ABSTRACT

The exponential growth of new technology has brought about a wave of change in the music industry in Indonesia, impacting production, distribution, and consumption. These changes have given rise to new concepts in digital music distribution, such as Music as a Service. Therefore, the existence of this business phenomenon has implications for music streaming platform services, especially concerning customer loyalty. This research aims to address identified research gaps and inconsistencies in previous study results, particularly in exploring and developing a conceptual framework involving key variables such as service innovation, value in use, customer engagement, and customer loyalty. This research is based on the perspective of service-dominant logic theory, further supported by existing literature. Respondents in this study are active Spotify users in Semarang City who are either actively using the platform or subscribed to Spotify Premium. Data collection involved 301 respondents, which were subsequently analyzed quantitatively using the Structural Equation Model (SEM) with the Analysis Moment of Structural (AMOS) Version 24 program.

The findings of this research indicate that the relationship between service innovation and customer loyalty can be strengthened through the mediation of variables such as value in use and customer engagement. Service innovation significantly and positively influences value in use, which, in turn, has a significant positive relationship with customer engagement. Additionally, value in use has a significant positive relationship with customer loyalty, and customer engagement also has a significant positive relationship with customer loyalty. Thus, all hypotheses in this study were accepted, and it is expected that the implications for management policies will be beneficial for managers in enhancing the company's competitive advantage by designing the best marketing strategies and decisions.

Keywords: *Service Innovation, Value in Use, Customer Engagement, Customer Loyalty.*