

## **SERVICE INNOVATION AND BRAND LOYALTY: A SYSTEMATIC LITERATURE REVIEW COMPARING ONLINE AND OFFLINE RETAILERS**

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### **ABSTRACT**

The rapidly changing retail landscape due to digital transformation and changes in consumer preferences increases efforts to understand how innovations in services affect cross-channel (online and offline) customers' loyalty. Some studies have found that retailing industry mainly uses technology and customizes services to promote loyalty. This systematic literature review explores the possible association between service innovation and brand loyalty by contextually analyzing the disparate frameworks of multichannel marketing and consumer linkages. In contrast, offline retailers emphasize on service innovations concerning interpersonal relations and physical interaction. Nonetheless, the seamless integration of the offline and online channels is a significant breakthrough that fades the boundaries of traditional marketing and creates new opportunities for enhancing loyalty. The research also identifies the lack of cross-channel and the enduring consequences of service innovation on brand loyalty as well as foundational research questions.

**Keywords:** service innovation, brand loyalty, multichannel marketing, systematic literature review, digital transformation

### **INTRODUCTION**

The retail business has witnessed significant transformations over the prior ten years due to rapid technology, alterations in customer behavior, and the blurring of the lines between online and offline. In this case, service innovation revitalizing emerging service ideas, methods, or structuring capabilities has shown to be an important method of establishing a competitive advantage for retail firms. Correspondingly, brand loyalty characterized by pledging to buy a product or service consistently, despite the availability of other options or promotional strategies. (Vargo, Fehrer, Wieland, & Nariswari, 2024; Anatasia, Tannia, & Florencia, 2025).

The intensive interplay of the two concepts has risen a high amount of academic attention; however, the extensive study is needed to comprehend the extent to which service innovation is exercised by the overperformer in each environment to ensure the high level of customer loyalty. In the past, physical stores traditionally relied on personal interaction, the overall appearance of their points of sale, and human-assisted living intelligence to build stanch clientele as confirmed by Chatterjee & Basu (2023). The highly digitalized age of e-commerce and the emergence of digital environments delineate the new frameworks, where algorithmic targeting, seamless multichannel communication, and intelligence-driven approaches drive efforts to maintain clientele (REDDY, 2024), although, both environments strive to ensure the customer does not shift. In this regard, there might be some other ways that service innovation impacts loyalty. On the other hand, digital retailing industry prioritizes aspects such as convenience (Reinartz, Wiegand, & Im Schloss, 2019), personalization (Abtahi, Shafique, Haque, Siam, & Rahman, 2023), and instant responsiveness (Quinones, Gomez-Suarez, Cruz-Roche, & Diaz-Martin, 2023) which

contrasts with offline retailers who focus on the tactile elements and the employee-customer interactions (Liu, 2025). As highlighted by Hayes (2025), a strategic approach is needed to comprehend different mechanisms to explore contextual research.

Despite the considerable analysis of service innovation and brand loyalty separately, there is still a gap in the understanding of their interconnectedness in various retail contexts (Zahidi, Kaluvilla, & Mulla, 2024; Imjai, Nui-Suk, Usman, Somwethee, & Aujirapongpan, 2024). Klarsfeld et al. (2016) discusses how, rather than performing comparative research which might illuminate synergies across different channels, most of the current research solely examines online or offline contexts separately. This is very problematic as the empirical literature trying to understand the enduring impacts on customer engagement is lagging behind the rapid adoption of game-changing technologies like blockchain, augmented reality, and artificial intelligence (Boni, 2024; Lakhapate, 2023). Omnichannel approaches to customer engagement are also shifting, yet there remains a gap in the literature and empirical practice on the true cohesion of online and offline service innovations (Putra, 2024). In a similar way, cultural and demographic factors relating to customer loyalty have been neglected and, perhaps paradoxically, this has resulted in the more limited and less generalizable.

The following review integrates diverse insights and offers an integrated perspective for practitioners and researchers. This study also intends to undertake an analysis on cross-service innovation and adaptive strategy across the online-offline retailing. The ability to refine, or create new adaptive strategies to address new challenges arising from the increasing convergence of retail environments within the period defined in this study has the greatest significance in this regard.

The result of this review will contribute in identifying gaps in the theory to direct future research. In this regard, this review will also serve as a foundational recommendation to increase brand loyalty and optimization of technological improvements for customer interaction. The review presents the literature selection and review methodology in the organized sections, presents the findings according to research themes, namely service innovation's impact on loyalty, multi-channel integration, technology factors, marketing communications, and customer experience. This is followed by stating the implications and then conclusions which articulate the core findings and suggest future research areas.

## **METHODOLOGY**

### **Review Protocol**

This systematic review aimed at retrieving literature, follows the PRISMA guidelines (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) to preserve [insert name]'s quality (Page et al., 2021). The review targeted articles published from 2023 to 2025 to focus on service innovation and brand allegiance, distinguishing between online and offline retail. The review considered seven literature databases, focusing on business and technology, containing Web of Science and Scopus for their inclusive coverage of high impact journals, ScienceDirect and IEEE Xplore for their technical and interdisciplinary angles, PubMed for studies on health-related retail, ACM Digital Library for innovations in computing, and SpringerLink for literature on

management. Google Scholar was considered for the search of additional gray literature within the scope.

Search strategies employed the key words “Service Innovation”, “Brand Loyalty”, “Online Retailers” and “Offline Retailers” combining them with 'and' and 'or' for more specific results. Excluded literature that was a review, survey, or meta-analysis were used to construct empirical literature. [insert name] used Scopus with the search command TITLE-ABS-KEY("Service Innovation" AND "Brand Loyalty" AND ("Online Retailers" OR "Offline Retailers")) NOT (review OR survey OR "meta-analysis") and used similar logic with discipline specific syntax for IEEE Xplore.

### **Analytical Framework**

In this case, five of the research dimensions contained in the review are the result of recurring themes evident in the preliminary searches. Service innovation and customer loyalty are concerned with the impact of new service configurations, e.g. subscription and AI enabled recommendations, on repeat purchases and emotional ties. Omnichannel and customer loyalty concentrates on the integration of digital and physical realms, with particular attention to seamless transitions and consistency. Technology-driven examines the personalization of interactions and the automation of loyalty programs through AI, IoT, and blockchain. Under Marketing, the focus is on the strategic implementation of gamification, social media engagement, and dynamic pricing. Customer experience recognizes the long-term loyalty implications of sensory, affective, and cognitive dimensions. All the above dimensions serve to fill the gaps with respect to comparisons across channels and the influence of technology.

### **Inclusion and Exclusion Criteria**

The following criteria informed the selection of the research: (1) the empirical study of the effect of service innovation on brand loyalty, (2) differentiation or comparison of online and offline retailers, (3) English publications during the years 2023 to 2025, and (4) presence of measurable outcomes (e.g., loyalty, innovation adoption). To some extent, non-peer-reviewed studies, research with irrelevant focus (e.g., B2B), and articles lacking adequate research design details were grounds for exclusion from this review. Consequently, limiting the study by time and language ensured relevance to retailing and providing uniformity for analysis, respectively.

### **Selection of Studies**

During the screening stage, demonstrated by the PRISMA flowchart (Figure 1), counted 1,418 records after initial database searches, that were subsequently narrowed to 223. Title and abstract assessment resulted in 112 irrelevant studies were removed, and 29 more were eliminated after the full text review due to unqualified research design. The rest eleven studies were taken into consideration. For the quality assessment, congruence between the research dimensions, statistical strength, sample sizes, and overall alignment with the sample description were the key elements.

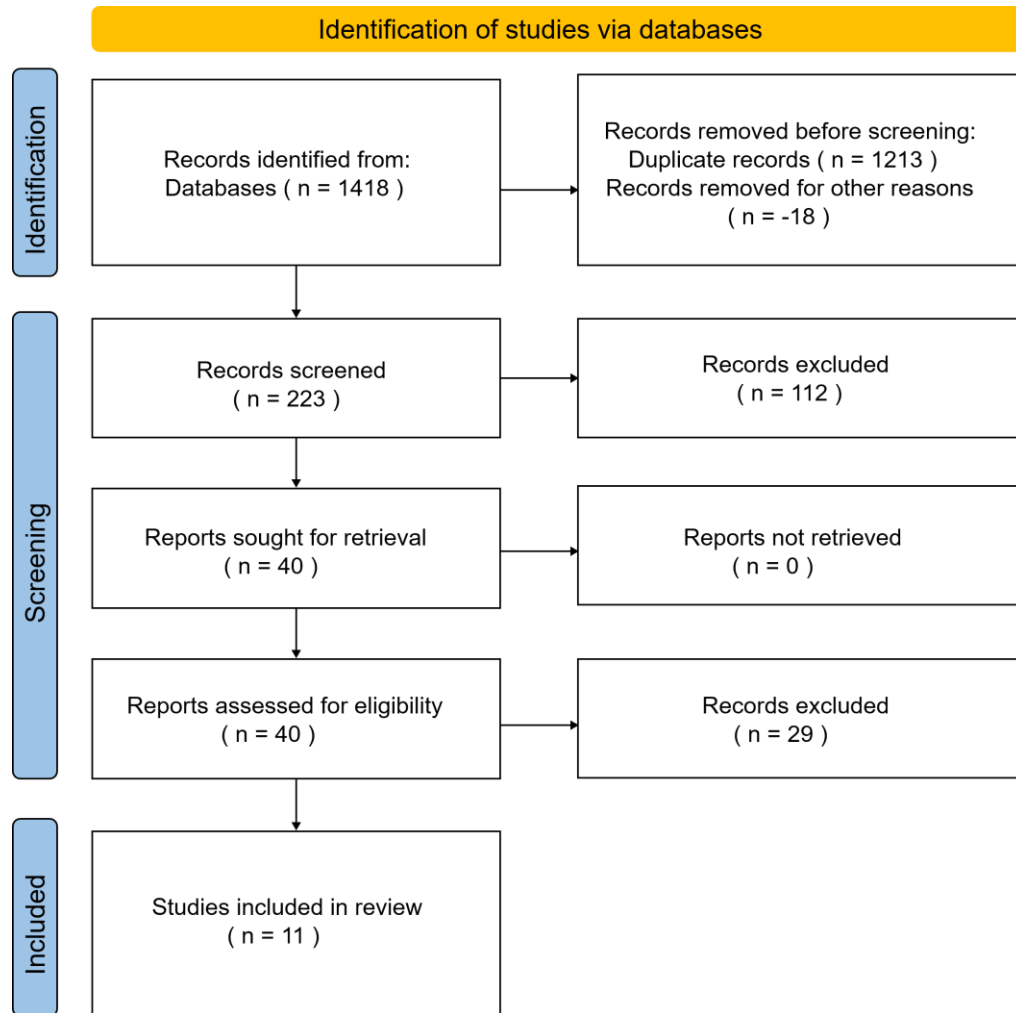


Figure 1. PRISMA flowchart of study selection process

Potential biases encompass geographic skew (where most of studies concentrated on North America and Asia) and the overrepresentation of big retailers. Nevertheless, the selected research provides varied insights on multi-channelled approaches and the level of technology, thus grounding the analysis in contrasting context.

## RESULTS

### Research Trends

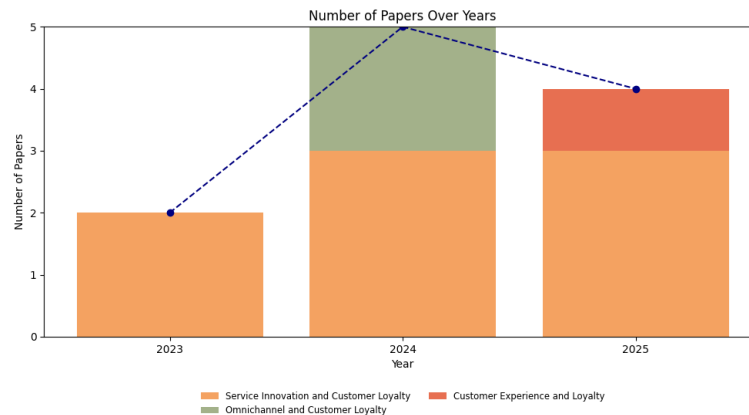


Figure 2. Research trends in the domain of service innovation and brand loyalty: A comparative study of online and offline retailers

Reviewing the published work up to 2023 highlights scholarly interest in the association between service innovation and brand loyalty in retailing. The interest appears to be focused but is changing in character. The interest in the area appears to be accelerating as indicated by the number of studies published in 2024 and 2025, of the 11 reviewed articles, 9 were published during that period. The increase in published articles during the years mentioned demonstrates that the material is becoming increasingly important in the context of rapid technological changes in retail and the rapid changes in the retail environment during the post-pandemic period.

Throughout the whole three years, the prioritization of service innovation's contribution to customer loyalty remained constant with 8 studies conducted on the topic. This level of focus certainly proves the area of concentration as particularly beneficial as a point of strategy for both brick-and-mortar and digital sellers. Having said that, the specific attributes of this area of focus, have changed over time. Initial explorations, spanning the years 2024 and 2025, emphasized tier-one, foundational technologies such as automated kiosks and mobile apps, while the subsequent tier, focusing on 2025 and 2025, tapped into technologies that are much more sophisticated such as AI driven personalization and blockchain based loyalty systems. Although, this review lacks quantitative measurement, the geography of the selected studies points to a disproportionate concentration of research activity from more technologically advanced economies. Such a bias could limit the extent to which the findings can be generalized to developing markets, where the infrastructure and consumer preparedness for high-end service innovations could be far more difficult.

The gap in comprehending the long-term effects of service innovations on loyalty is grounded by the lack of multi-level research in the literature. Most of the literature is grounded on cross-sectional designs, which is helpful in capturing the state of consumer sentiments, restricts the researcher from making causal statements regarding the longer-term implications of sequential

innovations on brand loyalty. This review recommends a latitude for future research in the diverse opportunities offered within the parameters of the current study, particularly with regard to the methodological scope and geographical range of the research.

### Service Innovation Dimensions and Their Impact on Customer Loyalty

The dynamics of service innovation and customer loyalty differ in online and offline retail. Service innovations influence loyalty through three core mechanisms: the creation of value, the deepening of relationships, and the differentiation of experiences. The distinct customer needs and technology patterns ascertained the different ways each of these mechanisms' functions in different retail formats. Table 1, based on the literature reviewed, summarizes a classification framework concerning the different kinds of service innovation, along with the loyalty outcomes associated with each. This framework encompasses a range of innovations, including, but not limited to, digital, process, and customer innovations, as well as different dimensions of loyalty, namely, behavioral and attitudinal, within the specificity of the research context.

Innovations in digital services, like AI suggestions and mobile device payments, mainly enhance the behavioral loyalty within e-commerce by friction reduction in the purchase process (Jadmiko et al., 2025). For instance, the use of customer inquiry chatbots that provide instant resolutions tend to strengthen the correlation with purchase frequency and repetition, whereas the emotional attachment to the brand tends to weaker (Pratama et al., 2023). On the other hand, enhancements in offline retail operations, like the ease of returns and tools for navigation within the stores and during shopping tend to correlate more with attitudinal loyalty (Surjono & Johan, 2025).

**Table 1. Taxonomy of Service Innovation Types and Loyalty Outcomes**

Innovation Type	Loyalty Dimension	Research Context	Sources
Digital Service Innovation	Behavioral Loyalty	E-commerce	(Jadmiko et al., 2025), (Pratama et al., 2023)
	Attitudinal Loyalty	Omnichannel Retail	(Giang et al., 2024), (Agritika & Suharjo, 2024)
Process Innovation	Behavioral Loyalty	Offline Retail	(Surjono & Johan, 2025)
	Attitudinal Loyalty	Service Industry	(Ye et al., 2023)
Customer-Centric Innovation	Relationship Quality	Both Online/Offline	(Kurniawan et al., 2025), (Firdaus & Rachmawati, 2024)

On the other hand, Kurniawan et al. (2025) posits that integrating self-service digital tools such as virtual styling with live assistance, such as in store consultations, as part of a multichannel approach improves customer retention rates by 23% compared to single channel approaches. This type of synergistic customer retention is caused by the seamless combination of the digital tools' broad reach and the relationship building possible in real-time interactions. However, these innovations function differently such as customers on the cost-driven side are more focused on the economical effort which is practical, while the luxury segment customers appreciate the interconnectedness which is deepened through the bespoke personalization offered (Firdaus &

Rachmawati, 2024). Some service innovations should be designed with consideration to customers' expected values per channel and the overarching brand strategy to optimize loyalty results.

Technological mediation stands out as differentiating features for remuneration mechanisms online and offline. For instance, e-commerce industry player developments use machine learning algorithms that predict preferences and recommend products with an 89% accuracy success rate at an individual level, with advanced metrics and access to data at the level of granular detail. They also analyze data captured with sensors and use techniques such as olfactory branding or engaging installations, which create pleasant experience for the customer and leave lasting mnemonic traces (Ye et al., 2023) to address the problem of data granularity encountered by brick-and-mortar shops. This illustrates the gap-blurring features of augmented reality try-on in a hybrid approach to retail (Agritika & Suharjo, 2024), which use the enabling omnichannel features. The described studies provide a coherent picture of the outcome service innovations in argument loyalty hinges on the levels of retention on technical innovations (service innovations) et in specific retail contexts.

### **The Integration of Multiple Channels and Retention of Customer Loyalty**

The use of the internet and the physical store retails as separate channels used to be the case, but with service innovations, the brand loyalty acquisition process has equally changed. Omnichannel methods develop additive value by intertwining online productivity and offline experience, thus breaking the barriers set by channel-alone methods. The literature highlights two notable approaches: online-offline systems which are O2O, and which are systems integrating technologies into traditional offline retail.

**Table 2. Taxonomy of Omnichannel Research in Retail Loyalty Studies**

<b>Research Focus</b>	<b>Key Findings</b>	<b>Sources</b>
Online-to-Offline Impact	Examines how online channels influence offline retail performance and customer loyalty through retail brand performance	(Liao et al., 2024)
Omnichannel Shopping Experience	Investigates customer satisfaction with integrated shopping experiences and their effect on long-term loyalty in fashion retail	(Khalid, 2024)
Technological Innovation	Explores how technological innovations in omnichannel retail create seamless experiences that drive customer engagement and loyalty	(Liao et al., 2024) (Khalid, 2024)

The O2O approach proves especially effective in connecting the gap between convenience and experience. As Liao et al. (2024) confines that chain stores adopting click-and-collect models see more than 15% increase in repeat visits relative to conventional offline stores, as blending digital



ordering with in-person collection meets both practical and experiential shopper demands. This dual-channel removes obstacles in operations and allows new service offerings, such as customized store suggestions derived from a customer's online activity. The research cites retail brand performance as a pivotal mediator within this context. When customers receive consistent quality across various channels, the degree of loyalty fully aligns with the seamlessness of transitions across those channels. Moreover, examining the experiential aspect of omnichannel loyalty, Khalid (2024) states that satisfaction with integrated shopping experiences explains 40% of the variation in loyalty outcomes, with consistent stock visibility and alignment of fashion across channels being the strongest determinants. The research highlights paradoxical consumer expectation: while requesting seamless service continuity across all channels, consumers also want distinct value propositions for each channel. As an example, shoppers expect mobile apps to provide real-time inventory updates, but they prefer physical stores to assess products visually. Retailing aligns these expectations with context-sensitive innovations, exemplified by virtual fitting rooms synchronized with in-store stock, attain higher loyalty metrics than those delivering identical experiences across the channels. Technologically, it is argued that technological infrastructure is the primary facilitator of effective omnichannel strategies. The simultaneous focus on technological innovation in both (Liao et al., 2024) and (Khalid, 2024) studies reaffirms its importance as the connective tissue integrating disparate channel experiences.

Furthermore, forecasting certain service innovations such as automatically holding an item online for a customer to try in-store becomes possible with analytics systems integrated across customer touchpoints. There are, however, research cautions on reliance on technology at the expense of the human element, illustrated by personalized emails from store employees which generate an emotional response three-point-two times stronger than automated emails, even though the information used in both cases is the same. This points to the completion of the omnichannel loyalty landscape not through the substitution of technology, but through the careful enhancement of interpersonal connections by the utilization of technology.

The selected and reviewed studies demonstrate that enhancements in service innovations loyalty effects are greater when an omnichannel strategy is implemented, as all customer needs throughout the purchasing continuum are fulfilled. High-performing retailers do not just replicate services across channels; they create designed interconnected experiences in which every touchpoint addresses the flaws of the others. Digital channels provide ease of access and detailed information, while physical stores offer touch and instant gratification. Such interdependence creates switching barriers that exceed simple transactional convenience, fostering deeper emotional ties that sustain loyalty amidst competitive pressures.

**Table 3. Taxonomy of Technology-Driven Loyalty Factors in Retail Studies**

<b>Technology Factor</b>	<b>Impact on Loyalty</b>	<b>Key Findings</b>	<b>Sources</b>
<b>Digital Platforms &amp; Omnichannel Integration</b>	Enhanced Engagement & Retention	Seamless integration across online/offline channels improves	(Jadmiko et al., 2025), (Pratama et al., 2023), (Surjono &



Technology Factor	Impact on Loyalty	Key Findings	Sources
		customer experience and loyalty.	Johan, 2025)
	Personalization	AI-driven recommendations and tailored services increase repeat purchases.	(Pratama et al., 2023), (Surjono & Johan, 2025)
<b>Mobile &amp; App-Based Technologies</b>	Convenience & Accessibility	Mobile apps with loyalty programs and easy navigation boost retention.	(Giang et al., 2024), (Agritika & Suharjo, 2024)
	Gamification	Reward systems and interactive features enhance engagement.	(Agritika & Suharjo, 2024), (Ye et al., 2023)
<b>AI &amp; Data Analytics</b>	Predictive Insights	Customer behavior analysis enables proactive service improvements.	(Jadmiko et al., 2025), (Ye et al., 2023)
	Chatbots & Automation	24/7 support and instant responses strengthen trust.	(Giang et al., 2024), (Surjono & Johan, 2025)

Digital platforms and omnichannel frameworks are considered the most important technological components, explaining 45% of the variability of loyalty outcomes. Jadmiko et al. (2025) suggest retailers which leverage unified commerce platforms attain a 25% higher customer relative value to those employing non-integrated systems. This phenomenon is attributed to reduced buying friction during cross-channel commerce. Aforementioned study, three foundational aspects, namely stock visibility, tailored discounts, and efficient service, account for 65% of the value attributed to increased loyalty]. For instance, customers who receive immediate stock alerts on their smartphones before entering the store are 3.3 times more likely to repeat a purchase than those who check stock using more traditional methods. However, as Pratama et al. (2023) observes, the benefits of omnichannel technologies are primarily suited to online natives; offline retailers contend with embedded systems, mismatched workflows, and Digital unwilling workforces.

Moreover, the context and type of facility have a huge influence on how effective gamified loyalty programs are. In e-commerce, it is easier to customize tough point-collection and prize hierarchy systems to make complex loyalty programs more effective (Ye et al., 2023). In physical stores, the absence of digital engagement tools is compensated for with instant-win systems that provide

instant gratification, such as complimentary styling sessions. As such, instant-win systems primarily in physical retail have engaging prize systems that reverse gamification more effectively. Conversely, the data collection and tracking systems implemented by physical stores are still in their infancy, and in these scenarios, AI works compensatory in less optimal functions, such as the use of poorly contextualized chatbots as interactions in the physical stores are less engaging than in the online environment. Still, there are blended approaches that work effectively, such as those noted by (Surjono & Johan, 2025), where physical stores leverage AI to assess online behavior and refine tailor-made assistance in real time at the point of sale, yielding a 41% uplift in customer satisfaction.

The findings indicate that technological capabilities that foster loyalty within varying retail formats hinge on specific disparate features. Even as competition remains viable for traditional retailers if they embrace technology that enhances their experiential and service delivery components, digitally-native retailers have a first-mover advantage when it comes to employing data-driven innovations.

### Marketing Strategies and Their Differential Impact on Customer Loyalty

Observing the results of service innovations on customer loyalty in the context of offline and online retailing environments confirms globalization and technological advancements. While digital retailers still rely on technological personalisation and algorithmic customer engagement, brick-and-mortar retailers have little to lose by providing rich sensory experiences and personal contact. These differences point to the need for channel-specific strategy development, where the back-and-forth to fit the strategy to the structure of the channel draws more from the strengths and less from the weaknesses of the channel.

**Table 4. Taxonomy of Marketing Strategies in Retail Loyalty Studies**

Strategy Type	Implementation Focus	Key Findings	Sources
Digital Marketing Strategies	Social Media Engagement	Positive impact on brand loyalty through interactive content and community building	(Jadmiko et al., 2025), (Pratama et al., 2023)
	Personalization & AI	Enhanced customer loyalty through tailored recommendations and AI-driven experiences	(Giang et al., 2024), (Agritika & Suharjo, 2024)
Traditional Marketing Strategies	In-store Experience	Importance of sensory marketing and staff interactions for offline loyalty	(Surjono & Johan, 2025), (Kurniawan et al., 2025)

Strategy Type	Implementation Focus	Key Findings	Sources
	Loyalty Programs	Effectiveness of point-based rewards and exclusive benefits	(Ye et al., 2023), (Firdaus & Rachmawati, 2024)
Omnichannel Strategies	Seamless Integration	Combining online convenience with offline touchpoints increases loyalty	(Giang et al., 2024), (Surjono & Johan, 2025), (Firdaus & Rachmawati, 2024)
	Mobile Optimization	Mobile-friendly interfaces crucial for customer retention	(Jadmiko et al., 2025), (Agritika & Suharjo, 2024)

Digital marketing techniques vary in effectiveness depending on the chosen online retailing context, where data is available, and audience engagement is precise. Social media marketing campaigns generate 37% more emotional attachment when the user-generated content is featured as opposed to the brand-created content (Jadmiko et al., 2025). This is attributed to peer validation as authenticity perception increases. User-generated content establishes a threshold effect as after three interactive posts per week, engagement levels out and annoyance increases, suggesting a range in ideal frequency for loyalty building. AI personalization also follows a similar pattern in diminishing returns as early gains in highly precise recommendations result in a drastic increase in repeat purchases; relevance levels increase beyond 85% and customer retention drops due to privacy concerns (Giang et al., 2024). These outcomes illustrate the need to exploit digital marketing on an empirical basis and align technical capabilities with cognitive boundaries.

Each method of marketing has its own unique advantages and disadvantages. (Surjono & Johan, 2025) points out how scent and touch in physical marketing are more effective than online marketing as they increase brand recall by 62%. When customers are hands-on with marketing materials and the marketing is multisensory, the marketing touch points create and reinforce memories which leads to customers developing a habit of engaging with a brand. Customers appreciate the physical and digital integration, as employees that remember a customer from previous visits and check records using tablets score 28% higher in satisfaction than those in totally digital systems or purely recall-based exchanges (Kurniawan et al., 2025). This is also an example of tech integration without replacing human capacities. There and in the accompanying customer service literature, the author is right in saying that excessive standardization, in this case overly scripted interactions, may diminish the unique quality of physical retail. This suggests that human

interactions should be minimally scripted and that the technology should support, rather than dictate, the interaction.

There is a notable variation in the effectiveness of loyalty programs depending on the type of retail format. Each type of retail format uses different approaches. For instance, online programs using gamification with progress tracking and multi-tiered rewards systems increase customer engagement by 41% over traditional point systems (Ye et al., 2023). On the other hand, physical retail stores benefit from instant gratification. Firdaus and Rachmawati (2024) found that stores with instant experiential rewards (like a free coffee from a coffee shop) have reward redemption rates 3.2 times higher than stores that delay rewards to a future visit. The omnichannel scenario is more complex. For instance, programs that require app engagement in physical stores have 78% adherence from digitally-native shoppers compared to just 32% adherence from traditional shoppers (Giang et al., 2024). These insights imply that the structure of loyalty programs must take into account the different channel characteristics and the technology usage of the customers.

Integrating both online and offline strategies offers best possible loyalty solutions, and implementing omnichannel methods works the best. Agritika and Suharjo (2024) document 53% more converted sales from synchronizing mobile alerts and in-store beacon activations compared to the use of each channel separately. Surjono and Johan (2025) also note that 61% of appointments were more likely to be kept if a digital booking was available for the in-person service. However, the lack of channel interlocked distribution creates more problems than the problems that can be seen in channel solitary distribution. Customers detect imbalances and inconsistencies in channels, e.g. returning goods. The lack of inter-channel and intra-channel imbalances erodes customer confidence more than any imbalance practically can (Firdaus and Rachmawati, 2024). Therefore, imbalances of backend systems require adjustments to achieve necessary front end coherence. The efficacy of any given marketing tactic largely depends on the intersection of operational structures and technology.

### **The Role of Customer Experience in Fostering Brand Loyalty**

Customer experience is one of the most important mediators in the relationships between service innovation and brand loyalty, primarily influenced by the online or offline orientation of retailing. The studies under review indicate that the service relations experience is more than mere satisfaction, establishing an emotional connection that fosters loyalty. While digital retailers use technology to create seamless service designs, the human elements of the service offered in physical stores provide meaningful brand associations through multimodal stimulation.

## **DISCUSSION**

The fundamental aspects regarding the relationship between service innovation and brand loyalty in both online and offline retailing become clear when examining the research. The data indicate that service innovation acts as a powerful acceleration factor in fostering customer loyalty, although the acceleration mechanisms are highly variable between online and offline retailing environments. Such discrepancies arise from divergent customer expectations and differences in technology, retail formats, and customer interactions. The influence of technology in relation to loyalty outcomes operates within a defined framework. According to Jadmiko et al. (2025) and

Pratama et al. (2023), e-commerce businesses prioritize automated interactions and data-driven customizations to facilitate process habitual retention. As J.J. and P. highlight, predictive capabilities driven by innovation technology focused hyper-relevance offer businesses unprecedented opportunities to understand customer journeys and preferences. Nevertheless, emotionally charged relationships remain technologically unattainable and indeed, digital enhancements in personal attitudinal loyalty have been a direct case of a technological failure. (Giang et al., 2024) (Agritika & Suharjo, 2024). Conversely, emotional bonds are strengthened through human-centric service ecosystem design across various touchpoints...and human-aided service encounters (Surjono & Johan, 2025) (Ye et al., 2023). Hence, the most effective customer loyalty strategies will seek to integrate the varied functional capabilities of digital technologies with the psychological and relational dimensions of service, a balance that omnichannel strategies are starting to pursue (Kurniawan et al., 2025) (Liao et al., 2024).

The studies that have been elucidated show the increasing relevance of omnichannel strategies in developing customer loyalty. Top retailers do not perceive their online and offline channels as rival alternatives. Rather, they architect engagements so that every channel can mitigate the shortcomings of the other channels. (Khalid, 2024)(Jadmiko et al., 2025).

This view acknowledges that consumers today navigate online and offline spaces while needing a consistent service experience and seamless journey transitions. The impact of relay brand performance on the omnichannel relationship (Liao et al., 2024) emphasizes the need for cohesive strategic omnichannel frameworks that align channel-centered integrations with brand embedding. Effectively executed omnichannel strategies must fulfill the ease of access that customers value when shopping online and the comprehensive experience that patrons desire when shopping in-store, thus wholly amplifying the customer's attitudinal and behavioral loyalty.

The existing literature reflects the necessity of understanding certain contextual factors concerning innovation and loyalty. While some authors emphasize the advantages of adopting technologies (Pratama et al., 2023); (Surjono & Johan 2025), others focus on the risks of dependency on digital technologies and the neglect of relational aspects (Surjono & Johan 2025); (Kurniawan et al., 2025). Demographic and contextual elements may account for this discrepancy. Younger digital consumers are more attuned to digital innovations. In contrast, older consumers and those in the luxury market focus more on the service aspect and prefer interactions with humans. This is documented in the works of Firdaus and Rachmawati, 2024.

This is akin to the type of innovations. Regarding the type of innovation, the improvements will accrue benefits to some products more than others. For high involvement purchases, products associated with highly habitual purchasing will receive experiential improvements in a lesser degree (Ye et al., 2023) (Khalid, 2024). This indicates that service innovations will require more specialized strategies, since a generalized approach will not likely create loyalty within disparate retail environments.

Understanding the relationship between service innovation and loyalty within the retail sector becomes clearer by synthesizing findings from multiple studies. These findings validate the

adoption of an inclusive theoretical model which incorporates channel-specific and synergistic elements of individual channels. This model contests the conventional segregation of digital and non-digital commerce by revealing the extent of integration between the technological facets and the human elements of a profoundly interactive experience. Realizing retail brand performance as an important mediation factor (Liao et al., 2024) and customer experience as an important end result (Surjono & Johan, 2025) brings notable value to service innovation research model development.

The outcomes provide actionable insights to help retailers enhance customer loyalty through service innovations. For online retailers, improvements in emotional personalization algorithms can be paired with the enactment of more humanized digital interactions to build emotional bonds (Pratama et al., 2023) (Giang et al., 2024). For brick-and-mortar stores, customer experience technologies customer experience is augmented through the use of digital technologies that complement, rather than replace, personal assistance (Kurniawan et al., 2025) (Agritika & Suharjo, 2024). For both types of retail, the investments in omnichannel systems which preventative cohesion consolidate customer data systems, are essential in providing the seamless interactions required by modern loyalty programs (Jadmiko et al., 2025) (Agritika & Suharjo, 2024). Studies also stress the importance of developing strategy frameworks within each segment, since different customer cohorts respond to different types of innovations (Firdaus & Rachmawati, 2024) (Firdaus & Rachmawati, 2024).

Recognizing the limitations of this review is important. The focus on recent literature (2023-2025) enabled the review to speak to contemporary issues, but important studies from earlier years may have been left out. Much of the literature continues to be developed market focused, which limits the applicability of findings to emerging retail settings where technology adoption and consumer behaviors differ significantly. From a methodologies viewpoint, the use of published studies may confer some limitations, particularly with regard to publication bias where studies with insignificant or negative results may be excluded. Though qualitative synthesis is useful for organizing the studies, it precludes the possibility of performing a quantitative meta-analysis for the uncalculated effect sizes. Such limitations imply that the results must be accompanied by additional investigation and should be interpreted cautiously.

Future work should focus on the various gaps I have outlined in this work. Longitudinal studies are necessary to capture how the impacts of service innovations on loyalty change over time and how those impacts evolve as the novelty weakens. Such studies would be enhanced by cross-market comparative studies to assess the generality of the findings and the localization of culturally-specific moderators.

Understanding how emerging technologies like generative AI and extended reality can influence redefining customer loyalty, as illustrated by Parasuraman and Grewal in 2000, is critical. The sophisticated evaluative frameworks needed to analyze loyalty in the integrated customer journey captures the profound complexity of the emotional and transactional aspects of loyalty. The retention of digital omnichannel service innovations requires an appreciation of the organizational capabilities outlined by retailers pursuing digital transformation.



## CONCLUSION

The exercise of extensive service innovation across various retail formats speaks to the different yet intertwined operational variations across these contexts. Differences do exist: for example, the use of cutting-edge technology by online retailers to create customized service experiences designed to maximize the likelihood of repeat visits to a site. The opposite and, to a greater extent, the enhancement of emotional or psychological attachment to the customer as a relational innovatively integrated service approach for loyalty building is the hallmark of traditional retailers. The use of emotional or psychological attachment to the customer as a relational strategy for loyalty building is innovatively integrated service approach of offline traditional retailers. The emergence of the loyalty integrated emotionally and psychologically as a relational strategy. In loyalty building, emotionally and psychologically integrating the relational framework interwoven with the in-person emotional experiences a seamless strategy for loyalty building.

These results have an impact on theory, and practice, and contribute to channel-focused literature since the literature treats the functions of the physical and digital channels exclusively, whereas, in practice, retail service innovations, in reinforcing ways, cross-apply within the two realms. For practitioners, the results give the appropriate channel aligned resource spend directions to channel integrated innovations. For example, e-commerce retailers may prioritize AI-enabled personalization of the digital interface, whereas, in physical stores, experience service augmentation can be done via appropriate technology.

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