



(RESEARCH ARTICLE)



## The effectiveness of loyalty programs on consumer retention and satisfaction in telecommunication companies in Nigeria

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### Abstract

This study examined “the effectiveness of loyalty programs on consumer retention and satisfaction in telecommunication companies in Nigeria”. Methodology: Relevant data were drawn from sixty (60) selected staff of MTN in Ikeja Lagos, using a well-structured questionnaire. The result of the findings revealed that there is an effect of Loyalty Programs on Consumer Retention in telecommunication company in Nigeria, there is effect of Loyalty Programs on Consumer Satisfaction in telecommunication company in Nigeria and finally there is a relationship between consumer retention and satisfaction in telecommunication company in Nigeria. Study conclusion and policy recommendations: The study concluded that the effectiveness of loyalty programs in consumer retention and satisfaction within Nigeria's telecommunication sector can be viewed as a vital strategy for enhancing customer loyalty. These programs serve to build stronger emotional connections between consumers and service providers, fostering a sense of appreciation and value. It is therefore recommended by the study that telecommunication network providers such as Mobile Telephone Network (MTN) should consistently search for and improve on customers' satisfaction factors to continually attract and retain their valuable customers.

**Keywords:** Consumer Retention; Consumer Satisfaction; Loyalty Programs; Telecommunication Companies; Mobile Telephone Network (MTN)

### 1. Introduction

Most businesses find it difficult to hold onto their current clientele for an extended amount of time due to intense competition and the abundance of alternative options available for customers to choose from when choosing a service or product provide (Feliz & Maggi, 2019; Fritsch & Changoluisa, 2017). This scenario of increased competition is true for many industries including telecommunication sector (Kumar et al., 2017;). Many telecommunication companies are aware of the importance of loyalty programs for their core business strategy in today's competitive market to retain customers and achieving consumer satisfaction (Kim et al., 2013). Nevertheless, frequent interaction between the service provider and customers are necessary due to influence from internal and external factors that impacted customers' expectation, and behaviors differ over the time to retain the existing customer (Ali & Ali, 2018). A loyalty program is a part of a marketing strategy that seeks to maintain long-lasting relationships with customers in order to increase profitability. Small and large corporate organizations typically utilize loyalty programs to help forecast future improvement initiatives. The loyalty program places a strong emphasis on easily customizable services and goods that may be successfully sold to customers' requirements and desires (Kim, 2019; Koo et al., 2020).

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The telecommunication industry is the one of the largest industries in Nigeria which contributes significantly to the Nigerian GDP. The telecommunication industry contributes 14.5 4% to the Nigerian GDP (NAP, 2020). The telecommunication industry in Nigeria primarily serves domestic demand (The STAR, 2016). On the other hand, the level of customer satisfaction for Nigerian service providers had dropped significantly to the below mass market average directly impacting customer retention (Power, 2019). This adverse impact is mainly due to customers spreading the lousy quality service they encountered in the past (Khadka & Maharjan, 2017). There are many ways to formulate loyalty programs. A typical approach uses platinum, gold, and silver tiers, typically based on purchase volumes (Ray, 2015). For example, in Nigeria, Fifty-seven percent of Nigerian telecom reward consumers for a range of engagement behaviors. Some other examples are offering discounts, resale assistance, free services, etc. Although there are several loyalty programs, most of them are dormant. The main causes of this include loyalty programs' inflexible incentive structures, low-quality customer support, and irrelevant rewards (Hua et al., 2018; Shulga & Tanford, 2018). According to a poll and social media analysis, almost 50% of customers acknowledged that they had stopped participating in at least one loyalty program. In light of the circumstances, it should be mentioned that the majority of loyalty programs have hitherto been underutilized and ineffectual (Barton & Raiborn, 2019). Customer retention is influenced by a lot of different factors, therefore loyalty programs might not play a bigger part in keeping customers. client happiness is one of these key concerns, as it is a significant precondition for client loyalty or retention (Furaida et al., 2018; Opusunju et al., 2017). Even with loyalty programs in place, marketers must be aware of how dissatisfied customers may impact client retention (Lee et al., 2019). Furthermore, good client retention may result from a strong brand association. Therefore, another crucial factor to take into account in these situations is the function of loyalty programs and their efficacy. Otherwise, it might be expensive for businesses to create several loyalty programs that don't result in increased customer retention due to these other variables (Bijmolt & Verhoef, 2017).

Due to the fiercely competitive industry and the wide range of services available to consumers, the market approach changed from being product-centric to being customer-centric; as a result, marketing strategy now prioritizes growing a sustainable business and improving customer happiness (Manzoor & Shaikh, 2016). Agus (2019) claimed that in order to keep current customers and win their loyalty, a business should meet and surpass their needs and expectations. Customers' attitudes, feelings, and motivations for purchasing a product may be influenced by brand associations, which also help businesses stand out in the marketplace (Poudel, 2019). Marketers should keep researching the factors that influence consumers' decisions and are constantly changing in order to help automotive companies retain and attract new customers (Boakye et al., 2017). Brand association is considered an inseparable part of marketing strategies by a company to build a reputable brand that could influence the decision making by clients and creates key competencies (Ferdiawan et al., 2018; Severi & Ling, 2013). However, companies in the telecommunications sector cannot maintain their profitability by solely relying on the providing services without offering some sort of loyalty programs to keep clients and boost turnover (Ayed, 2019). Choosing a trustworthy brand, which encompasses both internal and external aspects, may require a lengthy cognitive process from the consumer. incredibly intricate items (Furaida et al., 2018; Souiden et al., 2011). A brand that might expand into several regions as a result of consumer demand and heightened trust from devoted customers, which could raise customer retention rates (Agus, 2019; Chen, 2015; Sari et al., 2018). In the past, many kinds of researches had examined the effect of a loyalty program, customer satisfaction, and customer retention in the telecommunication industry in the world (Ayed, 2019). In Nigeria, loyalty related research also received special attention (Furaida et al., 2018). There were also numbers of researches conducted related to the effectiveness of customer loyalty program (Ayed, 2019). Despite this wealth of research, scant attention is received in the past to examine the effect of loyalty program customer retention and customer satisfaction in the Nigerian Telecommunication industry.

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## 2. Methodology

In this study, structured questionnaire serves as useful guide to the effort of generating data for this study. The research used descriptive survey design as the strategy or plan of action regarding events which upon implementation will enable the researcher to investigate the problem of this study. The study was designed in a systematic process of providing answer to the research questions and research objectives. The population of study comprised of selected staff from Mobile Telecommunication Network (MTN) in Lagos. Simple random sampling method was greatly employed owing to its effectiveness in eliminating biasness and that it offers a better representation of the population. As a result of the inability of the researcher to effectively study the whole organization under study, a representative number of sixty (60) respondents was chosen as the sample size population. sixty (60) and were used as the sample size. The descriptive and quantitative statistical method of data analysis were used to analyze the study of this research. The descriptive statistical method involved the use of tables and frequency distribution.

### 3. Data analysis, findings and discussion

**Table 1** Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	35	58.3	58.3	58.3
	FEMALE	25	41.7	41.7	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025

Table 1 above shows the gender distribution of the respondents used for this study. 35 respondents which represent 58.3 percent of the population are male while the remaining 25 respondents which represent 41.7 percent of the population are female

**Table 2** Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	15-20 YEARS	20	33.3	33.3	33.3
	21-30 YEARS	18	30.0	30.0	63.3
	31-40 YEARS	9	15.0	15.0	78.3
	41-50 YEARS	8	13.3	13.3	91.7
	ABOVE 50 YEARS	5	8.3	8.3	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025

Table 2: Above shows the age grade of the respondents used for this study

20 respondents which represent 33.3 percent of the population are between the ages of 15-20 years.18 respondents which represent 30.0 percent of the population are between 21-30years.9 respondents which represent 15.0 percent of the population are between 31-40years.8 respondents which represent 13.0 percent of the population are between 41-50years.5 respondents which represent 8 percent of the population are above 50years.

**Table 3** Marital Status of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SINGLE	35	58.3	58.3	58.3
	MARRIED	13	21.7	21.7	80.0
	DIVORCED	7	11.7	11.7	91.7
	WIDOWED	5	8.3	8.3	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025

Table 3: Above shows the marital status of respondents used for the survey. 35 respondents representing 58.3 percent of the population are single.13 respondents representing 22.0 percent of the population are married.7 respondents representing 12 percent of the population are divorced while 5 respondents representing 8 percent of the population are widowed.

**Table 4** Loyalty Programs help to keep and encourage Customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	25	41.7	41.7	41.7
	Agree	15	25.0	25.0	66.7
	Disagree	11	18.3	18.3	85.0
	Strongly Disagree	9	15.0	15.0	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025

Table 4 above show the response of respondents that loyalty programs help to keep and encourage customers. 25 respondents representing 42.0 percent strongly agree that loyalty programs help to keep and encourage customers. 15 respondents representing 25.0 percent agree that Loyalty programs help to keep and encourage customers.

**Table 5** Loyalty Programs include offering discount to returning Clients and Customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	28	46.7	46.7	46.7
	Agree	16	26.7	26.7	73.3
	Disagree	10	16.7	16.7	90.0
	Strongly Disagree	6	10.0	10.0	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025.

Table 5 shows the responses of respondents that the loyalty programs include offering discount to returning clients and customers. 28 respondents representing 46.7 percent strongly agree that the loyalty programs include offering discount to returning clients and customers. 16 respondents representing 26.7 percent agree that the loyalty programs include offering discount to returning clients and customers.

**Table 6** Rewarding Customers with Bonanzas and Gifts is an Instrument to Improve Consumer Retention

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	27	45.0	45.0	45.0
	Agree	15	25.0	25.0	70.0
	Disagree	8	13.3	13.3	83.3
	Strongly disagree	10	16.7	16.7	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025.

Table 6 and figure 4.6 shows the responses of respondents that rewarding customers with bonanzas and gifts is an instrument to improve consumer retention. 27 respondents representing 45.0 percent strongly agree that rewarding customers with bonanzas and gifts is an instrument to improve consumer retention. 15 respondents representing 25.0 percent agree that rewarding customers with bonanzas and gifts is an instrument to improve consumer retention.

**Table 7** Loyalty Programs provide Telecom Companies with Valuable Data on Customer Preferences

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	29	48.3	48.3	48.3
	Agree	14	23.3	23.3	71.7
	Disagree	10	16.7	16.7	88.3
	Strongly disagree	7	11.7	11.7	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025

Table 7 shows the responses of respondents that loyalty programs provide telecom companies with valuable data on customer preferences. 29 respondents representing 48.0 percent strongly agree that loyalty programs provide telecom companies with valuable data on customer preferences. 14 respondents representing 23.3 percent agree that loyalty programs provide telecom companies with valuable data on customer preferences.

**Table 8** Loyalty Programs in Telecommunication helps to improve Consumer Satisfaction towards a particular product

		Frequency	Percent	Valid Percent
Valid	Strongly agree	30	50.0	50.0
	Agree	12	20.0	20.0
	Disagree	12	20.0	20.0
	Strongly disagree	6	10.0	10.0
	Total	60	100.0	100.0

Source: Field survey, January, 2025.

Table 8 shows the responses of respondents that Loyalty programs in telecommunication helps to improve consumers satisfaction towards a particular product. 30 respondents representing 50.0 percent strongly agree that loyalty programs in telecommunication helps to improve consumers satisfaction towards a particular product. 12 respondents representing 20.0 percent agree that loyalty programs in telecommunication helps to improve consumers satisfaction towards a particular product.

**Table 9** Loyalty Programs helps to improve a sense of Reliability among Consumers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	32	53.3	53.3	53.3
	Agree	13	21.7	21.7	75.0
	Disagree	8	13.3	13.3	88.3
	Strongly disagree	7	11.7	11.7	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025.

Table 9 shows the responses of respondents that loyalty programs help to improve sense of reliability among consumers. 32 respondents representing 53.3 percent strongly agree that loyalty programs help to improve sense of reliability among consumers. 13 respondents representing 21.7 percent agree that loyalty programs help to improve a sense of reliability among consumers.

**Table 10** Loyalty Programs improves Consumers' Loyalty towards a Brand

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	30	50.0	50.0	50.0
	Agree	14	23.3	23.3	73.3
	Disagree	11	18.3	18.3	91.7
	Strongly disagree	5	8.3	8.3	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025.

Table 10 shows the responses of respondents that loyalty programs improve consumers' loyalty towards a brand. 30 respondents representing 50.0 percent strongly agree that loyalty programs improve consumers loyalty towards a brand. 14 respondents representing 23.3 percent agree that loyalty programs improve consumers loyalty towards a brand.

**Table 11** Loyalty Programs help to build Trust among Consumers and Service Providers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	29	48.3	48.3	48.3
	Agree	17	28.3	28.3	76.7
	Disagree	8	13.3	13.3	90.0
	Strongly disagree	6	10.0	10.0	100.0
	Total	60	100.0	100.0	

Source: Field survey, January, 2025.

Table 11 and figure 4.11 shows the responses of respondents that loyalty programs help to build trust among consumers and service providers. 29 respondents representing 48.3 percent strongly agree that loyalty programs help to build trust among consumers and service providers. 17 respondents representing 28.3 percent agree that loyalty programs help to build trust among consumers and service providers.

#### 4. Discussion of findings

The above findings shows that there is an effect of Loyalty Programs on Consumer Retention in telecommunication company in Nigeria. This can be traced to the similar research done by Shulga & Tanford (2018) where the aim of the study was to determine the impact of loyalty programs on customer repeat purchase with specific reference to the hospitality sector in Harare. The correlation results showed that customer rewards have a positive relationship with customer loyalty with a correlation coefficient of 0.649 at 5% level of significance. Furthermore, loyalty programs which can be inform of rewards such as bonanzas, discounts, and so on can help improve consumer return or consumer retention among telecommunication subscribers such as MTN. Also, the study shows that there is an effectiveness of Loyalty Programs on consumer satisfaction in telecommunication companies in Nigeria which can as well be traced to the study carried out by Agus (2019) to examine the effect of the customer loyalty program on customer satisfaction and its impact on customer loyalty. This program is developed by the company in order to increase customer satisfaction. Optimal customer satisfaction will be able to create customer loyalty. The findings also show that Member card significantly affects customer satisfaction, while discount promo has no significant effect on customer satisfaction and it also doesn't affect customer loyalty. Member cards and discount promo have a direct effect on customer loyalty. In general, it can be understood that the customer loyalty program applied by Alfamart either member card or discount promo affects customer satisfaction and has an impact on customer loyalty. This research gives input to retail business managers in managing customer satisfaction through the proper development of customer loyalty programs.

## 5. Conclusion

The effectiveness of loyalty programs in consumer retention and satisfaction within Nigeria's telecommunication sector can be viewed as a vital strategy for enhancing customer loyalty. These programs serve to build stronger emotional connections between consumers and service providers, fostering a sense of appreciation and value. When designed and implemented effectively, loyalty programs offer numerous benefits such as improved customer satisfaction, increased retention rates, and a higher propensity for customers to remain with a particular service provider over the long term. In the context of Nigeria, where the telecommunication market is highly competitive, loyalty programs not only provide customers with tangible rewards but also create an avenue for telecommunication companies to differentiate themselves. Customers are more likely to remain loyal to a brand that consistently rewards them and addresses their needs. However, the success of these programs heavily depends on factors such as the relevance of the rewards, customer engagement, and the alignment of these initiatives with customer expectations. In sum, loyalty programs can significantly enhance consumer retention and satisfaction in Nigeria's telecommunication sector, but they must be tailored to the specific preferences and behaviors of the target market for them to be truly effective.

### *Recommendations*

- Service providers should at all-time pay attention to customer loyalty variables to ensure incessant customer loyalty. The researcher therefore recommended that telecommunications should for a matter of necessity insist on quality and consistency service delivery.
- The researcher recommends that network service providers should strive to maintain trust and high service quality, as customer satisfaction hinges on it.
- Personnel in the customer care service section of the network service providers should be friendly in their dealings with the customers. There should be adequate training and re-training for workers on the importance of customers' satisfaction, customers' retention and customers' loyalty in the process of achieving organizational objectives.

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## Compliance with ethical standards

### *Disclosure of conflict of interest*

No conflict of interest to be disclosed.

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