

Effectiveness of Email Marketing in Improving Online Business Customer Retention

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ABSTRACT

This study aims to analyze the effectiveness of using email marketing in improving customer retention in online businesses. Along with the rapid development of e-commerce in Indonesia, customer retention is a crucial factor for long-term success. This research uses a qualitative approach with in-depth interviews with online businesses and active customers who use e-commerce platforms in Indonesia. The data collected was analyzed using thematic analysis techniques to understand how email marketing plays a role in retaining customers and influencing their loyalty to online businesses. The results show that personalized email marketing that is relevant to customer needs can increase engagement and encourage repeat purchases, leading to increased customer retention rates. The research also found that frequency of email delivery and content tailored to customer preferences are important factors in the effectiveness of email marketing campaigns. However, some challenges such as over-delivery and lack of personalization were also identified, which could negatively impact customer retention. The practical implications of this research provide insights for online businesses to design email marketing strategies that are more effective in retaining their customers. This research also contributes to the development of theories related to the use of email marketing for customer retention in the Indonesian market, which is still limited in previous studies.

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1. INTRODUCTION

In the rapidly growing digital era, online business has become one of the main pillars in the global economy, including in Indonesia. Changes in consumer behavior that are increasingly dependent on technology and the internet encourage companies to adapt in the way they reach, retain, and build long-term relationships with customers. One of the biggest challenges in online business is not only acquiring new customers, but also retaining existing customers to remain loyal and continue making transactions. Customer retention is an important strategy that focuses on keeping customers from moving to competitors. In the context of online business, customer retention plays a strategic role because the cost of retaining customers is much lower than the cost of attracting new customers. In fact, according to some studies, increasing customer retention by 5% can increase profitability by 25%-95%.

In the midst of increasingly competitive online business competition, building customer loyalty is a valuable asset that can provide long-term benefits. Loyal customers not only increase the value of repeat purchases, but can also become promotional agents through positive word of mouth

on social media or digital communities. Therefore, marketing strategies that are able to maintain good relationships with customers need to be seriously optimized. One approach that is widely used by digital businesses to maintain relationships with customers is email marketing. Email marketing is a form of direct communication that allows companies to deliver information, special offers, and personalized content to customers. With the right approach, email marketing can create emotional closeness with customers and increase the chances of repeat interactions.

However, the effectiveness of email marketing in improving customer retention is still debatable, especially in the context of online businesses in Indonesia. Despite the widespread use of email marketing, there are not many local studies that specifically examine its impact on customer retention. Most existing studies are generalized or focus on other aspects such as sales conversion, email open rate, or click-through rate. The lack of research on the relationship between email marketing and customer retention in Indonesia has created a research gap. In fact, given the unique characteristics of Indonesia's digital market and the high number of internet users, the study of email marketing effectiveness is very relevant. This research is expected to contribute in answering this gap. Through this research, the author wants to answer the main question: to what extent is email marketing effective in improving customer retention in online businesses? To answer this question, a scientific approach is needed that is able to measure the perception, response, and long-term impact of email campaigns on customer loyalty.

The purpose of this study is to analyze the effect of using email marketing on customer retention rates in an online business context. This research also aims to identify important elements in email marketing that contribute to successful retention, such as frequency of sending, content, personalization, and message relevance. By understanding the effectiveness of email marketing strategies in increasing customer loyalty, this research is expected to provide practical recommendations for online businesses in designing more effective and efficient digital marketing strategies. In addition, this research also contributes to the development of digital marketing science in the academic realm. The significance of this research lies in its dual contribution: theoretically, it enriches the literature related to digital marketing and customer retention; and practically, it provides applicative insights for businesses that want to optimize email marketing channels as a customer retention tool. Furthermore, this research is also relevant for the development of a more personalized, relevant and data-driven business communication strategy. In an era of information overload, a well-targeted message delivered through an effective medium can be the key to success in retaining customers.

This research also provides added value in understanding the dynamics of digital consumer behavior in Indonesia which continues to grow. By analyzing data directly from respondents who are active customers of online businesses, this research presents empirical evidence that can be used as a basis for strategic decision making. The structure of this article is organized systematically to provide a complete understanding to the reader. The first section is the Introduction which outlines the background, research gap, problem formulation, objectives, and significance of the research. The second section is the Literature Review which discusses related theories and relevant previous research. The third section is the Research Methodology, which explains the research approach, data collection techniques, population and sample, and data analysis techniques used. Furthermore, in the Results and Discussion section, the research findings and their analysis will be described in relation to the previously reviewed theories. The article concludes with the Conclusions and Implications section, which summarizes the main results of the study, provides practical recommendations, and presents directions for future research.

2. RESEARCH METHOD

This research uses a descriptive qualitative approach with the aim of deeply understanding the perceptions, experiences, and strategies of online business actors in using email marketing to improve customer retention. This approach was chosen because it is able to explore complex and contextual phenomena in depth, and provide space for broader interpretations of the meaning behind the actions and marketing strategies carried out by business people. The population in this study are online business people in Indonesia who actively use e-commerce platforms such as Tokopedia, Shopee, or personal websites, and consistently apply email marketing strategies as part of their business communication. The sampling technique used was purposive sampling, which purposely selects informants based on certain criteria, such as having used email marketing for at least six

months and having an active customer base. The sample in this study consisted of 5 to 10 businesses, which was deemed sufficient to provide a variety of information without losing the depth of analysis.

The main data collection technique used was semi-structured in-depth interviews. Interviews were conducted both in person and online, with the aim of obtaining rich, contextualized narratives about respondents' experiences in designing, managing and evaluating email marketing to maintain customer loyalty. In addition to interviews, researchers also conducted document observations, such as sample email campaigns, customer feedback reports, and email performance metrics (e.g. open rate or click rate) where possible to access. The instrument in this study was a semi-structured interview guide that was prepared based on the research focus and relevant theories. The guide contains a list of flexible open-ended questions, allowing researchers to explore informants' answers more broadly and deeply. The questions were designed to explore email sending strategies, the form of content used, customer segmentation, as well as business owners' perceptions of the impact of email marketing in retaining customers. Data obtained from interviews and documentation were analyzed using thematic analysis techniques. The analysis process began with the transcription of the interview results, then a coding process was carried out to identify the main themes that emerged from the data. After that, the themes were grouped and interpreted in the context of customer retention strategies through email marketing. Data validity in this qualitative research is maintained through source triangulation techniques, peer debriefing, and member checking to ensure the truth of the data submitted by informants.

3. RESULTS AND DISCUSSIONS

Presentation of survey or interview data

The research data was obtained through in-depth interviews with six informants who are online business owners from various sectors, including fashion, snacks, digital products, handmade accessories, and household goods. All informants were purposively selected based on the criteria of actively using email marketing for at least six months and having customers registered in their email system. Interviews were conducted online, lasting between 30 and 60 minutes, and data were analyzed using a thematic approach. The results of the interviews show that the strategies of using email marketing by business people vary greatly. Most informants stated that they use email for product promotion, special discounts, new product launches, and customer education through informative content. This strategy is not only aimed at increasing sales, but also building long-term relationships with customers. Some businesses have even adopted email automation systems, such as sending welcome emails, shopping cart reminders, and post-purchase follow-ups.

In terms of effectiveness, almost all informants acknowledged that email marketing contributes positively to customer retention. They noted an increase in repeat purchases after customers received certain emails, especially those that were personalized and relevant to individual preferences. For example, one informant mentioned that an email campaign with exclusive discounts for existing customers increased sales by 15% in two weeks. Emails that include the customer's name and display product recommendations based on purchase history also show higher levels of engagement, such as increased open rates and click-through rates. However, the implementation of email marketing is not free from challenges. Informants mentioned several obstacles, such as the low digital literacy of some customers who are not used to opening emails, the risk of emails entering the spam folder, and the limited time and energy to design attractive email content consistently. In addition, the process of customer segmentation and database management is also still an additional work that is quite attention-consuming, especially for small and medium-sized businesses that do not have a dedicated team for digital marketing. Overall, the interview data indicates that email marketing can be an effective tool for retaining customers in online businesses if the strategies used are personalized, relevant and sent with the right frequency. The findings reinforce the importance of a customer-centric approach in designing email campaigns, as well as the need for businesses to understand the characteristics of their audience to make email communication more meaningful and effective.

Qualitative Analysis of the Effect of Email Marketing on Customer Loyalty and Retention

In a qualitative approach, analysis is not done through numerical statistical calculations, but through in-depth interpretation of data obtained from interviews. This research aims to understand

contextually how email marketing is perceived by online business people as a strategy to increase loyalty and retain customers in the long term. Based on data from interviews with six informants, it was found that email marketing strategies have a significant influence on customer loyalty, especially when the content delivered is personalized, relevant, and provides added value to the recipient. Informants stated that customers tend to exhibit loyal behaviors such as repeat purchases, consistently opening emails, and sharing promotional content with their networks, especially when the emails contain information tailored to their interests or purchase history.

Furthermore, personalization is key in forming emotional attachments between brands and customers. Informants from fashion and accessories businesses said that mentioning customers' names, birthday greetings, and exclusive emails for existing customers can significantly increase engagement. This reflects the close relationship between targeted communication via email and customers' positive perception of the brand. In terms of retention, online businesses stated that email marketing plays a role in maintaining an ongoing connection with customers, even after the initial transaction is completed. Follow-up emails, thank-you notes, and shopping cart reminders are cited as effective forms of post-purchase communication to encourage customers to make purchases again. In some cases, previously passive customers may return to active transactions after receiving emails containing limited offers or exclusive information.

However, informants also acknowledged that the success of email marketing relies heavily on understanding customer segmentation and individual preferences. If not managed well, emails can be perceived as annoying or even cause customers to unsubscribe. Therefore, consistency in content quality, frequency of sending, and analysis of email recipient behavior are important aspects in ensuring the effectiveness of this strategy. Overall, the qualitative analysis shows that email marketing has great potential in shaping customer loyalty and retention in the context of online business in Indonesia. The influence is indirect, but is strongly influenced by the quality of the relationship built through personalized, relevant and consistent digital communication. The findings enrich our understanding that successful customer retention depends not only on the technical aspects of email campaigns, but also on the emotional and psychological value created by meaningful digital interactions.

Discussion of Research Findings

The results of this study confirm that email marketing plays an important role in maintaining loyalty and improving customer retention in online businesses, especially when the strategies used focus on personalization, content relevance, and continuity of communication. This finding is in line with the Customer Relationship Management (CRM) theory proposed by Buttle (2009), which states that one of the main keys in retaining customers is through communication that builds emotional relationships, not merely transactional. Email marketing, as a form of direct digital communication, provides space to strengthen these relationships with a more personalized approach. From the perspective of the customer loyalty theory developed by Oliver (1999), loyalty is the result of consistent satisfaction, emotional attachment, and trust in the brand. The interview results show that customers who receive emails with content that matches their interests and purchase history feel more cared for by the business, which in turn strengthens attachment and encourages repeat purchase actions. This strengthens the argument that well-designed email marketing can create a meaningful customer experience, which in turn contributes to loyalty building.

This study also found that email campaigns that are sent regularly but not excessively, especially those that contain thank you notes, product reminders, or exclusive promos, are proven to be effective in retaining customers to keep interacting with the brand. This finding supports the results of a previous study conducted by Mohammadi et al. (2013), which states that email marketing has a high level of effectiveness in retaining customers if combined with the right segmentation and scheduling strategies. On the other hand, research by Tsang et al. (2004) also shows that customer perceptions of the value and relevance of emails determine the extent to which they can influence purchasing behavior. Meanwhile, the challenges found such as the low digital literacy of customers and the risk of emails entering the spam folder are also in line with the findings of research by Chaffey (2020), which states that although email marketing has a high ROI, its effectiveness is strongly influenced by technical and psychological factors of the recipients. Therefore, these findings emphasize the importance of online businesses to not only focus on email content, but also on technical aspects such as timing, deliverability, and customer database management. As such, this discussion underscores that an effective email marketing strategy is not just about promotional

content, but rather how email is used to build long-term relationships. This strategy needs to be supported by a deep understanding of consumer behavior, the application of the right technology, and integration with other digital marketing strategies.

Consistency of Findings with Relevant Theories

In general, the results of this study show strong consistency with various theories that have been put forward previously regarding customer loyalty and digital marketing communications. As explained in the Customer Relationship Management (CRM) theory by Buttle (2009), effective and sustainable relationships between businesses and customers can be formed through continuous personal interaction. The findings from the interviews show that personalized, relevant and timely email marketing does create a more meaningful communication experience for customers, which in turn strengthens their loyalty to the business. In addition, Oliver's (1999) theory of customer loyalty, which emphasizes the importance of satisfaction and emotional attachment in creating long-term loyalty, is also reflected in the email marketing practices found in this study. Customers feel valued and cared for when they receive personalized emails, such as birthday wishes or product recommendations based on purchase history. This indicates that email not only serves as a promotional tool, but also as a means of building emotional connections between customers and brands.

However, there are some aspects that show inconsistencies with the theory or initial expectations. One of them is about the assumption that all customers will respond positively to email marketing campaigns. In practice, some businesses state that not all customers open or read the emails sent, and some even feel annoyed if the frequency of sending is too high. This highlights that the effectiveness of email marketing is highly dependent on the context of the audience and the execution strategy. This shows that while theory suggests the importance of intensive communication, the reality is that the intensity must be tailored to the characteristics and preferences of the customer to avoid being counterproductive. The findings also show that email marketing effectiveness is not universal and must be viewed contextually. General theories developed in Western countries, for example, are not fully applicable to the Indonesian market without considering aspects of digital culture and local consumer behavior. Some Indonesian customers, especially in the older age segment or customers who are less accustomed to email as a primary communication channel, tend to be more responsive to messages sent via instant messaging apps or social media than email. Thus, while the findings of this study are largely consistent with the main theories in the field of digital marketing and customer loyalty, there are still field dynamics that require adaptation and a more flexible approach. This inconsistency actually provides a new contribution to the literature, that email marketing should always be evaluated and adapted to customer behavior in the local context, so that its effectiveness can be continuously optimized.

4. CONCLUSION

This study aims to explore the effectiveness of using email marketing in improving customer retention in online businesses in Indonesia. The results show that email marketing, when designed with personalized and relevant strategies, has a significant influence on customer loyalty and retention. This finding is supported by in-depth interviews with online businesses who indicated that emails containing content tailored to customer preferences, such as product recommendations based on purchase history and exclusive offers, contribute to repeat purchases and higher customer engagement. Nonetheless, challenges remain, particularly related to the low digital literacy of some customers and the risk of emails landing in spam folders, which affects the effectiveness of these strategies. The practical implication of this research is that online businesses need to understand the importance of proper segmentation and personalization in their email marketing strategy. By using existing customer data, such as purchase history and product preferences, businesses can send emails that are more relevant and appealing to each individual. To increase retention rates, businesses are advised to utilize email automation to send timely emails, such as shopping cart reminders or post-purchase thank-you emails. In addition, businesses also need to pay attention to the frequency of sending emails, so that it is not too frequent that it annoys customers. This is important to keep customers engaged without making them feel trapped in excessive communication. This study has some limitations that need to be noted. Firstly, although interviews were conducted with online businesses from various sectors, the number of informants was limited, which may limit the generalizability of the findings to the entire online business industry in Indonesia. Secondly, this research focuses more on the perspective of businesses and has not explored in-

depth the experiences of customers who receive email marketing, which could certainly provide more insight into its effectiveness. Third, this study only uses a qualitative approach, so it cannot show a clearer quantitative relationship between email marketing variables and customer retention. In the future, further research using a mixed-method approach that combines quantitative and qualitative data will be able to provide a more holistic picture. For future research, it is recommended to expand the research sample by involving more businesses from various sectors, as well as paying attention to the diversity of customer demographics to understand more about how different customer groups respond to email marketing. Researchers could also consider using more in-depth quantitative approaches, such as experiments or surveys, to directly measure the influence of email marketing on customer loyalty and retention. In addition, future research could explore other platforms besides email used to retain customers, such as instant messaging apps or social media, to compare the effectiveness of different communication channels in improving customer retention. Finally, further research could explore psychological factors, such as customer perceptions of the brand, that may influence the effectiveness of email marketing strategies.

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