

EFFECTS OF LOYALTY PROGRAMS ON CUSTOMER RETENTION IN THE ZIMBABWEAN MOBILE TELECOMMUNICATION INDUSTRY

Viriri, Piason (Dr)*, Muranda, Z. (Prof), Chavunduka, D. (Prof) and Chimwanda, P. (Dr)
Chinhoyi University of Science and Technology, School of Entrepreneurship and Business Management
Corresponding author: Chimwanda, P. (Dr)

<https://doi.org/10.54922/IJEHSS.2025.0891>

ABSTRACT

Background:

Social entrepreneurship is the use of innovative, sustainable, and market-driven business models to make a beneficial social, environmental, or economic effect. Telecommunications companies' launch of reward programs falls under the category of social entrepreneurship. Several past research has focused on loyalty programs. Globally, the telecommunications industry is heavily saturated, and services are becoming commoditized. Due to that, service providers are vulnerable to high churn rates. Previous research indicates that customer retention in that industry is influenced by promotional offers, value-added products and services, network quality, service quality, and inexpensive pricing (Viriri and Phiri, 2017).

Research Objective: This study looks at the impact of reward programs on customer retention in Zimbabwe's mobile telecommunications business.

Research Design and Methods: The study employed survey research design. The population of the study were key informants in Zimbabwe's mobile telecommunications industry, including subscribers and management. The study triangulated purposive and stratified sampling methods for objectivity. A sample of 356 was used in the study. Respondents indicated that they encounter problems with their service providers, and customer satisfaction is relatively low.

Results: Study findings have shown that loyalty programs in Zimbabwe's mobile telecommunications industry promote customer retention.

Conclusions: Even though there is a positive relationship between loyalty programs and customer retention respondents doubt their credibility in promoting customer satisfaction.

Keywords: Corporate Social Responsibility, Loyalty Programs, Retention, Telecommunication.

1. INTRODUCTION

This study examined the impact of loyalty programs on customer retention. Customer retention is key in the mobile services market. Therefore, it is essential to investigate the elements that contribute to it. Customer retention is one of the most critical considerations for businesses seeking to achieve competitive advantage in mature markets, particularly in the telecoms sector.

The significance of the telecommunications sector is often discussed. Telecommunications firms open business opportunities and increase entrepreneurship possibilities (York and Venkataraman, 2010). They can minimize transaction costs and speed up the sharing of information and knowledge, thereby expanding the scope of innovation and entrepreneurship activity (Kotnik and Stritar, 2015; Nambisan et al., 2019).

The mobile telecommunication industry contributes immensely to employment creation and the improvement of the welfare of people. In today's world, modern telecommunications infrastructure

development is not only critical for local economic growth but also a precondition for participating in the increasingly competitive global market and attracting new investments (Abimbola et al., 2020).

The telecom industry's Information Communication Technologies (ICT) are significant tools for social entrepreneurs because they allow them to develop a strong online presence, communicate with clients, and reach new audiences. They help social entrepreneurs improve their business methods.

Despite the country's economic and regulatory constraints, the telecommunications sector is well-developed and competitive compared to other Sub-Saharan countries (Duarte, 2016). However, entrepreneurship in the sector is still hampered by factors like poor governance, corruption, ineffective leadership, lack of capacity and unwillingness to embrace democratic reforms (Madichie, Mpofo and Kolo, 2017). Due to competition and inflation, operational costs are increasing and revenues are declining. Staff costs, bandwidth and depreciation comprise the main operating expenses of the industry. The low disposable incomes of subscribers further erode the average revenue per user of telecommunication firms, compromising their growth and competitiveness. Furthermore, the possibility of rising unemployment and lower disposable incomes may drive consumers away from high-quality services and toward low-cost alternatives. However, stringent monetary and fiscal measures are required to stabilize the macroeconomic climate.

Zimbabwe's mobile telecommunications business is facing issues due to the country's turbulent economic state, which includes inflation and an unstable currency. According to Nangara (2023), Zimbabwe's mobile telecommunications business is hampered by several reasons, including lack of credit, decreased consumer spending, insufficient foreign currency, and power outages. Some of the issues include hyperinflation, a weak local currency, rising operational expenses, and increased infrastructure destruction. Furthermore, the country's low disposable incomes continue to impede service affordability and demand. Power outages are causing operational issues in the sector, increasing service delivery costs. The cost structures in the sector are relatively high because critical career skills are required to maintain operations. To cope with the challenges of the local operating environment, operators are forced to raise their charges. All of these factors contribute to low service quality in the business, jeopardizing client retention efforts.

One important characteristic of Zimbabwe's mobile telecommunications industry is that stringent regulations are putting downward pressure on margins and lowering earnings. While the industry regulator, POTRAZ, has endeavoured to promote the industry's growth and competitiveness, the central government has increased taxes on the sector to enhance its revenue base. Since then, the industry regulator has promoted the infrastructure sharing of boosters and other technical assets among service providers to maximize utilization rates and reduce operational costs (Duarte, 2016).

Mobile telecommunication in the contemporary marketing context has expanded as a high-velocity service throughout the world. In addition to improving communication and lowering transaction costs, higher investment and growth in telecoms have considerable spillover benefits that can boost economic growth. For example, low-cost, high-quality telecommunications services can increase overall economic productivity. Low levels of broadband, in conjunction with poor quality services, provide a challenge to the growth and development of the Southern African Development

Community (Robb and Paelo, 2022). To promote competition in the industry, the Zimbabwe telecommunication sector was liberalised and deregulated.

In general, deregulation liberalizes industries, removes entry barriers, and ensures competition, resulting in growth, cheaper products, and improved customer welfare (Dieli, 2021). Due to the industry's liberalization, competition was consolidated, with only a few firms remaining, including Econet, Net One, and Telecel. Econet currently holds the majority market share of 70 per cent in terms of subscriber market share. The three MNOs, Econet Wireless, Net One, and Telecel, continue to invest in network upgrades, which are partially funded by the government and funding from the Universal Service Fund. The three service providers are fiercely competitive.

The Zimbabwean telecommunications industry, despite rapid growth in infrastructure and subscriber base, is highly competitive, causing mobile service providers to struggle to retain clients. Service providers are competing to increase their subscriber base, for broadband and to increase profits (Osahon, 2017). Competition forces telecommunications firms to adopt several strategies to survive in the dynamic business environment. Some of the major strategies being adopted to attract customers are loyalty programs and corporate responsibility programs. Although reward programs are widely used by Zimbabwean telecommunications companies, little is known about their influence on customer loyalty and retention. The goal of this study is to fill a gap in the literature.

Zimbabwe's mobile telecommunication industry is growing very fast and this is being driven by an increasing population, communication services, and rising adoption of smartphone services. This growth is evidenced by the adoption of 3G, 4G, and 5G network technologies. Generally, the main strategies in the industry focus on introducing new and affordable products and services, mergers, acquisitions, and expansion of services and networks and broadband (Global Monitor, 2020).

Zimbabwe's mobile telecommunications business is also expanding, due to an increase in population, communication services, and smartphone penetration. In general, the industry's major strategies are to introduce new and inexpensive products and services, to merge and acquire, and to expand services, networks, and broadband (Global Monitor, 2020).

Recently, the industry regulator adopted the mobile number portability idea, which allows users to keep their original numbers even if they switch service providers. Mobile number portability enables customers to keep their numbers while migrating from one service provider to another. For example, Telecel implemented this approach by launching the migrate-Over campaign and introducing Mobile Number Portability (MNP), a platform that allows subscribers from other service providers to migrate to its networks while keeping the last six digits of their present numbers. The new structure would make it simpler to gain clients from competitors while making it difficult to retain subscribers. MNP promotes competition in saturated markets while lowering switching network costs by eliminating the requirement to circulate fresh numbers (Okoe, 2017).

The objective of MNP was to improve service quality and consumer convenience. Industry experts argued that mobile number portability would boost competition, improve network services and reduce service charges in the industry. The policy promotes customer switching in the industry due to reduced switching costs. Other critics argue that it is not a viable policy for small players

and does not promote competition as proposed. Telecommunication firms have been under economic and financial pressure undermining their potential for revenue generation and their ability to invest in infrastructure and network upgrades. This has forced service providers to always increase tariffs on both data and voice with the approval of the industry regulators.

Zimbabwe mobile telecommunication firms are launching several promotions. For example, Econet Wireless rolled out the “Smart Buddies Promotion” which encourages subscribers to buy airtime using United States dollars. The customer would win rewards like 2 KVA solar systems, fridges, gas stoves, smartphones and airtime during draws. Net One launched the “GigaThanks Promo” in which a customer stands to win data and airtime every week for being loyal to the network of their choice. Telecel launched the “TelecelGo point promotion” whereby customers get points every time they juice up. Later they redeem the points. This shows that competition is strong in Zimbabwe's mobile telecommunication industry

In a highly competitive global market, mobile telecommunications providers must attempt to promote themselves as socially responsible businesses. Active participation in socially good projects brings additional benefits to companies in terms of gaining trust, reputation and goodwill. A corporation's objective is to give value and incentives to its stakeholders.

According to Blackburn (2007), Zimbabwe's mobile telecommunications firms engage in socially responsible activities to improve their reputation, gain a strategic competitive advantage, save money, stay current with industry trends, increase demand, gain access to capital, grow, and make more socially responsible investments. The industry is increasingly implementing a Corporate Social Responsibility agenda into its core activities, plans, and agenda. If a company has a positive corporate image and reputation, it tends to generate customer loyalty and commitment, which leads to profit maximization. Manuere, Viriri and Chufama (2021) found out that such philanthropic responsibilities influence consumer behaviour. Though they have no direct effect on economic gain they can improve company image and reputation which will translate to customer satisfaction and loyalty. Generally, customers prefer organizations engaged in corporate social responsibility (Papafloratos, 2007).

Social entrepreneurship programs like loyalty programs reduce poverty, create employment, promote economic growth, and improve consumer welfare and sustainability.

Corporate social responsibility is not just a moral obligation, but also a strategic advantage for organizations seeking to establish trust, loyalty, and reputation. Brands that value social responsibility could develop loyalty programs that benefit social causes or community participation. Certain brands may be more likely to reward sustainable and socially responsible behaviours due to the nature of their businesses and organizational fundamental values.

Certainly, the Zimbabwean telecommunications firms should develop alternative competitive strategies to maintain their relationships with customers and attract new ones. Loyalty programs are perceived to be one such strategy which can positively influence customer retention.

Objective

To investigate the impact of loyalty programs on customer retention in Zimbabwe's mobile telecommunications sector.

2. LITERATURE REVIEW

The telecommunications industry is highly competitive, causing mobile service providers to struggle to retain clients due to the diverse options available to them. Implementing a robust reward program allows them to differentiate themselves from the competition and increase retention rates. In today's competitive world, organizations from all industries are constantly searching for a competitive advantage. A customer is vital to business growth, so the organization must retain them. In the telecom industry, where customer acquisition and retention are critical, loyalty programs have evolved as an effective strategy.

A telecommunications loyalty program is a customer retention tool that assists businesses in keeping their consumers by providing hyper-relevant prizes, benefits, additional services, and, in many cases, partner deals. They are intended to stimulate repeat purchases from clients by providing incentives and rewards for their loyalty. Loyalty programs also give organizations important consumer data that can be utilized to personalize marketing messages, improve customer experiences, and adapt rewards to specific preferences. Any customer loyalty program seeks to develop long-term customer connections, enhancing retention and loyalty while driving revenue (Chhatwal, 2023).

The telecom sector has grown tremendously, and service providers are competing with one another by employing a variety of marketing methods to retain clients. In the current sophisticated business environment with ever-increasing competition for customers, most organisations prefer using sales promotions as a marketing strategy to induce consumers to make a purchase and retain them. Sales promotions have been in continuous growth since the 1960s and they are key factors in the promotional mix even today. Bolter (2013) opines that sales promotions account for about 60 per cent of what is spent on promotions in the United States these days.

The Zimbabwean telecommunications sector is undoubtedly a competitive business environment. Customer loyalty has been recognized as an important factor in service providers' long-term profitability and survival. While the benefits of having a loyal customer base are well-known and evident in all industries, other service providers continue to prioritize recruiting new consumers above retaining existing ones (Alrubaiee and Al-Nazer, 2010).

Telecommunications companies should prioritize client loyalty. Given the growing importance of customer behaviour in the commercial market today, telecommunications operators focus not only on customer profitability to expand market share but also on extremely loyal consumers and customers who churn (Wassouf et al., 2020). This is related to the industry's exceptionally high churn rates. The churn rate for telecommunications providers is estimated to be between 10% and 67% every year. Client loyalty is difficult for telecommunications corporations to achieve due to a lack of differentiation in service offerings and client interactions. This explains why the number of mobile numbers being ported and switched from one service provider to another is increasing. One of the techniques used by businesses to decrease client switching is sales promotion.

In today's competitive business environment, organizations are focusing on customer retention rather than acquisition (Daukševičiūtė et al., 2011). Increased competition and the availability of different options for customers to choose their preferred service or product provider is a significant

problem for most firms in retaining existing customers over time (Feliz & Maggi, 2019; Fritsch & Changoluisa, 2017). In today's competitive market, most businesses understand the value of customer loyalty as a basic business strategy (Kim et al., 2013; Nataraj, 2010). Businesses expand through either customer acquisition or increased business from existing clients. Customer acquisition is always pricey. It is substantially cheaper to do business with current consumers. This can be accomplished by encouraging customers to make more regular purchases. Sales promotions help both objectives to be met.

Theoretical frameworks

Opportunity-Based Entrepreneurship Theory

According to Peter Drucker, entrepreneurs do not cause change but exploit opportunities that are brought about by change. Such changes are initiated by technology, social norms or consumer preferences. Drucker defined an entrepreneur as someone who always searches for changes responds to them and exploits it as an opportunity. Therefore, an entrepreneurial firm should be change-oriented and innovative.

According to Opportunity-Based Entrepreneurship Theory, an entrepreneurial firm should not be profit-oriented but innovative and change-oriented. This is the essence of the social entrepreneurial firm. Furthermore, social entrepreneurs should not be constrained by resources currently held by the firm since they can mobilise resources from others to achieve their social mission. Indeed, telecommunication firms apply and secure financial resources from other institutions to launch loyalty programs and other corporate responsibility initiatives.

Resource Based Theory

The Resource Theory was developed from the concept of Penrose, Schumpeter and Ricardo (Scherer,1980) for sustained competitive advantage through the use of strategic resources. The resource-based approach focuses on characteristics of resources and strategies for organizational survival, competitive advantage, and long-term performance. Resources and capabilities are considered sources of superior firm performance.

Carroll's Corporate Social Responsibility Pyramid

Corporate responsibility refers to the economic, social, ethical, and discretionary expectations that society places on organizations at any particular time (Carroll, 19991). According to Carroll's CSR pyramid, corporate profitability serves as the foundation for all other duties.

Firstly Carroll contended that firms bear an economic obligation to society by offering commodities and services.

The second level of Carroll's CSR pyramid addresses the company's legal responsibilities. Telecommunications companies are legally required to follow applicable laws, regulations, and business practices on a national, regional, or worldwide scale. This shields the business from penalties.

Level three addresses a firm's ethical responsibilities. Companies should act responsibly to maintain sustainability, reduce pollution, and mitigate climate change. Ethical duty requires a company to go above and beyond its legal responsibilities by doing what is right and fair.

Level four addresses a firm's philanthropic obligation. These are optional responsibilities, such as implementing loyalty programs and other corporate social responsibility initiatives for communities.

Significance of Social Entrepreneurship in the Telecommunications Sector

Social entrepreneurship has garnered a significant amount of attention over the last decade or two due to its impact on society and its sustainability. Social entrepreneurship refers to the ability to leverage resources to address social issues such as freedom, equity, and tolerance (Maniam et al., 2018). Social entrepreneurship is growing rapidly in size, scope and support. Social enterprises help to tackle pressing social and environmental issues like poverty, climate change, education, and access to health. Social entrepreneurship has become a vital force for creating sustainable solutions to pressing social, economic and environmental challenges around the world. Social entrepreneurs focus on having a positive impact on society. They identify problems, come up with solutions and apply them. They are innovators, risk takers and doers. They help to boost economy as well as its social fabric like the telecoms industry. Social entrepreneurs identify opportunities to create social value and leverage their entrepreneurial skills to develop and implement innovative solutions that can drive transformative change. Social enterprises can create jobs, provide innovative products and services, promote sustainability and provide hope for the future. In France in 2015, the social and solidarity sector accounted for 223,000 businesses, 2.34 million employees, and 10.3 per cent of national employment. According to the European Commission, the sector employs 40 million people and engages over 200 million volunteers. Ultimately social entrepreneurship seeks to create a more equitable and sustainable world by empowering communities and individuals through promoting social justice and advancing human welfare. Social entrepreneurship is a powerful means of creating positive social, environmental, and economic change, empowering individuals and communities and driving transformative change. The benefits of social entrepreneurship include fostering economic development, driving innovation, promoting sustainability, empowering communities, enhancing social capital and of course, inspiring others (Bardon, 2023). They also create employment and act as intermediaries between unemployment and the labour market. It is vital to economic growth and inclusion, for instance, mobile money services in Zimbabwe. Social enterprises fulfil a pressing desire to work with purpose and align people's efforts with their values. They respond to customers' needs and build relationships beyond economic purpose. They are more responsive in creating economic and social value. The impact of entrepreneurship can be evident in areas like job creation, economic growth, innovation, technological advancement, competition and market dynamics, social and cultural change, and economic disparities and wealth distribution. Loyalty programs by telecom firms promote demand, improve economic growth, create employment and enhance people's standards of living.

The Relationship Between Social Entrepreneurship and Loyalty Programs

Loyalty programs are essential for social entrepreneurs. They help to distinguish the brand from competitors and establish a unique value proposition for customers. They also help to boost client lifetime value, which is the total amount of money a consumer is expected to spend with a business. Furthermore, they lower customer acquisition expenses by boosting the likelihood of referrals in

marketing. Aside from loyalty programs, Zimbabwe's mobile telecoms business employs social media marketing to promote its products and services.

Loyalty programs not only benefit communities but also foster a stronger emotional connection between brands and their customers. They promote goodwill, increase client loyalty, and enhance communal welfare. Customers are more likely to engage with brands that share their beliefs. This fosters a sense of community and emotional connection. Furthermore, by integrating loyalty programs with social goods, telecommunications companies can differentiate themselves in a congested industry while also contributing to a better world. Such alignment may attract socially conscious consumers who actively seek out products that have a good influence. Loyalty programs promote a sense of community by organizing local events or funding neighbourhood initiatives. Such community engagement fosters trust and loyalty.

The Impact of Loyalty Programs on Customer Retention in the Telecom Industry

Client loyalty has been identified as an important determinant in service providers' long-term success and survival. Customer loyalty has been positively linked to organizational financial performance since it is critical for maintaining and increasing sales (Hur, Park, & Kim, 2010). Most significantly, loyalty helps to acquire new customers and increase earnings because getting new customers costs at least five times more than retaining existing customers (Edward & Sahadev, 2011). Increasing client loyalty by 5% can boost profitability from 25% to 95% (Reichheld & Sasser, 1990).

Loyalty programs have grown commonplace in today's corporate landscape and are essential to the success of any service firm. Loyalty programs are reward-based campaigns that aim to increase client loyalty. Loyalty programs are a marketing approach that focuses on providing rewards to retain loyal customers. They are a planned marketing technique that encourages repeat purchases by giving customers discounts, incentives, or unique benefits. Increased client retention is one of the key benefits of loyalty programs, in addition to increased revenue and profitability. A well-designed loyalty program decreases switching while increasing loyalty. As a result, businesses should position themselves as socially responsible by offering appealing benefits that directly assist customers on a social level. This strengthens brand loyalty and increases retention.

Benefits and Costs of Loyalty Programs

There is controversy over the benefits and costs of loyalty programs in firms. By implementing robust loyalty programs, telecom firms incentivise customers to stay longer, effectively reducing churn, and improving customer lifetime value. Secondly, loyalty programs allow telecom brands to differentiate themselves in a saturated market. With high churn rates and minimal differentiation in service offerings, loyalty management programs offer a competitive edge and cultivate relationships. Lowenstein (2012) contends that loyalty programs serve two primary functions: first, to gather crucial consumer profile data, and second, to leverage loyal behaviour. According to Lowenstein's (2012) research findings, 13% of marketers believe loyalty programs are highly effective in leveraging loyalty and brand preferences. The following are other benefits of a loyalty program for firms: (1) To stimulate and reward customers for ongoing involvement and patronage, (2) By implementing a strong loyalty program, telecommunication enterprises can separate themselves from competition and enhance retention rates. (3) Loyalty programs have a direct

impact on customer lifetime value (CLV) in the telecom industry, (4) every interaction, purchase, and engagement captured by loyalty programs provides valuable insights into customer behaviour, preferences, and trends.

By and large, organisations are investing in loyalty programs to attract customers and retain existing ones. This is done taking into consideration customer switching behaviour. (3) In the telecom business, loyalty programs have a direct impact on customer lifetime value (CLV). (4) Each interaction, purchase, and engagement documented by loyalty programs provide important data about customer behaviour, preferences, and trends. In general, businesses invest in loyalty programs to attract new consumers and maintain current ones. This is done while taking into account customer switching behaviour.

Customer switching rates among telecom carriers are fairly high. As a result, a client retention program is required to maintain customer loyalty. Loyalty programs provide numerous benefits. For example, they keep customers from switching or defecting, provide insights into client preferences, drive incremental spending and increased demand, boost share of wallet, and are profitable in their own right. Empirical research in the airline sector has shown that loyalty programs enhance frequency, spending, and affection. Customer loyalty programs make customers feel valued and recognised. This leads to increased earnings, referrals, and customer retention. As a result, having a strong loyalty program is critical for survival in competitive markets.

One of the issues for telecommunications service providers and Internet Service Providers (ISPs) is meeting the changing demands of consumers of all ages. Effective loyalty programs can help to attract new customers as well as retain existing ones, resulting in increased purchases (Nitzan and Labai, 2011). They can boost client retention by instilling a sense of belonging, recognition, and gratitude in customers, as well as providing incentives and perks that encourage them to make more regular and consistent purchases. There is ample evidence that loyalty programs have a favourable impact on customer retention (Boakye et al., 2017; Hamilton et al., 2017).

Although the telecommunications industry implements various loyalty programs, the majority of them are criticised for missing incentive relevance, restrictive award structures, and poor service quality (Hua et al, 2018; Shulga & Tanford, 2018).

According to Jeon (2003), loyalty programs expedite a customer's loyalty life cycle. According to Liu (2007), there is limited information on the long-term consequences of loyalty programs, and their effectiveness is unclear. Pez (2008) argues there is ample evidence that loyalty programs are ineffective given the substantial amount of financial resources necessary to establish them. Therefore, it is necessary and justified to understand their return on investment. For instance, loyalty programs are extensively used by casino operators to reward clients with additional rates and incentives for repeat business. They are a typical element of global gambling operations (Wohl, 2018).

A common challenge for telecommunications brands is a lack of personalization and client contact. As a result, limited client loyalty has evolved (Nemes, 2023). Buongiorno's (2011) studies on four European countries indicated that loyalty programs are more effective at decreasing customer turnover than promoting consumer expenditure or service adoption. Loyalty programs typically draw clients away from competitors. Indeed, they are completely effective in modifying customer

behaviour. Armstrong (2012) noticed that corporations use loyalty programs to ensure that customers' attention is not diverted by competitors' brands or purchases of their products. According to Rafi and Zainal (2017), the objective of loyalty programs is to retain consumers and derive value from them. However, Fahad and Bach (2014) observed that loyalty programs offer an opportunity for referral marketing by customers as they tell friends, workmates, and relatives about a company's brands.

There is a wide variety of loyalty programs used in the service sector. Ofosu-Boateng's (2020) studies advocated using contests, bonuses, and sweepstakes as sales promotion tactics to retain consumers. This study recommends that Ghanaian telecoms businesses continue to use sales promotions as a customer retention strategy. However, a comparable study conducted by Amankwah and Asare (2019) suggested that telecom players offer advantageous promotional packages to brand their products and services and separate them from others. The packages should address all target clients without discriminating against other customer segments. Several telecom operators are not capitalising on the potential of loyalty programs due to lack of innovation, poor communication, complexity, lack of personalisation, and undue focus on acquisition instead of customer retention.

3. RESEARCH METHOD AND MATERIAL

The study employed a case study descriptive design targeting Zimbabwe mobile telecommunication subscribers, employees, and management. That was the population of the study. The study triangulated stratified and purposive sampling methods to improve objective and precision. Due to time and financial constraints, a sample of 356 was used comprising telecommunication subscribers, employees, and management. Data was gathered by self-administered questionnaires. A pilot- test was undertaken to test instrument validity and reliability.

4. RESULTS AND DISCUSSION

Table 1

Age of respondents

	Frequency	Per cent	Valid Percent	Cumulative Percent
<20	41	11.5	11.5	11.5
21-30	202	56.7	56.7	68.3
31-40	59	16.6	16.6	84.8
41-50	32	9.0	9.0	93.8
>50	22	6.2	6.2	100.0
Total	356	100.0	100.0	

The table above shows the ages of the respondents and shows that most of the participants were youthful. The youth predominantly uses telecommunication products and services.

Table 2

Gender of Respondents

	Frequency	Per cent	Valid Percent	Cumulative Percent
Valid MALE	166	46.6	46.6	46.6
FEMALE	190	53.4	53.4	100.0
Total	356	100.0	100.0	

The above table shows that more females participated in the study in comparison to males. It may indicate that females are heavy users of telecommunication products and services in comparison to males.

Table 3

How many discards do you have?

	Frequency	Per cent	Valid Percent	Cumulative Percent
Valid 1 Simcard	179	50.3	50.3	50.3
2 Simcards	162	45.5	45.5	95.8
3 Simcards	15	4.2	4.2	100.0
Total	356	100.0	100.0	

The table above shows the number of SIM cards owned by respondents. While the majority of participants own only one SIM card, the diagram shows that multiple SIM card ownership is a common phenomenon in the industry. That shows that customer loyalty in the industry is deteriorating.

Table 4

Problems with Service Provider

	Frequency	Per cent	Valid Percent	Cumulative Percent
Valid Yes	247	69.4	69.4	69.4
No	109	30.6	30.6	100.0
Total	356	100.0	100.0	

The problem which motivated this study was customer switching in Zimbabwe's telecommunication industry. The above diagram shows that the majority 69.4 per cent encounter problems with their service providers. This means that customer satisfaction in the industry is relatively low. This possibly causes customer switching. This may explain why service providers use loyalty programs to attract customers and reduce switching.

Table 5 Loyalty Programs and Customer Retention in the Zimbabwe Telecommunication Industry.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
I will stay with the telecommunication service provider if they offer me sales promotions	356	1	5	3.81	1.198
I will not switch to other telecommunication firms if my service provider offers me sales promotions.	356	1	5	3.74	1.157
Sales promotions ensure customer retention in the Zimbabwean Telecommunication sector	356	1	5	3.72	1.107
Sales promotions enable me to purchase more telecom goods and services	356	1	5	3.73	1.151
Sales promotions make me talk positively about my telecommunication service provider.	356	1	5	3.69	1.135
When there are sales promotions I buy related telecommunication products and services	356	1	5	3.59	1.136
Sales promotions offered by telecommunication firms offer me satisfaction	356	1	5	3.38	1.236
Sales promotions offered by telecommunications are genuine	356	1	5	3.35	1.213
Valid N (listwise)	356				

Research findings confirm that subscribers would not switch service providers if there were sales promotions and loyalty programs. This had the highest mean value of (3.81). This suggests that customers perceive loyalty programs as a cause of customer retention. Sales promotions promote customer retention in Zimbabwe's telecommunication industry. This is promoted by low disposable incomes and a sluggish economy which is characterised by inflation and unemployment.

Customers acknowledge that they would not switch service providers if there were loyalty programs. This had a mean value of (3.74). Customers agree that loyalty programs enable them to buy related products and services. This is the principle of up-selling and cross-selling. This has the effect of increasing customer lifetime value

In addition, sales promotions and loyalty programs enable customers to talk positively about their service providers to friends and relatives. This had a mean value of (3.69). This is the principle of referral or viral marketing. Viral marketing especially through social media platforms like Facebook, Twitter and others are effective marketing strategies these days due to their ubiquity and global reach. Research findings confirm that sales promotions offered by telecommunication fall short of providing them with satisfaction as some of them may not be genuine.

Effects of Loyalty Programs On Customer Retention in the Zimbabwe Telecommunication Industry.

The Scatter plot below is on loyalty programs and customer retention. It is similar to the one on service quality and customer retention. Most of the points are clustered at the top-right corner

suggesting that one of the factors that are making customers stay with their service providers is the loyalty programs being provided by these service providers.

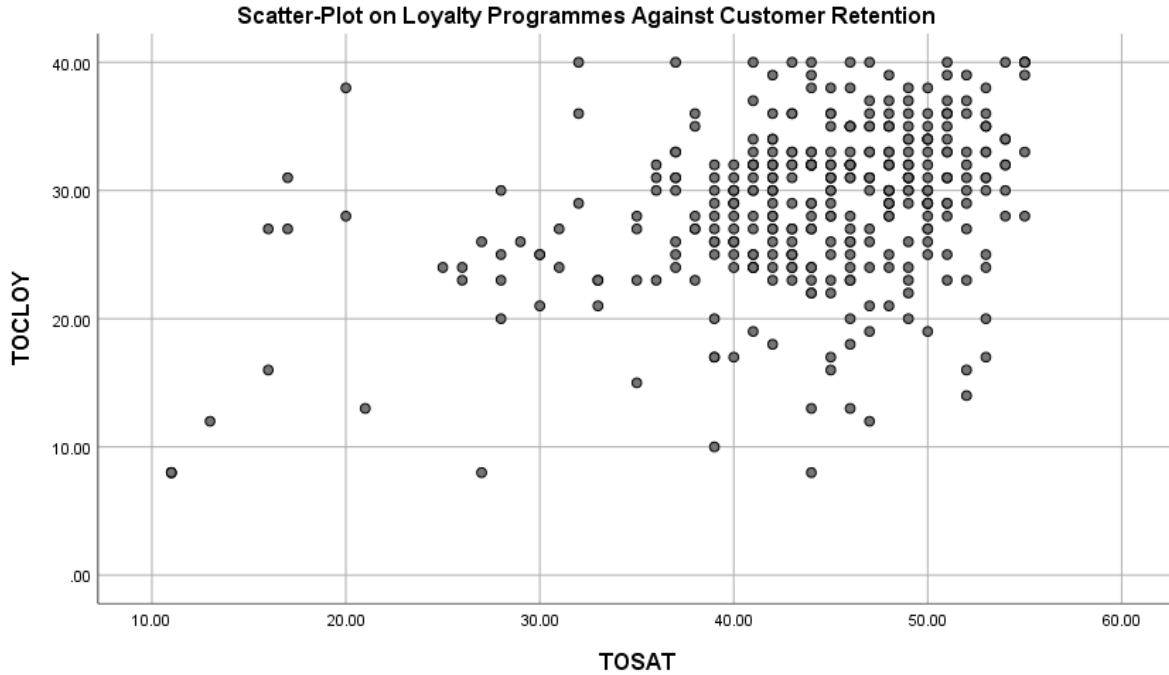
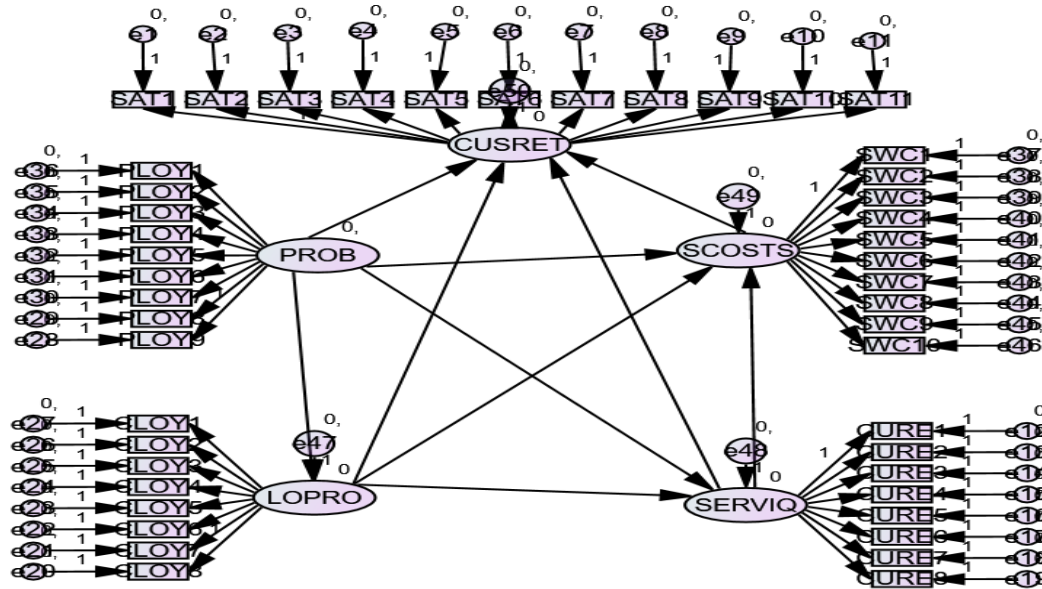


Fig 1

The structural Equation model below shows the effects of switching costs, loyalty programs, service quality and customer retention strategies and their effect on customer retention.



amongst the five latent variables. Customer retention is expected to be explained by each of the other four. PROBLEMS on the other end are expected to affect all the other four. These relationships are shown by the arrows between each pair of variables. The arrow points in the direction of the dependent variable. Customer retention is significantly affected by loyalty programs. These loyalty programs also affect service quality significantly. Problems which come face are other variables that affect service quality significantly.

5. CONCLUSIONS

From the preceding, it can be concluded that youths and females are generally the heaviest users of telecommunication products and services. In addition, most respondents in the study encountered problems with their service providers. Furthermore, most participants had multiple SIM cards of either Econet, Net One or Telecel. This may mean that customer satisfaction and loyalty are relatively low in the industry. This may suggest that Zimbabwe's mobile telecommunication industry has challenges in retaining its customers. The study also revealed that

loyalty programs have a significant impact on customer retention in Zimbabwe's mobile telecommunication industry.

6. DISCUSSION

Loyalty programs are instrumental in creating customer engagement and interactions. By offering personalised rewards and incentives, telecom firms can establish a stronger emotional connection with customers, leading to elevated customer satisfaction and reinforcing brand loyalty. Customers are more inclined to choose a telecom brand that provides additional value and rewards through a loyalty program for their continued patronage. By leveraging innovative loyalty programs, these firms cement customer loyalty and retention.

The Database Marketing Institute reports that the average churn rate for telecom businesses ranges between 10% to 67% per year. By implementing robust loyalty programs, telecom firms can incentivise to stay longer, effectively reducing churn and enhancing customer lifetime value. With high churn rates and minimal differentiation in service offerings, loyalty management programs offer a competitive edge and cultivate lasting relationships. Loyalty programs improve customer retention, attract new customers, improve revenue and enhance customer engagement. Modern loyalty programs play a significant role in fostering corporate social responsibility. By integrating social and environmental initiatives in their rewards programs, businesses can encourage positive actions among customers. Sustainable loyalty programs, for example, rewards for eco-friendly practices align business goals with social responsibility. In addition, they promote community engagement and philanthropy. So loyalty programs are not only for customer retention tools and business growth but they are increasingly used to align customers' ethical and environmental values (Barve,2024). However, maintaining social loyalty programs requires resources and it is time-consuming. Social loyalty programs create a sense of brand community besides reaching new customers. Social reward programs encourage customer loyalty and provide valuable feedback to brands. They provide important insights into how customers spend their money which informs future marketing strategies.

7. IMPLICATIONS

The implications for social progress in Zimbabwe's mobile telecommunication sector are customer satisfaction, customer retention, reduced customer switching and improved consumer welfare. Telecommunication firms would benefit from sustainability and improved competitiveness through increased margins. This would reduce poverty and improve industrialisation and economic development.

Study findings shall improve policy formulation, implementation and evaluation of telecommunication services delivery, regulation and governance in Zimbabwe. Findings shall assist social entrepreneurs like Econet Wireless, Net One and Telecel in launching credible loyalty programs for social good.

The implications for undertaking effective loyalty programs would not only enable the telecom sector to improve its reputation, goodwill and competitive edge but also improve social welfare. By existing retaining customers, telecom operators can reduce churn rates and increase revenues. Moreover, loyal customers are more likely to engage with additional services and products leading to higher average revenue per user.

Zimbabwe mobile telecommunication firms are advised to implement genuine value-adding loyalty programs that enable them to retain customers and reduce operational costs.

Telecommunication firms are advised to offer reward programs. Loyalty programs with personalised rewards, benefits, additional services, and exclusive partner deals are the best customer retention tools for telecommunication firms. Furthermore, service providers are advised to be transparent with pricing strategies.

A well-designed loyalty program can provide a competitive advantage to the firm and subsequently increase profitability. To make loyalty programs effective, telecommunication firms should tier their customers. In this way, telecommunication firms rank their customers according to their seniority and purchasing capacity. The oldest and highest-paying customers are given the highest tiers. This way, customers feel rewarded for their loyalty.

Measuring the success of loyalty programs is essential for ensuring their long-term effectiveness in generating corporate growth and customer engagement. To optimize the program over time, businesses should employ user feedback and data analysis to improve the program's design and rules. Furthermore, constant communication is crucial in retaining interest and encouraging growth through loyalty programmes. Finally, organisations should regularly assess their costs and benefits. To ensure that it is sustainable and cost-effective in the long term.

In today's fast-paced digital environment, technology is vital to the design and operation of modern reward programs. For example, social media can be used to broaden their audience. Technology is utilized to improve the entire consumer experience by providing personalized recommendations and other interactive elements. To summarize, technology is critical in the development and implementation of modern loyalty programs.

Another strategy to improve the success of loyalty programs is to offer personalized rewards and incentives. Telecommunications companies utilize rewards to surprise and delight clients on important occasions. It may be a customer's birthday, wedding anniversary, or membership anniversary. The benefits can include minutes of free phone time or free internet data. Offering such prizes demonstrates that the company values its customers.

Zimbabwe mobile telecommunications operators should offer incentives for eco-friendly activities to enhance sustainability and beneficial environmental impact. They should promote prizes for social responsibility. They should also provide charitable gifts as rewards. Consumers desire to utilize their purchasing power to improve the world.

Zimbabwe mobile telecom firms should be transparent concerning pricing to privacy and security. In addition, loyalty programs should be personalized not a one-size-fits-all approach.

It is recommended for Zimbabwe mobile service providers to always carry out market research to be up-to-date with changing consumer tastes and general consumer behaviour. In addition, operators should consolidate their customer relationship management and engagement endeavours to retain their customers. Zimbabwe's mobile telecommunication industry should always implement loyalty programs as a customer relationship management strategy.

REFERENCES

- Abimbola, O. S., Adekunle, A. M., & Oluremi, O. F. (2020). Promotional Mix and Customer Patronage: A Study of Telecom Subscribers in Lagos and Ogun States, Nigeria. *Covenant Journal of Business and Social Sciences*.
- Alrubaiee, L., & Al-Nazer, N. (2010). Investigate the impact of relationship marketing orientation on customer loyalty: the customer's perspective. *International Journal of Marketing Studies*, 2(1), 155-174.
- Amankwah, A.B., & Asare, G. (2019). The impact of sales promotional packages on customer switch and retention. Case of MTN and Vodafone Ltd. *International Journal of Academic Research and Reflection*, 7 (4) 26-41.
- American Marketing Association. (2016). Dictionary. <https://www.ama.org>
- Bardon, A. (2023). How to Make an Impact with Social Entrepreneurship. <https://online.lindenwood.edu/blog/how-to-make-an-impact-with-social-entrepreneurship>.
- Blackburn, W.R. (2007). *The Sustainability Handbook: The Complete Management Guide to Achieving Social, Economic and Environmental Responsibility*. Earth scan.
- Barve, M. (2024). The Evolutionary Journey of Purpose Driven Loyalty Programs.
- Boakye, K. G., Blankson, C., & Prybutok, V. R. (2017). The battle for customer loyalty: An examination of customer loyalty in the goods and services domain. *Quality Management Journal*, 24(4), 21–34.
- Buongiorno, R. (2011). “New Research Reveals a Clear Opportunity for Mobile Loyalty Reward Programmes to Gain Greater Traction & Impact in the UK,” Telecom World Congress, London UK
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48
- Chhatwal, G. (2023). When Loyalty Programs Fall Short. Why Undying Loyalty isn't Always worth it. <https://kadence.com/en-us/when-loyalty-programs-fall-short-why-undying-loyalty-isnt-always-worth-it/>
- Daukševičiūtė, I., Vilkaitė, N. and Valainis, A. (2011). Loyalty Programmes for Small and Medium Enterprises Applied by the World's Safest Banks. *Intellectual Economics*, Vol. 5, no. 4(12), p. 526–546
- Dieli, O.J. (2021). Wireless Mobile Phone Technology, Deregulation Policy, Competition and Economic Welfare in Nigeria's Telecommunication Industry: An Analytical Model. *Journal of International Technology and Information Management*, Volume 29, Issue 4.
- Duarte, M. (2016). Econet Wireless Zimbabwe Limited. Building the Future. Master's Degree in Finance from the Nova School of Business and Economics
- Edward, M. and Sahadev, S. (2011), “Role of switching costs in the service quality, perceived value, customer satisfaction, and customer retention linkage”, *Asia Pacific Journal of Marketing & Logistics*, Vol. 23 No. 3, pp. 327-345.
- Feldman, D. (2016). The Psychology of Loyalty Programs. <https://medium.com/@dfcatch/the-psychology-of-loyalty-programs-3a9741c43f41>
- Feliz, S., & Maggi, C. (2019). What is the impact of increased business competition? *International Monetary Fund*.
- Fritsch, M., & Changoluisa, J. (2017). New business formation and the productivity of manufacturing incumbents: Effects and mechanisms. *Journal of Business Venturing*, 32(3), 237–259.

- Global Monitor (2020). Zimbabwe Telecommunication Market Report (2020-2025). <https://www.globalmonitor.us/product/zimbabwe-telecommunication-market-report>
- Hamilton, R. W., Rust, R. T., & Dev, C. S. (2017). Which features increase customer retention? *MIT Sloan Management Review*, 58(2), 79–84.
- Hua, N., Wei, W., DeFranco, A. L., & Wang, D. (2018). Do loyalty programs matter for hotel operational and financial performance? *International Journal of Contemporary Hospitality Management*.
- Hur, W.-M., Park, J. and Kim, M. (2010), “The role of commitment on the customer benefits-loyalty relationship in the mobile service industry”, *The Service Industries Journal*, Vol. 30 No. 14, pp. 2293-2309.
- Kotnik, P., & Stritar, R. (2015). ICT as the facilitator of entrepreneurial activity: An empirical investigation. *Amfiteatru Economic Journal*, 17(38), 277-290.
- Kurt, S (2022). Expectancy Theory of Motivation.
- Liu, Y. (2007). “The Long-term Impact of Loyalty Programs on Consumer Purchasing Behavior and Loyalty,” *Journal of Marketing*, College of Business and Public Administration, Vol. 71, No. 4, pp19-35
- Lowenstein M.W. (2012). *The Customer Advocate and the Customer Saboteur: Linking Social Word-of-Mouth, Brand Impression and Stakeholder Behaviour*, Quality Press, U.S.A
- Lyons, S. (2023). What are the Benefits and Challenges of Loyalty Programs? <https://loyaltyrewardco.com/what-are-the-benefits-and-challenges-of-loyalty-programs/>
- Maniam, B., Engel, J., & Subramaniam, G. (2018). Examining the significance and impact of social entrepreneurship. *International Journal of Engineering & Technology*, 7(4.38), 818-824.
- Manuere, F., Viriri, P., & Chufama, M. (2021). The Effect Of Corporate Social Responsibility Programmes On Consumer Buying Behaviour In The Telecommunication Industry In Zimbabwe. *International Journal of Research in Commerce and Management Studies (ISSN: 2582-2292)*, 3(2), 24-37.
- Mumba, G. Loyalty Program as a Customer Retention Strategy: The Perspective of O2 Telefonica Limited, UK. *International Journal of Innovative Science and Research Technology*, Volume 6, Issue 5 May 2021.
- Nambisan, S., Wright, M., & Feldman, M. (2019). The digital transformation of innovation and entrepreneurship: Progress, challenges and key themes. *Research policy*, 48(8), 103773.
- Nangara, A. (2023). Zimbabwe’s Telecommunication market undergoing a significant transition. <https://theexchange.africa/industry-and-trade/zimbabwes-telecommunication-market-undergoing-significant-transition/>
- Nemes, A (2023). Telecommunication Loyalty Program: A comprehensive Program. <https://antavo.com/blog/telecommunication-loyalty-programs/>
- Nitzan, I., & Libai, B. (2011). Social effects on customer retention. *Journal of Marketing*, 75(6), 24–38.
- Ofosu-Boateng, I. (2020). Effect of sales promotion and relationship marketing on customers’ retention in the telecommunications industry in Accra, Ghana. *British Journal of Management and Marketing Studies*, 3(1), 37-54.
- Okae, P. (2017). Mobile number portability in Ghana: six years of customer satisfaction. *Science World Journal*, 12(4), 102-105.
- Osahon, R. (2017). Broadband Competition in Zimbabwe Becomes Tense. <https://innovation-village.com/broadband-competition-zimbabwe-becomes-tense/>

- Papafloratos, T. (2007) 'Do corporate social responsibility initiatives influence the consumers?'[Online] [tp://www.lse.ac.uk/europeanInstitute/research/hellenicObservatory/pdf/](http://www.lse.ac.uk/europeanInstitute/research/hellenicObservatory/pdf/)
- Pillai, A, and Hattangadi, V. (2021). The “WOW” Factor for Customer Retention & Loyalty. *Elementary Education Online*. Vol.20, Issue, 6, pp. 5776-5779.
- Raji, M. N. A., & Zainal, A. (2017). The effect of customer perceived value on customer satisfaction: A case study of Malay upscale restaurants. *Geografia Malaysian Journal of Society and Space*, 12(3).
- Reichheld, F. and Sasser, W.E. Jr (1990). “Zero defections: quality comes to services.” *Harvard Business Review*, Vol.68 No.4, pp.105-113.
- Robb, G., & Paelo, A. (2020). Competitive dynamics of telecommunications markets in South Africa, Tanzania, Zambia, and Zimbabwe (No. 2020/83). WIDER Working Paper.
- Sharp, B., & Sharp, A. (1997). Loyalty programs and their impact on purchase loyalty patterns. *International Journal of Research in Marketing*, 14(5), 473–486.
- Shulga, L., & Tanford, S. (2018). Measuring perceptions of fairness of loyalty program members. *Journal of Hospitality Marketing & Management*, 27(3), 346–365.
- Viriri, P., & Phiri, M. (2017). Determinants of customer satisfaction in Zimbabwe telecommunication industry. *Journal of Communication*, 8(1), 101-104.
- Wohl, M. J. A. (2018). Loyalty programs in the gambling industry: Potentials for harm and possibilities for harm minimisation. *International Gambling Studies*, 18, 495–511
- Yi, Y., & Jeon, H. (2003). Effects of loyalty programs on value perception, program loyalty, and brand loyalty. *Journal of the academy of marketing science*, 31(3), 229-240.