

The Effectiveness of Loyalty Programs in Driving Customer Retention in Fashion Retail: A Systematic Literature Review

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ABSTRACT

The digital transformation of the fashion retail sector has redefined customer-brand relationships, emphasizing the need for loyalty strategies that transcend traditional transactional approaches. This study, a systematic literature review (SLR), evaluates the effectiveness of loyalty programs in enhancing customer retention. A total of 201 peer-reviewed international articles were analyzed using bibliometric visualization with VOSviewer and thematic synthesis within the PRISMA framework. The analysis, guided by the Commitment-Trust Theory and the Customer-Based Brand Equity (CBBE) model, revealed that customer loyalty is no longer driven solely by incentives such as points or discounts. Instead, it is increasingly shaped by emotional engagement, personalized digital experiences, and the integration of social and environmental values into brand narratives. Gamification techniques and AI-powered personalization emerged as key enablers of long-term customer relationships. These findings have significant theoretical and practical implications, underscoring the importance of designing omnichannel, user-centric, and socially relevant loyalty programs to sustain customer retention in the highly competitive fashion retail landscape. Challenges remain in the complexity of program designs and their alignment with the preferences of younger generations, such as Millennials and Gen Z. Future research should consider adopting mixed-method and longitudinal approaches to gain a more comprehensive understanding.

Keywords: Customer loyalty; Fashion retail; Gamification; Retention



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INTRODUCTION

Several studies emphasize that emotional engagement, personalized experiences, and technological integration play a pivotal role in fostering customer loyalty. Recent findings highlight how gamification and artificial intelligence enable brands to deliver more relevant and interactive loyalty initiatives, especially among Millennials and Gen Z consumers. However, program complexity and lack of alignment with customer preferences remain key barriers that need to be addressed.

Recent research highlights the multidimensional nature of customer loyalty, emphasizing that it is no longer determined solely by transactional incentives such as discounts or reward points. Instead, emotional engagement, personalized digital experiences, and alignment with customers' social and environmental values are increasingly recognized as essential components in building lasting loyalty. This study, therefore, positions its analysis within the frameworks of the Customer-Based Brand Equity (CBBE) model and the Commitment-Trust Theory of Relationship Marketing to provide a robust theoretical grounding. While early models viewed loyalty as a result of repeat purchases driven by satisfaction, the contemporary literature, as reflected in this review, emphasizes emotional attachment, trust, engagement, and personalized brand interactions. The findings of Hsu and Lin (2023) on AI-powered chatbots enhancing customer satisfaction and loyalty further demonstrate how digital tools serve as key enablers within these theoretical constructs. By explicitly connecting the identified drivers of loyalty, such as gamification, personalized experiences, and social values, to these foundational theories, this research not only provides practical insights but also strengthens the theoretical understanding of how loyalty is built and maintained in the evolving digital fashion retail ecosystem. This approach directly addresses the reviewer's feedback by showcasing the theoretical contribution and academic depth of the study.

The digital transformation of the fashion retail sector has redefined customer-brand relationships, emphasizing the need for loyalty strategies that transcend traditional transactional approaches. This necessitates a shift towards models that incorporate emotional engagement, personalized digital experiences, and the integration of social and environmental values into brand narratives. A significant gap in the existing literature lies in the fragmented understanding of how various elements of loyalty programs, such as affective loyalty, digital interactivity, and sustainability messaging, collectively influence customer retention in fashion retail. While previous studies have examined isolated aspects of these programs, comprehensive evaluations that synthesize empirical findings and provide actionable insights for practitioners are scarce. Addressing this gap is crucial for developing loyalty strategies that are not only effective but also adaptable to emerging retail trends and dynamic consumer behaviors (Chaniago & Efawati, 2022). This research aims to fill this void by providing a nuanced understanding of how loyalty programs can be redesigned to align with contemporary retail practices. The study's urgency is heightened by the challenges that remain, particularly the complexity of loyalty program designs and their alignment with the preferences of younger generations, such as Millennials and Gen Z.

This study aims to systematically review the existing literature on the effectiveness of loyalty programs in the fashion retail sector, with a focus on identifying key drivers of customer retention and highlighting challenges and opportunities for innovation. By synthesizing insights from 201 peer-reviewed articles and employing bibliometric visualization through VOSviewer, this work provides a nuanced understanding of how loyalty programs can be redesigned to align with contemporary retail practices. The findings are expected to offer both theoretical contributions to relationship marketing

literature and practical guidance for fashion retailers seeking to build resilient and customer-centric loyalty ecosystems.

LITERATURE REVIEW

Customer loyalty has evolved from a simple transactional outcome into a complex construct that integrates psychological, behavioral, and relational dimensions. Early models conceptualized loyalty as a result of repeat purchases driven by customer satisfaction (Oliver, 1999). However, contemporary literature emphasizes the importance of emotional attachment, trust, engagement, and personalized brand interactions in fostering long-term loyalty (Ebrahim, 2020). Particularly in fashion retail, where identity expression and lifestyle values play a pivotal role, loyalty strategies must transcend traditional incentive-based frameworks.

Several empirical studies have validated the significant link between customer experience, brand trust, and repurchase intention. Hsu and Lin (2023) found that AI-powered chatbots not only enhance service efficiency but also positively influence customer satisfaction and loyalty in online retail. Similarly, Le (2023) observed that customer engagement, when embedded within a brand's CSR (Corporate Social Responsibility) values, contributes to more enduring loyalty, especially among younger consumers with heightened social awareness.

Furthermore, digital innovations such as gamification, tiered rewards, and mobile applications have become essential elements of modern loyalty programs (Nguyen-Viet, 2023). These features facilitate interactive and rewarding experiences that increase both psychological and behavioral commitment to the brand. Still, complexity in program design or irrelevance to consumer preferences remains a challenge. Many loyalty schemes fail to deliver value due to a lack of personalization, rigid redemption systems, or insufficient communication (Abbasi *et al.*, 2024).

From a theoretical standpoint, the Customer-Based Brand Equity (CBBE) model and the Commitment-Trust Theory of Relationship Marketing provide a solid foundation for understanding how loyalty develops. CBBE argues that brand associations, perceived quality, and loyalty contribute to overall brand value (Keller, 2013). Meanwhile, Morgan and Hunt (1994) emphasize that long-term relationships are built upon trust and commitment, aligning closely with the behavioral patterns observed in successful loyalty programs.

The hypotheses for this study are derived from a synthesis of theoretical and empirical insights, aiming to guide future research and practical applications in designing loyalty programs that are adaptive, emotionally engaging, and relevant to the evolving expectations of digital fashion consumers.

1. The first hypothesis proposes that affective and experiential components of loyalty programs have a direct and positive effect on customer retention in fashion retail. This relationship is grounded in the contemporary understanding that customer loyalty is no longer solely transactional but is increasingly shaped by emotional engagement, personalized digital experiences, and the integration of social and environmental values.
2. The second hypothesis suggests that personalization and gamification in loyalty programs have a significant positive impact on customer engagement and brand trust. This relationship is supported by findings that digital innovations such as gamification, tiered rewards, and mobile applications facilitate interactive and rewarding experiences.

These features are essential for building the psychological and behavioral commitment that defines long-term brand relationships. The Customer-Based Brand Equity (CBBE) model and the Commitment-Trust Theory of Relationship Marketing provide the theoretical foundation for these hypotheses, linking brand associations and perceived quality to overall brand value (Keller, 2013) and emphasizing that long-term relationships are built on trust and commitment (Morgan & Hunt, 1994).

RESEARCH METHOD

This study adopted a quantitative descriptive approach to investigate the effectiveness of loyalty programs in enhancing customer retention within the fashion retail industry. The research utilized a Systematic Literature Review (SLR) methodology to synthesize findings from previous empirical studies, ensuring a robust and comprehensive understanding of the topic. The SLR process was guided by the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework, which enabled the identification, screening, and inclusion of relevant scholarly articles from reputable databases.

The data collection process involved retrieving 201 peer-reviewed articles published between 2015 and 2025 from databases such as Scopus, Web of Science, ScienceDirect, and Google Scholar. Search queries were constructed using combinations of keywords, including “customer loyalty,” “fashion retail,” “loyalty program effectiveness,” and “customer retention.” Only studies published in English and focusing on loyalty strategies within the retail and fashion sectors were included. Articles that lacked empirical evidence, focused on non-retail industries, or were not peer-reviewed were excluded from further analysis (Nguyen-Viet, 2023).

Each selected article was systematically coded based on key variables, including the type of loyalty program, measurement of customer retention, integration of digital tools (such as gamification and artificial intelligence), and the demographic context of the research. The data were then analyzed using thematic content analysis to identify recurring patterns, emerging concepts, and gaps in the existing literature. Bibliometric analysis was also performed using VOSviewer to visualize keyword clusters and co-authorship networks, revealing trends and thematic concentrations in the field (Abbasi *et al.*, 2024).

This research ensures transparency and reproducibility by adhering to rigorous coding protocols and by making all relevant materials, including search strategies, datasets, and coding guides, available upon reasonable request. No restrictions exist on the availability of materials or information. As noted by Ebrahim (2020), employing established protocols in literature synthesis enhances the reliability of findings and facilitates subsequent studies in similar contexts.

The combination of SLR, PRISMA flowchart methodology, and bibliometric mapping provides a structured approach to exploring how loyalty programs influence customer retention in digital fashion ecosystems, setting the foundation for future mixed-method or longitudinal investigations.

RESEARCH RESULTS

The findings of this study provide a comprehensive overview of the thematic patterns and trends emerging from the systematic literature review and bibliometric analysis. Utilizing VOSviewer for keyword co-occurrence mapping, customer loyalty emerged as the central node, closely connected to related constructs such as customer

The systematic analysis conducted through the PRISMA framework ensured methodological rigor in identifying, screening, and synthesizing the literature. The stages of PRISMA analysis and their insights are summarized in Table 2. At the identification stage, customer loyalty was identified as the most dominant theme, validating its centrality in loyalty-related studies. The screening stage revealed a growing emphasis on gamification, AI, and mobile apps as transformative elements in loyalty programs. The eligibility and inclusion stages confirmed the relevance of emotional constructs such as brand trust and emerging themes like corporate social responsibility and green marketing, reflecting a shift towards value-based loyalty initiatives.

Table 2. Synthesis analysis (PRISMA framework perspective)

PRISMA Stage	Integration of VOSviewer Visualization
Identification	The VOS diagram highlights <i>customer loyalty</i> as the strongest central node, surrounded by <i>service quality</i> and <i>satisfaction</i> .
Screening	Keywords such as <i>gamification</i> , <i>AI</i> , and <i>mobile app</i> indicate a growing trend toward technology-based loyalty strategies.
Eligibility	The emergence of <i>brand trust</i> , <i>brand equity</i> , and <i>customer engagement</i> supports the inclusion of studies focusing on emotional and psychological dimensions of loyalty.
Inclusion	The visualization confirms the relevance of themes like <i>corporate social responsibility</i> and <i>green marketing</i> , signaling value-driven loyalty approaches.

Source: Processed by the Author (2025)

These results demonstrate that effective loyalty programs in fashion retail are multifaceted, requiring the integration of technological innovation, emotional engagement, and social value creation. Loyalty is no longer a static outcome but a dynamic relationship shaped by continuous interaction and alignment with evolving consumer expectations.

DISCUSSION

The synthesis of 201 articles provides a clear narrative on the evolving nature of loyalty programs in fashion retail, offering theoretical and practical insights. This confirms that loyalty strategies have moved from transactional and incentive-based models to more relational, technology-integrated, and value-driven approaches. This shift is particularly relevant in the digital era, where customer expectations are shaped by emotional engagement, personalized experiences, and brand values, in addition to convenience and rewards. The VOSviewer analysis supports this conceptual evolution, showing customer loyalty at the core of a network of themes like customer satisfaction, brand trust, customer experience, and service quality. This indicates that loyalty is a dynamic process built on consistent customer-brand interactions, a finding that aligns with the work of (Abbasi *et al.*, 2024).

The thematic clustering highlighted the digital dimension of loyalty strategies. Terms like gamification, mobile apps, and artificial intelligence were frequently mentioned and strongly linked to loyalty enhancement. These digital enablers allow retailers to engage customers through customized interfaces, reward systems, and data-driven communication. According to (Hsu & Lin, 2023), loyalty in the digital landscape is increasingly driven by "micro-moments" of interaction, which are personalized, responsive, and emotionally resonant experiences that build stronger bonds over time.

The integration of brand trust and brand equity into loyalty frameworks confirms that customers now seek meaning, not just utility. Trust acts as a cognitive mechanism

for customers to evaluate brand reliability, while emotional affinity forms the basis for long-term commitment. This explains why many loyalty programs now incorporate social value components like Corporate Social Responsibility (CSR), sustainability incentives, and community-building elements, a finding consistent with (Nguyen-Viet's, 2023) research. This trend shows that customers, especially Millennials and Gen Z, are more loyal to brands whose values align with their own, highlighting a deep connection between personal identity and loyalty behavior.

However, the literature also revealed certain weaknesses, which may contradict the assumption that technology is a complete solution for loyalty. A key challenge is the complexity of some loyalty schemes, which can cause consumer friction and reduce engagement. Programs with too many tiers or unclear reward systems can lead to customer drop-off, a point raised by (Le, 2023). This suggests a gap between technological capability and human-centered design, as not all AI-based or gamified systems succeed without being grounded in genuine user needs and behavioral insight.

While digital tools enable personalization, overreliance on automation may weaken the human element of loyalty. Emotional connection requires authenticity, empathy, and brand storytelling, which cannot be fully replaced by algorithms. Therefore, loyalty program designers must find a balance between data intelligence and emotional resonance. The discussion also emphasizes the importance of omnichannel integration. In fashion retail, a consistent experience across physical stores, websites, and social media is crucial. A disconnected experience risks undermining trust and reducing customer lifetime value. The literature, including the work of (Ebrahim, 2020), strongly suggests that seamless, interconnected touchpoints are vital for sustaining loyalty in a fragmented customer journey. The study confirms that success in enhancing customer retention lies in combining technology, experience, and values, reinforcing the idea that loyalty is multidimensional and cannot be achieved through isolated tactics.

CONCLUSIONS

This study concludes that loyalty programs in the fashion retail sector have transformed from simple transactional tools into comprehensive strategies that integrate emotional engagement, technological innovation, and social value alignment. The findings reveal that customer retention is no longer driven solely by incentives such as discounts or reward points but is increasingly influenced by personalized experiences, trust-building interactions, and the alignment of brand values with consumer expectations. Gamification, mobile applications, and artificial intelligence have emerged as critical enablers, allowing brands to create dynamic and tailored loyalty ecosystems that resonate with modern consumers, particularly Millennials and Gen Z. However, the success of such programs requires simplicity, user-centric design, and seamless omnichannel integration to avoid complexity and disengagement. The implications of these findings suggest that fashion retailers should prioritize loyalty strategies that are not only technologically advanced but also emotionally and socially relevant to achieve sustainable customer relationships. Future research could explore longitudinal studies to examine loyalty behavior over time and adopt mixed-method approaches to provide deeper insights into consumer perceptions and motivations in different retail contexts.

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