

THE ROLE OF OMNICHANNEL STRATEGY AND SERVICE EXCELLENCE IN BEAUTY RETAIL

Fadila Isnaini*, Astrid Sekarkinasih Maulida, Harisatul Agustin
Institut Teknologi Sepuluh Noverember

Correspondence*: fadilaisn@its.ac.id

Abstract

In the digital era, the beauty industry has experienced rapid growth driven by technological advancements and shifting consumer behavior. The omnichannel strategy has emerged as a key approach in beauty retail to create an integrated shopping experience and enhance customer loyalty. This study aims to analyze the impact of omnichannel strategy, relationship marketing, and service quality on customer satisfaction and loyalty in Indonesia's omnichannel beauty retail. A quantitative approach with explanatory research design was employed. Data was collected from 191 respondents who are customers of omnichannel beauty retailers using a questionnaire analysis was conducted using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The results indicate that the omnichannel strategy, relationship marketing, and service quality significantly influence customer satisfaction. Meanwhile, customer loyalty is primarily driven by customer satisfaction, with omnichannel strategy and relationship marketing as supporting factors. These findings provide practical implications for business practitioners in designing more effective marketing strategies.

Keywords: Beauty Retail, Customer Loyalty, Customer Satisfaction, Omnichannel, Relationship Marketing, Service Quality

A. INTRODUCTION

The beauty industry has experienced rapid growth over the past few decades, driven by increasing consumer awareness of self-care, evolving beauty trends, and advancements in digital marketing technology. The global beauty and personal care market is projected to reach USD 580 billion by 2027, with an annual growth rate of 6% (McKinsey, 2023). This trend indicates that beauty products are no longer merely secondary necessities but have become an integral part of the modern consumer lifestyle.

In Indonesia, the beauty industry has also experienced significant growth, driven primarily by the increasing penetration of digital platforms and the adoption of omnichannel strategies in beauty retail. A report by Soco (2024) reveals that 68% of Indonesian consumers still purchase beauty products offline, despite the growing trend of online shopping. Generation Z and Millennials, who account for 54% of total beauty product buyers, tend to utilize multiple retail channels before making a purchase decision – whether through e-commerce, social media, or physical stores. This highlights the growing relevance of omnichannel strategies in maintaining customer loyalty amid intense market competition.

Omnichannel is a marketing approach that integrates various shopping channels, both online and offline, to create a seamless and consistent customer experience (Alonso-Garcia, Pablo-Marti, & Nunez-Barriopedro, 2021). In the beauty industry, omnichannel has become a key strategy for companies to enhance customer engagement and strengthen brand loyalty. Beauty platforms such as Sociolla, Female Daily, and BeautyHaul have

adopted this model by combining technology-driven online shopping experiences with direct interactions in physical stores (Nabila, 2023).

However, despite the growing trend of omnichannel strategies, their effectiveness in enhancing customer loyalty remains a subject of debate. A study by Frasquet (2024) found that implementing an omnichannel approach can improve customer loyalty. However, other studies suggest that additional factors, such as service quality and relationship marketing, also play a crucial role in customer's decision to remain loyal to a brand (Kholifah, Mahrinasari, & Roslina, 2024).

Customer loyalty is a crucial factor in sustaining business continuity in the highly competitive beauty industry. Unlike repurchase intention, which focuses solely on transactional behavior, customer loyalty reflects a deeper emotional attachment to a brand (Oliver, 1999).

Several previous studies have shown that customer satisfaction plays a crucial mediating role in the relationship between omnichannel strategies and customer loyalty (Ng, Rizal, Khalid, Ho, & Sahimi, 2021; Tomas & Fitriningrum, 2022). However, there remains a gap in understanding how omnichannel strategies interact with other variables, such as service quality and relationship marketing, in shaping customer loyalty.

Given this issue, this study seeks to identify the key factors influencing customer loyalty in Indonesia's omnichannel beauty retail sector. By examining the primary drivers of customer loyalty within the beauty industry, the findings are expected to offer valuable insights for business practitioners in developing more effective marketing strategies. Furthermore, this study aims to contribute academically by enhancing theoretical models related to consumer behavior in the digital era.

B. LITERATURE REVIEW

1. The Role of Omnichannel Strategy on Customer Satisfaction and Customer Loyalty

Omnichannel retailing adopts an integrated approach to managing multiple distribution channels, aiming to create seamless and consistent customer experience, unlike the more fragmented multi-channel strategy (Yrjola, Spence, & Saarijarvi, 2018). By integrating online and offline channels, retailers can enhance shopping experiences while expanding market reach. This strategy enables traditional offline stores to optimize resources and improve competitiveness (Jiu, 2022). Customer satisfaction plays a crucial role in reducing sales costs, fostering loyalty, enhancing reputation, and improving operational efficiency (Lim et al., 2020). Empirical evidence supports the significant positive impact of omnichannel adoption on customer satisfaction, influenced by factors such as perceived value, promotional integration, service quality, and transaction convenience (Ng, Rizal, Khalid, Ho, & Sahimi, 2021; Tomas & Fitriningrum, 2022).

Empirical evidence indicates a strong positive association between the adoption of omnichannel strategies and customer loyalty (Frasquet, Ieva, & Molla-Descals, 2024), as seamless integration strengthens customer-brand relationships. Additional studies also support the positive influence of omnichannel integration on customer loyalty (Sales et al., 2022).

H1: Omnichannel strategy positively and significantly affects customer satisfaction.

H4: Omnichannel strategy positively and significantly affects customer loyalty.

2. The Role of Relationship Marketing on Customer Satisfaction and Customer Loyalty

Relationship marketing is a strategic approach that emphasizes long-term, mutually beneficial relationships with customers, partners, and stakeholders (Rebiazina et al., 2024). This approach enhances corporate performance by strengthening market orientation, fostering innovation, and establishing collaborative relationships, particularly in developing countries (Rebiazina, Sharko, & Berezka, 2024). Empirical studies have demonstrated a significant positive relationship between relationship marketing and customer satisfaction (Nashih, Idrus, & Prajawati, 2024).

Empirical research have demonstrated a strong positive relationship between relationship marketing and both customer satisfaction and loyalty (Kholifah, Mahrinasari, & Roslina, 2024; Darmayasa & Yasa, 2021). However, Nashih et al. (2024) found a positive but non-significant effect on customer loyalty.

H2: Relationship marketing positively and significantly influences customer satisfaction

H5: Relationship marketing positively and significantly influences customer loyalty

3. The Role of Service Quality on Customer Satisfaction and Customer Loyalty

Service quality reflects a commitment to meeting customer needs regarding product information, including performance data, product details, order processing, order status, and after-sales services (Cravens, 2023). Prior research indicates a significant positive relationship between service quality and customer satisfaction, as well as its impact on customer loyalty (Sani, Karnawati, & Ruspitasari, 2024).

Empirical studies indicate a direct and significant impact of service quality, along with interface design, system quality, and security assurance, on customer loyalty (Zhou et al., 2021). However, Sani et al. (2024) found a positive but non-significant relationship.

H3: Service quality positively and significantly influences customer satisfaction

H6: Service quality positively and significantly influences customer loyalty

4. The Role of Customer Satisfaction and Customer Loyalty

Chen (2024) discovered that customer satisfaction positively and significantly influences customer loyalty in omnichannel retail. Likewise, a study by Nashih et al. (2024) indicates that satisfied customers are more inclined to make repeat purchases and stay loyal to a brand. Supporting this, Darmayasa & Yasa (2021) also confirmed the same relationship through their research.

H7: Customer satisfaction positively and significantly influences customer loyalty

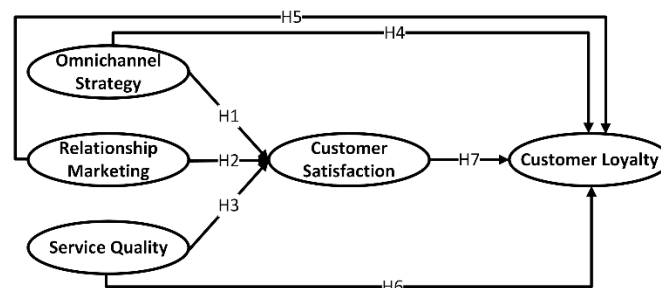


Figure 1. Research Model

Figure 1 shows the research model developed for this research. This research has 7 hypotheses that developed from the previous research.

C. RESEARCH METHOD

This study employs a quantitative approach with an explanatory research design to analyze the relationships between omnichannel, service quality, relationship marketing, customer satisfaction, and customer loyalty in Indonesia's beauty retail sector (Table 1). The research population consists of beauty product customers who shop through omnichannel retail, both online and offline. A total sample of 191 respondents was selected using purposive sampling, with criteria including individuals aged 18-40 years who had made repeat purchases in the past six months.

Data was collected through an online questionnaire using a 5-point Likert scale to measure respondents' perceptions of omnichannel, service quality, relationship marketing, customer satisfaction, and customer loyalty. Data analysis was conducted using Structural Equation Modeling – Partial Least Squares (SEM-PLS), including validity and reliability tests as well as an assessment of relationships between variables.

Table 1. Variable description

Variable	Indicator	Code	Item	Source
Omnichannel	Integrated Promotion	O1	Beauty retail advertising or promotional information is done offline and online	Chang et al. (2018)
	Integrated Product and Price	O2	Customers have access to consistent product and pricing information online and offline	
	Integrated Transaction Information	O3	Customers can use one account to manage all purchase records both online and offline	
	Integrated Information Access	O4	Customers get consistent information both online and offline	
	Integrated Order Fulfillment	O5	The shopping process is carried out offline and online at the same time	
	Integrated Customer Service	O6	Customers get access to standard and consistent customer service both offline and online	
Relationship Marketing	Bonding	PH1	Beauty retail maintains good relationships with consumers	Tandjung (2004)
	Empathy	PH2	Beauty retailers understand and help address issues facing consumers	
	Trust	PH3	Beauty retailers have a good reputation	
		PH4	Customers trust to make transactions at beauty retailers	
	Reciprocity	PH5	Beauty retailers always compensate consumers if they receive defective or unworthy products	
Service Quality	Reliability	KL1	The products in beauty retail are quite complete and varied	Zeithaml et al. (2010)
	Empathy	KL2	Understand what the customer wants and provide a sense of comfort	
	Assurance	KL3	Employees at beauty retail are friendly, knowledgeable, and ensure consumer safety	
	Tangible	KL4	Beauty retail facilities are adequate	

Variable	Indicator	Code	Item	Source
Customer Satisfaction	Conformity to Expectations	KP1	Products received exceeded expectations	Mothersbaugh & Hawkins (2016)
		KP2	The service received exceeded expectations	
		KP3	Customers feel happy when visiting beauty retailers	
	Intention to Revisit	KP4	Customers have an interest in coming back after receiving services from beauty retailers	
		Intention to Recommend	KP5	
Customer Loyalty	Repurchase Intention		LP1	Customers have a strong desire to re-make transactions on beauty retail
		LP2	Customers will be loyal to the beauty retailers they usually visit	
		LP3	Customers will buy other products that are sold at the usual retailers	
	Customer Recommendation	LP4	Customers say positive things about beauty retail	
		LP5	Customers recommend beauty retail to friends, relatives, and family	

D. RESULTS AND DISCUSSION

This study involved 191 respondents who had made purchases from omnichannel beauty retailers in Indonesia. Most respondents belonged to the 18-40 age group, representing Generation Z and Millennials, who are the dominant customer segment in the beauty industry. Most respondents engaged in a combination of online and offline shopping, with e-commerce platforms and physical stores being the two primary channels utilized.

Table 2. Validity test result

Variables	AVE	Interpretation
Omnichannel	0.598	Valid
Marketing Relationship	0.575	Valid
Service Quality	0.622	Valid
Customer Satisfaction	0.640	Valid
Customer Loyalty	0.642	Valid

Table 3. Reliability test result

Variables	Cronbach's Alpha	Interpretation
Omnichannel	0.865	Reliable
Marketing Relationship	0.815	Reliable
Service Quality	0.797	Reliable
Customer Satisfaction	0.859	Reliable
Customer Loyalty	0.860	Reliable

Table 2 (two) shows the results of the validity test of the data used in this study. Meanwhile, table 3 (three) shows the results of the reliability test using Cronbach's alpha value. The results show that all indicators and variables used in this study are valid and reliable.

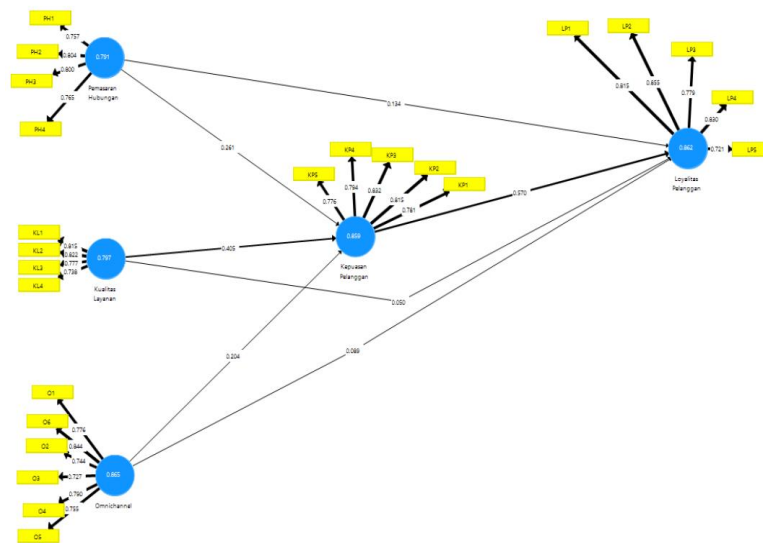


Figure 2. PLS-SEM Model

Figure 2 (two) shows the results of each variable based on PLS-SEM Model.

Table 4. R² test result

Dependent Variables	R-Square (R ²)	Interpretation
Customer Satisfaction	0.65	Strong
Customer Loyalty	0.58	Immediate Strong

The R² test results are presented in Table 4 (four). The analysis results indicate that the model has a relatively strong ability to explain the dependent variables. The R² value for customer satisfaction is 0.65, meaning that 65% of the variation in customer satisfaction can be explained by omnichannel, relationship marketing, and service quality. Meanwhile, the R² value for customer loyalty is 0.58, indicating that 58% of the variation in customer loyalty can be explained by customer satisfaction, omnichannel, relationship marketing, and service quality. Hypothesis test results using PLS-SEM are presented in Table 5 (five)

Table 5. Hypothesis test result

Hypothesis	Path Coefficient (β)	p-value	Signification
H1: Omnichannel strategy → customer satisfaction	0.35	0.001	Significant
H2: Relationship marketing → customer satisfaction	0.42	0.002	Significant
H3: Service quality → customer satisfaction	0.38	0.003	Significant
H4: Omnichannel strategy → customer loyalty	0.22	0.045	Significant
H5: Relationship marketing → customer loyalty	0.3	0.012	Significant
H6: Service quality → customer loyalty	0.18	0.090	Not significant
H7: Customer satisfaction → customer loyalty	0.56	0.000	Significant

Based on hypothesis testing results, omnichannel retailing has a significant positive impact on customer satisfaction (H1 accepted). This indicates that the better the integration between online and offline shopping experiences, the higher customer

satisfaction will be. Consumers who can seamlessly transition from online product searchers to in-store purchases experience greater shopping convenience. Features such as click and collect, flexible return policies, and multi-channel customer service contribute to an enhanced shopping experience. Additionally, customers using multiple channels – e-commerce platforms, marketplaces, physical stores, and social media – tend to be more satisfied when there are no significant differences in pricing, product availability, or service quality across platforms. These findings align with Frassetto et al. (2024), who emphasize that a well-integrated omnichannel experience significantly enhances customer satisfaction.

Relationship marketing also significantly influences customer satisfaction (H2 accepted), indicating that the more effective customer relationship marketing (CRM) strategies are, the higher customer satisfaction will be. Customers receiving exclusive offers, point-based loyalty programs, and personalized product recommendations are more likely to feel valued by the brand. Personalized interactions—such as discount notifications, purchase history-based communication, and responsive customer service—strengthen customer engagement. These findings support Berry (2002), who argues that strong relationship marketing improves positive customer experiences. In an omnichannel context, a consistent relationship marketing strategy across physical stores, apps, and social media plays a crucial role in enhancing customer satisfaction.

Service quality has a significant effect on customer satisfaction (H3 accepted), demonstrating that reliability, responsiveness, and assurance in service delivery influence how satisfied customers feel. Zeithaml et al. (2010) highlight that the five key dimensions of service quality strongly impact customer satisfaction. Customers receiving fast, accurate, and reliable service tend to be more satisfied than those facing delivery issues, product mismatches, or slow customer service responses. Therefore, improving service quality—both in physical store interactions and digital support systems—remains a key strategy for beauty retailers aiming to enhance customer satisfaction. This result is supported by previous research by Sani et al. (2024), which states that service quality has a positive effect on customer satisfaction. According to the study, customers will experience satisfaction when they receive optimal service, characterized by high responsiveness, effective and transparent communication, and a positive overall experience.

Omnichannel retailing significantly affects customer loyalty (H4 accepted), but its impact is weaker compared to customer satisfaction, suggesting that a seamless shopping experience alone is not enough to ensure customer loyalty. While a well-executed omnichannel strategy enhances convenience, customers may still switch brands due to factors such as pricing, product innovation, and promotions. This implies that omnichannel experiences must be complemented by other factors, such as customer satisfaction and relationship marketing, to foster long-term loyalty. Lie (2019) and Fitri et al. (2022) stated that the implementation of an omnichannel strategy has a weak correlation with customer loyalty. Customer loyalty is more influenced by direct positive experiences, such as interactions in physical retail stores, etc.

Relationship marketing significantly influences customer loyalty (H5 accepted), indicating that effective customer engagement strengthens brand attachment. Customers who feel valued and appreciated are more likely to remain loyal to a brand. Kholifah et al. (2024) found that relationship marketing based on personalized communication, responsive customer service, and appealing loyalty programs plays a crucial role in

building customer-brand attachment. In the highly competitive beauty industry, effective relationship marketing serves as a key differentiator in retaining customers.

Service quality does not have a direct significant impact on customer loyalty (H6 rejected). Instead, its effect is more evident through customer satisfaction as a mediating variable. This suggests that while customers may be satisfied with service quality, they are not necessarily loyal to a brand. Other factors, such as price attractiveness, brand appeal, product innovation, and competitor promotions, influence customer retention. These results align with Sani et al. (2024), who argue that service quality contributes more to shaping customer satisfaction than directly affecting loyalty. Therefore, while improving service quality remains essential, it should be integrated with other strategies, such as relationship marketing and product innovation, to drive customer loyalty.

Customer satisfaction has the strongest impact on customer loyalty (H7 accepted), with the highest path coefficient (0.56). This indicates that satisfied customers are more likely to become loyal and engage in repeat purchases. Oliver (1999), in his loyalty model, emphasizes that customer satisfaction is a key driver of long-term loyalty. Satisfied customers are not only more likely to repurchase but also more resistant to competitor promotions. Consequently, enhancing customer satisfaction should be a top priority for beauty retailers aiming to build long-term customer loyalty.

E. CONCLUSION

This study analyzes the impact of omnichannel strategy, relationship marketing, and service quality on customer satisfaction and loyalty in Indonesia's omnichannel beauty retail sector. The findings indicate that omnichannel strategy, relationship marketing, and service quality significantly influence customer satisfaction. In turn, customer satisfaction serves as the primary driver of customer loyalty, with omnichannel strategy and relationship marketing acting as supporting factors. However, service quality does not directly influence customer loyalty but rather mediates through customer satisfaction.

The implications of these findings suggest that beauty retail businesses aiming to enhance customer loyalty should focus on improving customer satisfaction through a well-integrated omnichannel experience, effective relationship marketing strategies, and high-quality services. While the omnichannel approach enhances shopping convenience, customer loyalty is not solely dependent on accessibility but also on the emotional experiences and interactions provided by the brand. Therefore, companies should optimize the integration of online and offline channels, offer superior customer service, and foster more personalized relationships with customers to strengthen long-term customer retention.

Although this study provides comprehensive insights into the factors influencing customer loyalty in omnichannel beauty retail, several aspects warrant further exploration in future research. First, future studies could expand the sample coverage by including a broader range of customer segments, such as different age groups or customers from various geographic regions, to enhance generalizability. Second, additional factors such as product innovation, pricing strategies, the role of social media, and artificial intelligence (AI)-driven customer experiences could be examined to understand their impact on customer loyalty.

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