

Impact of Loyalty Program on Customer Retention with Special Reference to the Fashion Retail Industry in Sri Lanka

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In the context of a globalized economy, businesses are increasingly focused on attracting and retaining existing customers. To achieve this, organizations are investing in various marketing tools, such as loyalty programs, to maintain and manage enduring relationships with customers. The objective of this study is to gain a comprehensive understanding of the impact of customer loyalty programs on customer retention. The study identifies four primary categories of customer loyalty programs in the fashion retail industry: point systems, loyalty card systems, gift card systems, and non-monetary programs. A quantitative research approach was employed, with data collected from a sample of 350 respondents in the Western Province. Primary data were gathered through a well-structured questionnaire, utilizing a convenience sampling method, a non-probability sampling technique. Data presentation and analysis were performed using descriptive analysis, correlation, and multiple regression analysis, with SPSS as the primary analytical tool. The findings indicate a significant effect of all types of loyalty programs on customer retention. Additionally, over 68.2% of respondents reported a willingness to continue shopping at the selected store due to the loyalty programs offered. It was found that all four types of customer loyalty programs are positively correlated with customer retention. Thus, the research highlights the importance of loyalty programs and their effectiveness as a tool for customer retention.

Keywords: *Customer Retention, Gift Card System, Loyalty Programs, Loyalty Card System, Point System, Non-monetary Programs*