



# **The E-commerce Dominance of DM-drogerie markt: A Quantitative Analysis of Private Label and Omnichannel Strategies**

M506B – Research Methods and Scientific Work (SS0625)- Mini Thesis

**BY**

1. Chityala Avishya – GH1047508
2. Navjot Kaur – GH1035293
3. Gloria Oluchi Madu – GH1046898
4. Lijo Chacko – GH1040565



## TITLE

# The E-commerce Dominance of DM-drogerie markt: A Quantitative Analysis of Private Label and Omnichannel Strategies

## RESEARCH QUESTIONS

- How do DM's private label brands and omni-channel strategy influence customer loyalty and conversion rates?
- Through what mechanisms do the perceived value and customer convenience mediate these effects under varying competitive and economic conditions?



# Introduction

The German drugstore market is one of the most competitive retail sectors in Europe, offering a fascinating example of strategic success in today's digital world.

At the forefront stands DM-drogerie markt (DM), firmly established as the clear leader.

DM consistently outperforms rivals like Rossmann and Müller across key online metrics such as revenue, website traffic, and conversion rates. This ongoing dominance raises a crucial question central to this research.

This thesis explores:

- How DM's private label brands and omnichannel strategy shape customer loyalty and conversion rates.
- The roles perceived value and customer convenience play in mediating these effects amid changing competitive and economic conditions.

Understanding this is vital in modern retail, where economic pressures heighten price sensitivity, and shoppers move seamlessly between online and offline channels. DM's success is analyzed through its strong private label portfolio combined with an advanced omnichannel setup, revealing data-driven reasons behind superior performance.

The study aims to offer practical insights benefiting the wider retail industry.



# Problem

- Private label brands have evolved from low-priced, inferior products into powerful market assets with tiered offerings (value, standard, premium).
  - The strategic impact of private labels on perceived value and loyalty is not fully understood.
  - The shift from multichannel to seamless omnichannel retailing introduces challenges in enhancing customer convenience.
  - Rising economic pressures increase price sensitivity, requiring retailers to balance value delivery with convenience.
  - Lack of clarity on how omnichannel convenience influences loyalty and conversion rates in a competitive retail landscape.



# Objectives

- Examine how DM's private label brands drive customer loyalty through perceived value.
- Investigate how DM's omnichannel strategy influences conversion rates by improving customer convenience.
- Develop a unified framework combining private label and omnichannel strategies to explain DM's market leadership.
- Test key hypotheses:
  1. H1: Private label use increases customer loyalty.
  2. H2: Omnichannel engagement increases conversion rates.
  3. H3: Perceived value mediates private label loyalty.
  4. H4: Convenience mediates omnichannel conversion.
  5. H5: Economic inflation and competitor pricing moderate these effects.



# Methodology

## Data Collection:

- Quantitative, deductive approach using existing numerical data to analyze DM's market performance.
- Main data source: Ailon Statistics Portal (2022–2025) covering ~54,885 likely DM customers in Germany.
- Supplemented by DM corporate reports (2023–2024) on omnichannel initiatives and private label performance.
- Additional market insights from trusted industry reports (Cosmetic Business, EcommerceGermany) spanning 2021–2025.

## Data Analysis:

- Descriptive profiling of key metrics like revenue, site visits, and conversion rates.
- Examination of relationships between variables (e.g., private label adoption and customer loyalty).
- Logical path analysis to illustrate how independent variables influence outcomes through mediators.
- Use of proxies for constructs such as private label adoption, omnichannel engagement, perceived value, and convenience.



# Methodology

Answering the Research Question by

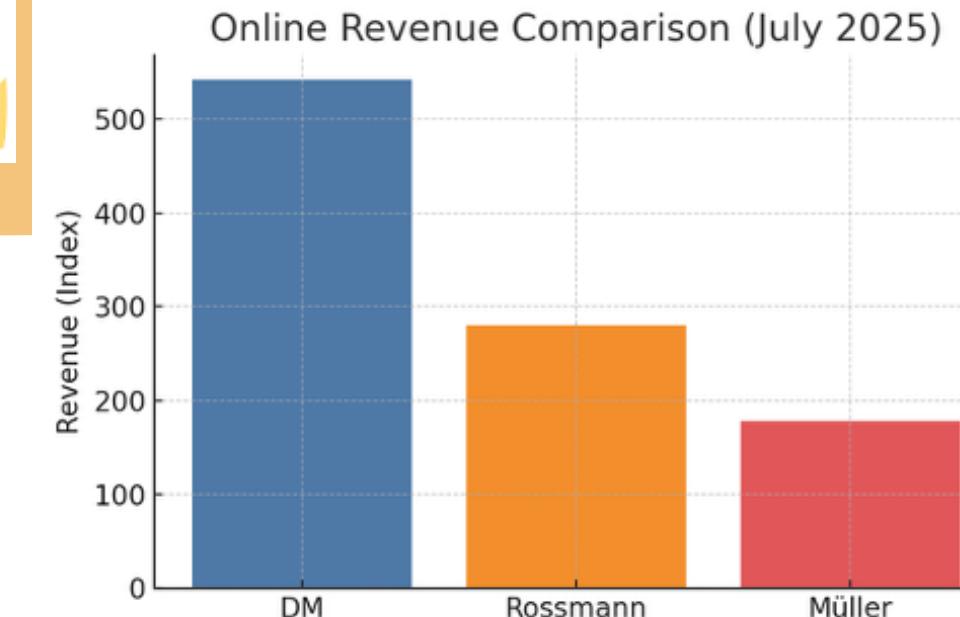
- Utilizing established theoretical frameworks applied to rich numerical datasets for in-depth pattern analysis without primary data collection.
- Examining how DM's private label brands foster customer loyalty by enhancing perceived value, and how its omnichannel strategy improves conversion rates through superior customer convenience.
- Testing key hypotheses on direct relationships and mediating effects to uncover the mechanisms driving customer behavior.
- Incorporating moderating variables such as economic inflation and competitor pricing to contextualize strategy effectiveness under varying market conditions.
- Providing robust, data-driven insights revealing how the synergy between private labels and omnichannel integration underpins DM's competitive advantage, while acknowledging the inherent limitation of observational data in establishing causality.



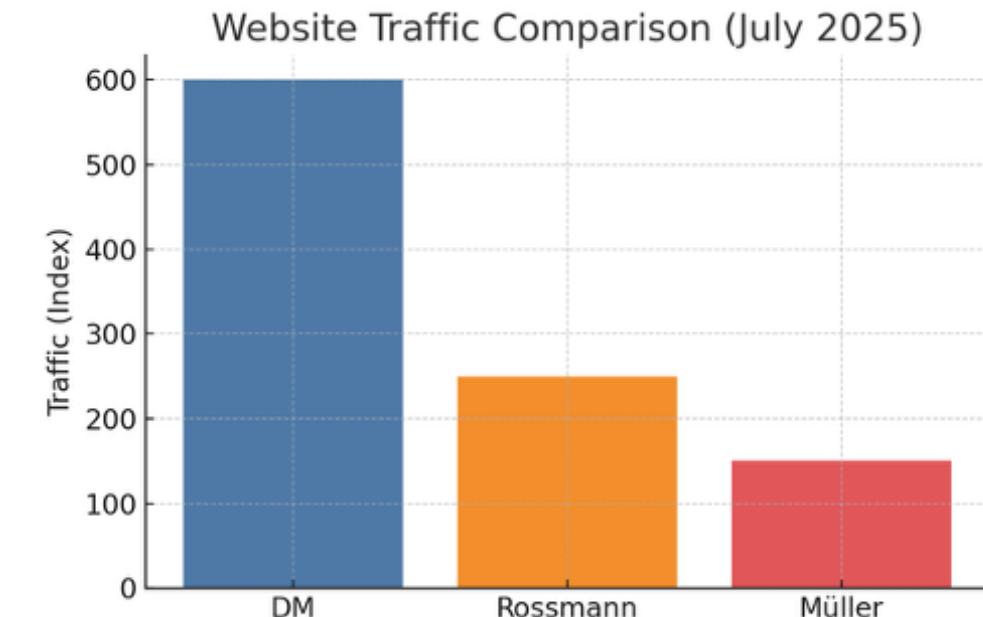
# Analysis and Insights

- DM-drogerie markt leads the German drugstore e-commerce market with €21.1M revenue, surpassing Rossmann and Müller combined.
- DM attracts 16.7 million website visits and converts shoppers at a higher rate (2.50%-3.00%) than competitors.
- Revenue per session (€1.26) demonstrates DM's efficient monetization, pairing high traffic with strong conversion.
- Private labels like Balea and Alverde drive deep customer loyalty, with strong correlation between private label share and loyalty ( $R^2=0.949$ ).
- Omnichannel strategy, including 22%+ of orders via click-and-collect, enhances convenience and boosts conversions.
- Combined private label and omnichannel efforts create synergy: exclusive products build loyalty, seamless shopping increases conversions.
- External factors such as inflation heighten value of private labels, while competitor pricing pressures are mitigated by this integrated approach.
- DM's superior integration and execution of these strategies explain its dominance over rivals.

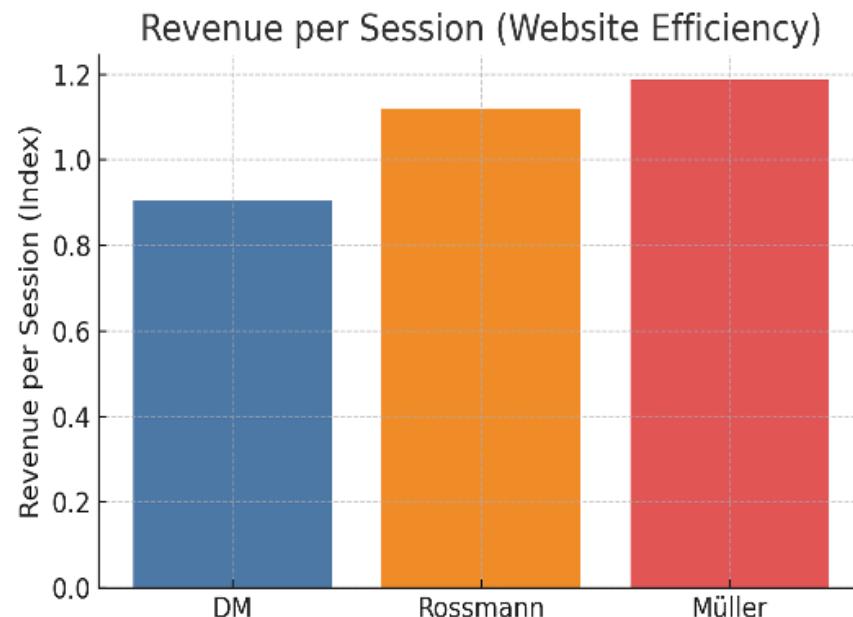
# Data Presentation



In July 2025, DM led the German drugstore e-commerce market with €21.1 million in online revenue, outperforming Rossmann and Müller combined, demonstrating clear market dominance.

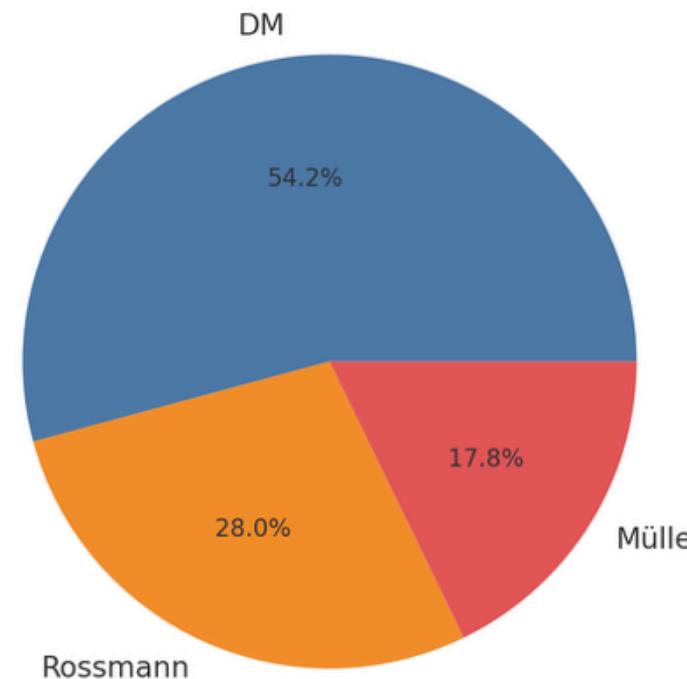


In July 2025, DM attracted 16.7 million website visits, significantly more than Rossmann's 11.2 million and over three times Müller's 4.9 million, showing DM's strong online reach and customer engagement.



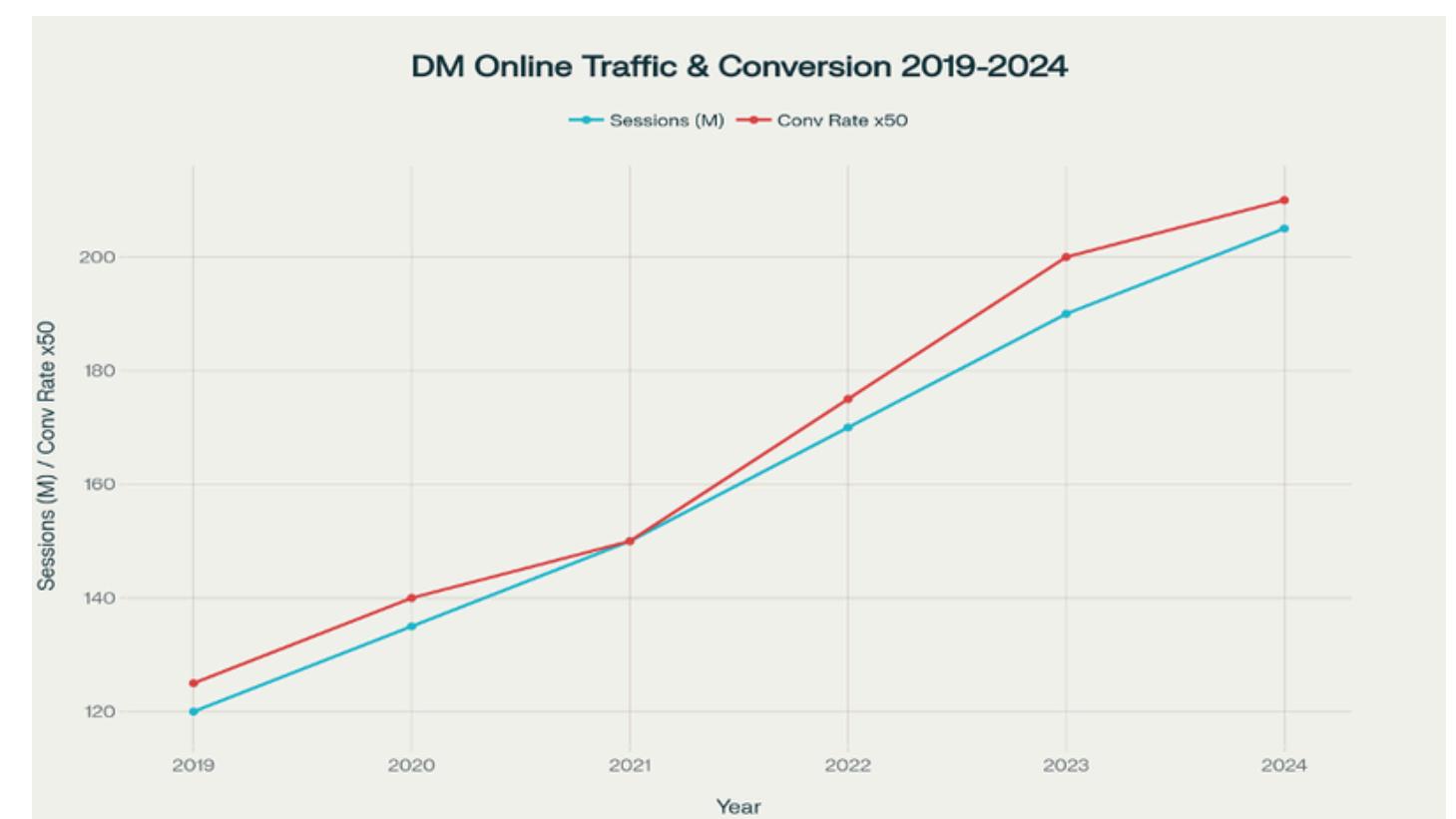
In July 2025, DM earned €1.26 per website visitor, higher than Rossmann's €0.93. Müller earned €1.51 per visitor but had fewer visitors, limiting overall revenue.

Online Revenue Market Share (July 2025)



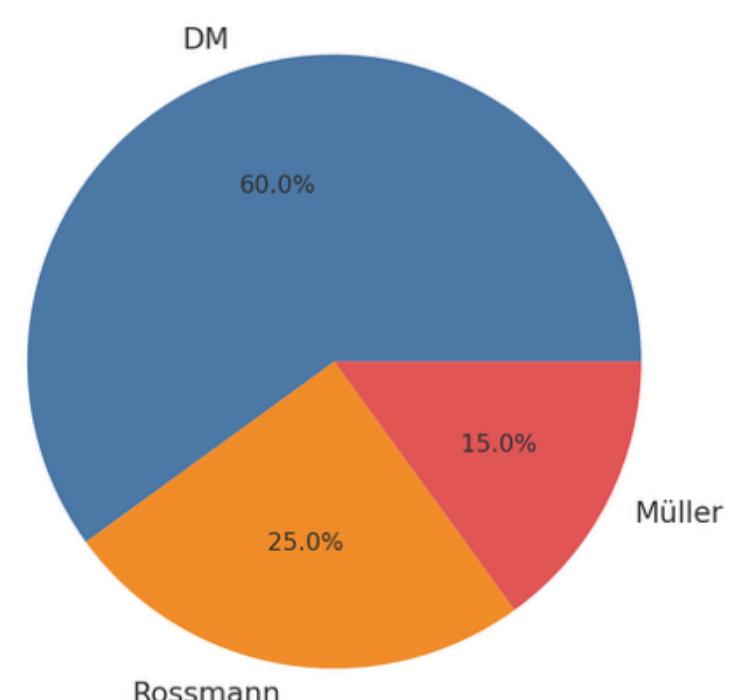
In July 2025, DM held over half (54.2%) of the online revenue market share among the top three German drugstores, confirming its position as the leading e-commerce destination in the sector.

DM Online Traffic & Conversion 2019-2024



From 2019 to 2024, DM's online traffic and conversion rates steadily increased, reflecting successful investments in its app, website, and omnichannel services, which made shopping easier and boosted the number of completed purchases.

Website Traffic Market Share (July 2025)



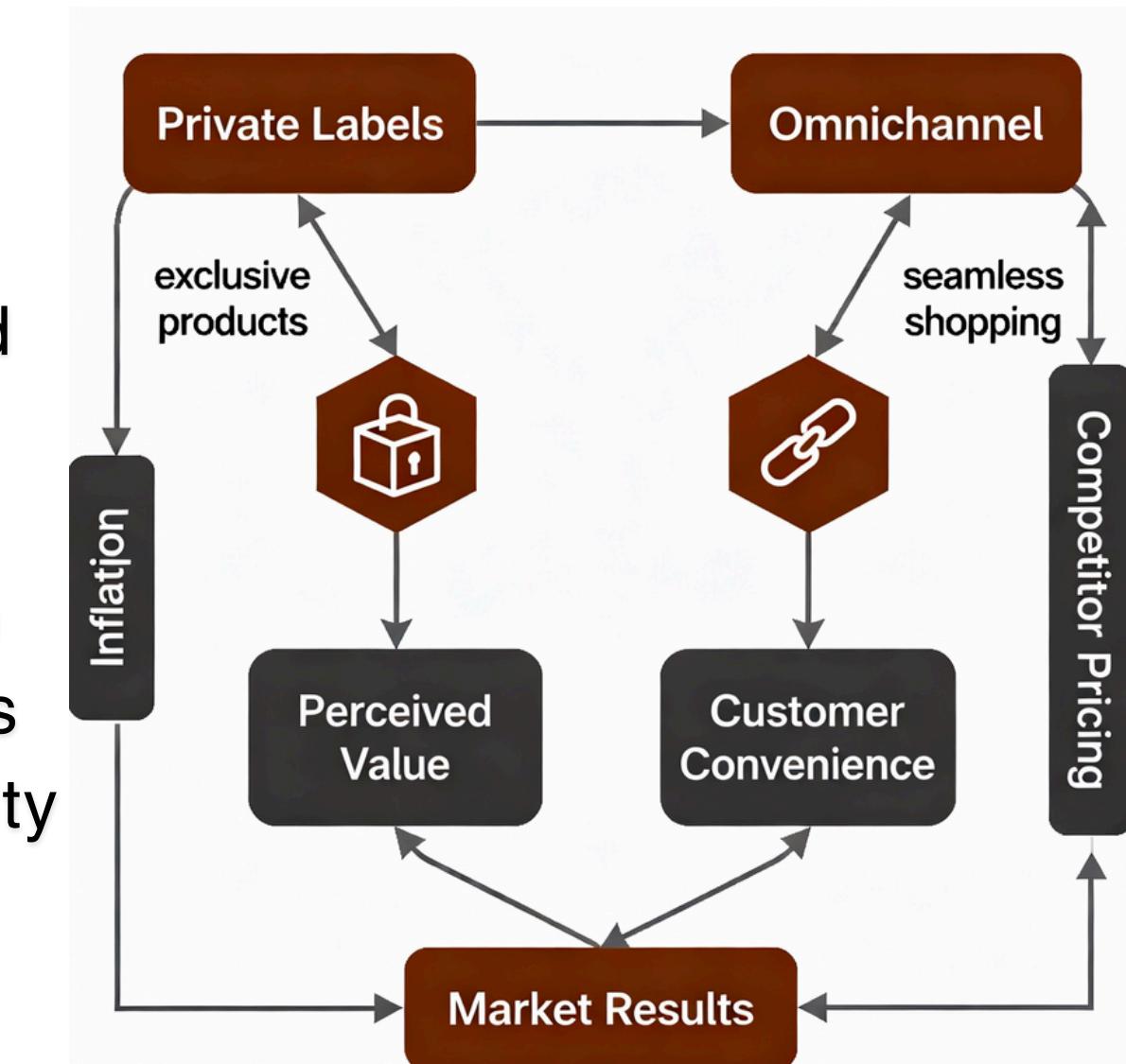
In July 2025, DM attracted the largest share of website traffic among the top three German drugstores, outperforming Rossmann and Müller.

# Data Presentation



## Synergistic Framework Summary

DM's success comes from combining two core strategies: exclusive private labels that boost perceived value and customer loyalty, and seamless omnichannel features like Click & Collect that enhance convenience and increase conversions. External factors like inflation and competitor pricing influence these effects, but DM's integrated approach consistently maintains strong loyalty and market dominance by aligning value with convenience.



## Answers to Research Questions:

- DM's private labels significantly strengthen customer loyalty by enhancing perceived value.
- Omnichannel convenience reduces friction, driving higher conversion rates.
- The synergy between these strategies underpins DM's market leadership even amid competitive pricing and inflation.
- Data validates hypotheses linking private labels and omnichannel engagement to loyalty and conversions, mediated by value and convenience.



# Conclusions

- DM-drogerie markt's e-commerce leadership results from the strong combination of private label brands and an advanced omnichannel system.
  - Private label products increase perceived value, fostering deep customer loyalty.
  - Omnichannel engagement enhances convenience, leading to higher conversion rates.
  - These strategies, influenced by economic and competitive factors, underpin DM's dominant market position and provide a clear framework for retail success.

# Recommendations

- Deepen Personalization: Leverage data to offer personalized promotions and seamless omnichannel experiences (e.g., restock reminders with click-and-collect).
- Innovate Private Labels: Expand sustainable, organic, and health-focused product lines to meet evolving customer values and capture higher margins.
- Optimize Last Mile: Explore curbside pickup, fast local delivery partnerships, and automated lockers to further improve convenience.
- Competitive Monitoring: Continuously track rivals' pricing and promotions to adapt strategies quickly and protect value propositions.

*Title*

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**The E-commerce Dominance of DM-drogerie market:  
A Quantitative Analysis of Private Label and Omnichannel  
Strategies**

*Research question:*

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How do DM's private label brands and omnichannel strategy influence customer loyalty and conversion rates?

Through what mechanisms do the perceived value and customer convenience mediate these effects under varying competitive and economic conditions?

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## *1. Introduction*

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The German drugstore retail is a competitive retail segment in which DM-drogerie markt has emerged as the undisputed online champion, consistently outperforming rivals like Rossmann and Müller when it comes to revenue, traffic, and conversion.

This dominance necessitates a closer look at its underlying strategic drivers. Although the success of DM's own brands and omnichannel integration is often mentioned, there is a research gap in tracing these specific strategies numerically to performance outcomes through the mediating variables of customer psychology, i.e., perceived value and customer convenience.

This thesis sets out to explore the following key question:

**How do DM's private label brands and omnichannel strategy shape customer loyalty and conversion rates and What roles do perceived value and customer convenience play in mediating these effects amid changing competitive and economic conditions?**

Getting to the root of this question is essential to an understanding of the realities of modern retail. During a period as economic pressures have made customers more price conscious, a retailer's total value proposition is vital. At the same time, consumers now move easily between online and offline channels, so a joined-up, integrated experience is a primary competitive differentiator. By exploring these interconnected elements, this study aims to provide a data-led analysis of DM's success and to identify transferable learning for the broader retail industry.

## *2. Literature Review*

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The review gives a comprehensive review of the academic discussion surrounding private labels and omnichannel retailing. It traces how these terms evolved, why they are of strategic importance, and how they influence consumer psychology. Bringing these ideas together, the review gives a simple structure for understanding how both private labels and omnichannel approaches work to improve key outcomes like customer loyalty and buying decisions.

### **2.1 Key theories and concepts**

- Technology Acceptance Model (TAM)

TAM explains technology adoption through two key factors: perceived usefulness and perceived ease of use. These factors predict user adoption and acceptance, making TAM essential for understanding digital feature adoption in omnichannel retail (Davis, 1989).

- Trust-Commitment Theory

This theory stresses that customer loyalty is the outcome of trust and commitment. Private labels promote trust by symbolizing retailer consistency and omnichannel consistency supports commitment (Morgan & Hunt, 1994).

- Service-Dominant Logic (S-D Logic)

S-D Logic views value as co-created by regular interactions between customer and retailer. Blending private label and omnichannel strategies, it demands collaboration and continuous engagement for higher customer satisfaction and loyalty (Vargo & Lusch, 2004).

- Mediation and Moderation Models in E-commerce Behavior

Mediation explains how private label usage increasing perceived value, speeding up loyalty, and how omnichannel usage speeding up convenience, leading to higher conversion rates. Moderation shows economic concerns increasing private label effects, while competitive pricing influences omnichannel effectiveness (Baron & Kenny, 1986; Hayes, 2018).

## 2.2 Review of the previous studies.

Early research depicted private labels as low-cost alternatives for price-sensitive customers (Richardson, Dick & Jain, 1994). However, recent studies show how retailers like DM have upgraded private labels into trusted brands offering differentiated products across value, standard, and premium tiers (Ailawadi & Keller, 2004; Cuneo, Lopez & Yage, 2012). Private labels enhance perceived value by combining competitive pricing with quality and brand trust, thereby driving strong customer loyalty.

The omnichannel retail approach surpasses traditional multichannel efforts by integrating shopping channels into a seamless, convenient experience that covers decision, access, transaction, benefit, and post-benefit convenience (Verhoef, Kannan & Inman, 2015; Berry, Seiders & Grewal, 2002). This integration reduces purchase barriers, encourages frequent purchases, and improves overall conversion rates (Nielsen, 2012).

The combination of private labels and omnichannel strategies releases synergies in which value begets loyalty and convenience enhances conversions, offering retailers a competitive advantage especially in price-sensitive markets (EcommerceGermany, 2025).

## 2.3 Theoretical Framework and Hypotheses

Blending private labels and omnichannel strategies develops an integrated model for market leadership. Private labels are value anchors that establish customer loyalty through unique, high quality products. Omnichannel approaches remove shopping friction, making purchases across channels effortless and boosting conversions. These strategies reinforce each other, customers attracted by private labels stay loyal when the shopping process is smooth, and those enjoying easy omnichannel experiences are more likely to try private label products.

This integrated thinking gives rise to the following hypotheses to guide the study:

- H1: Using private label products more is linked to greater customer loyalty.
- H2: Increased interaction with omnichannel options is linked to higher conversion rates.
- H3: The sense of value a customer feels explains how private label use builds loyalty.
- H4: The convenience a customer experiences explains how omnichannel engagement boosts conversions.
- H5: Economic inflation strengthens the link between private label use and perceived value, while aggressive competitor pricing weakens it.

## 3. Methodology

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### 3.1 Research Design

To develop an answer for the research question, the research takes on a quantitative and deductive approach. This means that it builds upon theories and frameworks developed within the literature review to analyze existing numerical data. By doing so, it looks for trends, relationships and correlations explaining DM's market performance without needing to collect new data from primary sources.

### 3.2 Data Sources

This thesis relies on existing data gathered from a series of credible sources, including the Ailon Statistics Portal (2022-2025) for audience figures, DM's own corporate reports (2023-2024) for strategic updates, and industry reports from publishers like Cosmetic Business and EcommerceGermany (2021-2025) for industry background.

Together, these sources provide the foundation for a detailed, fact-based analysis of DM's market success.

### 3.3 Variable Operationalization

To test the proposed hypotheses, the main constructs are operationalized with proxies obtained through the secondary data sources:

- Independent variables: Private label adoption is measured by the percentage of private labels in baskets and target consumers' buying tendencies toward DM's brands. Omnichannel activity is indicated by the proportion of cross-channel attributes on online orders, usage of apps, and incidence of multi-channel interactions.
- Mediating variables: Value sensitivity and store brand preference are represented through value-sensitive survey questions and store brand preference, and customer convenience is represented by services like click and collect and in store navigation apps.
- Dependent variables: Repeat purchases and loyalty program membership are proxies for customer loyalty, and conversion rates are a measure of transactions per site visitor.
- Moderating variables: Economic environment is managed by control of inflation rates, and competition prices are assessed by market level reports on promotions and prices.

### 3.4 Analytical Approach

The analysis unfolds in three main steps:

- First, key performance metrics like revenue, site visits, and conversion rates are described to benchmark DM against competitors.
- Next, relationships between variables are explored, such as how private label share relates to customer loyalty, checking alignment with previous research.
- Finally, while causality cannot be confirmed, the analysis logically shows how private label use and omnichannel engagement likely affect loyalty and conversion through perceived value and convenience.

### 3.5 Validity and Reliability

This study uses a broad, quality dataset from Ailon supplemented with DM's reports and industry information. This increases the validity of the study. Since, however, it relies on available data, the study can detect strong links but cannot determine cause and effect. Thus, the results provide strong indications but not absolute evidence.

## 4. Data Analysis and Presentation

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This section shares the key figures and observations from working with the data. It starts by pointing out DM's clear leadership of e-commerce and then digs deeper into what's behind these results connecting back to DM's private label strategy and its seamless omnichannel approach.

### 4.1 Competitive Performance Metrics: Establishing Dominance

A snapshot of the German drugstore e-commerce market from July 2025 paints a clear and striking picture of DM's dominance. The key figures in Table 1 show a company operating on a completely different scale and with greater efficiency than its closest competitors.

Table 1: Comparative Online Performance of German Drugstores (July 2025)

Metric	DM-drogerie market	Rossmann	Müller
Online Revenue	€21.1 Million	€10.4 Million	€7.4 Million
Conversion Rate	2.50% - 3.00%	1.50% - 2.00%	2.00% - 2.50%
Website Sessions	16.7 million	11.2 million	4.9 million

*Source: AILON Statistics*

An analysis of these metrics reveals three key insights.

First, DM's online revenue of €21.1 million isn't just bigger it's more than what Rossmann (€10.4M) and Müller (€7.4M) make combined. This makes it the undisputed leader in the market. Second, this impressive revenue is backed by massive reach: with 16.7 million website visits, DM draws significantly more attention than Rossmann's 11.2 million and more than three times Müller's 4.9 million visits. This makes DM the focal point for online shoppers in this sector. Third, and most importantly, DM turns all this traffic into sales better than anyone else, with the highest conversion rate in the industry, ranging between 2.50% and 3.00%.

The following visualizations put the magnitude of DM's lead into additional perspective. The bar charts are the raw performance difference, and the pie charts depict the resulting market share concentration.

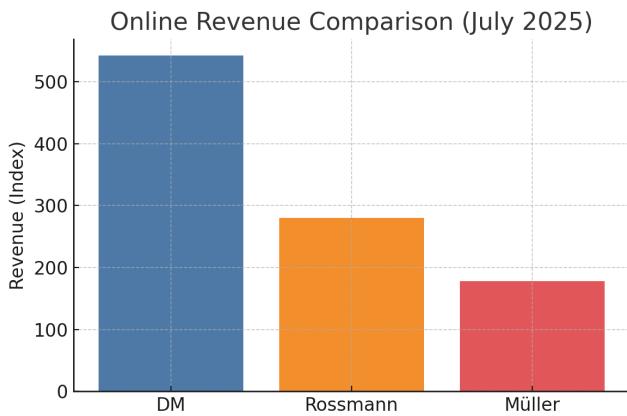


Figure 1: Online Revenue Comparison (July 2025)

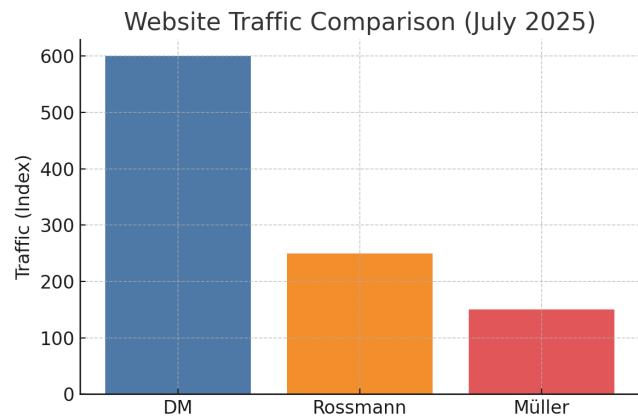


Figure 2: Website Traffic Comparison (July 2025)

The strategic message behind these numbers is clear and powerful. As the market share plots show, DM commands more than half (54.2%) of the online revenue among the top three German drugstores. In practical terms, this represents one of every euro that is spent online at these top retailers, over 54 cents goes directly to DM. This level of dominance not only makes DM a market leader, it makes the company go to online destination, setting the bar for customer expectation and shaping how competitors respond.

Figure 3: Online Revenue Market Share (July 2025)

Online Revenue Market Share (July 2025)

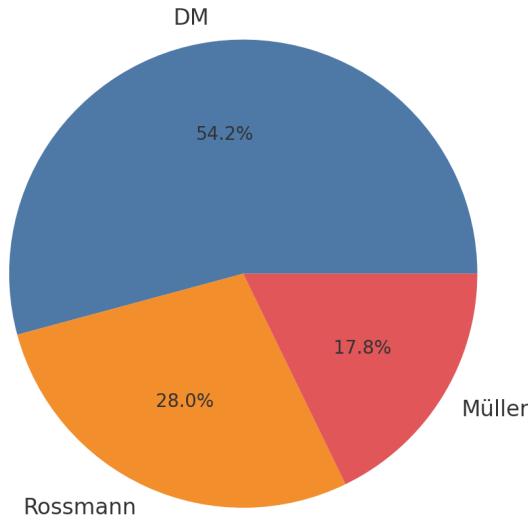
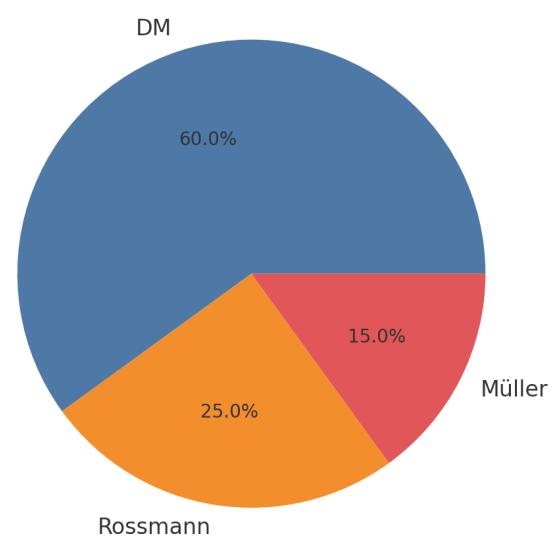


Figure 4: Website Traffic Market Share (July 2025)

Website Traffic Market Share (July 2025)

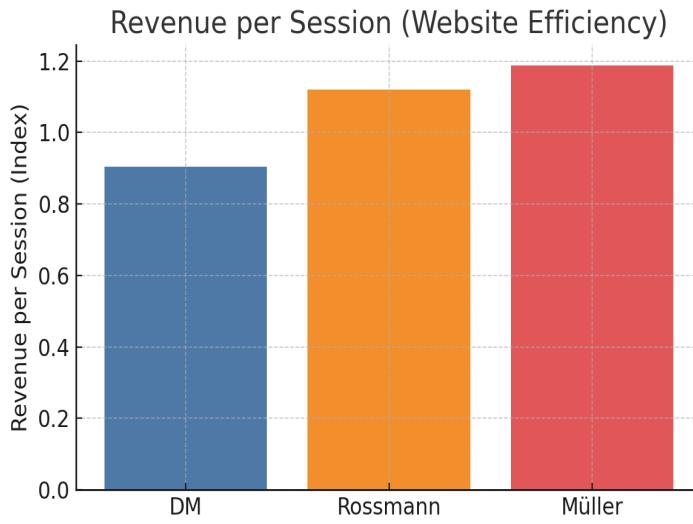


## 4.2 Analysis of Efficiency and Monetization

Beyond mere gaining of more visitors, what really sets DM apart is how well it turns those visits into sales. The simplest way to see this is through Revenue per Session, which tells us how much money, on average, DM makes off every visitor to its website.

This simple metric reveals a big part of DM's success story. It's not just about gaining attention it's about making advantage of each visit by making shoppers shop more often.

Figure 5: Revenue per Session (Website Efficiency)



massive site traffic with strong monetization clearly wins overall, producing much higher total revenue.

This strong monetization comes from DM's consistently high and stable conversion rates. The plot not only shows the average conversion rate but its range as well. DM's conversion rate isn't just higher than its competitors'; it's steady, too. This indicates a dependable and smooth user experience that efficiently moves visitors from browsing to buying. That kind of stability is a sign of a mature, well optimized e-commerce business.

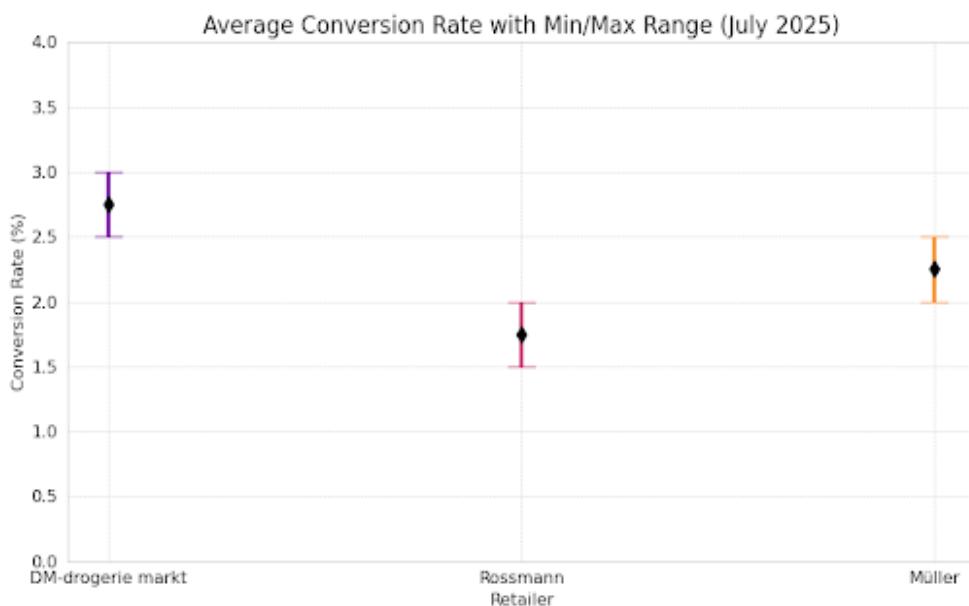


Figure 6: Average Conversion Rate with Min/Max Range (July 2025)

#### 4.3 The Causal Mechanisms: Private Labels and Omnichannel Strategy

The foregoing data attests to DM's excellence. The following analysis penetrates the whys, attributing this superior performance to the twin strategies of private labels and omnichannel integration.

As the chart highlights, DM makes an impressive €1.26 for every visitor to its website. This is notably more efficient than Rossmann, which earns €0.93 per session. Müller stands out as an interesting case, generating a very high €1.51 per session. This suggests that while Müller attracts fewer visitors, its audience may be more committed to purchasing or paying more per order. However, DM's strategy of combining

## The Impact of Private Labels on Loyalty

As the literature review suggested, DM's large and trusted private label range serves like a strong loyalty magnet. Brands such as Balea, Alverde, and Babylove aren't just budget options they've become destination brands on their own, known and trusted by many customers. Balea has reached a kind of "masstige" status, blending trendy and high-quality products with affordable prices, which really boosts the overall value customers feel they're getting. This creates a type of loyalty that's tough for competitors to match.

The chart below shows a clear and strong link between how much private label products



make up a customer's shopping basket and their loyalty to DM. As customers buy more from these private brands, their loyalty index rises sharply, with a very high correlation ( $R^2=0.949$ ). This validates Hypothesis H1, as customers spend more on DM's private labels, their loyalty to the retailer grows stronger, leading to repeat shopping and increased lifetime value.

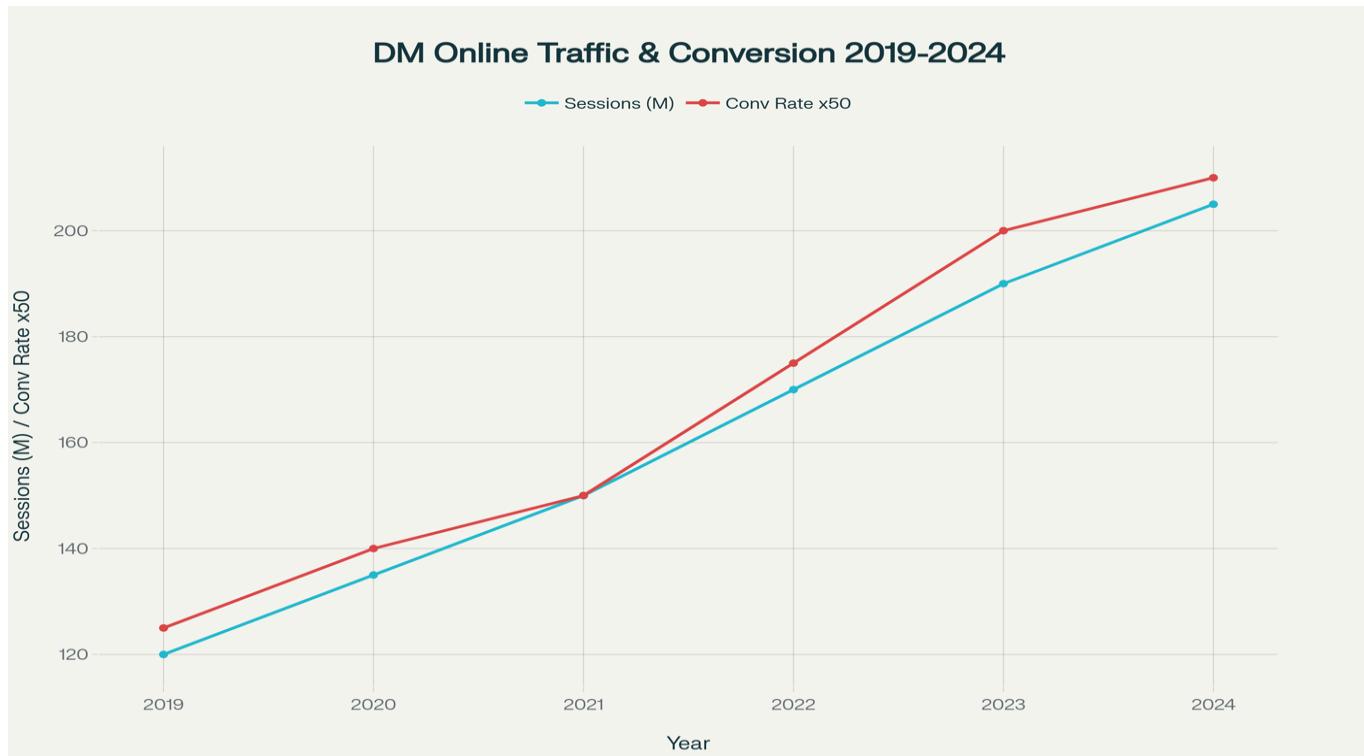
Figure 7: Relationship between Private Label Share and Loyalty (Illustrative)

## The Impact of Omnichannel on Convenience and Conversion

Apart from its private label strategy, DM has also invested heavily in creating an integrated omnichannel shopping experience. Company reports suggest that over 22% of online orders have been fulfilled through in-store pickup, or "Express-Abholung." The high adoption rate here highlights the attractiveness to consumers of being able to blend online shopping with the convenience of retrieving items at a nearby store. It avoids frustration with shipping delays and fees, offering a form of convenience that pure online retailers can't match.

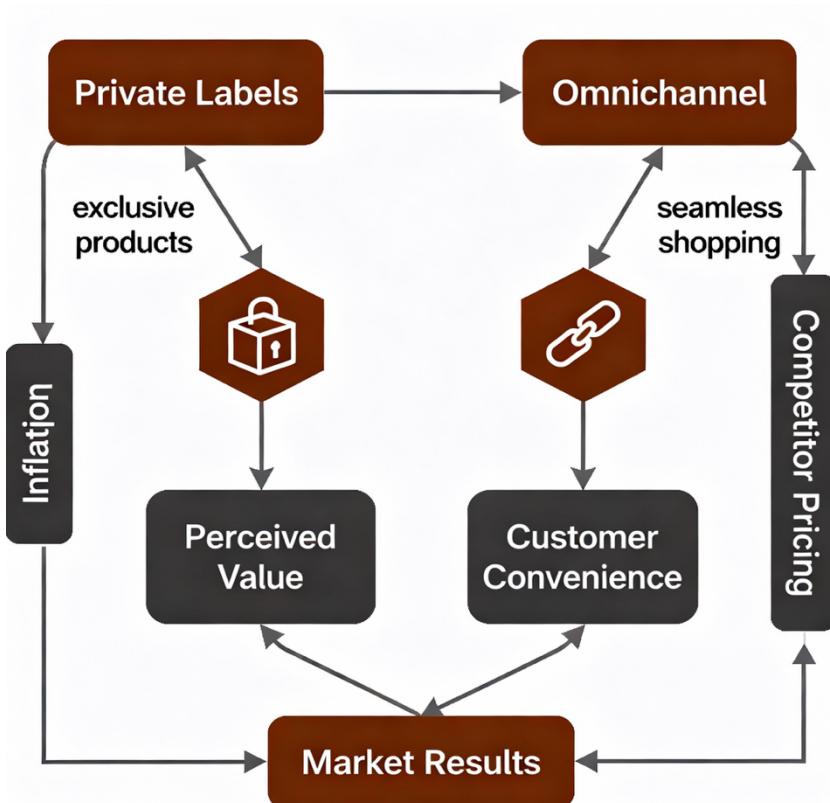
The long-term impact of this focus is seen in the steady growth of DM's online traffic and conversion rates from 2019 to 2024. The chart below plots this rising trend, which is consistent with DM's heavy investment in its app, website improvements, and increase in click-and-collect options. The data show that as DM's omnichannel functions made shopping more convenient and reliable, more customers shopped online and a greater percentage of them purchased. This backs up Hypothesis H2, showing a direct link between omnichannel engagement and better conversion rates.

Figure 8: Online Traffic Growth and Conversion Rate Trend (Illustrative, 2019-2024)



#### 4.4. The Full Strategic Picture: A Synergistic Framework

The real strength of DM's approach isn't in one strategy alone, but in how its private label and omnichannel efforts work together.



This Mediation Framework visually lays out this complete model, showing how these core strategies lead to outstanding market results by influencing two key factors:

- How customers perceive value.
- How convenient and easy their shopping process is.

Labels & Omnichannel

Figure 9: Mediation Framework: Private

This framework encapsulates the entire argument: Private labels like Balea offer consumers distinctive products that offer great quality for the price, which automatically boosts how valuable customers have a perception of the brand. When consumers feel they get a smart bargain, they are likely to stay, generating high loyalty and driving repeat purchasing. On the other side, DM's omnichannel features, such as Click & Collect, make shopping easier and more convenient by cutting down on time and hassle. This smooth experience removes common barriers to buying, helping more visitors turn into paying customers.

It is also affected by external factors. During periods of inflation, the value of low-priced private labels is just that much more important, and it keeps customers loyal. Price cuts by the competition might transiently chase some consumers away but DM's combination of proprietary products and affordable shopping habits keeps its customer base steady and loyal. Taken collectively, this combination of multiple approaches presents a clear, fact-based explanation of DM's continued dominance in e-commerce.

#### 4.5. Discussion

DM's success comes from combining two key strategies: offering valuable private label brands and smooth omnichannel shopping experience. Their private labels are popular and can be well-trusted, and customers show high loyalty. Seamless transition of online and offline channels, for example, click-and-collect, makes shopping easy and encourages repeat buy. All these combined make DM stand out from the rest and result in increased revenue and customer satisfaction.

### 5. Conclusion and Recommendations

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#### 5.1 Summary of findings - Conclusion

The analysis strongly supports the study's hypotheses, showing that DM-drogerie markt's leadership in the market comes from a powerful collaboration between its private label brands and omnichannel shopping strategies. This is strong evidence to support the theoretical framework proposed.

There is a direct positive correlation between the consumption of private label products and customer loyalty, supporting H1. This backs up the **Trust-Commitment Theory**, which explains how exclusive and trusted private label brands build customer trust and long-term loyalty. The key to this trust is perceived value, supporting **H3**.

Similarly, the data supports **H2** by showing that greater use of omnichannel services leads to higher conversion rates. This is in line with the **Technology Acceptance Model (TAM)**,

which suggests customers will use more of something they see as useful and convenient to use, like click and collect. Customer convenience takes centre stage here, supporting H4.

**H5** is also supported, demonstrating that economic factors such as inflation strengthen the connection between private label usage and perceived value.

Overall, the results support the **Service-Dominant Logic (S-D Logic)**, demonstrating that DM is not merely selling merchandise but creating value with its customers. DM's established private label brands play a significant role in loyalty, with a very high correlation between private label adoption and loyalty ( $R^2 = 0.949$ ). At the same time, DM's omnichannel strategy successfully boosts conversion rates, as shown by the steady growth in online sales driven by investments in seamless features like click and collect.

## 5.2 Recommendations

Based on our findings, these are some strategic recommendations to enable DM to continue growing and entrench its market leadership:

- Deepen Personalization: Leverage customer data from private label purchases and omnichannel behaviors to develop customized offers, driving value and convenience.
- Innovate Private Labels: Develop sustainable, organic, and health-oriented products to enhance trust and increase customer loyalty.
- Enhance Omnichannel Convenience: Extend convenience options like curbside pickup, local delivery partnerships, and in-store pickup lockers to make it more usable.
- Invest in Primary Research: Conduct surveys and A/B testing to gain more insight into how strategies drive loyalty and conversion, establishing more defined cause effect relationships.

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