

The Effects of Loyalty Programs on Customer Retention: A Case Study of The Foschini Group Stores at Manda Hill, Zambia

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Abstract

This study examined the effectiveness of loyalty programs on customer retention within The Foschini Group (TFG) in Zambia, motivated by challenges including a 4% annual profit decline, inflation, power cuts, and a \$1.5 billion turnover reduction in Africa. Despite introducing loyalty programs like "TFG Rewards & More" (TFGRM) and "My TFG World Reward" (MTFGWR), sales dropped from 20% in July 2023 to 5.2%, raising concerns about their impact on retention. The study aimed to evaluate the impact of these programs on customer retention and the role of external business challenges. Using a quantitative, cross-sectional design, structured questionnaires were administered to 200 participants, including customers and employees from brands like Markham, Woolworths, and Exact, in Manda Hill, Lusaka. Likert-scale questions measured perceptions, while regression analysis identified relationships between program features and retention. Findings revealed that reward variety in TFGRM significantly influenced customer loyalty, with satisfaction being a key driver. Expanding and diversifying reward options was recommended. Personalized rewards had minimal impact, but overall program satisfaction emerged as critical for retention. In MTFGWR, frequent reward usage and satisfaction enhanced loyalty, though perceived value for money was less significant. Customers preferred quality experiences over monetary savings, prompting recommendations to focus on experiential rewards. External challenges, like inflation and power outages, moderately affected loyalty, highlighting the need for transparent customer communication. To address competitive pressures, the study suggested enhancing customer experience through technological innovations such as mobile apps and virtual support. These strategies can help TFG improve retention and sustain competitiveness in a challenging market environment.

Keywords: Loyalty Programs, Customer Retention, TFG Rewards & More, My TFG World Reward, Customer Satisfaction.

Introduction

Customer retention involves strategies to maintain long-term customer relationships and prevent customers from switching to competitors. It builds loyalty and satisfaction, ensuring customers remain engaged with a brand (Nasir, 2017). Retaining customers is more cost-effective than acquiring new ones and promotes positive word-of-mouth, enhancing a brand's image and organic growth (Gallo, 2014; Cheng, 2023). The fast-paced, competitive business environment poses challenges to customer retention, as consumers have abundant choices and access to information (Lim & Rasul, 2022). Loyalty programs

offer rewards to foster customer commitment and mitigate churn, proving effective in improving retention rates and brand credibility (Shugan, 2005; Odunlami, 2015).

Loyalty programs have evolved from simple trading stamps in the 19th century to technology-driven, personalized strategies today (Switchfly, 2022; Tabor, 2022). Modern programs emphasize experiential rewards, gamification, and coalition partnerships, enhancing customer engagement and satisfaction (Komesarook, 2023; Barve, 2023). TFG, a South African retail conglomerate, operates 34 brands offering fashion, beauty, and lifestyle products. With a strong presence in Zambia, TFG emphasizes sustainability and local economic development (Hill, 2023). TFG has faced declining profits due to inflation, power outages, and reduced consumer spending. Its headline earnings per share dropped 15.3% in H1 2024, significantly impacting turnover and dividends (Anders, 2023; Business-Tech, 2023). (see table 1).

Table 1: Share

Financial	H1 2023	H1 2024	Change
Basic earnings per share	461.1 cents	368.8 cents	-16.2%
Headline earnings per share	464.6 cents	393.6 cents	-15.3%
Interim Dividend	170 cents	150 cents	-11.7%

Source: Business-Tech, 2023

The Foschini Group (TFG) has faced challenges due to declining consumer confidence and tough trading conditions, which are expected to persist (Business-Tech, 2023) as shown in figure 1. To enhance customer retention, TFG employs various loyalty programs, including "TFG Rewards & More" and "MyTFG Rewards." The TFG Rewards & More program offers instant, personalized rewards through an interactive Rewards Booth. Customers receive immediate incentives such as clothing, food vouchers, or electronics tailored to their shopping profiles without needing points or mailed vouchers (Media Update, 2013).

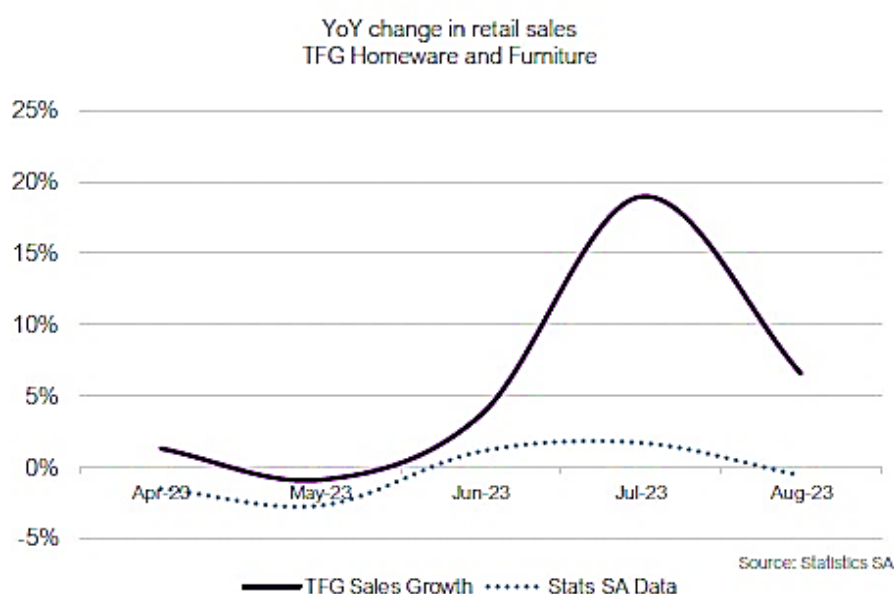


Figure 1. TFG Sales Growth

Source: TFG, 2023

MyTFG Rewards, on the other hand, is linked to store accounts across TFG's retail brands, automatically enrolling account holders. Members receive a rewards card used for purchases and can earn personalized vouchers, win prizes, and shop online with TFG partners (Dube, 2023). Additionally, TFG's "My TFG World Rewards" provides tiered benefits, with members earning points for every rand or kwacha spent. Higher status levels accrue more points, incentivizing increased spending (Dube, 2023). Despite these loyalty initiatives, their impact on customer retention remains unclear. Sales growth was erratic in 2023, peaking at 20% in July before declining to 5.2% by September, reflecting challenges in sustaining sales despite loyalty program efforts (see figure 1).

Statement of the Problem

The Foschini Group (TFG) faces significant challenges, including a 4% annual profit decline due to rising inflation and power cuts, resulting in a \$1.5 billion turnover reduction in Africa (Anders, 2023). Economic pressures caused a 15.3% decrease in headline earnings per share and a cut in the interim dividend (Business-Tech, 2023). Despite implementing loyalty programs like "TFG Rewards & More," their impact on customer retention is uncertain amid a sales drop from 20% in July 2023 to 5.2% (TFG results presentation, 2023). This study examines the effectiveness of TFG's loyalty programs in Zambia, crucial for addressing economic challenges and improving customer retention.

Several studies have examined the impact of loyalty programs on customer retention across various industries and regions. However, these studies exhibit certain limitations that underscore the need for further research. For instance, Lakshman & Faiz (2021) conducted a systematic review but lacked empirical evidence on the effectiveness of

specific loyalty programs in real-world scenarios. Khalil et al. (2018) focused on Pakistani consumers, providing valuable insights but lacking generalizability beyond this geographic area. Duleepa & Fazila (2021) concentrated on the Malaysian national car sector, limiting the applicability of their findings to other industries.

Similarly, Miranda (2019) emphasized theoretical discussions within the hospitality industry, but lacked practical empirical data. Magatef & Tomalieh (2015) studied Jordanian customers, offering insights specific to a cultural context, which limits broader applicability. Sumayya & Mahesh (2020) explored customer retention strategies in Calicut but did not compare these strategies to loyalty programs. Stathopoulou & Balabanis (2016) focused on customer perceptions in the fashion retail sector without examining actual retention rates. This study aims to address these gaps by investigating the effectiveness of specific loyalty programs, such as the TFG Rewards & More and My TFG World Reward, in the context of The Foschini Group's business challenges. By focusing on a specific case study within the retail industry, this research seeks to offer practical implications for enhancing customer retention strategies.

Research Objectives

- i. To examine the effect of the TFG Rewards & More (TFGRM) loyalty program on customer retention.
- ii. To examine the effect of the My TFG World Reward (MTFGWR) loyalty program on customer retention.
- iii. To determine the effect of business challenges facing The Foschini Group on customer retention.

Literature review

In this section, the literature review highlights the significant role of customer retention, reward loyalty programs, and their global effects, especially in industries such as fashion, beauty, and lifestyle. Below is a summarized version of the key themes from the literature review.

Customer Retention

Customer retention is the ability of a business to keep its existing customers over time by fostering strong relationships and meeting their needs (Edwards, 2022). In contrast to customer acquisition, which focuses on attracting new customers, retention emphasizes loyalty and repeated engagement. Building trust, satisfaction, and loyalty ensures continued patronage and advocacy (Nasir, 2017).

In industries like fashion, beauty, and lifestyle, customer retention is particularly crucial due to high competition, low switching costs, and rapidly changing consumer preferences (Alshurideh, 2016; Amanah et al., 2021). Unlike sectors such as banking or telecommunications, where switching is costly, customers in these industries can easily change brands based on trends or experiences (Grant & Kelly, 2020). Therefore, businesses

must constantly work to maintain strong relationships with their customers to prevent churn and foster loyalty.

Additionally, customer retention is linked to brand advocacy. Loyal customers tend to recommend products to friends and family, contributing to organic growth through word-of-mouth (Karunaratne, 2015). Furthermore, retained customers have higher lifetime value, which enables businesses to generate consistent revenue streams through repeat purchases and opportunities for upselling (Gupta et al., 2006; Kimmerly, 2023). Retention also offers valuable customer insights, helping businesses tailor their offerings to meet evolving demands and stay ahead of trends (Tuominen et al., 2022; Rane et al., 2023). In competitive industries, fostering customer retention is key to sustainable growth and long-term success.

Reward Loyalty Programs

Reward loyalty programs are initiatives designed to incentivize customers for their repeated business. These programs often involve offering benefits such as discounts, exclusive access, and personalized rewards in exchange for continued patronage (Chen & Potters, 2022). They play a crucial role in customer retention, particularly in competitive sectors like fashion, beauty, and lifestyle (Black, 2024).

Reward programs offer multiple benefits. They enhance customer satisfaction by providing customers with perks that improve their shopping experience (Khairawati, 2019). In highly competitive markets, where consumer choices are abundant, these programs create a compelling reason for customers to remain loyal to a particular brand. Furthermore, reward programs increase customer engagement by motivating repeat visits and purchases through mechanisms like point accumulation and tiered rewards (White, 2023). This engagement not only strengthens brand loyalty but also provides businesses with valuable data to personalize future marketing strategies and refine product offerings (Gallemard, 2022). Moreover, reward programs drive increased customer lifetime value by encouraging repeat purchases and upselling opportunities (Kantariya, 2023). Offering rewards aligned with customer preferences boosts immediate revenue and maximizes profitability over the long term. These programs also reduce churn by incentivizing customers to stay with the brand rather than switch to competitors (Mehta, 2023). By offering unique and desirable rewards, businesses can differentiate themselves from competitors, attract new customers, and enhance brand equity (Saini, 2023; Chakrabarty, 2023).

The Foschini Group (TFG)

The Foschini Group (TFG) is a major player in the fashion, beauty, and lifestyle sectors. Customer retention is critical for TFG as it drives long-term profitability, sustains competitive advantage, and fosters brand loyalty (TFG, 2022). In competitive markets, where consumer preferences shift rapidly, retaining customers becomes essential for maintaining market share and navigating competitive pressures. For TFG, customer retention impacts revenue generation and profitability. Retained customers are more likely

to make repeat purchases, boosting sales and enhancing overall profitability (TFG, 2022). By focusing on customer loyalty, TFG can increase revenue per customer, further improving financial performance. Additionally, offering personalized experiences, rewards, and services helps cultivate an emotional bond with customers, increasing trust and advocacy, and thus amplifying the brand's presence through word-of-mouth (Karunaratne, 2015). Customer retention also enables TFG to gain insights into consumer behavior, informing strategic decisions and marketing initiatives (Kimmerly, 2023). This data-driven approach helps TFG stay relevant in a dynamic market and enhance its competitive position. Furthermore, focusing on retention can reduce customer acquisition costs, optimize resources, and improve marketing ROI (Dastane & Woon-Fook, 2021). By maintaining loyal customers, TFG can withstand market disruptions, ensuring stable revenue streams despite external challenges (Magatef & Tomalieh, 2015).

Global Impact of Reward Loyalty Programs on Customer Retention

Across the globe, businesses are increasingly using reward loyalty programs to enhance customer retention and maintain competitiveness in saturated markets (Khalil et al., 2018). These programs, which typically offer discounts, exclusive deals, and other benefits, create a sense of value and appreciation among customers, encouraging repeat business (Lakshman & Faiz, 2021). Effective reward programs lead to higher retention rates, reduced churn, and improved profitability (Duleepa & Fazila, 2021). Furthermore, reward programs are not only effective for customer retention but also serve as valuable marketing tools, generating positive word-of-mouth and driving referrals (Miranda, 2019). By fostering a sense of belonging and community around the brand, these programs enhance brand equity and customer lifetime value (Magatef & Tomalieh, 2015). Through the data collected from customer interactions, businesses can better understand consumer behavior, allowing for more targeted marketing and personalized experiences (Dastane & Woon-Fook, 2021). However, challenges exist in managing loyalty programs, including program fatigue and the need for continuous innovation to maintain perceived value (Sumayya & Mahesh, 2020). Additionally, businesses must address privacy and data security concerns to protect customer information and maintain trust (Stathopoulou, 2021). Despite these challenges, reward loyalty programs remain a powerful tool for building lasting customer relationships, fostering brand loyalty, and ensuring long-term business success.

Theoretical & Conceptual Frameworks

The theoretical literature reviewed in this study focuses on three key theories related to customer loyalty and patronage.

Customer Loyalty Theory is a foundational principle in marketing, which asserts that satisfied customers are more likely to exhibit long-term loyalty to a brand. According to John (2016), this theory emphasizes the importance of building positive emotional connections with customers beyond the transactional aspects to cultivate lasting relationships (Tartaglione et al., 2019). Customers who feel valued are more inclined

towards repeat buying behaviour, driven not just by rational considerations but by emotional and psychological factors such as trust and positive experiences (Thakur, 2023; Rane & Achari, 2023). In the context of loyalty programs, Customer Loyalty Theory posits that these programs can enhance customer satisfaction by providing additional value beyond the basic product or service, creating mechanisms for expressing appreciation, and building emotional bonds (Kumar & Shah, 2004). For instance, The Foschini Group (TFG)'s implementation of programs like "TFG Rewards & More," "MyTFG Rewards," and "My TFG World Rewards" aligns with the principles of this theory by providing tailored rewards aimed at building emotional connections, gratifying customers, and enhancing the shopping experience (Kirkos, 2023).

Behavioural Economics Theory, introduced by Witynski (2022), provides insights into decision-making by blending psychology and economics. It challenges the traditional notion of consistent rationality by exploring cognitive biases, heuristics, and social influences on choices. Key concepts such as loss aversion, status quo bias, and hyperbolic discounting play a crucial role in customer retention and loyalty programs. Loss aversion emphasizes the importance of avoiding losses over acquiring gains, which directly impacts consumer behaviour when participating in loyalty programs (Raitaluoto, 2023). Hyperbolic discounting, which favours immediate rewards over delayed ones, aligns with loyalty programs offering instant benefits (Cardoso et al., 2022; Kim & Ahn, 2017). Social proof, observing the benefits enjoyed by others, can also enhance the adoption of loyalty programs, fostering community and reinforcing loyalty. For example, TFG can leverage these insights through programs like "TFG Rewards & More" to enhance customer engagement during economic challenges by providing instant rewards and emphasizing social proof (Hofman-Kohlmeyer, 2016).

Economic Utility Theory, developed by Boyle and Velasquez (2023), suggests that individuals make rational decisions to maximize satisfaction within given constraints. In the context of customer behaviour, this theory refers to the perceived value of goods and services. Marginal Utility measures additional satisfaction per unit consumed, while Diminishing Marginal Utility recognizes decreasing satisfaction with more consumption (Liberto and Estevez, 2023). For TFG, applying Economic Utility Theory involves optimizing the marginal utility of loyalty rewards to enhance customer satisfaction and retention. TFG can diversify rewards to mitigate diminishing satisfaction and periodically refresh programs (Boyle and Velasquez, 2023). Customization options increase economic utility by empowering customers with control over the benefits, ensuring loyalty offerings provide sustained value compared to competitors (Liberto and Estevez, 2023).

The conceptual framework of this study examines the impact of loyalty programs on customer retention within The Foschini Group (TFG) in Zambia. It was developed based on an extensive literature review, identifying key theories such as Behavioural Economics and Economic Utility Theory to understand consumer behaviour and perceptions of loyalty rewards. The framework incorporates contextual factors specific to the Zambian market,

including consumer preferences and socio-economic conditions, to better understand how loyalty programs influence customer retention in this region (see table 2).

Table 2: Differences between the TFG customer loyalty programs

Feature/Element	TFG Rewards & More (TFGRM)	My TFG World Rewards (MTFGWR)
Activation Method	Activated through an interactive Rewards Booth, where customers press a button to receive an instant reward.	No physical activation required; customers earn points automatically upon purchase based on spending levels.
Reward Type	Instant rewards, including clothing, accessories, food vouchers, smartphones, and tablets.	Earned points, which can be accumulated and redeemed based on member status levels.
Reward Mechanism	Immediate and personalized rewards at the point of interaction, without needing to collect points.	Points are earned for each unit of currency spent; higher tiers provide more points per unit spent.
Personalization	Rewards tailored to each purchase made, with immediate gratification.	Rewards vary based on the customer's spending and membership status, incentivizing long-term loyalty.
Ease of Use	Simple, instant, and does not involve points, making it accessible without additional tracking.	Points system requires tracking points but is straightforward; higher tiers require greater spending to unlock additional benefits.
Customer Interaction	Physical interaction through the Rewards Booth; fosters engagement through a unique experience.	Digital interaction: customers engage by making purchases and tracking points via app or store account.
Status Levels	No status levels; all customers receive rewards instantly.	Multiple status levels (e.g., Tier 1, Tier 2, Tier 3), with higher levels providing more rewards per currency unit spent.
Scope of Program	Available across all TFG brands with a single, standardized reward experience.	Points can be accumulated across purchases at TFG brands, encouraging loyalty across brands.
Customer Incentive Focus	Focus on providing memorable, tangible rewards instantly.	Focus on building points for higher value over time, benefiting high spenders with increased perks.
Challenges	May require significant logistical and inventory planning for instant rewards.	Complexity in managing multiple tiers and ensuring sufficient rewards for higher-tier members.

Source: Field Survey, 2024

The study focuses on two main loyalty programs: TFG Rewards & More (TFGRM) and My TFG World Rewards (MTFGWR). TFGRM offers immediate, personalized rewards through an interactive booth, engaging customers across TFG's brands with tangible rewards, enhancing customer experience. MTFGWR, in contrast, operates digitally, allowing customers to earn points for every purchase based on their status level, with higher tiers

offering more rewards. Both programs aim to foster long-term loyalty, but they differ in their mechanisms and customer engagement approaches.

The study also addresses challenges that hinder customer retention, considering how these programs interact with and overcome these barriers. The framework synthesizes theoretical, empirical, and contextual insights to investigate the relationship between loyalty programs and customer retention within TFG in Zambia (see figure 2).

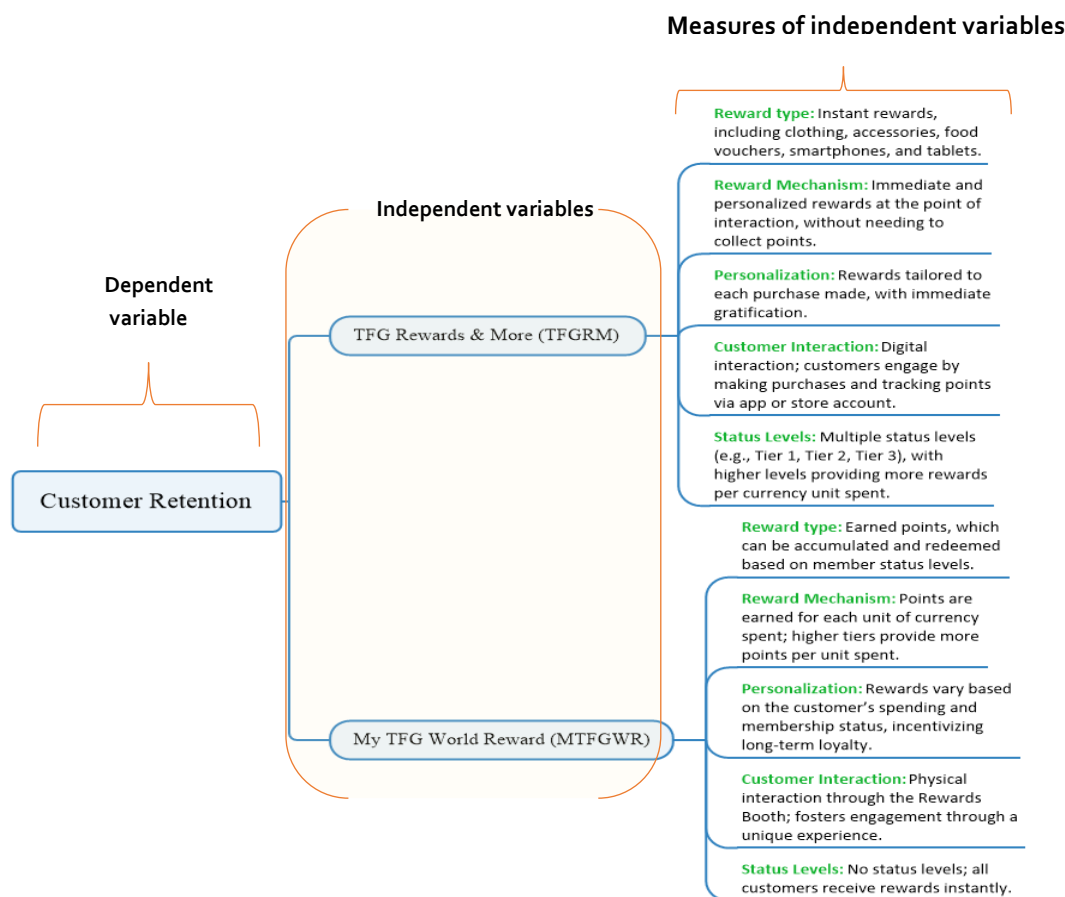


Figure 2.
Source: Author, 2024

Research Methodology

The research methodology of this study follows a positivist philosophy, focusing on the empirical investigation of the impact of loyalty programs on customer retention at The Foschini Group (TFG) in Zambia. This approach emphasizes objective analysis through systematic data collection and statistical analysis, to quantify relationships between loyalty programs and customer retention. The study adopts a deductive approach, beginning with established theories from existing literature and formulating hypotheses to test the effects of TFG's loyalty programs, such as TFG Rewards & More and My TFG World Reward, on customer retention. The methodology utilizes a quantitative approach, the research

utilized a structured questionnaire designed to capture quantitative data effectively. The questionnaire consisted of closed-ended questions and a Likert scale format, allowing respondents to express their level of agreement or satisfaction regarding various aspects of the loyalty programs. The questions were developed based on established theories and previous literature to ensure relevance and comprehensiveness. Prior to the main data collection, the structured questionnaire was pretested with a small sample of 15 participants, including both TFG customers and employees. This pretesting aimed to evaluate the clarity, relevance, and comprehensibility of the questions. Feedback from the pretest was used to refine the questionnaire, ensuring that the items effectively captured the intended constructs related to customer loyalty and retention.

The research design is a cross-sectional survey, capturing a snapshot of customer perceptions and loyalty program effectiveness within a specific timeframe (2024). The use of structured questionnaires ensures consistency and reliability in data collection, with the survey conducted at TFG shops in Manda Hill, Lusaka. The study employed a simple random sampling technique to ensure that every individual within the target population of approximately 200 customers and employees had an equal chance of being selected. This method enhances the representativeness of the sample, allowing for more generalizable findings. Participants were randomly chosen from a list of customers who had engaged with TFG's loyalty programs, ensuring a diverse range of perspectives.

Data is analyzed using SPSS, with techniques including descriptive statistics, frequencies, regression analysis, and correlations to explore the relationships between loyalty programs, customer retention, and business challenges.

The study focuses on primary data, collected through structured questionnaires, and secondary data, sourced from industry reports and literature. The sample size, calculated using the Yamane formula, is 133 participants, ensuring statistical reliability. Validity and reliability are ensured through careful design of the questionnaires and standardized measurement tools. Ethical considerations, including informed consent and voluntary participation, and confidentiality are upheld throughout the research process, ensuring the integrity and ethical soundness of the study. It is worth noting that this study did not involve interaction with animals or animal sacrifice.

Validity & Reliability Test

The reliability of the data, as measured by Cronbach's Alpha, was 0.720 across 28 items. This value suggests a strong level of internal consistency among the items. A Cronbach's Alpha value exceeding 0.7 is typically deemed acceptable, indicating that the items are highly correlated and effectively measure the same underlying construct. Therefore, the reliability analysis of this study shows that the items used exhibit good internal consistency, with a Cronbach's Alpha of 0.720. This confirms that the data collected is reliable and that the measurement instruments are consistent in evaluating the intended variables (see Table 1).

Table 3: Reliability test of data

Reliability Statistics	
Cronbach's Alpha	Number of Items
0.720	28

Source: Field Survey, 2024

Results and Discussion

The demographic analysis of the study presents a clear profile of the respondents across various attributes, providing insights into their characteristics. Regarding gender, the sample consisted of 41.1% females and 58.9% males, with males representing the majority. This distribution suggests a slightly higher male participation in the study, which could influence the interpretation of gender-related findings (see table 4).

In terms of age, the respondents were primarily young adults, with 33.6% falling within the 21-30 years age group, followed by 27.1% under 20 years old. The remaining respondents were more evenly distributed between the 31-40 years (23.4%) and those older than 41 years (15.9%). This indicates a youthful demographic, potentially reflecting the target audience of the study. The education levels of the respondents showed that most had attained at least a certificate (30.8%) or diploma (29.0%), with 20.6% having no formal education. Bachelor's degree holders made up 14%, while a smaller proportion had completed a master's degree (4.7%) or held a PhD (0.9%). This distribution suggests a relatively educated group, with a significant proportion having formal qualifications (see table 4). In terms of respondent type, there was almost an equal split between TFG Shop customers (51.4%) and employees (48.6%), indicating a balanced representation of both perspectives in the study. When it comes to average monthly income, a significant majority (84.1%) earned less than K10,000, while only a small proportion (12.1%) earned between K10,000 and K25,000. This indicates that most respondents were from lower-income brackets. Finally, the ethnicity breakdown shows that 67.3% of respondents were Black African, followed by 20.6% White, 11.2% Asian, and 0.9% Mixed race. The study also revealed varying frequencies of TFG Shop visits, with 38.3% visiting weekly and 25.2% visiting monthly, showing a regular customer base for the shop (see table 4).

Table 4: Demographic analysis

Demographics	Attribute	Frequency (N)	Percent (%)
Gender	Female	44	41.1
	Male	63	58.9
Age	Less than 20 years old	29	27.1
	21-30 years old		
	31-40 years old	36	33.6
	More than 41 years old	25	23.4
		17	15.9
Education	No formal education	22	20.6
	Certificate	33	30.8
	Diploma	31	29.0
	Bachelor's degree	15	14.0
	Master's degree	5	4.7
	PhD	1	.9
Type of respondent	TFG Shop Customer	55	51.4
	TFG Shop employee	52	48.6
Average Monthly income	Less than K10,000	90	84.1
	K10,000 - K25,000	13	12.1
	K25,001 - K50,000	1	.9
	K50,001 - K75,000	1	.9
	K75,001 - K100,000	1	.9
	More than K100,000	1	.9
Ethnicity	Black African	72	67.3
	White	22	20.6
	Asian	12	11.2
	Mixed race	1	.9
Frequency of TFG Shop Visits	Daily	11	10.3
	Weekly	41	38.3
	Monthly	27	25.2
	Occasionally	16	15.0
	Rarely	12	11.2

Source: Field Survey, 2024

Effect of the TFG Rewards & More (TFGRM) loyalty program on customer retention

In this study, responses were collected to assess customers' likelihood of continuing to shop at TFG stores as a result of the rewards provided through the TFG Rewards & More (TFGRM) loyalty program. The data were gathered from a sample size of 55 participants, with

responses ranging on a scale from 1.00 (indicating the lowest likelihood of continued shopping due to rewards) to 4.00 (the highest likelihood). The average response (mean) was found to be 2.29, suggesting that, on average, participants felt moderately inclined to continue shopping at TFG stores because of the rewards from TFGRM. The standard deviation of 1.23 indicates some variation in responses, showing that opinions on the effectiveness of the loyalty program varied among participants (see table 5). In this study, the average rating of 2.29 suggests a moderate influence of the TFGRM loyalty program on customer retention at TFG stores, with a noticeable range in customers' likelihood to continue shopping based on rewards alone. This result indicates that while some customers may find the rewards appealing enough to encourage repeat visits, others may feel less motivated to remain loyal to the brand solely due to the rewards offered (see table 5).

Table 5: Effect of rewards on customer retention

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
How likely are you to continue shopping at TFG stores due to the rewards offered through the TFGRM loyalty program?	55	1.00	4.00	2.2909	1.22735
Valid N (listwise)	55				

Source: Field Survey, 2024

Effect of TFGRM loyalty program on customer loyalty

This study examined customers' perceptions of the TFG Rewards & More (TFGRM) loyalty program in three areas: loyalty due to personalized rewards, satisfaction with reward variety, and overall satisfaction with TFG. On loyalty, responses to whether personalized rewards encourage brand loyalty ranged from 1.00 to 5.00, with an average score of 2.78, indicating moderate loyalty but significant variation among customers. Satisfaction with the variety of rewards had a mean of 2.47, showing moderate satisfaction and some differing opinions. Finally, the influence of TFGRM on overall satisfaction with TFG was assessed with an average score of 2.45, suggesting a moderate impact on satisfaction. The results indicate that while the TFGRM program offers some value, its influence on customer loyalty and overall satisfaction with TFG brands remains moderate. The variation in responses highlights that while some customers appreciate the program, its overall impact could be improved to better meet customer expectations (see table 6).

Table 6: Effect of TFGRM loyalty programme on customer retention

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Do you feel that the personalized rewards provided by TFGRM make you more inclined to remain loyal to TFG brands?	55	1.00	5.00	2.7818	1.35661
Are you satisfied with the variety of rewards available through the TFGRM loyalty program?	55	1.00	5.00	2.4727	1.19961
Do you believe that TFGRM has positively influenced your overall satisfaction with TFG as a retailer?	55	1.00	4.00	2.4545	1.19905
Valid N (listwise)	55				

Source: Field Survey, 2024

This study assessed various perceptions of the TFG Rewards & More (TFGRM) loyalty program in terms of customer retention, engagement, understanding, feedback, and likelihood of promotion by staff. The program was perceived as moderately effective in retaining customers and driving sales, with a mean score of 2.60, indicating room for improvement. Customer engagement and interaction at TFG stores showed a moderate impact, with a mean of 2.73, suggesting that engagement strategies could be enhanced. Understanding of the program's features was also moderate, with a mean score of 2.35, pointing to a need for better customer and staff education on its benefits. Customer feedback was generally positive, with a mean score of 2.88, reflecting a favourable impression of the program, though individual experiences varied. Respondents showed a high likelihood of promoting the program, with a mean score of 3.79, indicating strong support for its value. Overall, while the TFGRM program is seen as beneficial, further education and engagement strategies could enhance its impact on retention and customer satisfaction.

Table 7: Employee's perspectives on the effect of TFG loyalty programs on customer retention

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
How effective do you believe the TFGRM loyalty program is in retaining customers and driving sales at TFG stores?	52	1.00	4.00	2.5962	1.14206
Do you think that the TFGRM loyalty program has improved customer engagement and interaction at TFG stores?	52	1.00	5.00	2.7308	1.30031
How well do you understand the features and benefits of the TFGRM loyalty program?	52	1.00	5.00	2.3462	1.35595
Have you received positive feedback from customers regarding their experience with the TFGRM loyalty program?	52	1.00	5.00	2.8846	1.09641
How likely are you to actively promote the TFGRM loyalty program to customers during their shopping experience?	52	1.00	5.00	3.7885	.99679
Valid N (listwise)	52				

Source: Field Survey, 2024

Impact of the My TFG World Reward (MTFGWR) loyalty program on customer retention

This study used regression analysis to examine the impact of four independent variables on customers' decision to continue shopping at TFG stores, based on the My TFG World Rewards (MTFGWR) program. The variables assessed were satisfaction with rewards, frequency of benefit usage, perception of value for money, and likelihood of recommending the program to others. The model showed a strong correlation, with an R-squared value of 0.524, meaning 52.4% of the decision to continue shopping could be explained by these factors. The ANOVA results confirmed the model's statistical significance (F-statistic = 13.753, $p = 0.000$). Among the predictors, customer satisfaction with rewards had the strongest influence on shopping continuation (coefficient = 0.621, $p = 0.000$), followed by frequent use of program benefits (coefficient = 0.255, $p = 0.010$). However, the likelihood of recommending the program negatively impacted loyalty (coefficient = -0.294, $p = 0.008$), suggesting that recommending the program did not correlate with shopping decisions.

Perceived value for money was not a significant factor. These findings suggest that enhancing satisfaction with rewards and encouraging frequent benefit usage are key to improving customer retention in TFG stores (see table 8).

Table 8: The impact of My TFG World Rewards on customer retention

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.724 ^a	.524	.486	.83221		
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.099	4	9.525	13.753	.000 ^b
	Residual	34.628	50	.693		
	Total	72.727	54			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.027	.797		2.543	.014
	How likely are you to recommend the MTFGWR program to friends or family based on your experience with the rewards offered?	-.294	.106	-.276	-2.765	.008
	Do you perceive the MTFGWR program as providing value for the money spent on purchases at TFG stores?	-.056	.144	-.039	-.389	.699
	How often do you utilize the benefits offered through the MTFGWR program when making purchases at TFG stores?	.255	.096	.262	2.670	.010
	How satisfied are you with the rewards and benefits offered through the My TFG World Reward (MTFGWR) program?	.621	.091	.673	6.790	.000
a. Dependent Variable: To what extent has the MTFGWR program influenced your decision to continue shopping at TFG stores?						

Impact of TFG Rewards & More (TFGRM) loyalty program on customer retention

This study used regression analysis to examine the impact of various factors on customer loyalty to The Foschini Group (TFG) stores, influenced by the TFGRM loyalty program. The model revealed a moderately strong positive relationship ($R = 0.618$) between the

predictors and customer loyalty, explaining 38.2% of the variance in customer behavior (see table 9).

Table 9: Impact of TFG Rewards & More (TFGRM) loyalty program on customer retention

Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	
1	.724 ^a	.524	.486		.83221	
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.099	4	9.525	13.753	.000 ^b
	Residual	34.628	50	.693		
	Total	72.727	54			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.027	.797		2.543	.014
	How likely are you to recommend the MTFGWR program to friends or family based on your experience with the rewards offered?	-.294	.106	-.276	-2.765	.008
	Do you perceive the MTFGWR program as providing value for the money spent on purchases at TFG stores?	-.056	.144	-.039	-.389	.699
	How often do you utilize the benefits offered through the MTFGWR program when making purchases at TFG stores?	.255	.096	.262	2.670	.010
	How satisfied are you with the rewards and benefits offered through the My TFG World Reward (MTFGWR) program?	.621	.091	.673	6.790	.000
a. Dependent Variable: To what extent has the MTFGWR program influenced your decision to continue shopping at TFG stores?						

Source: Field Survey, 2024

The model was statistically significant, with an F-statistic of 7.722 and a p-value of 0.000. Key findings include that satisfaction with the variety of rewards available through the

TFGRM program was the most significant predictor of loyalty ($B = 0.562$, $p = 0.000$). This factor had a strong positive impact, suggesting customers value a diverse range of rewards. Additionally, the belief that the loyalty program positively influences overall satisfaction with TFG also contributed significantly to loyalty ($B = 0.377$, $p = 0.003$). Conversely, personalized rewards showed a negative but not statistically significant effect on loyalty ($B = -0.112$, $p = 0.295$), indicating they may not be a major driver of loyalty on their own. The likelihood of recommending the program also had a negative but significant effect ($B = -0.269$, $p = 0.039$), suggesting a complex relationship between recommendation and continued shopping behaviour. Therefore, the study highlights that a variety of rewards and overall satisfaction are crucial for customer loyalty. The limited impact of personalized rewards on loyalty raises important implications for TFG's loyalty strategy. It suggests that while personalization is often touted as a key element in enhancing customer experiences, it may not resonate as strongly with TFG's customer base in Zambia (see table 9).

Impact of the Benefits of TFG Rewards & More (TFGRM) loyalty program on customer retention

Furthermore, the regression analysis conducted in this study also reveals some important insights into the factors influencing customer retention within The Foschini Group's (TFG) Rewards & More (TFGRM) loyalty program. The results show that the model explains 35.6% of the variance in customer retention, indicating that factors like the perceived value of rewards, their influence on purchase decisions, and overall satisfaction with the program play significant roles in whether customers continue shopping at TFG stores. However, one of the key findings was the non-significant effect of overall satisfaction with the loyalty program ($B = 0.061$, $p = 0.580$), which has important implications (see table 10).

Table 10: Impact of the Benefits of TFG Rewards & More (TFGRM) loyalty program on customer retention

Model Summary							
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate		
1	.597 ^a	.356	.318		1.01362		
ANOVA ^a							
Model		Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	28.947	3	9.649	9.392	.000 ^b	
	Residual	52.398	51	1.027			
	Total	81.345	54				
Coefficients ^a							
Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig.
			B	Std. Error	Beta		
1	(Constant)		2.425	.563		4.310	.000
	Value Perception: How valuable do you perceive the rewards and benefits offered by The Foschini Group Shops' loyalty programs?		-.462	.111	-.475	-4.166	.000
	Influence on Purchase Decisions: To what extent do the rewards and benefits offered by The Foschini Group Shops' loyalty programs influence your decision to make purchases?		.361	.125	.325	2.887	.006
	Overall Satisfaction: How satisfied are you with the overall experience of participating in The Foschini Group Shops' loyalty programs?		.061	.109	.063	.557	.580
a. Dependent Variable: How likely are you to continue shopping at TFG stores due to the rewards offered through the TFGRM loyalty program?							

Source: Field Survey, 2024

Conclusion

Results relation to empirical literature

This study examines the impact of loyalty programs and business challenges on customer retention at The Foschini Group (TFG), with findings that align with existing global research on loyalty program effectiveness. The TFGRM program's impact on customer retention reflects findings from Khalil et al. (2018) and Lakshman and Faiz (2021), showing that

loyalty programs enhance retention, though specific components vary in effectiveness. Personalized rewards had a negative but insignificant effect on loyalty ($B = -0.112$, $p = 0.295$), contrary to Lakshman and Faiz's (2021) findings. However, satisfaction with reward variety ($B = 0.562$, $p = 0.000$) was a strong driver of loyalty, supporting Duleepa and Fazila's (2021) argument that diverse rewards boost retention. A negative relationship was found between the likelihood to recommend the program and loyalty ($B = -0.269$, $p = 0.039$), suggesting that some loyal customers might reduce purchase frequency after fully utilizing rewards, aligning with Miranda (2019). The perception that TFGRM enhances overall satisfaction ($B = 0.377$, $p = 0.003$) positively impacted loyalty, in line with Magatef and Tomalieh (2015). The MTFGWR program showed that satisfaction with rewards ($B = 0.621$, $p = 0.000$) and frequent benefit usage ($B = 0.255$, $p = 0.010$) significantly boosted loyalty, aligning with Linda (2017) and Duleepa and Fazila (2021). However, perceived value for money ($B = -0.056$, $p = 0.699$) did not significantly influence retention, contrasting with Khalil et al. (2018). External factors like inflation, power cuts, and economic decline moderately affected retention, consistent with Magatef and Tomalieh (2015) and Linda (2017). Despite these challenges, TFG's customer base showed resilience, aligning with Lakshman and Faiz (2021), suggesting that loyalty can withstand economic hardships.

Results in relation to the research conceptual framework

The regression analysis of the TFG Rewards & More (TFGRM) program showed that customer satisfaction with the variety of rewards had the most significant impact on customer loyalty ($B = 0.562$, $p = 0.000$). This aligns with the idea that diverse rewards drive loyalty, while personalized rewards had an insignificant negative effect ($B = -0.112$, $p = 0.295$). Interestingly, a negative relationship was found between the likelihood of recommending TFGRM and loyalty ($B = -0.269$, $p = 0.039$), possibly due to customers reaching a plateau in the program's benefits. The overall satisfaction with TFGRM also significantly influenced loyalty ($B = 0.377$, $p = 0.003$). For the My TFG World Reward (MTFGWR) program, satisfaction with rewards ($B = 0.621$, $p = 0.000$) was the most crucial predictor of customer retention, followed by frequent usage of benefits ($B = 0.255$, $p = 0.010$). However, perceived value for money showed no significant impact ($B = -0.056$, $p = 0.699$), indicating that customers prioritize reward quality over monetary value. Business challenges such as inflation and power cuts moderately affected customer retention, suggesting operational issues influence customer loyalty but are not major barriers (mean score 2.5192 and 2.3846) as shown in figure 3. In conclusion, both the TFG Rewards & More (TFGRM) and My TFG World Reward (MTFGWR) programs significantly contribute to customer retention, but through different mechanisms. For TFGRM, the variety of rewards plays a dominant role in maintaining customer loyalty, with satisfaction in the variety of rewards showing a strong positive relationship with continued shopping behaviour. For MTFGWR, customer satisfaction with rewards and frequent utilization of benefits are the key factors that encourage loyalty, whereas perceived value for money does not significantly impact customer retention.

Business challenges, while influential, appear to have a more moderate effect on customer retention. However, addressing operational challenges like power cuts, inflation, and competition may further strengthen TFG's position in retaining customers. In light of these findings, it is recommended that TFG continues to focus on offering diverse and appealing rewards across both loyalty programs and ensures that rewards are easily accessible to customers to maintain high levels of engagement and satisfaction. The model is statistically significant, with an F-value of 9.392 and a p-value of 0.000. The perceived value of rewards, surprisingly, has a negative impact on customer retention (Beta = -0.475, $p = 0.000$). This suggests that higher reward value expectations may not always lead to higher retention, possibly due to unmet expectations. In contrast, the influence of rewards on purchase decisions positively affects retention (Beta = 0.325, $p = 0.006$), showing that customers influenced by rewards are more likely to return. However, overall satisfaction with the loyalty program did not significantly impact retention (Beta = 0.063, $p = 0.580$), suggesting that satisfaction alone isn't enough to ensure loyalty. In conclusion, while perceived reward value and purchase decision influence customer retention, satisfaction alone does not. TFG should focus on aligning reward offerings with customer expectations and purchasing behaviour to enhance retention (see figure 3).

Recommendations

To enhance the effectiveness of its loyalty program, TFG should adopt a comprehensive approach by focusing on several key strategies. First, a detailed segmented customer analysis is crucial to identify distinct groups with varying preferences and behaviors, enabling the company to tailor its offerings to meet the specific needs of each segment, thereby increasing engagement and satisfaction. Alongside this, TFG should invest in enhanced personalization strategies, leveraging data analytics and machine learning algorithms to better predict customer needs and deliver more appealing, personalized rewards. To encourage frequent program participation, TFG should implement regular engagement initiatives, such as targeted reminders, gamification elements, and incentives, which will foster stronger connections with customers. Transparent communication about the benefits and updates to the loyalty program, particularly in light of challenges like inflation, is also essential to maintaining customer trust. Furthermore, investment in technology, such as mobile apps, can streamline the customer journey and provide easy access to rewards. Before fully launching new features, TFG should conduct pilot tests to gather feedback and refine the program. Finally, exploring collaborations with other retailers could create joint loyalty programs that offer added value, increase customer retention, and foster a sense of community. These strategies combined will help TFG create a more dynamic and customer-centric loyalty program.

Limitations of the Study

The study on TFG's loyalty program presents several limitations that could impact the generalizability and depth of the findings. First, the sample size was limited to customers

within TFG's primary market, which may not accurately represent the broader, more diverse customer base in other regions with varying cultural and economic contexts. Future research should aim to include a larger and more diverse sample to ensure the results are more generalizable. Additionally, the reliance on self-reported data through surveys introduces potential biases, such as social desirability bias or misinterpretation of questions. To mitigate this, future studies could incorporate mixed methods, combining qualitative interviews with quantitative surveys to provide deeper insights into customer attitudes and behaviours. The study's cross-sectional design also limits the understanding of how loyalty evolves, as it captures customer behaviour at a single point. Longitudinal studies should be conducted to track changes in customer loyalty and satisfaction, particularly in response to external factors or shifts in loyalty program features. Moreover, while the study focused on specific aspects of TFG's loyalty programs, it did not explore competitor programs or overall brand loyalty in depth. Future research could include comparative analyses to identify best practices and areas for improvement. Lastly, the study did not fully account for the influence of external economic factors, such as inflation and market competition, on customer loyalty. Considering these variables in future research would provide a more comprehensive understanding of the factors influencing customer retention.

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