

**THE IMPACT OF CUSTOMER LOYALTY PROGRAMME
ON APPAREL RETAIL IN INDIA**

By

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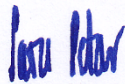
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ABSTRACT

THE IMPACT OF CUSTOMER LOYALTY PROGRAMME

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This study explores the impact of customer loyalty programmes (CLPs) on customer retention and sales performance within the apparel retail industry in India. The study aims to understand the role of loyalty programme benefits, customer satisfaction, engagement, trust, and emotional connection in influencing consumer behaviour. Employing a mixed-methods approach, quantitative data was gathered from 201 customers through structured surveys, while qualitative insights were obtained from in-depth interviews with three loyalty programme managers representing prominent apparel brands.

Quantitative analysis revealed a significant relationship between loyalty programme factors and customer retention. Regression results showed that loyalty programme benefits and customer satisfaction were the most critical predictors, while engagement, trust, and emotional connection played less substantial roles. The model demonstrated strong explanatory power, with an R^2 value of 79.3%,

indicating that loyalty programme factors accounted for a substantial variance in customer retention and sales.

Qualitative findings from interviews highlighted industry trends such as a growing emphasis on experiential loyalty offers, the importance of data analytics for personalization, and innovative strategies for engaging lapsed customers. Managers emphasized the need for flexible reward structures and trust-building practices to foster long-term relationships.

The study concludes that loyalty programmes significantly impact customer retention and sales when designed to meet consumer needs through personalized incentives, consistent engagement, and transparent policies. However, gaps in engagement and emotional connection suggest opportunities for improvement.

This research contributes to academic discourse by integrating quantitative and qualitative insights to offer a comprehensive understanding of loyalty programme dynamics in the Indian apparel sector. Practical recommendations include refining reward structures, enhancing personalization through advanced analytics, and leveraging experiential incentives to strengthen customer-brand relationships.

By addressing these aspects, the study provides actionable insights for apparel retailers aiming to maximize the effectiveness of their loyalty programmes and sustain competitive advantages in a dynamic market.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

The influence of customer loyalty programmes on India's apparel retail industry is looked at in this research. Knowing how loyalty programmes work in the culturally varied and ever-changing Indian market is crucial for the growing number of companies that use them to foster client loyalty.

The three main objectives that this research aims to address are

1. Sales performance
2. Customer satisfaction
3. Customer Retention

The research seeks to provide detailed insights into the impact of these programmes on consumer behaviour and retail performance by analysing customer survey data and conducting interviews with brand Loyalty Programme Managers (commonly known as Customer Relationship Manager). To better compete in the cutthroat apparel industry, the results will aid brands in honing their loyalty initiatives, which will improve customer service standards and brand earnings.

1.2 Background

Business is rife with loyalty programmes. Whether it's for a grocery store run, a cup of coffee, an airline flight, a hotel stay, or a mobile phone bill payment, customers almost always engage with them (Khairawati, 2020). Put simply, businesses now believe they can purchase client loyalty.

The demand for apparel in the market is influenced by two main factors:

1. Consumer preferences
2. Competitive production costs

Whether or whether not a clothes manufacturing firm turns a profitable is entirely dependent on how well it runs its operations and its capacity to negotiate favourable terms with clothing marketers, particularly those in the wholesale and retail clothing markets (Gonda *et al.* 2020).

The apparel business relies heavily on labour for a big portion of its operations. The garment industry relies heavily on trained labourers, thus many them are needed (Ozuem *et al.* 2021). These days, customers are pickier about the quality of service they get than the items themselves. Along with items, retailers should prioritise providing customers with an experience. Results from loyalty programmes in similar marketplaces have been inconsistent, according to previous studies. Khoa (2020), for instance, conclude that loyalty programmes are to blame

for excessive loyalty when they compare Dirichlet predictions with a customer panel's observed purchases at seven grocery shops.

The profitability and share-of-wallet effect of the loyalty programmes studied by Ledikwe (2020) also varied. Given these contradictory results, it is reasonable to wonder why loyalty programmes have such varying degrees of success. This may not come as a surprise, but managers can benefit from knowing what variables lead to varied loyalty programme performances when deciding whether to implement a programme and when looking for ways to make existing programmes even more effective. It is crucial to keep in mind that loyalty programmes do not function in a vacuum when evaluating their success (Molinillo *et al.* 2022). Not only do the programmes have a role in whether they are successful, but other environmental elements might also play a role.

Among them, program-related aspects illustrate how an organisation's internal tactics may impact a loyalty program's success, while customer and competition factors depict exterior elements that are just as critical to the program's effectiveness (Kimura, 2022). This school of thought is consistent with previous research on marketing strategy that has shown that both the firm's internal environment and the external market and industry environments influence the beginning and end of marketing strategies. According to Nishio and Hoshino (2024), loyalty programmes may help with a variety of things, such as keeping consumers, getting them to spend more, and learning more about their preferences.

Hence, based on its objectives, every programme should have its own distinct set of metrics to evaluate its performance (Zare and Mahmoudi, 2020). However, looking at a few standard measurements is also helpful for cross-comparison. Both firm-level variables, like sales and traffic, and consumer-level outcomes, such as purchase frequency, transaction size, and share of wallet, have been used in previous studies (Fook and Dastane, 2021). It is important to use care when comparing some current research, despite the usefulness of all these measurements, since they may be motivated by distinct underlying processes.

1.3 Statement of the problem

Because of its rich cultural heritage and long history of innovation, India's textile sector stands out from the others. The sheer size of India makes it only natural that the many regions inside the country display a wide range of dress styles, as well as linguistic and cultural diversity. Fabrics used to make Indian clothing range from the cosy Pashmina wool and intricately embroidered Chikankari in the north to the vibrant and colourful Bandhani and regal Chanderi in the centre and west, respectively, and, moving south, to the hand-woven Sambalpuri and block printed Kalamkari. So, three trillion dollars' worth, among the world's most important apparel marketplaces, India ranks high (Minhas, 2023a). The apparel and fashion sectors are also undergoing a period of transition due to the country's rapid urbanisation and acceptance of Western norms.

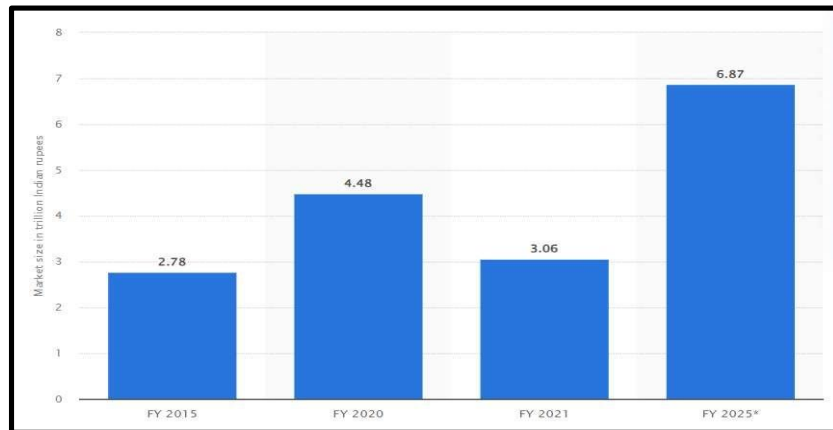


Figure 1.1: Market size of the apparel industry in India FY 2015-2025

(Source: Minhas, 2023)

In terms of both jute and cotton, India is among the world's top producers (Ganbold, 2024). India is one of the top two silk producers in the world, and it also happens to be the source of 95% of the world's hand-woven cloth (Minhas, 2023b). A significant percentage of the diverse textile and apparel market in India consists of traditional handloom, handicrafts, wool, and silk goods, in addition to the organised textile sector. Andhra Pradesh, Telangana, Haryana, Jharkhand, and Gujarat generate most of the textile and apparel. Trident, KPR Mill, and Page Industries are the top three textile manufacturers (Minhas, 2024). These businesses produce a wide range of goods, including denim, athletic wear, formalwear, denim, woven, and knits. Also, a large number of people find work in the sector, and it produces a diverse array of items. These sectors provide jobs for around 100 million people (Minhas, 2023c).

Consumers in India were questioned in a September 2020 study about the significance of brand loyalty and whether trust is a key feature when selecting a

brand (Minhas, 2022). An overwhelming majority of respondents (39%), although a small minority (6%), consider trust to be essential (Minhas, 2022). Typically, garment factories only make a single or double-species of clothes. This is due to the fact that distinct garments need a wide range of expertise and equipment. The garment industry's market also has a wide variety of apparel producers.

One group includes integrated manufacturers, whose factories do double or even triple-duty in the apparel industry. As part of their licensing agreements with other apparel brand owners, these manufacturers advertise and sell their final garments all over the globe. Another kind of manufacturer exists contract manufacturers. These folks take orders from independent designers and produce a wide range of garments. When these designers promote their own clotheslines, manufacturers have no say in the matter. Therefore, to examine the effect of loyalty on customers' spending habits, the current research is crucial.

1.4 Significance of the Study

This study is significant as it provides valuable insights into the effectiveness of loyalty programs in India's apparel retail sector. Understanding their impact on customer retention, satisfaction, and sales performance can help retailers refine their strategies, thereby enhancing customer experience and driving business success in a competitive market.

1.5 Research questions

Customers

- How does the loyalty program influence customers' decisions to repeat shopping at the store?
- How can customer satisfaction be measured with the rewards and benefits offered by the loyalty program?
- How does the loyalty program influence customers' purchasing decisions, including frequency of visits and overall spending?
- How does customer engagement with the brand increase over a period of time because of Loyalty Programs?
- How does trust and brand loyalty fostered through loyalty programmes influence customer retention and improve sales in the apparel retail industry?
- How does emotional connection through loyalty programmes enhance brand advocacy and drive customer retention and sales growth in the apparel retail sector?

Brand Managers

- What is the perceived impact of the loyalty program on retaining customers?
- What are the brand managers' views on customer satisfaction with the loyalty program's rewards and benefits?

- What are the brand managers' perceptions of how the loyalty program affects the sales and shopping behaviour of customers?
- What are cost v/s benefit, redemption rate and rewards utilisation, Return on investments, and other data points for Loyalty Programs?

1.6 Limitations

There are a number of limitations to this study on the effect of customer loyalty programmes on Indian apparel retail. One potential issue is that the research relies heavily on self-reported data from both customers and brand managers. This data might be influenced by biases, including faulty memory or social desirability bias. The conclusions may also not be applicable to other areas with distinct cultural, economic, and retail environments due to the study's exclusive emphasis on India. The study's cross-sectional design further limits our capacity to draw conclusions about cause and effect between loyalty programmes and consumer actions since it only records data at one moment in time.

Making accurate long-term projections from historical data is already challenging in the retail industry due to the fast pace of change brought about by new technologies and shifting customer tastes. Furthermore, the study may overlook the reality that loyalty programmes come in many shapes and sizes and that these variations, in turn, affect customer retention, satisfaction, and sales in different ways. There is a lack of control over possible confounding variables that affect the results of loyalty programmes, such as economic situations, competitive activities, and legislative changes. Finally, it's possible that modern developments

in loyalty programme design and execution may go unnoticed if conceptual frameworks are based only on previous research.

1.7 Delimitations

Focusing on urban and organised retail settings, this research is confined to the apparel retail industry in India. Allowing for a more targeted examination of customer behaviour and loyalty within the apparel industry, the research refrains from including other retail categories like groceries, electronics, or home goods. While studying the Indian market, offers a culturally and economically diversified backdrop, it may be difficult to extrapolate results to other areas due to the unique nature of their markets. There are three main outcomes that loyalty programmes are studied for in this research:

1. Sales Success
2. Customer Happiness
3. Customer retention

This research intends to shed light on the ways in which loyalty programmes affect these vital components of retail success by focusing on these characteristics. To keep things focused and reasonable, we have removed other possible outcomes like brand recognition and long-term client loyalty. A survey of consumers and an interview with brand managers are both components of the methodology. By combining quantitative and qualitative methods, this study provides a holistic look

at how loyalty programmes have worked. While the survey gives a bird's-eye view of consumer sentiment and actions, the interviews provide brand managers' detailed takes on programme success, cost benefit analysis and long-term planning.

Since this method only gathers data at one moment in time, it cannot take longitudinal impacts into consideration. The research also does not consider loyalty programmes run by informal or unorganised businesses; it only looks at the organised retail industry. This choice guarantees fair comparisons among programmes with comparable architecture, but it can leave out creative solutions discovered in less regimented settings. The research maintains a limited and controllable scope by explicitly outlining these delimitations, which allows for a full analysis of the implications of loyalty programmes in India's apparel retail industry.

1.8 Assumptions

The foundation of this research rests on many core assumptions. To begin with, it presupposes that interviews with brand managers and consumer surveys would be truthful and represent the real circumstances surrounding loyalty programmes. To ensure that the results may be applied to a wider context, it is assumed that the sample of consumers and brand managers chosen for this research is representative of the whole population within the Indian apparel retail industry. This research is based on the premise that the loyalty programmes that were considered really influence consumer actions because they are well-run and well-promoted by the participating stores. It also presumes that the measures used to

assess customer happiness, retention, and sales successes are accurate representations of how well loyalty programmes work. It is assumed that economic circumstances, seasonal fluctuations, and competitive activities, which are external variables, stay mostly unchanged during the research period. This will allow us to ascribe any changes we see to the loyalty programmes predominantly.

1.9 Definition of Terms

Customer Loyalty Programme: An advertising tactic that encourages consumers to buy from a company again and again is a customer loyalty programme. Promoter programmes like this aim to foster brand loyalty and repeat purchases (Channa *et al.* 2022). Companies may learn a lot about their customers' spending habits and the kinds of items and deals that are most popular thanks to loyalty programmes. Loyalty programmes for customers are about more than simply discounts. They enhance the consumer experience by using data supplied by customers and their purchasing history to create timely and appropriate offers (Lin *et al.* 2023). By forging creative alliances with comparable industries, companies may expand their consumer base and provide even more enticing benefits.

Customer Retention: The capacity of a business to prevent customers from defecting to rivals and convert them into loyal customers is known as customer retention (Alkitbi *et al.* 2020). It shows how happy consumers are with a company's goods and services and is thus an important indicator for subscription-based businesses and service providers. Customer retention is the percentage of a company's customers that stick around for a while. This is an important measure for

almost all firms, whether they are B2B or B2C. It's also called the churn rate (Gunawan, 2022).

Customer Satisfaction: Customer satisfaction (CSAT) is a statistic used to gauge how satisfied consumers are with a business's offerings (Hamzah and Shamsudin, 2020). As an indicator of the company's health, it may also show how well the items match client expectations. Although it may appear abstract, there are quantifiable indicators of customer satisfaction. For instance, customer satisfaction surveys (CSATs) may be used to find out how satisfied customers are. The conclusion of a commercial transaction is a common time for these brief surveys, which usually consist of one or two questions (Ginting *et al.* 2023). Customer satisfaction gauges a customer's level of satisfaction after a transaction or engagement with customer service.

Improved Sales: An increased sale of a product or service over time is known as Improved Sales. It is a benchmark for evaluating a company's success based on its sales revenue (Karb *et al.* 2020). Comparing sales from one month to another, quarter to quarter, or year to year might reveal trends in sales growth. One of the most significant goals of marketing is to increase sales, whether for one's own company or for clients. Their goal is to boost sales via hyper-specific advertising strategies (Faqe *et al.* 2023). Getting people to know their product or brand is often the first step for many businesses.

Trust & Brand Loyalty: Trust is the confidence and reliability that customers feel toward a brand, organization, or individual. It reflects a belief that

the brand will act with integrity, fulfil promises, provide consistent quality, and prioritize the well-being of its customers. Trust is often built over time through transparent communication, consistent performance, and reliability in products and services (Bernarto *et al.* 2020). Brand Loyalty is the commitment of customers to repeatedly choose a brand over competitors, often due to positive experiences and the value they associate with the brand. It goes beyond simple purchasing behaviour and represents a strong emotional connection, where customers may even advocate for or defend the brand. Loyalty can be driven by factors like satisfaction, perceived quality, and trust, creating long-term, stable customer relationships that withstand market changes or the availability of alternatives (Azzahra and Fachira, 2022).

Emotional Connection and Brand Advocacy: Emotional Connection is the bond formed between a customer and a brand based on shared values, personal experiences, or feelings that the brand evokes. This connection goes beyond the functional benefits of a product or service, resonating on a personal level with the customer's identity, values, or aspirations. Emotional connections are often built through brand storytelling, personalized experiences, and meaningful interactions, leading customers to feel personally invested in the brand (Li and Han, 2021). Similarly, Brand Advocacy is when customers actively promote or endorse a brand, often voluntarily, to others. Advocates are usually loyal customers who have had positive experiences with the brand and are willing to share these experiences, recommend the brand, and even defend it. This advocacy can take many forms, such as word-of-mouth recommendations, social media posts, online reviews, and referrals, helping to build the brand's reputation and attract new customers. Brand

advocates are valuable assets as they generate trust and influence others' purchasing decisions (Rane *et al.* 2023).

Apparel Industry: Businesses involved in the creation, production, and retail sale of garments, shoes, and related accessories are together known as the apparel industry (Noor *et al.* 2022). Everything from knickers and other necessities to high-end goods falls within this category. Businesses that produce textiles, yarns, and fibres are also considered part of the apparel industry. For the production of apparel or accessories, these materials are cut and sewed. Clothing and apparel accessory manufacturers make up the apparel manufacturing industry (Rathore, 2023). This includes businesses that spin yarn to create garments and those that spin knit fabrics to create garments.

1.10 Summary

Focusing on customer retention, satisfaction, and sales performance, this research examines how customer loyalty programmes have affected the apparel retail business in India. Its goal is to collect data via interviews and surveys so that stores may better understand their customers, develop loyalty programmes, and increase profits in a cutthroat industry.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Customer loyalty programmes have become increasingly common for companies to keep customers and forge lasting connections. There has been a lot of research on client loyalty programmes in the retail industry, but not much on whether they are successful in the retail apparel industry, especially in India. This literature review addressed this knowledge deficit by investigating the impact of customer loyalty programmes on the Indian apparel retail industry. This study examined the literature on client loyalty programmes in the Indian apparel retail industry to identify the benefits, challenges and determining variables that have been shown to increase, decrease, or have no impact on the programmes' success.

2.2 Customer loyalty programme

Customer loyalty programmes are marketing strategies used to persuade customers to keep doing business with a company by providing them with rewards, incentives, and other perks for doing so (Khairawati, 2020). Building client loyalty, boosting customer retention, and eventually boosting income for the company are the objectives of these programmes. A points-based program, in which customers receive points for each transaction, is a typical example of a customer loyalty programme. Rewards like discounts, complimentary goods or services, or other perks can be redeemed for these points. A popular example is the Starbucks

Rewards program, in which customers can collect stars that can be redeemed for complimentary beverages, food, and goods (Starbucks.in, 2023).

Customers are awarded based on their degree of involvement or expenditure in a tiered loyalty program, which is another example (Bahri-Ammari and Bilgihan, 2019). Customers can access more perks like priority shipping, deeper discounts, and invitations to VIP events as they advance through the tiers. For example, there are three membership tiers in the Sephora Beauty Insider program, each with benefits like complimentary makeovers, holiday presents, and early access to new goods (Sephora.com, 2023). Customer loyalty programmes can be a powerful tool for increasing company loyalty and customer retention, but they need to be carefully thought out and carried out.

2.3 Apparel Retail in India

With a broad range of brands and retailers responding to various consumer preferences and tastes, the retail apparel segment in India is a sizable and expanding sector (Investindia.gov.in, 2023). Competition in the Indian clothing market is fierce because of the presence of both local and foreign firms. Ethnic wear, which includes traditional clothing like sarees, salwar kameez, and lehengas, is a well-liked segment in the Indian attire retail market. With an emphasis on high-quality textiles, elaborate patterns, and a contemporary style, many well-known brands, including FabIndia, Biba, and W, offer a variety of ethnic wear for women (Investindia.gov.in, 2023).

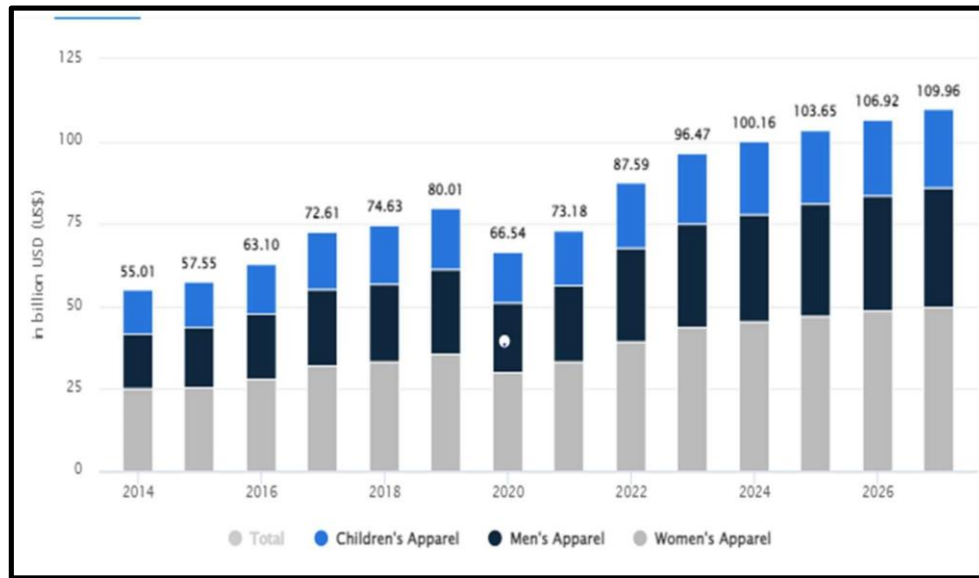


Figure 2.1: Revenue of Indian Apparel Industry

(Source: Statista.com, 2022)

Western wear, which includes clothing like denim, t-shirts, and skirts well-liked by younger customers, is a significant segment in the Indian garment retail market. Brands like Zara, H&M, and Forever 21 have a sizable footprint in India and provide various customers with fashionable and reasonably priced clothing choices. Apparel and textile manufacturing in India accounts for about 2% of the GDP and 7% of industry output in terms of value (Investindia.gov.in, 2023). In 2020-21, the textile, clothing, and handicrafts sector accounted for 11.4% of India's total exports (Investindia.gov.in, 2023). Approximately 4% of all textiles and clothing traded worldwide come from India (Investindia.gov.in, 2023). PPEs will have a worldwide market worth over \$92.5 billion by 2025, up from \$52.7 billion

in 2019 (Investindia.gov.in, 2023). More than 600 businesses in India are currently authorised to make them (Investindia.gov.in, 2023).

2.4 The rate of customer loyalty programs exists in apparel retailing in India.

As brands and retailers work to boost customer loyalty and retention, customer loyalty programmes have become increasingly prevalent in the Indian apparel retail industry. In return for their recurring business, these programmes provide customers with various rewards and incentives, including discounts, special deals, and other perks (Chidozie and Agu, n.d.). Increasing rivalry in the retail industry and the need for brands to distinguish themselves and develop customer loyalty to drive revenue growth are driving this industry.

The points-based customer loyalty system is a common customer loyalty programme in Indian apparel retail. Customers accumulate points for every purchase they make, which they can then use to exchange for rewards like discounts, free goods or services, or other perks. For instance, the Lifestyle Loyalty Program rewards customers one point for every Rs. 200 spent, with 100 points equaling Rs. 200 in purchases that can be returned for future purchases (Lifestylestores.com, 2023).

Another form of loyalty programme in the Indian apparel retail industry is the tier system, in which customers are awarded based on their degree of engagement or expenditure (White, 2020). Benefits like priority shipping, deeper discounts, and invitations to VIP events become available to customers who

purchase in higher tiers. The Myntra Insider program, for instance, has three tiers of participation, each of which provides benefits like free shipping, early access to discounts, and personal styling appointments for customers who achieve the highest tier (Myntra.com, 2023). More than 10 million customers had registered in the programme by early 2021, proving its effectiveness in boosting Myntra's claims of increased customer engagement and retention (Myntra.com, 2023).

Some Indian apparel retailers are trying fresher, more cutting-edge methods of fostering customer loyalty in addition to these more conventional programmes (ThakreemBanua, 2021). For instance, the online clothing retailer Zilingo has introduced a customer programme called the Zilingo Circle that includes social and community features like virtual events, influencer partnerships, and user-generated content in addition to offering customers a variety of perks like free shipping, early access to sales, and exclusive discounts (Zilingo.com, 2023). Indian apparel loyalty programmes have become crucial for retailers looking to increase customer loyalty and revenue growth. However, for these programmes to be effective, they need to be meticulously planned and carried out, emphasising providing valuable incentives and rewards that align with customers' requirements and desires. Retailers must also monitor and analyse programme statistics to make the required changes and enhancements to their programmes over time.

While there may not be easily accessible statistics on the total number of loyalty programmes in the Indian apparel retail industry, there are many instances of big brands and retailers who have introduced effective loyalty programmes in

recent years (Jain and Rath, 2023). The Indian cultural clothing company Biba has a loyalty programme. In the Biba Rewards program, customers earn one point for every Rs. 100 spent, with 500 points equating to Rs. 250 in rewards for future purchases (Bibafashionfriends.com, 2023). The programme also provides early access to discounts, personalised suggestions, and other special advantages in addition to these rewards.

Customer loyalty programmes are becoming increasingly significant in the Indian apparel retail industry as brands and retailers strive to set themselves apart in a congested and competitive market. In return for their continued business, these programmes provide customers with various perks, such as discounts, rewards, early entry to deals, and invitations to special events (Chidozie and Agu, n.d.). However, for loyalty programmes to be successful, meticulous planning and execution are also necessary. Loyalty programmes can be a great way to increase customer loyalty and revenue growth. Stores need to simplify their loyalty programmes and give rewards and incentives relevant to their customers.

To make the required changes and enhancements over time, retailers must also monitor and analyse statistics on programme success (White, 2020). This involves collecting customer input and observations through surveys and other means and tracking metrics like customer engagement, retention, and revenue growth. As brands and retailers in the Indian apparel retail industry strive to strengthen their relationships with customers and generate revenue growth in an increasingly competitive market, the prevalence of customer loyalty programmes is

expected to rise in the coming years (ThakreemBanua, 2021). These retailers can set themselves apart from the competition, increase loyalty and retention, and drive revenue growth and long-term success by meticulously developing and implementing successful loyalty programmes.

2.5 Relationship between the CLPs and Customer Benefits, Satisfaction and Engagement in the Clothing Industry

Customer loyalty programmes (CLPs) have become a common instrument for retailers in the competitive apparel industry to strengthen customer relationships and encourage return purchases (Rungruangjit and Charoenpornpanichkul, 2022). In return for their loyalty and ongoing business, these programmes provide a variety of incentives and benefits to customers, from discounts and rewards to special deals and events. With the help of samples from successful retailers, this part examined the relationship between CLPs and customer advantages, happiness, and engagement in the apparel industry.

2.5.1 Loyalty Programme's Benefits and Influence

Loyalty programs (CLPs) have evolved from simple discounts and point systems to multifaceted strategies that offer a variety of benefits to both customers and businesses. The chance to earn rewards and incentives for continued patronage is a significant advantage of CLPs, offering value not only to customers but also to companies aiming to enhance engagement and increase customer lifetime value (Singhal *et al.* 2022).

1. Types of Rewards and Customer Engagement

Rewards can be in the form of tangible benefits like discounts, free shipping, and exclusive offers, or experiential rewards such as early access to products or invitations to special events (Danziger, 2022). For example, Zara's loyalty programme, which provides free shipping and early access to new collections, highlights how rewards can directly influence customer behaviour by encouraging repeat purchases and increasing the average transaction size. Members of Zara's programme tend to make more purchases than non-members, demonstrating the impact of loyalty incentives on engagement (Danziger, 2022). Similarly, the ability to receive personalized offers is another compelling benefit of CLPs. Personalization allows companies to create tailored marketing strategies based on customer behaviour, purchase history, and preferences, significantly enhancing the customer experience (Hoang *et al.* 2022). For instance, Nordstrom's Rewards program leverages customer data to deliver exclusive discounts, personalized product recommendations, and invitations to in-store events. By aligning offers with customer tastes, this program has demonstrated a strong correlation with repeat purchases and a higher likelihood of customers recommending the brand to others (Nordstrom.com, 2023). This shows the effectiveness of personalized loyalty programs in fostering deeper customer relationships, which is a key element in increasing both retention and advocacy.

2. Impact on Customer Retention and Sales

Loyalty programs also play a significant role in driving customer retention, which in turn positively affects sales and revenue growth. Research has shown that loyalty programs lead to a significant increase in return purchases. For instance, users of loyalty programs like those of Nordstrom and Zara are more likely to return for additional purchases, indicating that the perceived value of rewards influences customers to maintain their patronage (Danziger, 2022; Hoang *et al.* 2022). Moreover, loyalty programs can effectively reduce the likelihood of customers switching to competitors by offering compelling incentives that are difficult to replicate. A study by Magatef, and Tomalieh (2015) also underscores the economic benefit of loyalty programs, suggesting that loyal customers tend to spend more, not just because of the rewards themselves, but due to the emotional connection and brand attachment they develop through continuous engagement with the brand. Customers who feel appreciated through personalized incentives and experiences are more likely to view the brand as part of their identity; strengthening their commitment and encouraging higher spend per transaction (Hofman-Kohlmeyer, 2016).

3. Psychological Impact and Customer Loyalty

Furthermore, loyalty programs influence not only customer behaviour but also customer emotions. The concept of reciprocity where customers feel compelled to return the favour for the rewards they receive, is a powerful psychological motivator in loyalty programs. By offering rewards that are perceived as valuable

and personalized, brands can foster a sense of belonging and trust. This emotional bond often referred to as "brand love," increases the likelihood that customers will continue to engage with the brand (Alshurideh *et al.* 2020). The psychological value of loyalty programs thus extends beyond transactional benefits, influencing customers' attitudes and perceptions of the brand.

4. Case Study Evidence

Beyond Zara and Nordstrom, the apparel industry offers various examples of successful loyalty programs. For example, H&M's loyalty program offers points for every purchase, which can be redeemed for discounts, and members are given early access to sales. According to a study by Kolganova (2018), H&M's loyalty program resulted in a significant increase in the frequency of customer visits and higher spend, proving that the effectiveness of loyalty programs lies in their ability to keep customers engaged over time.

5. Challenges and Considerations

Despite the obvious advantages, loyalty programs also present challenges. The increasing competition in the apparel sector has led to many brands offering similar rewards, potentially diluting the effectiveness of loyalty programs (Belli *et al.* 2022). Additionally, the cost of maintaining a loyalty program, especially when offering high-value rewards and personalized services, can be significant. Brands need to carefully evaluate the return on investment (ROI) of their programs to

ensure that the benefits of customer retention and increased sales outweigh the costs involved (Chandramouli, 2020).

2.5.2 Satisfaction with Loyalty Programme

Customer satisfaction is a crucial element of loyalty programs, as it directly impacts customer retention and engagement. Through loyalty programs (CLPs), retailers can offer customers tangible benefits, such as exclusive discounts and early access to new products, which can significantly boost customer satisfaction (Cavaliere *et al.* n.d.). By enhancing customers' shopping experiences and making them feel valued, these programs foster a sense of loyalty and emotional attachment to the brand. For example, Gap Inc.'s loyalty program offers members early access to sales, special discounts, and free alterations and shipping. These benefits create a higher perceived value for customers, contributing to their satisfaction and, consequently, enhancing their loyalty (Ahmed n.d.). Such programs ensure that customers feel appreciated, which can influence their decision to continue purchasing from the retailer, thus improving brand retention.

Moreover, CLPs often include opportunities for customers to provide feedback, which plays a significant role in enhancing satisfaction. When brands listen to and act on customer input, it helps shape product offerings and services, making them more aligned with consumer needs. Levi's Loyalty Program, for instance, allows members to participate in surveys and provide feedback on product design and customer service (Levi.com, 2023). This engagement not only strengthens customer relationships but also fosters a sense of community, where

customers feel that their opinions matter. Additionally, the sense of being part of an exclusive group can increase satisfaction (Cavaliere *et al.* n.d.). Customers who are part of loyalty programs tend to value the perks that make them feel more connected to the brand, such as personalized discounts or early access to products. This sense of exclusivity and recognition contributes to a more positive customer experience, which can lead to increased customer lifetime value (CLV) and brand advocacy. Programs that evolve with customer feedback, like Levi's, help in enhancing satisfaction further by meeting the dynamic needs of the market (Milner and Furnham, 2017).

Furthermore, personalized rewards and recognition drive satisfaction by making customers feel individually acknowledged. When loyalty programs are tailored to customer preferences and purchasing history, it creates a more customized experience, increasing the likelihood of customers' continued engagement with the brand (Milner and Furnham, 2017). For instance, some apparel brands track customer shopping behaviour and offer personalized discounts, or gift options based on previous purchases, leading to an increase in satisfaction and a higher likelihood of future interactions. Hence, satisfaction within loyalty programs is not just about offering financial incentives, but also about creating emotional connections, providing value, and listening to customer feedback. When done effectively, loyalty programs can improve customer satisfaction, making customers feel valued and more likely to remain loyal over time.

2.5.3 Customer Engagement with Loyalty Programme

Customer engagement is a critical component of loyalty programs, particularly in the apparel industry, where fostering long-term relationships and encouraging repeat purchases are essential for business success. Loyalty programs (CLPs) provide brands with an effective means of increasing customer interaction, not only by offering perks and incentives but also by providing personalized experiences that appeal to customer preferences and behaviours (Rungruangjit and Charoenpornpanichkul, 2022). Successful CLPs increase engagement by offering rewards that are meaningful to the customers, creating a value-driven relationship that motivates customers to keep interacting with the brand. For instance, loyalty programs in the apparel sector often provide customers with personalized product recommendations based on their past shopping behaviour. This personalized approach strengthens engagement, as customers feel their preferences are acknowledged and catered to. A key strategy in these programs is offering incentives that go beyond the traditional discounts, such as exclusive previews, birthday rewards, or access to limited-edition collections. Such offerings can help brands keep customers excited about the loyalty program and more invested in the brand (Singhal *et al.* 2022).

The success of a CLP is contingent upon several factors, including ease of use, the relevance of rewards, and continuous tracking of engagement data. For example, brands need to ensure that their loyalty programs are user-friendly, allowing customers to easily understand how they can earn and redeem rewards (Hu

and Zhang, 2021). Complex or confusing systems can deter participation and reduce engagement. By simplifying processes, brands make it easier for customers to feel empowered and motivated to engage with the program. Additionally, measuring the success of engagement through tracking metrics such as redemption rates, repeat visits, or average spend per transaction provides valuable insights into program effectiveness and helps refine the customer engagement strategy (Singhal *et al.* 2022). However, it is essential that brands remain responsive to customer feedback and preferences. The more a brand listens to its customers and adapts the program based on their needs, the stronger the relationship becomes. For example, if customers express a preference for experiences over monetary rewards, brands may adjust their offerings to include event-based rewards or VIP experiences that encourage more frequent engagement. Such flexibility helps maintain customer interest and satisfaction, preventing the program from becoming stale (Singhal *et al.* 2022). Hence, customer engagement through loyalty programs in the apparel industry is not just about offering rewards, but about crafting personalized, meaningful experiences that align with customer desires and expectations. A well-executed loyalty program enhances customer involvement with the brand, encourages return purchases, and strengthens long-term relationships.

2.5.4 Trust and Brand Loyalty through Loyalty Programmes

In the highly competitive apparel industry, trust is a fundamental pillar for cultivating long-term customer loyalty and retention. Loyalty programs (CLPs) play a crucial role in building and reinforcing trust between the brand and its

customers. Beyond providing tangible benefits like rewards and discounts, CLPs foster an ongoing relationship of trust by offering customers real value, transparency, and consistent experiences. As highlighted by Rungruangjit and Charoenpornpanichkul (2022), trust in a brand is developed when customers perceive that the loyalty program offers genuine advantages, is easy to understand, and delivers on its promises without hidden complexities. For example, brands like **Uniqlo** have successfully built trust by offering simple, straightforward loyalty programs where customers can easily accumulate points and redeem them for discounts or rewards. This simplicity and clarity help eliminate customer confusion and foster a sense of reliability and fairness, essential components in building brand trust. When customers feel they can easily access the benefits of the program without encountering complicated rules or restrictions, it strengthens their confidence in the brand (Nurhaliza and Indrawati, 2024).

Trust also plays a critical role in brand loyalty. When customers repeatedly engage with a brand's loyalty program, they tend to form emotional and psychological connections with it. Over time, these interactions solidify their loyalty to the brand, making them more likely to choose it over competitors, especially in instances where immediate rewards or incentives may not be available. This trust creates a sense of reciprocity, where customers feel compelled to remain loyal to a brand that has consistently met their expectations (Nurhaliza and Indrawati, 2024). Furthermore, loyalty programs can encourage deeper relationships when they reflect the values or aspirations of their members. Customers are more likely to trust and remain loyal to brands that demonstrate

transparency in how rewards are earned, communicate regularly about available benefits, and adapt the program based on customer feedback (Milner and Furnham, 2017). A loyalty program that continuously evolves to meet customer needs while maintaining a straightforward and transparent structure ensures on-going trust, resulting in long-term brand loyalty (Hu and Zhang, 2021). Thus, trust is not merely an added benefit of CLPs but an essential element that strengthens brand loyalty and retention. Brands that invest in transparent, customer-focused loyalty programs are more likely to experience increased customer satisfaction, repeated purchases, and sustained loyalty, even when faced with competing brands offering similar rewards.

2.5.5 Emotional Connection and Brand Advocacy through Loyalty Programmes

In the fashion industry, where clothing choices are not just functional but serve as a powerful representation of personal identity, Customer Loyalty Programs (CLPs) play a pivotal role in establishing an emotional connection between consumers and brands. As emphasized by Singhal *et al.* (2022), when loyalty programs align with a consumer's values, preferences, and lifestyle, they transcend transactional benefits and become integral to building an emotional bond. This emotional connection is a key driver for deeper customer loyalty, as it fosters a sense of belonging and personal attachment to the brand. A key way that CLPs create these emotional connections is through rewards that resonate with customers' values and social causes. For example, many brands now offer rewards that not only

provide material benefits but also align with broader societal or environmental issues. Patagonia, a brand known for its strong environmental stance, has successfully integrated eco-friendly incentives and charitable donations into its loyalty programs. By emphasizing environmental initiatives, such as contributions to conservation efforts or rewards tied to sustainable practices, Patagonia strengthens its emotional connection with customers who are passionate about environmental sustainability (Renascence, 2024).

These emotional ties not only encourage repeat purchases but also motivate consumers to become brand advocates. When customers feel emotionally invested in a brand's values and identity, they are more likely to share their experiences with others. This advocacy often manifests through word-of-mouth recommendations or social media engagement, where loyal customers post about their experiences, the brand's values, or special loyalty rewards they have received (Alshurideh *et al.* 2020). For example, a customer who participates in Patagonia's loyalty program may share their eco-friendly purchases or the environmental initiatives they support through the brand, effectively promoting the company to their social circles. This organic brand advocacy can significantly amplify a brand's reach and impact. As these loyal customers share their positive experiences and the emotional benefits they derive from the loyalty program, the brand's audience grows (Singhal *et al.* 2022). This form of advocacy extends the brand's influence, especially in the digital age where social media platforms play a crucial role in shaping consumer perceptions and encouraging new customers to engage with the brand. Ultimately, when CLPs foster emotional connections that resonate with customers' beliefs, they

not only strengthen loyalty but also increase the likelihood that customers will advocate for the brand (Kolganova, 2018). The combination of personal attachment to the brand's values and the desire to share meaningful experiences makes loyal customers a powerful marketing tool in themselves. This emotional connection and advocacy are invaluable assets for fashion brands looking to differentiate themselves in a competitive market.

2.5.6 Customer Retention and Improved Sales

Customer retention is a central objective for many retailers, and Customer Loyalty Programs (CLPs) play a crucial role in achieving this goal by rewarding customers for their repeated purchases. One of the primary strategies used by CLPs to enhance customer retention is by offering rewards based on cumulative purchases. These programs encourage customers to return frequently and spend more in order to earn rewards, discounts, or exclusive offers. As noted by Khairawati (2020), this strategy not only boosts retention rates but also fosters long-term relationships with customers, as they are incentivized to return to the brand repeatedly in order to maximize the rewards they receive. In addition to encouraging repeat purchases, CLPs can also be designed to increase the average transaction value (Chen *et al.* 2021). When customers are offered rewards or incentives for higher spending, they may be motivated to purchase more during each visit, further enhancing the brand's revenue. For example, a loyalty program that offers a discount or extra points when customers reach a specific spending

threshold can prompt them to purchase more than they initially intended, thereby increasing the sales volume (Khairawati, 2020).

However, it is essential to note that loyalty programs alone are not the only mechanisms that drive customer retention. As Gonda *et al.* (2020) highlight, other tactics, such as offering temporary sales on specific products or reduced delivery costs, can also be highly effective in encouraging customers to make repeat purchases. These strategies can complement the loyalty program by adding more short-term incentives that prompt immediate action. For example, a limited-time sale on a popular product, coupled with free shipping for loyalty members, can create a sense of urgency and further motivate customers to purchase more frequently (Chen *et al.* 2021). To ensure that loyalty programs and other strategies are effective in improving customer retention and boosting sales, retailers must also focus on developing predictive models that analyse both current and future factors that influence consumer behaviour. By leveraging data analytics and customer insights, brands can better understand the long-term impact of their loyalty programs and anticipate how different variables might affect customer retention and sales. This data-driven approach enables businesses to fine-tune their loyalty strategies and make informed decisions about how to continuously engage customers and enhance their purchasing behaviour (Gonda *et al.* 2020).

2.6 Challenges Apparel Brands have to face while Introducing Customer Loyalty Programs

Customer loyalty programmes (CLPs) can be useful for the apparel industry to increase brand loyalty, boost return sales, and set themselves apart from the competition. The implementation and upkeep of a CLP are not without their difficulties.

2.6.1 Designing the Right Program

Designing a CLP that satisfies customers' needs and brand preferences is one of apparel companies' most difficult tasks. Due to the wide variety of CLPs, selecting the one that will have the greatest impact on increasing client loyalty and engagement can be challenging (Gorlier and Michel, 2020). The type of rewards on offer, the programme's usability and accessibility, and the programme's total value offering for customers are all important considerations for brands. In addition to offering members personalised suggestions and training programmes based on their activity and preferences, the NikePlus programme also offers free shipping, exclusive discounts, and early access to new goods (Nike.com, 2023). Nike's primary audience's needs and interests informed the development of a highly effective CLP that propels consumer loyalty and engagement.

2.6.2 Return on Investment (ROI) and Managing Costs

Managing the expenses involved with adopting and keeping a CLP while guaranteeing a positive return on investment (ROI) is another challenge for apparel

retailers. Offering rewards and incentives to customers can be expensive, so businesses need to weigh the programme's costs against the possible benefits of increased customer loyalty and return purchases (Chaudhuri *et al.* 2019). For instance, the American Eagle Outfitters (AEO) rewards programme gives members a variety of perks, such as free shipping, special discounts, and a birthday offer, while also offering the company valuable information about consumer preferences and behaviour (Ae.com, 2023). AEO has shown the worth of its CLP in increasing client engagement and loyalty while also controlling expenses and guaranteeing a positive ROI on the bottom line by meticulously monitoring the programme's impact.

2.6.3 Program Relevance and Value Maintenance

Maintaining the CLP's worth and usefulness over time is the third issue facing apparel companies. Customer needs and preferences can change rapidly, so companies must find methods to adjust and develop the programme to satisfy these changing needs (Gonda *et al.* 2020). To improve the programme's total value offering for customers, it may be necessary to update the rewards and incentives provided, improve the user experience and accessibility, or add new technologies and features. For instance, the H&M Club loyalty programme members receive various perks, such as early access to discounts, free shipping, and exclusive offers and events, while also giving the brand useful data and insights into consumer preferences and behaviour (Hm.com, 2023). H&M has successfully increased customer loyalty and engagement over time thanks to its Customer Loyalty

Program (CLP), which has been kept relevant and valuable through constant upgrading and evolution to suit its customer's changing needs and preferences.

A customer loyalty programme can be an effective tool for the growth of apparel companies by encouraging return transactions and establishing the brand as unique from the competition. However, companies must be ready to face various challenges, such as developing the correct program, controlling expenses, and maintaining the programme's engagement and usefulness over time. Apparel brands can achieve sustainable success and growth in the highly competitive clothing industry by emphasising their customers' needs and preferences and continuously monitoring and adjusting their CLP to meet these changing needs. The impact of exterior variables, such as the economy, new technologies, and changing customer preferences and brand behaviour, must also be considered by apparel manufacturers. These variables can significantly impact the success of a CLP, so companies need to be flexible and willing to change their strategy to accommodate the ever-changing demands of the marketplace.

2.7 Social Exchange Theory

The Social Exchange Theory is a useful framework for examining the impact of customer loyalty programmes on India's apparel retail sector. According to the Social Exchange Theory, people participate in social interactions with the expectation of getting benefits and averting expenses (Cortez and Johnston, 2020). The success of these interactions is based on how fair the trade is viewed to be. Customers in the apparel retail business participate in customer loyalty programmes

expecting benefits like rewards, discounts, and special access to promotions and events. They may be asked to trade information, refer friends and family to the brand, or participate in other acts of brand loyalty.

Customer loyalty and business success are tied to how well this transaction is seen as fair (Thomas and Gupta, 2021). Customers may opt out of a programme or move to a rival if they believe the benefits, they are getting do not justify the costs, such as disclosing personal information or spending a set amount of money. The success of a customer loyalty programme depends on how well it is created to satisfy the needs and preferences of customers, according to this theory applied to the apparel retail business in India (Cortez and Johnston, 2020). Some customers may feel the programme is unfair and choose not to participate if, for instance, the rewards and discounts it provides are irrelevant to their hobbies or spending habits.

Customers may also withdraw from the programme if they believe the costs associated with the program, such as giving personal information or reaching a certain spending level, are excessively expensive relative to the benefits they are getting (Thomas and Gupta, 2021). Therefore, apparel companies must carefully plan and carry out their customer loyalty programmes to make sure that the benefits provided are seen as fair and useful to customers and to guarantee a positive return on investment. The research was examined using the Social Exchange Theory as a helpful paradigm (Cortez and Johnston, 2020). Apparel brands can create and implement successful customer loyalty programmes that boost customer

engagement, loyalty, and return purchases by considering the significance of perceived justice in the trade between customers and brands.

2.8 Research gap

There has been a dearth of research on the existence and influence of CLPs in the apparel industry and their efficacy in increasing customer satisfaction, loyalty, and engagement. The Indian apparel industry has been largely ignored in previous research because most studies have been conducted in the United Kingdom, Australia, and the United States. By concentrating on Indian companies and customers, the study tackled the impact of CLPs. To comprehend the impact of CLPs on consumer engagement, satisfaction, loyalty, trust, emotional connection and brand advocacy researchers analysed data from several Indian apparel store companies and their customer loyalty programmes.

2.9 Summary

The impact of Client Loyalty Programmes on the Indian apparel retail industry has been examined in this literature study conclusion. According to the study, customer loyalty programmes positively impact consumer loyalty, engagement, satisfaction, trust and emotional connection boosting sales and income for companies. When launching customer loyalty programs, apparel companies in India encounter several challenges, including a dearth of technological infrastructure, intense rivalry, and low levels of consumer knowledge. Indian apparel companies can develop successful loyalty strategies that improve customer relationships and propel

company development once they grasp the key benefits, challenges, and factors that impact the efficacy of customer loyalty programmes.

CHAPTER 3

METHODOLOGY

3.1 Introduction

The impact of customer loyalty programs on the apparel retail industry in India is significant. These programs enhance customer retention by providing exclusive benefits, supporting a sense of belonging, and improving the shopping experience. This leads to increased sales and long-term profitability. By customising loyalty programs to customer preferences, apparel retailers can build strong, lasting relationships with their customers, ensuring continued patronage and competitive advantage in the market (Sharma *et al.* 2020). To conduct the research requires a systematic approach to explore, describe and explain the findings of the study. This approach is designed with the help of research methodologies that provide the researcher guidelines to collect analyse and present information about a research topic. This research helped the researcher stay on track with meeting the research objectives and answering the research questions in a way that best suited the data collecting and analysis methods for the specific research design. A research methodology consists of a research design, approach, philosophy, strategy, data collection and data analysis methods (Newman and Gough, 2020). All these methods combined provide a framework for researchers to conduct their research successfully.

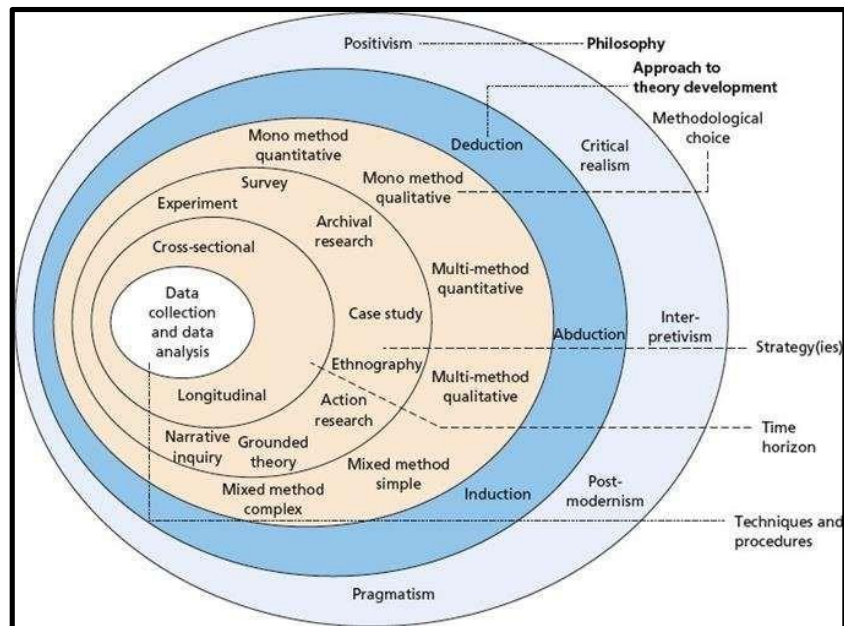


Figure 3.1: Research Onion

(Source: Mbedzi *et al.* 2021)

For this research, the methodologies used are first defined and explained with context to their importance. Following that, the specific method used is also defined along with its use in this research. Finally, the limitations the researcher faced from using the particular method are also provided. Gaining an overall critical overview of the process in which the research was conducted allowed the researcher to become aware of the advantages and disadvantages of each method and the complexities of studying the topic. In this way, the researcher will be well-informed to conduct future research, which will lead to more comprehensive outcomes.

3.2 Research Philosophy

In this research, the researcher used pragmatism philosophy because primary and secondary data were used in this study. Therefore, this philosophy

helped to analyse both information and, based on the results discussed, in which way customer loyalty programs impact on apparel industry. The researcher employed pragmatism as the research philosophy for the study due to its emphasis on practical and actionable outcomes (Saliya, 2023). Pragmatism prioritises addressing real-world problems and generating solutions that have immediate applicability. In the context of the Indian apparel retail market, which is characterised by its diversity and rapid evolution, this approach is important (Powell, 2020). The goal is to understand how customer loyalty programs affect consumer behaviour and business performance in a way that offers practical information for retailers (Tamminen and Poucher, 2020). Pragmatism allows the researcher to focus on outcomes that are relevant to industry stakeholders. It provides them with actionable recommendations to enhance their loyalty programs and, consequently, their competitive position.

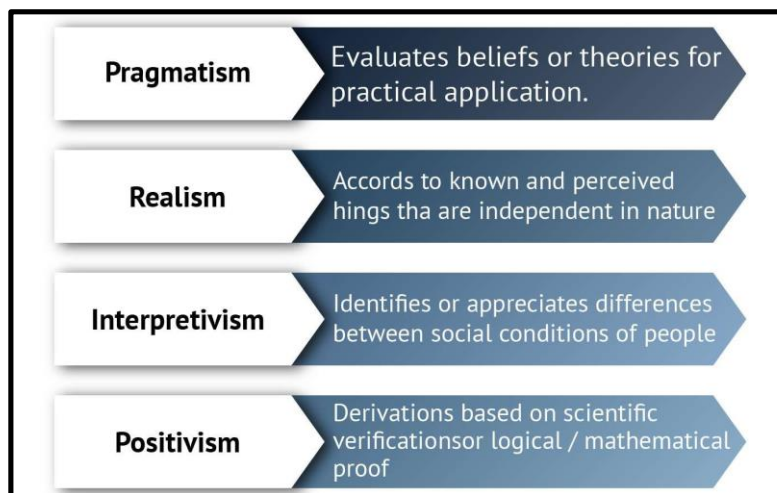


Figure 3.2: Types of Research Philosophy

(Source: Saliya, 2023)

Moreover, pragmatism supports using both qualitative and quantitative methods, which is beneficial for this research. The combination of methods facilitates an exploration of the subject. Quantitative data can reveal patterns and trends in customer behaviour, whereas qualitative information can provide an in-depth understanding of customer motivations and experiences with loyalty programs (Abutabenjeh and Jaradat, 2018). This methodological flexibility is necessary in a diverse market like India, where consumer preferences and behaviours vary significantly. Pragmatism allows the researcher to adapt their approach to capture a huge spectrum of information. It also ensures that the findings are strong and relevant (Powell, 2020). Moreover, it was useful for developing effective customer loyalty strategies in the apparel retail sector.

Pragmatism was used in the research as a philosophy because it highly emphasises flexibility and practicality, which allowed the researcher to use the most relevant research strategy to address complex questions (Proudfoot, 2023). Therefore, a combination of qualitative and quantitative research was selected by the researcher to conduct more comprehensive social research into the ways in which loyalty programs impact the apparel retail customers and brand managers of India. It allowed the research to be experimental with their approach to answer research questions and improve outcomes.

As pragmatism research philosophy involves the collection of data from different sources and using different methods, there is a possibility of discrepancies in them which makes it difficult to interpret (Powell, 2020). The same issue was

faced by the researcher for this study because it was challenging to reconcile the findings of the interviews and the survey in the discussion section because they would often come to opposing results (Renjith *et al.* 2021). Moreover, the pragmatism research philosophy makes it difficult for researchers to order different types of information in a sequential design over a significant amount of time (Shan, 2022).

3.3 The Approach

The researcher used a deductive research approach in this study. The deductive research approach is concerned with developing a hypothesis based on the existing theories (Tracy, 2019). The researcher used a deductive approach to investigate the impact of customer loyalty programs on the apparel retail sector in India to systematically test and validate existing theories and hypotheses. In this study, deductive reasoning begins with established theories and applies them to specific examples to confirm their validity (Abutabenjeh and Jaradat, 2018). In this study, the researcher began with theoretical frameworks that are mainly related to existing customer loyalty programs. The theories of consumer behaviour and loyalty help to develop hypotheses about their effects on consumer purchasing patterns and retailer performance. This structured approach mainly allowed the researcher to test these theories within the specific context of the Indian apparel retail market. It provides clarity on how well these established concepts apply to this setting.

Hypotheses can be formulated to explore how loyalty programs influence customer retention, purchase frequency, and overall sales (Doyle *et al.* 2020). By testing these hypotheses, the study can provide robust evidence on whether and how loyalty programs drive customer loyalty and business performance. Moreover, by collecting and analysing numerical data, such as customer purchase patterns, program participation rates, and sales figures, researchers can quantify the extent of the program's impact (Eshetu *et al.* 2023). It also allows for precise and objective assessment that to more reliable and valid conclusions.

Quantitative data was also used in this research to perform statistical analysis, providing deeper information into the strength and significance of the observed relationships. Apart from that, the research can generate findings that are more generalisable across the Indian apparel retail sector (Tracy, 2019). Using large, representative samples and standardised data collection methods, the study can ensure that the results are not limited to a specific subset of retailers. This huge applicability enhances the relevance of the study which allows other apparel retailers to apply the recommendations to their own customer loyalty programs, potentially leading to industry-wide improvements.

Moreover, the deductive approach offers a clear, logical structure for analysing the impact of customer loyalty programs. The researcher can design a research methodology that systematically tests hypotheses through quantitative data collection and analysis by starting with a theoretical foundation (Tomaszewski *et al.* 2020). This approach ensures that the research is grounded in theoretical

concepts and allows for a focused investigation into specific aspects of customer loyalty programs. It also provides actionable information for practitioners in the apparel retail industry (Pearse, 2019). This systematic approach is valuable in the Indian context, where the powerful of consumer loyalty may differ from those in other markets. It will ensure that the conclusions of the study are both theoretically and contextually relevant.

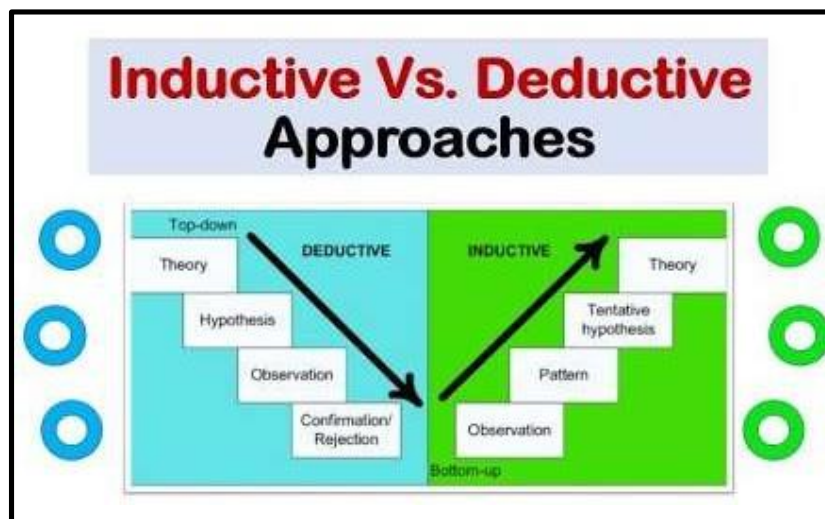


Figure 3.3: Types of Research Approach

(Source: Proudfoot, 2023)

This research design was used for the study because it allowed the researcher to gain an overall and critical understanding of consumer perception of loyalty programs in the apparel retail industry with the help of the literature review (Tracy, 2019). The deductive research approach involves the researcher beginning with a general theory or hypothesis of the research questions to test it against specific findings from the data collected and features observed (Pearse, 2019). It

includes the application of formal inference rules through which accurate and valid deductions can be made.

This approach involved testing these hypotheses through empirical data collection and analysis. The researcher systematically examined whether the theoretical predictions hold true in the specific context of the Indian apparel retail market (Doyle *et al.* 2020).

3.4 Research Design

The researcher used the descriptive research design to conduct the research. Descriptive research design is a research method that is mainly used to try and determine the characterised of a population (Jaakkola, 2020). This design involves identifying the specific characteristics of phenomena or populations (Doyle *et al.* 2020). Through this, the researcher was able to determine patterns in the characteristics of different retail customers with respect to loyalty programs. This enabled the researcher to identify the underlying factors that lead to employee satisfaction and address the pertinent questions sought through this research.

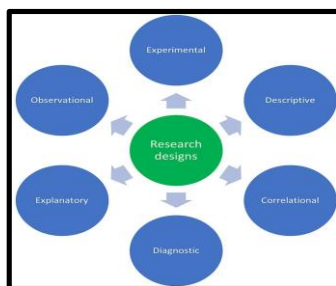


Figure 3.4: Types of Research Design

(Source: Jaakkola, 2020)

This design is well-suited for detailing the characteristics and outcomes of specific features. Descriptive research intends to provide a snapshot of the current state of affairs (Jaakkola, 2020). It mainly focused on describing the “what” rather than the “why” of a situation. In the area of this study, the descriptive design allows for a detailed analysis of several customer loyalty programs, their features, and their impact on consumer behaviour and retail performance (Tomaszewski *et al.* 2020). The researcher can capture a clear picture of how loyalty programs operate within the Indian apparel market and how they influence consumer purchasing patterns by systematically documenting these elements.

Similarly, the descriptive research design facilitates collecting and analysing quantitative data on customer responses, program effectiveness, and sales performance (GHR *et al.* 2022). This approach also allows the researcher to identify patterns, trends, and relationships between different variables without manipulating them (Jaakkola, 2020). It also provides a detailed overview of the current impact of loyalty programs. It enables the researcher to quantify customer satisfaction levels, retention rates, and sales data associated with loyalty initiatives. This information is significant for understanding different loyalty strategies (Bergen and Labonté, 2020). It also makes data-driven recommendations to apparel retailers. Overall, the descriptive design helps map out the landscape of customer loyalty programs in India. It also offers valuable information for both academic and practical applications in the retail industry.

Descriptive studies are relatively easy and inexpensive to conduct. Since data on customer loyalty programs and retail performance are often already available through company records and sales data, researchers can quickly gather the necessary information. Descriptive studies make this research process efficient and cost-effective.

It also helps estimate the prevalence and patterns of customer loyalty program usage among apparel retailers. By collecting data on how widely these programs are implemented and how customers engage with them, the study can provide an overview of their current state and effectiveness in the industry (Pandey and Pandey, 2021). The information gained from descriptive research can inform resource planning for retailers (Taherdoost, 2022). Understanding which loyalty program features are most popular or effective can help retailers allocate resources to enhance these aspects, improving overall program performance and customer satisfaction. It can identify geographic and temporal variations in the impact of loyalty programs (Jaakkola, 2020). By comparing data across different regions or periods, researchers can uncover trends and shifts in customer behaviour, helping retailers adapt their strategies to changing market conditions.

3.5 Research Strategy

The researcher used a qualitative and quantitative research strategy to conduct this research on customer loyalty programmes adopted by Indian apparel industry. The researcher used both qualitative and quantitative research strategies to explore the study to gain a thorough understanding of the features (Hullman *et*

al. 2021). Qualitative research was necessary to explore the underlying motivations, attitudes, and perceptions of customers and retailers regarding loyalty programs (Muzari *et al.* 2022). Through methods such as interviews and focus groups, qualitative data provides in-depth information into how customers perceive the value of loyalty programs, what features they find most appealing, and how these programs influence their purchasing behaviour (Taherdoost, 2022). In this case, the researcher conducted qualitative research by interviewing 3 apparel brand's Loyalty Programme managers in India. Through this strategy, the researcher was able to gain open-ended answers to pertinent research questions, which contributed to diverse perspectives on the research topic. Along with that, the researcher also used literature reviews as a source of qualitative data.



Figure 3.5: Types of Research Strategies

(Source: Taherdoost, 2022)

On the other hand, quantitative research provides a huge, numerical perspective on the impact of loyalty programs (Kumar, 2019). The researcher can

measure the prevalence of different customer behaviours, quantify the impact of loyalty programs on sales and retention rates, and identify trends across a larger sample by employing surveys, statistical analysis, and data collection methods. This approach allows for the generalisation of findings to a wider population, offering robust, empirical evidence on the effectiveness and reach of loyalty programs. Combining quantitative data with qualitative pieces of information provides a richer, more balanced understanding of how loyalty programs affect customer behaviour in the apparel retail sector (Mezmir, 2020). It also ensured that the research captured both the statistical significance and the contextual subtleties of the impact. In this research, the researcher made use of this research strategy by surveying 201 Indian consumers of the apparel retail industry. This strategy succeeded in providing a generalised and objective opinion of the consumers regarding loyalty programs, which the qualitative interviews failed to offer (Sürücü and Maslakci, 2020). Thus, through the amalgamation of the two strategies, the researcher was able to reach the hypothesis established at the beginning of the research and find incongruences within them for a critical study.

3.6 Data Collection and Sampling

The primary and secondary data collection methods were used to conduct the research. Primary data can be collected through observation, surveys, interviews and focus groups while secondary data is collected from journal articles, web articles, newspapers, books, and case studies (Taherdoost, 2021). For this research,

the primary data collection method was used and the main sources of data for this were through qualitative interviews and quantitative surveys (Lobe *et al.* 2020).

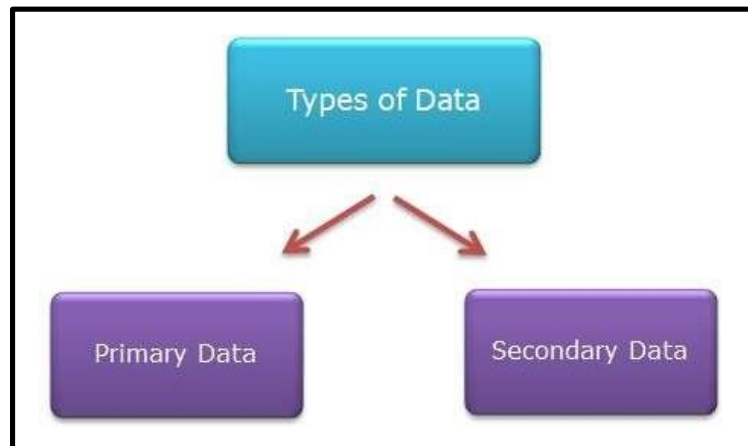


Figure 3.6: Types of Data Collection Methods

(Source: Lobe *et al.* 2020)

The primary data collection method was found to be more reliable and accurate than secondary data as it is directly taken from the source (Lobe *et al.* 2020). It is also a faster and easier way to collect data which is why it was selected by the researcher for this study. It also guarantees that the information gathered for the research is up-to-date and relevant to the topic, which reveals accurate trends (Taherdoost, 2021). For the qualitative interview, data was collected from the open-ended answers of 3 Loyalty Programme Managers (Popularly known as Customer Relationship Managers) from the apparel retail industry of India. A consistent set of questions were asked to the managers in person or an online call across different timeframe.

The sample size of 201 respondents was determined based on *purposive sampling* to ensure the inclusion of participants who actively engage with loyalty programs in the apparel retail sector in India. This method was chosen to focus on information-rich cases, allowing the study to capture meaningful insights into customer retention, satisfaction, and engagement. By targeting individuals with relevant experiences, purposive sampling ensures the data collected is directly aligned with the research objectives while remaining practical and resource-efficient (Rai and Thapa, 2015). Moreover, for the quantitative survey, the data was collected from 201 Indian apparel retail customers using an online questionnaire (Mishra *et al.* 2019). The links to these questionnaires were sent to their emails/messages and an access code was also provided for the same. The quantitative survey was also conducted in person at various offline retail outlets where the customers responded to the questions.

3.7 Tools for Data Analysis

The researcher used statistical techniques to explain, illustrate, and evaluate the data collected from primary and secondary sources. In this case, the researcher used different statistical general techniques such as Cronbach's alpha, regression, SPSS software (GHR and Aithal, 2022). This method is a statistical interpretation of data meant to identify trends, patterns and relationships from analysing historical data. It seeks to describe a phenomenon, event and outcome, which helps in understanding past trends and predicting future occurrences (Mishra *et al.* 2019).

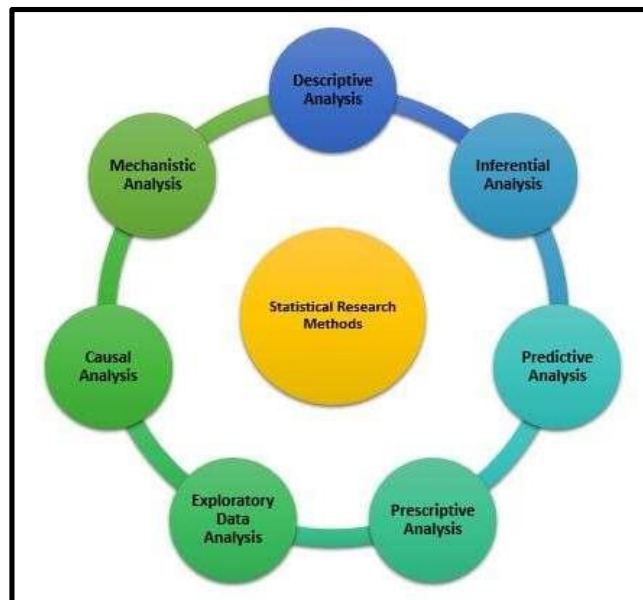


Figure 3.7: Types of Data Analysis Methods

(Source: Hullman and Gelman, 2021)

SPSS software, or “Statistical Package for the Social Sciences”, facilitated the analysis by providing advanced statistical tools to handle complex data sets, perform various statistical tests, and generate visualisations (Shi *et al.* 2018). This software supports efficient data processing and enhances the accuracy of the findings, enabling the researcher to present robust evidence on the impact of loyalty programs. Together, these techniques ensure that the data analysis is thorough, accurate, and capable of addressing the research questions effectively (Newman *et al.* 2020).

SPSS, is used by researchers to conduct complex data analysis using statistics (Sun, 2019). This software allows researchers to develop and validate predictive models with the help of advanced statistical processes (Kumar, 2019).

Through this platform, the researcher conducted a regression, correlation and descriptive analysis of primary data on customer loyalty. The text analysis feature was used to drive insights from qualitative data gained through the open-ended questionnaires. Descriptive statistics such as variable distributions, frequencies and measures of central tendency can also be conducted on a large scale, which makes it suitable for big projects (Mukherjee *et al.* 2018).

$$\rho_T = \frac{k^2 \overline{\sigma_{ij}}}{\sigma_X^2}$$

ρ_T = tau-equivalent reliability
 k = number of items
 σ_{ij} = covariance between X_i and X_j
 σ_X^2 = item variances and inter-item covariances

Figure 3.8: Cronbach's Alpha Formula

(Source: Primary Data)

Cronbach's alpha was used to assess the reliability and internal consistency of the survey instruments (Taber, 2018). This technique is significant for evaluating the consistency of responses across multiple items in a survey, ensuring that the measures used to assess customer attitudes and behaviours are reliable (Sürücü and Maslakci, 2020). The researcher can confirm that the survey data is consistent and dependable, which is essential for drawing valid conclusions about the impact of

loyalty programs on consumer behaviour by establishing a high Cronbach's alpha value. Thus, Cronbach's alpha was used in this research to determine the reliability of the data derived from the interview and survey respondents (Taber, 2018).

Regression analysis was utilised to explore the relationships between variables and quantify customer loyalty programs' impact on various outcomes, such as customer retention and purchase frequency (Pandey and Pandey, 2021). This technique allows the researcher to examine how changes in loyalty program features influence customer behaviour, controlling for other factors (Xu *et al.* 2020). The researcher can identify significant predictors of customer loyalty and assess the strength of these relationships by applying regression analysis. It provides information about the effectiveness of different program elements.

3.8 Ethical Consideration

Ethical considerations in research are the principles that guide the research practices and design and include informed consent, voluntary participation, confidentiality, anonymity, results communication and potential for harm (Xu *et al.* 2020). This is important for conducting research for various reasons (Eshetu and Abukari, 2023). This research made use of primary data from surveys and interviews and secondary data for the literature review, for which the researcher followed several ethical considerations.

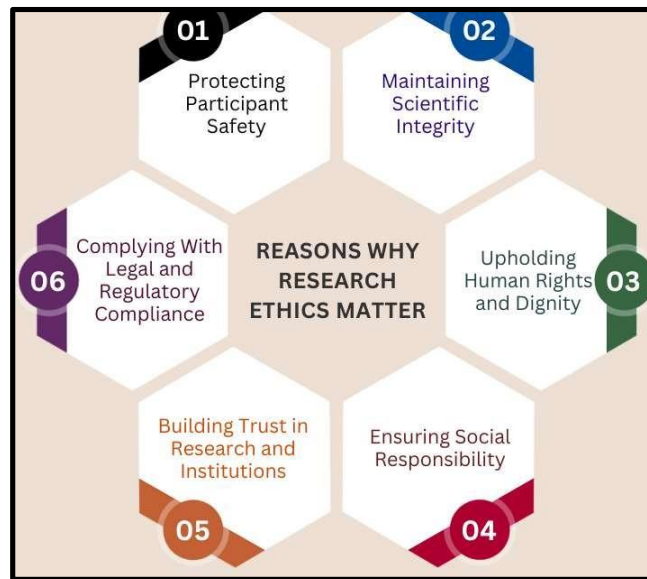


Figure 3.9: Reasons for Ethical Research

(Source: Eshetu and Abukari, 2023)

All data collected from secondary sources has been interpreted without bias and subjectivity to ensure accuracy. This can improve the quality of any research and make it reliable (Xu *et al.* 2020). Moreover, the secondary sources were also cited by the researcher throughout the text to ensure authors are credited for their respective work. Plagiarism was also avoided by the researcher through paraphrasing of content and adding their own interpretations. Through this, copyright issues can be avoided, and the study can be conducted smoothly (Shi *et al.* 2018). For the primary data used in the research, the researcher made sure to avoid any form of bias during candidate selection and chose the most appropriate participants best suitable for the study.

3.9 Chapter Summary

This chapter has established the importance of selecting appropriate research methodologies and the ones that have been selected by the researcher to conduct this study. It also highlights the limitations of the respective research methods used with respect to the challenges faced by the researcher while conducting the study. The explanatory design, deductive approach, qualitative interview and quantitative strategy were used for the research. Moreover, the pragmatism philosophy, primary data collection and statistical data analysis methods were also used in this study of the impact of customer loyalty programmes on apparel retail in India. For the statistical data analysis, the regression, correlational and descriptive analysis methods were used with the help of the SSPS software in this study. Moreover, Cronchbach's Alpha was also used to measure data reliability to analyse the impact of customer loyalty programmes. Finally, the researcher also ensured that it followed the ethical considerations necessary for conducting research, such as avoiding bias and subjectivity, crediting original authors, avoiding plagiarism, maintaining confidentiality and anonymity and abiding by data protection. Through these processes, the researcher gathered, analysed, interpreted, and presented data in the study. However, certain limitations prevented the researcher from presenting a study which is free from minor errors, and those should be considered.

CHAPTER 4

DATA ANALYSIS

4.1 Introduction

The chapter presents the empirical findings and statistical analysis of the research conducted on the impact of customer loyalty programmes on the apparel retail sector in India. It presents the relationships between key independent variables: Loyalty Programme Benefits and Influence (IV1_BI), Role in Satisfaction (IV2_RS), Customer Engagement (IV3_CE), Trust and Brand Loyalty through Loyalty Programmes (IV4_TBL), and Emotional Connection and Brand Advocacy through Loyalty Programmes (IV5_EC) and their influence on customer retention and improved sales (DV_CR_IS). Using a range of statistical tools such as reliability testing, demographic analysis, correlation, and regression, the chapter presents the strength and significance of these relationships. Each analysis offers insights into how different aspects of loyalty programmes contribute to long-term customer behaviour and financial performance, allowing for an informed discussion on the role of loyalty initiatives in the apparel retail industry.

The chapter begins with reliability testing, ensuring that the constructs measured by the survey are dependable and internally consistent. It proceeds to a demographic frequency analysis, which provides context for understanding the characteristics of the survey respondents. Following this, correlation and regression analyses are conducted to examine the strength of the relationships between loyalty programme variables and customer retention and sales. These findings contribute

to the broader understanding of how loyalty programmes function in retaining customers and driving sales in the competitive retail landscape.

4.2 Hypotheses

H0: The benefits and influence, customer satisfaction, customer engagement, trust and brand loyalty and emotional connection with a loyalty programme do not have a significant impact on customer retention and improved sales.

H1: The benefits and influence of a loyalty programme (IV1_BI) positively impact customer retention and improved sales (DV_CR_IS).

H2: The role of a loyalty programme in customer satisfaction (IV2_RS) positively affects customer retention and improved sales (DV_CR_IS).

H3: Customer engagement with a loyalty programme (IV3_CE) leads to customer retention and improved sales (DV_CR_IS).

H4: Trust and brand loyalty fostered through loyalty programmes (IV4_TBL) positively impact customer retention and improved sales (DV_CR_IS).

H5: Emotional connection through loyalty programmes significantly enhances brand advocacy (IV5_EC) which contributes to customer retention and improved sales (DV_CR_IS).

4.3 Reliability Test

Reliability testing, particularly using Cronbach's Alpha, is crucial in research for ensuring that the measurement scales used in a survey or study are consistent and dependable. Cronbach's Alpha measures internal consistency, or how closely related a set of items are as a group (Tavakol and Dennick, 2011). It helps determine whether the survey items that are meant to measure the same concept yield consistent responses. A high Cronbach's Alpha value generally indicates that the items are reliable in measuring the variable. According to Vaske *et al.* (2017) a Cronbach's Alpha value above 0.7 indicates acceptable reliability, while values above 0.8 are considered good, and values above 0.9 demonstrate excellent reliability. For this research, which explores the impact of customer loyalty programmes on retail performance, reliability testing ensures that the variables such as the benefits of the loyalty programme, satisfaction, engagement, and customer retention are measured accurately and reliably.

Scale	Cronbach's Alpha	N of Items
IV1_BI_Alpha	0.736	2
IV2_RS_Alpha	0.922	4
IV3_CE_Alpha	0.904	2
IV4_TBL_Alpha	0.817	3

IV5_EC_Alpha	0.800	3
DV_CR_IS_Alpha	0.904	5

Table 4.1: Cronbach Alpha Score

(Source: Primary Data)

For IV1_BI, which represents the benefits and influence of the loyalty programme, a *Cronbach's Alpha value of 0.736* across 2 items indicates acceptable reliability. While this value is lower compared to the other factors, it still suggests a moderate level of internal consistency. This indicates that the two items used to assess the benefits and influences of the loyalty programme are somewhat related and consistent in their measurement. However, the relatively lower score might imply that the scale could be improved by refining or expanding the items to increase reliability.

IV2_RS, representing the role of the loyalty programme in customer satisfaction, has a *Cronbach's Alpha value of 0.922* with 4 items. This is an excellent score, demonstrating very high internal consistency. This high alpha value indicates that the items used to measure the role of the loyalty programme in satisfaction are strongly related and consistently measure this construct. For the research, this suggests that customer satisfaction is a well-measured factor, and the data obtained from these items can be considered reliable for drawing conclusions about the loyalty programme's role in customer satisfaction.

For IV3_CE which assesses customer engagement with the loyalty programme, the *Cronbach's Alpha value of 0.904* across 2 items also indicates excellent reliability. Despite the limited number of items, the high alpha value shows that the two items are closely aligned in measuring customer engagement. This level of reliability is important for the research because it means that customer engagement can be considered a stable and consistent factor in understanding how loyalty programmes affect consumer behaviour in the apparel retail industry.

For IV4_TBL, which assesses Trust and Brand Loyalty through Loyalty Programmes, the *Cronbach's Alpha value of 0.817* across 3 items indicates good reliability. This suggests that the items are reasonably consistent in measuring trust and brand loyalty in the context of loyalty programmes. The high alpha value demonstrates that the scale is reliable for assessing how trust influences customer behaviour in response to loyalty programmes. A score above 0.7 is generally accepted as reliable, and this value reassures that the construct of trust and brand loyalty is consistently captured in the research.

For IV5_EC, which evaluates Emotional Connection and Brand Advocacy through Loyalty Programmes, the *Cronbach's Alpha value of 0.800* across 3 items also indicates good reliability. This shows that the items used to measure emotional connection and brand advocacy are aligned and dependable. The strong reliability score of 0.800 is important because it confirms that the emotional aspect of loyalty programmes, such as customer advocacy and connection, is consistently assessed,

supporting the research's focus on these elements in driving customer loyalty in the apparel retail industry.

Lastly, DV_CR_IS, which measures customer retention and improved sales, the *Cronbach's Alpha value of 0.904* across 5 items, again reflects excellent internal consistency. The high reliability score suggests that the items used to assess customer retention and sales are consistent in capturing these dimensions. This is essential for the research, as it ensures that the conclusions drawn about the impact of the loyalty programme on customer retention and sales performance are based on reliable data.

In conclusion, the high reliability scores for the research factor have enhanced the credibility of the research findings, making the conclusions drawn from the data robust and trustworthy.

4.4 Demographic Analysis

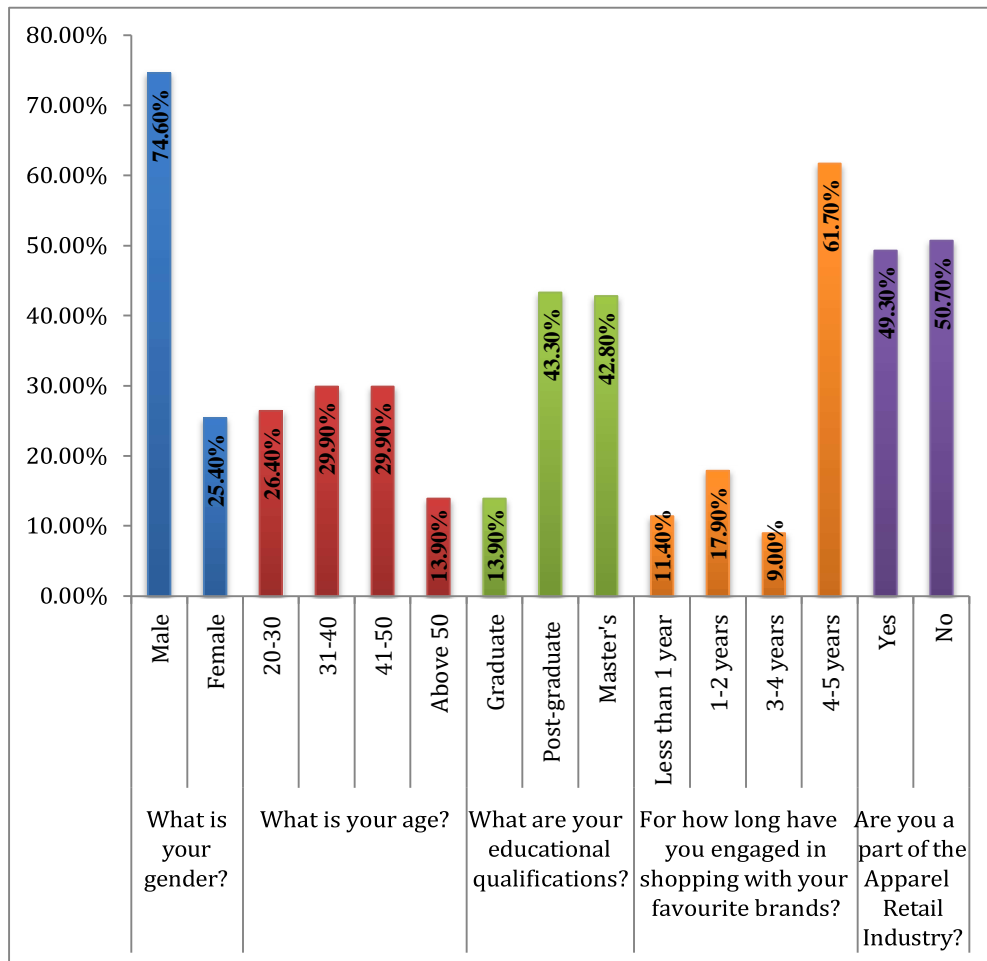
4.4.1 Frequency Analysis

Questions	Options	Frequency	Percent
What is your gender?	Male	150	74.60%
	Female	51	25.40%
	Total	201	100.00%
What is your age?	20-30	53	26.40%

	31-40	60	29.90%
	41-50	60	29.90%
	Above 50	28	13.90%
	Total	201	100.00%
What are your educational qualifications?	Graduate	28	13.90%
	Post-graduate	87	43.30%
	Master's	86	42.80%
	Total	201	100.00%
For how long have you engaged in shopping with your favourite brands?	Less than 1 year	23	11.40%
	1-2 years	36	17.90%
	3-4 years	18	9.00%
	4-5 years	124	61.70%
	Total	201	100.00%
Are you a part of the Apparel Retail Industry?	Yes	99	49.30%
	No	102	50.70%
	Total	201	100.00%

Table 4.2: Demographic Frequency Distribution

(Source: Primary Data)

**Figure 4.1: Demographic Factor Frequency Distribution**

(Source: Primary Data)

The statistical data gathered from the survey offers valuable insights into the demographics and characteristics of the respondents, which are crucial for understanding the impact of customer loyalty programmes in the apparel retail sector in India. The gender distribution reveals that the majority of respondents are *male*, with 74.6% identifying as male and only 25.4% identifying as *female*. This significant disparity indicates that the sample is male-dominated, which may

suggest that men are either more engaged in apparel retail loyalty programmes or perhaps more inclined to participate in the survey. This demographic breakdown is essential when considering how gender may influence perceptions of loyalty programmes, customer retention, and engagement. In terms of age, the survey data shows a balanced distribution among the three main age groups: 20-30 (26.4%), 31-40 (29.9%), and 41-50 (29.9%). Only 13.9% of the respondents are above 50. This indicates that the majority of respondents fall within the age range of 20 to 50 years old, which is generally considered the most active group in terms of shopping and consumer behaviour. The equal representation across these three age groups suggests that the study has captured perspectives from a diverse range of consumers, potentially allowing for a broader understanding of how different age groups perceive and engage with customer loyalty programmes in the apparel retail industry. The educational qualifications of the respondents show that the majority hold advanced degrees, with 43.3% being post-graduates and 42.8% holding a master's degree. Only 13.9% of the respondents are graduates. This indicates a highly educated sample, which may reflect more discerning consumer behaviour when it comes to evaluating the benefits and influence of loyalty programmes. Consumers with higher educational qualifications might have more complex expectations from loyalty programmes, such as personalised benefits and meaningful engagement, which could affect their satisfaction and overall perception of brand loyalty.

The data on how long respondents have been engaged in shopping with their favourite brands reveals that large portions, 61.7%, have been shopping with their

preferred brands for 4 to 5 years. This indicates a high level of brand loyalty and sustained consumer-brand relationships. In contrast, only 11.4% have been loyal to their brands for less than a year, and smaller proportions (17.9% and 9.0%) have been engaged for 1-2 years and 3-4 years, respectively. The high percentage of long-term brand engagement suggests that customer retention is strong in this sample, and many respondents are likely well-versed in the functioning and benefits of loyalty programmes. This engagement could significantly influence the findings, particularly when assessing the effectiveness of loyalty programmes in maintaining long-term customer relationships. Lastly, the data on whether respondents are part of the apparel retail industry reveals an almost even split, with 49.3% indicating that they work or do business in the apparel retail sector, and 50.7% indicating they do not. This balance is beneficial for the research, as it allows for a mix of industry-insiders and regular consumers. The inclusion of those who are involved in the apparel retail industry provides a unique perspective on how loyalty programmes are perceived from within the industry, while responses from non-industry participants offer insight into the general consumer experience.

Therefore the research survey showed a male-dominated sample with an educated background, and long-term brand engagement. The male-dominated sample and the concentration of respondents aged 20 to 50, along with the high levels of education; suggest that the study's findings may reflect the perspectives of a highly engaged and knowledgeable group. The long-term brand loyalty observed among respondents reinforces the importance of loyalty programmes in fostering sustained customer relationships. The balanced mix of industry insiders and general

consumers enriches the research, allowing for a comprehensive understanding of how loyalty programmes influence customer satisfaction, engagement, and retention within the apparel retail sector.

4.4.2 Chi-Square Analysis

Demographic Variable	Cross-tabulation Variables	Chi-Square Value	Degrees of Freedom (df)	Asymptotic Significance (2-sided)	Interpretation
Gender	Duration of shopping with favourite brands	0.22	3	0.974	No significant relationship between gender and the duration of shopping. The p-value is greater than 0.05, indicating no association.
Gender	Involvement in Apparel Retail Industry	1.784	1	0.182	No significant relationship between gender and participation in the apparel retail industry. The p-value is greater than 0.05, suggesting

					gender does not influence involvement in the industry.
Age	Duration of shopping with favourite brands	52.266	9	<0.001	Significant relationship between age and the duration of shopping. The p-value is less than 0.05, indicating that age influences how long individuals engage in shopping with their favourite brands.
Age	Involvement in Apparel Retail Industry	15.246	3	0.002	Significant relationship between age and participation in the apparel retail industry. The p-value is less than 0.05, indicating that age influences whether someone is involved in

					the apparel retail industry.
Education	Duration of shopping with favourite brands	36.862	6	<0.001	Significant relationship between educational qualifications and the duration of shopping. The p-value is less than 0.05, showing that people with different educational levels engage in shopping with their favourite brands for different lengths of time.
Education	Involvement in Apparel Retail Industry	2.489	2	0.288	No significant relationship between education and involvement in the apparel retail industry. The p-value is greater

					<p>than 0.05, suggesting educational background does not significantly influence participation in the industry.</p>
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Table 4.2: Chi-Square Test Results and Interpretation

(Source: Primary Data)

4.4.2.1 Gender and Duration of Shopping with Favourite Brands

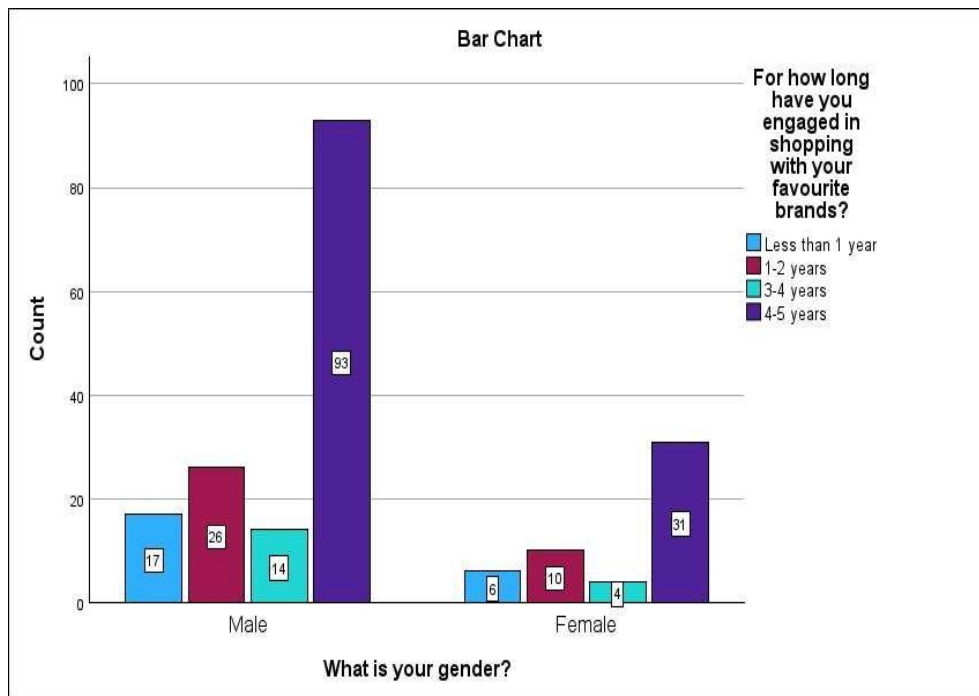


Figure 4.3: Gender & Shopping Duration

(Source: Primary Data)

The Chi-Square analysis between gender and the duration of shopping with favourite brands yielded a Chi-Square value of 0.220 and a p-value of 0.974. The p-value being significantly higher than 0.05 suggests that there is no statistically significant relationship between these two variables. This implies that the duration of shopping with favourite brands does not differ based on gender. In other words, whether an individual is male or female does not appear to have an influence on how long they engage in shopping with their preferred brands.

4.4.2.2 Gender and Participation in the Apparel Retail Industry

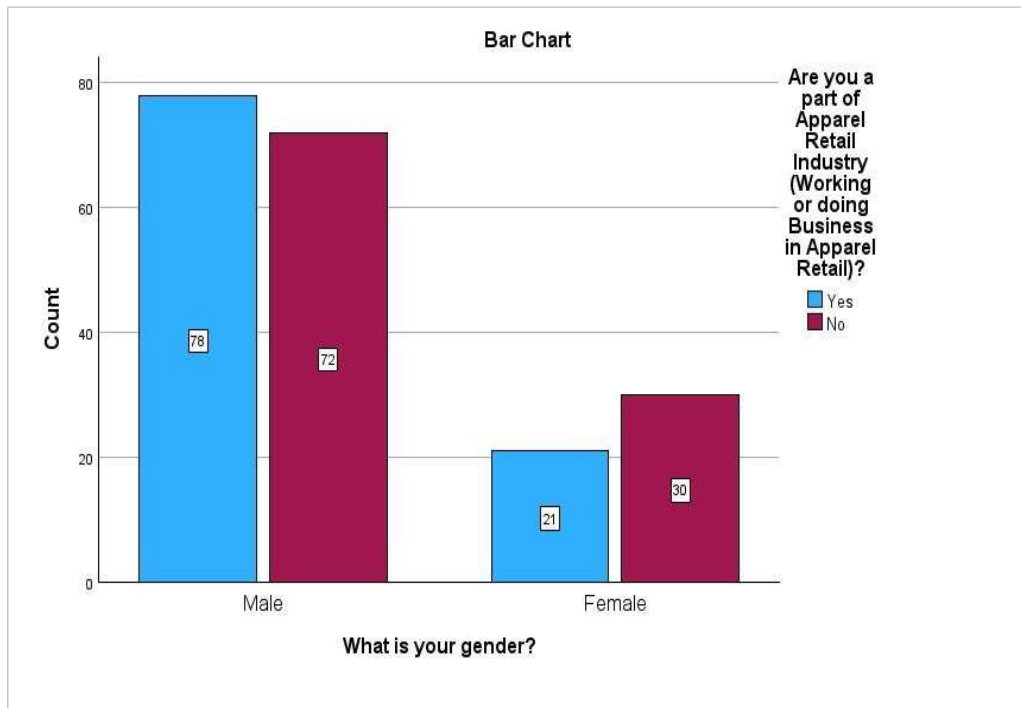


Figure 4.4: Gender & Participation

(Source: Primary Data)

In the analysis between gender and involvement in the apparel retail industry, the Chi-Square value was 1.784, with a p-value of 0.182. Again, the p-

value is greater than the standard significance level of 0.05, indicating that there is no significant relationship between gender and participation in the apparel retail industry. This suggests that being male or female does not significantly influence whether someone works in or is involved in the apparel retail industry, as the distribution between genders is relatively balanced regardless of industry participation.

4.4.2.3 Age and Duration of Shopping with Favourite Brands

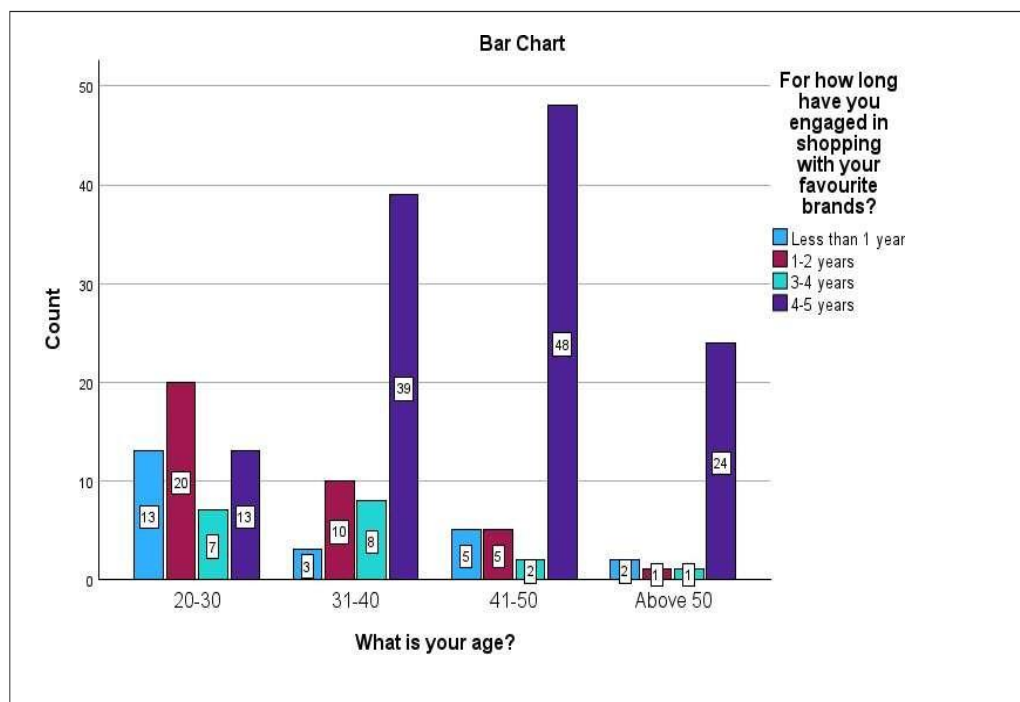


Figure 4.5: Age & Shopping Duration

(Source: Primary Data)

The Chi-Square analysis for age and the duration of shopping with favourite brands showed a Chi-Square value of 52.266 and a p-value of less than 0.001, which is highly significant. The very low p-value (much smaller than 0.05) indicates that age plays a significant role in determining how long people engage in shopping

with their favourite brands. This means that different age groups have distinct shopping habits, with some age ranges engaging in shopping with their favourite brands for longer periods. The association suggests that younger shoppers might have different patterns compared to older ones, with potential variations in shopping frequency or brand loyalty over time.

4.4.3.4 Age and Participation in the Apparel Retail Industry

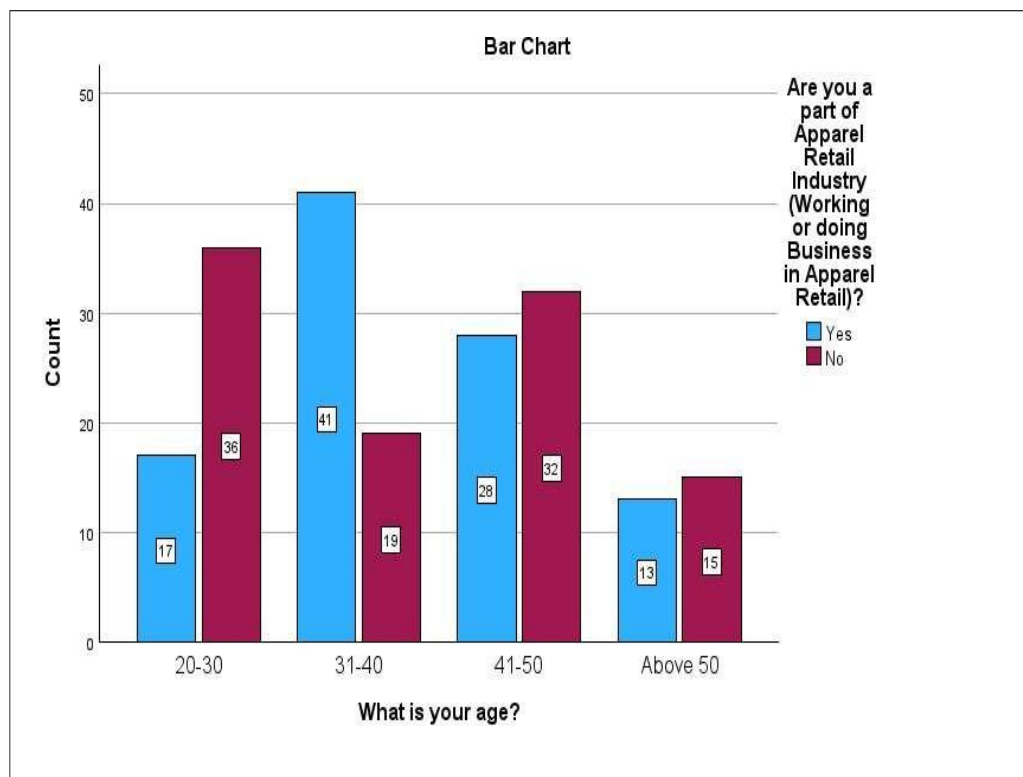


Figure 4.6: Age & Participation

(Source: Primary Data)

The Chi-Square value of 15.246 and the p-value of 0.002 suggest a significant relationship between age and participation in the apparel retail industry. The p-value being less than 0.05 indicates that age is a factor that significantly influences whether an individual is involved in the apparel retail industry. This

implies that people from different age groups are more or less likely to work in or engage with the apparel retail industry, with certain age groups showing a higher likelihood of being involved in the sector. For instance, younger individuals might be more active in the retail environment, or they may be more inclined to work in or engage with businesses in this industry.

4.4.3.5 Educational Qualifications and Duration of Shopping with Favourite Brands

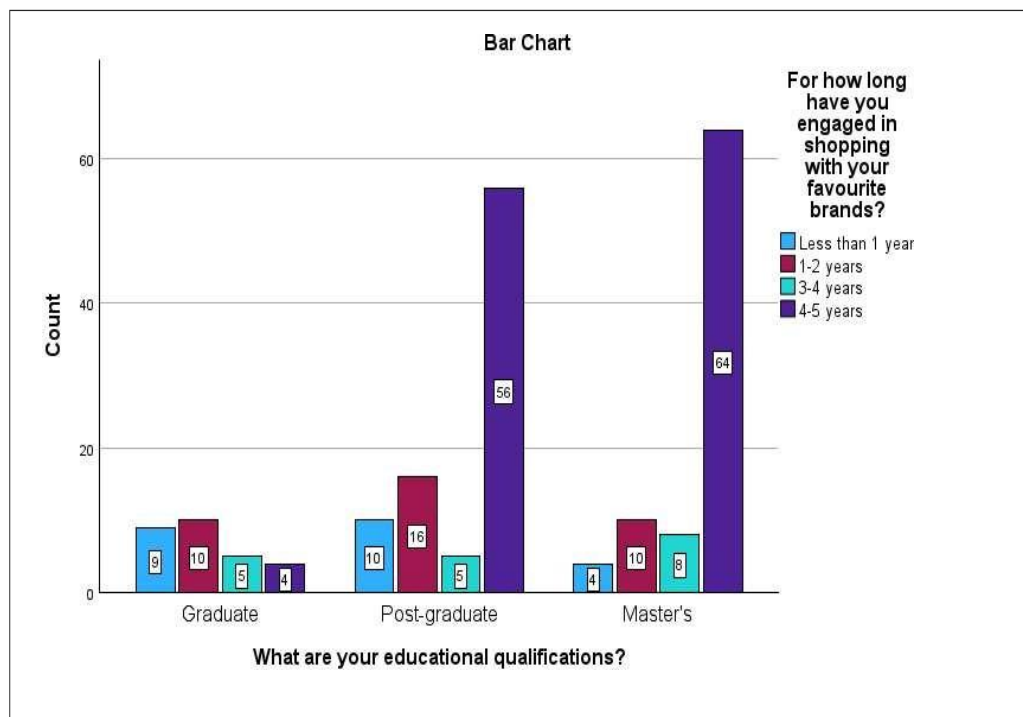


Figure 4.7: Education & Shopping Duration

(Source: Primary Data)

The Chi-Square analysis between educational qualifications and the duration of shopping with favourite brands returned a Chi-Square value of 36.862 and a p-value of less than 0.001. This result is statistically significant, indicating

that educational qualifications do indeed influence how long individuals shop with their favourite brands. The variation in shopping duration can be linked to the educational background of the consumers. People with different educational levels, such as graduates, post-graduates, and those with Master's degrees, might have different shopping behaviours, possibly due to factors like income level, shopping habits, or brand perceptions that correlate with educational attainment.

4.4.3.6 Educational Qualifications and Participation in the Apparel Retail Industry

Industry

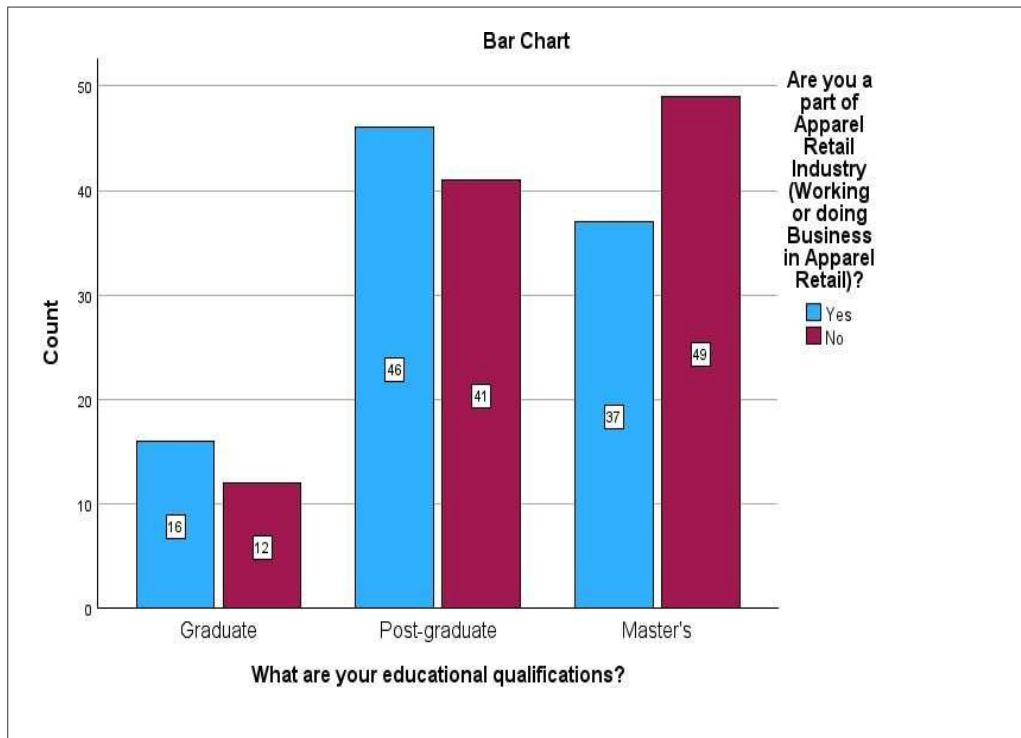


Figure 4.8: Education & Participation

(Source: Primary Data)

The Chi-Square value of 2.489 and a p-value of 0.288 indicate that there is no significant relationship between educational qualifications and participation in

the apparel retail industry. With the p-value being higher than 0.05, this suggests that an individual's level of education does not significantly influence whether they work in or are involved in the apparel retail industry. The distribution of educational levels across individuals involved in the industry shows no clear patterns or differences, indicating that other factors, rather than education alone, determine one's involvement in the apparel retail sector.

Overall, the Chi-Square tests show that age has a significant impact on both the duration of shopping with favourite brands and participation in the apparel retail industry. Age influences how long individuals engage in shopping, with different age groups exhibiting distinct shopping behaviours. Similarly, age also plays a significant role in determining whether an individual is involved in the apparel retail industry. On the other hand, gender does not show a significant relationship with either the duration of shopping or involvement in the apparel retail industry, suggesting that gender does not substantially affect these aspects of consumer behaviour and industry participation. Finally, education significantly influences the duration of shopping with favourite brands, with individuals from different educational backgrounds shopping for varying lengths of time. However, education does not significantly impact participation in the apparel retail industry, suggesting that other factors may be more decisive in determining one's involvement in this sector.

4.5 Factor Analysis

Factor	Variables	Concept/Description
1. Loyalty Programme Satisfaction and Influence (LPSI)	IV1BI_1 IV1BI_2 IV2RS_1 IV2RS_2 IV2RS_3	Measures satisfaction and influence of the loyalty programme on customer behaviour and commitment.
2. Brand Trust and Loyalty (BTL)	IV4TBL_ 1 IV4TBL_ 2 IV4TBL_ 3	Focuses on the trust and loyalty customers feel towards the brand due to the loyalty programme.
3. Emotional Connection and Advocacy (ECA)	IV5EC_1 IV5EC_2 IV5EC_3	Focuses on emotional investment and advocacy driven by the loyalty programme.
4. Customer Engagement and Loyalty Programme Interaction (CELPI)	IV3CE_1 IV3CE_2	Measures how often and deeply customers interact with the loyalty programme, influencing their engagement.

5. Customer Retention and Purchasing Behaviour (CRPB)	DV_CR1	Measures retention, purchase behaviour, and the overall impact of the loyalty programme on long-term engagement.
	DV_CR2	
	DV_CR3	
	DV_IS1	
	DV_IS2	

Table 4.4: Factor Analysis Variable Groups

(Source: Primary Data)

4.5.1 Loyalty Programme Satisfaction and Influence (LPSI)

Statistic/Result	Value/Details
KMO Measure of Sampling Adequacy	0.879
Bartlett's Test of Sphericity	$\chi^2 = 663.475, df = 10, p < 0.001$
Total Variance Explained by First Component	73.69%
Number of Components Extracted	1
Communalities (Proportion of Variance Explained)	
- Benefits encourage loyalty	0.746
- Discounts influence purchasing decisions	0.599
- Satisfaction with rewards	0.754
- Enhanced shopping experience	0.803
- Feeling valued as a customer	0.784

Highest Factor Loading (Component Matrix)	0.896 (Enhanced shopping experience)
Lowest Factor Loading (Component Matrix)	0.774 (Discounts influence purchasing decisions)
Component Score Coefficient Matrix	
- Benefits encourage loyalty	0.234
- Discounts influence purchasing decisions	0.21
- Satisfaction with rewards	0.236
- Enhanced shopping experience	0.243
- Feeling valued as a customer	0.24
Rotated Component Matrix	Not applicable (only one component extracted)

Table 4.5: LPSI Factor Analysis Statistics

(Source: Primary Data)

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy yielded a value of 0.879, indicating that the data is highly suitable for factor analysis. A KMO value above 0.6 is considered acceptable, and this result confirms that the sample size is adequate and the variables exhibit sufficient correlations to extract meaningful factors. Similarly, Bartlett's Test of Sphericity is significant ($\chi^2 = 663.475$, $df = 10$, $p < 0.001$), showing that the correlation matrix is not an identity matrix. This further validates the appropriateness of factor analysis for this dataset. The communalities reflect the extent to which each variable's variance is explained

by the extracted factor. These values range from 0.599 to 0.803, indicating that a substantial portion of the variance in each item is captured. The variable “The loyalty programme enhances my overall shopping experience with the brand” has the highest communality (0.803), signifying that it is most strongly explained by the underlying factor. The lowest communality is 0.599, associated with “The discounts and offers from the Loyalty Programme influence my purchasing decisions”, which still indicates a robust contribution to the extracted factor.

The Total Variance Explained table reveals that a single factor with an eigenvalue of 3.684 accounts for 73.687% of the total variance, which is substantial. This suggests that the dataset is unidimensional, with one overarching factor adequately capturing the variance among the items. The remaining components have eigenvalues below 1, meaning they do not contribute significantly to explaining the variance, further supporting the unidimensional structure. The Component Matrix shows strong factor loadings for all items, with values ranging from 0.774 to 0.896. These high loadings indicate a strong correlation between the items and the extracted factor. Notably, the item “The loyalty programme enhances my overall shopping experience with the brand” exhibits the highest loading (0.896), suggesting that this variable is the most representative of the factor. Since only one component was extracted, rotation was not performed, as it is unnecessary in unidimensional factor structures. Lastly, the Component Score Coefficient Matrix demonstrates relatively uniform weights across the items, indicating that each variable contributes similarly to the calculation of factor scores. These scores can be used in further analyses to represent the underlying factor.

The results indicate that all five variables significantly contribute to a single underlying factor. This factor likely represents the overall "Effectiveness of Loyalty Programmes on Customer Experience and Satisfaction". High communalities, a large percentage of explained variance, and strong factor loadings validate the unidimensional nature of the data.

4.5.2 Brand Trust and Loyalty (BTL)

Statistic/Result	Value/Details
KMO Measure of Sampling Adequacy	0.565 (Indicates moderate sampling adequacy)
Bartlett's Test of Sphericity	$\chi^2 = 691.181$, $df = 3$, $p < 0.001$ (Significant)
Total Variance Explained by First Component	74.49%
Number of Components Extracted	1
Communalities (Proportion of Variance Explained)	
- Confidence in brand commitment	0.932
- Trust in brand due to transparency and benefits	0.922
- Belief in brand valuing long-term relationships	0.38

Highest Factor Loading (Component Matrix)	0.965 (Confidence in brand commitment)
Lowest Factor Loading (Component Matrix)	0.617 (Belief in brand valuing long-term relationships)
Component Score Coefficient Matrix	
- Confidence in brand commitment	0.432
- Trust in brand due to transparency and benefits	0.43
- Belief in brand valuing long-term relationships	0.276
Rotated Component Matrix	Not applicable (only one component extracted)

Table 4.6: BTL Factor Analysis Statistics

(Source: Primary Data)

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy for this analysis is 0.565, which is slightly below the generally accepted threshold of 0.6. This indicates that the sampling adequacy is marginal, suggesting that the dataset may not be ideal for factor analysis. However, the significant result of Bartlett's Test of Sphericity ($\chi^2 = 691.181$, $df = 3$, $p < 0.001$) confirms that there are sufficient correlations among the variables to justify proceeding with the analysis. The Communalities show the proportion of variance in each variable explained by the extracted factor. Two items, "The loyalty programme makes me feel confident in the brand's commitment to fulfilling its promises" and "I trust this brand more

because of the transparency and benefits offered by its loyalty programme,” have high communalities of 0.932 and 0.922, respectively. This indicates that a large portion of their variance is explained by the underlying factor. However, the variable “The loyalty programme strengthens my belief that this brand values long-term customer relationships” has a lower communality of 0.380, suggesting it contributes less to the factor.

The Total Variance Explained indicates that one component with an eigenvalue of 2.235 explains 74.489% of the total variance. This is a strong result, indicating that the variables are highly related and reflect a single underlying dimension. The remaining components have eigenvalues below 1 and do not significantly contribute to explaining the variance. The Component Matrix shows that the factor loadings are highest for the first two items (0.965 and 0.960) and moderate for the third item (0.617). These loadings indicate a strong correlation between the first two variables and the extracted factor, while the third variable has a weaker, albeit still meaningful, correlation. Since only one component was extracted, no rotation was performed, as it is unnecessary for unidimensional structures. The Component Score Coefficient Matrix reveals that the first two variables have similar contributions to the factor scores (0.432 and 0.430), while the third variable contributes less (0.276).

The results suggest that the three variables collectively represent a single factor related to the trust and confidence fostered by the loyalty programme. However, the low KMO value and the weaker contribution of the third item imply

that the dataset may require additional refinement or the inclusion of more variables for a more robust analysis.

4.5.3 Emotional Connection and Advocacy (ECA)

Statistic/Result	Value/Details
KMO Measure of Sampling Adequacy	0.712 (Moderate sampling adequacy)
Bartlett's Test of Sphericity	$\chi^2 = 190.795$, $df = 3$, $p < 0.001$ (Significant)
Total Variance Explained by First Component	71.90%
Number of Components Extracted	1
Communalities (Proportion of Variance Explained)	
- Personal connection with brand	0.74
- Emotional investment in brand	0.712
- Advocacy for brand	0.705
Highest Factor Loading (Component Matrix)	0.860 (Personal connection with brand)
Lowest Factor Loading (Component Matrix)	0.840 (Advocacy for brand)
Component Score Coefficient Matrix	
- Personal connection with brand	0.399
- Emotional investment in brand	0.391

- Advocacy for brand	0.389
Rotated Component Matrix	Not applicable (only one component extracted)

Table 4.7: ECA Factor Analysis Statistics

(Source: Primary Data)

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy is 0.712, indicating a moderate level of sampling adequacy, which is suitable for factor analysis. Bartlett's Test of Sphericity is significant ($\chi^2 = 190.795$, $df = 3$, $p < 0.001$), confirming that the variables are sufficiently correlated to proceed with factor analysis. The Communalities indicate the proportion of each variable's variance explained by the extracted factor. The values range from 0.705 to 0.740, suggesting that a substantial portion of the variance in the variables is explained by the single factor extracted. The Total Variance Explained shows that this factor accounts for 71.899% of the total variance in the data, which is a strong indication of a single dominant factor. The Component Matrix reveals the factor loadings, with values ranging from 0.840 to 0.860. These high loadings indicate that all three items strongly contribute to the extracted factor. As only one component is extracted, a rotation is unnecessary. The Component Score Coefficient Matrix provides weights for creating component scores. These weights are nearly equal, indicating a balanced contribution from all variables to the factor. The analysis suggests that the factor represents the emotional connection and advocacy driven by the loyalty programme.

4.5.4 Customer Engagement and Loyalty Programme Interaction (CELPI)

Statistic/Result	Value/Details
KMO Measure of Sampling Adequacy	0.500 (Minimum acceptable)
Bartlett's Test of Sphericity	$\chi^2 = 226.390$, $df = 1$, $p < 0.001$ (Significant)
Total Variance Explained by First Component	91.24%
Number of Components Extracted	1
Communalities (Proportion of Variance Explained)	
- Engagement frequency with loyalty programme	0.912
- Valuable aspects of the loyalty programme	0.912
Factor Loadings (Component Matrix)	
- Engagement frequency with loyalty programme	0.955
- Valuable aspects of the loyalty programme	0.955
Component Score Coefficient Matrix	
- Engagement frequency with loyalty programme	0.523

- Valuable aspects of the loyalty programme	0.523
Rotated Component Matrix	Not applicable (only one component extracted)

Table 4.8: CELPI Factor Analysis Statistics

(Source: Primary Data)

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy is 0.500, which is the minimum acceptable threshold for factor analysis. While this value suggests the data is barely adequate for factor analysis, further investigations with more variables could enhance the robustness. The Bartlett's Test of Sphericity is highly significant ($\chi^2 = 226.390$, $df = 1$, $p < 0.001$), confirming that the correlations among the variables are sufficient to proceed with factor analysis. The Communalities table shows that both variables have high values of 0.912, indicating that 91.2% of the variance in each variable is explained by the extracted factor. This signifies a strong alignment of both variables with the underlying component. The Total Variance Explained table demonstrates that the single extracted factor explains 91.241% of the variance in the data. This is a remarkably high proportion, implying that the two variables are strongly related and represent a single underlying construct effectively. The Component Matrix indicates that both variables have identical loadings of 0.955 on the extracted component. This further emphasizes the equal contribution of both variables to the factor. Since only one factor was extracted, rotation is not required, as evident in the lack of a rotated matrix. The Component Score Coefficient Matrix shows equal weights of 0.523 for

both variables, confirming their balanced representation in the factor score computation.

The analysis highlighted that the two variables; frequency of engagement with loyalty programmes and the perceived value of loyalty programme aspects, are strongly correlated and contribute equally to a single underlying factor, likely reflecting the overall engagement and perception of loyalty programmes.

4.5.5 Customer Retention and Purchasing Behaviour (CRPB)

Statistic/Result	Value/Details
KMO Measure of Sampling Adequacy	0.848 (Highly suitable for factor analysis)
Bartlett's Test of Sphericity	$\chi^2 = 653.974$, $df = 10$, $p < 0.001$ (Significant)
Total Variance Explained by First Component	72.66%
Number of Components Extracted	1
Communalities (Proportion of Variance Explained)	
- Likelihood to continue shopping with the brand	0.754
- Feeling connected to the brand	0.765
- Recommending the brand	0.659
- Purchasing additional items	0.719
- Increased spending due to the programme	0.735
Factor Loadings (Component Matrix)	
- Likelihood to continue shopping with the brand	0.868
- Feeling connected to the brand	0.875

- Recommending the brand	0.812
- Purchasing additional items	0.848
- Increased spending due to the programme	0.857
Component Score Coefficient Matrix	
- Likelihood to continue shopping with the brand	0.239
- Feeling connected to the brand	0.241
- Recommending the brand	0.224
- Purchasing additional items	0.233
- Increased spending due to the programme	0.236
Rotated Component Matrix	Not applicable (only one component extracted)

Table 4.9: CRPB Factor Analysis Statistics

(Source: Primary Data)

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy is 0.848, indicating that the sample is highly suitable for factor analysis. The Bartlett's Test of Sphericity is significant ($\chi^2 = 653.974$, $df = 10$, $p < 0.001$), confirming that the correlation matrix is not an identity matrix and the data is appropriate for dimensionality reduction. The Communalities indicate the proportion of variance in each variable explained by the extracted factor. The communalities range from

0.659 (recommendation due to the loyalty programme) to 0.765 (feeling connected to the brand), suggesting that the extracted factor explains a substantial portion of variance across all variables. The Total Variance Explained table shows that a single factor was extracted, accounting for 72.659% of the total variance. This suggests that the variables strongly converge to represent a unified construct, likely reflecting overall customer loyalty and engagement driven by loyalty programmes. The Component Matrix reveals strong factor loadings for all variables, ranging from 0.812 to 0.875, demonstrating that each variable significantly contributes to the extracted component. Given that only one factor was extracted, rotation is not required, as confirmed by the absence of a rotated component matrix. The Component Score Coefficient Matrix indicates that all variables have nearly equal weights, ranging from 0.224 to 0.241, highlighting their balanced contribution to the overall factor score.

The results strongly indicate that the loyalty programme influences various dimensions of customer loyalty and engagement, including increased spending, purchase frequency, brand connection, and recommendations.

4.6 Correlation Analysis

Correlation analysis is an important statistical tool that measures the strength and direction of a linear relationship between two variables (Gogtay and Thatte, 2017). In this research, correlation analysis helps to assess how independent variables (such as the benefits of loyalty programmes, their role in satisfaction, and customer engagement) are related to the dependent variable (customer retention and

improved sales). This method allows the researcher to determine whether a significant relationship exists between research factors (Senthilnathan, 2019), which is crucial for understanding the effectiveness of customer loyalty programmes in driving customer retention and sales growth in the apparel retail sector.

Variables	Pearson Correlation	Sig. (2-tailed)	N
DV & IV1			
Customer Retention & Improved Sales ↔ Loyalty Programme's Benefits and Influence	0.853	0	201
DV & IV2			
Customer Retention & Improved Sales ↔ Loyalty Programme's Role in Satisfaction	0.834	0	201
DV & IV3			
Customer Retention & Improved Sales ↔ Customer Engagement with Loyalty Programme	0.275	0	201
DV & IV4			
Customer Retention & Improved Sales ↔ Trust and Brand Loyalty through Loyalty Programmes	-0.007	0.916	201
DV & IV5			
Customer Retention & Improved Sales ↔ Emotional Connection and Brand Advocacy through Loyalty Programmes	0.062	0.384	201

Table 4.10: Correlation Analysis Statistics

(Source: Primary Data)

The correlation, between Customer Retention & Improved Sales and Loyalty Programme's Benefits and Influence (DV&IV1), shows a very strong positive relationship, with a Pearson correlation coefficient of 0.853. This high value indicates that as customers perceive greater benefits and influence from a loyalty programme, their retention and the resulting sales significantly improve. This strong correlation suggests that the perceived advantages of the loyalty programme, such as discounts or exclusive offers, directly contribute to customer loyalty and increased spending, which is critical for retailers aiming to boost long-term profitability through customer loyalty initiatives.

The *second correlation*, between Customer Retention & Improved Sales and Loyalty Programme's Role in Satisfaction (DV&IV2), yields a Pearson correlation of 0.834, which also represents a very strong positive relationship. This finding suggests that customer satisfaction, as driven by the loyalty programme, is closely tied to retention and improved sales. When loyalty programmes are well-structured enhancing customer satisfaction by offering tailored rewards or seamless service encourages customers to remain loyal to the brand and continue their patronage. This demonstrates the importance of customer satisfaction in the overall success of a loyalty programme and its contribution to a brand's financial performance.

The *third correlation*, between Customer Retention & Improved Sales and Customer Engagement with Loyalty Programme (DV&IV3), shows a weaker

positive correlation, with a Pearson value of 0.275. Although still statistically significant, this lower correlation suggests that while customer engagement with the loyalty programme does contribute to retention and sales, the effect is not as strong as the perceived benefits or role in satisfaction. This could indicate that simply engaging with a loyalty programme (such as participating in promotions or using rewards) does not automatically translate into higher customer retention or sales unless customers feel that the programme benefits them personally or contributes to their satisfaction with the brand.

The *fourth correlation* indicates the statistical relationship between Customer Retention & Improved Sales (DV_CR_IS) and Trust and Brand Loyalty through Loyalty Programmes (IV4_TBL). The Pearson Correlation Coefficient is -0.007, which is extremely close to 0. This implies that there is no significant linear relationship between the two variables. Additionally, the p-value is 0.916, which is much higher than the typical significance threshold (e.g., 0.05). This means the relationship is not statistically significant. In practical terms, this result suggests that Trust and Brand Loyalty through Loyalty Programmes does not have a meaningful correlation with Customer Retention & Improved Sales in this dataset. It implies that the trust aspect of loyalty programmes may not directly impact customer retention or sales improvement.

The *fifth correlation* provides the relationship between Customer Retention & Improved Sales (DV_CR_IS) and Emotional Connection and Brand Advocacy through Loyalty Programmes (IV5_EC). The Pearson Correlation Coefficient is

0.062, which is very close to 0, indicating a very weak positive relationship between the two variables. The p-value is 0.384, which is above the standard threshold of 0.05, suggesting that the relationship is not statistically significant. In conclusion, the data shows that Emotional Connection and Brand Advocacy through Loyalty Programmes do not have a strong or statistically significant correlation with Customer Retention & Improved Sales. This indicates that while there may be a slight positive relationship, it is not significant enough to suggest a meaningful influence on customer retention or improved sales.

4.7 Regression Analysis

Regression analysis is a powerful statistical tool that helps to explore the relationship between one dependent variable and multiple independent variables. In research, it is essential for hypothesis testing because it allows for a detailed examination of how different predictors influence the outcome of interest (Tyagi *et al.* 2022). By running regression models, researchers can test their hypotheses regarding these relationships, understanding not only the significance but also the strength and direction of each predictor's impact on the dependent variable (Skiera *et al.* 2021). For research such as customer retention and improved sales in the context of loyalty programmes, regression analysis helps identify which aspects of loyalty programmes are most effective and influential in driving customer behaviour.

Statistic	Value	Interpretation
R Value	0.89	Strong positive correlation between loyalty programme factors and retention.
R Square	0.793	79.3% of variance in customer retention & sales is explained by the model.
Adjusted R Square	0.787	Adjusted for predictor count; confirms no overfitting.
Standard Error of the Estimate	0.391 51	Predictions closely align with actual observations.
F-Statistic	149.0 77	Regression model is highly significant ($p < 0.001$).
Durbin-Watson Statistic	1.856	No significant autocorrelation; residuals are independent.

Table 4.11: Regression Model Summary

(Source: Primary Data)

The Model Summary provides a comprehensive evaluation of the regression model's performance in predicting DV_CR_IS based on the independent variables: IV1_BI, IV2_RS, IV3_CE, IV4_TBL and IV5_EC. The *R value of 0.890* indicates a strong positive correlation between the independent variables and the dependent variable, suggesting that loyalty programme factors have a significant influence on customer retention and sales performance. The *R² value of 0.793* shows that 79.3% of the variance in customer retention and improved sales can be explained by the

independent variables, highlighting the model's strong predictive ability. The *Adjusted R²*, which accounts for the number of predictors in the model, is slightly lower at *0.787*. This reduction reflects that the model maintains its robustness without being overfitted.

The *Standard Error of the Estimate*, at *0.39151*, measures the average distance between the observed data points and the regression line, indicating a high level of precision in the model's predictions. The *F-statistic of 149.077* and its significance level of $p < 0.001$ confirm that the model is statistically significant. This demonstrates that the independent variables, when considered together, have a meaningful impact on the dependent variable. Finally, the *Durbin-Watson statistic of 1.856* suggests that there is no significant autocorrelation in the residuals, satisfying the assumption of independence in the observations. This ensures that the model's results are reliable and can be confidently used for interpretation and decision-making. Overall, these results indicate that a well-structured loyalty programme can significantly enhance customer retention and drive sales.

Statistic	Value	Interpretation
Sum of Squares (Regression)	114.2 52	Represents the variance explained by the predictors in the model.
Sum of Squares (Residual)	29.88 9	Indicates the unexplained variance or error in the model.
Total Sum of Squares	144.1 41	The total variance in the dependent variable (Customer Retention & Improved Sales).

Degrees of Freedom (Regression)	5	The number of predictors in the model.
Degrees of Freedom (Residual)	195	The number of observations minus the number of predictors minus one.
Mean Square (Regression)	22.85	Average variance explained by each predictor in the model.

Table 4.12: ANOVA Summary

(Source: Primary Data)

The ANOVA table provides insights into the overall significance of the regression model used to predict DV_CR_IS based on the independent variables: IV1_BI, IV2_RS, IV3_CE, IV4_TBL and IV5_EC. The *Sum of Squares for the regression is 114.252*, which reflects the variation in customer retention and improved sales explained by the independent variables. In contrast, *the residual sum of squares, at 29.889*, represents the unexplained variation in the model. The *Total Sum of Squares*, which is the sum of regression and residual components, is *144.141*, showing the total variation in the dependent variable.

The Mean Square values, calculated by dividing the sum of squares by their respective *degrees of freedom (df)*, are *22.850* for regression and *0.153* for the *residuals*. This significant difference highlights the substantial explanatory power of the predictors relative to the error. *The F-statistic is 149.077*, with a significance

level ($p < 0.001$), indicating that the overall model is statistically significant. This confirms that the independent variables collectively have a meaningful impact on the dependent variable, rejecting the null hypothesis that the predictors have no effect. Hence, the ANOVA results validate the model's strength and significance in explaining customer retention and improved sales. The high F-value and low p-value underscore the importance of loyalty programme factors in driving customer behaviour. These findings suggest that the independent variables contribute significantly to the model's predictive capability, offering actionable insights for businesses to enhance their loyalty programmes.

Variable	Loyalty Programme's Benefits and Influence (IV1_BI)	Loyalty Programme's Role in Satisfaction (IV2_RS)	Customer Engagement with Loyalty Programme (IV3_CE)	Trust and Brand Loyalty through Loyalty Programmes (IV4_TBL)	Emotional Connection and Brand Advocacy (IV5_EC)
Unstandardized Coefficient (B)	0.519	0.398	0.039	0.014	-0.013

Standardized Coefficient (Beta)	0.515	0.413	0.033	0.018	-0.01
t	9.451	7.485	0.972	0.535	-0.316
p-value	<0.001	<0.001	0.332	0.593	0.753
VIF	2.796	2.867	1.095	1.022	1.038
Interpretation	Most significant predictor of customer retention and improved sales.	Second most important predictor; statistically significant.	Positive but not statistically significant in predicting the dependent variable.	Minimal impact; not statistically significant.	Negative but negligible effect; not statistically significant.

Table 4.13: Coefficients Summary

(Source: Primary Data)

The coefficients table provides insights into the impact of each independent variable on the dependent variable, Customer Retention & Improved Sales. The unstandardized coefficients (B) represent the extent to which the dependent variable changes when the independent variable increases by one unit, assuming all other variables are constant. The standardized coefficients (Beta) allow for comparison of the relative importance of each predictor variable (Figure 4.8).

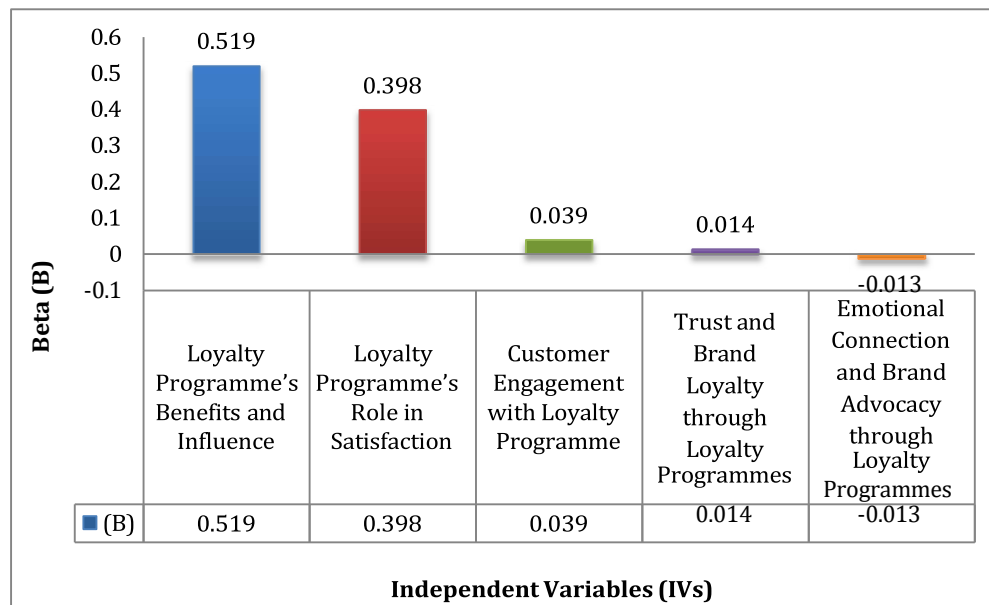


Figure 4.8: Unstandardized Beta (B) change for every 1 unit of change in IVs

(Source: Primary Data)

Loyalty Programme's Benefits and Influence: This variable has the highest standardized Beta value (0.515) among all predictors, indicating it is the most significant contributor to customer retention and improved sales. The t-value (9.451) and p-value (<0.001) confirm that its effect is statistically significant. The Variance Inflation Factor (VIF) is 2.796, which is below the threshold of 10, indicating no multicollinearity issues.

Loyalty Programme's Role in Satisfaction: With a Beta value of 0.413 and a significant p-value (<0.001), this variable is the second most impactful predictor. Its VIF of 2.867 suggests no severe multicollinearity concerns.

Customer Engagement with Loyalty Programme: Although this variable shows a positive Beta value (0.033), it has a non-significant p-value (0.332),

indicating that it does not significantly predict customer retention. Its low VIF (1.095) confirms independence from other variables.

Trust and Brand Loyalty through Loyalty Programmes: This variable has a negligible impact (Beta = 0.018) and a non-significant p-value (0.593). Its VIF (1.022) indicates no multicollinearity issues.

Emotional Connection and Brand Advocacy through Loyalty Programmes: This variable has a negative Beta value (-0.010), but the effect is not statistically significant (p = 0.753). Its VIF (1.038) indicates that multicollinearity is not a concern.

The constant (0.169) is not statistically significant (p = 0.489), implying that when all predictors are at zero, the dependent variable's value cannot be reliably predicted.

4.8 Hypotheses Test

Hypothesis	Independent Variable (IV)	Unstandardized B	Standardized Beta	t-Value	Sig. (p-value)	Conclusion
<i>H1</i>	IV1_BI (Benefits and Influence)	0.519	0.515	9.451	<0.001	Reject H0, IV1_BI significantly affects DV_CR_IS.

H2	IV2_RS (Role in Satisfaction)	0.398	0.413	7.485	<0.001	Reject H0, IV2_RS significantly affects DV_CR_IS.
H3	IV3_CE (Customer Engagement)	0.039	0.033	0.972	0.332	Fail to Reject H0, IV3_CE does not significantly affect DV_CR_IS.
H4	IV4_TBL (Trust and Brand Loyalty)	0.014	0.018	0.535	0.593	Fail to Reject H0, IV4_TBL does not significantly affect DV_CR_IS.
H5	IV5_EC (Emotional Connection)	-0.013	-0.01	-0.316	0.753	Fail to Reject H0, IV5_EC does not significantly affect DV_CR_IS.

Table 4.14: Hypotheses Test Results

(Source: Primary Data)

H1 (IV1_BI): The p-value (<0.001) is less than 0.05, so the null hypothesis is rejected. This means that the benefits and influence of the loyalty programme significantly impact customer retention and improved sales.

H2 (IV2_RS): The p-value (<0.001) is less than 0.05, so the null hypothesis is rejected. This indicates that the role of the loyalty programme in customer satisfaction has a significant impact on customer retention and improved sales.

H3 (IV3_CE): The p-value (0.332) is greater than 0.05, so the null hypothesis cannot be rejected. This means that customer engagement with the loyalty programme does not have a significant impact on customer retention and improved sales.

H4 (IV4_TBL): The p-value (0.593) is greater than 0.05, so the null hypothesis cannot be rejected. This suggests that trust and brand loyalty fostered through the loyalty programme do not significantly affect customer retention and improved sales.

H5 (IV5_EC): The p-value (0.753) is greater than 0.05, so the null hypothesis cannot be rejected. This indicates that emotional connection and brand advocacy through the loyalty programme do not significantly contribute to customer retention and improved sales.

The regression analysis supports that Loyalty Programme's Benefits and Influence (IV1_BI) and Loyalty Programme's Role in Satisfaction (IV2_RS) significantly contribute to Customer Retention & Improved Sales (DV_CR_IS). However, Customer Engagement (IV3_CE), Trust and Brand Loyalty (IV4_TBL), and Emotional Connection and Brand Advocacy (IV5_EC) do not have a statistically significant impact on the dependent variable in this model.

4.9 Interview Responses Thematic Analysis

Loyalty Programme Managers of 3 renowned brands; Levi's, Blackberry and United Colours of Benetton (UCB) were interviewed to obtain first-hand information into how customers perceive the value of loyalty programs, what features they find most appealing, and how these programs influence their purchasing behaviour.

Theme	Levi's	UCB	Blackberry
Perceived Impact on Customer Retention	Focus on repeat purchases via initiatives like product giveaways, festival promotions, and VIP experiences. Loyalty is seen through repeat purchase behaviour, but it's hard to quantify the impact of these activities.	Loyalty is diminishing due to increased market competition and customer choices. Loyalty is shifting towards unique experiences and value propositions rather than just points.	Loyalty has become more critical post-COVID, with a focus on data analytics. Free program for customers, with points earned after certain spending thresholds.
Customer Satisfaction with Rewards/Benefits	Product affinity (e.g., trending items) is more important than	Experience and unique value propositions are	Customer satisfaction is influenced by the

	discounts. Seasonal sales and birthday offers bring customers back. Satisfaction is linked to product offerings and event experiences rather than points.	now key drivers of loyalty. Satisfaction depends on offering a differentiated experience, not just discounts. Loyalty needs to be redefined to include this experience element.	lifecycle and service quality. Loyalty points alone are not enough; overall brand experience, service, and marketing contribute significantly to customer retention.
Impact on Sales and Shopping Behaviour	Retail stores have a 55% month-on-month repeat rate, with online stores at 24%. The loyalty program reduces customer latency, increasing repeat purchases. The average transaction	Increased communication to lapsed customers and frequent touchpoints with active ones. Loyalty also helps retain customers by offering milestone-based	Loyalty increases repeat purchases, reduces the gap between customer purchases, and leads to positive word-of-mouth publicity.

	value is higher for offline purchases than online.	rewards. There is a shift to focus on children as a category.	
Cost vs. Benefit, Redemption Rate, and ROI	<p>The monthly redemption rate is 6-7%, with higher conversions for premium tier customers. The threefold evaluation matrix tracks repeat rate, retention, and redemption usage. CLTV is not yet tracked, but a customer segmentation approach has been implemented.</p>	<p>Active database size is close to 5 million, with 10-15% active consumers. Loyal customers account for 2x the sales of non-loyal consumers. Loyalty program expenses are around 1.5-2% of the marketing budget. 35% of points expire. Customer lifecycle management is automated for</p>	<p>2.5 million customer database. 25% of customers are active, with 32% showing repeat purchase behaviour after nudges. Focus on active and lapsed customers, with periodic SMS/email communication to drive repeat purchases. CLTV is not a primary metric due to the nature</p>

		effective tracking and communication.	of low-frequency purchases.
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Table 4.15: Thematic Analysis Summary

(Source: Primary Data)

4.9.1 Perceived Impact on Customer Retention

Levi's: Loyalty is not just about points but also experiences such as giveaways, brand ambassador campaigns, and partnerships with music festivals. The focus is on increasing repeat purchases, which has been positively impacted by these activities.

UCB: The brand has seen a shift in how loyalty is perceived. While it was once strong, the increasing number of options has made customer loyalty more about unique, experiential factors rather than just discounts or point-based systems.

Blackberry: Post-pandemic, brands are focusing more on data analytics to measure loyalty. Blackberry's program encourages repeat purchases by offering benefits like tiered rewards based on spending thresholds, though loyalty is influenced by a broader customer experience.

4.9.2 Customer Satisfaction with Rewards/Benefits

Levi's: Customer satisfaction is more about product appeal and trendy offerings than discount-based rewards. Seasonal sales or birthday offers help retain customers, but product stories and relevance to current trends are the main drivers.

UCB: Satisfaction is driven by the overall experience, not just the transactional loyalty points. The experience element is critical, and loyalty programs need to adapt to meet evolving customer expectations for unique, personalized interactions.

Blackberry: The loyalty experience extends beyond points. Service quality, store ambiance, and marketing campaigns are all part of the broader brand experience that drives satisfaction.

4.9.3 Impact on Sales and Shopping Behaviour

Levi's: The brand measures success through repeat purchase behavior, which is significantly higher in stores (55%) compared to online (24%). The program helps reduce customer latency, encouraging more frequent visits.

UCB: Loyalty programs influence sales through frequent communications and offers, particularly to lapsed customers. Milestone rewards and new categories (like focusing on kids) are introduced to increase stickiness and drive purchases.

Blackberry: Loyalty has a strong influence on repeat purchase behaviour, with customers coming back more often and spreading positive word-of-mouth.

The brand also tracks and works to shorten the purchasing gaps between repeat customers.

4.9.4 Cost vs. Benefit, Redemption Rate, and ROI

Levi's: Regular assessments of customer repeat rates, retention, and points redemption are key to evaluating loyalty program success. High-tier customers tend to redeem offers more frequently, and customer segmentation is vital in understanding business performance.

UCB: Active consumers contribute significantly to revenue, and the program is cost-effective with redemption rates around 6-7%. Though a small portion of the marketing budget; UCB has implemented a strong lifecycle management system that nudges consumers towards repeat purchases.

Blackberry: The focus is on active and lapsed customers, with a 32% repeat purchase rate for those receiving targeted communications. The brand does not heavily track CLTV due to the nature of low-frequency purchases in its business model, relying more on repeat behaviours from core customers.

4.10 Summary

The research findings analysis concludes with several important insights regarding the effectiveness of customer loyalty programmes in the apparel retail sector. First, the reliability test using Cronbach's Alpha demonstrated high internal consistency across the majority of variables, particularly for those related to

customer satisfaction and engagement, confirming the robustness of the survey instrument. Notably, the variable measuring loyalty programme benefits and influence achieved a moderate reliability score, suggesting that this aspect might benefit from refinement to enhance consistency. The demographic frequency analysis revealed a male-dominated sample with a high level of educational attainment, as well as a notable proportion of long-term brand loyalty. Most respondents had engaged with their favourite brands for 4 to 5 years, highlighting the sample's significant customer retention. This suggests that loyalty programmes in this context are effective in cultivating long-term relationships, though the findings may reflect the perspectives of a more engaged and knowledgeable consumer base.

The correlation analysis provided further clarity, showing strong positive relationships between customer retention and both loyalty programme benefits and influence ($r = 0.853$) and satisfaction ($r = 0.834$). However, the correlation between customer engagement with the loyalty programme and retention was weaker ($r = 0.275$), suggesting that engagement alone is less impactful in driving long-term loyalty. Lastly, the regression analysis confirmed the significance of loyalty programme benefits and satisfaction in predicting customer retention and improved sales. The regression model explained 79.2% of the variance in customer retention and sales, with benefits and influence ($B = 0.518$) and satisfaction ($B = 0.397$) emerging as the strongest predictors. In contrast, customer engagement had a minimal and non-significant effect ($B = 0.041$), reinforcing the idea that

engagement must be paired with tangible benefits and satisfaction to be truly effective.

Moreover, the thematic analysis on the interview responses showed that Levi's emphasized the importance of experiences over traditional point-based rewards. Their loyalty initiatives, such as product giveaways, VIP experiences, and collaborations with music festivals, focused on encouraging repeat purchases. The brand saw loyalty not just as a transactional relationship but as a long-term connection nurtured through experiential engagement. This aligns with the statistical finding that benefits and influence have a strong impact on retention and sales, as these initiatives contributed to a higher rate of repeat purchases (55% for in-store customers). UCB reported that loyalty is becoming less about points and more about offering unique, personalized experiences. As market competition increases, customers are seeking differentiated value propositions beyond traditional rewards. UCB's strategy of leveraging data to offer customized experiences further underscores the role of satisfaction and unique value in driving loyalty, mirroring the correlation findings showing that satisfaction is crucial to customer retention. Blackberry focused on data analytics to better understand customer behaviour and foster loyalty post-COVID. Their loyalty programme provides tiered rewards based on spending thresholds, encouraging repeat purchases. The brand also tracked and communicated with lapsed customers to re-engage them. This aligns with the findings from the hypothesis testing, where loyalty programme benefits and customer satisfaction were shown to significantly influence retention and sales.

In terms of cost vs. benefit analysis, all three brands noted the importance of tracking key metrics such as redemption rates, customer lifetime value (CLTV). Levi's closely monitored redemption rates and repeat purchase behaviour, especially among high-tier customers. The brand also implemented a customer segmentation approach to evaluate the success of their loyalty programme. UCB highlighted that loyal customers contribute significantly to their sales (2x that of non-loyal customers), and the programme's expenses are relatively low (1.5-2% of the marketing budget). However, 35% of points expired, signalling potential inefficiencies in the programme's design. Blackberry focused on maintaining a high repeat purchase rate among their active customers (32%), using targeted communication to re-engage customers who had lapsed. The brand's emphasis on active customer management aligns with the statistical findings that suggest customer engagement needs to be paired with other factors, such as benefits and satisfaction, to drive retention.

CHAPTER 5

DISCUSSION, CONCLUSION, AND IMPLICATIONS

5.1 Introduction

Chapter 5 provides a comprehensive overview of the key findings derived from the research on the impact of customer loyalty programs (CLPs) on customer retention and improved sales within the apparel retail industry. It synthesizes the results of the study, tying them back to the research questions and objectives set in earlier chapters. This chapter not only summarizes the study's findings but also reflects on their implications for both academic theory and practical application. Additionally, the chapter highlights the limitations of the research and offers directions for future research. It concludes with actionable recommendations aimed at enhancing the effectiveness of CLPs, based on the insights gained throughout the study.

5.2 Summary of the Study Findings

The purpose of this study was to investigate the impact of customer loyalty programs on customer retention and sales within the Indian apparel retail sector. The discussion in this section is based on the results obtained from the regression analysis, the interview insights from loyalty program managers, and the survey data gathered from 201 customers in the apparel retail industry in India. The key objectives are to evaluate the impact of customer loyalty programs on customer

retention, sales, satisfaction, and brand loyalty, and to assess the relationships between loyalty program factors and these outcomes.

5.2.1 Overview of the Study

Methodology

A mixed-methods approach was employed to gather both quantitative and qualitative data. The combination of these methods was chosen to offer a comprehensive understanding of the subject by both measuring relationships between variables (via surveys) and understanding the nuanced views of industry professionals (via interviews).

- **Quantitative surveys** were distributed to 201 customers from various apparel retailers, allowing for the measurement of key variables and the testing of hypotheses.
- **Qualitative interviews** were conducted with three loyalty program managers from major apparel brands (Levi's, UCB, and Blackberry) to gain deeper insights into their perspectives on loyalty program effectiveness.

5.2.3 Overview of Statistical Findings

The regression analysis revealed significant insights into how different variables related to loyalty programs impact customer retention and sales.

IV1 (Benefits and Influence): This factor was found to be a statistically significant predictor of both **customer retention** and **improved sales**. The regression coefficient for IV1 was positive, indicating that customers who perceived greater benefits from a loyalty program (e.g., exclusive discounts, rewards, personalized offers) were more likely to remain loyal to the brand and make repeat purchases. The results suggest that benefits are crucial in establishing a strong relationship between the customer and the brand, as customers are motivated by tangible rewards and incentives. This finding supports H1, which proposed that benefits and influence significantly affect customer retention and sales.

IV2 (Role in Satisfaction): Similarly, satisfaction with the loyalty program was identified as another key predictor of customer retention and sales improvement. The statistical significance of IV2 indicates that customers who are satisfied with the loyalty program (whether due to the ease of use, the relevance of rewards, or the overall experience) are more likely to remain loyal and continue purchasing. Satisfaction, therefore, plays a critical role in fostering long-term customer relationships. This finding supports H2, which proposed a direct link between satisfaction and retention/sales.

IV3 (Engagement): Contrary to expectations, customer engagement with the loyalty program was not a statistically significant predictor of customer retention or improved sales. While engagement (e.g., frequency of program interaction, participation in rewards activities) was expected to drive loyalty and

sales, the regression results suggested that engagement alone does not have a significant direct impact. This could be due to the fact that engagement does not necessarily translate into actionable outcomes unless it is paired with meaningful rewards and satisfaction. Therefore, H3 was not supported in this case.

IV4 (Trust and Brand Loyalty): Trust, an often-discussed factor in loyalty research, was found to be non-significant in this study's context. While trust is typically important for forming strong customer-brand relationships, it did not appear to directly influence retention or sales through loyalty programs in this particular sample. It is possible that trust plays a more long-term role, with its effects only becoming evident after repeated positive interactions with the brand. As a result, H4 was not supported in this study.

IV5 (Emotional Connection): The emotional connection between the customer and the brand was similarly found to be non-significant. Despite the importance of emotional bonds in creating strong brand advocates, this study suggests that immediate customer retention and sales outcomes are more strongly influenced by tangible rewards and customer satisfaction. Thus, H5 was not supported, indicating that emotional connection, while valuable for long-term loyalty, may not be as influential in short-term customer behaviour.

5.2.4 Overview of Qualitative Findings

The qualitative data gathered from the interviews with loyalty program managers at Levi's, UCB, and Blackberry revealed four key themes that provide valuable context and insights beyond the quantitative results. These themes include:

Customer Retention Strategies: All three managers emphasized that personalization and targeted rewards were central to successful retention strategies. They explained that simply offering generic discounts or rewards is insufficient in today's competitive retail environment. Instead, they emphasized the importance of tailoring rewards to individual customer preferences and shopping behaviours. By offering exclusive or personalized rewards (such as special discounts on frequently purchased items or VIP event access) brands are able to create a deeper connection with customers, encouraging them to remain loyal. Managers at all brands also stressed the need for loyalty programs to evolve in response to customer feedback and preferences, which helps ensure that the program remains relevant over time.

Importance of Experiential Rewards: A significant shift in loyalty programs was noted regarding the preference for experiential rewards over traditional point-based systems. Managers observed that customers were increasingly interested in receiving rewards that offered unique experiences, such as invitations to exclusive events, personalized shopping experiences, or early access to new collections. These rewards were seen as more meaningful and engaging, fostering deeper emotional connections with the brand. As one manager

put it, "It's not just about points anymore; it's about creating memories that resonate with the customer."

Impact on Sales and Shopping Behaviour: Loyalty programs were found to significantly impact sales and shopping behaviour. All three managers reported that customers who participated in loyalty programs tended to make repeat purchases more frequently and were less likely to delay purchases. The programs encouraged customers to return to the store or website to take advantage of promotions or redeem rewards, leading to increased overall sales. Managers noted that this behaviour was particularly evident among customers in higher loyalty tiers, who often had more frequent interactions with the brand and higher levels of program participation.

Cost vs. Benefit and Redemption Rates: Managers highlighted the delicate balance between the costs of providing rewards and the benefits in terms of retention and sales. They emphasized that while loyalty programs can be expensive to maintain, especially when offering high-value rewards or exclusive experiences, the return on investment (ROI) in terms of repeat business and increased customer lifetime value made the program worthwhile. Additionally, the redemption rate of rewards was a critical metric for evaluating the success of the program. Brands with higher redemption rates saw greater engagement and a more positive impact on sales, as customers were more likely to return and make purchases to redeem their rewards.

5.2.5 Integrated Insights

There is a notable consistency between the quantitative and qualitative findings, particularly regarding the importance of personalized rewards and customer satisfaction. The quantitative analysis revealed that benefits and satisfaction were significant predictors of customer retention and sales, which aligns with managers' perspectives on the importance of tailoring rewards to individual preferences and ensuring a high level of customer satisfaction.

However, while engagement and emotional connection were found to be non-significant in the quantitative analysis, the interviews revealed that these factors still play a role in building long-term loyalty. Managers noted that frequent communication and emotional connections with the brand are critical for maintaining customer relationships, even though they may not directly drive immediate sales or retention in the short term.

5.2.5 Implications of the Findings

The findings suggest that apparel retailers should focus on personalized, experiential rewards that enhance customer satisfaction and foster emotional connections. Loyalty programs should also prioritize tangible benefits, such as exclusive discounts or personalized offers, which have been shown to directly influence customer behaviour. The non-significance of engagement and emotional connection in the short term does not mean these factors are unimportant; rather, they may serve as long-term strategies for maintaining brand loyalty over time.

5.3 Conclusion

In this section, we will revisit the research questions outlined in Chapter 1 and use both the qualitative and quantitative findings to provide a comprehensive analysis. The conclusions are drawn based on the results of the survey of 201 customers and interviews with loyalty program managers, as well as the expanded literature review that highlights the relevance of various customer loyalty programme (CLP) factors.

5.3.1 Addressing Research Questions

Research Question 1: What is the impact of loyalty programme benefits and influence on customer retention and improved sales in the apparel retail sector in India?

Findings & Analysis: The quantitative results show that the loyalty programme's benefits and influence (IV1) have a statistically significant impact on customer retention and improved sales, supporting the hypothesis that perceived rewards and personalized offers enhance customer loyalty and increase purchasing frequency. Specifically, the regression analysis highlighted a strong positive correlation between customer perceptions of CLP benefits (such as discounts, free shipping, and exclusive offers) and their likelihood of repeat purchases. This finding aligns with the literature, where retailers like Zara and Nordstrom use personalized incentives to build stronger customer relationships (Danziger, 2022; Hoang *et al.* 2022). Furthermore, the qualitative insights revealed that managers

place significant emphasis on tailoring rewards to customer preferences, echoing the findings from Singhal *et al.* (2022), who underscore the importance of personalization in CLPs for fostering long-term relationships and driving repeated purchases.

Thus, the findings confirm that loyalty programme benefits and influence are key drivers of both customer retention and improved sales in the apparel sector.

Research Question 2: How does customer satisfaction with loyalty programmes impact customer retention and sales?

Findings & Analysis: Satisfaction (IV2) emerged as a significant predictor of customer retention and sales. The survey results indicated that customers who were satisfied with the loyalty programmes were more likely to remain loyal to the brand and engage in frequent purchases. This aligns with Cavaliere *et al.* (n.d.), who note that satisfaction is a critical determinant of long-term engagement with the brand. The managers interviewed also emphasized the role of customer satisfaction in maintaining loyalty, stating that their programs aim to offer rewards that genuinely reflect customers' preferences, thus enhancing their overall satisfaction (Levi.com, 2023). As such, satisfaction has a clear impact on both customer retention and sales, supporting H2.

However, it is important to note that satisfaction should not be seen in isolation; engagement and emotional connections, although not significant

predictors in the quantitative analysis were mentioned by managers as supplementary factors that contribute to an enduring brand relationship over time.

Research Question 3: What is the role of customer engagement in driving customer retention and sales through loyalty programmes?

Findings & Analysis: Surprisingly, customer engagement (IV3) did not emerge as a significant predictor of customer retention and sales in the regression model. Despite its expected importance, engagement alone did not lead to increased retention or improved sales. This finding contrasts with the views expressed by the loyalty programme managers, who noted that engagement is crucial for fostering an on-going relationship between the customer and the brand. According to Rungruangjit and Charoenpornpanichkul (2022), engagement is a powerful tool for maintaining customer interest in the long run, and while it did not directly impact short-term retention and sales, its role as a foundational element for creating a committed customer base should not be underestimated.

This discrepancy suggests that while engagement is important for customer relationships, its effects may be more visible in the long term, especially when paired with satisfaction and personalized rewards.

Research Question 4: How do trust and brand loyalty through loyalty programmes contribute to customer retention and sales?

Findings & Analysis: Trust (IV4), surprisingly, was not a significant predictor in this study. While the literature frequently highlights the role of trust in

enhancing brand loyalty (Rungruangjit and Charoenpornpanichkul, 2022), the results suggest that in the short-term, trust alone may not drive retention and sales through loyalty programmes. However, it is important to recognize that trust builds over time and may have a more indirect impact on long-term loyalty. In the apparel industry, loyalty programmes that offer transparent rewards and simple redemption policies (such as Uniqlo) help establish trust, but these elements may not have immediate effects on retention and sales. Therefore, although trust is critical for long-term brand loyalty, it may not directly influence the immediate outcomes of customer retention and sales as hypothesized.

Research Question 5: How does emotional connection through loyalty programmes affect brand advocacy and customer retention?

Findings & Analysis: The role of emotional connection (IV5) in driving customer retention and sales was also found to be non-significant in this study. Despite the established importance of emotional connections in fostering brand advocacy (Singhal *et al.* 2022), particularly in industries like fashion where identity and brand association are key, the data suggests that emotional ties alone do not have an immediate impact on customer retention and sales outcomes. However, the qualitative interviews revealed that managers believe emotional connections are vital for building long-term brand advocates, even if they do not directly influence short-term purchase behaviour. For instance, programmes that align with consumers' values, such as Patagonia's environmental initiatives, create emotional bonds that enhance brand loyalty, even though these effects may not be immediately

visible in retention metrics. This suggests that while emotional connections may not directly drive short-term outcomes, they are a crucial component of building long-term customer loyalty.

5.3.2 Concluding Comments

The study aimed to investigate the impact of customer loyalty programmes on customer retention and sales within the apparel retail sector in India. Through the combination of quantitative survey data from 201 customers and qualitative interviews with three loyalty programme managers, the findings reveal that certain factors of loyalty programmes significantly impact customer retention and sales, while others play a more indirect role in fostering long-term brand loyalty.

Loyalty Programme Benefits and Influence: The most significant predictor of customer retention and improved sales is the perceived benefits and rewards offered by the loyalty programme. Customers who received personalized and relevant rewards, such as exclusive discounts, early access to sales, and personalized product recommendations, were more likely to remain loyal to the brand and make repeat purchases. This finding is consistent with previous literature, which underscores the importance of offering tangible and personalized rewards to build customer loyalty.

Customer Satisfaction: Satisfaction with the loyalty programme also emerged as a significant predictor of retention and sales. Customers who felt valued and appreciated through personalized offers and a seamless program experience

were more likely to continue purchasing from the brand. This finding highlights the importance of maintaining high levels of customer satisfaction through relevant and meaningful rewards.

Customer Engagement: Although customer engagement did not directly impact retention and sales in this study, the qualitative interviews highlighted its role in fostering long-term brand loyalty. Engagement, while not immediately influencing purchase behaviour, is seen as a crucial factor for building lasting customer relationships. This suggests that engagement should be seen as part of a broader loyalty strategy, complementing satisfaction and rewards.

Trust and Brand Loyalty: Trust was not a direct predictor of customer retention and sales in this context, although it is critical for long-term brand loyalty. Trust-building elements in the loyalty programme, such as clear and simple reward systems, may not have immediate effects but play a crucial role in forming lasting brand relationships.

Emotional Connection: Similarly, emotional connection did not directly impact short-term retention and sales but is essential for long-term brand advocacy and loyalty. The emotional bond between customers and the brand, facilitated by shared values and personalized experiences, can lead to stronger customer loyalty over time, even though it may not immediately drive repeat purchases.

5.4 Implications and Applications

5.4.1 Recommended Strategy

The findings of this study provide actionable insights for apparel retailers seeking to improve their loyalty programs. These suggestions address key issues raised in the research, offering practical recommendations and strategies for implementation to enhance customer retention, satisfaction, and brand loyalty.

1. Refining Reward Structures

A well-structured reward system is crucial for boosting customer loyalty and engagement. Hence Retailers can implement the following:

- **Tangible and Experiential Rewards:** Offering a mix of physical incentives, such as discounts and exclusive products, alongside experiential rewards like early access to collections or brand events (Hwang and Choi, 2020). For instance, Lululemon successfully combines both elements in its loyalty program, fostering a sense of exclusivity and community among members.
- **Tiered Membership Levels:** Introducing tiered loyalty programs with escalating benefits encourage customers to increase spending to reach higher levels, enhancing both engagement and sales (Hwang and Choi, 2020).

2. Enhancing Personalization

Personalization is a critical factor in making customers feel valued and increasing their loyalty to a brand. Retailers should:

- **Utilize Data Analytics:** Leverage customer data to offer personalized rewards, targeted communications, and tailored shopping experiences (Stourm *et al.* 2020).
- **Curate Individual Style Profiles:** Develop profiles based on customer preferences and shopping behaviours, offering more relevant recommendations and rewards (Stourm *et al.* 2020).

3. Fostering Customer Engagement

Engagement strategies are essential for retaining active customers and re-engaging lapsed ones:

- **Regular Communication with Lapsed Customers:** Reach out with personalized messages or exclusive offers to rekindle interest and reduce churn (Elgarhy, 2023).
- **Innovative Loyalty Program Designs:** Integrate gamification elements, such as point-based challenges, to create a more interactive and enjoyable customer experience (Elgarhy, 2023).

4. Promoting Sustainability and Social Responsibility

Sustainability-focused loyalty programs can attract eco-conscious customers, aligning brand values with consumer preferences:

- **Eco-Friendly Incentives:** Offer rewards that resonate with environmental values, such as discounts on sustainable products or donations to charitable causes (Stourm *et al.* 2020). Patagonia's loyalty program exemplifies this approach by incorporating environmental initiatives.
- **Digital Product Passports:** Introduce tools that provide transparency about product materials and their environmental impact, fostering trust among sustainability-minded customers (Agu *et al.* 2024).

5. Leveraging Technology and Innovation

The integration of technology can significantly enhance the reach and effectiveness of loyalty programs:

- **Mobile Applications:** Develop user-friendly apps that combine loyalty features, personalized recommendations, and seamless shopping experiences, as seen with David Jones' recent app launch (Stourm *et al.* 2020).
- **Social Media Engagement:** Build communities and encourage brand advocacy through social media platforms (Hwang and Choi, 2020). Programs like Percival's "The Closed Circle," which offers exclusive content and private chats, exemplify this approach.

6. Adapting to Industry Trends and Customer Feedback

Remaining responsive to industry trends and customer feedback ensures loyalty programs remain relevant and effective:

- **Monitor Emerging Trends:** Stay informed about developments like the increasing importance of experiential rewards and sustainability to adapt loyalty programs accordingly (Capizzi *et al.* 2003).
- **Solicit and Act on Feedback:** Regularly gather customer insights to identify areas for improvement and adjust programs to align with evolving preferences (Capizzi *et al.* 2003).

5.4.2 Recommendations for Strategy Implementation

To implement these strategies effectively the following recommendations can be applied. These recommendations, rooted in both research findings and industry best practices, provide a roadmap for apparel retailers to design and implement loyalty programs that foster deeper customer connections, boost satisfaction, and drive sustained growth.

- Retailers should establish robust data analytics systems to track customer behaviour and preferences (Stourm *et al.* 2020).
- Develop clear communication plans to inform customers about program features and benefits (Elgarhy, 2023).
- Train staff to promote the program and address customer queries efficiently (Capizzi *et al.* 2003).
- Periodically evaluate program success metrics, such as redemption rates, engagement levels, and customer satisfaction scores, to refine strategies (Hwang and Choi, 2020).

5.5 Future Research

5.5.1 Limitations of the Study

1. Limited Sample Representation: While the study surveyed 201 customers and conducted interviews with three loyalty program managers in the apparel retail industry, the sample may not comprehensively represent all demographic, geographic, and psychographic variations in India's diverse market. For instance, regional differences in purchasing power and brand preferences could limit the generalizability of the findings.

2. Focus on the Apparel Sector: The study's focus was exclusively on the apparel retail industry. While this specialization provides detailed insights into this sector, it limits the applicability of findings to other retail categories like electronics, groceries, or luxury goods, where customer behaviour and loyalty program dynamics may differ.

3. Quantitative and Qualitative Data Scope: The mixed-methods approach provided robust insights, but certain aspects, such as the impact of emotional connection, may require deeper qualitative exploration. Additionally, the interviews with only three loyalty program managers may not capture a wide spectrum of industry strategies and innovations.

4. Exclusion of Non-Participants: The study primarily examined customers who were already part of loyalty programs, potentially overlooking

insights from non-members. Understanding why some customers avoid loyalty programs could reveal additional opportunities for program design and outreach.

5. Short-Term Focus: The research primarily evaluates the immediate impacts of loyalty programs, such as retention and sales. However, long-term trends in customer loyalty, brand advocacy, and engagement were not deeply explored due to time constraints.

6. Potential Response Bias: Participants' self-reported data could be influenced by recall bias, social desirability bias, or misunderstanding of survey questions, potentially affecting the reliability of findings.

5.5.2 Recommendations for Future Research

1. Broader Sample and Sector Diversity: Future research could expand its scope to include customers and managers from various retail sectors beyond apparel, offering a comparative analysis of loyalty program effectiveness across industries. A larger, more representative sample size could also enhance the validity of findings.

2. Exploring Non-Participants: A focused study on customers who do not participate in loyalty programs could provide critical insights into barriers to enrolment and how these might be addressed through innovative program design or communication strategies.

3. Longitudinal Studies: Conducting longitudinal research to track changes in customer behaviour, loyalty, and sales over time would provide valuable data on the sustainability and evolving impact of loyalty programs.

4. Regional and Cultural Variations: Given India's cultural and economic diversity, future studies could delve into regional differences in customer preferences, spending habits, and responses to loyalty programs, allowing for more tailored strategies.

5. Focus on Technological Integration: With increasing digitalization, examining the role of technology in enhancing loyalty programs such as AI-driven personalization, gamification, and mobile app interfaces, could inform future innovations in the field.

6. Environmental and Ethical Aspects: Given the rising importance of sustainability, future research could explore how incorporating eco-friendly rewards and ethical practices into loyalty programs affects customer engagement and brand advocacy.

5.6 Summary

Chapter 5 concludes the research study by synthesizing the findings on the impact of customer loyalty programs (CLPs) on customer retention and improved sales in the apparel retail industry. The study revealed that loyalty programs offer several key advantages for both retailers and customers. CLPs significantly enhance customer retention by providing tangible rewards, exclusive benefits, and

personalized experiences that foster long-term relationships with customers. Programs such as those from brands like Zara and Nordstrom show how offering rewards like free shipping, early access to new designs, and personalized product suggestions can encourage repeat purchases and customer engagement. Furthermore, CLPs that provide meaningful incentives tailored to customer preferences such as those offered by Gap and Levi's, were found to increase customer satisfaction. Personalization plays a vital role in boosting engagement and satisfaction, as retailers that use data analytics to customize offers based on purchase history see higher levels of customer loyalty.

Additionally, trust was identified as a crucial element in building brand loyalty. Programs like Uniqlo's straightforward loyalty points system help create trust, which leads to customers favouring the brand over competitors. The research also highlighted the importance of emotional connection in fostering brand advocacy. Brands like Patagonia, which align their loyalty programs with customers' values (such as promoting environmental causes to strengthen emotional bonds, making customers more likely to recommend the brand). Moreover, the study found that loyalty programs focused on incentivizing repeat purchases through cumulative rewards are effective in boosting retention and improving sales.

Based on these findings, the study offers several practical recommendations for apparel retailers. Retailers are encouraged to refine reward structures to ensure they are tangible, meaningful, and aligned with customer preferences. Personalization should be prioritized, with the use of data analytics to offer tailored

rewards and recommendations. Addressing engagement gaps through innovative program designs, such as re-engaging lapsed customers, will further strengthen customer loyalty. Fostering emotional connections through values-based rewards and experiences should also be a key strategy. These recommendations were informed by insights from interviews with industry professionals, such as those from UCB and Levi's, who emphasized the importance of personalization and communication.

However, the study acknowledges some limitations, including the small sample size and the focus on the apparel retail industry in India, which may limit the generalizability of the findings. The reliance on self-reported data is another limitation, as respondents may have provided socially desirable answers. To address these limitations, future research should expand the sample size and consider longitudinal studies to assess the long-term effects of CLPs on customer behaviour. Additionally, further research could explore the emotional connection between customers and brands in more depth, using advanced metrics to measure its impact on brand loyalty and advocacy.

APPEDIX A
SURVEY COVER LETTER

Pranav Kulkarni

B/103, Gokul Heights, Thakur Complex, Kandivali East

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Dear Survey Participant,

I hope this message finds you well. I am Pranav Kulakarni, a DBA student at SSBM, currently conducting research as part of my dissertation titled "**The Impact of the Customer Loyalty Programme on the Apparel Retail in India.**"

The purpose of this research is to examine how various aspects of customer loyalty programs—such as benefits, satisfaction, trust, and emotional connection— affect customer retention and sales in the apparel retail industry. Your insights and experiences as a valued customer of apparel retail brands are crucial to the success of this study.

This survey is designed to gather your honest opinions and perceptions regarding loyalty programs in the apparel retail sector. The questionnaire will take approximately 10 minutes to complete. Your participation is entirely voluntary, and all responses will be kept strictly confidential. The data collected will be used solely for academic purposes and reported in aggregate form to protect your privacy.

By participating, you will contribute to a deeper understanding of how loyalty programs can be improved to better meet customer needs and foster long-

term relationships. Your input will directly influence actionable recommendations for enhancing customer satisfaction and engagement in the retail industry.

Please find the survey link: <https://bitly.cx/C02y>

Should you have any questions about the survey or the research, please feel free to contact me at pranav1@ssbm.ch or +91-8976000002. Alternatively, you may reach out to my dissertation supervisor, Vijaykumar Varadarajan, at vijayakumar@ssbm.ch.

Thank you in advance for your valuable time and input. Your participation is greatly appreciated and instrumental in making this research impactful.

Warm regards,

Pranav Kulkarni

DBA Student, SSBM

APPENDIX B

INFORMED CONSENT

Study Title: *The Impact of the Customer Loyalty Programme on the Apparel*

Retail in India

Researcher:

Pranav Kulkarni

DBA Student, SSBM

Purpose of the Study:

The purpose of this research is to investigate how various factors of customer loyalty programs—such as benefits, satisfaction, engagement, trust, and emotional connection—impact customer retention and sales in the apparel retail sector in India.

Voluntary Participation:

Your participation in this study is completely voluntary. You have the right to withdraw at any point without any penalty or explanation.

Procedures:

If you agree to participate, you will be asked to complete a survey, which will take approximately 10 minutes" of your time. The survey will ask questions about your experiences and opinions regarding loyalty programs in the apparel retail industry.

Confidentiality:

All information collected in this study will be kept strictly confidential. Your responses will be anonymized, and no personally identifiable information will

be linked to the data. The findings of this research will be presented in aggregate form for academic purposes only.

Potential Benefits:

Your participation will contribute to an enhanced understanding of how loyalty programs can be designed to better meet customer needs and foster long-term relationships.

Potential Risks:

There are no foreseeable risks associated with participating in this study.

Contact Information:

If you have any questions or concerns about this study, please feel free to contact:

- Researcher: Pranav Kulkarni, pranav1@ssbm.ch, +91-8976000002
- Supervisor: Vijaykumar Varadarajan, vijayakumar@ssbm.ch, +91-9942057843

Consent Statement:

By signing this form, you confirm that you have read and understood the purpose and procedures of this study and you voluntarily agree to participate. You also confirm that you are at least 18 years old.

Participant's Signature: _____

Date: _____

Researcher's Signature: _____

Date: _____

APPEDIX C

INTERVIEW GUIDE

Study Title: *The Impact of the Customer Loyalty Programme on the Apparel*

Retail in India

Interviewer: Pranav Kulkarni

Interviewee:

Date and Time:

Location/Medium:

Introduction

Welcome and Purpose:

Thank you for agreeing to participate in this interview. The purpose of this interview is to gather insights into how loyalty programs in the apparel retail sector influence customer retention, sales, and overall brand loyalty. Your input will help us better understand current practices, challenges, and opportunities in loyalty program design and execution.

Confidentiality Assurance:

- Your responses will remain confidential and will only be used for academic purposes.
- You have the right to withdraw from the interview at any time or skip any questions you are not comfortable answering.

Permission to Record:

- Do I have your permission to record this interview for transcription purposes?

Duration:

- This interview should take approximately 30–40 minutes.

Interview Questions

- What is the perceived impact of the loyalty program on retaining customers?
- What are the brand managers' views on customer satisfaction with the loyalty program's rewards and benefits?
- What are the brand managers' perceptions of how the loyalty program affects the sales and shopping behaviour of customers?
- What are cost v/s benefit, redemption rate and rewards utilisation, Return on investments, and other data points for Loyalty Programs?

Conclusion

Wrap-Up:

- Thank you for your time and valuable insights.
- Your input will be instrumental in shaping the findings of this study.

Follow-Up:

- May I contact you later for clarification or additional input if necessary?

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