

The Impact of Loyalty Programs on Customer Retention of Retail Fashion Industry in Sri Lanka with the Mediating Effect of Customer Satisfaction

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The main purpose of this study was to investigate which Loyalty Program has a greater impact on Customer Retention in the retail fashion industry Sri Lanka. Customer Satisfaction has been used as a Mediator between Loyalty Programs and Customer Retention. In this study, under Loyalty Programs which is the Independent Variable, four Sub Variables have been identified. That is Discounts, Gift Items, Gift Vouchers and Loyalty Cards.

This research, which was conducted based on the western province of Sri Lanka, has been conducted using positivist philosophy and deductive (quantitative) approach. Accordingly, a questionnaire was used to collect data and 472 responses were received. Also, data was collected using the convenience sampling technique and after removing the incomplete response from the received responses, the analysis was done using 387 responses. The analysis done using descriptive analysis and inferential analysis enabled the researcher to get important findings.

From the findings, confirmed that Loyalty Programs have a positive impact on customer retention and that customer satisfaction plays a mediator role. But the two hypotheses built regarding Discounts and Gift Items were rejected. That is, the findings confirmed that Discounts and Gift Items do not have a significant positive impact on customer retention and only Gift Vouchers and Loyalty cards have a significant positive impact on customer retention. And among these, Loyalty Cards were found to have a greater impact on customer retention.

While conducting this study, the researcher faced various limitations. One of the main limitations faced by the researcher is the selection of the geographical location. Due to the difficulty in collecting data and the non-

existence of certain loyalty programs in some areas, researcher had to limit himself to the western province. And time is another limitation faced in doing this research.

The retail fashion industry is an industry where competition is growing day by day. Therefore, it is very useful for retailers to study the effect of loyalty programs to create customer satisfaction and customer retention. Retaining existing customers is more cost-effective than attracting new customers. Accordingly, retailers can invest more in identifying which loyalty programs have the most impact on customer retention. Also, from the findings, the retailers can understand the importance of Loyalty Cards because of the finding that they have a greater impact on Customer Retention. And gift vouchers help retailers increase sales. The reason is that customers tend to spend more than the amount mentioned in the gift voucher. Those interested in studying Loyalty Programs can conduct future research using a different industry or a different mediator. And this study was limited only to the western province of Sri Lanka. Because of this, research can be done to cover Sri Lanka in future research. Also, future research can be done using different measurement indicators of variables.

Keywords: *Customer Retention, Customer Satisfaction, Loyalty Programs, Retail Fashion Industry*