



## WHY CUSTOMER LOYALTY IS IMPORTANT FOR YOUR BUSINESS

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### Abstract

Using this essay, it is possible to discuss the topic of the relevance of such corporate values as client loyalty in today's competitive business environment and the impact on long term efficiency of the business. In this qualitative work, and by considering secondary data collected from; The study examines the overall significant factors that define consumer loyalty focusing on loyalty programmes, customer satisfaction, customer trust and services quality. Some of the wonderful findings of the study include customer satisfaction increases returns, patronage, and word-of-mouth communication regarding a business firm's products or services. This is because good service as well as trust help to build long term relationship between clients and the business. Also, this study will look at the concept of loyalty programs and how they assist firms in maintaining their customers. These programs are cost effective one for the business to retain its clients as these programs promise and offer them better deals and attractive discounts. Customer acquisition is costly compared to customer retention. However, as will be discussed in the study, there can be some challenges that companies face. For example, being too obsessed with devoted clients may lead to the formation of complacent and failure of businesses to innovate. This is because it is easy for the loyal clients to switch to the competitor another channel that offers the clients better deals. Thus, the focus of the study is to understate the fact that for trade to thrive and grow, consumer allegiance is key. Customer loyalty spanning a long period therefore puts businesses to task particularly through adjusting and ensuring that their products and services meet customers demands.

**Keywords:** Customer loyalty, Customer satisfaction, Trust, Loyalty programs, Retention strategies, Business sustainability





## Introduction

In this present world of cut throat competition, retaining the clients is as important as acquiring new clients. In terms of organizational sustainability, it becomes a major requirement that customer loyalty is central to long-term success for different forms of ventures. Essentially, it means that a customer is committed to brand or business and this often manifests as customers defending a brand, returning customer and healthy partnership between the customer and the organization. Customer loyalty as understood by Villas-Boas (2004) is a level of commitment a customer has towards the business goods or services even under the influence of competitors' influence. Many researchers have all pointed that some variables, including perceived brand value, trust, the quality of service, and perceived product satisfaction affect consumer loyalty to a particular brand.(Chiou & Cornelia, 2002; Parasuraman & Grewal, 2000). Business organizations that focus on these factors always stand to gain a competitive advantage in the market besides enjoying the loyalty of customers. Furthermore, building customer loyalty as a strategy for sustaining high income and probable expansion for a business in the long run becomes a critical strategy in a market that may cost more to attract new clients than to retain existing ones (Alabay, 2012).

### 2.1 Research hypothesis

"Improving satisfaction with goods, reliability of service, trust, and perceived value increases customer loyalty and company development."

## Literature Review

**3.1 :** This thesis is designed to focus on analyzing consumer loyalty and discussing how the companies might enhance this factor. Customer loyalty is defined as the rational and emotive determinant that ensures that the customer select and continue to re-buy the same brand rather than select from the competitor. This loyalty is demonstrated where the customers repeatedly choose a certain brand despite availability of many brands. Increased purchases, more usage, and positive affective connection with the brand support this devotion. It is also critical for the success and the growth of business to retain customers. Customers come through referrals and positive recommendations are crucial for making money and attracting strangers. Since client loyalty is one of the techniques which have been found to have a correlation to profitability, organizations need to champion it. The thesis also focuses on the analysis of Customer loyalty programs which help to attract constant customers and provide for their repeat patronage. Hence, utilisation of loyalty programs is a good strategy because it is a lot cheaper to retain customers than to acquire new ones. It is





a known fact that customers have to be kept loyal through provision of better quality products, favourable prices and attractive loyalty programs. The other equation is customer happiness since unhappy consumers will not patronize the company's products again. In a bid to achieve a loyal base of clients, this thesis will establish how companies can increase the satisfaction level of consumers.

**3.2 :** Consumer loyalty has grown to be an important consideration for companies, especially in the cutthroat market of today when goods and services frequently share characteristics. Customers that are happy are more likely to make repeat purchases, which is why Parasuraman and Grewal (2000) claim that customer pleasure is crucial in building loyalty. A favorable customer experience raises the possibility of retention, which supports long-term company performance, according to their research. client loyalty, according to Lam et al. (2004), is also impacted by the value that the client perceives, which includes elements like pricing, quality, and service. Businesses that provide better value, they contend, have a higher chance of keeping clients over time. By providing incentives for recurring business, loyalty programs can also aid in improving client retention, according to the study.

The cost of obtaining new clients is far higher than that of keeping current ones, as Reichheld (2003) points out. Therefore, loyalty programs not only keep customers coming back, but they also save marketing expenses, which makes it more economical for companies to concentrate on their existing clientele.

Furthermore, relationship marketing, which emphasizes creating enduring bonds with clients, has a big influence on client loyalty, according to Berry (1983). Long-lasting customer loyalty is more likely to develop for businesses that establish trust and interact with clients on a regular basis since this emotional connection promotes repeat business.

**3.3:** Customer retention, customer loyalty and customer satisfaction are the keys to business success. Studies have shown great correlation between customers' satisfaction and its influence on the profitability of a firm's business because loyal customers recommend the brand to others and will buy more. Customer retention breeds loyalty and ultimately decreases the cost of acquisition and results in high retention rates. Loyal customers are a key to the long-term performance of a firm and research has shown that customer satisfaction heavily influences customer loyalty. Besides, loyal customers are willing to refer other individuals to the company making it have a better image within the market and, in the process, reducing the expenses needed to attract customers. Through putting customer satisfaction and retention, the organisations may enhance the rates of repeated clients, minimise danmark attrition levels, and foster guaranteed revenue. As such, it is cheaper to keep current consumers





than constantly and tirelessly looking for new ones in the overcrowded market. In any case, customer delight, satisfaction, and customer retention should always be the inherent organizational goal if sustainable business profitability and growth is to be the strategic business focus of any business.

**3.4:** They also establish that the quality of e-services is an important determinant of customer loyalty among online shoppers. Several factors, which relate to recreation of the user interface, user interface design, and the ability of the website to respond to the needs of the client can form the basis of satisfaction and hence client loyalty. The specific positive customer perspectives incline and behavior that flows from high e-service quality suggests that customers will likely use an e-commerce platform for further transactions. There is also another factor that greatly influences the e-commerce client loyalty, which is trust. Because consumers cannot touch what they are buying or even communicate with the salesperson, trust reduces the perceived risks of online purchase. Repeat business consumers have faith in an online platform. Trust is the reason for creating a long-term relationship with a client in the Internet environment, while the link between loyalty and the satisfaction of the customer is facilitated by trust. Using measurement of customer satisfaction it is established that customer loyalty and trust are mediated by the quality of e-services. Positive consumer emotions make them loyal to a particular e-commerce platform as positive emotions support the attachment to it. Customer satisfaction enhances the mediation of the relationship between trust and service quality on customer loyalty in addition to being an objective manifestation of trust and service quality. The tailor quality, credible and contented e-services possess a unique significance on the 'millennium generation', the key sector of e-tailing. Such formations may embrace the present generation of buyers, which prefers clear, efficient services and does not want to worry about the methods used. These factors are critical in the current business markets especially for those organizations interested in servicing the millennial customers to achieve long-run customer relationships and loyalty..

**3.5:** Client loyalty, especially green loyalty, is now a challenge, as it is made worse by the banking industry's homogenization. CSR which is defined under the social and environmental Theoretical framework can be referred to as effort for enhancing customer loyalty. The impact of CSR on green customer loyalty in banking though, still remains undiscovered with certain accuracy. This link is moderated by co-creation, whereby consumers have an active role in their actuators creating goods and services, by engaging consumers on CSR programs. Other activities such as green banking products, further amplifies the CSR influence on customer loyalty by attracting more ecologically enlightened customers.





**3.6:** This paper therefore is aimed at finding the relationship between and the effect of CRM and brand recognition on customer loyalty within SMEs to establish whether their ability to retain customers is a key driver of their success. CRM enhances loyalty because it helps companies to build strong, sustainable relationship with their customers. Customers are always pleased to purchase from established companies since that mean their loyalty has boosted a company's reputation. There is also increased trust improved by a positive corporate image. This research establishes that CRM has a positive impact in enhancing company reputation with customer satisfaction acting as a mediator between CRM and loyalty. CRM has been seen to improve the client satisfaction, a company's image, and customer loyalty. In such challenging market conditions, there is still other important area for the SMEs to focus such as internal trust, marketing and public relations so as to improve the organizational image and customer satisfaction to will lead to loyalty.

### **Problem Statement**

In light of massive advertisement costs and door opening to new clients, this work aims to examine the challenges that firms face in the retention of clients. This is specifically why while looking for new customers it is actually crucial how many clients remain loyal to your company. The challenge is that it becomes very hard for firms to understand the factors that help in building customer loyalty and how to sustain a loyal customer base effectively. Lack of such a plan to foster loyalty makes the business vulnerable to customers' attrition, expenditure on advertising that rises while market competitiveness is eroded. This paper discusses why client loyalty is important and how firms can implement the concept of retention and growth strategy.

### **Research Questions**

- What are the main elements that influence consumer loyalty in cutthroat markets?
- What impact does client loyalty have on a company's long-term growth and profitability?
- What tactics may companies use in very competitive markets to increase client loyalty and lower attrition?

### **Purpose of the study**

The purpose of this research is to establish the utility of client loyalty in today's closely contested environment and its ability to underpin long-term organisational prosperity. Customer retention turns into one of the key strategies that can be used to





ensure market profitability and its growth because acquiring a new client is often more expensive than retaining an existing one. The purpose of the study is to investigate the primary drivers of consumer loyalty which area perceived brand value, trust, service quality and perceived product satisfaction. These aspects are very essential when is building loyal customers not only those who frequently purchase organizational products or services, but also those who actively advertise it and for this reason, create a strong and reliable relationship with the organization. This research will also examine ways in which, maintaining the long-term customer relationships and reducing customer churn could provide competitive advantages for companies. In this respect, it is the intention of the study, in light of a review of the literature and analysis of several case studies, to understand how customer loyalty impacts directly on market share, profit, and customer lifetime value. Besides, it will also discuss the technique of how firms could leverage client loyalty as a platform for going to Hawaii competitive annuity environments, entrenching their position and realizing sustainable business stratification. Also, this research will explore concrete methods with which the firms can apply in an attempt to create customer loyalty. It will also emphasise on how buyers are benefited through customer value creation, gaining customer trust and achieving customer perceived value. Finally, the research seeks to help businesses enhance their customer loyalty management systems, further customer satisfaction, and formulate a long-term viable business model as more organisations establish themselves in the emerging competitive marketplace segmented and diverse consumer market. Thus, it will help to advance the knowledge about the role of the customer loyalty in achieving business sustainability.

Further, this study will discuss other practical strategies that organisations should employ in building client loyalty. The best practices in stating customer experiences, customer trust and perceived value which will be of interest to the customers will be discussed. Lastly, the work aims at advising companies on how to enhance the established customer relations, strengthen their loyalty, and develop sustainable competitiveness strategy in the constantly growing and intensifying market. This will further the understanding of how consumer loyalty drives organisational sustainable profitability.

### **Research Methods**

For the purpose of collecting secondary data, I used case study and reviewed all the relevant literature. I consumed books, industry reports and journals that have discussed issues to do with retention strategies, consumer loyalty and performance of companies. Some civil articles used in the work include articles from other databases





such as JSTOR and Google Scholar. But more than that, this evaluation assisted in the analysis and interpretation of the primary data concerning the link between customer loyalty and sustainable profitability. I focused on the concepts of companies that practice customer loyalty issues that work in the market. The following case examples highlighted how firms in various industries can apply loyalty strategies for the retention of customers and earn competitive advantage. The outcomes proved that the loyalty programs had the real benefits like the increased consumer satisfaction and the swift growth of the company. Besides the core data for the support of the proposition, these second data sources were also useful to illustrate the importance of the customer loyalty for the company success.

### **Findings**

The principal aim of the study was to identify significant themes and trends within the data set, particularly with regard to the following points of interest: the factors that affect customer loyalty, the implications of the concepts for business sustainability, and ways in which organizations may increase customer loyalty. Concerning secondary sources, I followed thematical analysis in order to look for more reccuring patterns and links. Several significant revelations were made by the secondary data: - Customer satisfaction's role: Customer satisfaction has been stressed in the literature as the most critical factor affecting loyalty in customer. Chiou & Cornelia and Parasuraman & Grewal both agreed that satisfaction is a key reason why consumers continue with a product or service and one that will generically promote the brand. - Trust and Service Quality: The two most effective aspects of trust in regard to the clients were among some of the most powerful and important subjects that were ever discussed to other people while thinking about building loyalty to the company. Villas-Boas (2004) posits that customer loyalty and the amount of trust a customer has in a business are compatible terms. Most users will not go elsewhere seeking services or products, especially from establishments that continuously deliver good service and prove themselves to be reliable and transparent for business. - Business Sustainability and Loyalty Programs: Several examples were illustrated to show how effective loyalty programs are in maintaining clients. Thus, focusing on customer relationships as the main marketing strategy helped companies maintaining high and stable customer relations, and as a consequence, sales growth and business stability in the long term. Basically, many companies effected to develop the innovative methods in order to build solid and successful customer relations in terms of loyalty programs, rewards, etc in order to appreciate loyal consumers.





### **Positive Perceptions**

Since customer loyalty leads to long-term relations with customers, this type of loyalty is always considered beneficial. Because the existing clients are more likely to patronize the business a again, other revenues may be more predictable or regular. In the same manner, they are more likely to recommend the particular brand, which in return create word-of-mouth sales. If well adopted, loyalty programs should enhance consumer delight by offering a way and/or making it easy to reward customer loyalty which will enhance the loyalty of the client even more. Because it is often cheaper to deal with customers who have already made a purchase than to acquire new ones, this is considered as cost efficient way of long-term development.

### **Negative Perceptions**

But some negative attitudes towards customer loyalty relate to the fact that companies may fail to attract new customers paying too much attention to their regular ones. A slow and lackadaisical consumer base may be the consequence. Some customers may find it is simply too good to be true and that they are just being manipulated or that the loyalty programs are not worth the effort to join. In some cases brand loyalty may also be fragile; those loyal consumers may switch brands the moment there is a competitor with a better brand. Consumer aversion may also be a probable consequence of firms that heavily rely on the concept of loyalty and fail to improve the quality of their products or services. Suggested improvements: Companies need to enhance customer experience and the collection of feedback in order to achieve increased customer allegiance among the different forms of businesses. Since credible service and reliable information are the key factors contributing to the retention of a valuable customer base, relations of trust between the contractor and the recipient are also paramount. Loyalty programs should also be tailored in regards to customer preferences using collected data in order to offer, for example, better rewards. Finally, since customer retention is cheaper than customer acquisition, organisations should make it their top priority. Discounting existing consumers optimum solution is more likely to make them loyal while at the same time reducing marketing expenses.

### **Overall Santiment:**

The main reason customer loyalty is viewed in a positive manner is because it is accepted that it is a crucial determinant of sustained organizational success. Many researchers have found that existing customers are very important in determining a firm's performance and profitability. For example, a Harvard Business Review study revealed that the ability to retain a client can lead to profitability increase by between





25% and 95% if the organization is able to improve the percentage of its clients by only 5%. This post is an example of how the financial value of client loyalty is created through cultivation. Also, research has suggested that repeat business is cheaper than a new business since mere\_frequency/trial/custom patronage cost is cheaper than acquiring a new consumer cost. Setting up Frederick Reichheld of Bain & Company, it is factual that various researches he conducted shown that what may cost between five and seven times more expensive to get new clients as compared to retaining old ones. This makes customer retention strategies and loyalty programs not just beneficial but compulsory for firms resulting to sustainable future business. However, given the dynamic nature of the consumer needs and wants and competitors offering superior services and or products, some organizations find it very difficult to retain customers. According to Accenture cross generational consumer research 66% was found to have switched brands in the last 12 months due to poor customer service or availability of better alternatives. But even where loyalty is still a strength, firms have to look for new strategies with which to generate goodwill among their target market.

### **Summary of Findings**

The findings of secondary data analysis also highlight just how critical client loyalty is for a firm. These are factors of loyalty since they comprise the aspects of customer happiness, their trust and realization of good service from a certain brand. As researches show it is cheaper to maintain a clients rather than acquire new ones as the companies who serve loyal customers are more profitable. Credible client loyalty programs are very useful when it comes to retaining the customers and especially when it is a tailored program. To maintain customer loyalty, firms have, on the other hand, to continuously set and implement new strategies on how to improve their products since competition is ever around the corner waiting to lure loyal customers away with better deals. All in all, it can be concluded that the innate factors for long term business development and sustainability are the client retention.

### **Conclusion**

Therefor, for firms in the different industries, it is necessary to be customer-retentive if business success and longevity are to be achieved at the end of the day. Secondary data analysis clearly points out that happy and committed consumers generate repeat patronage, minimal market communication costs, and consistent profitability. Elements such as trust, service delivery, and value addition through timely and appropriate attention to clients' needs are mostly responsible for loyalty. Companies that prioritize these elements tend to increase customers' attention, to achieve lower





costs of acquisition, as well as, high rates of customer loyalty. The presented element of customization by choice of the best gifts prepares loyal programs and continuously enhances customer devotion, and thus brand development.

However, the results also reveal the challenges that organisations face while trying to maintain customers. Consumer might easily start turning to other brands that are offering them better experiences or offers; to sustain brand loyalty in this fiercely competitive environment notes that the role of ongoing product innovation, quality service delivery, and clients' needs response have remained critical. Client loyalty still remains important for business success but organizations should not relax. They know that long-term sustainable growth and profitability hinge on their ability to exploit, converse with, respond, adhere to, strengthen and deliver dependable, positive relationships with these consumers.<sup>1</sup> This paper has suggested one for further research the difficulties companies have retaining customers. In a market that is becoming more and more competitive, consumers might easily go to other brands that provide better experiences or offers In order to maintain customer loyalty, this emphasizes the significance of consistent innovation, high-quality service, and responsiveness to client needs. Business success is still greatly influenced by client loyalty, but organizations shouldn't get comfortable. Long-term sustainable growth and profitability depend on them being able to actively interact with their consumers, adjust to shifting expectations, and uphold solid, trusting relationships.

### **Suggestion for future research**

Subsequent research about the consumer loyalty should explore different impact of digital revolution including social media and e-commerce. Studies could look at how these rewards are employed and whether the public responds favorably to them in disparate sectors, for instance, the retail and accommodation sector. Another area of research could be in examining love, which consumers have towards particular businesses, and how that impacts the loyalty, with time. Research can also focus evaluating the impact of culture on consumer loyalty in the certain regions and how it can be altered by the companies. Finally, the findings of studying how competition influences consumers' behavior will assist firms in preserving their customers.

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