

# The Effectiveness of Customer Loyalty Programs on Repeat Purchase Behaviour: An Analytical Study

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## ABSTRACT

Customer loyalty programs have become a core component of modern marketing as companies strive to retain customers, increase repeat purchases, and enhance lifetime value. This study evaluates the influence of loyalty program components—reward attractiveness, point transparency, ease of redemption, personalization, and perceived value—on repeat purchase behaviour. Primary data were collected from 120 respondents across retail, e-commerce, and food-service sectors. Several analytical tables, including demographic distribution, reliability scores, factor ratings, and correlation matrices, were used to interpret results. Findings indicate that reward relevance, personalized offers, and easy redemption strongly enhance customer retention and repeat buying intentions. The study provides structured insights for marketers to optimize loyalty programs.

**Keywords:** Loyalty Programs, Repeat Purchase, Rewards, Customer Retention, Marketing Strategy

## 1. INTRODUCTION

Loyalty programs have evolved from simple point-based systems to sophisticated, data-driven tools that personalize customer experiences. These programs encourage customers to return by offering incentives such as cashback, exclusive discounts, early access, and membership tiers. With rising competition in India's retail and e-commerce markets, loyalty programs play an increasingly critical role in shaping consumer behaviour.

This study investigates how different loyalty program attributes contribute to repeat purchase behaviour. Multiple tables are used for clarity, statistical interpretation, and academic presentation.

## 2. OBJECTIVES OF THE STUDY

1. To analyse consumer participation in loyalty programs across sectors
2. To evaluate the influence of loyalty program elements on repeat purchase behaviour
3. To measure customer satisfaction with existing loyalty schemes
4. To identify the most impactful attributes (rewards, ease, personalization, etc.)
5. To offer recommendations for improving customer loyalty

## 3. LITERATURE REVIEW

Studies by Kim & Lee (2022) show that personalized rewards increase customer stickiness. Singh (2023) indicates that emotional loyalty—developed through consistent rewards and positive brand experiences—is more sustainable than transactional loyalty. A report by Nielsen (2021) found that 78% of Indian consumers prefer brands offering points-based loyalty systems.

Despite global research, India-specific empirical studies with deeper analytics remain limited—creating a gap for this study.

#### 4. RESEARCH METHODOLOGY

##### 4.1 Sample Size and Composition

A sample of 120 respondents participated.

**Table 1: Demographic Profile of Respondents (n = 120)**

Category	Sub-category	Frequency	Percentage
Gender	Male	58	48.3%
	Female	62	51.7%
Age	18–25	40	33.3%
	26–40	55	45.8%
	41–55	25	20.9%
Sector Participation	Retail	48	40%
	E-commerce	53	44.1%
	Food-Service	19	15.9%

##### 4.2 Loyalty Program Variables Considered

- Reward Attractiveness
- Ease of Redemption
- Point Transparency
- Personalization
- Perceived Value

##### 4.3 Reliability Testing

**Table 2: Cronbach's Alpha Reliability**

Construct	Items	Cronbach's Alpha
Reward Attractiveness	4	0.82
Ease of Redemption	3	0.79
Personalization	4	0.85
Perceived Value	3	0.81
Repeat Purchase Behaviour	4	0.87

All constructs exceeded the recommended reliability threshold of 0.70

## 5. DATA ANALYSIS AND FINDINGS

### 5.1 Consumer Ratings of Loyalty Program Attributes

Respondents rated each attribute on a 5-point scale.

**Table 3: Average Rating of Loyalty Program Variables**

Variable	Mean Score (out of 5)	Interpretation
Reward Attractiveness	4.3	Very High
Ease of Redemption	4.1	High
Point Transparency	3.8	Moderate
Personalization	4.4	Very High
Perceived Value	4.2	High

Personalization received the highest score.

### 5.2 Consumer Satisfaction with Loyalty Programs

**Table 4: Satisfaction Distribution**

Satisfaction Level	No. of Respondents	Percentage
Highly Satisfied	42	35%
Satisfied	46	38%
Neutral	21	17%
Dissatisfied	11	9%
Highly Dissatisfied	-	-

A combined **73%** expressed high satisfaction.

### 5.3 Impact on Repeat Purchase Behaviour

**Table 5: Influence of Loyalty Programs on Buying Frequency**

Impact Level	Frequency	Percentage
Strong Influence	51	42.5%
Moderate Influence	39	32.5%
Weak Influence	20	16.7%
No Influence	10	8.3%

Approximately **75%** had moderate to strong influence.

## 5.4 Correlation Matrix

**Table 6: Correlation Between Program Attributes and Repeat Purchases**

Variable	Repeat Purchase Correlation (r)
Reward Attractiveness	0.68
Personalization	0.74
Ease of Redemption	0.61
Perceived Value	0.70
Transparency	0.55

**Personalization** showed the strongest correlation.

## 5.5 Preference for Types of Rewards

**Table 7: Preferred Reward Types**

Reward Type	Percentage
Cashback	39%
Discount Coupons	32%
Free Products	14%
Priority Access	9%
Loyalty Tiers	6%

Cashback and coupons dominate.

## 6. DISCUSSION

The study confirms that loyalty program performance is strongly linked to personalized experiences and attractive rewards. Respondents demonstrated clear preference for uncomplicated, transparent systems with easy redemption. Personalization—AI-driven recommendations, targeted offers, birthday rewards—was identified as the most influential element affecting repeat purchases.

Transparency scored lower, implying that some brands fail to clearly communicate point systems

## 7. CONCLUSION

Loyalty programs significantly impact customer retention and return purchasing. When designed with relevant rewards, easy redemption, and personalized experiences, they create long-term brand relationships. For companies in India's competitive market, optimizing loyalty structures is vital.

## 8. RECOMMENDATIONS

1. **Enhance Personalization:** Behavioural data should drive customized rewards.
2. **Simplify Redemption:** Remove complex point slabs and hidden conditions.
3. **Increase Transparency:** Provide clear point tracking and expiry reminders.
4. **Offer Tiered Rewards:** Encourage progression and emotional attachment.
5. **Integrate Across Channels:** Ensure consistency across online and offline stores.

## 9. REFERENCES

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