

Innovation Strategy and Product Quality as the Competitive Advantage Key in Saturated Markets

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ABSTRACT

Product innovation and quality are key factors to create a competitive advantage in an increasingly competitive and saturated business environment. This study aims to analyze effective innovation strategies and the role of product quality to maintain company competitiveness and increase customer loyalty. A literature study approach was used in this research to examine various theories and empirical findings that address the relationship between innovation, product quality, and business sustainability amid intense competition. The results of the study show that continuous innovation allows companies to create added value for consumers, product differentiation, and accelerate adaptation to market dynamics. Consistent product quality plays a role in building customer trust, increasing retention, and strengthening brand position in the market. The main challenges companies face in implementing this strategy are the high cost of research and development, the risk of failing to innovate, and rapidly changing consumer preferences. A strategic approach that integrates innovation based on market needs and a strict quality control system is the key for companies to maintain their competitiveness. This research provides insights for business people regarding the importance of innovation and quality as key elements in marketing strategy and product development. The implications of these findings confirm that investments in quality improvement and innovation contribute to the sustainability of companies, and to increased customer loyalty in the long-term.

INTRODUCTION

Business competition in various industries is becoming increasingly fierce in the era of globalization and rapid digitalization. Many companies face the challenge of maintaining their market share in a saturated market, where the number of available products and services has reached a saturation point (Porter, 2008). Consumers have many similar choices so companies need to develop innovation strategies and improve product quality to maintain competitiveness (Schilling, 2020). Competitive advantage no longer depends solely on lower prices, and on a company's ability to create added value that differentiates their products from competitors (Barney, 1991). Continuous innovation strategy and product quality improvement are the main keys for companies to attract and maintain customer loyalty (Bicen & Johnson, 2015).

Certain industries such as electronics, automotive, and fast-food consumer products experience a very high level of competition, with products with similar features flooding the market (Christensen, 1997).

Companies that fail to innovate and improve quality often lose relevance in the eyes of consumers and risk declining profitability. As consumers become more aware of the quality and value of a product, they tend to choose brands that offer better user experience and more innovative features (Kotler & Keller, 2016). Understanding how innovation and quality improvement strategies can create competitive advantage has become a very important aspect for the company's business continuity in this increasingly competitive market (Abd Aziz & Samad, 2016).

One of the main problems companies face in saturated markets is the difficulty of differentiating their products from competitors. Differentiation is a big challenge for manufacturers to attract consumers' attention amid the proliferation of companies offering similar products (Porter, 2008). Many companies try to create added value through innovation, but in many cases, the innovations are not always effective in creating sustainable competitiveness (Teece, 2018). Rapid changes in consumer preferences and

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intensified competition make it difficult for companies to maintain their competitive position in the long-term (Barney, 1991).

Another issue that arises in the effort to create a competitive advantage is the pressure to maintain product quality without sacrificing production cost efficiency. Companies are often faced with the dilemma between improving product quality and keeping prices competitive (Grant, 2016). Faced with consumer demands for high-quality products, companies must find the right balance between spending on quality and efficient management of production costs (Abdul-Kader et al., 2010). This requires a thoughtful strategy in order to continue offering superior products at prices that remain attractive to consumers. If companies reduce costs too much, the risk of quality deterioration increases, which can have a negative impact on customer loyalty (Kotler & Keller, 2016). If production costs increase to improve quality, the price of the product may become uncompetitive in the market, which in turn reduces its attractiveness to consumers (Schilling, 2020). Companies must be good at managing costs and quality, in order to offer high-quality products without sacrificing price appeal in a highly price-sensitive market.

The challenge of developing effective innovation strategies is also a significant issue. Many companies find it difficult to identify innovations that are truly needed by the market, so investments in product development often do not deliver maximum results (Christensen, 1997). Product life cycles are getting shorter due to technological advances causing companies to continue to adapt quickly to meet consumer demands (Drucker, 1999). Innovations undertaken without a deep understanding of what consumers really need are risky and can result in irrelevant products, which end up wasting time and resources (Carlson & Wilmot, 2006). If companies fail to anticipate these changes, they may lose their competitiveness and be trapped in intense price competition without a sustainable advantage (Barney, 1991). Without the right innovation strategy and the ability to adapt quickly to change, companies will struggle to maintain appeal to consumers, which could ultimately lead to a decline in market share and profits.

Innovation and product quality are two key factors that determine the competitiveness of companies in an increasingly competitive business environment. A saturated market creates great challenges for companies as the products available often have almost similar characteristics making it difficult to attract consumer attention (Porter, 2008).

This research is important to understand how companies can develop innovation strategies that are attractive and able to provide real added value to customers. Increasing consumer expectations of product quality are becoming important to pay attention to, companies that fail to meet these standards risk losing market share significantly (Kotler & Keller, 2016). A more comprehensive analysis of the best strategy to maintain the balance between innovation and quality is becoming increasingly urgent in this dynamic business environment.

The urgency of this research is also related to changes in consumer behavior that are accelerating due to globalization and technological developments. Consumers today have wide access to information about products and services, which makes them more critical in choosing the products they buy (Schilling, 2020). Companies that are unable to keep up with trends and adapt to market demands have the potential to experience a decline in competitiveness (Barney, 1991). Innovations that are not aligned with consumer needs or carried out without the right strategy can be a huge financial burden for the company (Christensen, 1997; Chesbrough, 2010). This research aims to provide insights into how companies can design effective product innovation and quality improvement strategies to maintain their competitive position in a saturated market.

The purpose of this research is to analyze innovation strategies that can be implemented by companies to create competitive advantages amid increasingly saturated market conditions. Innovation is a key factor to differentiate a product or service from competitors so this research seeks to identify effective innovative approaches to maintain the relevance and competitiveness of the company. This study aims to explore the role of product quality to improve competitiveness and customer loyalty. High product quality impacts customer satisfaction and can be a major factor for building trust and long-term relationships with consumers. This research is expected to provide insight into the company's efforts to face increasingly competitive market challenges by understanding how innovation strategies and product quality improvement can be implemented effectively.

RESEARCH METHOD

The research method used in this study is a literature study approach, which aims to examine various theories, concepts, and empirical findings relevant to innovation strategies and product quality to create competitive advantage in a saturated market today.

The literature study allowed the researcher to identify current trends as well as compare various academic perspectives regarding innovation strategies and product quality improvement related to business competition. According to Snyder (2019), the literature study method can provide a more comprehensive understanding of a phenomenon by integrating the results of previous research. Various literature sources such as scientific journals, academic books, and industry reports were used to gain a broad overview of the issues discussed.

The data collection process is carried out by reviewing various publications that discuss innovation strategies and product quality to build competitive advantage. According to Schilling (2020), innovation is a key element in business strategy that allows companies to remain competitive, especially in saturated markets. This research explores various innovative approaches that have been implemented by companies in various industry sectors. The product quality aspect is also a key focus, given that research by Garvin (1987) shows that superior product quality contributes to increased customer loyalty and brand trust. This study examines the various factors that can influence the success of innovation and quality improvement strategies in modern businesses.

Data analysis was conducted using a qualitative approach through synthesizing findings from the literature collected. This approach was used to identify patterns and relationships between innovation, product quality, and competitive advantage in various published studies. According to Tranfield et al. (2003), systematic analysis in literature studies can help develop a conceptual framework that is clearer and more relevant to the problem under study. This research is expected to provide greater insight into how innovation strategies and product quality improvement can be effectively implemented to maintain the company's competitiveness in an increasingly competitive market.

RESULT AND DISCUSSION

Innovation Strategy to create Competitive Advantage in Saturated Markets

Companies must be able to implement the right innovation strategy to create a competitive advantage. One of the main strategies is product innovation that is oriented towards customer needs. According to Christensen et al. (2015), disruptive innovation can be the key for companies to create unique products that are more affordable or more accessible than competitors' products. Companies can win new market segments and avoid direct competition with dominant players.

Innovation in business models also plays an important role to improve the competitiveness of companies. Teece (2018) explains that business model innovation can include changes in the way companies generate revenue, interact with customers, or manage supply chains. Companies that are able to adapt their business models to market changes have a greater chance of surviving in a competitive environment. Adapting business models to changing market and consumer needs allows companies to create a more sustainable competitive advantage, which gives them a greater chance to survive and thrive in an increasingly competitive business environment (Lopes et al., 2019).

Another strategy that can be implemented is the utilization of technology in company operations. According to Chesbrough (2020), the concept of open innovation allows companies to collaborate with external parties, such as startups or research institutions, to accelerate the innovation process. Companies can access new resources and ideas that can strengthen their competitive position in the market. Collaboration with external parties allows companies to tap into the latest knowledge and technology that exists outside their industry, thereby enhancing their ability to create more relevant and innovative products (Dos, 1987). Open innovation is not only a way to access new ideas, but also a strategy to strengthen a company's competitive position through broader collaboration and utilization of advanced technologies that exist outside their organization.

Customer experience-based differentiation can also be an effective innovation strategy. Pine and Gilmore (2019) emphasize the importance of the "experience economy," where companies offer quality products, and unique experiences that appeal to customers. This experience covers the entire customer journey, from interaction with the brand, product purchase, to after-sales service. For example, companies such as Apple and Tesla have successfully built customer loyalty through user experiences that are different from their competitors. This customer experience is one of the main keys in maintaining a sustainable competitive advantage (Ford, 2020).

Companies also need to implement a sustainable innovation strategy. According to Porter and Kramer (2011), innovations that consider sustainability aspects improve the company's reputation and create long-term value for customers and other stakeholders. Sustainability-based innovation can include the use of environmentally friendly materials or the implementation of more ethical business practices. Sustainability-based innovation is an important strategy for companies.

Innovation strategies must be accompanied by an organizational culture that supports creativity and experimentation. Amabile and Pratt (2016) state that a work environment that encourages employees to take risks and experiment with new ideas can result in more effective innovation. This culture that supports experimentation also facilitates the search for new ideas that can give companies a sustainable competitive advantage. Companies must create a flexible organizational structure that supports cross-departmental collaboration (Song et al., 2019). Organizations that support this will also be quicker to adapt to market and technology changes.

Companies can be better prepared for the challenges that arise in an increasingly saturated market. Innovation serves as a key driver for creating sustainable competitive advantage. An effective innovation strategy includes the development of new products, the improvement of operational processes, and the application of the latest technology that can improve efficiency and service quality. For example, companies that invest in research and development (R&D) to create products that better suit consumer needs can attract new customers, and maintain the loyalty of existing ones. Innovations in business processes, such as the implementation of automation and data analytics, can reduce operational costs and improve responsiveness to market demands. Innovation is a tool to compete, and is the foundation that enables companies to adapt quickly to changes in the business environment.

The long-term sustainability of the business is highly dependent on the company's ability to remain relevant to changing customer needs and industry dynamics. Companies must be able to identify new trends and adapt quickly to meet evolving consumer expectations in a digital age characterized by rapid change. For example, by leveraging digital technology and online platforms, companies can collect real-time customer data, which allows them to better understand consumer preferences and behaviors. This information can be used to inform marketing strategies and product development so that companies can offer more targeted solutions.

Companies that adopt innovative approaches to sustainability, the use of environmentally friendly resources and ethical business practices, will meet the demands of consumers who are increasingly aware of social and environmental issues, and will build a strong reputation in the market. Continuous innovation and responsiveness to customer needs will strengthen the company's competitive position, and ensure sustainability and long-term growth in an increasingly complex and competitive business environment.

The Role of Product Quality to Increase Competitiveness and Customer Loyalty

Product quality is a major factor in maintaining company competitiveness and building customer loyalty, especially in the midst of increasingly fierce competition. According to Garvin (1987), product quality can be seen from various dimensions, including performance, reliability, durability, and conformity to promised specifications. High-quality products meet customer needs and create satisfaction that contributes to long-term loyalty. Quality is the differentiating element that can make customers choose one brand over another. Companies must ensure that their products are always within high quality standards to maintain loyal customers.

Good product quality can be a key differentiator in a competitive market. Zeithaml (1988) suggests that customers' perceptions of the quality of a product have a major influence on their purchasing decisions. If customers feel that a product has more value than competitors, they tend to stick with the product even though there are other alternatives in the market. The trust built by superior product quality not only influences the purchase decision at the time, but also encourages customers to return and remain loyal to the brand in the future (Alex & Thomas, 2011). The company must ensure that the products offered are of superior and consistent quality.

High product quality can build a strong brand reputation. Kotler and Keller (2016) state that customers who are satisfied with the quality of a product will tend to recommend the product to others, creating a positive word-of-mouth effect. Customer reviews and testimonials greatly influence market perception of a brand in this digital age. Companies that are able to maintain product quality can benefit from customer loyalty formed through recommendations. Satisfied customers will not only return to purchase products, but will also become active advocates of the brand, which can indirectly reduce marketing and new customer acquisition costs. Recommendations from satisfied customers are a very effective form of promotion, as customers tend to give recommendations sincerely and honestly.

Product reliability also plays an important role in building customer trust. According to Parasuraman et al. (1985), customer trust in a brand is often related to their experience of the reliability of the products used. Products that fail frequently or do not meet customer expectations can damage the company's reputation and cause customers to switch to competitors. Companies must conduct strict quality control to ensure that the products they offer have consistent performance.

Superior product quality also contributes to creating a sustainable competitive advantage. Porter (2008) explains that quality-based differentiation can help companies avoid costly price wars and build a premium image in the eyes of customers. Quality-focused companies can often implement a premium pricing strategy, as customers are willing to pay more for products that are perceived to be better in terms of quality and performance. Consistent quality not only helps the company maintain market share, but also allows the company to continue to grow and develop a loyal customer base. Superior product quality not only provides a short-term competitive advantage, but can also create a strong foundation for business sustainability in a challenging market.

Improved product quality can increase customer loyalty in the long term. Oliver (1999) emphasizes that customer loyalty is based on momentary satisfaction, and on consistent experiences over time. If the company can continue to provide products that meet or even exceed customer expectations, then loyalty will be stronger and customers tend to make repeat purchases without considering other brands. When a company's product quality is well-maintained and consistent, customers feel that they do not need to look for other options because they have been satisfied with what is offered.

Product quality is a fundamental element that serves to maintain the competitiveness of the company, and to build long-term relationships with customers. In an increasingly competitive market, where consumers have wider access to a variety of choices, product quality is one of the main determining factors in purchasing decisions. When customers are satisfied with the quality of the products they receive, they tend to return and recommend the product to others, which can further increase the company's market share. Companies should prioritize investment in research and development (R&D) to create products that meet, and exceed customer expectations. Effective R&D enables companies to understand market trends and consumer needs, and develop innovative solutions that can add value. Strict quality control during the production process is essential to ensure that every product produced meets predetermined standards thereby reducing the risk of defective products that can damage the company's reputation.

Product innovation should be a top priority for companies that want to survive and thrive in a competitive market. Innovation includes the development of new products, and the improvement of features, design and functionality of existing products.

The company can gain strong customer loyalty, which is a valuable asset in the long-term by ensuring high quality and continuous innovation. Loyal customers will continue to purchase products from the company, and will become active brand advocates, helping the company to expand its market reach through positive recommendations and reviews. A company known for its high-quality products will be better able to face challenges from new competitors and maintain its position in the industry. Product quality is an attribute, but an integral business strategy that can determine a company's success and sustainability in the ever-changing global market. Focusing on product quality and continuous innovation will be the key for the company to achieve competitive advantage and sustainable growth.

CONCLUSION

Product quality and innovation are the main factors to create a competitive advantage for companies in the midst of increasingly saturated market competition. Products that have high quality can attract consumer attention, and build long-term customer loyalty. Consistent quality creates a positive experience that strengthens customer trust in a brand. Continuous innovation enables companies to stay relevant and meet changing market needs. Companies that are able to strategically combine innovation and quality have a greater chance of surviving and thriving.

There are various challenges to implementing innovation strategies and improving product quality. Intense competition requires companies to continue investing in research and development in order to create products that are superior to competitors. Dynamic changes in consumer preferences require companies to have high responsiveness to market needs. If companies fail to maintain quality and adapt to market changes, their competitiveness will decline and may lead to loss of customer loyalty.

Companies need to implement innovation-based strategies that focus on product differentiation, and increasing value for consumers to face these challenges. Companies should continue to conduct market research to understand customer preferences and develop products that meet their needs. It is important for companies to ensure that every product offered has high quality standards through a strict control system. Investment in innovation and quality will have a positive impact on the competitiveness and growth of the company. Commitment to continuous improvement should be part of a consistently applied business strategy.

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