



## THE IMPACT OF LOYALTY PROGRAMS ON CUSTOMER RETENTION IN UZBEKISTAN

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**Abstract:** This research aims to investigate the relationship between customer loyalty programs and customer retention in Uzbekistan. Even though the competition is growing in Uzbek business market, loyalty programs are still not very popular. This research, which targeted 82 participants, aims at finding out whether loyalty programs influence the level of customer loyalty and result repeat purchases. The evidence shows that loyalty programs actually do play a role in the choice of brand, customer loyalty and spending behavior. Also, it is equally important to have emotional involvement of customers by offering discounts and point based rewards. From the research findings it can be concluded that businesses operating in Uzbekistan could greatly benefit if they design good loyalty programs.

**Key words:** customer loyalty, customer retention, repeat purchases, brand loyalty, customer behavior, discounts.

### Introduction

Today the competition in business is so intense and bringing new customers costs more expensive in this environment than retaining the available ones. Businesses strive to achieve customer attention and loyalty, so customer loyalty programs are emerged to build relationships with customers in long-term period [1]. Loyalty programs have become one of the main marketing strategies and they are structured to reward repeat purchases of customers. In loyalty programs rewarding customers can be in different ways such as by discounts, special deals, points personalized offers [2]. Through the loyalty programs customers get tangible benefits which creates exclusivity and belongingness to the small society. As for the businesses, it is one of the ways of collecting relevant information, identifying the preferences of customers and accordingly, creating environment which enhances customer's experience [3].

The current economic and demographic condition in Uzbekistan shows positive indicators. According to Asian Development Bank, the GDP of Uzbekistan is expected to reach 96 billion dollars at the end of 2024, representing a growth of 5.5%. Also, the population of Uzbekistan is increasing and currently is 36,687,156 [4]. These statistics indicate that the potential customer base for businesses is increasing, while their financial spending potential is also increasing. However, loyalty programs are not widespread in Uzbekistan, but there are businesses like Korzinka, Makro and Safia which are using customer loyalty programs.

### Research Objectives:

- 1) Analyze the impact of loyalty programs on retention of customers in Uzbekistan.
- 2) Identify how effective the loyalty programs are for businesses in Uzbekistan.

### Literature review

The impact of customer loyalty programs on customer retention has been studied by several researchers in

global markets. Dowling and Uncles [2] stated that loyalty programs not only create incentives for customers to make repeat purchases, but also build emotional connection with a brand. They also mentioned that individualized rewarding is so important in loyalty programs to achieve higher customer retention levels.

Research by Ciobanu et al. [5] shows that loyalty programs encourage repeat purchases and business can effectively reduce the churn rates by implementing it. Additionally, that research highlights how data driven approach is significant to achieve to success through loyalty programs. In some countries, the culture of the population differs depending on the region they live in. Mattila's research has highlighted that these cultural differences also affect customers' perceptions and the effectiveness of loyalty programs [6].

## Research Methodology

For methodology, this study used a primary research method to analyze the impact of loyalty programs on retention of customers in Uzbekistan. The used method is survey and survey questions are distributed to the consumers online. The survey questions designed to collect customers' both demographic and behavioral information which related to loyalty programs and retention. Through the survey this research can measure the variables like: demographics, customer's engagement to the loyalty program, connection to the brands and advocacy.

In this research non-probability sampling method was used because this method is cost-effective. The sample consists of 82 participants who have experience with loyalty programs of brands in Uzbekistan.

## Results and Analysis

### Demographics of Respondents

Survey results shows that 65.9% survey participants are male and 34.1% are female. As for age of respondents, the majority of respondents are between 18-30, with 96%. Other 4% corresponds to people who are under 18 and over 30. This means that younger people more likely engage with loyalty programs in Uzbekistan. The research conducted by McKinsey [7] also showed that loyalty programs have more impact in customer behavior of Millennials and Generation Z. Therefore, Millennials and Zomers are most responsive audience to loyalty programs around the world.

What is your monthly income level?

82 ответа

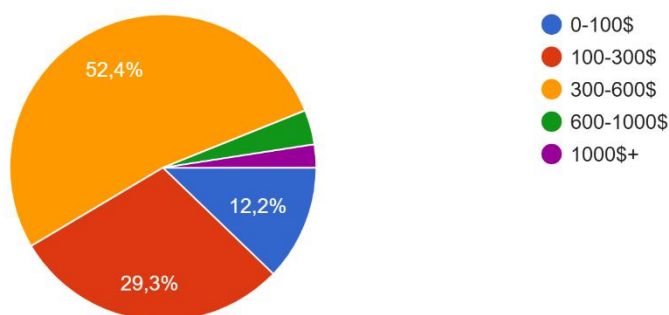


Figure 1: Income levels

According to PwC [8], people who are in middle-income level prefer loyalty programs more which offer discounts and rewards. The results in Uzbekistan shows the same results: 52.4% respondents reported that they earn \$300-600 per month. 29.3% of participants' monthly earnings is \$100-300 and other 12.2% of them earn less than \$100. These income results reveal that loyalty programs in Uzbekistan attract middle-income earners.

### Engagement with Loyalty Cards

Do you currently have a loyalty card of brands?

82 ответа

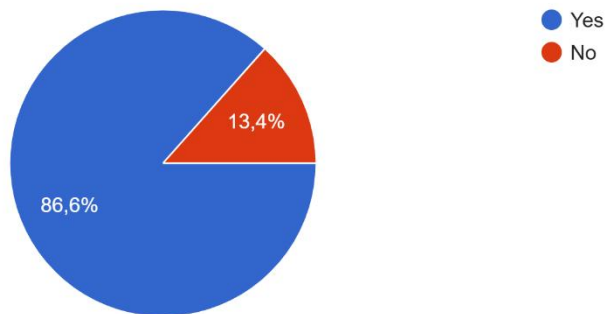


Figure 2. Having loyalty cards

86.6% survey participants have loyalty cards of brands like Korzinka, Makro, Safia and others. These high rates means that loyalty programs are becoming popular in Uzbekistan. The popularity of loyalty programs is directly related to the increased competition in the Uzbek business market. Taking the example of retail sector, there are intense competition among several players like Korzinka, Makro, Bi1, Magnum, Havas, Fix Price and Baraka Market. In the coming years, new players such as Galmart and Spar are expected to join the competition and intensify it [9].

How often do you shop at brands offering loyalty programs?

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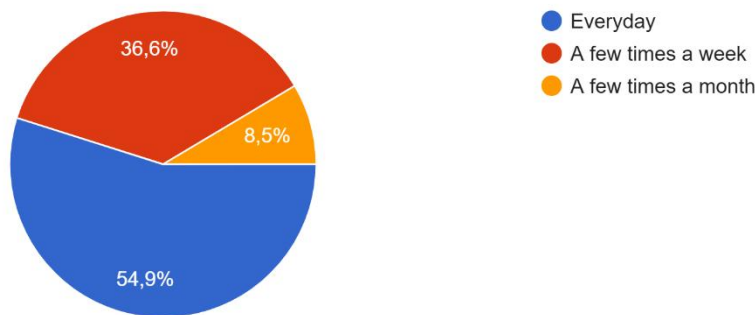


Figure 3: Frequency of Shopping

How often do you use your loyalty card when shopping?

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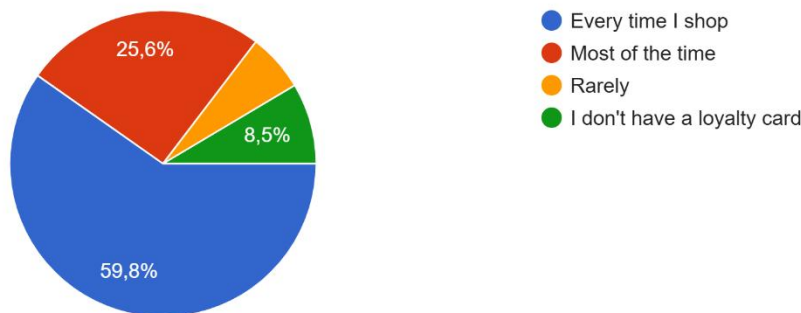


Figure 4: Frequency of using loyalty cards

54.9% of respondents shop every day from the brands which they have loyalty cards. 36.6 respondents said that they shop several days in a week. Also, survey results show that 59.8% participants use their loyalty cards every time when making purchase and 25.6% use it most of their purchase time.

### **Behavioral Insights**

79.3% respondents revealed that the benefits like discounts and price reductions motivates them most in loyalty program system. 14.6% participants like the points which loyalty programs give for their next purchases and 6.1% people in survey prefer loyalty cards because of specialized offers. These numbers shows that consumers in Uzbekistan are price-sensitive. According to annual report of Deloitte [10], 70% of loyalty programs participants in the worlds are prefer having discounts and saving money rather than experiential rewards.

What motivates you to join a loyalty program?

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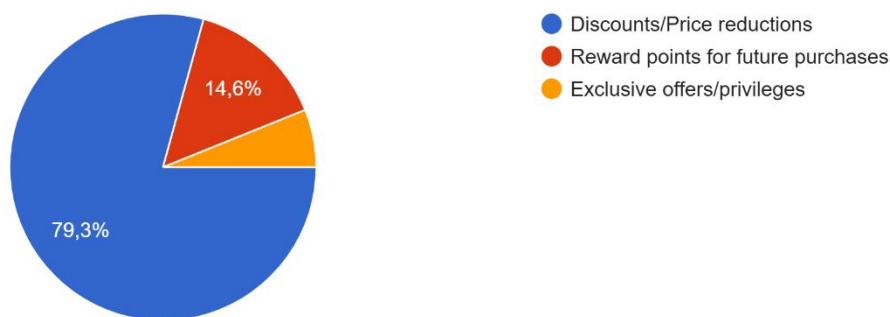


Figure 5: Motivation of customers

How long have you been a customer of brands with loyalty programs?

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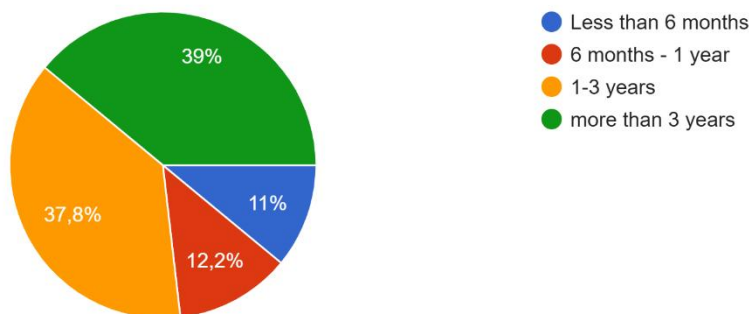


Figure 6: Participation in loyalty programs

As mentioned before, currently loyalty programs are used by few companies in Uzbekistan. Therefore, these programs become a differentiator in Uzbek business market. Survey results showed that loyalty programs have significant influence (80.5%) on choosing a brand. Due to having significant influence on brand choice, 39% survey participants have been using loyalty cards for more than 3 years and 37.8% for 1-3 years. This means companies able to achieve high retention rates and longer customer life time value through loyalty programs.

### **Impact on Spending behavior**

To know the effectiveness of loyalty programs in Uzbekistan, we asked customers how likelihood they

make repeat purchases from brands that offer loyalty cards and its affects on their spending behavior.

How likely are you to make repeat purchases because of a loyalty program?

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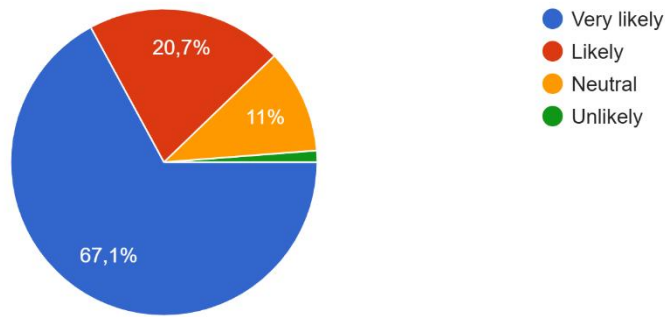


Figure 7: Likelihood of repeat purchases

Do you spend more when a brand offers loyalty rewards?

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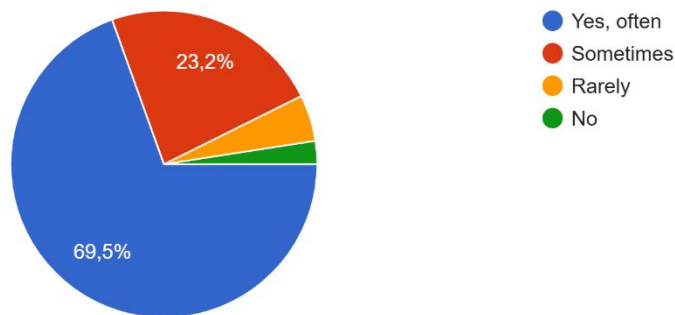


Figure 8: Spending behaviors

20.7% survey participants are likely and 67.8% respondents are very likely to make purchases from the brand which have loyalty program systems. Additionally, 69.5% of participants often spend more than usual if the brands offer loyalty cards. According to researches of Carluccio, Eizenman and Rothschild [11], members of loyalty programs spend 25% more than people who are without loyalty cards. Based on these numbers, we can say that loyalty programs not only retain customers, but also leads to spending more from a particular brand.

### **Advocacy and Brand Loyalty**

Raese stated that emotional engagement is the one of component of loyalty programs and if businesses able to engage customers emotionally, these customers advocate for the brand more. Even, it is reported that emotional connection can bring 85% sales growth to the brands [12]. 74.4 respondents feel that they are more connected to the brands due to offered loyalty cards.

Do loyalty programs make you feel more connected to a brand?

82 ответа

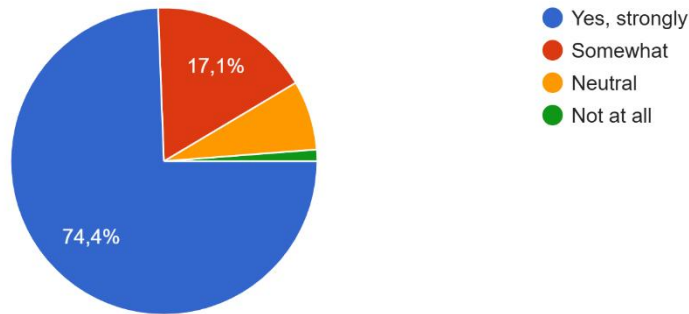


Figure 9: Connection to the brand

Overall, do loyalty programs make you stay loyal to a brand?

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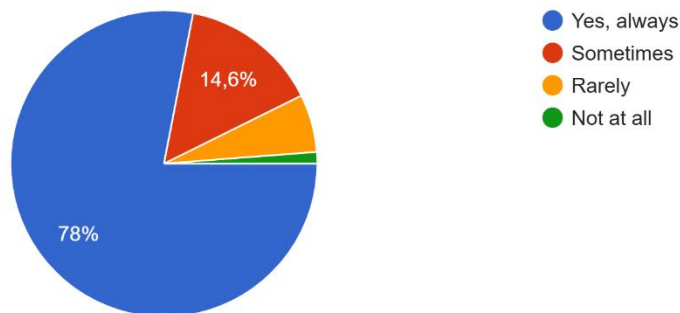


Figure 10: Loyalty to the brand

Would you recommend brands with good loyalty programs to others?

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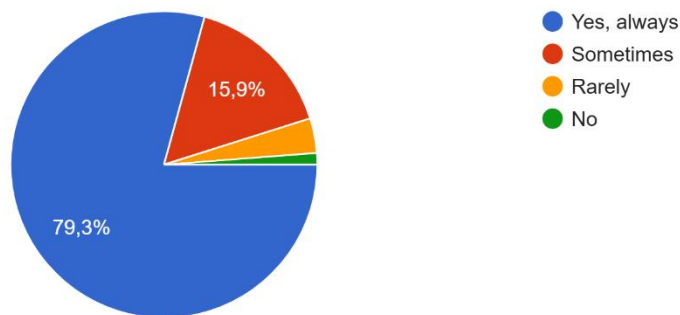


Figure 11: Brand advocacy

78% of respondents in the survey said they are loyal to brands because of a loyalty program. Customers who are satisfied with a brand's products and services not only remain brand loyal, but also recommend that brand to others. Looking at the survey results, 79.3% of respondents said they would recommend a brand they are loyal to others. In this case, brands can attract new customers through word-of-mouth without spending a lot of money.

The findings prove that loyalty programs are effective in customer retention in Uzbekistan. Engagement of

the loyalty program is high, and the participants have emotional connection with the brand because of loyalty programs

However, there is need for improvements. For instance, where discounts are the biggest stimulus for consumer action, brands could expand into providing superior experiences or better loyalty rewards that are appealing to new income segments. Additionally, the number of older consumers is relatively small, which may mean it needs to invest more efforts in promoting the loyalty program among them.

### **Conclusion**

In conclusion, the current study comes to an understanding that loyalty programs help to improve the customer retention rate in Uzbekistan. The study also reveals that consumers who have middle income level and between 18-30 years keen to loyalty benefits market such as discounts. Loyalty programs are not only beneficial in retaining customers, but in engaging the customers more and brand loyalty. Still, there is some areas for improvement like the need to increase the target age for the loyalty programs and to diversify the rewarding system. In the competitive Uzbek business market, businesses could greatly benefit if they design good loyalty programs.

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