

ELEVATE CUSTOMER LOYALTY BY OMNICHANNEL INTEGRATION QUALITY: EVIDENCE FROM THE INDONESIAN BEAUTY RETAIL INDUSTRY

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ABSTRAK

Penelitian ini menggunakan *customer engagement* (CE) dan *relationship program receptiveness* (RPR) sebagai mediator pada sektor ritel kecantikan untuk menguji hubungan antara *omnichannel integrasi quality* (OCIQ) dan *customer loyalty* (CL). Data berasal dari 1043 responden yang diperoleh melalui survei online dan dianalisis menggunakan PLS-SEM. Lima dimensi OCIQ (konfigurasi layanan saluran, konsistensi konten, konsistensi proses, jaminan kualitas, dan kualitas timbal balik saluran) berpengaruh positif terhadap CE dan RPR. Kualitas jaminan memiliki dampak paling signifikan terhadap CE dan RPR dibandingkan dimensi OCIQ lainnya. CE secara signifikan memediasi nilai CL lebih dari RPR. Studi ini membantu peritel menerapkan omnichannel untuk memahami bagaimana memenangkan hati pelanggan dengan memberikan layanan yang efisien, terpercaya, meyakinkan, dan informasi yang terintegrasi.

Kata kunci: Kualitas integrasi omnichannel, loyalitas pelanggan, keterlibatan pelanggan, penerimaan program relationship, dan marketing ritel.

ABSTRACT

This study uses customer engagement (CE) and relationship program receptiveness (RPR) as mediators in the beauty retail sector to examine the relationship between omnichannel integration quality (OCIQ) and customer loyalty (CL). Data came from 1043 respondents obtained through an online survey and analyzed using PLS-SEM. The five dimensions of OCIQ (channel-service configuration, content consistency, process consistency, assurance quality and channel reciprocity quality) positively influence CE and RPR. Assurance quality has the most significant impact on CE and RPR compared to other OCIQ dimensions. CE significantly mediated CL values more than RPR. This study helps retailers implement omnichannel to understand how to win customers' hearts by providing efficient, trustworthy, convincing service and integrated information.

Keywords: Omnichannel Integration Quality, Customer Loyalty, Customer Engagement, Relationship Program Receptiveness, Retail Marketing.

INTRODUCTION

The Covid-19 pandemic has led Indonesian people to prioritize health matters and rely more on digital applications for various needs. This shift in behavior has compelled businesses to swiftly adjust their models to align with consumer demands (Suryadi et al., 2021). Additionally, there has been a significant trend of consumers switching to online channels like e-commerce for their purchases, a pattern that started years before the pandemic (Amanah et al., 2017; Gázquez-Abad et al., 2021). This store

switching often occurs because consumers encounter limited product variety in certain categories, resulting in lost sales for retailers not only in those categories but also in related items (Gázquez-Abad et al., 2021). Consequently, retailers are adopting new technologies such as grocery pickup and delivery services, similar to strategies implemented by Walmart and Target, to benefit from omnichannel approaches and increase revenue (Har et al., 2022).

In 2020, the beauty industry experienced a decline in sales due to the

pandemic, but by 2021, sales had rebounded and are expected to continue increasing (Nurhayati-Wolff,2023). Indonesian Central Statistics Agency data indicates that the beauty industry grew by 9.61% in 2021, driven by innovative initiatives by businesses (Hasibuan, 2022).

The retail industry in Indonesia was still in its early stages of digitization or "retail 1.0" in 2020, with only 1% of retailers transitioning to digital platforms, despite a 50% growth rate in digital adoption (Hadyan, 2020). By 2021, digitalization in retail expanded further, particularly among small and micro-scale retailers (News, 2021). A Bank Indonesia survey revealed that QRIS transactions totaled 27.7 trillion by December 2021, marking a 237% increase from the previous year and highlighting the progression of digital payment methods to support omnichannel strategies (Haryono,Erwin.2022).

Several brands in Indonesia, including Starbucks, Sephora, Telkomsel, Sociolla, Alfamart, The Body Shop, Ace Hardware, and IKEA, have begun transitioning from a multichannel to an omnichannel strategy (Destiana, 2022; Purwanti, 2021; Oktavia, 2021; Djar, 2021; Paramasari, 2021). While implementing this omnichannel approach, retailers encounter various challenges such as aligning their business with customer expectations, maintaining customer engagement, optimizing stock management, integrating complex data, and addressing issues of poor data quality (Sirclo, 2021). A well-integrated omnichannel strategy is seen as key to meeting customer expectations and enhancing engagement. By integrating various channels effectively, retailers can identify areas in the customer journey that require improvement (Gao

& Huang, 2021). Because of those situations, this study will be conducted on omnichannel beauty retail. This research will answer the following questions: (1) How do CE and RPR used by OCIQ affect customer loyalty? (2) Does CE contribute to higher RPR? The remaining portions of this paper are arranged as follows.

Omnichannel Integration Quality (OCIQ)

Omnichannel retail is a modern approach that responds to evolving customer shopping behaviors, characterized by frequent switching between online and offline stores and increased use of digital devices like smartphones and tablets (Hickman et al., 2020). Retailers are prioritizing seamless integration across these channels to adapt to these changes. Businesses in an omnichannel environment believe that utilizing multiple channels enhances consumer satisfaction (Hsieh et al., 2012). Omnichannel integration refers to managing various operational channels within a company through integrated systems (Ganesh, 2004). Multichannel integration emphasizes diversification, consistency, and reciprocity to meet client needs across different channels (Wu & Chang, 2016). Multichannel retailing aims to provide a cohesive customer experience by connecting all channels and touchpoints using digital technologies (Yurova et al., 2017). Omnichannel retailing involves utilizing numerous sales channels simultaneously (Li et al., 2018). The performance of all interconnected merchant channels is measured by Omnichannel Commerce Intelligence Quotient (OCIQ) (Sousa & Voss, 2006).

Customer Engagement (CE)

Customer engagement involves building repeated contacts throughout the purchasing cycle to enhance

customer satisfaction, service quality perceptions, loyalty, word-of-mouth (offline and online), referrals, and brand communities (Writz, 2023). It is defined as ongoing interactions during the purchasing process, both offline and online, aimed at enhancing long-term emotional, psychological, and physical involvement with a brand (Hollebeek, 2011; Lemon & Verhoef, 2016; Chaffey & Ellis-Chadwick, 2019).

Relationship Program Receptiveness (RPR)

Relationship programs are crucial marketing tools that aim to encourage repurchases and foster long-term consumer connections. These programs involve launching initiatives and offering incentives to benefit customers and drive higher levels of customer loyalty (Chen et al., 2021; Lin et al., 2022). Relationship Program Receptiveness (RPR) is behavior-oriented and supports customer engagement (CE), providing insights into enterprise-driven involvement (Vivek et al., 2012). RPR reflects consumers' intentions to engage in a company's relationship marketing tactics, helping companies anticipate factors influencing consumer adoption of these strategies (Ashley et al., 2011).

Customer Loyalty (CL)

Creating positive customer experiences can drive profitability by improving performance across touchpoints, increasing conversion rates, and fostering customer loyalty and word of mouth (Lemon & Verhoef, 2016). Customer loyalty encompasses preferences, likes, and future intentions (Writz, 2023), driven by satisfaction, which prompts organizations to invest in satisfaction-enhancing programs (Mothersbaugh et al., 2020).

This study extends prior research by Gao & Huang (2021) and focuses on validated variables

influencing omnichannel system quality. Integrated channels allow customers to engage beyond purchases, fostering deeper relationships with engaged customers. Consumer engagement is selected as the moderator variable, while relationship program receptiveness (RPR) is seen as a key aspect of customer engagement behavior initiated by businesses.

Hossain et al. (2019) identified five dimensions of multichannel integration quality (MCIQ), which Gao & Huang (2021) partially used in a survey of Alibaba's Hema supermarket customers in China. This study will incorporate all five dimensions as independent variables, with CE and RPR as moderators, and customer loyalty as the dependent variable, surveying retail beauty customers in Indonesia.

The influence of OCIQ dimensions on customer engagement

In omnichannel strategies, it's crucial to focus on consumer-level factors such as channel choices, preferences, customer characteristics, satisfaction with channel use, customer loyalty, and profitability (Banarjee, 2014). Having multiple channels available in an omnichannel setup can enhance convenience and seamlessness (Hsieh et al., 2012).

H1.a: Channel-service configuration positively influences customer engagement (CE).

Consistent customer experiences across a company's channels facilitate easier channel switching, alleviating concerns about price or product quality discrepancies and saving time and money (Hsieh et al., 2012). When customers value consistent content and processes across channels, they reciprocate by engaging more with the company and its offerings (Lee et al., 2019). This consistency in interaction

contributes to increased customer satisfaction and engagement.

H1.b: Content consistency positively influences customer engagement (CE).

Process consistency in service design is essential for a seamless customer experience. Mismatches in customer-facing processes not only affect integration quality but also impact the overall customer experience (Banerjee, 2014). Consumer perceptions of cross-channel consistency in variables like service feel, image, wait time, and customer service level are used to measure process consistency (Wu & Chang, 2016).

H1.c: Process consistency positively influences customer engagement (CE).

Ensuring quality assurance is essential in omnichannel retail to address customer discomfort with sharing personal information in untrusted environments (Hsieh et al., 2012). Trust is critical for building sustainable customer relationships in the engagement process. When customers experience quality assurance in an omnichannel setup, they are more likely to engage psychologically and behaviorally with the company and its programs (Roy et al., 2018).

H1.d: Assurance quality positively influences customer engagement (CE).

Showrooming by customers enhances cross-channel integration (CCI), reducing retailer uncertainty. Experienced showrooming customers benefit more from CCI, understanding and evaluating the retailer better, thereby increasing its attractiveness (Li et al., 2018).

H1.e: Channel reciprocity quality positively influences customer engagement (CE).

The influence of OCIQ dimensions on relationship program receptiveness (RPR)

Customers who engage with companies across various channels often participate in relationship programs to establish strong connections with the company (Kang, 2018). Omnichannel sales enable consumers to interact with businesses through user-friendly digital technologies, aiming for a seamless and integrated purchasing experience (Gouveia & Mamede, 2022).

H2.a: Channel-service configuration positively influences RPR.

Social presence in communication media, such as websites, occurs within a social context and involves active participants, influencing psychological closeness (Lin et al., 2022). Customers are motivated to engage with companies offering lower prices and maximum value (Pansari & Kumar, 2017). Customer-perceived value drives engagement, with customers preferring service providers that offer added value (Brodie et al., 2011). Additionally, customers engage with service providers for psychological reasons and future value (Itani et al., 2019).

H2.b: Content consistency positively influences RPR.

Trust is essential for service quality and building sustainable relationships. For example, customers are more likely to log into their accounts and freely share opinions or suggestions online when their personal information is protected (Roy et al., 2018).

H2.d: Assurance quality positively influences RPR.

Omnichannel retailers improve the shopping experience by implementing in-store click-and-collect, aligning pricing and loyalty programs across channels, and facilitating online purchases and in-store returns. This consistency in offers and pricing

encourages consumers to seamlessly continue their shopping journey across different channels (Cocco & Demoulin, 2022).

H2.e: Channel reciprocity quality positively influences RPR.

The effect of customer engagement (CE) on relationship program receptiveness (RPR)

Customer engagement (CE) behavior is influenced by psychological motivation, emphasizing the need to understand customers' psychological states before exploring relationship program tactics. In omnichannel retail, customers interact through various digital channels and touchpoints, triggering non-transactional participation (Gao & Huang, 2021).

H3: Customer engagement (CE) positively influences RPR.

The effect of customer engagement (CE) and relationship program receptiveness (RPR) on customer loyalty (CL)

Customer engagement (CE) offers tangible and intangible benefits to companies by stimulating customer contribution. Engaged customers with emotional attachments to a company often recommend it to others (Harmeling et al., 2017). Furthermore, customers deeply engaged in online brand communities show higher loyalty compared to others (Taylor et al., 2023).

H4: Customer engagement (CE) positively influences customer loyalty (CL).

Effective loyalty programs positively impact customer satisfaction and loyalty, leading to sustainable economic performance for companies. When customers receive promotions, they perceive the company as trustworthy and become more loyal (Ashley et al., 2011).

H5: Relationship program receptiveness (RPR) positively influences customer loyalty (CL).

The mediation effects

Retailer-customer interaction across channels, along with customer-to-customer interaction, can stimulate customer engagement (CE) and boost customer enthusiasm for the company. CE often mediates between customer perception and loyalty (Hapsari et al., 2017; Yen et al., 2020).

H6: CE mediates the effect between OCIQ and customer loyalty.

Willingness to participate in relationship programs predicts positive customer-company relationships (Ashley et al., 2011). For retailers like supermarkets and convenience stores, maintaining long-term customer relationships is challenging due to low switching costs. Adopting omnichannel retail enhances channel integration, improving customers' perceptions and motivating participation in relationship programs (Gao & Huang, 2021).

H7: RPR mediates the effect between OCIQ and customer loyalty.

METHODOLOGY

To validate the proposed model (Fig. 1), selecting an omnichannel retailer with integrated channels is essential. This study involves primary data collected from beauty retail store customers through a survey. Prior to distributing the questionnaires, validity and reliability will be tested using a minimum sample of 30 questionnaires analyzed with SPSS. Reliability will be assessed using Cronbach's Alpha, requiring values above 0.60 for all variables. Validity will be confirmed with the Bartlett KMO value, which should exceed 0.50 (Hair et al., 2010). After data collection, analysis will be conducted using partial least squares

structural equation modeling (PLS-SEM) with SmartPLS3 software, which handles all PLS-SEM analyses including bootstrap routines (Hair et al.,

2014). This study follows Hossain et al. (2019) in treating MCIQ dimensions as first order.

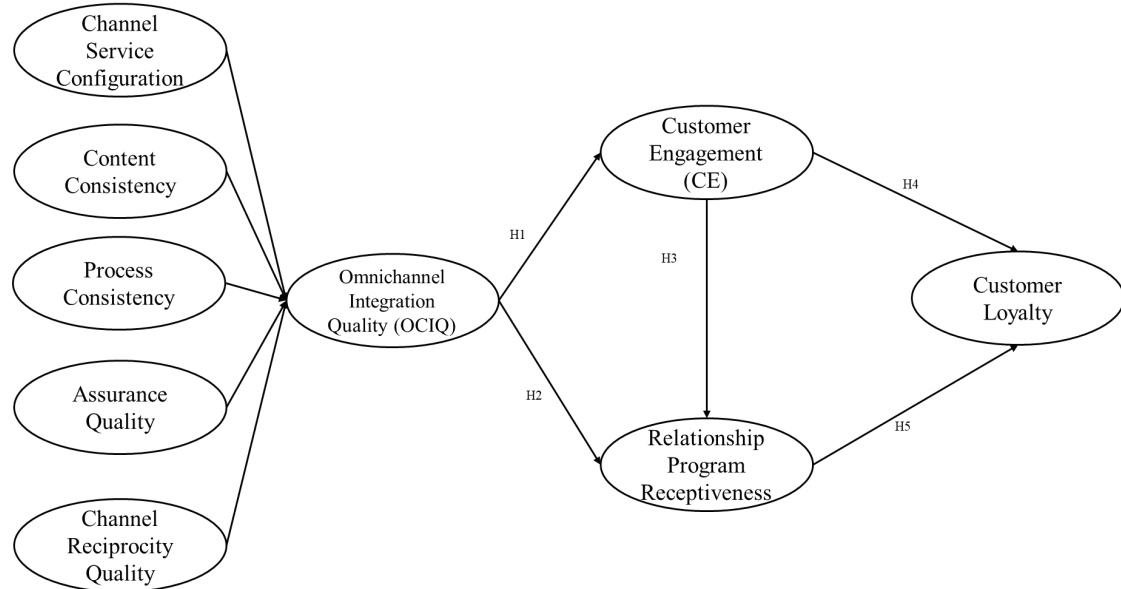


Fig 1. Conceptual Model

RESULT AND DISCUSSION

The study focused on customers of Indonesian beauty retail stores like Sociolla, Sephora, or Beauty Haul who made purchases online or offline in the last six months. Out of 1,252 collected respondents, data from 1,043 were used based on specific criteria. Demographic characteristics of the respondents are summarized in Table 1. The measurement tool's evaluation prioritized reliability and validity. Reliability, assessed using Cronbach's alpha, measures consistency in

measuring the intended concept, with all reflective variables surpassing the recommended threshold of 0.70 (Bonett & Wright, 2015). Validity examines how well the instrument captures the intended concept (Sekaran & Bougie, 2019). The study used PLS-SEM to assess reliability and validity, showing that all variables met or exceeded recommended values for composite reliability (CR), loading factor, and average variance extracted (AVE) (Hair et al., 2014), as presented in Table 2.

Table 1. Demographic statistics.

| Item | Type | Frequency | Percentage |
|-----------|----------------------|-----------|------------|
| Brand | Sociolla | 733 | 70.28% |
| | Sephora | 172 | 16.49% |
| | Beauty Haul | 138 | 13.23% |
| Age | 18-25 years old | 463 | 44.39% |
| | 26-41 years old | 514 | 49.28% |
| | 42-57 years old | 59 | 5.66% |
| | >57 years old | 7 | 0.67% |
| Gender | Female | 920 | 88.21% |
| | Male | 123 | 11.79% |
| Education | High school | 344 | 32.98% |
| | Undergraduate degree | 647 | 62.03% |
| | Graduate degree | 52 | 4.99% |
| | <1.000.000 | 151 | 14.48% |

| | | | |
|---|---|------------------------|------------------------------------|
| Monthly expenses (excluding house and vehicle repayments) in Rupiah | 1.000.000-5.000.000 5.000.000-10.000.000 10.000.000-20.000.000 >20.000.000 | 488 320 73 11 | 46.79% 30.68% 7.00% 1.05% |
|---|---|------------------------|------------------------------------|

Discriminant validity evaluates the experimental differences between constructs and how distinct overlapping constructs are from each other. Methods like the Fornell-Larcker criterion, cross loading, and heterotrait-monotrait ratio (HTMT) are used for this purpose (Ab Hamid et al., 2017). In this study, discriminant validity was confirmed by ensuring that the square roots of AVE for each latent variable exceeded all cross-correlations (Fornell and Larcker) in Table 3 (Henseler et al., 2015). Most variables met this criterion, except for a small difference between PC-CSC and CSC-CSC (0.017), which can be

disregarded (Ab Hamid et al., 2017; Rahim & Magner, 1995). The HTMT is used as a statistical test for evaluating discriminant validity, with values ideally below 0.90 (Henseler et al., 2015). However, Table 4 shows that some HTMT values exceed this threshold, indicating potential issues with discriminant validity, particularly for PC-AQ, PC-CRQ, and PC-CSC constructs where measurement overlap exists among respondents. By analyzing HTMT values and ensuring no confidence interval contains the value one, discriminant validity is confirmed (Henseler et al., 2015).

Table 2. Measurement model

| Variable | Item | Loading factor | Cronbach's Alpha | Composite Reliability (CR) | Average Variance Extracted (AVE) |
|-------------------------------------|------|----------------|------------------|----------------------------|----------------------------------|
| Channel Service Configuration (CSC) | CSC1 | 0.721 | 0.815 | 0.867 | 0.520 |
| | CSC2 | 0.731 | | | |
| | CSC3 | 0.712 | | | |
| | CSC4 | 0.705 | | | |
| | CSC5 | 0.734 | | | |
| | CSC6 | 0.722 | | | |
| Content Consistency (CC) | CC1 | 0.787 | 0.744 | 0.854 | 0.662 |
| | CC2 | 0.821 | | | |
| | CC3 | 0.832 | | | |
| Process Consistency (PC) | PC1 | 0.749 | 0.728 | 0.831 | 0.551 |
| | PC2 | 0.758 | | | |
| | PC3 | 0.738 | | | |
| | PC4 | 0.724 | | | |
| Assurance Quality (AQ) | AQ1 | 0.784 | 0.799 | 0.861 | 0.555 |
| | AQ2 | 0.751 | | | |
| | AQ3 | 0.736 | | | |
| | AQ4 | 0.748 | | | |
| | AQ5 | 0.702 | | | |
| Channel Reciprocity Quality (CRQ) | CRQ1 | 0.706 | 0.723 | 0.828 | 0.546 |
| | CRQ2 | 0.731 | | | |
| | CRQ3 | 0.763 | | | |
| | CRQ4 | 0.756 | | | |
| Customer Engagement (CE) | CE1 | 0.772 | 0.894 | 0.914 | 0.541 |
| | CE2 | 0.762 | | | |
| | CE3 | 0.734 | | | |
| | CE4 | 0.749 | | | |
| | CE5 | 0.717 | | | |
| | CE6 | 0.723 | | | |
| | CE7 | 0.728 | | | |
| | CE8 | 0.703 | | | |

| | | | | | |
|--|------|-------|-------|-------|-------|
| | CE9 | 0.727 | | | |
| Relationship Program Receptiveness (RPR) | RPR1 | 0.738 | 0.800 | 0.862 | 0.556 |
| | RPR2 | 0.768 | | | |
| | RPR3 | 0.709 | | | |
| | RPR4 | 0.756 | | | |
| | RPR5 | 0.756 | | | |
| Customer Loyalty (CL) | CL1 | 0.806 | 0.738 | 0.851 | 0.657 |
| | CL2 | 0.843 | | | |
| | CL3 | 0.780 | | | |

Table 3. Correlation matrix (Fornell-Larcker Criterion)

| | AQ | CC | CE | CL | CRQ | CSC | PC | RPR |
|-----|--------------|--------------|--------------|--------------|--------------|-------|--------------|--------------|
| AQ | 0.745 | | | | | | | |
| CC | 0.649 | 0.813 | | | | | | |
| CE | 0.696 | 0.647 | 0.735 | | | | | |
| CL | 0.618 | 0.567 | 0.687 | 0.811 | | | | |
| CRQ | 0.676 | 0.631 | 0.654 | 0.580 | 0.739 | | | |
| CSC | 0.718 | 0.633 | 0.614 | 0.587 | 0.661 | 0.721 | | |
| PC | 0.724 | 0.646 | 0.616 | 0.590 | 0.664 | 0.738 | 0.742 | |
| RPR | 0.638 | 0.580 | 0.678 | 0.636 | 0.625 | 0.644 | 0.626 | 0.746 |

The PLS-SEM results depicted in Fig. 2 include the coefficient of determination (R²), where values of 0.50 or higher indicate moderate explanatory power and values of 0.75 or higher indicate substantial explanatory power (Hair et al., 2014). Our model exhibits moderate

explanatory power, with CE, RPR, and customer loyalty values ranging from 0.529 to 0.582, all close to or exceeding 0.50. This suggests that the model effectively explains overall variation in the studied phenomena.

Table 4. Heterotrait-Monotrait Ratio (HTMT) results

| | AQ | CC | CE | CL | CRQ | CSC | PC | RPR |
|-----|--------------|-------|-------|-------|--------------|--------------|-------|-----|
| AQ | | | | | | | | |
| CC | 0.840 | | | | | | | |
| CE | 0.819 | 0.788 | | | | | | |
| CL | 0.804 | 0.763 | 0.843 | | | | | |
| CRQ | 0.889 | 0.856 | 0.807 | 0.792 | | | | |
| CSC | 0.889 | 0.812 | 0.712 | 0.752 | 0.863 | | | |
| PC | 0.949 | 0.875 | 0.760 | 0.804 | 0.915 | 0.957 | | |
| RPR | 0.796 | 0.747 | 0.796 | 0.826 | 0.82 | 0.794 | 0.819 | |

Discussion

This study extends the growing research on multi/omnichannel services, influenced by important theoretical implications. It builds upon prior

omnichannel research, specifically the five dimensions of MCIQ outlined by Hossain et al. (2019), while also integrating considerations of service quality.

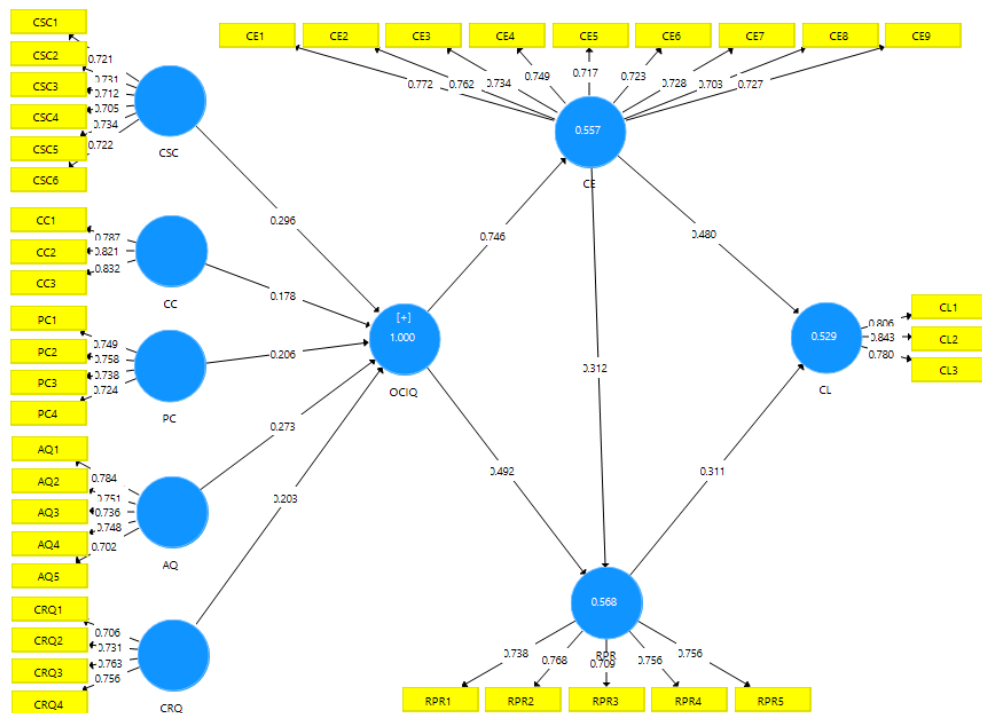


Figure 2. Smart PLS results

Integration Quality (INQ) is essential in multichannel service quality research, yet quantitative validation of its dimensions remains limited (Hsieh et al., 2012; Lee et al., 2019; Oh & Teo, 2010; Shen et al., 2018; Wu & Chang, 2016), often focusing solely on physical and online channels. This study expands INQ research by examining both physical (brick and mortar) and online (marketplace, mobile app, website) channels, introducing and validating five capability dimensions: channel-service configuration, content consistency, process consistency, assurance quality, and content reciprocity quality.

Emphasizing the impact of omnichannel service quality on consumer perception, the study enhances theoretical rigor by framing customer loyalty as a key INQ outcome and incorporating channel reciprocity quality within Omnichannel Integration Quality (OCIQ). The mediating role of relationship program acceptability between INQ and customer loyalty is

highlighted, contributing significant insights to service quality literature.

Methodologically, the study creates and validates a tool for capturing INQ dynamics in omnichannel services, emphasizing the importance of personal dynamic capabilities stemming from INQ in fostering cross-buying intentions and customer value. This higher-order INQ instrument advances theory, method, and practice, serving as a basis for future empirical studies.

Retail recommendations stress enhancing multichannel/omnichannel retailing by focusing on integration quality to facilitate customer engagement (CE) and Relationship Program Reciprocity (RPR). Strategies include expanding channel offerings, ensuring transparent and consistent interactions, strengthening channel linkages through "channel promotion," leveraging customer connection marketing, and deploying cutting-edge technologies to enhance customer experiences.

Despite limitations, including a sample from Indonesia's cosmetics sector, caution is advised when generalizing findings. Future research could explore additional multi/omnichannel formats, consider broader antecedents beyond OCIQ, and examine client segmentation to refine theoretical models.

CONCLUSIONS

This study validates the relationships among Omnichannel Integration Quality (OCIQ), Customer Engagement (CE), Relationship Program Reciprocity (RPR), and customer loyalty. OCIQ positively influences both CE and RPR, which in turn affect customer loyalty. The study highlights how CE fosters RPR and helps bridge the gap between OCIQ and customer loyalty. These findings offer theoretical and practical insights, emphasizing the need to understand different perspectives between the firm and the customer regarding CE, crucial for effective multichannel strategies.

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