samboro, 2017; Yuliza, 2018; Dachi, 2020; Aryoni et al., 2019), it was found that product innovation has a positive and significant influence on customer loyalty. From the above problems, with the data and information obtained, researchers are interested in raising the title " **The Influence Of Product Innovation On Customer Loyalty In The Beverage Product Business In Tanjungpinang** ".

2. RESEARCH METHODOLOGY

This research adopts a quantitative research method. The sample in this study consisted of 313 respondents from Seven consumers who followed Seven's Instagram account. Data collection was conducted by distributing research questionnaires to the selected sample.

This study investigates the effects of product innovation on customer loyalty. The product Innovation variable is measured using three indicators based on (Dhewanto, 2015): Design Changes, Technical Innovation, and Product Development. The customer loyalty variable is measured using five indicators according to (Hurriyati, 2010): Make regular repurchases, make purchases outside the product/service line, recommend a product and shows the attractiveness of similar products from competitors. The data were analyzed using SPSS, including validity and reliability tests, classical assumption tests, simple linear regression, and hypothesis testing.

3. RESULTS AND DISCUSSION
3.1 Research Result
A Brief History

The birth of Seven beverage products in the city of Tanjungpinang was driven by the owner's love for bubble tea drinks or packaged drinks that are usually sold in the market, therefore precisely on September 7, 2017 the owner tried to launch seven beverage products he made to the market, by opening his first outlet at the Tanjungpinang city center Mall and carrying the theme of float drinks at that time, not too many flavor variants, at its first outlet Seven products only have 1 type of drink with 12 flavor variants, with a simple outlet design and only 1 employee, Seven continues to try to offer its products consistently to the public, and continues to make improvements and innovations

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to its products, after running for several months, Seven tries to add several types of drinks to its menu.

After running for 1 year and starting to feel development, Seven also tried to open its second branch located at Pinang City Walk, precisely on Jalan Teuku Umar with a Container-shaped outlet model. Over time Seven also continues to develop in terms of flavor variants, toppings, packaging and also up to the equipment used at this time using an automated system. And in terms of ease of shopping, all Seven outlets can now be ordered through online delivery services. And until 2020 Seven has 4 outlets located at strategic points in the city of Tanjungpinang.

3.2 Discussion

Characteristics of Respondents.

The researchers distributed questionnaires to 313 respondents from Seven consumers who followed Seven's Instagram account. Here is the data on the characteristics of the respondents:

Table 1. Characteristics of Respondents

No.	Characteristic	Number	Percentage
1	Gender		
	Male	108	34.5%
	Female	205	65.5%
2	Age		
	13-20 years	80	25.6%
	21-30 years	183	58.5%
	31-40 years	50	16%
3	Occupation		
	Student	186	59.4%
	Entrepreneur	73	23.3%
	Civil Servant	54	17.3%

Source: Primary data analysis (2023)

From the table above, it appears that the majority of respondents (65.5%) are female, then the rest (34.5%) are male. Based on age, the majority (58.5%) were respondents between the ages of 21-30, then 13-20 years (25.6%), and ages 31-40 years (16%). According to this table 59.4% is the highest percentage student, followed by entrepeneur (23.3%), and civil servants (17.3%).

Validity and Reliability Test

The following is a table of validity and reliability test results of three variables with 30 sample of respondents. The table below is the result of the validity and reliability test of each variable in research.

Table 2. Validity and Reliability Test

Variable	Item Statements	$R_{calculated}$	R_{table}	Cronbach's Alpha	Explanation
Product Innovation (X)	PI1	0.547	0.361	0.918 > 0.6	Valid and Reliable
	PI2	0.599	0.361		
	PI3	0.861	0.361		
	PI4	0.510	0.361		
	PI5	0.634	0.361		
	PI6	0.772	0.361		
	PI7	0.697	0.361		
	PI8	0.844	0.361		
	PI9	0.805	0.361		

	PI0	0.557	0.361		
	PI11	0.681	0.361		
	PI12	0.566	0.361		
	PI13	0.805	0.361		
	PI14	0.721	0.361		
	PI15	0.772	0.361		
Customer Loyalty (Y)	CL1	0.498	0.361	0.899 > 0.6	Valid and Reliable
	CL2	0.462	0.361		
	CL3	0.657	0.361		
	CL4	0.808	0.361		
	CL5	0.694	0.361		
	CL6	0.653	0.361		
	CL7	0.591	0.361		
	CL8	0.532	0.361		
	CL9	0.480	0.361		
	CL10	0.657	0.361		
	CL11	0.428	0.361		
	CL12	0.475	0.361		
	CL13	0.795	0.361		
	CL14	0.519	0.361		
	CL15	0.679	0.361		
	CL16	0.687	0.361		
	CL17	0.732	0.361		
	CL18	0.380	0.361		
	CL19	0.638	0.361		

Source: Primary data analysis (2023)

Based on table 2, each item of variable product innovation (X) and customer loyalty (Y) has a value of $r_{count} > r_{table}$ of 0.361. So, the conclusion is that all points of variable question X are statistically declared valid and worthy to be used as a variable measuring tool and can be used in the next analysis. And for the reliability test, it can be concluded that all variables are declared reliable and can be used for research data.

Multiple Linear Regression and Hypothesis Testing
Table 3. Results of Multiple Linear Regression and Hypothesis Testing

Variable	Unstandardized Beta (B)	Std. Error	Standardized beta (β)	t	P
(Constant)	21.774	1.451		15.006	0.000
Viral Marketing	0.943	0.022	0.922	41.986	0.000
R^2	0.850				
Adjusted R^2	0.850				
Observations	313				

Source: Primary data analysis (2023)

The results in table 3 revealed that product innovation significantly affects customer loyalty by causing a variance of 85% (R^2=0.850, P=0.000). This rejects the null hypothesis that there is no significant effect of product innovation on customer loyalty (p = 0.000).

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In this study, based on the results of the t test research, it can be seen that testing the hypothesis of the effect of the Product Innovation variable (X) resulted in a t value of 41.986 with a p value of 0.000. The test results show that the p value (0.000) < *the level of significance* (α = 5%) so that it can be concluded that there is a significant effect of Product Innovation on Customer Loyalty. The regression coefficient on the Product Innovation variable (β1) of 0.943 indicates that Product Innovation has a positive effect on Customer Loyalty. This means that the higher the Product Innovation, the higher the Customer Loyalty.

The results of this study are supported by research conducted by (Aryoni et al., 2019; Putra & Ekawati, 2017; Sinurat et al., 2017; Somalua et al., 2022) ho stated that product innovation has a significant effect on customer loyalty. According to the theory put forward in Masda (Putra & Ekawati, 2017) Product innovation is one of the factors most relied on by a marketer in marketing a product. Innovation will increase the added value of a product, innovation will create a new product that can provide better solutions for solving problems faced by consumers. In line with (Carbonell & Rodriguez, 2006), state that innovation is business endeavors through the use of technology an information to develop, manufacture and market new products for the business. Therefore, product innovation is one of the key factors in conducting business activities. Product innovation is considered an important factor and is one of the factors that support the development of a business or business. Innovation can help companies realize the importance of branding, not only for the successful commercialization of innovations, but also valueable tool for tailoring new offerings more with customer needs (Aaker, 2007). When product innovation is higher, it will certainly be used as a measure to grow customer loyalty, so the higher the product innovation, the higher the customer loyalty.

4. CONCLUSION

Based on the results of the research above, it can be concluded several things related to the research and the results of the discussion regarding "The Effect of Product Innovation on Customer Loyalty of Seven Drink Products in Tanjungpinang City". The results of the research conducted can be known as follows: It is known that the product innovation variable has a positive and significant effect on the customer loyalty variable, with increasing product innovation in Seven beverage products, customer loyalty will also increase.

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