Attractiveness of monetary and non-monetary rewards in loyalty programs: What works better?
Ruta Ruzeviciute, Bernadette Kamleitner
Vienna University of Economics and Business

Abstract
We explore the attractiveness of monetary and non-monetary loyalty programs in service industries and examine the influence of consumption goals. Monetary rewards are found to have a universal advantage. They are preferred regardless absence (Study 1) or presence (Study 2) of a specific service context. The observed pattern does not change if consumption goals (Study 3) are taken into consideration.

Background
- Loyalty program (LP) success depends on its actual execution (Meyer-Wearden & Benavent, 2006)
- 3/4 of LP members were not satisfied with incentives they got (Milimouni & Volle, 2003)
- Finding and adopting appropriate rewards are of prime importance

Problems & important considerations
- Scarce knowledge on rewards effectiveness
- No unified reward categorization, prevailing dichotomization in reward categories
- Rewards’ assignment to specific category intuitive (e.g. Tangible/Intangible, Soft/ Hard)
- One categorization dimension is monetarism of reward: no terminological consistency
- General promiss to financial stimuli (Blattberg & Neslin, 1993) -> Monetary reward preferred more?
- Congruence between personal consumption goals and attributes of rewards might influence the attractiveness of a LP (Chandon, Wansink and Laurent 2000, Suh and Yi, 2012)

Research questions
1. How monetary are rewards perceived?
2. Are monetary rewards perceived to be more attractive than non-monetary rewards? If so, when?
3. Whether salient consumption goals could influence previously observed attractiveness of rewards?

Study 1: Survey
- Aim: To explore perceived monetarism of loyalty rewards
- To explore whether monetarism predicts attractiveness of LP rewards in absence of context
- Participants: 31 postgraduate (UK)
- Procedure & measures: Request to rate loyalty rewards along perceived monetarism & attractiveness in context free questionnaire
- Rated rewards were screened from 10 major LPs operating in the UK
- 5 point scales (1 - purely non-monetary / very unattractive)

Results
Is monetarism of rewards related to their perceived attractiveness?

![Monetarism vs Attractiveness Graph]

$r = .59, p < .01$

Study 2: Experiment
- Aim: To explore whether monetarism predicts attractiveness of LP within hospitality context
- To explore whether the same preference holds in different cultural contexts (UK & AT)
- Participants: 139 subjects (UK & AT)

Results
Are monetary LP more attractive than non-monetary in hospitality context?
- ANOVA
- main effect of reward monetarism $F(2, 134) = 5.14, p < .01, \eta^2 = .06$
- no main effect of country & no interaction between country and reward monetarism

Conclusion & Contribution:
- Monetarism of loyalty rewards is perceived as continuous construct
- Monetarism predicts attractiveness in absence and presence of context (hospitality industry)
- Observed attractiveness of monetary rewards is independent of cultural context (UK & AT)
- Active consumption goals do not change the attractiveness of rewards
- When both utilitarian and hedonic consumption goals are active, monetary LP is preferred to non-monetary LP
- Future studies will investigate whether the same holds across other service industries

Key words:
- LOYALTY PROGRAM (LP)
- CONSUMPTION GOALS
- MONETARY & NON-MONETARY LOYALTY REWARDS

Study 3: Experiment
- Aim: To explore whether salient consumption goals changes attractiveness of LP rewards
- Participants: 144 graduates and postgraduates (AT)

Results
Do consumption goals influence attractiveness of rewards?
- Consumption goals were manipulated successfully
- ANOVA -main effect of reward monetarism $F(2, 139) = 3.66, p < .05, \eta^2 = .09$
- no main effect of consumption goal
- no interaction between reward monetarism and consumption goal

Summary of results
Monetary rewards are found to be more attractive across all studies!

Main References

Contact: Ruta Ruzeviciute
E-mail: ruta.ruzeviciute@wu.ac.at
E-poster: www.wu.ac.at/mcore/

2014 Winter Marketing Educators’ Conference (AMA)
Orlando, February 21-23, 2014