

Digital Marketing and Customer Loyalty in the Cosmetic Industry: The Role of Consumer Engagement and Service Quality in the Wardah Brand

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Abstract

This study is motivated by the decline in customer loyalty toward the Wardah cosmetic brand amidst the increasingly intense competition in the beauty industry. The main objective of this research is to analyze the influence of digital marketing on customer loyalty by considering consumer engagement as a mediating variable and service quality as a moderating variable. This research employs a quantitative approach with descriptive and verification methods, utilizing Structural Equation Modeling–Partial Least Square to examine the relationships between variables. The respondents involved were Wardah product users with experience in digital shopping. The findings indicate that consumer engagement and service quality have a significant direct influence on customer loyalty. Conversely, digital marketing does not have a direct impact on loyalty, but it does have an indirect effect through consumer engagement. Additionally, service quality does not significantly moderate the relationship between the other variables and customer loyalty. The conclusion of this study is that the success of digital marketing in building loyalty depends on how emotionally and actively engaged consumers feel with the brand, as well as how well the service provided meets customer expectations.

Keywords : Digital Marketing, Customer Loyalty, Consumer Engagement, Service Quality, E-Commerce

Introduction

Indonesia's beauty industry is growing rapidly. The market value will reach IDR 50 trillion in 2024. Competition between local and international brands is getting tougher. Customer loyalty is an important aspect in maintaining market share. Wardah experienced a decrease in the TOP Brand Index from 34.5% in 2019 to 28.1% in 2022. Brand change among Jakarta cosmetics users reached 42%. Data from the Ministry of Industry (Kemenperin) in 2017 recorded more than 760 companies engaged in this sector. About 95% of companies are small and medium industries (SMEs), while the other 5% are large-scale industries.

The phenomenon of brand change that reaches 42% among cosmetic users shows the importance of examining the factors that affect customer loyalty. Nabila et al., stated that market globalization encourages consumers to demand high-quality products. This is a benchmark in maintaining consumer loyalty to the sustainable use of products. Wardah, as a halal cosmetics pioneer with a market share of 27.8% in the segment, faces challenges in maintaining its position amid the influx of more than 150 new cosmetic brands every year.

The strength of brand image is proven to contribute 21.2% to customer loyalty, while value perception has an influence of 12.8%. These results indicate that Wardah's halal image, product quality, and ethical principles are important aspects of its brand equity. (Nabila Putri Sakinah & Ismunandar, 2022).

Table 1. Customer Loyalty Data for the Period 2021-2025

No	Year	Percentage
1.	2021	30%
2.	2022	27%
3.	2023	25%
4.	2024	24%

Source : Top Brand Index

Based on the data in Table 1.1, over the past five years, customer loyalty to Wardah makeup has fluctuated. In 2021, it showed stability at 30%, but decreased in 2022 by around 27% due to tight competition and changes in young consumers' preferences for foreign brands. In 2023, the decline is still up to 25%, indicating a lack of digital marketing and a lack of consumer engagement, which ultimately has an impact on customer loyalty. By 2024, the percentage will decrease to 24%, which is a high risk in terms of customer loyalty because a lack of consumer engagement can be an obstacle for companies.

Digital marketing can increase customer loyalty through better interaction and engaging content (Sahabuddin et al., 2024). This research is in line with previous research that showed a positive relationship between the quality of digital marketing and customer loyalty (Paradise, 2024). Research from Syariah et al., also suspects that customer loyalty is not only caused by digital marketing, but is also influenced by consumer engagement as the main determinant. (Syariah et al., 2024)

Consumer engagement is the next factor that affects customer loyalty (Agiesta et al., 2021). Consumer engagement with brands through social media allows for the formation of strong relationships, which ultimately create value and have a positive impact on companies in the form of increased purchase intent. This is demonstrated through the growth of new interactions, including social media and the increased use of the internet and allowing businesses to engage more closely with consumers. (Nurchayani & Sigit, 2022)

Service quality is a key factor in shaping customer loyalty, because when customers feel personally satisfied and feel a good mood from the service received, they tend to show a high level of loyalty to the company (Subawa & Sulistyawati, 2020) Customers who receive good quality service tend to show a positive attitude, which leads to satisfaction. On the other hand, if the service provided is very poor, customers are usually reluctant to return (Dwi Wahyuni, 2017). However, research conducted by Putra et al., stated that service quality does not have a strong relationship with customer loyalty (Putra & Hasmawaty, 2022).

Consumer engagement is a very important indicator to generate purchase intent for products through effective digital marketing tools (Nurchayani & Sigit, 2022). Consumer engagement plays a role as a mediating variable in this relationship. Consumer engagement behavior is a dynamic process, involving cognitive, emotional, and social interactions between consumers and a brand. Understanding this form of engagement is important in developing a more optimal digital marketing strategy (Full, 2025).

According to Fauzy et al., consumer engagement is known as the emotional connection between a company and its customers, which emphasizes interaction and engagement with them. Consumer engagement is considered an extension into the field of relational marketing, which emphasizes the importance of continuous customer interaction and engagement (Fauzy & Praswati, 2024).

Yani et al., stated that service quality also plays an important role in the moderation variable. High-quality service is an important element to improve customer satisfaction. In the midst of fierce business competition, superior service quality can be a competitive advantage that distinguishes one brand from another. social media marketing on Instagram and electronic word of mouth (E-WOM) have a positive and significant influence on purchasing decisions (Yani et al., 2025).

Lathifa et al., argue that consumers who are satisfied with the digital buying experience of digital marketing and e-commerce services tend to build trust in brands. This trust is the main basis in the formation of customer loyalty. Consumers not only make repeat purchases but also recommend products to others. Effective digital marketing integration, strong consumer engagement, and quality e-commerce services make a great contribution to creating customer loyalty (Lathifa & Anggrainy, 2024).



Figure 1. Top Selling Cosmetic Products
Source : compas.co.id

Based on cosmetic product sales data in figure 1, despite being in fourth position with a sales contribution of IDR 22.4 billion or 16.1%, Wardah shows strong growth potential through digital marketing strategies. Digital marketing plays a crucial role in strengthening customer loyalty, especially through relevant content, interactive promotions, and a consistent presence on social media. Consumer engagement plays an active role in Wardah's digital campaign and helps increase emotional relationships and attachment to the brand. In addition, service quality also strengthens the influence of digital marketing on customer loyalty. Fast, responsive, and responsive service to consumers' expectations increases their likelihood of staying loyal to the brand.

Based on the above phenomena and empirical evidence, this study aims to examine the role of digital marketing in strengthening customer loyalty in the Indonesian beauty industry, particularly by integrating consumer engagement as a mediating variable and service quality as a moderating variable in the context of Wardah cosmetics. The study contributes theoretically by enriching the customer loyalty literature with an integrated

framework that explains how digital marketing effectiveness is not only driven by content exposure, but also by the depth of consumer engagement and the quality of service experienced by consumers. Empirically, this research provides contextual evidence from the fast-growing and highly competitive halal cosmetic market in Indonesia, where brand switching behavior remains high despite strong brand equity. Practically, the findings offer strategic insights for cosmetic companies, especially local brands, to design more holistic digital marketing strategies that emphasize interactive engagement, relational value creation, and service excellence as key drivers of sustainable customer loyalty.

Method

This study applies a quantitative method to examine the influence of digital marketing on customer loyalty which is supported by the mediating role of consumer engagement and moderation of e-commerce service quality. The data collection process was carried out online, with the research population including Wardah cosmetics users who had experience interacting through digital platforms. The number of respondents targeted in this study was 125 people, but the total questionnaire collected reached 135 people. After a selection based on the completeness and validity of the answers, as many as 95 respondents were declared worthy of analysis. The sampling technique was carried out with the consideration that respondents must have purchased Wardah products online and were exposed to digital marketing content from the brand.

Data collection was carried out through the distribution of questionnaires using a five-point Likert scale, which measures four main variables, namely digital marketing, consumer engagement, service quality, and customer loyalty. Data analysis was carried out using the Structural Equation Modeling Partial Least Square (SEM-PLS) approach with the help of SmartPLS software. The analysis steps include the validity and reliability test of the construct (outer model), the R-square test, the path analysis, and the testing of the mediation and moderation effects between variables. The results of the analysis are presented descriptively through text, tables, and visualizations to clarify the relationship between the research variables.

Results and Discussion

Respondent Profile

Table 2. Respondent Profile Results

Items	Type	Respondent	Percentage%
Gender	Male	18	13,3%
	Female	117	86,7%
Age	15 - 20 Years	42	31,1%
	21 - 30 Years	73	54,1%
	> 31 years old	20	14,8%
Position	Student/Student	72	53,3%
	Private Employees	38	28,1%
	Entrepreneurial	17	12,6%
	Other	8	5,9%
Income	< 100,000	18	13,3%

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100.000 - 1.000.000	50	37%
1.000.000 - 5.000.000	48	35,6%
> 5,000,000	19	14,1%

Based on the data in Table 2, the majority of respondents in this survey were women, namely 117 people or 86.7%, while male respondents amounted to 18 people or 13.3%. This shows that women's participation in this survey is very dominant. In terms of age, the most age group was respondents aged 21 to 30 years who reached 54.1% of the total respondents, followed by 15 to 20 years old at 31.1%, and the rest were respondents over 30 years old at 14.8%. This illustrates that the majority of respondents are productive young generations.

In terms of positions or jobs, most of the respondents were students or students, which was as much as 53.3%, followed by private employees at 28.1%, entrepreneurs at 12.6%, and others as many as 5.9%. This shows that the student group is the dominant segment in the respondents of this survey. Finally, in terms of income or income, most respondents have an income in the range of 100,000 to 1,000,000 rupiah, which is 37%, followed by the income group of 1,000,000 to 5,000,000 rupiah of 35.6%. Meanwhile, respondents with an income below 100,000 rupiah amounted to 13.3%, and those with an income above 5,000,000 rupiah amounted to 14.1%. This data shows that there is a variation in the economic backgrounds of the respondents that are quite diverse. Overall, the profile of respondents in this survey is dominated by young women with the status of students or college students, and have a lower middle income level.

Outer Model

Table 3. Outer Model Results

Variable	Outer Loading	Composite Reability	AVE
DM	0,821 – 0,843	0,871	0,692
LP	0,719 – 0,818	0,880	0,595
CD	0,726 – 0,874	0,917	0,689
KL	0,778 – 0,882	0,903	0,701

Based on the results of data processing in the measurement model (outer model), there are four variables analyzed, namely Digital Marketing (DM), Customer Loyalty (LP), Consumer Trust (KK), and Service Quality (KL). The validity of the indicator was measured using the outer loading value, while the reliability of the construct was evaluated through the Composite Reliability and Average Variance Extracted (AVE) values.

All indicators in all four variables have an outer loading value in the range of 0.719–0.882, above the threshold of 0.70. This indicates that each indicator adequately represents the construct in question. The highest outer loading value was found in the variable Quality of Service (KL) with a range of 0.778–0.882, followed by Consumer Trust (KK) 0.726–0.874, Digital Marketing (DM) 0.821–0.843, and Customer Loyalty (LP) 0.719–0.818.

The Composite Reliability values for all four constructs were above the minimum threshold of 0.70, which signifies good internal consistency. Consumer Trust (KK) was recorded the highest, at 0.917, then Service Quality (KL) 0.903, Customer Loyalty (LP) 0.880, and Digital Marketing (DM) 0.871.

AVE indicates the proportion of the variance of the indicator described by the construct. All constructs have an AVE above 0.50, which means that more than half of the variance of the indicator is explained by the respective construct. The highest AVE score was for Service Quality (KL) 0.701, followed by Consumer Trust (KK) 0.689, Digital Marketing (DM) 0.692, and Customer Loyalty (LP) 0.595. Overall, the results of this outer model confirm that the four constructs of Digital Marketing, Customer Loyalty, Consumer Trust, and Service Quality have convergent validity and adequate internal reliability, so that they are ready to proceed to structural model analysis (inner model).

R Square

Table 4. R Square Results

	R Square
CD	0,482
LP	0,859

Based on the results of the inner model analysis, the R Square value is used to determine how much the contribution of independent variables in explaining the dependent variables. In this study, the dependent variables analyzed were Consumer Engagement (KK) and Customer Loyalty (LP). The R Square for Consumer Engagement (KK) is 0.482, which means that 48.2% of the variation in consumer engagement can be explained by variables in the model, such as Digital Marketing and Quality of Service. Meanwhile, the remaining 51.8% were influenced by other factors outside the model.

Square's R for Customer Loyalty (LP) of 0.859, indicating that 85.9% of the variation in customer loyalty can be explained by independent variables such as Digital Marketing, Consumer Engagement, and Quality of Service. This value is very high and shows that the model has a very strong predictive power on Customer Loyalty. Thus, the structural model used in this study is considered quite robust, especially in explaining the factors that affect customer loyalty, where consumer engagement is one of the significant intermediary variables.

Path Coefficients

Table 5. Path Coefficients Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
DM -> KK	0,694	0,694	0,075	9,201	0,000
DM -> LP	0,065	0,062	0,087	0,742	0,458
KK -> LP	0,744	0,742	0,079	9,372	0,000
KL -> LP	0,179	0,186	0,075	2,400	0,017
Moderating Effect 1 -> LP	-0,005	-0,001	0,039	0,139	0,889

The results of the path coefficient analysis provide a comprehensive understanding of the structural relationships among variables and their respective influences on customer loyalty. The findings indicate that Digital Marketing has a strong, positive, and statistically significant effect on Consumer Engagement, as reflected by a path coefficient of 0.694, a T-statistic of 9.201, and a P-value of 0.000. This result suggests that well-designed digital marketing activities such as interactive content, consistent online presence, and effective use of digital platforms are highly effective in encouraging consumers to actively engage with the brand at both cognitive and emotional levels.

In contrast, the direct relationship between Digital Marketing and Customer Loyalty is not statistically significant, as indicated by a low path coefficient of 0.065, a T-statistic of 0.742, and a P-value of 0.458. This finding implies that digital marketing efforts alone are insufficient to directly foster customer loyalty and instead require intermediary mechanisms to translate marketing exposure into loyal behavior. This role is clearly fulfilled by Consumer Engagement, which demonstrates a very strong and significant influence on Customer Loyalty, with a path coefficient of 0.744, a T-statistic of 9.372, and a P-value of 0.000. This confirms that consumers who are actively involved, emotionally connected, and interact frequently with the brand are far more likely to develop sustained loyalty.

Additionally, Service Quality shows a positive and significant direct effect on Customer Loyalty, with a coefficient of 0.179, a T-statistic of 2.400, and a P-value of 0.017, indicating that reliable, responsive, and satisfying service experiences reinforce customers' commitment to the brand. However, the tested moderating effect reveals an insignificant result, as reflected by a negative coefficient of -0.005, a T-statistic of 0.139, and a P-value of 0.889, suggesting that the moderation mechanism does not meaningfully alter the relationship between the examined variables and customer loyalty. Overall, these results highlight that consumer engagement and service quality are the primary drivers of customer loyalty, while digital marketing exerts its influence indirectly through the enhancement of consumer engagement rather than through a direct pathway.

Specific Indirect Effects

Table 6. Specific Indirect Effects

Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	
DM -> KK -> LP	0,516	0,514	0,076	6,836	0,000

The results of the Specific Indirect Effects analysis show that Digital Marketing (DM) has a significant indirect influence on Customer Loyalty (LP) through Consumer Engagement (KK). The value of the indirect influence coefficient was 0.516 with a Statistical T value = 6.836 and a P Value = 0.000, which indicates high significance (because $P < 0.05$). This means that although the direct influence of digital marketing on customer loyalty is not significant, through increased consumer involvement, digital marketing is indirectly able to encourage customer loyalty. This reinforces the role of consumer engagement as a mediating variable in the relationship between digital marketing and customer loyalty.

Discussion

The Influence of Digital Marketing on Customer Loyalty

The results of this study show that the positive influence of digital marketing on customer loyalty in the purchase of Wardah cosmetics is relatively insignificant. It is possible that these effects occur through intermediate variables such as consumer engagement. These findings are not in line with a study by Adya Utami Syukri and Andi Nonong Sunrawali (2022) who stated that digital marketing increases brand awareness and encourages customer loyalty. Research by Masito, R. A. (2021) revealed that digital marketing has a significant positive influence on customer loyalty. Marketing that is effectively carried out through digital media is able to form a close relationship between customers and brands and increase the potential for repurchase (Sahabuddin et al., 2024).

The Influence of Digital Marketing on Consumer Engagement

The results of this study show that digital marketing has a positive and significant influence. The path coefficient value was recorded at 0.694 with a Statistical T of 9.201 and a P Value of 0.000. Better digital marketing will increase consumer engagement. These findings are in line with the statement of Chaffey & Ellis (2019) regarding the significant influence of digital marketing in shaping consumer behavior, especially in purchasing decision-making. Companies can reach consumers more effectively through social media, email, and digital advertising. Consumer engagement refers to the emotional bond that influences word-of-mouth marketing and future sales. According to (Zed et al., 2025) stating that there is a significant relationship between digital marketing and consumer engagement. Digital marketing creates value that can increase interaction with consumers (Nurchayani & Sigit, 2022).

The Influence of Consumer Engagement on Customer Loyalty

This study shows that consumer engagement has a positive and very significant relationship. The path coefficient was recorded at 0.744 with a Statistical T of 9.372 and a P Value of 0.000. Consumer engagement plays a crucial role in increasing customer loyalty. Zhafira et al. (2023) stated that customer engagement has a positive and significant effect on loyalty. Increased customer engagement is followed by increased loyalty. Putri & Nugroho (2022) mentioned that consumer engagement significantly affects loyalty, especially when consumers feel an emotional attachment to the brand. Customers who are active in brand activities show a higher tendency to remain loyal (Live et al., 2024).

The Influence of Service Quality on Customer Loyalty

This study shows that service quality has a positive and significant relationship. The coefficient was 0.179 with a Statistical T of 2.400 and a P Value of 0.017. Improving service quality has an impact on increasing customer loyalty. This finding is similar to the results of Marcellino Gerald Putra's research (2019) which states that service quality has a significant effect on customer loyalty. According to (Septyarani & Nurhadi, 2023) and (Putra, Wimba, and Susanti 2021) said that better service quality encourages increased customer loyalty to the company (Sibarani, 2023).

Conclusion

The results of the study show that consumer engagement and service quality play an important role in shaping customer loyalty. Meanwhile, the direct influence of digital marketing on loyalty has not been proven to be significant. However, digital marketing can increase loyalty indirectly through increased consumer engagement. This confirms that active consumer interaction is key in building a long-term relationship with the brand.

Practically, companies are advised to optimize digital strategies that are able to encourage consumers to engage emotionally and interactively, for example through engaging content on social media or digital rewards programs. In terms of theoretical development, these findings reinforce the position of consumer engagement as an intermediate variable in the relationship between digital marketing and loyalty, which can serve as a basis for further testing in other brand contexts. For future research, it is recommended to explore additional factors such as brand trust or user experience, as well as use a qualitative approach to better understand the consumer experience of digital marketing activities.

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