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Beyond Relationship Management: The Mediating Role of Customer Engagement in Driving Customer Retention

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ABSTRACT

A Despite the widespread adoption of customer relationship management (CRM), its ability to directly enhance customer retention remains uncertain. This study investigates whether customer engagement explains how CRM translates into retention outcomes. Using survey data from 117 respondents, the proposed model was tested with partial least squares structural equation modeling (PLS-SEM) in SmartPLS. The results show that CRM does not exert a statistically significant direct effect on customer retention ($\beta = 0.223$, $p = 0.067$). However, CRM significantly strengthens customer engagement ($\beta = 0.676$, $p < 0.001$), which in turn positively affects customer retention ($\beta = 0.599$, $p < 0.001$). Moreover, the indirect effect of CRM on customer retention through customer engagement is significant ($\beta = 0.405$, $p < 0.001$), indicating that engagement is the primary pathway through which CRM drives retention. The model explains 58.8% of the variance in customer retention ($R^2 = 0.588$). These findings extend CRM research by showing that retention is achieved not through CRM alone, but through CRM practices that actively cultivate meaningful customer engagement and long-term relational value.

Keyword: *Customer Relationship Management (CRM), Customer Engagement, Customer Retention, Relationship Marketing*

ABSTRAK

Meskipun customer relationship management (CRM) telah banyak diadopsi dalam praktik bisnis, kemampuannya untuk secara langsung meningkatkan retensi pelanggan masih belum pasti. Penelitian ini menguji apakah customer engagement menjelaskan bagaimana CRM diterjemahkan menjadi retensi pelanggan. Menggunakan data survei dari 117 responden, model yang diusulkan dianalisis dengan partial least squares structural equation modeling (PLS-SEM) menggunakan SmartPLS. Hasil penelitian menunjukkan bahwa CRM tidak berpengaruh langsung secara signifikan terhadap retensi pelanggan ($\beta = 0.223$, $p = 0.067$). Namun, CRM secara signifikan memperkuat customer engagement ($\beta = 0.676$, $p < 0.001$), yang selanjutnya berpengaruh positif terhadap retensi pelanggan ($\beta = 0.599$, $p < 0.001$). Selain itu, pengaruh tidak langsung CRM terhadap retensi pelanggan melalui customer engagement terbukti signifikan ($\beta = 0.405$, $p < 0.001$), yang menunjukkan bahwa customer engagement merupakan jalur utama melalui mana CRM mendorong retensi pelanggan. Model penelitian ini mampu menjelaskan 58.8% varians retensi pelanggan ($R^2 = 0.588$). Temuan ini memperluas literatur CRM dengan menunjukkan bahwa retensi pelanggan dicapai bukan semata-mata melalui CRM, melainkan melalui praktik CRM yang secara aktif membangun customer engagement yang bermakna dan nilai hubungan jangka panjang.

Kata Kunci: *Customer Relationship Management (CRM), Customer Engagement, Customer Retention, Relationship Marketing.*

Introduction

In increasingly competitive service markets, customer retention has become a strategic imperative rather than a mere consequence of customer satisfaction (Ali & Nika, 2025; Opoku et al., 2025). Retaining existing customers is more cost-efficient than continuously acquiring new ones, and a retained customer base directly contributes to revenue stability, lower acquisition costs, and long-term business sustainability (Tifliyah et al., 2021; Ali & Nika, 2025). In experience-based service settings, repeat patronage is therefore closely associated with the firm's ability to build and maintain durable customer relationships rather than merely stimulate one-time transactions (Morgan & Hunt, 1994; Opoku et al., 2025).

These pressures are particularly visible in the coffee shop industry, where the rapid growth of modern cafés has intensified market fragmentation and expanded customer choice (Rancati et al., 2024; Rusli & Pandjaitan, 2023). As consumer options broaden and switching barriers decline, customers can easily move to alternative outlets that offer superior value or experience (Rancati et al., 2024; Moudud-Ul-Huq et al., 2021). Under such conditions, independent cafés can no longer rely solely on product quality or location advantages, but must strengthen relational value to encourage customers to return (Morgan & Hunt, 1994; Rusli & Pandjaitan, 2023).

This challenge is evident in the case of Jannor Coffee in Cilegon. Although the café shows strong public visibility and maintains a favorable customer rating on Google Maps, its internal business performance indicates a persistent decline in transaction volume. Specifically, transactions fell from 34,892 in July–December 2024 to 31,655 in January–June 2025, then declined further to 24,911 in July–December 2025, and again to 19,000 in January–May 2026, representing a cumulative decrease of 45.5% from the initial observation period (Google Maps data processed by the author, 2026; thesis draft, 2026). This pattern suggests that favorable online visibility does not automatically translate into repeated patronage or stable customer retention, because positive public evaluations alone cannot guarantee continued customer relationships (thesis draft, 2026; Opoku et al., 2025). The case therefore presents a relevant empirical setting for examining the drivers of customer retention in a highly competitive café market (thesis draft, 2026; Tifliyah et al., 2021).

From a theoretical standpoint, customer relationship management (CRM) provides an important basis for addressing this problem. Commitment-trust theory holds that enduring exchange relationships develop through a sequential psychological process: exchange partners who perceive a counterpart's reliability and benevolence come to trust that partner, and trust, reinforced through repeated positive exchanges, matures into commitment a durable intention to maintain the relationship (Morgan & Hunt, 1994). Applied to a service context, CRM practices such as responsive service, personalized attention, and effective problem resolution function as trust-building signals that demonstrate a firm's reliability and its investment in the relationship (Tifliyah et al., 2021; Opoku et al., 2025).

This trust-and-commitment account is complemented by a broader shift in contemporary CRM scholarship toward service-dominant logic, which reframes CRM not as a firm-centric mechanism for delivering value to customers, but as an interactive process through which value is cocreated with them (Vargo & Lusch, 2004). The two perspectives are not competing so much as operating at different levels of the same phenomenon: commitment-trust theory explains why relational investment should, in principle, translate into durable customer behavior, while service-dominant logic clarifies the mechanism through which that translation occurs namely, the customer's own active participation in the relationship. This complementary lens is revisited later in interpreting the mediating role of customer engagement.

However, prior empirical findings regarding the direct effect of CRM on customer retention remain inconclusive, and this inconsistency is not merely a matter of contradictory data points but points to a deeper theoretical question. If commitment-trust theory is correct that trust is primarily a precursor to commitment rather than a self-sufficient driver of behavior, then CRM's direct effect on retention should be conditional on whether relational trust has been converted into a more durable, behaviorally expressed form of attachment. Several studies report that CRM has a positive and significant direct effect on retention (Tifliyah et al., 2021; Mtamike & Magasi, 2025; Opoku et al., 2025; Adnan et al., 2021), suggesting that in some contexts trust alone is sufficient to sustain continuity. In contrast, other studies find this direct effect to be positive but statistically weak or insignificant (Djatnika, 2019; Moudud-Ul-Huq et al., 2021), suggesting that in other contexts, trust generated by CRM does not, by itself, translate into retention. Commitment-trust theory offers a principled explanation for this divergence: where trust has been consolidated into engagement the customer's cognitive, emotional, and behavioral investment in the firm CRM's effect on retention should operate mainly through that engagement; where it has not, any observed direct effect may simply reflect trust that has not yet been behaviorally tested by the availability of easy alternatives. Customer engagement, in this sense, is not merely an additional variable to insert into the model, but the theorized mechanism through which trust is converted into the durable commitment that sustains retention (Arora et al., 2021; Elgarhy, 2023).

In contemporary marketing literature, customer engagement refers to customers' cognitive, emotional, and behavioral involvement with a firm or brand (Arora et al., 2021; Elgarhy, 2023). Engaged customers do not merely consume products or services; they pay attention to the brand, interact with it, feel emotionally connected to it, and are more willing to participate in relationship-building activities (Elgarhy, 2023; Setyono et al., 2021). This reasoning yields three hypotheses. Because CRM practices function as trust-building relational signals, they are expected to strengthen customer engagement (H1). Because engagement represents commitment made behaviorally visible, it is expected to exert a direct, positive effect on customer retention (H2). Because commitment-trust theory also holds that trust itself constitutes a basis for continued exchange, CRM is further hypothesized to exert a direct positive effect on customer retention (H3)—though the theory simultaneously implies a testable tension: if trust functions chiefly as a precursor to commitment rather than as an independent driver of behavioral persistence, this direct effect may prove weaker than the effect transmitted through engagement, particularly in markets where switching costs are minimal and continued patronage cannot be taken for granted.

Against this background, this study is important for three reasons. First, it addresses a practical managerial issue in a café business that enjoys strong market visibility yet faces a substantial decline in transaction performance, indicating that attracting attention and earning favorable reviews are not sufficient to secure continued customer relationships (thesis draft, 2026; Google Maps data processed by the author, 2026). Second, it responds to a theoretical need to explain the inconsistent CRM–retention relationship through the sequential trust-to-commitment logic of commitment-trust theory, rather than treating customer engagement merely as one plausible mediator among others. Third, it contributes to the CRM–engagement–retention literature by identifying a candidate boundary condition that may explain why the mediating strength of engagement varies across prior studies, rather than treating that variation merely as an inconsistency to be noted. Adnan et al. (2021) found that CRM exerts a significant direct effect on retention alongside its indirect path through engagement, and Opoku et al. (2025) found that customer involvement only partially mediates the relationship between CRM dimensions and retention in Ghana's hotel industry with the direct CRM–retention path remaining significant in both studies. Both settings involve relatively differentiated offerings and comparatively higher switching costs than an independent café operating amid dense local competition and negligible barriers to exit. This study is positioned to test whether, under such low-switching-cost conditions, the direct CRM–retention path persists as in prior work, or is instead fully absorbed by engagement treating competitive intensity and switching-cost structure not as background description of the research site, but as a candidate boundary condition governing when engagement is one contributing pathway among several, and when it becomes the sole viable pathway linking CRM to retention. Therefore, this study examines the effect of customer relationship management on customer retention, investigates the effect of CRM on customer engagement, tests the effect of customer engagement on customer retention, and evaluates the mediating role of customer engagement in the relationship between CRM and customer retention.

This study is expected to make both theoretical and practical contributions. Theoretically, it offers additional evidence for commitment-trust theory by clarifying that customer engagement functions as the observable, behaviorally consequential expression of commitment, and, more centrally, it proposes competitive intensity and switching-cost structure as a candidate boundary condition—not measured directly in this study, and therefore inferred rather than tested—that may govern when CRM's effect on retention is transmitted partially, and when it is transmitted exclusively, through engagement. Rather than treating the divergence between partial- and full-mediation findings in prior studies as inconsistency to be explained away, this framing positions that divergence as evidence of a systematic contingency in the CRM–retention relationship one that future research can test directly by sampling across contexts that vary in competitive intensity and switching costs. Practically, it provides evidence that may help Jannor Coffee and similar café businesses design CRM initiatives that move beyond administrative customer management and instead cultivate meaningful customer engagement as a pathway to sustainable retention (Opoku et al., 2025; Elgarhy, 2023).

Method

This study employed a quantitative, explanatory research design to examine the effect of Customer Relationship Management (CRM) on Customer Retention, with Customer Engagement as a mediating variable. The population comprised customers of Jannor Coffee (Cilegon) who had made at least two dine-in purchases. Because this population is large, unbounded, and lacks an accessible sampling frame, respondents were selected through non-probability purposive sampling, applying three eligibility criteria: (a) having consumed the café's products through a dine-in transaction, (b) having made a minimum of two purchases, and (c) possessing an independent source of income. Data were collected through a self-administered online questionnaire distributed via Google Forms between 19 and 24 June 2026, with the survey link disseminated through Instagram posts, stories, and direct messages, as well as other relevant digital channels, to reach respondents matching the target population. This procedure yielded 117 valid responses.

The required sample size was determined following the PLS-SEM guidelines of Hair et al. (2022), based on the *inverse square root method* proposed by Kock and Hadaya (2018). At a significance level of 0.05 and a statistical power of 0.80, a sample of 117 is capable of detecting a minimum path coefficient of 0.230 (2.486/√117), confirming that the sample provides adequate power for estimating the hypothesized model.

Table 1a. Respondent Demographic Characteristics

Characteristic	Category	n	%
Gender	Female	68	58.1
	Male	49	41.9
Age	25–34 years	60	51.3
	17–24 years	39	33.3
	35–44 years	14	12.0
	45–54 years	4	3.4
Occupation	Private employee	86	73.5
	Civil servant/state apparatus/state-owned enterprise employee	12	10.3
	Part-timer	8	6.8
	Freelance	7	6.0
	Homemaker	3	2.6
	Entrepreneur	1	0.9
Highest education level	Diploma/Bachelor's degree	76	65.0
	Elementary/junior high/senior high school or equivalent	35	29.9
	Master's Degree	6	5.1
Domicile	Cilegon City	76	65.0
	Serang City/Regency	34	29.1
	others	7	6.0

Source: Primary data processed by the author (2026)

The demographic profile of respondents is presented in Table 1a. The sample was predominantly female (58.1%) and concentrated in the productive age range of 17–34 years (84.6% combined), consistent with the younger, digitally engaged customer base typically observed in Indonesia's modern café industry. Most respondents held a Diploma/Bachelor's degree or higher (70.1%) and were employed in the private sector (73.5%), consistent with a respondent base with sufficient purchasing capacity and exposure to the dine-in lifestyle relevant to the constructs examined in this study.

The measurement instrument comprised 12 indicators across the three constructs, each assessed on a 10-point interval scale ranging from 1 (strongly disagree) to 10 (strongly agree). CRM was measured with four indicators food and beverage quality, technology, service responsiveness, and problem-solving adapted from Moudud-Ul-Huq et al. (2021) and Tifliyah et al. (2021); a representative item reads, "The overall service quality provided by Jannor Coffee is highly satisfying and efficient." Customer Engagement was measured with four indicators — passion, emotional closeness, information seeking, and participation adapted from Elgarhy (2023), exemplified by the item "I feel passionate about the menu offered by Jannor Coffee." Customer Retention was measured with four indicators intention to reuse, willingness to recommend, priority choice, and continuity of purchase adapted from Simanjuntak et al. (2020), Arora et al. (2021), Tifliyah et al. (2021), and Moudud-Ul-Huq et al. (2021), exemplified by the item "I intend to revisit Jannor Coffee in the future."

Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The analysis followed a two-stage approach. First, the measurement model was evaluated by examining indicator loadings, internal consistency reliability, convergent validity, and discriminant validity. For reflective constructs, internal consistency reliability was assessed using Cronbach's alpha, composite reliability, and rho_A, while convergent validity was evaluated through the Average Variance Extracted (AVE). Discriminant validity was assessed using the Heterotrait–Monotrait Ratio (HTMT).

Second, the structural model was evaluated by assessing collinearity, path coefficients, the coefficient of determination (R^2), and effect size (f^2), Finally, hypothesis testing, including the assessment of the mediating effect of Customer Engagement, was performed using the bootstrapping procedure to determine the statistical significance of the hypothesized relationships.

Results and Discussion

The results section is presented in a structured manner, covering the measurement model assessment, structural model evaluation, hypothesis testing, and mediation analysis. All tables are formatted to facilitate direct inclusion in the manuscript.

Table 1. Measurement Model Assessment

Construct	Indicator	Outer loading	Interpretation
Customer Engagement	CE1	0.839	Valid
	CE2	0.867	Valid
	CE4	0.834	Valid
	CE5	0.893	Valid
Customer Relationship Management	CRM1	0.824	Valid
	CRM2	0.814	Valid
	CRM3	0.910	Valid
	CRM4	0.872	Valid
Customer Retention	CR1	0.885	Valid
	CR2	0.869	Valid

Construct	Indicator	Outer loading	Interpretation
	CR3	0.885	Valid
	CR4	0.934	Valid

Source : Author (2026)

As shown in Table 1, all indicators have outer loading values above 0.70, indicating that each item is valid in reflecting its respective latent construct. Therefore, all indicators were retained for further analysis.

Table 2. Construct Reliability and Convergent Validity

Construct	Cronbach's alpha	rho_A	Composite reliability	AVE	Interpretation
Customer Engagement	0.881	0.884	0.918	0.737	Reliable and valid
Customer Relationship Management	0.878	0.886	0.916	0.732	Reliable and valid
Customer Retention	0.916	0.916	0.941	0.799	Reliable and valid

Source : Author (2026)

Table 2 indicates that all constructs meet the recommended thresholds for internal consistency reliability and convergent validity. The values of Cronbach's alpha, rho_A, and composite reliability are all above 0.70, while the AVE values exceed 0.50. These results confirm that the constructs are both reliable and convergently valid.

Table 3. Discriminant Validity

Construct pair	HTMT	Interpretation
CRM ↔ Customer Engagement	0.763	Established
Customer Retention ↔ Customer Engagement	0.830	Established
Customer Retention ↔ CRM	0.696	Established

Source : Author (2026)

The HTMT values reported in Table 3 are all below the recommended threshold of 0.90. This finding confirms that discriminant validity is established and that each construct is empirically distinct from the others.

Table 4. Structural Model Assessment

Relationship / Criterion	Value	Interpretation
R^2 Customer Engagement	0.457	Moderate explanatory power
R^2 Customer Retention	0.588	Moderate explanatory power
f^2 CRM → Customer Engagement	0.842	Large effect
f^2 Customer Engagement → Customer Retention	0.472	Large effect
f^2 CRM → Customer Retention	0.065	Small effect
Inner VIF CRM → Customer Engagement	1.000	No collinearity issue
Inner VIF CRM → Customer Retention	1.842	No collinearity issue
Inner VIF Customer Engagement → Customer Retention	1.842	No collinearity issue
SRMR	0.069	Good model fit

Source : Author (2026)

The structural model results reveal that CRM explains 45.7% of the variance in customer engagement, while CRM and customer engagement jointly explain 58.8% of the variance in customer retention. The effect size values indicate that CRM has a large effect on customer engagement and that customer engagement has a large effect on customer retention, whereas the direct effect of CRM on customer retention is relatively small. In addition, the inner VIF values suggest the absence of multicollinearity, and the SRMR value of 0.069 indicates a satisfactory model fit.

Table 5. Hypothesis Testing

Hypothesis	Path	β	t-value	p-value	Decision
H1	CRM → Customer Engagement	0.676	13.304	0.000	Supported
H2	Customer Engagement → Customer Retention	0.599	5.995	0.000	Supported
H3	CRM → Customer Retention	0.223	1.833	0.067	Not supported

Source : Author (2026)

As presented in Table 5, CRM has a positive and significant effect on customer engagement, and customer engagement also has a positive and significant effect on customer retention. However, the direct effect of CRM on customer retention is not statistically significant at the 5% level. Consequently, the first and second hypotheses are supported, whereas the third hypothesis is not supported.

Table 6. Mediation Analysis

Effect	β	t-value	p-value	95% CI	Interpretation
Indirect effect: CRM → Customer Engagement → Customer Retention	0.405	5.304	0.000	0.266 – 0.567	Significant
Total effect: CRM → Customer Retention	0.627	9.520	0.000	0.513 – 0.764	Significant

Source : Author (2026)

Table 6 shows that the indirect effect of CRM on customer retention through customer engagement is positive and statistically significant. Given that the direct effect of CRM on customer retention is not significant, while the indirect effect is significant, customer engagement can be interpreted as fully mediating the relationship between CRM and customer retention.

Overall, the findings demonstrate that CRM is more effective in improving customer retention when it operates through customer engagement rather than through a direct pathway. The measurement and structural model assessments also confirm that the proposed model is both statistically acceptable and substantively meaningful.

Discussion

The findings of this study provide a more refined explanation of how customer relationship management (CRM) contributes to customer retention in the café industry. The model demonstrates that CRM is strongly associated with customer engagement, and that customer engagement, in turn, significantly enhances customer retention. By contrast, the direct effect of CRM on customer retention is not statistically significant. This pattern indicates that the contribution of CRM to retention is not immediate, but relationally transmitted through customer engagement. In this sense, the present study shifts the discussion from whether CRM matters to how CRM matters in shaping retention outcomes.

The significant effect of CRM on customer engagement suggests that relationship-building efforts are effective when customers perceive ongoing interaction, responsiveness, and relational value from the firm. This result is theoretically plausible because CRM, as conceptualized in relationship marketing, is not merely a customer database or service support system; it is a strategic process for maintaining continuous and meaningful customer relationships (Morgan & Hunt, 1994; Tifliyah et al., 2021). In the context of Jannor Coffee, this finding implies that CRM-related efforts such as service responsiveness, employee behavior, problem handling, and the use of customer-oriented service practices are more likely to stimulate customer involvement than to produce direct retention by themselves. This explanation is relevant to the field phenomenon observed at Jannor Coffee, where strong public visibility and favorable ratings did not automatically prevent declining transaction performance. The implication is that visibility may attract customers, but only deeper engagement can help sustain their relationship with the café over time (Adnan et al., 2021; Arora et al., 2021).

The positive and significant effect of customer engagement on customer retention further explains why engagement is central in this model. Engagement reflects customers' cognitive attention, emotional attachment, and behavioral involvement with the firm, all of which create a stronger basis for repeat patronage and relational continuity (Elgarhy, 2023; Setyono et al., 2021). This result likely emerges because engaged customers do not relate to the café merely as a place of consumption; rather, they begin to perceive it as a preferred relational space with which they feel connected. In a café market characterized by abundant alternatives and relatively low switching costs, this form of engagement becomes especially important. Customers can easily try other cafés, but when they are emotionally and behaviorally engaged, they have fewer reasons to leave. Thus, customer retention in this setting appears to depend less on transactional satisfaction alone and more on whether the café succeeds in building meaningful involvement with its customers (Arora et al., 2021; Elgarhy, 2023).

A particularly important finding is that the direct effect of CRM on customer retention is not significant. This result helps explain why prior studies have reported inconsistent findings regarding the CRM–retention relationship. In practical terms, CRM may improve customer perceptions, but those improvements are not sufficient to secure retention unless they are transformed into stronger customer engagement. This is especially plausible in the case of Jannor Coffee. The café already appears to enjoy relatively strong public visibility, yet its transaction trend indicates that positive reputation alone has not been enough to sustain repeat business. One possible explanation is that operational CRM elements can be noticed by customers but remain functionally transactional if they do not generate emotional closeness, attention, participation, or social interaction. In other words, CRM may be necessary, but not independently decisive, in a context where customers have many comparable alternatives and can easily switch to competitors (Djatnika, 2019; Moudud-Ul-Huq et al., 2021).

The empirical pattern observed here a significant indirect effect of CRM on customer retention through customer engagement, alongside a non-significant direct effect—is consistent with the candidate boundary condition proposed earlier: in a low switching-cost setting such as an independent café, customer engagement appears not as an incremental explanatory variable but as the primary relational mechanism through which CRM becomes effective in fostering retention. This finding strengthens the interpretation that CRM does not directly "produce" retention. Instead, CRM creates the conditions under which customers become more psychologically and behaviorally connected to the café, and it is that engagement that ultimately drives retention. Read alongside Adnan et al. (2021) and Opoku et al. (2025), where the direct CRM–retention path remained significant in settings plausibly characterized by higher switching costs, this result lends support to treating switching-cost structure and competitive intensity as a candidate boundary condition rather than an established one, since these factors were not measured directly in the present study and their moderating role would need to be tested explicitly through comparative or multi-group analysis in future research. This interpretation is in line with previous studies suggesting that CRM often works through relational mediators such as engagement, satisfaction, or loyalty rather than through a purely direct path (Adnan et al., 2021; Lamrhari et al., 2022; Setyono et al., 2021).

These findings also carry implications beyond relationship marketing's traditional trust–commitment framing. Contemporary CRM scholarship increasingly conceptualizes CRM not as a firm-centric system for managing transactions, but as an interactive process through which value is cocreated with customers, consistent with the service-dominant logic perspective that service provision, rather than the exchange of discrete goods, is the fundamental basis of value creation (Vargo & Lusch, 2004). Read through this lens, the finding that CRM alone does not directly secure retention is unsurprising: a service-dominant view holds that value is not delivered to customers through well-executed CRM processes, but cocreated with them as they integrate their own cognitive, emotional, and behavioral resources into the relationship (Hollebeek et al., 2019). Customer engagement, in this framing, is the mechanism through which that resource integration occurs—which is precisely why it fully absorbs CRM's effect on retention in this study. This reading reframes the managerial task at Jannor Coffee: rather than treating CRM as a set of service standards to be optimized in isolation, engagement should be treated as the primary value-cocreation interface between the café and its customers, with CRM practices evaluated by the extent to which they invite customers into that interface rather than merely serve them through it.

This mediating mechanism also provides a clearer theoretical contribution to relationship marketing. Commitment-trust theory argues that enduring relationships depend on trust and commitment built through sustained exchange processes (Morgan & Hunt, 1994). The present study offers additional evidence for that logic by placing customer engagement as a more observable relational manifestation of those underlying processes. In other words, CRM contributes to customer retention not because it directly locks customers into the relationship, but because it helps cultivate the forms of interaction, connection, and relational meaning that make customers more engaged. Once engagement is established, retention becomes more likely. Therefore, this study contributes to theory less by proposing a new mechanism than by proposing a candidate boundary condition for an existing one: in an experience-based service setting marked by low switching costs, such as an independent café, the CRM–retention relationship is better understood as an indirect relational pathway rather than a direct transactional effect, whereas in settings with higher switching costs the direct pathway documented by Adnan et al. (2021) and Opoku et al. (2025) may remain viable alongside it. This boundary-condition framing—offered as a plausible interpretation rather than a directly tested moderation, since switching costs and competitive intensity were not measured in this study—helps reconcile previous empirical inconsistencies and adds explanatory depth to relationship marketing research (Morgan & Hunt, 1994; Arora et al., 2021; Opoku et al., 2025).

From a managerial perspective, the findings suggest that café businesses should avoid treating CRM as a back-office or purely administrative system. At Jannor Coffee, the decline in transaction performance despite strong external visibility suggests that customer management efforts need to move beyond attracting attention and toward nurturing engagement-rich relationships. Managers should therefore design CRM initiatives that not only improve service efficiency, but also encourage emotional closeness, interaction, information sharing, and participatory involvement. For example, CRM strategies may become more effective when they are used to personalize communication, respond visibly to customer concerns, foster memorable service encounters, and create opportunities for customers to feel connected to the brand. In competitive café settings, engagement-oriented CRM is likely to be more effective for sustaining retention than CRM initiatives that remain primarily procedural or transactional (Elgarhy, 2023; Opoku et al., 2025).

This study also has limitations that should be acknowledged. First, the study focuses on a single café context, which may limit the generalizability of the findings to other service sectors or broader geographic settings. Second, the use of cross-sectional survey data restricts causal interpretation because customer engagement and customer retention are measured at one point in time rather than across a longer relational period. Third, although the model explains a meaningful proportion of customer retention, other relevant variables such as customer satisfaction, perceived value, or experiential factors may also contribute to retention and could be incorporated in future studies. Fourth, and most directly relevant to the boundary-condition argument advanced above, switching-cost structure and competitive intensity were not measured as explicit variables in this study; their role in explaining the divergence between this study's full-mediation result and the partial-mediation results reported by Adnan et al. (2021) and Opoku et al. (2025) is therefore inferred from contextual reasoning about the research setting rather than tested directly. Future research could incorporate switching costs and competitive intensity as measured moderators, or adopt a multi-group comparative design across café types that vary systematically in competitive density, to test this candidate boundary condition more rigorously. These limitations do not weaken the present findings, but they do indicate directions for further research to test the robustness of the proposed mediation mechanism across settings and over time.

In summary, the study shows that CRM does not directly ensure customer retention, but becomes effective when it first strengthens customer engagement. This finding helps explain why CRM may appear effective in some studies but not in others: its impact on retention depends on whether it successfully generates deeper customer involvement. By demonstrating that customer engagement fully mediates the relationship between CRM and customer retention, the study offers a more precise explanation of retention formation in the café industry and highlights the strategic importance of engagement-oriented relationship management.

Conclusion

This study concludes that customer relationship management (CRM) does not directly enhance customer retention at Jannor Coffee. Although CRM shows a positive relationship with retention, the direct effect is not statistically significant. By contrast, CRM has a strong and significant effect on customer engagement, while customer engagement significantly improves customer retention. These findings indicate that the effectiveness of CRM in this context depends not on its direct influence on retention, but on its ability to foster stronger customer engagement.

More importantly, the study confirms that customer engagement fully mediates the relationship between CRM and customer retention. This means that CRM contributes to retention only when it succeeds in creating meaningful cognitive, emotional, and behavioral involvement among customers. In other words, customer retention at Jannor Coffee is better explained as an indirect relational outcome rather than a direct consequence of CRM practices alone. The study therefore answers the identified research problem by demonstrating that engagement is the key mechanism linking CRM to retention. These findings contribute to relationship marketing research by clarifying how CRM translates into retention outcomes and offer practical insight for café managers seeking to strengthen long-term customer relationships through engagement-oriented CRM strategies.

Recommendations

Based on the findings of this study, the management of Jannor Coffee is advised not to rely solely on customer relationship management (CRM) as an administrative or operational customer management system, but to use it more strategically as a tool for strengthening customer engagement. Since the results indicate that CRM does not directly and significantly affect customer retention, but becomes effective when it enhances customer engagement, managerial attention should be directed toward CRM practices that foster stronger customer involvement, emotional connection, and relational interaction.

Operationally, the measurement results point to two concrete priorities rather than a general call to improve service. First, because service responsiveness carried the strongest loading among the CRM indicators ($\lambda = 0.910$), Jannor Coffee should treat front-line responsiveness—the speed and attentiveness with which staff address customer requests and complaints—as the most consequential lever within its CRM practices, ahead of investment in technology or physical ambience alone. Second, because participation carried the strongest loading among the customer engagement indicators ($\lambda = 0.893$), engagement-building efforts should prioritize activities that invite customers to actively take part, such as barista-led tasting sessions, customer-voted seasonal menu items, or small collaborative community events, rather than one-way communication formats such as broadcast promotions or generic social media posts. Personalized communication and visit-based loyalty recognition remain useful, but the evidence indicates they should function as secondary reinforcements of participation rather than the primary engagement strategy, since participation not information exposure alone is what most strongly reflects customer engagement in this setting.

In addition, the management should regularly monitor customer behavioral indicators, particularly repeat visit frequency, customer responses to CRM initiatives, and participation in engagement-related activities. Continuous evaluation of these indicators is important to assess whether the implemented CRM practices are effectively generating stronger customer engagement and, ultimately, improving customer retention. By adopting a more engagement-oriented CRM approach, Jannor Coffee is expected to strengthen long-term customer relationships and better address the decline in transaction performance observed in recent periods.

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