

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

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Abstract

As the importance of the concept of customer loyalty increases, organizations are investing more towards loyalty programs for retaining their existing customers as well as attracting new customers. This study analyzes the literature to synthesize some debatable areas such as types of customer loyalty programs and their impact on customer retention. This research is carried out as a systematic review, evaluating ten recently published research articles due to their high relevancy. Our analysis identifies four major categories of customer loyalty programs in the retail industry namely, point system, rewarding system, loyalty card system and gift card system. Further, it is found that a rewarding system is the most effective type of loyalty program in the retail industry where retailers can provide additional rewards based on the customers' loyalty levels. Through this study, it is found that all four types of customer loyalty programs are positively correlated with customer retention while the rewarding system has the highest co-relation with customer retention.

Keywords: Customer Loyalty Programs, Customer Retention, Switching Barriers, Loyalty Cards

INTRODUCTION

As we are experiencing a globalized economy, organizations are more focused on managing an optimistic relationship with their prevailing customers which is fundamental to customer loyalty (Kwiatek and Thanasi-Boçe, 2019). It is evident that the custom of loyalty programs has been in play since 1980s as introduced by the airline sector (Ieva & Ziliani, 2017). The usage of loyalty programs benefits both the customer and the organization as a whole. The purpose of this study is to analyze the implications on customer retention with regard to customer loyalty programs in the retail industry. The study examines the core relationship between the key types of loyalty programs and customer retention. Customer loyalty programs act as a powerful tool in building relationships between business and customers who are already passionate about the business and the products. The usage of loyalty programs by organizations is in practice as a common phenomenon (Henderson, Beck &

Palmatier, 2011; Uncles, Dowling & Hammond, 2003). The positive relationship between customer loyalty programs and the number of sales of the organization has a direct relationship on the profitability levels of the firm in the long run (Hofman-Kohlmeyer, 2016). According to Ko, Yu and Han (2020) customers seek to gain exclusive benefits of loyalty programs by improving their level of experience. It is reported that the organizations in European region annually spend more than \$1 Billion on loyalty programs (Ferguson & Hlavinka, 2007). Most companies use various loyalty programs with the aim of building trustworthy customers and it is found that 57% of the airline industry and 41% of the hotel sector reward their clients in order to keep them associated with their business (Magatef and Tomalieh, 2015). It is fundamentally right for any given organization to critically identify the important factors needed to be taken into account that will make the loyalty program successful (Hofman-Kohlmeyer, 2016). On the grounds of the information provided, it is quite visible that customer

loyalty programs play a significant role in retaining customers of the organization with the help of different marketing strategies. Therefore, the ultimate purpose is to understand the importance of loyalty programs, the different types and benefits of loyalty programs, customer perception towards loyalty programs and finally, the impact of customer loyalty programs on customer retention.

LITERATURE REVIEW

The Importance of customer loyalty has become a rapidly growing area and businesses in many industries are now focusing on customer loyalty programs as an effective tool of customer retention. Therefore, it is vital to understand the importance and growing literature on customer loyalty programs for researchers and business organizations.

Importance of loyalty Programs and Customer Retention

According to the American Marketing Association (2020) loyalty programs can be defined as a continuous incentive package offered by a retailer with the aim of encouraging and rewarding the customers to ensure they maintain a long-lasting bond with them. Loyalty programs are well designed marketing strategies that reward and thus, encourage more buying behavior of the customers (Peiguss, 2012). Loyalty programs can be categorized on different forms as marketing tools as reward cards, tier service levels, gifts, or others. Customer loyalty programs are mainly designed to involve customers in a longer-term relationship with the company (Henderson, Beck, & Palmatier, 2011). According to Singh and Imran (2012), both the customers and the organization benefit from the utilization of customer loyalty program as it plays a vital role in the success of the retail industry. Thus, it is considered to be more expensive to attract a new customer than to retain an existing customer (Kim, Vogt & Knutson, 2013; Singh & Imran, 2012). In the aim of retaining customers, loyalty programs are mainly used as a marketing strategy whilst, such programs are named further as reward programs or frequent purchase programs depending on the frequency of the

purchases made by the customers (Gómez, Arranz & Cillán, 2006). As per Reichheld and Teal (2001), company performance is measured by the key indicator of customer loyalty while generating value for clients by integrating several dimensions of the organization. Further, they state that the best indicator for the growth of the company is the willingness and the enthusiasm of the customers to provide a recommendation of the organization to a friend or a colleague rather than retaining only the existing customers. In accordance to Ruiz, Zarco & Yusta (2010), many retailers design a commercial approach in order to differentiate themselves from the competitors with the aim of catering to the customer requirements.

Benefits of Loyalty Programs

Loyalty programs can provide various benefits to the organization. These types of benefits are vital for the success and the effectiveness of loyalty programs. Apart from the financial benefits, it is fundamental to understand that loyalty programs provide customers a sense of pride and intelligence when they purchase a product for a better price. Bruneau, Swaen and Zidda (2018) argued that loyalty programs offer three types of benefits namely, monetary, social and interactive benefits.

According to Magatef and Tomalieh (2015), there are several benefits identified with the use of customer loyalty programs namely,

- Less cost incurred in serving genuine customers.
- Loyal customers are willing to pay more as they are less sensitive of prices.
- Loyal customers invest more time with the organization
- Loyal customers provide optimistic recommendations for products to their friends and colleagues
- Loyalty programs provide information of the consumers to the firm.
- Managing customer experience is a cost-effective way of satisfying customers, retaining

customers and thereby achieving customer loyalty.

- Devoted customers are likely to acquire more products with high-margin complementary products and services.
- Trustworthy customers tend to lessen the cost related to marketing activities as they already possess high product knowledge.

In accordance with research done by Meyer-Waarden (2008), loyalty programs can reduce the price sensitivity and buyers are willing to pay more than usual. Further, loyalty programs can always increase the number of purchases. Based on the research done by Tahal (2014) on customer loyalty programs on e-commerce shops by gathering the opinions of e-consumers following results were obtained. Customer loyalty programs can increase company reputation by 73%, brand awareness by 95%, profits by 77%, turnover by 100% and repurchases by 95%.

Types of Loyalty Programs

Many researchers have identified the different types of customer loyalty programs and their level of impact. According to the research done by Singh and Imran (2012) on an approach to increase customer retention and loyalty in B2C world, figured out 12 categories of loyalty programs namely,

- Points system – This is the most practicing loyalty program where frequent shoppers can earn points based on their level of transactions.
- Tier system – This system encourages repeat customers by increasing the level of rewards offered, thus creating the ability to move upwards in the loyalty ladder. This is more applicable for high commitment and high price-oriented businesses such as hospitality, insurance and airline companies.
- Charge an upfront fee for VIP benefits- An upfront fee will be charged to the customers with the aim of offering VIP benefits carrying long-term benefits.
- Non-monetary programs- providing benefits other than discounts. Sometimes customers

may perceive more value in non-monetary benefits compared to price related benefits.

- All- inclusive offer- Networking with partners who offer complimentary products and services as a value-added service.
- Loyalty card program- Under loyalty cards, companies can gather consumer related details such as purchasing patterns, customer taste, and others. Companies can offer discounts reward points as loyalty card offers.
- Frequent buyer program- This program offers free services to customers provided their transactions reached a precise limit. Eventually over a period of time sales will also increase.
- Gift card – This is introduced depending on a validity program with a specific amount mentioned on the card. The customer has the ability to make purchases beyond the amount mentioned on the card possibly increasing the sale of goods.
- Return policy – loyal customers are offered an extended return plan.
- Payback money – loyal customers are given the opportunity for compensation.
- Discounts – customers are provided with discounts overtime.
- Bundle goods – organization retails numerous goods and services while incurring zero cost to the main product.

According to Enzmann & Schneider (2005) the two types of programs are the rewarding system and virtual communities. The rewarding system is based on financial benefits. Virtual communities mainly focusing on the social aspect like a panel discussion on an issue relating to a product via online. Miranda et al. (2005) highlight the key elements influencing the satisfaction levels of the customers based on pricing structure, store location, incentives, offers, sales personnel, loyalty cards and the company reputation.

Impact of Loyalty Programs on Customer Retention

Loyalty programs can certainly assist the organization in promoting a closer bond while

enhancing the company performance. However, it is important to understand that loyalty programs sometimes may have a negative impact whereas, the company profitability may decrease if some customers request for extra privileges or additional benefits leading towards additional service cost (Wetzel, Hammerschmidt & Zablah, 2014). According to Omar (2013) all service attributes accompanied by the loyalty programs such as reward, policy, tangibility, quality along with the level of personalization have a significant impact on the perceived value. Nevertheless, the positive relationship between the program loyalty and the satisfaction levels thus creates an overall significant impact. Moreover, as per research conducted by Meyer-Waarden (2008), it is revealed that loyalty program members exhibit a positive relationship in their purchasing behavior in comparison to the non-members during a period of three years. Studies done by Shugan (2005) and Wetzel, Hammerschmidt & Zablah (2014) showed that customer loyalty programs could affect customers' purchase intention in a negative way too. They argued that when customers are engaged in loyalty programs, they become overly demanding over company offerings. Further, they argued that customers feel that they are entitled to request for extra benefits. By supporting these findings of the research done by Ma, Li and Zhang (2017) on the effects of loyalty programs in services shows that loyalty programs can affect customer's intention in a positive or negative way. In this research, they have defined loyalty programs as double-edged sword. According to the research done by Kim (2018) on critical role of a hotel loyalty program by adopting the four-stage model of loyalty found that hotel loyalty programs have a positive influence on customer's loyalty. Under this study, it utilized Oliver's four stage loyalty model by using a multi-dimensional approach. However, this research stresses that customer loyalty programs provide an opportunity to build long-term relationships with customers but it is not the sole factor in a customer's loyalty development. Disconfirming to the all above findings a research done by Wendlandt & Schrader (2007) on implications of loyalty program membership and service experiences

for customer retention and value showed that loyalty programs could negatively affect on long term relationship between the customer and the organization through high expectation over the product or service offering. In this research, they focused on credit card customers from three European countries. According to the research done by Stauss, Schmidt and Schoeler (2005) on customer frustration in loyalty programs, it is found that there are seven types of frustration events that were generated by loyalty programs that directed towards frustration feeling and behavior. Along with the four categories of events of inaccessibility, qualification barrier, worthlessness and redemption cost, the customer's feeling of frustration and behavior are focused by the program itself (event-related frustration events). The rest of the three factors of discrimination, defocusing and economization are directed towards frustration based on the level of perception of the customers in terms of the bond they possess with the organization (relationship-related events).

On the grounds of the above literature, it is evident that the findings of these researchers are contradictory and there is clear importance of analyzing them in order to test tenacity of the contradictory findings. Henceforth, the following section will be focused on synthesizing the evidence with the aim of reaching towards strong conclusions on the particular area.

RESEARCH METHODOLOGY

This research utilizes the PRISMA method under the standard methodology of conducting a systematic review due to time effectiveness and cost benefits associated with the systematic review method. In this systematic review, widespread series of journal articles have been selected and analyzed to ensure adherence as well as appropriateness. Peer-reviewed journal articles from credible sources have been utilized to check the preliminary relevance for the present study. This analysis analyses ten quality journal articles published during the period 2010 to 2020. However, due to high relevancy, two articles published in 2007 & 2005 have also been included. In order to analyze the selected journal articles,

thematic synthesis method has been utilized. As per Saunders, Lewis & Thornhill (2012) thematic synthesise method is one of the best methods for analyzing selected journal articles under a systematic review. Hypothetico-deductive approach has been utilized to synthesise the available arguments.

Selection of Studies

For this study, authors have selected only quality and reliable articles from Elsevier and Emerald Insight databases. Selected articles were published with relevance to customer loyalty programs and their impact on customer retention.

Inclusion and Exclusion Process

As per table 1, keywords such as customer loyalty programs, and customer retention, types of customer loyalty programs, benefits of customer

loyalty programs, and similar types have been used to search the most related articles. Selected articles are written in the English language as it is universally accepted and all the selected articles are peer-reviewed and published in 2005, 2007, 2014, 2015, 2016, 2016, 2017, 2018, 2019 and 2020. The selection of these articles has no specific geographical restriction as customer loyalty programs are globally known as marketing strategy. Hence this systematic review will be focusing on global market. After reviewing the selected articles carefully, the duplications were eliminated for further analysis. After screening the title, abstract and conclusion, irrelevant articles were removed. Sample selection of the present study has been carried out using the PRISMA method as shown in the below figure. According to Saunders, Lewis and Thornhill (2012), PRISMA method is the best method of selecting sample items for

Table 1: Search Criteria

Search Criterion	Value(s)
Research Database	<ul style="list-style-type: none"> • Emerald Insight • Elsevier
Database search services used	<ul style="list-style-type: none"> • Emerald insight Research Database • Elsevier Research Database
Source Type	<ul style="list-style-type: none"> • Academic Journals
Search Terms (keywords)	<ul style="list-style-type: none"> • Customer Loyalty Programs • Loyalty Programs and Customer Retention • Types of Loyalty Programs • Importance of Loyalty Programs • Impact of Loyalty Programs on Sales Performance • Impact of Loyalty Programs on Ppurchase Intention
Search Expanders	<ul style="list-style-type: none"> • Sorted by Most Recent • Content-type Articles
Search Limiters	<ul style="list-style-type: none"> • Peer-reviewed Articles Only
Timeframe	<ul style="list-style-type: none"> • Published in 2020 – 1 Article • Published in 2019 – 1 Article • Published in 2018 – 1 Article • Published in 2017 – 1 Article • Published in 2016 – 2 Articles • Published in 2015 – 1 Article • Published in 2014 – 1 Article • Published in 2007 – 1 Article • Published in 2005 – 1 Article

systematic review and meta-analysis. As per the below PRISMA diagram shown in figure 1, 34 articles have been selected for the initial screening process from Emerald, Elsevier, Research Gate and few other research databases. In the initial screening, four duplication articles were removed. Thirty articles were presented to screen the topic, abstract and table of content. Twenty five articles are selected for the full evaluation. Out of that, ten

quality journal articles are utilized for the process of thematic synthesizing (figure 1).

Evidence

After selecting the articles based on the PRISMA method, articles were carefully analyzed based on the title, author, year, method, sample size, industry and major findings in order to synthesize the findings (table 2).

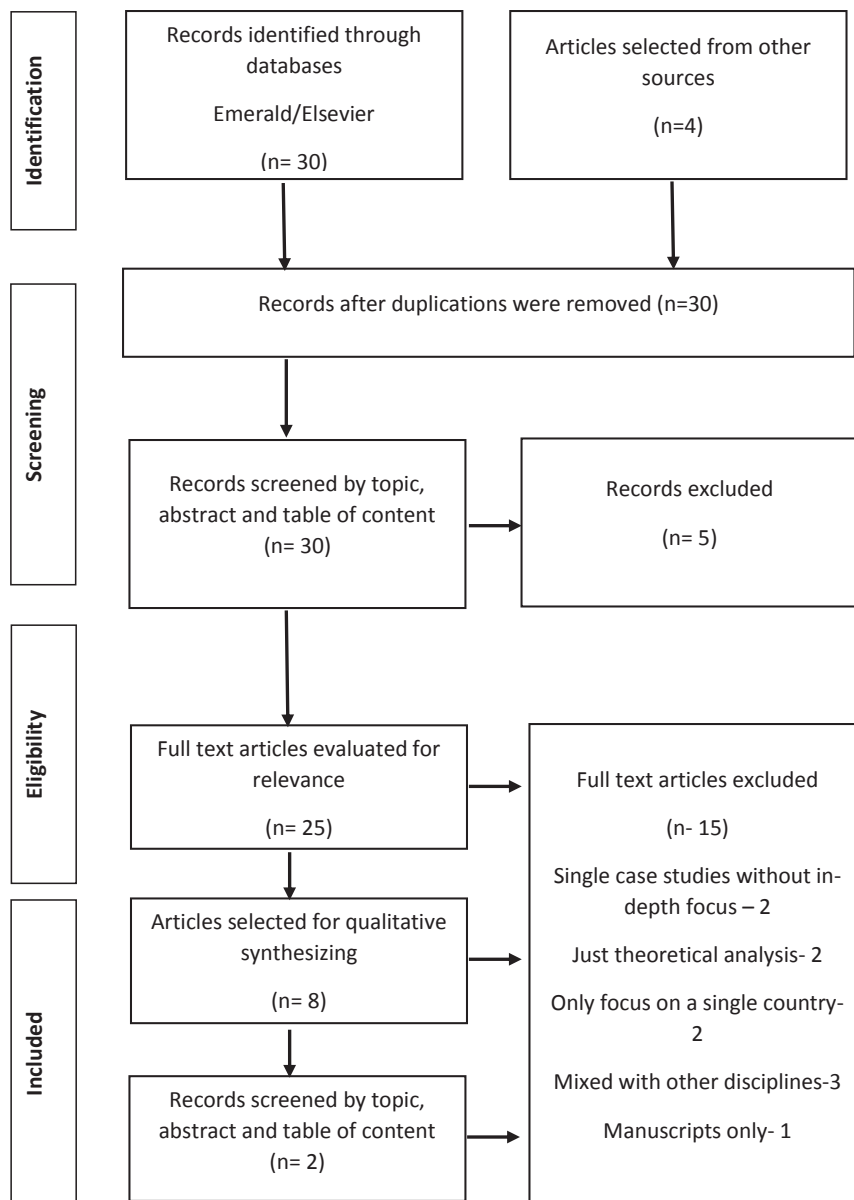


Figure 1: Flow diagram of research selection as per PRISMA model

Methodology and Data Analysis Method

This particular analysis is conducted based on thematic synthesizing with the help of qualitative

interpretation, despite the fact that some quantitative nature has been applied to observe the correlation of coefficient. Consequently, combined

Table 2: Evidence

			<ul style="list-style-type: none"> • • • • 	
Magatef and Tomalieh (2015)	A1	The Impact of Customer Loyalty Programs on Customer Retention	<ul style="list-style-type: none"> • Survey • 350 sample • Jordanian customers • Not restricted to any industry 	<ul style="list-style-type: none"> • There is a significant impact of customer loyalty programs building and maintaining customer retention and creating a significant impact on brand loyalty. • Tier system reward has the influence on customers followed by charge Up-front fee for VIP benefits, and then point system and Non-monetary programs. • Rewards programs are one of the major types of customer loyalty programs
Kohlmeyer (2016)	A2	Customer loyalty program as a tool of customer retention: literature review	<ul style="list-style-type: none"> • Systematic review • 14 journal articles 	<ul style="list-style-type: none"> • Loyalty programs provide valuable information to build future marketing strategies. • Loyalty programs help to maintain long term relationship with customers • With reference to E-commerce there are two varieties of loyalty programs as rewarding systems and virtual communities. • There are two major types of customer loyalty programs namely rewarding systems and equity-based loyalty programs and rewarding system is most popular type of customer loyalty program which has the highest influence on customer retention.
Koo, Yu and Han (2020)	A3	The role of loyalty programs in boosting hotel guest loyalty: Impact of switching barriers	<ul style="list-style-type: none"> • online survey • 500 sample • Structural equation model • South Korean hotel industry 	<ul style="list-style-type: none"> • Perceived value of loyalty program is essential in customer loyalty building. • Affective commitment and switching barriers mediated the relationship between the perceived value of a loyalty program and customer brand loyalty. • Loyalty programs are crucial factor in determining customer demand.
Ma, Li and Zhang (2017)	A4	The effects of loyalty programs in services – a double-edged sword?	<ul style="list-style-type: none"> • Survey • 152 sample • partial least squares-structural equation modeling • flyer program members in • China 	<ul style="list-style-type: none"> • Customer loyalty programs can affect customers in both positive and negative ways.

			<ul style="list-style-type: none"> • • • • 	
Zakaria et al., (2014)	A5	The Relationship between Loyalty Program, Customer Satisfaction and Customer Loyalty in Retail Industry: A Case Study	<ul style="list-style-type: none"> • Case study • correlational study • JCARD members 	<ul style="list-style-type: none"> • There is a positive relationship between customer loyalty programs and the level of customer satisfaction and customer loyalty in the retail sector. • Insurance coverage, special prices and gift redemptions influence customer satisfaction significantly and does not influence customer loyalty. • Customer loyalty is influenced significantly by rebate gift voucher, shopping partners program, members' day and by special prices but does not influence customer satisfaction.
Bruneau, Swaen and Zidda (2018)	A6	Are loyalty programs members really engaged? Measuring customer engagement with loyalty programs	<ul style="list-style-type: none"> • semi-structured interview • 22 sample • Qualitative study • Different industries 	<ul style="list-style-type: none"> • More attention should be paid to the engagement of customers in loyalty programs.
Kwiatek and Thanasi-Boçe (2019)	A7	Loyalty program activity: make B2B customers buy more	<ul style="list-style-type: none"> • Survey • 818 sample • logistic regression models • Not restricted to any industry 	<ul style="list-style-type: none"> • The rate of rewards awarded by loyalty programs has a great impact on the level of sales of the company in comparison to the points redeemed by the customers. • The anticipated sales of the company are greatly influenced by the depth of the loyalty program activity.
Stathopoulou and Balabanis (2016)	A8	The effects of loyalty programs on customer satisfaction, trust, and loyalty toward high- and low-end fashion retailers	<ul style="list-style-type: none"> • Survey • 984 sample • Multiple regressions and analysis of covariance • Fashion retailers 	<ul style="list-style-type: none"> • There are important consequences faced by managers in effectively designing rewards pertaining loyalty program in the high and low fashion retailing industry in order to make best use of customer loyalty.
Stauss, Schmidt and Schoeler (2005)	A9	Customer frustration in loyalty programs	<ul style="list-style-type: none"> • Qualitative study, general model of frustration, a multi-level iterative content analysis • Frequent travellers 	<ul style="list-style-type: none"> • It is identified that there are 7 types of frustration events that are generated by loyalty programs leading towards frustration consciousness and behavior. • The four types of events as worthlessness, qualification barrier, redemption cost and inaccessibility are directed towards the feeling and behavior of customer frustration as directed by the program itself. • The three events of discrimination, defocusing and economization are events that trigger the feeling and behavior of frustration as directed by relationships.

			<ul style="list-style-type: none"> • • • • 	
Wendlandt and Schrader (2007)	A10	Consumer reactance against loyalty programs	<ul style="list-style-type: none"> • face-to-face interviews • 388 sample • structural equation modeling • Bookstore customers. 	<ul style="list-style-type: none"> • It is identified that contractual bonds trigger effects of reactance whereas social psychological bonds neither trigger reactance nor the perceived utilization of the program. • Perceived utility is raised to a certain extent by economic bonds from which the effect of reactance is conquered thereafter.

methods are exploited as a methodological choice in this review. The effort of this analysis based on the philosophical view is to explore the causal relationship between customer loyalty programs and customer retention in the retail industry. The deductive approach has been carried out to choose the appropriate strategy for the research and to build the hypothesis. In order to study the hypothetical relationships, data from 10 articles are gathered and assessed to study the hypothetical relationships.

Thematic Synthesizing

Thematic synthesizing is considered to be the initial technique for qualitative analysis involving coding of data and creating analytical themes (Braun & Clarke, 2006). Table 3 highlights the thematic synthesizing and codification of the journal articles as selected before.

DISCUSSION

Customer loyalty programs are an extremely treasured asset in an organization and act as a powerful instrument in creating the bond between both the customer and the business. Many strategies have been used by companies to retain and attract customers who are very loyal to the company. According to the above thematic analysis, it is evident that all articles have highlighted the importance of customer loyalty programs. Koo, Yu and Han (2020) highlight the core importance of customer loyalty programs as

it positively accelerates the attachment customers possess over the brand as a whole. Similarly, as per the findings of Magatef and Tomalieh (2015) it is evident that customer loyalty programs possess a significant impact on the heights of the brand the company is maintaining to retain its customers. The findings support that the perceived value accompanied by the loyalty program can be of functional value, external value and psychological value as it plays a key role in increasing the level of customer satisfaction. According to Hofman-Kohlmeyer (2016) loyalty programs provide valuable information regarding customers which are relatively useful to construct marketing strategies in the future while maintaining a long-lasting bond with the customers. Based on these findings, retailers can use customer loyalty programs as a source of information to track purchasing patterns of the customers and their behaviors. Further, the findings of this study support that loyalty programs influence both financial and psychological factors to sustain long-term loyalty. According to these findings, retailers can utilize customer loyalty programs as a tool for making emotional bonds between the customer and the retailers. According to Bruneau, Swaen and Zidda (2018) managers should pay more attention to customer loyalty programs to increase the customers' level of engagement. According to these findings, organizations have to make significant efforts to increase customers' engagements. Moreover, retailers need to understand the customers' behavior, thinking patterns and use appropriate content related loyalty

Table 3: Thematic Synthesizing

	Importance of customer loyalty programs	Significance	CLP- IM	✓	✓	✓	✓	✓
		Different types of customer loyalty programs	Points system	DT- PS	✓		✓	✓
		Tier system	DT- TS	✓		✓		
		Rewarding system	DT - RS		✓	✓	✓	✓
		Loyalty card program	DT- LCP	✓			✓	✓
		Gift card	DT- GC	✓		✓	✓	✓
	Customer perception towards loyalty programs	More loyal to the brand	CPLP- BL	✓	✓	✓		✓
		Expect more discounts	CPLP- MD	✓	✓	✓		✓
	Impact of customer loyalty programs on customer retention	Positive	CLCR - P	✓	✓	✓		✓
		Negative	CLCR - N					
positive and negative		CLCR - PN				✓		

	Importance of customer loyalty programs	Significance	CLP- IM	✓	✓	✓	✓	✓
		Different types of customer loyalty programs	Points system	DT- PS	✓	✓	✓	✓
		Tier system	DT- TS	✓		✓		
		Rewarding system		✓	✓	✓	✓	✓
		Loyalty card program	DT- LCP	✓	✓	✓		✓
		Gift card	DT- GC	✓		✓		
	Customer perception towards loyalty programs	More loyal to the brand	CPLP- BL	✓	✓	✓		
		Expect more discounts	C P L P - MD	✓	✓	✓		
	Impact of customer loyalty programs on customer retention	Positive	CLCR - P	✓	✓	✓		
		Negative	CLCR - N				✓	✓
positive and negative		CLCR - PN						

programs that would motivate customers to engage more with customer loyalty programs. Therefore, the authors concluded the first objective of this research by highlighting how customer loyalty programs are important in customer retention and long-term relationship building. Based on the thematic synthesizing, it is found that many authors have identified various types of customer loyalty programs and their level of impact. According to Magatef & Tomalieh (2015) rewards programs

are one of the major types of customer loyalty programs. Under this research the impact of customer loyalty programs on customer retention, it is identified that organizations use reward programs to encourage frequent purchases by the customers. Further, they stated that loyalty programs motivate customers to change from single-period decision making to multiple-period decision making. Based on these findings it is evident that organizations can use reward programs

as a form of customer loyalty program in order to influence their customers' buying behavior. Further, they have identified Points system, Tier system, and Charge an upfront fee for VIP benefits, Non-monetary programs, All-inclusive offer, Loyalty card program, Frequent buyer program, Gift card, Return policy, Payback money, Discounts and Bundle goods. Conforming to above findings, research done by Hofman-Kohlmeyer (2016) found that there are two major types of customer loyalty programs namely, rewarding systems and equity-based loyalty programs. Further, the rewarding system is the most popular type of customer loyalty program having the highest influence on customer retention. Moreover, they stated that the reward system is the most influential loyalty program which helps to generate more sales revenue. Based on the above evidence the authors concluded the second objective of the research of identifying the types of customer loyalty programs. Based on the above analysis, five main types of customer loyalty programs are identified and among the identified five types of loyalty programs, four types are identified as commonly used effective types of customer loyalty programs namely Point system, Reward system, Loyalty cards and Gift cards.

Based on the recent study done by Koo, Yu and Han (2020) on the role of loyalty programs in boosting hotel guest loyalty: Impact of switching barriers has identified that the perceived value of loyalty program is essential in customer loyalty building. Customers need to perceive loyalty programs in a positive perception in order to bring the desired outcome of the designed loyalty program. Our study shows that retailers should always think from customers' angle when designing an effective customer loyalty program. Further, it has been identified that the effective commitment of customers is an essential determinant of customer satisfaction levels. Therefore, retailers need to maintain customer commitment and engagement continuously in order to get the maximum outcome out of customer loyalty programs. Similarly, the findings of the research done by Bruneau, Swaen and Zidda (2018) showed that more attention should be paid to

engage customers in loyalty programs. Sometimes customers may feel worthless on participating in a loyalty program. This basically arises when customers think that the benefit of customer loyalty programs is less than the effort that they invest in participating in a loyalty program. Another major frustration happens when customers think that there is discrimination associated with customer loyalty programs. On seeing the benefits of customer loyalty programs enjoyed by top tier customers, others may feel that it is a kind of discrimination. Retailers should focus on this part as well when they are designing and allocating the benefits of customer loyalty programs into different tiers of customers. Redemption cost has been identified as another major frustration event of customer loyalty programs. In some customer loyalty programs there is some cost associated when customers are redeeming the benefit. For instance, telecommunication service providers give special packages for loyal customers as a loyalty program. But there is a cost of activating the loyalty package. These types of barriers may tend customers to perceive loyalty programs in negative ways. Based on the above findings, it can be concluded that customers may perceive customer loyalty programs in different ways and it is crucial to understand how customers perceive customer loyalty programs in order to get the maximum outcome of the loyalty programs. By analyzing the previous literature, it is identified that customer loyalty programs directly affect customer satisfaction and it leads to maintaining a better relationship with the customer. The rewarding system is identified as the most influencing type of loyalty program helping to retain and maintain a long-term relationship between the retailer and the customer (Magatef & Tomalieh, 2015). Further, we have identified that loyalty programs play a vital role, especially in the hotel industry in customer retention. Most of the hotel customers seek discounts and special packages when they look at hotel options. Therefore, the hotel industry can use customer loyalty programs as a tool for effective customer relationship building and retention. The tested conceptual framework of this study showed that customer loyalty programs are a major

predictor of customer's satisfaction and customer's loyalty. However, out of ten articles analyzed in this study seven articles emphasized that there is a significant positive relationship between customer loyalty programs and customer retention; whereas two articles emphasized that the relationship between customer loyalty programs and customer retention is negative. An author found that the impact of customer loyalty programs on customer retention can be either negative or positive. Based on these we can conclude that the impact of customer loyalty programs and customer retention on the retail industry is positive and significant.

CONCLUSION AND RECOMMENDATIONS

This study was aimed to critically analyze the previous literature on customer loyalty programs and its impact on customer retention in order to clear some arguable areas such as types of customer loyalty programs and its impact on customer retention. By analyzing the selected ten journal articles the authors have identified that customer loyalty programs play a significant role in the retail industry. All the selected articles have highlighted the importance and the significant role played by customer loyalty programs. Further, it is identified that customer loyalty programs act as a valuable source of information to retailers. Through customer loyalty programs, retailers can capture the purchasing power patterns of the customers. Therefore, it is recommended to retailers to utilize the information gathered through loyalty programs in developing future marketing strategies. Retailers can capture market trends, purchasing trends, changes in behavioral patterns of the customers through the information collected through customer loyalty programs. Through our study, we have figured that customer loyalty programs are very effective marketing strategies in industries such as hotels and fashion. Based on our analysis, it is identified that there are four major categories of customer loyalty programs in the retail industry namely,

point system, rewarding system, loyalty card system and gift card system. Further, it is identified that a rewarding system is the most effective type of loyalty program in the retail industry where retailers can provide additional rewards based on the customers' loyalty levels. Through this study, it is found that all four types of customer loyalty programs are positively correlated with customer retention and the rewarding system has the highest co-relation with customer retention. Therefore, it is recommended that retailers use rewarding systems in an effective manner for customer loyalty program. Evidence suggests that hotel and fashion retailers can gain more sales and increase the long-term relationship with the customers effectively by using rewarding systems. Finally, the authors have investigated the overall impact of customer loyalty programs on customer retention in the retail industry. When retailers are designing customer loyalty programs, it is highly advisable to analyze the market factors in order to design an effective loyalty program. Our study contributes in providing a clear understanding of the significant role played by customer loyalty programs on customer retention. The findings of this research provide valuable insights to retailers in forming effective customer loyalty programs. Further, this research addresses the theoretical gap of identifying the most effective types of loyalty programs and their net impact on customer retention. This study has its limitations. Since we used a systematic review method to conduct this research and it has a common limitation associated with the systematic reviews. Therefore, future researchers should validate the same objectives of this research using a survey method or in the form of a case study. In this study, we have not focused on customers' characteristics. It is advisable to consider how customers' characteristics affect customer loyalty programs and their effectiveness. The impact of loyalty programs can vary due to the customers' lifestyle, culture and industry-based factors and from country to country. Hence it is recommended for future studies to evaluate the same objectives in different countries.

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