

The Effect of Islamic Business Ethics Implementation and Product Innovation on Customer Satisfaction

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Abstract

Amidst intense retail competition, business entities are required to have adaptive strategies to win the market. This study aims to deeply analyze the effect of implementing Islamic Business Ethics and product innovation on consumer satisfaction at Lirboyo Bakery, a unique representation of a *pesantren*-based business (Santripreneur). This research uses a qualitative approach with a case study design. Data collection was conducted through in-depth interviews, observation, and documentation, which were then analyzed using the Miles, Huberman, and Saldaña interactive model. The results show a holistic synergy where Islamic Business Ethics acts as a trust builder and moral filter through the principles of *siddiq* and *ihsan*, generating affective satisfaction. Meanwhile, product innovation serves as a differentiator and market relevance maintainer through variant and packaging development, leading to functional satisfaction. In conclusion, the blend of moral integrity and adaptive functional quality makes business ethics a primary non-financial competitive advantage. This research contributes to enriching Islamic economic literature by proving that the synergy of *pesantren* ethical values and modern innovation is key to business sustainability and comprehensive consumer satisfaction.

Keywords: *Islamic Business Ethics; Product Innovation; Consumer Satisfaction; Pesantren Business; Competitive Advantage.*

Abstrak

Di tengah ketatnya persaingan industri ritel, entitas bisnis dituntut memiliki strategi adaptif guna memenangkan pasar. Penelitian ini bertujuan untuk menganalisis secara mendalam pengaruh implementasi Etika Bisnis Islam dan inovasi produk terhadap kepuasan konsumen pada Lirboyo Bakery, sebuah representasi unik bisnis berbasis pesantren (Santripreneur). Penelitian ini menggunakan pendekatan kualitatif dengan desain studi kasus. Pengumpulan data dilakukan melalui wawancara mendalam, observasi, dan dokumentasi, yang kemudian dianalisis menggunakan model interaktif Miles, Huberman, dan Saldaña. Hasil penelitian menunjukkan adanya sinergi holistik di mana Etika Bisnis Islam berfungsi sebagai pembangun kepercayaan dan filter moral melalui prinsip *siddiq* dan *ihsan*, yang menghasilkan kepuasan afektif. Sementara itu, inovasi produk berperan sebagai diferensiator dan penjaga relevansi pasar melalui pengembangan varian dan kemasan, yang bermuara pada kepuasan fungsional. Kesimpulannya, perpaduan antara integritas moral dan kualitas fungsional yang adaptif menjadikan etika bisnis sebagai keunggulan kompetitif non-finansial utama. Penelitian ini berkontribusi dalam memperkaya literatur ekonomi syariah dengan membuktikan bahwa sinergi nilai etis pesantren dan inovasi modern merupakan kunci keberlanjutan bisnis dan kepuasan konsumen yang komprehensif.

Kata Kunci: *Etika Bisnis Islam; Inovasi Produk; Kepuasan Konsumen; Bisnis Pesantren; Keunggulan Kompetitif.*

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INTRODUCTION

The economy is a fundamental pillar inseparable from human existence in every corner of the world, where every individual is inherently involved in a series of economic activities to fulfill their diverse life needs. Within this framework of understanding, economics is defined as a social science discipline that examines complex human interactions in three main chains of activity: production, distribution, and consumption of goods and services. These three chains, in essence, are closely related to the practice of buying and selling, a concept known in fiqh terminology as *al-bai'*, which refers to the act of selling, exchanging, or bartering one object for another. Along with the dynamics of time, buying and selling activities have undergone significant evolution, marked by the proliferation of increasingly diverse products offered in the market by business actors.¹

The concept of the convenience store or department store (Toserba) has become one of the concrete manifestations of this development, providing various consumer needs in one integrated location with the main goal of optimizing shopping comfort and convenience. However, the contemporary retail industry landscape faces a highly intense level of competition, which imperatively demands every business entity to adopt adaptive and effective strategies to win market competition.² The escalating competition and the increasing number of competitors push businesspeople to proactively identify and respond to consumer needs and desires, while striving hard to exceed their expectations through the provision of superior services compared to competitors. Consumer satisfaction, as a vital indicator for business sustainability and prosperity, is influenced by a broad spectrum of factors, including product quality, service quality, emotional dimensions, pricing, as well as cost efficiency and ease of access.³ Based on these crucial factors and considering the increasingly tight business competition, the implementation of Islamic business ethics becomes highly relevant as a comprehensive frame of reference across the entire spectrum of business activities. Islamic business ethics holistically integrates the noble values and teachings contained in the Qur'an and Al-Hadith into daily business practices,⁴ as perfectly exemplified by the figure of the Prophet Muhammad SAW.⁵

Business ethics has a close correlation with the level of consumer satisfaction, as

¹ Edy Santoso et al., "Perspektif Pelaku Umkm Dalam Upaya Meningkatkan Kualitas Produk Untuk Menciptakan Kepuasan Dan Loyalitas (Studi Kasus Usaha Tahu Bapak Matnuri)," *Prosiding Seminar Nasional Manajemen, Ekonomi Dan Akuntansi* 8 (September 2023): 591–600; Rajdeep Grewal et al., "Business-to-Business Buying: Challenges and Opportunities," *Customer Needs and Solutions* 2, no. 3 (2015): 193–208, <https://doi.org/10.1007/s40547-015-0040-5>.

² Zahra Prameswari Naila Putri and Fauziyatul Hamamy, "Strategi Pemasaran Efektif Dan Berkelanjutan Untuk Keberhasilan Penjualan Ritel Di Era Transformasi Digital," *Karimah Tauhid* 4, no. 7 (2025): 4609–25, <https://doi.org/10.30997/karimahtauhid.v4i7.19661>.

³ Feby Dhika Perdana Waruwu et al., *Analisis Strategi Pemasaran Dalam Meningkatkan Penjualan Produk Pada Mawar Bakery Di Kota Gunungsitoli | Jurnal Ekonomi Bisnis, Manajemen Dan Akuntansi (Jebma)*, December 24, 2024, <https://jurnal.itscience.org/index.php/jebma/article/view/4747/>.

⁴ Siti Faridah Abdul Jabbar et al., "Business Ethics: Theory and Practice in an Islamic Context," in *Regulations and Applications of Ethics in Business Practice*, ed. Jing Bian and Kıymet Tunca Çalıyurt (Springer, 2018), https://doi.org/10.1007/978-981-10-8062-3_14.

⁵ Muhammad Yusuf Rangkuti, "Toward a Holistic Framework of Islamic Business Ethics: Insights from Leadership, Halal Practices, and Finance in a Digital Age," *Sinergi International Journal of Islamic Studies* 1, no. 3 (2023): 114–27, <https://doi.org/10.61194/ijis.v1i3.593>.

it functions as a catalyst that encourages the formation of strong and sustainable relational bonds between companies and their consumers. Besides business ethics, product innovation also plays an equally important role in influencing consumer satisfaction.⁶ Product innovation encompasses systematic efforts to identify and fulfill consumer needs and desires through the development of products that have superior quality compared to competing products, while simultaneously functioning as a unique differentiator that distinguishes the company in the market.⁷ In the geographical context of Kediri Regency, particularly in the Campurejo Village area, observations show a proliferation of department store businesses offering various community needs, creating a highly dynamic competitive arena. Amidst this tight constellation of competition, Lirboyo Bakery emerges as a business entity showing much faster and more prominent development compared to other similar stores. Initial observations conducted by the researcher indicate that the accelerated development of Lirboyo Bakery is characterized by a high level of consumer satisfaction, extensive product diversification, substantial sales volume, and highly intense consumer visit frequencies. The phenomenon of Lirboyo Bakery's success triggers a deep interest in investigating the fundamental factors behind it, especially regarding the role of Islamic business ethics—given its position as a business unit under the Lirboyo Islamic Boarding School (Pondok Pesantren)—and its product innovation strategies. Literature reviews show that research on Islamic Business Ethics towards Consumer Satisfaction has been conducted in various contexts, such as in the research by Edi and Aristyanto,⁸ Silviah and Lestari,⁹ and Maulidya et al.¹⁰ Furthermore, research on Product Innovation has also been widely conducted, such as the studies by Indriyani et al.,¹¹ Hidayat et al.,¹² and Quintania and Sasmitha.¹³ However, previous studies tend to focus on a single variable or are conducted in a general business context. Therefore, this research will be highly significant as it specifically examines a dual

⁶ Chijioke Nwachukwu and Hieu Minh Vu, "Service Innovation, Marketing Innovation and Customer Satisfaction: Moderating Role of Competitive Intensity," *Sage Open* 12, no. 2 (2022): 21582440221082146, <https://doi.org/10.1177/21582440221082146>.

⁷ Widya Raudhatul Hikmah et al., "Perspektif Kepuasan Pelanggan PT. Arrazi Ghirah Medika: Peran Fundamental Kualitas Produk Dan Kualitas Pelayanan Dalam Mewujudkannya," *Manajemen: Jurnal Ekonomi* 6, no. 1 (2024): 42–54, <https://doi.org/10.36985/v1f3yg63>.

⁸ Agus Sarwo Edi and Erwan Aristyanto, "Pengaruh Etika Bisnis Islam Terhadap Kepuasan Konsumen Sakinah Swalayan Di Surabaya," *Jurnal Masharif Al-Syariah: Jurnal Ekonomi dan Perbankan Syariah* 6, no. 1 (2021): 251–66, <https://doi.org/10.30651/jms.v6i1.11369>.

⁹ Nur Manna Silviah and Novieati Dwi Lestari, "Pengaruh Etika Bisnis Islam Dalam Meningkatkan UMKM," *Al Iqtishod: Jurnal Pemikiran Dan Penelitian Ekonomi Islam* 10, no. 1 (2022): 96–112, <https://doi.org/10.37812/aliqtishod.v10i1.295>.

¹⁰ Risma Nur Maulidya et al., "Pengaruh Etika Bisnis Islam Dan Kualitas Pelayanan Terhadap Kepuasan Dan Loyalitas Pelanggan Hotel Syariah Di Bogor," *Al-Amwal : Jurnal Ekonomi Dan Perbankan Syari'ah* 11, no. 2 (2019): 221–40, <https://doi.org/10.24235/amwal.v11i2.5340>.

¹¹ Susi Indriyani et al., "Pengaruh Pelayanan Dan Inovasi Produk Terhadap Kepuasan Pelanggan Geprek Benu Lampung," *Ekombis Sains: Jurnal Ekonomi, Keuangan dan Bisnis* 8, no. 1 (2023): 59–67, <https://doi.org/10.24967/ekombis.v8i1.2131>.

¹² Fajar Hidayat et al., "Pengaruh Kualitas Pelayanan Dan Inovasi Produk Terhadap Kepuasan Pelanggan Untuk Meningkatkan Loyalitas Pelanggan," *JECMER: Journal of Economic, Management and Entrepreneurship Research* 1, no. 3 (2023): 214–31.

¹³ Melani Quintania and Sasmitha Sasmitha, "Pengaruh Desain Dan Inovasi Produk Terhadap Kepuasan Konsumen Dan Dampaknya Pada Loyalitas Konsumen (Studi Kasus Pada Konsumen Lipstik Wardah Kosmetik Jabodetabek)," *Media Ekonomi*, January 10, 2020, 26–38, <https://doi.org/10.30595/medek.v20i1.9491>.

integration model that simultaneously combines the influence of the Implementation of Islamic Business Ethics and Product Innovation on Consumer Satisfaction, focusing on a unique context: Lirboyo Bakery as an example of a rapidly growing business entity based on the Islamic boarding school economy (Santripreneur). The uniqueness of this context allows the researcher to analyze the extent to which ethically implemented religious values and continuous product development efforts (innovation) collectively serve as key to success in achieving high customer satisfaction.

RESEARCH METHOD

This study adopts a qualitative approach utilizing a Case Study design, which aims to provide an in-depth description and analysis of the implementation of Islamic Business Ethics and product innovation, as well as their effect on consumer satisfaction at Lirboyo Bakery, Kediri. This location was selected as the research setting due to its unique representation of an Islamic boarding school-based business (*pesantren*). Data were collected through a combination of in-depth interviews with key informants (Management, Employees, and Consumers) serving as primary data, alongside direct observation of business practices in the field, and documentation of secondary data (business profiles and internal reports) to obtain comprehensive information.¹⁴ Data analysis was conducted using the interactive model proposed by Miles, Huberman, and Saldaña, which encompasses three simultaneous flows of activity: data condensation, data display, and conclusion drawing and verification. To ensure the validity (credibility) of the findings, the researcher employed triangulation techniques, specifically source triangulation (comparing information from various informants) and methodological triangulation (comparing data from interviews with the results of observations and documentation).¹⁵

RESULTS AND DISCUSSION

The Influence of Islamic Business Ethics Implementation on Consumer Satisfaction

The implementation of Islamic Business Ethics at Lirboyo Bakery in Kediri has proven to be not merely normative compliance, but rather the primary foundation that builds deep trust and comprehensively influences the level of consumer satisfaction. The practice of these ethics is tangibly manifested, particularly through the emphasis on the principles of honesty (*siddiq*), justice (*adl*), and excellent service (*ihsan*).

1. The Principle of Honesty (*Siddiq*) and Product Quality:

Honesty is strictly implemented throughout the production chain and raw materials. This includes the guarantee of *halal* and *tayyib* (wholesome/good) ingredients, a commitment to not using harmful preservatives, and maintaining consistency in product taste and measurements. An employee in the production department stated,

¹⁴ Eka Dita Wahyunitasari et al., "Pengaruh BOPO, BI Rate, NPF Dan DPK Terhadap ROA Pada Perbankan Syariah Di Indonesia," *Afkaruna: International Journal of Islamic Studies (AIJIS)* 2, no. 1 (2024): 76–90, <https://doi.org/10.38073/aijis.v2i1.1981>.

¹⁵ Suud Sarim Karimullah, "Economic Secularization and Its Impact on the Islamic Economic System," *Dalwa Islamic Economic Studies: Jurnal Ekonomi Syariah* 3, no. 2 (2024): 141–59, <https://doi.org/10.38073/dies.v3i2.2547>.

“We are taught that this business is a trust (amanah) from the pesantren (Islamic boarding school). So, from the flour and sugar to the packaging, nothing can be reduced or manipulated. We are strictly forbidden from using preservatives so that it brings blessings (berkah), even though the bread doesn't last long and must be sold out every day. We must guarantee the bread is fresh and healthy, because that is our form of honesty to the customers.”

Consumers perceive this honesty as a guarantee of superior quality that distinguishes it from general commercial bakeries. This is supported by a statement from one of the consumers who stated,

“I always buy here because I know it's from Lirboyo. If it's a pesantren product, its halal status and cleanliness are definitely guaranteed from beginning to end. The taste is also consistent, it never disappoints. I've compared it; the texture of the bread here is softer and tastes more 'natural'. It is this moral and quality guarantee that makes me satisfied and trust them, even when buying in large quantities.”

2. The Principle of Justice (*Adl*) and Transparent Transactions

Justice is applied through the setting of fair and transparent prices, as well as equal treatment of every buyer, regardless of their social background. As stated by an employee at the cashier,

“The selling price here is always carefully considered so that it is affordable for the santri (students) and the general public. We are not looking for excessive profit. Price justice is important. Additionally, we do not discriminate in our service; whether someone buys one or many, everyone is served with friendliness and speed. We don't want any customer to feel ignored.”

Furthermore, this is also reinforced by the statement of a consumer who is also a university student, stating that,

“The prices at Lirboyo Bakery are very rational compared to the quality and size. The bread is large, the filling is generous, but the price is competitive. There are no sudden price increases without a clear reason. We as buyers feel valued, not just treated as objects to be profited from.”

3. The Principle of Service and Politeness (*Ihsan*):

The service provided by the *santri*/employees is based on high values of politeness, friendliness, and patience (*ihsan*), reflecting the morals (*akhlaq*) of the *pesantren*. An employee in the sales department stated,

“Every time we serve, we always try to smile, greet warmly, and treat the buyer as a guest. According to the teachings at the boarding school, in muamalah (social interactions/business), patience must be paramount, especially when dealing with fussy buyers or long queues. This is part of good muamalah; we don't just sell, but we also preach (dakwah) through behavior. We believe that sincere service will bring blessed sustenance.”

This creates a comfortable, Islamic shopping atmosphere, far from a purely transactional impression. This is evidenced by the results of an interview with a consumer who stated that,

“The service is different. They (the santri who serve) are very polite, respect the buyers, and are very patient in explaining the product variants. The atmosphere at the cashier feels calm (ayem), not rushed. If we ask about the products, they explain them well and in detail. My satisfaction here is emotional, because that good treatment makes me feel valued, not just because the bread is delicious.”

Furthermore, the store manager also emphasized that a comfortable atmosphere for consumers is deliberately created by the management. As stated by the store manager,

“We emphasize to the employees that serving with ihsan is a must. Even if there is a calculation discrepancy, it is better for us to yield and ensure the customer is not disadvantaged in the slightest. Mistakes must be acknowledged and corrected immediately. This is our way of maintaining the image of an Islamic and trustworthy bakery.”

Field findings consistently show that the implementation of Islamic business ethics directly and strongly increases the Affective Satisfaction (feelings of pleasure, calmness, and peace) of consumers, which subsequently builds Long-Term Trust and Loyalty. Consumers feel at peace because their transactions are free from elements of dishonesty (*gharar*), deception (*tadlis*), or exploitation. This relationship is supported by various previous studies that link Islamic Business Ethics with Consumer Satisfaction. The principle of *siddiq* (honesty) applied by Lirboyo Bakery, especially in guaranteeing product quality and *halal* status, is highly relevant to the findings of Maulidya¹⁶ and Hakim et al.¹⁷ which state that good business ethics function as a catalyst in forming strong relational bonds. The honesty regarding raw materials conveyed transparently by Lirboyo Bakery triggers a low risk perception among consumers, thereby directly increasing their trust in the brand.

The principle of *ihsan* manifested in the friendliness and politeness of service is in line with the research of Sangkaew et al.¹⁸ and Sottolichio et al.,¹⁹ which emphasize that emotional dimensions and service quality are vital factors in consumer satisfaction. At Lirboyo Bakery, *ihsan* creates a unique and calming shopping experience,

¹⁶ Dini Maulidya, “Peran Etika Bisnis Dalam Meningkatkan Kepercayaan Konsumen Dalam Perspektif Syariah,” *At-Tajir: Jurnal Manajemen Bisnis Syariah* 3, no. 1 (2025): 41–50.

¹⁷ Lukman Hakim et al., “Integrasi Etika Bisnis: Sebuah Perspektif Baru Dalam Keberlanjutan Perusahaan & Sosial Kemasyarakatan,” *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha* 15, no. 04 (2024): 836–50, <https://doi.org/10.23887/jimat.v15i04.78323>.

¹⁸ Nichapat Sangkaew et al., “Understanding Tourists’ Perception Toward Local Gourmet Consumption in the Creative City of Gastronomy: Factors Influencing Consumer Satisfaction and Behavioral Intentions,” *Journal of Quality Assurance in Hospitality & Tourism* 26, no. 2 (2025): 332–59, <https://doi.org/10.1080/1528008X.2023.2247159>.

¹⁹ Alejandro J. Sottolichio et al., “Negative Emotions’ Impact on Consumer Satisfaction and Loyalty Due to Failures in Financial Services: Application of the Affective-Cognitive Model,” *Academia Revista Latinoamericana de Administracion* 38, no. 1 (2025): 106–33, <https://doi.org/10.1108/ARLA-04-2024-0056>.

transforming ordinary transactions into memorable interactions. Furthermore, by guaranteeing the absence of excessive preservatives and maintaining accurate measurements, Lirboyo Bakery practically avoids the element of *gharar* (uncertainty/speculation) in its products. This is important because, in the Islamic perspective, the avoidance of *gharar* is a prerequisite for blessing (*berkah*), which is psychologically translated by consumers into moral and spiritual satisfaction, transcending the functional satisfaction of the product. Thus, Islamic Business Ethics at Lirboyo Bakery succeeds in transforming religious attributes into a value proposition recognized and appreciated by consumers, becoming a strong reason for them to return and feel satisfied.

The Influence of Product Innovation on Consumer Satisfaction

If Islamic Business Ethics builds trust, then Product Innovation becomes the driving factor that ensures the relevance, functional appeal, and competitive advantage of Lirboyo Bakery in a dynamic market. The implemented innovations have proven crucial in meeting the constantly changing expectations of modern consumers. Innovation focuses on three main areas: variant development, quality formulation improvement, and packaging updates.

1. Variant Innovation and Formulation Improvement (Quality Improvement)

Innovation at Lirboyo Bakery is not merely about increasing the number of items, but focuses on product development so as not to be outdated without sacrificing the *homey* identity of the bread and the principles of *halal*. The marketing manager stated,

“We realize the bakery market moves fast. We cannot just sell pineapple and chocolate-filled bread continuously. We conduct daily innovations by experimenting on soft bread to make it softer, and then launching modern pastry variants like croissants with customized local fillings. The goal is so that young consumers are also interested and do not look at outside bakeries. We innovate to meet the tastes of those who want trendy products, but still with halal-tayyib recipes and affordable prices. This innovation keeps our image fresh and relevant.”

In addition, the innovation process is also adaptive by combining bakery traditions with contemporary market tastes. This is in accordance with the statement from the product research and development (R&D) employee,

“Whenever there is a request or a new idea from consumers, or when we see a trend on social media, we immediately test it in the kitchen. Our innovation also includes improvements to old product recipes. For example, we once improved the white bread recipe so that the texture is smoother (fluffy) and its shelf life is slightly longer without preservatives, simply through better packaging techniques. This formulation innovation is highly technical, and the positive response from consumers to the continuously improving texture shows that our innovation is right on target in increasing functional satisfaction.”

With increasingly innovative development, this makes its products in demand by various groups. This is as stated by one consumer who belongs to Generation Z that,

“What makes it addictive is because there are many variants, but the quality is stable. I used to think pesantren bread was just old-fashioned bread; it turns out they have premium soft cookies and bomboloni that taste just as good as bakeries in the mall. This innovation makes us feel that this bakery is keeping up with the times, so we are not embarrassed to recommend it to friends. It feels like there’s a surprise every time we come, because there are always interesting new products.”

2. Packaging and Visual Branding Innovation

Besides the physical product, innovation also encompasses the visual and branding aspects that serve as a window into the hygiene and professionalism of Lirboyo Bakery. The packaging team stated,

“Our old packaging looked simple and damaged easily. We innovated with a more minimalist, aesthetic, and informative design. We include a clear logo and nutritional information, and ensure the packaging uses materials that function optimally to maintain freshness and prevent contamination. Visually appealing packaging is a very important first impression in the social media era and during tight competition. This indirectly increases consumer pride when buying and carrying our products.”

Therefore, packaging updates are important to increase marketability, quality perception, and consumer convenience. One consumer stated,

“The bread packaging is now more modern and neat. It used to seem very homemade. This packaging change makes the product look cleaner and more premium, even though the price is still affordable. I am more confident about its hygiene and happier to buy it as a gift (oleh-oleh).”

Product innovation contributes directly to the Functional Satisfaction of consumers (how well the product meets practical needs such as taste, variety, and quality) and creates Value Added that makes Lirboyo Bakery stand out. Consumers feel satisfied because their needs are not only met but also exceeded by constantly new and relevant offerings. Lirboyo Bakery’s variant and formulation innovation is in line with the findings of Azhari et al.²⁰ as well as Nawanir and Moshood,²¹ which state that product innovation creates a unique differentiation that is difficult for competitors to imitate. This differentiation provides a strong reason for consumers to choose Lirboyo Bakery, which directly increases satisfaction because they obtain a unique product.

²⁰ Akhmad- Azhari et al., “Strategi Inovasi Dan Diferensiasi Produk Untuk Meningkatkan Daya Saing UMKM Di Era Digital,” *Makro Jurnal Manajemen Dan Kewirausahaan* 10, no. 1 (2025): 46–60, <https://doi.org/10.53712/jmm.v10i1.2688>.

²¹ Gusman Nawanir and Taofeeq Durojaye Moshood, “The Drivers of Lean, Agile and Green Principles towards Business Competitiveness among Manufacturing Firms in Malaysia,” *International Journal of Quality & Reliability Management* 42, no. 6 (2024): 1793–821, <https://doi.org/10.1108/IJQRM-02-2024-0060>.

By continuously launching new variants and improving quality (softness), Lirboyo Bakery ensures that consumer expectations are not only met but often exceeded. When perceived performance exceeds expectations, the result is delight or very high satisfaction, which drives repeat purchases and loyalty. Packaging innovation and formulation improvement support the arguments of Octavia et al.²² and Alzoubi et al.²³ that product quality is a key dimension of satisfaction. At Lirboyo Bakery, innovation ensures that the quality and appearance aspects of the product remain competitive and modern, thereby strengthening the satisfaction derived from the Ethical aspect (Trust) with the Functional aspect (Quality). Thus, Product Innovation at Lirboyo Bakery is a dynamic strategy that keeps the brand relevant, varied, and superior in terms of functional quality, complementing the emotional satisfaction that has been built by Islamic Business Ethics.

The Implementation of Islamic Business Ethics and Product Innovation in Increasing Consumer Satisfaction

An in-depth analysis of the findings from Lirboyo Bakery indicates that their success in achieving a high level of consumer satisfaction is the result of a strong, comprehensive, and holistic model synergy between the Implementation of Islamic Business Ethics and Product Innovation. These two variables are proven to not operate as independent factors, but rather complement, interact with, and strengthen one another in creating unique customer value, which serves as the foundation for the acceleration of their business growth in Kediri.

This synergy is characterized by a strategic and mutually reinforcing division of roles. Islamic Business Ethics functions as a Trust Builder and a Moral Filter. Through an emphasis on honesty (*siddiq*) in raw materials—such as the guarantee of *halal* status, no preservatives, and consistent measurements—as well as the moral character (*akhlaq*) of service (*ihsan*) demonstrated by the *santri* employees, Ethics creates a transaction environment free from *gharar* (uncertainty) and *tadlis* (deception). This directly results in Affective Satisfaction among consumers, manifested in feelings of peace (*ayem*) and fostering Emotional Loyalty toward the brand. This concept aligns with the theory of Hakim et al.²⁴ and Fitria et al.,²⁵ which emphasizes that ethics build strong relational bonds, affirming that the trust formed by integrity is the highest social capital within the framework of the sharia economy.

Meanwhile, Product Innovation takes the role of a Differentiator and a Relevance Maintainer. Innovation ensures that the ethical integrity and the quality of those basic ingredients are packaged into attractive and varied products (for example, the development of modern pastries and soft cookies) that are relevant to competitive market

²² Dindy Rizka Octavia et al., “Pengaruh Dimensi Kualitas Produk Terhadap Kepuasan Konsumen Pada Toko fashion Grosir Muslim,” *Ad-Deenar: Jurnal Ekonomi dan Bisnis Islam* 7, no. 02 (2023), <https://doi.org/10.30868/ad.v7i02.5155>.

²³ Haitham M. Alzoubi et al., “An Empirical Investigation into the Impact of Product Quality Dimensions on Improving the Order-Winners and Customer Satisfaction,” *International Journal of Productivity and Quality Management* 36, no. 2 (2022): 169–86, <https://doi.org/10.1504/IJPQM.2022.124711>.

²⁴ Hakim et al., “Integrasi Etika Bisnis.”

²⁵ Nia Fitria et al., “Eksistensi Modal Sosial Pedagang Pasar Tradisional Terhadap Kesejahteraan Dalam Perspektif Ekonomi Islam,” *Journal of Economics Research and Policy Studies* 5, no. 1 (2025): 161–72, <https://doi.org/10.53088/jerps.v5i1.1691>.

tastes, especially the youth consumer target. Innovation is responsible for Functional Satisfaction, namely the fulfillment of consumers' practical needs for taste, soft texture, and variety. This role of innovation is consistent with the findings of Linzalone and Lerro,²⁶ and Królak et al.,²⁷ who refer to innovation as a tool for differentiation. At Lirboyo Bakery, innovation has successfully positioned their products on par with modern bakeries, but with an added unique ethical value that is difficult for general competitors to imitate.

An interview quote from the Senior Manager of the Islamic Boarding School (*Pondok Pesantren*) explicitly summarizes this synergy:

“We see that these two things must not be separated. Ethics (honesty, akhlaq) is the soul of our business, while Innovation is its physical body. If we are only honest without innovation, our bread will feel old-fashioned and be abandoned. If we are only innovative without ethics, we will lose blessings (berkah) and customer trust. Both must go hand in hand to create sustainable satisfaction. This synergy is the key to our continuity.”

In conclusion, consumer satisfaction at Lirboyo Bakery is the result of a rare blend: convincing Moral Integrity combined with Adaptive and Modern Functional Quality.

CONCLUSION

The high level of consumer satisfaction is the result of a holistic and strategic synergy between the Implementation of Islamic Business Ethics and Product Innovation. Islamic Business Ethics has proven to function as a Trust Builder and Moral Filter through the emphasis on the principles of *siddiq* (honesty in raw materials, *halal* status) and *ihsan* (moral service), which directly results in Affective Satisfaction (a feeling of calmness and peace) and fosters consumers' Emotional Loyalty. Meanwhile, Product Innovation takes the role of a Differentiator and Market Relevance Maintainer, where the development of modern variants (such as soft cookies and pastries), formulation improvement, and packaging upgrades ensure that such ethical integrity is packaged into high-quality, adaptive products that meet the tastes of today's consumers, thereby generating Functional Satisfaction. This model affirms that the accelerated success of Lirboyo Bakery is the result of a rare blend between convincing Moral Integrity and Adaptive Functional Quality. Thus, this study concludes that Islamic Business Ethics has transformed into a Primary Non-Financial Competitive Advantage for *pesantren*-based businesses, and the synergy between ethical values and product innovation is the key to sustainability and holistic consumer satisfaction.

²⁶ Roberto Linzalone and Antonio Lerro, “Managing Positional Innovation in Small Food Enterprises. The Bakery Industry,” *Measuring Business Excellence* 25, no. 4 (2021): 509–26, <https://doi.org/10.1108/MBE-10-2020-0141>.

²⁷ Maria Królak et al., “Towards Sustainable Innovation in the Bakery Sector—An Example of Fibre-Enriched Bread,” *Sustainability* 14, no. 5 (2022), <https://doi.org/10.3390/su14052743>.

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