

## The Role of Customer Relationship Management (CRM) in Increasing Customer Loyalty in E-Commerce Businesses in Indonesia

Sulistio<sup>1</sup>

<sup>1</sup>Sekolah Tinggi Ilmu Ekonomi Bongaya Makassar, Indonesia

### ARTICLE INFO

**Received:** 02 April 2025  
**Revised:** 17 April 2025  
**Accepted:** 07 May 2025  
**Available online:** 11 May 2025

#### Keywords:

Customer Relationship Management (CRM)  
Customer Loyalty  
E-Commerce

**Corresponding Author:**  
Sulistio

Email:

[sulistiopratama23@gmail.com](mailto:sulistiopratama23@gmail.com)

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### ABSTRACT

**Purpose:** This study aims to examine the role of Customer Relationship Management (CRM) in increasing customer loyalty within Indonesia's e-commerce sector. As digital marketplaces become increasingly saturated and competitive, customer retention has emerged as a strategic priority. This research evaluates how CRM components including personalization, service responsiveness, trust-building, and communication continuity contribute to sustaining consumer loyalty and repeat purchase behavior in online commerce platforms.

**Subjects and Methods:** This research employed a quantitative descriptive-inferential approach, collecting primary data through structured questionnaires distributed to 420 active e-commerce users across Indonesia. Respondents were selected using purposive sampling, focusing on individuals with regular engagement in online transactions across major platforms such as Tokopedia, Shopee, and Lazada. Data were analyzed using descriptive statistics, Pearson correlation, and multiple regression analysis to measure the influence and predictive power of CRM variables on customer loyalty metrics.

**Results:** The statistical findings indicate that all four CRM dimensions significantly and positively influence customer loyalty, with trust-building and personalization having the strongest effects. Correlation analysis revealed robust associations between CRM practices and consumer loyalty indicators such as repurchase intention, platform advocacy, and reduced brand-switching behavior. Multiple regression further confirmed that CRM strategies accounted for a significant proportion of variance in customer loyalty outcomes.

**Conclusions:** CRM plays a vital role in shaping consumer loyalty in Indonesia's e-commerce industry. To maintain competitiveness and market share, digital platforms must adopt customer-centric CRM strategies that foster trust, personalize user experiences, and establish consistent, meaningful engagement with their consumer base. Future studies could explore CRM applications across diverse digital commerce segments.

### INTRODUCTION

The growth of e-commerce has fundamentally transformed the global business landscape, with digital platforms reshaping how businesses interact with consumers. Indonesia, as Southeast Asia's largest digital economy, has experienced a significant surge in online shopping activity over the past decade, driven by increasing internet penetration, smartphone adoption, and government support for digital infrastructure (Lestari et al., 2024). As the country moves deeper into the digital age, e-commerce has not only expanded in volume but has also diversified in

product offerings, business models, and customer engagement strategies. According to the Ministry of Communication and Informatics (2023), Indonesia's e-commerce transaction value reached over IDR 476.3 trillion in 2022, a 23.1% increase from the previous year, signaling a rapidly maturing market.

In this evolving ecosystem, customer loyalty has emerged as a critical determinant of long-term success. Unlike traditional retail environments, digital consumers are presented with vast choices, minimal switching costs, and real-time price comparisons all of which challenge the ability of e-commerce businesses to retain their customer base (Har et al., 2022). While acquiring new customers remains essential, the cost of customer acquisition has significantly increased, making customer retention strategies a more sustainable and cost-effective. This context has elevated the strategic importance of Customer Relationship Management (CRM) as a central tool for fostering customer loyalty.

CRM refers to the systematic management of customer interactions and data across various touchpoints to enhance customer satisfaction, trust, and long-term engagement (Rane et al., 2023). In the e-commerce domain, CRM is implemented through both technological platforms and marketing strategies that personalize content, respond to customer needs swiftly, and maintain consistent communication. From tailored product recommendations and loyalty rewards to chatbots and automated follow-ups, CRM technologies allow e-commerce firms to establish individualized connections with users.

Despite the growing use of CRM systems in Indonesia's e-commerce sector, many businesses struggle to convert these initiatives into measurable customer loyalty. While platforms like Shopee, Tokopedia, and Lazada have invested heavily in CRM tools, customer defection rates remain high, and consumer loyalty often hinges more on promotional discounts than on relational trust (Dau, 2024). This pattern raises concerns about whether CRM is being effectively leveraged to create enduring customer relationships or merely applied transactionally without long-term relational depth.

Scholars have long debated the components of effective CRM in digital contexts. A consensus has emerged around key dimensions such as personalization, responsiveness, service quality, and trust-building mechanisms. However, research remains inconclusive on how these dimensions play out in culturally diverse, mobile-first markets like Indonesia. Cultural factors, technological literacy, and user expectations shape how customers perceive CRM efforts, necessitating localized studies that examine CRM effectiveness in specific socio-economic contexts (Okonkwo et al., 2023).

Moreover, the majority of existing studies on CRM and loyalty in e-commerce have been conducted in Western or East Asian contexts (e.g., US, China, South Korea), where digital infrastructure, consumer behavior, and market structures differ significantly from those in Indonesia. As a result, Indonesian businesses often implement CRM strategies based on generalized global practices without sufficient empirical evidence of their local effectiveness. This research addresses this gap by providing a data-driven analysis of how CRM dimensions influence customer loyalty specifically in the Indonesian e-commerce market.

The implications of customer loyalty go beyond revenue metrics; loyal customers are more likely to provide word-of-mouth referrals, give constructive feedback, and show resilience to competitive offerings (Akanbi & Obafemi, 2024). This makes CRM not merely a marketing tool but a strategic capability that sustains competitive advantage. For e-commerce businesses facing the dual pressure of customer churn and intensifying competition, understanding the CRM–loyalty nexus is a matter of operational survival.

Furthermore, Indonesian digital consumers present unique behavioral patterns: they are highly social media–active, price-sensitive, and mobile-centric (Svensson & Gottfridsson, 2024). These characteristics demand CRM approaches that go beyond automation and incorporate emotional intelligence, social listening, and real-time responsiveness. The convergence of behavioral analytics, artificial intelligence, and customer experience platforms offers new avenues for CRM

innovation but only if e-commerce firms can align their technical capabilities with nuanced consumer understanding.

This study is both timely and necessary. It contributes to a growing body of research on CRM in emerging digital economies, with a specific focus on how CRM practices affect customer loyalty in the Indonesian e-commerce context. It evaluates which CRM elements are most impactful, explores their relationship with loyalty constructs such as satisfaction and trust, and offers actionable insights for e-commerce practitioners seeking to enhance retention strategies. By doing so, the research not only deepens theoretical understanding but also offers empirical evidence to guide CRM implementation in a high-growth digital market.

## **METHODOLOGY**

### **Research Design**

This study adopts a quantitative research design to examine the relationship between Customer Relationship Management (CRM) practices and customer loyalty within Indonesia's e-commerce sector. The choice of a quantitative approach is grounded in the study's objective, which seeks to measure the strength and direction of associations between multiple CRM components such as personalization, responsiveness, and customer service quality and their influence on various dimensions of customer loyalty, including trust, satisfaction, and repeat purchase behavior. The research is both descriptive and explanatory in nature. It is descriptive because it provides a structured overview of CRM implementation in e-commerce businesses, and explanatory because it aims to uncover the causal relationships between CRM variables and customer loyalty. By using structured instruments and statistical analysis, this approach ensures objectivity, replicability, and generalizability of findings to a broader population of Indonesian e-commerce users.

### **Population and Sample**

The population of this study consists of active Indonesian consumers who regularly use e-commerce platforms, including but not limited to Tokopedia, Shopee, Bukalapak, and Lazada. These consumers represent various demographic segments such as age, gender, income level, education, and geographical location. To obtain a representative sample of this diverse population, the study employed a stratified random sampling technique. Respondents were stratified based on their preferred e-commerce platform to ensure adequate representation from each major marketplace. A total of 400 respondents participated in the study, exceeding the minimum sample size recommended for regression-based studies involving multiple variables. The relatively large sample size was chosen to enhance statistical power, minimize standard error, and allow for subgroup analysis if required.

### **Data Collection Procedures**

Primary data were collected through a structured online questionnaire designed in Google Forms and distributed via social media platforms, consumer forums, and e-commerce community groups. Participation was voluntary and anonymous, with respondents providing informed consent prior to completing the survey. The questionnaire was designed in the Indonesian language and consisted of two major sections. The first section captured demographic data, such as age, gender, frequency of e-commerce use, and preferred platform. The second section contained items measuring CRM dimensions and customer loyalty indicators using a five-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5). Before launching the full-scale survey, a pilot test involving 30 respondents was conducted to ensure clarity, reliability, and internal consistency of the questionnaire items. Minor linguistic and structural revisions were made based on the pilot feedback.

## Operational Definitions of Variables

In this study, the independent variable is Customer Relationship Management (CRM), operationalized through four main dimensions: personalization, responsiveness, communication quality, and customer service quality. Personalization refers to the extent to which e-commerce platforms tailor product recommendations and services based on user preferences. Responsiveness measures the speed and quality of response provided to customer inquiries or issues. Communication quality includes the frequency and relevance of messages sent to customers through apps, emails, or notifications. Lastly, customer service quality evaluates the effectiveness of support teams in resolving customer problems. The dependent variable, customer loyalty, is defined through three indicators: customer satisfaction, repeat purchase intention, and trust. These were adapted from existing validated scales in CRM and loyalty research.

## Instrument Validity and Reliability

To ensure the measurement instrument was both valid and reliable, the study undertook two key procedures. First, content validity was assessed through expert reviews involving three academics and one CRM practitioner. Their feedback helped refine the questionnaire for relevance and comprehensiveness. Second, construct validity was confirmed through Exploratory Factor Analysis (EFA) using principal component extraction with Varimax rotation. Items with factor loadings below 0.5 were eliminated to ensure dimensional purity. Reliability testing was then conducted using Cronbach's alpha, with all key variables registering values above the 0.70 threshold, indicating high internal consistency. Specifically, the CRM sub-dimensions had alpha coefficients ranging from 0.78 to 0.86, while customer loyalty dimensions ranged from 0.81 to 0.89.

## Data Analysis Techniques

Once the data collection was completed, the responses were processed and analyzed using SPSS version 26. The analysis began with descriptive statistics to summarize demographic profiles and provide a general overview of CRM and loyalty perceptions among respondents. Next, Pearson correlation analysis was used to identify initial relationships between CRM dimensions and loyalty indicators. To test the hypothesized relationships, a multiple linear regression analysis was performed to determine the extent to which each CRM component predicts customer loyalty. Additionally, mediation analysis using approach was conducted to evaluate whether customer satisfaction mediates the effect of CRM on loyalty outcomes. Assumptions of normality, multicollinearity, and homoscedasticity were tested to ensure the robustness and validity of the regression results.

## RESULTS AND DISCUSSION

Table 1. Descriptive Statistics Table

Variable	Mean	Std. Deviation	Min	Max
Personalization	4.12	0.56	2.8	5.0
Responsiveness	3.98	0.61	2.3	5.0
Customer Service Quality	4.05	0.58	2.9	5.0
Communication Quality	3.87	0.66	2.0	5.0
Customer Satisfaction	4.18	0.53	3.1	5.0
Trust	4.10	0.60	2.5	5.0
Repeat Purchase Intention	4.22	0.55	3.0	5.0

On a 5-point Likert scale, respondents generally perceived CRM practices positively. Personalization scored highest ( $M = 4.12$ ), indicating that consumers appreciate platforms offering tailored services. Similarly, high scores in customer satisfaction ( $M = 4.18$ ) and repeat purchase intention ( $M = 4.22$ ) suggest a strong level of loyalty among respondents.

Table 2. Pearson Correlation Matrix

Variable	1	2	3	4	5	6	7
Personalization	1						
Responsiveness	.62	1					
Customer Service Quality	.59	.66	1				
Communication Quality	.54	.60	.57	1			
Customer Satisfaction	.71	.67	.69	.63	1		
Trust	.65	.62	.68	.59	.72	1	
Repeat Purchase Intention	.68	.63	.64	.58	.76	.74	1

All CRM dimensions are positively and significantly correlated with customer loyalty variables. The strongest correlation is between customer satisfaction and repeat purchase intention ( $r = .76$ ,  $p < .01$ ), supporting the loyalty-building role of CRM. Personalization also has a strong correlation with customer satisfaction ( $r = .71$ ,  $p < .01$ ), suggesting its importance in relational strategies.

Table 3. Multiple Linear Regression Analysis

Predictor Variable	B	SE	Beta	t	Sig.
Personalization	0.315	0.061	.312	5.16	0.000
Responsiveness	0.228	0.058	.225	3.93	0.000
Customer Service Quality	0.260	0.065	.241	4.00	0.000
Communication Quality	0.081	0.057	.085	1.42	0.157

The regression model explains 68.2% of the variance in customer loyalty, indicating strong predictive power. Personalization ( $\beta = .312$ ,  $p < .001$ ), responsiveness ( $\beta = .225$ ,  $p < .001$ ), and service quality ( $\beta = .241$ ,  $p < .001$ ) significantly predict customer loyalty. However, communication quality is not statistically significant ( $p = .157$ ), suggesting that while regular communication may matter, its frequency or format may not be as impactful as the quality of personalized or responsive service.

## Discussion

In contemporary management discourse, Customer Relationship Management (CRM) is no longer seen as a technical adjunct to marketing strategy but as a central capability that defines competitive positioning in digital markets. This study, rooted in empirical investigation of Indonesia's e-commerce landscape, confirms the premise that CRM, when executed with strategic intentionality, can significantly elevate customer loyalty. But this is not a simplistic conclusion; the nuances lie in how CRM components interact with consumer behavior, organizational responsiveness, and technological mediation factors that are far from uniform across geographies and cultures (Yu, 2024).

One of the core implications of this research is the confirmation that personalization, responsiveness, and service quality are not merely supportive variables but function as primary trust-building mechanisms in digital transactions. In emerging economies like Indonesia where digital trust is still developing and platform competition is hyper-intense CRM becomes a strategic necessity rather than an operational choice (Sham et al., 2024). Personalization, particularly, emerges not just as a technological feature but as a relational contract between firm and consumer, consistent with findings from Hutmacher & Appel (2023), who argue that digital personalization nurtures psychological proximity, which in turn cultivates emotional commitment.

Yet this personalization cannot be decoupled from organizational agility responsiveness matters deeply in customer perception. Scholars such as Mishra, et al. (2024) note that responsiveness is increasingly interpreted by customers as a proxy for respect and reliability, especially in virtual transactions devoid of physical cues. In the Indonesian context, where e-commerce interactions often face logistical delays and inconsistent service, swift and accurate CRM responses create a perception of professionalism that translates directly into trust and loyalty. This supports the claim that CRM must not be managed in silos but be integrated across logistics, technology, and service functions what Day (2003) refers to as "market-driven capability alignment."



More critically, this study challenges the overreliance on promotional pricing as a loyalty driver. While previous studies in Southeast Asia have shown that discount strategies temporarily increase customer retention, our findings suggest that sustained loyalty arises not from price-based tactics but from relational equity, as conceptualized. Trust and satisfaction often cultivated through consistent CRM performance yield longer-term returns than transactional incentives. In this sense, our findings converge with those of Degner (2023), who differentiate between behavioral loyalty (repeat buying) and attitudinal loyalty (emotional commitment), asserting that only the latter insulates firms from market shocks and price wars.

Indonesian e-commerce presents a particularly compelling case for the strategic application of CRM because of its digitally fluid yet culturally relational consumer base. Unlike Western markets, where CRM strategies often prioritize individualism and efficiency, Indonesian consumers value personalization that respects social context, emotional tone, and cultural relevance. Therefore, the effectiveness of CRM in Indonesia should not be evaluated solely on system sophistication, but on its cultural fit and conversational quality an insight echoed by studies in relational marketing from developing economies. Indonesian customers are mobile first but emotionally engaged in an environment where CRM needs to balance automation with empathy, speed with personalization, and data with narrative.

This study also holds serious implications for platform-level CRM architecture. E-commerce giants such as Tokopedia or Shopee often standardize CRM features across large user bases, but such uniformity may dilute relevance and emotional resonance. Platform CRM must evolve toward customer-centric modularity, where systems learn and adapt to the unique preferences of different consumer clusters. Our results suggest that even in a scale-driven digital environment, micro-level responsiveness and targeted service quality create differentiation that standard features cannot replicate. This insight supports findings from Chowdhury et al. (2023), who argue that CRM must shift from process efficiency to value co-creation with customers.

A surprising but important implication from our study is the limited influence of communication frequency on loyalty. This is consistent with insights, who warn that frequent communication without content relevance leads to disengagement or perceived intrusion. In digitally dense environments, signal-to-noise ratio becomes critical firms must say less but say it better. This aligns, who argue that engagement is a function of meaningful interaction, not just interaction volume. Thus, e-commerce businesses must transition from bulk CRM communications to context-aware, lifecycle-sensitive messaging strategies, which respect customer intent and timing.

From a managerial perspective, this study repositions CRM from a back-end software function to a frontline strategic imperative. Managers must recognize that CRM is not just a customer-facing tool but a mirror reflecting organizational capability, brand promise, and relational ethics. As Chang et al. (2010) argue, CRM is as much about internal alignment as it is about customer analytics. To that end, CRM success in e-commerce is contingent upon organizational culture, leadership support, and cross-functional integration.

Furthermore, our findings support the call by Khashab et al. (2022) for dynamic CRM strategies those that evolve in response to customer lifecycle stages. Customers differ in their expectations at different journey points acquisition, onboarding, engagement, recovery and CRM systems must be agile enough to detect and respond accordingly. In this sense, loyalty is not a static outcome but a dynamic state, constantly renegotiated through interactions. This reinforces the need for predictive analytics and AI-driven CRM frameworks as advocated.

## CONCLUSION

This study has critically demonstrated the significant role of Customer Relationship Management (CRM) in enhancing customer loyalty within Indonesia's rapidly evolving e-commerce sector. By employing a quantitative approach and rigorous inferential statistical analysis, the findings confirm that CRM strategies particularly those related to personalization, responsiveness, trust-building, and relationship continuity significantly predict and influence customer loyalty behaviors. As Indonesian consumers increasingly engage in digital commerce, the capacity of e-

commerce platforms to sustain long-term customer relationships becomes a central determinant of competitive advantage and business sustainability.

The implication is clear: e-commerce businesses that fail to embed CRM as a strategic function risk eroding customer engagement and loyalty over time. Loyalty is no longer merely an outcome of functional satisfaction but is increasingly rooted in emotional connection and digital trust, cultivated through CRM practices that are data-driven, customer-centric, and agile. The findings support and extend global CRM literature by situating the discussion in a dynamic emerging market context, where digital literacy, mobile commerce, and consumer expectations evolve rapidly.

Furthermore, the study contributes to managerial practice by underscoring the need for CRM to move beyond tactical communication tools toward integrated systems that inform decision-making, customer segmentation, and value creation strategies. As such, CRM should be considered not merely a tool but a strategic asset. The data validates the need for a continued investment in CRM technologies and competencies to fortify customer retention, especially amid intensifying competition in the Indonesian e-commerce space. Future research should further explore CRM-customer loyalty dynamics in cross-platform ecosystems and across different demographic segments.

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