CHAPTER 10

CUSTOMER LOYALTY IN DIGITAL AGE: DETERMINANTS AND RETENTION

SHALINI LAMBA[1]
SHWETA SINHA[2]
HEAD OF DEPARTMENT[1], ASSISTANT PROFESSOR[2]
[1,2]DEPARTMENT OF COMPUTER SCIENCE, NATIONAL P.G. COLLEGE, LUCKNOW
[1]drshalinilamba@gmail.com, [2]sinha.shweta020776@gmail.com

KEYWORD
CUSTOMER LOYALTY, LEVERAGE CUSTOMER LOYALTY, RETENTION, NURTURE THE RELATIONSHIP

ABSTRACT

Customer loyalty is more than just a transaction, it's a powerful bond. It's the emotional attachment (trust, respect and love for the brand) combined with consistent actions (repeat purchases, positive reviews, social media engagement). But it's also rooted in value (rewards, excellent service, brand image) and relationships (genuine interactions, mutual understanding). In essence, customer loyalty is like having a loyal friend in your customers, advocating for you and choosing you over others because they know you value them and deliver on your promises.

10.1 INTRODUCTION

Loyalty goes beyond repeat purchases, it cultivates a lasting connection. While simply buying again can define loyalty, a deeper understanding lies in the heart. Customer loyalty has been defined as a commitment fuelled by emotion, not just action. It's the feeling of choosing your brand consistently, not because others haven't tried, but because they genuinely connect with you. This connection goes beyond discounts and promotions. It's about value, trust, and understanding. That's why retaining loyal customers isn't just cost-effective, it's like having a cheerleader squad. They promote your brand, choose you over others, and remain even amidst temptations.

How to leverage customer loyalty:

- Focus on experiences, not just transactions. Make every interaction personal and meaningful.
- Build trust through transparency and reliability. Deliver on your promises and address concerns openly.
- Offer value beyond the product. Reward loyalty, provide exceptional service, and create a community.
- Remember, loyalty is a journey, not a destination. Nurture the relationship with consistent engagement and understanding.

Winning a new customer can cost five times more than keeping an existing one, making loyalty a goldmine. Retaining happy customers isn't just cheaper, it's more rewarding. The longer they stay, the more their value grows year after year.

Customer loyalty can be viewed from two perspectives:

Behavioral loyalty, which is reflected in consistent purchasing behavior and commitment to the business.

Attitudinal loyalty, which encompasses beliefs, feelings, and purchasing intentions. Both types of loyalty are observable outcomes of attitudinal loyalty.

Think of loyal customers as a loyal squad:

- They buy more and pay less: Price sensitivity fades when they trust your brand.
- Always up for adventure: They're excited to try your new offerings, boosting your launches.
- Sharing is caring: They spread the word like enthusiastic friends, attracting new customers organically.
- Honest feedback: They don't just buy, they give valuable insights to help you improve. This isn't just theory, it's proven:
- Loyal customers spend more: Studies show they spend 30% more on new products than first-time buyers.
- Brand champions: Word-of-mouth from loyal customers is considered one of the most effective marketing strategies.
- Feedback loop for growth: Their honest suggestions help you constantly improve and stay ahead.

10.2 CUSTOMER LIFECYCLE

The customer lifecycle is a strategic approach to marketing that involves five stages: reach, acquisition, conversion, retention and loyalty.

The first stage involves reaching customers by addressing their needs and concerns, such as comparing products across competing brands or conducting research. This stage can be achieved through various methods like social media marketing, SEO, and search engine marketing.

The second stage is acquisition, where customers visit your website or call you. This stage involves responding to questions and concerns, offering the best products or services, and educating them on their uses. Content offers, pricing pages, and blog posts should provide the necessary information for customers to make a purchasing decision. Gated content can help customers access the necessary information, while live chats are essential for customer service.

The third stage is conversion, where the customer makes a purchase. This stage emphasizes providing value and building a relationship with the brand. It's crucial to retain the customer and ensure they consistently return to the brand. To achieve this, businesses should conduct customer service surveys, measure Customer Satisfaction Scores, and establish a Voice of the Customer program.

In the retention stage, businesses should offer exclusive perks to customers, such as 24/7 support, product discounts, and referral bonuses. These perks can turn customers from mere purchasers to brand promoters. Lastly, loyalty is achieved when customers become an important asset to the brand by making additional purchases. They may share their experience on social media and write product reviews that inform future customers. Overall, the customer lifecycle is a comprehensive strategy for marketing and customer retention.

10.3 STAGES OF CUSTOMER LOYALTY

Customer loyalty, at its core, is a consistent preference for a brand or product over its competitors. This goes beyond simply making repeat purchases; it's about an emotional and behavioural commitment rooted in positive experiences, trust, and shared values.

Customer loyalty is more than just sales numbers; it's a valuable asset that translates into:

Increased customer lifetime value: Loyal customers spend more, repurchase more often, and are less price-sensitive.

Reduced marketing costs: Acquiring new customers is expensive, so retaining existing loyal ones is more cost-effective.

Positive word-of-mouth: Loyal customers become brand ambassadors, generating organic marketing through positive recommendations.

Stronger brand identity: A loyal customer base builds trust and strengthens a brand's reputation and image.

10.5 OLIVER'S FOUR-STAGE LOYALTY MODEL

Oliver's four-stage loyalty model (1997), posits that customer loyalty is a process that evolves over time and comprises four distinct stages.

Cognitive loyalty, the weakest form, is based on rational evaluation of a brand's costs and benefits, leading to potential switch to competitors.

Affective loyalty, a stronger form, is based on emotional attachment to a brand, resulting in increased repurchases even if the price is slightly higher.

Conative loyalty, a stronger form, is based on commitment to a brand, resulting in resistance to competitor offers.

Action loyalty is demonstrated by actual repurchase behavior, demonstrating loyalty in attitudes and intentions. The model suggests that customers move through these stages sequentially, but not all will progress through all stages.

10.6 FOUR FORMS OF LOYALTY

Four forms of loyalty based on the relative attitudinal strength and repeat purchase behavior:

- **Loyalty:** This type entails a high level of both repeat purchasing behavior and a positive attitude
- (where their repeat buying is influenced by affective commitment).
- **Spurious Loyalty**: This category involves a low relative attitude accompanied by high repeat
- buying (where repeat purchasing can be explained by locked-in commitment).
- **Latent Loyalty**: Customers in this category exhibit a strong relative attitude but do not engage in
- repeat buying behavior.
- **No Loyalty**: This group displays both a low relative attitude and low repeat patronage.

10.7 THE JOURNEY OF A CUSTOMER TO LOYAL CUSTOMER

The customer journey from potential to lifetime loyalty is a complex process. At the beginning, a potential customer is unaware of the brand, but through marketing efforts, advertising, or word of mouth, they become aware. They actively consider the brand, comparing features, prices, and overall value. The first transaction is the purchase, with the goal of providing a positive experience. After the purchase, the focus shifts to customer satisfaction, which is crucial for building loyalty. Repeat customers continue to make additional purchases or use the brand's services, indicating a willingness to engage with the brand beyond the initial transaction. The customer establishes a relationship with the brand, regularly choosing it for their needs and developing a sense of loyalty. Loyalty deepens as the customer consistently chooses the brand over competitors, based on trust and satisfaction. The client stage involves ongoing, structured interactions, often involving businesses or individuals with long-term, repeat relationships. Partnerships are formed when the customer evolves into a partner, a collaborative and mutually beneficial association. Advocates actively promote the brand, providing testimonials and referring new customers. Brand ambassadors embody the brand's values and participate in the brand's activities. Lifetime loyalty is the pinnacle of customer loyalty, where the brand becomes an integral part of an individual's lifestyle, demonstrating enduring satisfaction and a sustained positive relationship.

It's important for businesses to understand these stages and tailor their strategies to effectively move customers through the loyalty continuum, ensuring that positive experiences are consistently delivered.

10.7.1 BENEFITS OF CUSTOMER LOYALTY IN E-COMMERCE

- Customer loyalty in e-commerce offers several benefits, including increased turnover, better advertising, planning security, and targeted optimization. On average, acquiring seven new customers to generate the same turnover per website visit as a single existing customer requires is a significant cost.
- Satisfied customers are the best advertisers, as they naturally recommend products, brands, and online shops to friends, family, and social media.
- Online customer loyalty ensures planning security, as existing customers are loyal souls who will continuously buy from the company. The intervals for buying vary depending on the industry, but the regular customer is the "tribe" for companies.

- By listening to existing customers and taking feedback seriously, companies can optimize products and services sustainably and in the long term, which helps in acquiring new customers.
- Customer loyalty sets companies apart from the competition, as emotional factors, such as value, care, and emotional connection, often determine a purchase. Understanding customer loyalty online helps build emotional customer relationships with services and a high level of quality.
- Overall, customer loyalty is a crucial factor in e-commerce, as it sets companies apart from competitors and contributes to long-term success.

10.7.2 SCOPE OF CUSTOMER LOYALTY

Organizations can improve customer loyalty by strategically managing the stages of awareness, consideration, trial, satisfaction, repeat purchase, loyalty, advocacy, emotional connection, brand ambassadorship, and lifetime loyalty.

- Awareness involves making a brand known through channels like advertising, word of mouth, or social media.
- Consideration involves customers evaluating the brand against competitors, exploring features, benefits, and pricing to determine if it aligns with their needs and preferences. Effective marketing and clear communication about the brand's value proposition are essential at this stage. Trial involves customers moving from considering to trying out the brand, providing them with a first-hand experience.
- Satisfaction is crucial as satisfied customers are more likely to continue engaging with the brand.
- Repeat purchases are more likely as satisfied customers are more inclined to make repeat purchases.
- Loyalty involves a deeper commitment to the brand, driven by genuine preference and factors such as product quality, customer service, or a strong brand identity.
- Advocacy occurs when loyal customers actively recommend the brand to others, using word-of mouth recommendations, positive online reviews, and social media endorsements.
- Emotional connection goes beyond transactional relationships, as customers develop a strong emotional affinity for the brand, often driven by shared values, experiences, or a sense of belonging.
- Brand ambassadorship involves customers participating in brand-related activities, events, or marketing campaigns, embodying the brand's values and identity.

- Lifetime loyalty is the highest level of loyalty, as customers exhibit long-term loyalty, becoming an integral part of their lifestyle and choosing the brand consistently over an extended period.

10.8 CASE STUDY

JSC "Sarma" conducted a study on Customer Loyalty Stages to understand customer perception and identify areas for improvement in customer relationship management. The study involved 550 questionnaires, with 518 returned, a 93.82% response rate, with women being the majority, as they are the primary target audience for "Sarma's" cosmetics and perfume products.The research used a questionnaire to gather data on brand awareness, past purchases, intention to repurchase, willingness to recommend, and overall satisfaction with the brand.

Type Of Customers	Category	Feature	Technique Used
Neutral Clients	Untapped potential and a blank canvas.	Not familiar with the value proposition or products of the brand. may be generally aware, but they haven't taken any significant action. open to investigation and possibly amenable to the appropriate message.	**Give a sample**: Give them free trials, demos, or samples so they can try the product out for themselves. **Customize the strategy**: Transcend generic marketing and customise messaging according to their prospective requirements and preferences. Utilize data insights to produce offers and content that are pertinent.
Potentially Faithful Clientele	Good soil for growth, but requires cautious maintenance	They make a single purchase motivated by a transient circumstance, such as a promotion or ease of use. Not actively contemplating future purchases or emotionally attached to the brand yet. Willing	**Thank them and extend a warm welcome to them:** Reward them for their first purchase and give them a sense of importance. Introduce them to unique benefits or loyalty programs. **Customize the experience after the purchase:**

		to be convinced, but vulnerable to rival products	Provide suggestions based on their first purchase, give useful advice, and promote interaction. **Move beyond price reductions:** Make an effort to connect on an emotional level. Tell brand tales, draw attention to philanthropic endeavours and customize communication platforms.
Unconsciously Faithful Clients	Valuable hidden gems who are oblivious to their own allegiance.	Frequent buyers drawn by habit, practicality, or contentment with the purchase. unaware of their own brand devotion or lacking a deep emotional bond with the company. susceptible to changing if a rival provides a better experience or deal.	Give them a sense of recognition: Examine past purchases to customize birthday wishes, offers, and recommendations. **Astonishment and joy:** Provide unanticipated benefits, first dibs on new merchandise, or advance invitations to sales events. **Have important dialogues:** Surveys for satisfaction should be conducted, comments should be gathered, and people should be actively heard.
Genuinely Loyal Customers	Brand ambassadors, your most powerful advocates	Highly engaged and emotionally connected to the brand. Regular purchasers, often recommending and promoting the brand to others. Willing to forgive occasional missteps	**Treat them like VIPs:** Offer exclusive loyalty programs with tiered benefits, personalized rewards, and special access to events or experiences. **Involve them in the process:** Invite them to

		and defend the brand against criticism.	participate in product development, beta testing, or focus groups. Make them feel heard and valued. **Celebrate their contributions:** Publicly acknowledge their advocacy, feature them in testimonials or social media campaigns, and show appreciation for their loyalty.

10.9 OTHER EXAMPLES

Uber, Alaska Airlines, Expedia, Amazon Prime, REI Co-op, Apple, Starbucks, and Starbucks are all companies that have introduced loyalty programs to their customer base.

- **Uber Rewards** is a popular loyalty program that allows users to earn points with every eligible dollar spent on rides and UberEats orders, which can then be used to earn cash rewards and other benefits like priority pickup and flexible cancellation. This program offers users extra time, flexibility, and control, leading to a better customer experience.

- **Apple** is known for its fanatical and loyal following, and its innovative loyalty program is no longer necessary. By hooking new customers with unique products and offering rewards with every purchase, retailers can build a loyal and dedicated customer base.

- **Alaska Airlines'** Mileage Plan is a tier-based program that allows customers to earn miles, experience award travel, and gain MVP elite status faster than any other airline. Expedia Rewards offers members an average of $35 per booking with the points they earn, with options for 10% savings with Blue member status, free upgrades, and spa credits

- **Starbucks'** My Starbucks Rewards program, launched through their mobile app, makes it easy for customers to earn loyalty points and gather data on customer preferences and behavior. This information empowers them to offer more relevant perks and communication to customers. with Gold status.

- **Amazon Prime** is a well-known paid membership program that has changed the game by offering free two-day shipping on millions of products and access to their video streaming service. This makes it a customer's primary shopping choice, as the value of Prime outweighs the annual fee.

10.10 FACTORS AFFECTING CUSTOMER SATISFACTION

- **Product quality** is crucial for customer satisfaction and loyalty, serving as a strong foundation for a brand. Consistent reliability, top-notch performance, and attention to detail create satisfaction and bring customers back. Quality products, like jeans that never rip or smartphones that never lag, build a connection beyond trends and prices. However, inconsistent quality or shortcuts can quickly break trust and loyalty. Quality is not just about fancy features; it's about keeping promises, surpassing expectations, and making customers feel their investment is worthwhile. By making quality the core of your brand, customer loyalty can grow, one satisfied user at a time.

- **Price** and customer loyalty are intertwined, involving attraction and potential detachment. Lower prices initially attract customers, but relying solely on affordability can weaken the connection. Loyal customers value product quality, brand experience, and emotional ties. A thoughtful pricing strategy is crucial, as too low or too high prices can undermine perceived quality and push dedicated customers away. Striking a balance between competitive pricing and delivering genuine value is key to fostering loyalty, as customers are invested in the brand's narrative and overall experience.

- **Branding** involves creating a unique personality that resonates with the target audience, fostering an emotional connection that transforms transactions into meaningful experiences. Consistency is key in branding, as maintaining a recognizable visual identity, tone of voice, and messaging across all platforms builds trust and familiarity with customers. This creates a sense of comfort and reliability, attracting them back. Brand name is also a part of trust building, as it fosters a sense of community around the brand. This can be achieved through social media engagement, loyalty programs, exclusive events, or content that resonates with the target audience.

- **Service quality** is the evaluation of a product or service by customers, considering factors like effectiveness and company reputation. It directly influences their perception of the service, impacting business operations and marketing. A high level of service quality helps businesses differentiate themselves from competitors. Therefore, companies should prioritize efforts to

create a positive image and enhance customer perceptions of their service quality.

- **Promotions** are crucial for attracting new customers and rewarding existing ones, but their impact on loyalty is delicate. Excessive use can condition customers to anticipate discounts, eroding perceived brand value, and ill-targeted promotions risk compromising a premium image. To attract new customers, it is essential to find the right balance between strategic, personalized promotions aligned with brand values. Promotions are tools, not love songs, and should be used skillfully to forge enduring relationships.

- **Complaint handling** is essential for identifying areas for improvement and preventing future problems. By listening to customers and understanding their concerns, businesses can identify areas for improvement and prevent future problems. Complaints can inform marketing efforts, help target campaigns more effectively, and turn unhappy customers into loyal ones. By adopting this perspective, complaints can be transformed into a powerful tool for customer satisfaction and business growth.

- **Customer satisfaction** is a crucial factor in retaining customers, as it is the emotional response consumers have when comparing a product's performance to their expectations. It is the contentment they experience from their interactions with a service firm. In online marketing, customer satisfaction extends to how customers perceive their internet experience compared to offline service providers or retail stores. Understanding customers' perceptions is crucial for service providers to foster positive feelings towards the brand. Customer satisfaction is a strong predictor of customer loyalty, and satisfied customers are more likely to continue using the service and repurchase. Understanding and meeting customer expectations is vital for creating satisfaction and building long-term customer loyalty.

- **Trust** is a crucial factor in service relationships and consumer behavior, with a positive correlation between trust and satisfaction. Trust improves performance and leads to higher levels of satisfaction. In the online realm, trust acts as a barrier or facilitator for consumer participation in e-commerce, influencing acceptance of internet transactions. E-trust, which refers to the level of confidence consumers have in online exchanges or the online channel, encompasses perceptions of website performance, information credibility, and overall confidence in the online platform. Trust is especially critical in building loyalty in online services due to perceived risks and the need to share sensitive personal information. Key components of trust include ability, benevolence, and integrity. Trust contributes to commitment and fosters loyalty, with evidence

showing a positive relationship between trust in online retailers and increased spending and intentions to purchase or repurchase.

- **Commitment** is a crucial aspect of a relationship, demonstrating a willingness to invest time and resources to maintain it. It is a shared belief between partners in the importance of sustaining the relationship and their willingness to put in effort to preserve it. Commitment reflects an emotional or psychological connection to a brand and encompasses a disposition to stay loyal to its unique values.

- In business relationships, both the customer and service provider's commitment are essential for a lasting and successful partnership. Commitment contributes to the satisfaction of all parties involved and is recognized as a predictor of repeat purchase behavior, with e-commitment significantly impacting e-loyalty.

10.11 HOW TO KEEP CUSTOMER LOYAL?

- Providing exceptional customer service is crucial for fostering long-term loyalty, as approximately 60% of customers may consider switching brands after encountering poor service. Utilizing technologies like AI chatbots can enhance the overall customer experience and provide 24/7 assistance.
- Incentivize customers with special offers and discounts, making them feel valued and more likely to return for future purchases. Utilize user-generated content to build a sense of community and connection, such as UGC campaigns with unique hashtags.
- Establish a unique customer loyalty program, granting points for purchases that can be redeemed for various rewards. Building customer loyalty programs involves understanding customers personally, building relationships, sharing values, and demonstrating that their best interests are a priority.
- Utilize social media platforms to establish a sense of community and encourage interactions, such as sharing product photos or videos.
- Personalization in retargeting campaigns and leveraging past purchase data can also help entice customers to re-engage and make additional purchases.

10.12 R's OF CUSTOMER LOYALTY

The loyalty marketing industry is currently facing a pivotal moment due to significant financial, technological, and social changes. As loyalty marketers face their own revolution, the 3 R's of Customer Loyalty provides a straightforward formula guiding them in the right direction.

10.12.1 REWARDS

The first 'R,' Rewards serves as a tangible manifestation of gratitude, recognizing customers for their behavioral shifts and providing valuable insights into their consumer preferences. Loyalty programs' rewards are crucial for expressing appreciation and resonating with customers. They can include incentives like discounts, coupons, gifts, loyalty points, or exclusive access to events. However, brands often struggle to simplify program structures, as convoluted rules can lead to customer disengagement. To avoid this, it is essential to streamline the program's framework, especially during initiation. Loyalty programs can also collect extensive customer data, but this can be a deterrent if the application process becomes lengthy. LaNae Rowe, Retail Integration Marketing Lead at Harley-Davidson, suggests a less intrusive approach, requesting only essential information like name and email address. She advocates for finding the optimal balance where customers can easily understand how to earn, track, and redeem rewards without encountering unnecessary complexities. Simplifying the enrollment process ensures seamless participation and reaping benefits.

Rewards offer tangible appreciation for customer participation, providing valuable behavioral insights and a competitive edge. They help brands tailor future offerings and attract and retain customers. However, overly complex program structures can lead to customer disengagement, so streamlining the enrollment process is crucial. Additionally, the intrusive nature of collecting extensive customer data can deter customers, making it challenging to strike a balance between gathering essential information and ensuring a seamless experience. Therefore, it's essential for brands to carefully consider the benefits and drawbacks of rewards.

10.12.2 RECOGNITION

The loyalty program framework consists of three elements: Recognition, Elevation, and Recognition. Recognition involves expressing gratitude and acknowledging the importance of valued customers through gestures that convey a clear message. It goes beyond transactional perks and aims to establish a personal connection with customers, essential for cultivating an enduring relationship with the brand. The element Elevation, extends the focus to recognizing and elevating the status of a brand's premier customers. This can be achieved through exclusive deals, graduated rewards, and inviting customers into an exclusive community. The way a

brand responds to and acknowledges customers from their program enrolment stage plays a pivotal role in laying the foundation for long-term loyalty. Recognition significantly contributes to nurturing an emotional connection with customers. The desire to be acknowledged as part of an exclusive group and strive for higher program tiers enhances customer engagement. Tiered programs enable customers to deepen their involvement and aspire to elevated levels, such as silver, gold, or platinum membership. Customers seek more than just transactional benefits; they yearn for a brand that truly knows and appreciates them, offering value in return for their loyalty. When customers feel a sense of control and perceive the brand as generous, a feeling of pride emerges, turning them into enthusiastic advocates for the brand. This elevated level of commitment, often termed as "fanatical loyalty," can be celebrated through shared experiences among brand enthusiasts, ultimately aligning with the program's overarching goal of inspiring enduring customer loyalty.

Recognition fosters emotional connections with customers, fostering loyalty and positive word-of-mouth. It also enhances customer engagement by acknowledging high-value customers through exclusive deals and rewards. However, it may alienate other customer segments, so balancing recognition for premier customers with broader strategies is crucial. Additionally, recognition efforts can be resource-intensive, so brands must assess the cost-effectiveness of these gestures to ensure sustainable loyalty programs.

10.12.3 RELEVANCE

The concept of Relevance is crucial in the customer loyalty landscape, as the average consumer can engage with only about 7 loyalty programs. To achieve this, brands must adopt a customer-centric approach and transcend transactional interactions. This involves considering the entire customer journey or lifecycle with the brand, integrating rewards that offer customers a unique and evolving experience. Personalizing the reward experience by leveraging customer data effectively mirrors experiences we encounter, such as tailored product recommendations on Amazon or movie suggestions on Netflix. Understanding customer preferences is essential, as it allows for more personalized experiences, particularly for Millennials and Gen Z who value autonomy and status. Programs should allow participants to share their experiences on social media or accrue additional rewards through sharing. Offering choices doesn't always mean driving people back into the store; freebies, concert tickets, or local charity donations might resonate more deeply with customers and align better with a brand's identity.

Understanding customer expectations requires methods like online surveys, focus groups, or analyzing common themes in social media interactions and customer service inquiries.

Customer-centric brands actively listen and respond to customer feedback, isolating core customer behaviors and understanding the nuances behind repeat engagements. This approach helps avoid overgeneralization behavior, such as assuming all Millennials are alike. The future of customer loyalty will pivot around Relevance, as traditional communication channels give way to emerging mediums like social media and mobile platforms. Being relevant fosters customer engagement and yields its own set of rewards in the form of sustained loyalty and advocacy. In the dynamic realm of loyalty marketing, the triad of Rewards, Recognition, and Relevance stands as the compass guiding brands toward a customer-centric future. These principles weave a narrative of appreciation, understanding, and personalization that transcends mere transactions. In an age where communication channels are diverse and attention spans fleeting, brands must be purposefully relevant by understanding customer preferences, offering choices that empower, and creating engagements that transcend transactional.

Loyalty programs offer a personalized experience by leveraging customer data, enhancing customer satisfaction. Offering relevant rewards aligns with customer expectations, leading to increased loyalty. Brands that actively listen to customer feedback build a positive reputation. However, adopting a customer-centric approach requires careful consideration, as too many programs may lead to information overload. Additionally, assumptions about customer preferences without actively listening to feedback can result in irrelevant rewards and overgeneralization, especially among diverse demographics like Millennials and Gen Z.

The 3 R's philosophy emphasizes loyalty as a commitment to a brand, not just a program. It values customers as individuals with evolving expectations and desires, not just transactions. The philosophy emphasizes that loyalty is an ongoing journey, driven by sincerity and insight, leading to enduring customer relationships and brand advocacy. This approach transcends the focus on rewards, recognition, and relevance.

10.12.4 RETENTION STRATEGY

The primary objective of initiatives aimed at customer retention is to secure enduring relationships with customers who contribute value by minimizing their defection rate. Establishing and nurturing customer loyalty becomes imperative for the company's survival in fiercely competitive markets.

Implementing retention marketing strategies provides significant benefits to the company. Loyal customers spend more over time, make purchases at full margins instead of discounted prices, and contribute to operational efficiencies. Furthermore, the cost of acquiring new customers, including activities such as setting up new accounts, conducting credit searches, and investing in advertising and promotional expenses, is higher when compared to the expenses associated with retaining an existing customer.

Businesses with a devoted customer base experience elevated business performance, witnessing an increased revenue, customer share, and commitment. Contented customers consistently engage with the company, leading to the gradual development of trust. As trust strengthens over time, customer commitment and expenditure rise. This inclination stems from customers' preference for conducting business with companies they have established satisfactory relationships with, as they tend to avoid unnecessary risks.

Loyal customers evolve into advocates, contributing to a steady revenue stream through repeat purchases and referrals of new customers. Understanding the factors that influence consumers loyalty is crucial for ensuring the financial sustainability of the company.

A business can uphold customer retention and loyalty by prioritizing customer satisfaction, delivering superior service, implementing loyalty programs, conducting defection analysis, adeptly handling complaints, embracing mass customization, employing customer targeting strategies, and utilizing database marketing.

Example: Unhappy customers in the physical realm might share their dissatisfaction with approximately six friends each. However, in the online sphere, dissatisfied customers have the potential to reach as many as 6,000 friends individually. Given that poor customer service leads to customer attrition and negative word-of-mouth, investing in good customer service proves to be more cost-effective than dealing with the consequences of bad customer service.

10.13 CUSTOMER SATISFACTION

Companies that want to measure customer satisfaction need to track the following Metrics:

- **Customer Expectations versus Perception**: It is crucial to assess whether the company's product or service aligns with the expectations of its customers.
- **Likelihood to Recommend to Friends**: To monitor customer loyalty, the company must understand the probability of customers recommending its services. This metric is pivotal for assessing customer advocacy.

- **Customer Experience versus Ideal Experience:** The company can request customers to assess its product or service by comparing it to their ideal expectations. This approach helps in determining whether the company's offerings align with the genuine needs and desires of its customers.

- **Overall Satisfaction**: Another parameter to monitor is the overall contentment with the company.

- **Affective and Cognitive Satisfaction**: The company needs to assess affective satisfaction by seeking customers' evaluations, indicating whether they like or dislike the benefits of the service level agreement. In contrast, cognitive satisfaction should be gauged by obtaining customers' judgments regarding the utility of the service.

- **Repeat Purchase Intention:** Customer satisfaction significantly influences customers' repurchase intentions. Inquiring about customers' plans to repurchase, renew their contacts, or buy more products from the company in the future aids the company in gauging customer satisfaction levels and determining whether customers intend to maintain ongoing business relationships.

10.14 COMPLAINT MANAGEMENT

Loyal customers contribute significantly to the company's profits, making it crucial for the company to avoid the risk of losing a customer due to **unaddressed complaints**. The optimal approach for a company is to facilitate easy avenues for customers to voice their complaints. Analyzing complaint data presents a valuable opportunity for firms to enhance their services and products.

To improve the complaint management process, a company requires to:

- Ensure the visibility and accessibility of the company's complaints-handling policy and processes for both customers and employees.
- Train employees on effective responses to complaints and empower them to resolve issues.
- Enable customers to lodge complaints at all touch points .
- Ensure all employees comprehend the complaints management process.
- Collect and analyze complaints data, identifying root causes.
- Implement technology to support complaints-handling and generate useful management reports.

10.15 CRM (CUSTOMER RELATIONSHIP MANAGEMENT)

CRM seeks to establish mutually beneficial relationships with customers, and a key strategy for accomplishing this objective involves customizing the value proposition

to attract and retain specific target customers. In the contemporary and dynamic business environment, customer demands vary greatly. To cater to this diversity, companies need to understand their target audiences' unique needs and tailor products accordingly.

Firms can uphold customer retention and loyalty by carefully selecting their target markets and crafting customized marketing programs that align with the specific needs of these chosen markets.

Example: "Imagine a clothing company using CRM to segment its customer base by age and style preferences. They can then create targeted marketing campaigns offering personalized discounts and product recommendations, fostering deeper customer connections and higher purchase rates."

- **Database marketing:** Database marketing is a vital marketing tool enabling firms to pinpoint the appropriate customer segments. Through this approach, companies can formulate strategic tactics tailored to each specific customer segment. Furthermore, database marketing assists firms in discerning the unique needs of their customers, thereby enhancing customer relationships and fostering customer retention . Companies leverage their databases for various purposes:

- **Identify Prospects:** Companies utilize databases to pinpoint the most promising prospects. Once firms identify suitable prospects through database marketing, their subsequent objective is to convert these prospects into customers.

- **Decide Which Customers Should Receive a Particular Offer:** Firms identify the optimal target customer for a particular offer and subsequently explore their customer databases to locate individuals who closely resemble this ideal customer type.

- **Deepen the Customer Loyalty:** Utilizing customer databases can enhance customer satisfaction, consequently fostering customer loyalty. Companies have the capability to store customer preferences in their databases and tailor their services to align with these preferences, ensuring a more personalized and satisfactory experience for customers.

- **Deepen the Customer Loyalty Reactivate Customer Purchases:** By leveraging customer databases, companies can create appealing and timely offers. This includes sending birthday or anniversary cards, seasonal shopping reminders, and promotions to individuals, thereby aiming to reactivate customer purchases.

10.16 WIN BACK STRATEGIES

In the final stage of the purchase cycle, companies need to conduct defection analysis. Defections can be categorized into two types: avoidable defection and natural (unavoidable) defection. Customers may defect for various reasons, and some

of these reasons are preventable. Recognizing this, companies should implement win-back strategies to prevent avoidable defections and retain customers. Analyzing lost customers at purchase completion unveils crucial insights. Avoidable defection, where customers leave due to dissatisfaction, presents an opportunity for improvement. Imagine a customer abandons their cart due to high shipping costs. Here, offering free shipping as a win-back strategy could retain their business.

Companies should also conduct analysis to identify any early warning signals that customers might exhibit before defection. Understanding these signals can help companies take proactive measures to address customer concerns and prevent defection. Early warning signals of defection may include:

- Reduced RFM scores (recency–frequency–monetary value),
- Non-response to a carefully targeted offer,
- Reduced levels of customer satisfaction,
- Dissatisfaction with complaint handling,
- Reduced share of customer,
- Inbound calls for technical or product-related issues,
- Late payment of an invoice, and
- Querying an invoice.

By proactively monitoring these key metrics, companies can prevent customer churn and foster long-term loyalty by addressing concerns early on.

10.17 THE FOUR LEVELS OF RETENTION STRATEGIES

Customer retention can manifest at various levels, each progressively strengthening the bond between the customer and the company. The four levels of retention strategies include:

- **Financial Bonds**: In this level, customers are enticed with financial incentives, either for making larger volume purchases or for sustaining the relationship over an extended period. The more customers engage with the service, the greater the discounts they receive. However, the risk associated with this financial model is that customers may be attracted primarily by the financial gains offered.
- **Social Bonds**: This level focuses on establishing enduring relationships with customers through social and interpersonal connections. Services are tailored to meet individual needs, and companies seek ways to stay connected with customers by offering a personal touch and fostering informal relationships. The goal is to build a sense of camaraderie and connection with customers.
- **Customization Bonds:** This level involves providing tailored offers for customers, taking into consideration their views and opinions in the offer design.

When customers feel that their opinions are valued, it leads to the development of special relationships with the company. For instance, patrons may frequent a specific restaurant because they believe the chef understands their taste preferences. However, this bond can be fragile, as customers may cease patronizing the restaurant if the chef changes.

- **Structural Bonds**: In this level, the company establishes a network with customers, offering everything necessary in the service delivery process. Customers are integrated into the organizational structure, creating a connection that is leveraged by providing highly customized services. This type of bond is formed through the delivery of personalized and specialized services to clients.

10.18 EMERGING TRENDS IN RETAIL CUSTOMER LOYALTY PROGRAMS

- Retail customer loyalty programs are gaining traction due to the increasing popularity of online shopping and mobile devices.
- Omnichannel loyalty programs allow customers to earn and redeem rewards across various touchpoints, integrating loyalty programs with e-commerce websites, mobile apps, and in-store POS systems.
- Personalization and customization are also becoming popular trends, with retailers leveraging data analytics and customer insights to offer personalized experiences. This can include personalized product recommendations, tailored promotions, and individualized rewards based on customer data.
- Gamification and experiential rewards are also becoming popular trends in retail customer loyalty programs. Gamification involves incorporating game-like elements into the program, such as challenges, badges, and leaderboards, to create a fun and engaging experience for customers.
- Experiential rewards provide unique and memorable experiences, such as exclusive events, VIP access, or personalized services. These types of rewards go beyond traditional discounts and promotions, creating excitement and exclusivity for customers and leading to higher levels of loyalty.
- Social responsibility and sustainability are also becoming increasingly important to retailers. They are incorporating elements of these programs to align with customer values and attract socially conscious consumers. This can include rewarding customers for environmentally friendly purchases, supporting charitable causes, or participating in sustainability initiatives.
- Subscription-based loyalty programs are also gaining popularity in retail, especially in ecommerce. These programs involve customers paying a monthly or annual fee in exchange for exclusive benefits, discounts, or access to premium

services. These programs can create a sense of exclusivity and commitment among customers, leading to greater loyalty.

10.19 LOYALTY PROGRAMS AND THREATS TO CONSUMER DATA

Loyalty programs have become increasingly important as technology advances and our lives become intertwined with digital platforms. These cards have adapted by integrating sophisticated data-driven systems, capturing vast amounts of personal information and purchasing habits. However, this data can also attract the attention of cybercriminals who exploit vulnerabilities for their nefarious purposes. Loyalty program fraud is when a fraudster or opportunistic customer manipulates the rules of a rewards program, including stealing points from a loyalty account.

There are several types of loyalty program fraud, which can occur at any point throughout the customer journey. New account fraud involves fraudsters and opportunistic customers creating fake accounts to accumulate loyalty points or transfer points from fraudster to fraudster. Account takeover fraud aims to gain unauthorized access to an account associated with a loyalty rewards program, typically working from a list of stolen email addresses and passwords. Policy abuse and exploitation involve customers often perpetuating loyalty fraud by abusing the rules of a rewards program or exploiting its benefits.

Fraudsters target loyalty program members because many customers don't monitor their accounts regularly and often reuse passwords across multiple accounts, leaving the window of opportunity open for fraud. Merchants often don't exercise the same scrutiny over loyalty programs as other transactions, making it easier for fraudsters to access accounts. Once they gain access, they can drain, use, transfer, or resell loyalty points and rewards, as well as gain access to all stored customer data.

Loyalty program fraud affects businesses in several ways. First, revenue loss occurs when a fraudster hacks into a customer's account, steals, and redeems points worth $100. In 2020 alone, the Loyalty Security Association (LSA) estimated that $3.1 billion of redeemed loyalty points were fraudulent. Second, negative public perception can harm businesses just as much as revenue loss, as word gets out that accounts and their contents aren't safe. Third, negative customer experiences can result from customers blaming the business for not protecting their accounts, leading to a loss of business. Lastly, operational costs of fighting fraud on your own can be expensive and inefficient. Hiring a team to manually review interactions may not provide the most accurate results or be the most cost-effective option.

10.20 CONCLUSION

Loyalty programmes are increasingly being implemented by companies to differentiate themselves from competitors and retain customers. These programmes aim to offer a personalized and appealing experience, ensuring customer loyalty and repeat purchases. Some loyalty programs focus on redemption options, while others maximize earning avenues for increased transactions and customer interaction. Customer loyalty is the level of trust and attachment a customer has towards a brand, which motivates them to continue doing business with the company over time. It can lead to increased conversions and overall brand recognition. A lack of customer loyalty can result in high customer churn rates, low brand recognition, and decreased conversions.

Understanding customer loyalty is crucial for businesses looking to improve their conversion rates and establish a strong, loyal customer base. By focusing on building and maintaining customer loyalty, businesses can achieve long-term success and stability. Strategies to increase customer loyalty include providing excellent customer service, personalizing the customer experience, offering loyalty programs, and   continuously   improving.

Measuring the success of a customer loyalty program allows businesses to determine its effectiveness and make necessary improvements. In the digital age, customer loyalty has evolved, with brands adapting to the changing landscape to build lasting relationships with customers. Genuine customer connections are the foundation of loyalty, and by personalizing experiences, maintaining consistency, being transparent, and engaging with customers authentically, brands can thrive in the digital age and create a loyal customer base that stands the test of time.

10.21 REFERENCE

- McLennan, S., Fiske, A., Tigard, D., Müller, R., Haddadin, S., & Buyx, A. (2022). Embedded ethics: a proposal for integrating ethics into the development of medical AI. BMC Medical Ethics, 23(1), 6.
- Naik, N., Hameed, B., Shetty, D. K., Swain, D., Shah, M., Paul, R., . . . Smriti, K. (2022). Legal and ethical consideration in artificial intelligence in healthcare: who takes responsibility? Frontiers in Surgery, 9, 266.
- Patil, S., & Shankar, H. (2023). Transforming healthcare: harnessing the power of AI in the modern era. International Journal of Multidisciplinary Sciences and Arts, 2(1), 60-70.

- Paul, D., Sanap, G., Shenoy, S., Kalyane, D., Kalia, K., & Tekade, R. K. (2021). Artificial intelligence in drug discovery and development. Drug Discovery Today, 26(1), 80.

- Pǎvǎloaia, V.-D., & Necula, S.-C. (2023). Artificial intelligence as a disruptive technology—a systematic literature review. Electronics, 12(5), 1102.

- Schwalbe, N., & Wahl, B. (2020). Artificial intelligence and the future of global health. The Lancet, 395(10236), 1579-1586.

- Shaik, T., Tao, X., Higgins, N., Li, L., Gururajan, R., Zhou, X., & Acharya, U. R. (2023). Remote patient monitoring using artificial intelligence: Current state, applications, and challenges. Wiley Interdisciplinary Reviews: Data Mining and Knowledge Discovery, 13(2), e1485.

- Shuaib, M., Alam, S., Alam, M. S., & Nasir, M. S. (2021). Compliance with HIPAA and GDPR in blockchain-based electronic health record. Materials Today: Proceedings.

- Taj, I., & Zaman, N. (2022). Towards industrial revolution 5.0 and explainable artificial intelligence: Challenges and opportunities. International Journal of Computing and Digital Systems, 12(1), 295-320.

- Vatansever, S., Schlessinger, A., Wacker, D., Kaniskan, H. Ü., Jin, J., Zhou, M. M., & Zhang,

- B. (2021). Artificial intelligence and machine learning-aided drug discovery in central nervous system diseases: State-of-the-arts and future directions. Medicinal Research Reviews, 41(3), 1427-1473.

- Wang, B., Asan, O., & Zhang, Y. (2024). Shaping the future of chronic disease management: Insights into patient needs for AI-based homecare systems. International Journal of Medical Informatics, 181, 105301.

- Wang, Q., Su, M., Zhang, M., & Li, R. (2021). Integrating digital technologies and public health to fight Covid-19 pandemic: key technologies, applications, challenges and outlook of digital healthcare. International Journal of Environmental Research and Public Health, 18(11), 6053.

- Zeng, D., Cao, Z., & Neill, D. B. (2021). Artificial intelligence–enabled public health surveillance—from local detection to global epidemic monitoring and control. In Artificial intelligence in medicine (pp. 437-453): Elsevier.