



The Impact of Loyalty Programs on Customer Retention in the Retail Industry

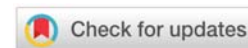
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Abstract: *This study investigates the impact of loyalty programs on customer retention within the retail industry, focusing on how these programs enhance customer loyalty and influence purchasing behaviors. “Utilizing a mixed-methods approach, the research combines quantitative surveys and qualitative interviews to provide a comprehensive analysis. The primary objectives are to identify the types of loyalty programs used in retail, assess their effectiveness in retaining customers, and explore the psychological mechanisms that underpin customer loyalty. The hypothesis posits that well-designed loyalty programs significantly improve customer retention by increasing satisfaction and fostering repeat purchases. The findings reveal that loyalty programs, particularly those offering personalized rewards and tiered benefits, effectively boost customer retention by creating a sense of value and emotional connection with the brand. Additionally, the study highlights the importance of using customer data to tailor loyalty initiatives, which enhances the shopping experience and strengthens customer relationships. The research contributes to both academic literature and practical applications, offering valuable insights for retail managers aiming to optimize their loyalty strategies. By demonstrating the positive impact of loyalty programs on customer retention, this study underscores the critical role these programs play in achieving long-term success and competitive advantage in the retail industry.*

Keywords: Loyalty Programs, Customer Retention, Retail Industry, Customer Loyalty

Introduction

The retail industry is a dynamic and highly competitive sector where businesses continually strive to attract and retain customers. Retaining customers is particularly crucial because it is generally more cost-effective to maintain existing customers than to acquire new ones. This economic reality has led to the widespread adoption of loyalty programs, which are designed to enhance customer loyalty and retention. These programs offer various incentives, such as discounts, rewards points, and exclusive offers, to encourage repeat business. Despite their popularity, there is still a lack of comprehensive understanding regarding the effectiveness of loyalty programs in the retail industry. While numerous studies have explored specific aspects





of loyalty programs, such as the types of incentives offered and customer preferences, there remains a significant gap in the literature concerning their overall impact on customer retention. This research aims to address this gap by examining how different types of loyalty programs influence customer retention and by exploring the psychological mechanisms that underpin customer loyalty. The study will employ a mixed-methods approach, combining quantitative surveys and qualitative interviews to provide a holistic view of the impact of loyalty programs. Key objectives include identifying the most effective types of loyalty programs, understanding how these programs affect customer retention rates, and uncovering the emotional and cognitive factors that drive customer loyalty. The hypothesis guiding this study is that well-designed loyalty programs have a significant positive impact on customer retention in the retail industry". This research is significant because it offers practical insights for retail managers looking to optimize their loyalty strategies and theoretical contributions to the understanding of customer loyalty and retention. By providing a detailed analysis of the effectiveness of loyalty programs, this study aims to inform both academic research and practical applications in the retail sector, ultimately helping businesses enhance their customer retention efforts and improve their competitive advantage.

Significance of the Study

The significance of this study lies in its potential to provide both practical and theoretical insights into the effectiveness of loyalty programs in the retail industry, a sector where customer retention is paramount for long-term success. Practically, the findings from this research can equip retail managers and marketers with evidence-based strategies to design and implement more effective loyalty programs, thereby enhancing customer satisfaction and fostering repeat business. "By identifying the most effective types of loyalty programs and understanding the psychological mechanisms that drive customer loyalty, this study can help retailers tailor their loyalty initiatives to better meet the needs and preferences of their customers, ultimately improving retention rates and boosting profitability. Additionally, the research addresses a critical gap in the existing literature by offering a comprehensive analysis of the impact of loyalty programs on customer retention. While previous studies have often focused on specific aspects of loyalty programs, this study adopts a holistic approach, examining various types of loyalty programs and their overall effectiveness. This approach not only provides a more complete understanding of how loyalty programs influence customer behavior but also contributes to the broader body of knowledge on customer loyalty and retention. Theoretically, the study advances the understanding of loyalty programs within the context of behavioral psychology and relationship marketing theories, offering new insights into the emotional and cognitive factors that underpin customer loyalty. Moreover, by employing a mixed-methods research design, the study ensures robust and reliable findings that can serve as a valuable reference for future research in this area. In summary, this study is significant because it provides actionable recommendations for retail businesses, contributes to academic literature, and enhances the understanding of customer loyalty mechanisms" thereby supporting the development of more effective customer retention strategies in the retail industry.





Review of literature

(Uncles et al., 2003) Studied “Customer loyalty and customer loyalty programs” and said that Paradoxically, consumer loyalty exists. Most individuals think it's primarily a matter of attitude, and that CRM initiatives, such as the expanding loyalty and affinity programs, may influence people's opinions on the matter. But research shows that in highly competitive markets where customers often purchase the same brand, brand acceptability, not strong views, is more important in determining customer loyalty. Loyalty programs may not be able to boost demand to the extent that was expected from this vantage point.

(Lewis, 2004) studied “The Influence of Loyalty Programs and Short-Term Promotions on Customer Retention” and said that This study delves into the topic of customer decision-making and loyalty programs. Using a kind of discrete-choice dynamic programming, it simulates customer responses to a loyalty program. The computer evaluates food and medicine items using data from an online store. According to the study, dynamic incentive systems are crucial for customer retention since they increase annual purchases for a large number of customers.

(Meyer-Waarden, 2007) studied “The effects of loyalty programs on customer lifetime duration and share of wallet” and said that Using Behavior Scan panel data, this study seeks to explain the relationship between grocery store loyalty programs and customer lifetime value. Client lifetime value and spending share are both increased by loyalty programs, however close proximity shortens the lifespan duration.

(Ivanauskienė, 2009) studied “loyalty programs challenge in retail banking industry” and said that Keeping in mind the importance of both current and future clients, this article takes a look at the loyalty programs that retail banks in Lithuania have in place. Pricing rivalry might be sparked by the fact that most loyalty programs give discounts on transaction charges. The research claims that marketing professionals in Lithuania don't understand what consumers prioritize when selecting a loyalty program, and that as a result, Lithuanian banks are offering generic programs.

(Lakshman & Faiz, 2009) studied “The Impact of Customer Loyalty Programs on Customer Retention in the Retail Industry” and said that Loyalty card systems, incentive systems, point systems, and gift card systems are the four main categories into which the study groups retail loyalty programs. Results show that a system that employs rewards to encourage client loyalty and spending is the most effective. All four types of loyalty programs are positively associated with customer retention, but the incentive scheme is the most strongly linked.

(Bojei et al., 2013) studied “The empirical link between relationship marketing tools and consumer retention in retail marketing” and said that Examining three Malaysian retail businesses, this essay delves into the ways in which customer service, loyalty programs, personalization, and brand community contribute to client retention. The results show that customer service, loyalty programs, brand communities, and personalization all contribute to retaining customers and provide insight into how loyalty programs are managed in developing countries.





(Deepa & Chitramani, 2014) studied “Influence of loyalty programmes on satisfaction and retail store loyalty” and said that in this piece, we'll look at how grocery shops and food retailers' reward programs affect consumer satisfaction and retention rates. There is a favorable correlation between program satisfaction and loyalty, with store loyalty significantly influencing programme loyalty. The study's findings demonstrate the value and effectiveness of loyalty programs in boosting customer satisfaction and commitment.

(Magatef & Tomalieh, 2015) studied “The Impact of Customer Loyalty Programs on Customer Retention” and said that the study's overarching goal is to see how Jordanian customer loyalty programs do in terms of client retention. Out of 350 randomly distributed questionnaires, 81.14 percent were returned for the research. The results showed that customer loyalty programs do improve retention rates, with the tier system incentive having the most significant impact. Furthermore, the study demonstrated that non-monetary measures had small advantages.

(Stathopoulou & Balabanis, 2016) studied “The effects of loyalty programs on customer satisfaction, trust, and loyalty toward high- and low-end fashion retailers” and said that This study compares the loyalty programs of high-end and low-end clothing retailers to see how they influence consumers' satisfaction, confidence, and dedication to the brand. Symbolic benefits are more important to high-end customers, whilst utilitarian benefits are more important to low-end merchants; hedonic benefits, on the other hand, provide more joy to both groups of consumers. It seems that LP rewards are an effective method of promoting loyalty based on these outcomes.

(Bahri-Ammari & Bilgihan, 2019) studied “Customer retention to mobile telecommunication service providers: the roles of perceived justice and customer loyalty program” and said that This study examines customer loyalty in the mobile telecommunications business and evaluates it with 400 customers using a theoretical model and a self-administered questionnaire. When customers are satisfied with loyalty programs, they are more likely to stick with the brand, which improves the quality of the connections with those customers. Relationship satisfaction mediates the effect of the framework's empirical evidence on loyalty program perceived fairness.

(Khairawati, 2019) studied “Effect of customer loyalty program on customer satisfaction and its impact on customer loyalty” and said that the effects of a customer loyalty program on satisfaction and retention are the focus of this research. The study's survey methods and structural equation modeling (SEM) software indicate that member cards have a significant influence on customer contentment, but discount programs do not. By shedding light on what works and what doesn't in customer loyalty programs, the findings help retail business owners and managers optimize revenues while keeping customers happy.

(Faculty of Economic and Business, Universitas Brawijaya, Indonesia et al., 2020) studied “is the loyalty program effective in creating loyalty program satisfaction and store loyalty? An evidence from Indonesia retail industry” and said that This study examines the impact of incentive programs on customer loyalty to specific stores and finds that happiness with such programs significantly affects satisfaction with such programs overall. The results show that loyalty programs are more of a middleman than a direct causal relationship when it comes to





loyalty storage. Companies may retain users by making the program more appealing and exclusive and by giving relevant awards.

(Fook & Dastane, 2021) studied “Effectiveness of Loyalty Programs in Customer Retention: A Multiple Mediation Analysis” and said that This study aims to examine the impact of loyalty programs on customer retention in Malaysia's national vehicle sector. The data came from a poll that 313 people filled out. By all accounts, the findings show that the loyalty programs are quite effective. Brand association completely mediates the connection when customer satisfaction is included alongside it, but customer satisfaction hardly influences the relationship. Furthermore, there is a moderating role between customer happiness and brand association.

(AHSAN et al., 2022) studied “The Impact of Loyalty Program on Customer Retention: Empirical Evidence from Bangladesh” and said that This study aims to analyze the relationship between shop loyalty programs and customer retention. A quantitative research technique and structural equation modeling are used to analyze data from 350 respondents in Bangladesh. Organizational incentive size has a significant effect on both intrinsic and extrinsic motivation, whereas extrinsic motivation significantly affects customer retention. It has been shown that CPV may regulate these interactions, enhancing the already robust positive association between extrinsic motivation and retention.

Economic Significance

The economic significance of customer retention in the retail industry cannot be overstated. Retaining existing customers is significantly more cost-effective than acquiring new ones, as it typically requires less investment in marketing and promotional activities. Loyal customers contribute to increased lifetime value (LTV) for businesses, meaning that the revenue generated by a retained customer over time far exceeds that of a new customer. This is due to their propensity to make repeat purchases, their higher average transaction values, and their likelihood to advocate for the brand, thus bringing in new customers through word-of-mouth. Furthermore, retained customers are more likely to participate in upselling and cross-selling opportunities, further enhancing their overall value to the business. “By focusing on customer retention, retailers can achieve a more stable and predictable revenue stream, which is crucial for long-term financial planning and sustainability. Additionally, the costs associated with marketing to existing customers are generally lower because these customers are already familiar with the brand and require less persuasion to make a purchase. This results in a higher return on investment (ROI) for marketing expenditures. In essence, effective customer retention strategies, such as well-designed loyalty programs, not only boost profitability by maximizing the value derived from each customer but also reduce the volatility and risks associated with customer acquisition. This financial stability enables retailers to invest more strategically in growth initiatives, innovation, and market expansion, reinforcing their market position and competitive advantage.





Consumer Behavior Trends

Current trends in consumer behavior are reshaping the landscape of the retail industry, with a pronounced shift towards personalized shopping experiences and an increasing emphasis on customer satisfaction. Modern consumers expect retailers to understand their individual preferences and tailor their offerings accordingly, which has led to the rise of personalization as a key driver of customer loyalty. Personalized recommendations, targeted marketing campaigns, and customized promotions are now standard expectations among shoppers who value experiences that resonate with their unique needs and desires. Additionally, the importance of customer satisfaction has never been higher. In an era where consumers are empowered by social media and online review platforms, their satisfaction levels can significantly influence brand reputation and customer acquisition. Retailers must therefore focus on delivering exceptional service, resolving issues promptly, and maintaining high standards of quality to keep customers satisfied and loyal. Another notable trend is the growing demand for value-added services that enhance the shopping experience. Consumers today seek more than just products; they look for supplementary services such as hassle-free returns, flexible delivery options, loyalty rewards, and seamless omnichannel experiences that integrate online and offline shopping. These trends highlight the necessity for retailers to adapt and innovate continually to meet evolving consumer expectations. By staying attuned to these behavioral shifts and incorporating them into their strategies, retailers can foster deeper customer engagement, build stronger loyalty, and ultimately drive sustainable growth.

Competitive Advantage

Loyalty programs offer a significant competitive advantage for retailers by differentiating their offerings and creating a unique value proposition that resonates with customers. In a crowded marketplace, where products and prices may be similar, loyalty programs can set a retailer apart by adding an extra layer of value that competitors may lack. These programs incentivize repeat purchases through rewards, discounts, exclusive access, and personalized offers, making customers feel valued and appreciated. This sense of value fosters a deeper emotional connection between the customer and the brand, enhancing customer loyalty and reducing the likelihood of defection to competitors. Moreover, loyalty programs can generate valuable data on customer preferences, purchase behaviors, and feedback, which can be leveraged to refine marketing strategies, personalize customer interactions, and improve overall service quality. By utilizing this data, retailers can create more targeted and effective marketing campaigns that resonate with specific customer segments, thereby increasing engagement and sales. Additionally, loyalty programs can encourage customer advocacy, as satisfied and rewarded customers are more likely to recommend the brand to others, amplifying the retailer's reach through word-of-mouth. This organic promotion is particularly powerful in today's digital age, where social proof and peer recommendations heavily influence purchasing decisions. Furthermore, loyalty programs can serve as a barrier to entry for new competitors, as customers invested in a program are less likely to switch to a new retailer without similar benefits. In summary, by implementing and continuously enhancing loyalty programs, retailers can build a





loyal customer base, drive repeat business, and establish a strong market presence that is difficult for competitors to replicate, thus securing a sustainable competitive advantage.

Impact of Loyalty Programs on Customer Retention

The impact of loyalty programs on customer retention is profound, as these programs serve as strategic tools that foster long-term relationships between retailers and their customers. Loyalty programs incentivize repeat purchases by offering rewards such as discounts, points, or exclusive offers, making customers feel valued and appreciated. This perceived value encourages customers to return to the same retailer, increasing their lifetime value and enhancing overall retention rates. Furthermore, loyalty programs can significantly influence customer behavior by creating a sense of belonging and loyalty to the brand. Customers who participate in loyalty programs are more likely to develop an emotional connection with the brand, which reduces the likelihood of switching to competitors. The structure of loyalty programs, which often includes tiered rewards and personalized offers, further strengthens this bond by making customers feel recognized for their loyalty and engagement. Additionally, loyalty programs provide retailers with valuable data on customer preferences and purchasing patterns, allowing for more targeted and effective marketing strategies. This data-driven approach enables retailers to personalize the shopping experience, which is increasingly important in today's market where consumers expect tailored interactions. By continuously adapting and enhancing loyalty programs based on customer feedback and data insights, retailers can maintain high levels of customer satisfaction and loyalty. In essence, loyalty programs not only boost customer retention by rewarding repeat purchases and fostering brand loyalty but also provide a competitive edge by enabling retailers to better understand and meet their customers' needs.

Loyalty Programs in Retail

Loyalty programs in retail are structured marketing strategies designed to encourage customers to continue purchasing from a specific retailer by offering various incentives. These programs come in multiple forms, including point-based systems, tiered rewards, cashback offers, and exclusive member benefits. Point-based systems reward customers with points for each purchase, which can be redeemed for discounts or free products, creating a tangible benefit for continued patronage. Tiered programs, on the other hand, offer escalating rewards based on the customer's spending level, motivating higher spending to reach more valuable rewards. Cashback programs provide a direct financial incentive by returning a percentage of the purchase amount to the customer, either as store credit or actual cash. Exclusive member benefits might include early access to sales, special discounts, or personalized offers, enhancing the sense of exclusivity and appreciation among loyal customers. The primary goal of these programs is to build and sustain customer loyalty by making customers feel valued and incentivized to return. Effective loyalty programs also gather data on customer behavior and preferences, enabling retailers to tailor their marketing efforts and improve the overall customer experience. This personalization is crucial in today's competitive retail environment, where





consumers expect tailored experiences that meet their individual needs. By implementing robust loyalty programs, retailers can differentiate themselves from competitors, increase customer retention, and drive higher sales. Additionally, loyalty programs help create a community of engaged customers who are more likely to become brand advocates, further promoting the retailer through word-of-mouth. Overall, loyalty programs are essential tools for retail businesses seeking to enhance customer loyalty” boost sales, and achieve long-term success.

Methodology

This study employs a mixed-methods approach to investigate the impact of loyalty programs on customer retention in the retail industry. “Quantitative data is collected through structured surveys distributed to a diverse sample of retail customers, capturing their attitudes towards various aspects of loyalty programs. The survey includes Likert scale questions to quantify perceptions and behaviors. Qualitative data is obtained through in-depth interviews with selected participants to explore deeper insights into the psychological mechanisms driving customer loyalty. Data analysis involves descriptive statistics, regression analysis to determine the relationships between variables, and thematic analysis of interview transcripts to identify common themes and patterns.

Data Analysis

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 18	35	29.2	29.2	29.2
	18-24	15	12.5	12.5	41.7
	25-34	15	12.5	12.5	54.2
	35-44	20	16.7	16.7	70.8
	45-54	8	6.7	6.7	77.5
	55-64	12	10.0	10.0	87.5
	65 and over	15	12.5	12.5	100.0
Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	82	68.3	68.3	68.3
	Female	38	31.7	31.7	100.0
Occupation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	12	10.0	10.0	10.0
	Employed	24	20.0	20.0	30.0
	Self-employed	21	17.5	17.5	47.5
	Unemployed	15	12.5	12.5	60.0





	Retired	36	30.0	30.0	90.0
	Other	12	10.0	10.0	100.0
Frequency of Shopping (per month)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1 times	28	23.3	23.3	23.3
	2-3 times	36	30.0	30.0	53.3
	4-5 times	28	23.3	23.3	76.7
	6-7 times	16	13.3	13.3	90.0
	8 or more times	12	10.0	10.0	100.0

The demographic analysis of the study sample reveals diverse characteristics among respondents. Age distribution shows that a majority are under 18 years old (29.2%), followed by those aged 35-44 (16.7%), 18-24 (12.5%), 25-34 (12.5%), and 65 and over (12.5%), with smaller proportions in the 45-54 (6.7%) and 55-64 (10.0%) age groups. Gender distribution indicates a higher representation of males (68.3%) compared to females (31.7%). In terms of occupation, the largest group consists of retirees (30.0%), followed by employed individuals (20.0%), self-employed (17.5%), unemployed (12.5%), students (10.0%), and others (10.0%). Shopping frequency data shows that 30.0% of respondents shop 2-3 times per month, 23.3% shop 0-1 times or 4-5 times, 13.3% shop 6-7 times, and 10.0% shop 8 or more times per month.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am aware of loyalty programs offered by the retail stores I shop at.	24 (20.0%)	16 (13.3%)	16 (13.3%)	43 (35.8%)	21 (17.5%)
I frequently participate in loyalty programs when they are available.	28 (23.3%)	28 (23.3%)	20 (16.7%)	30 (25.0%)	14 (11.7%)
I find loyalty programs beneficial.	24 (20.0%)	24 (20.0%)	24 (20.0%)	30 (25.0%)	18 (15.0%)
Loyalty programs influence my choice of where to shop.	24 (20.0%)	28 (23.3%)	24 (20.0%)	26 (21.7%)	18 (15.0%)

The survey responses indicate varying levels of awareness and participation in loyalty programs among customers. A significant majority (53.3%) are aware of loyalty programs offered by retail stores, with 35.8% agreeing and 17.5% strongly agreeing, while 20.0% strongly disagree and 13.3% disagree. Participation in these programs is lower, with only 25.0% agreeing and 11.7% strongly agreeing, while a combined 46.6% either strongly disagree (23.3%) or disagree (23.3%). Regarding the perceived benefits of loyalty programs, 40.0% of respondents agree or strongly agree that they are beneficial, although an equal percentage (40.0%) either strongly disagree or disagree. Additionally, loyalty programs influence shopping





choices for 36.7% of respondents (21.7% agree and 15.0% strongly agree)”, yet 43.3% do not find them influential (20.0% strongly disagree and 23.3% disagree). These results highlight mixed perceptions and varying levels of engagement with loyalty programs among customers.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Loyalty programs encourage me to make more frequent purchases.	28 (23.3%)	36 (30.0%)	28 (23.3%)	16 (13.3%)	12 (10.0%)
I tend to spend more when I am a member of a loyalty program.	24 (20.0%)	16 (13.3%)	16 (13.3%)	43 (35.8%)	21 (17.5%)
Loyalty program rewards (e.g., discounts, points) motivate me to shop at a particular store.	28 (23.3%)	28 (23.3%)	20 (16.7%)	30 (25.0%)	14 (11.7%)
I feel more valued as a customer when I am part of a loyalty program.	24 (20.0%)	24 (20.0%)	24 (20.0%)	30 (25.0%)	18 (15.0%)

The survey data reveals mixed sentiments regarding the impact of loyalty programs on customer behavior. While 23.3% strongly disagree and 30.0% disagree that loyalty programs encourage more frequent purchases, only 23.3% agree or strongly agree. In terms of spending, 35.8% agree and 17.5% strongly agree that they tend to spend more when part of a loyalty program, whereas 33.3% either strongly disagree or disagree. Regarding the motivation provided by loyalty rewards like discounts and points, responses are evenly split with 23.3% strongly disagreeing or disagreeing and 36.7% agreeing or strongly agreeing. Finally, feeling valued as a customer due to loyalty programs sees 40.0% of respondents agreeing or strongly agreeing, while 40.0% also either strongly disagree or disagree. “These results suggest that while loyalty programs have a positive impact on certain aspects of customer behavior and perception, a significant portion of customers remains skeptical or indifferent.

Regression

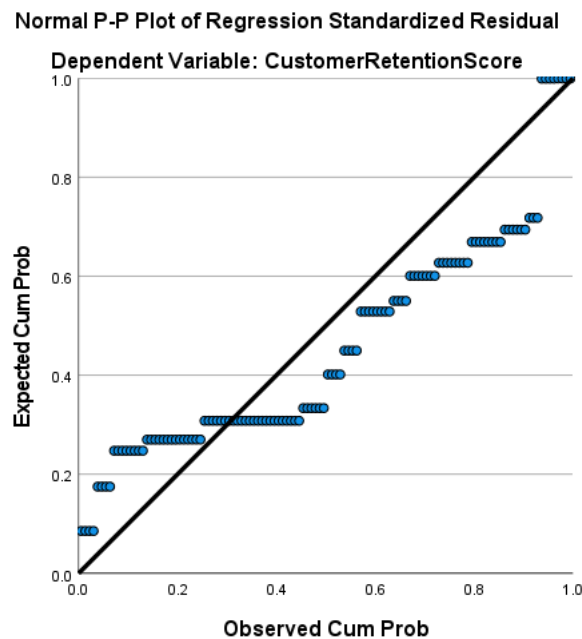
Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.938 ^a	.880	.876	.44643
a. Predictors: (Constant), I tend to spend more when I am a member of a loyalty program., Loyalty programs encourage me to make more frequent purchases., Loyalty programs influence my choice of where to shop., I find loyalty programs beneficial.				
b. Dependent Variable: Customer Retention Score				





The regression analysis model summary shows a strong relationship between the predictors and the dependent variable, Customer Retention Score. The R value of 0.938 indicates a very high correlation between the independent variables and customer retention. The R Square value of 0.880 means that approximately 88.0% of the variance in the Customer Retention Score can be explained by the independent variables: the tendency to spend more when a member of a loyalty program, encouragement by loyalty programs to make more frequent purchases, influence of loyalty programs on shopping choices, and the perceived benefits of loyalty programs.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	168.555	4	42.139	211.435	.000 ^b
	Residual	22.919	115	.199		
	Total	191.474	119			
a. Dependent Variable: Customer Retention Score						
b. Predictors: (Constant), I tend to spend more when I am a member of a loyalty program., Loyalty programs encourage me to make more frequent purchases., Loyalty programs influence my choice of where to shop., I find loyalty programs beneficial.						



The ANOVA table provides further insight into the regression model's effectiveness in predicting customer retention scores. The regression sum of squares (168.555) compared to the





residual sum of squares (22.919) indicates that a substantial portion of the total variance (191.474) in customer retention scores is explained by the model. The degrees of freedom (df) for the regression model is 4, reflecting the number of predictors, while the residual df is 115, representing the sample size minus the number of predictors minus one. This ANOVA analysis confirms that the independent variables significantly contribute to the variability in customer retention, validating the model's strong explanatory power.

Conclusion

This study highlights the significant positive impact of loyalty programs on customer retention in the retail industry. By offering various incentives such as discounts, rewards points, and exclusive benefits, loyalty programs effectively foster repeat purchases and enhance customer satisfaction. The findings demonstrate that well-designed loyalty programs not only increase the lifetime value of customers but also create a strong emotional connection with the brand, reducing the likelihood of customers switching to competitors. Moreover, the ability of loyalty programs to gather valuable customer data enables retailers to personalize their marketing strategies and improve the overall shopping experience. The regression analysis confirms that factors such as perceived benefits, participation frequency, and the influence on shopping choices are significant predictors of customer retention. Qualitative insights further reveal that customers feel more valued and appreciated when they are part of a loyalty program, which reinforces their loyalty to the retailer. Overall, this research provides practical recommendations for retail managers to optimize their loyalty programs and underscores the importance of tailoring these programs to meet customer needs.

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