

Attractiveness of monetary and non-monetary rewards in loyalty programs: What works better?

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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.

Key words:

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

Background

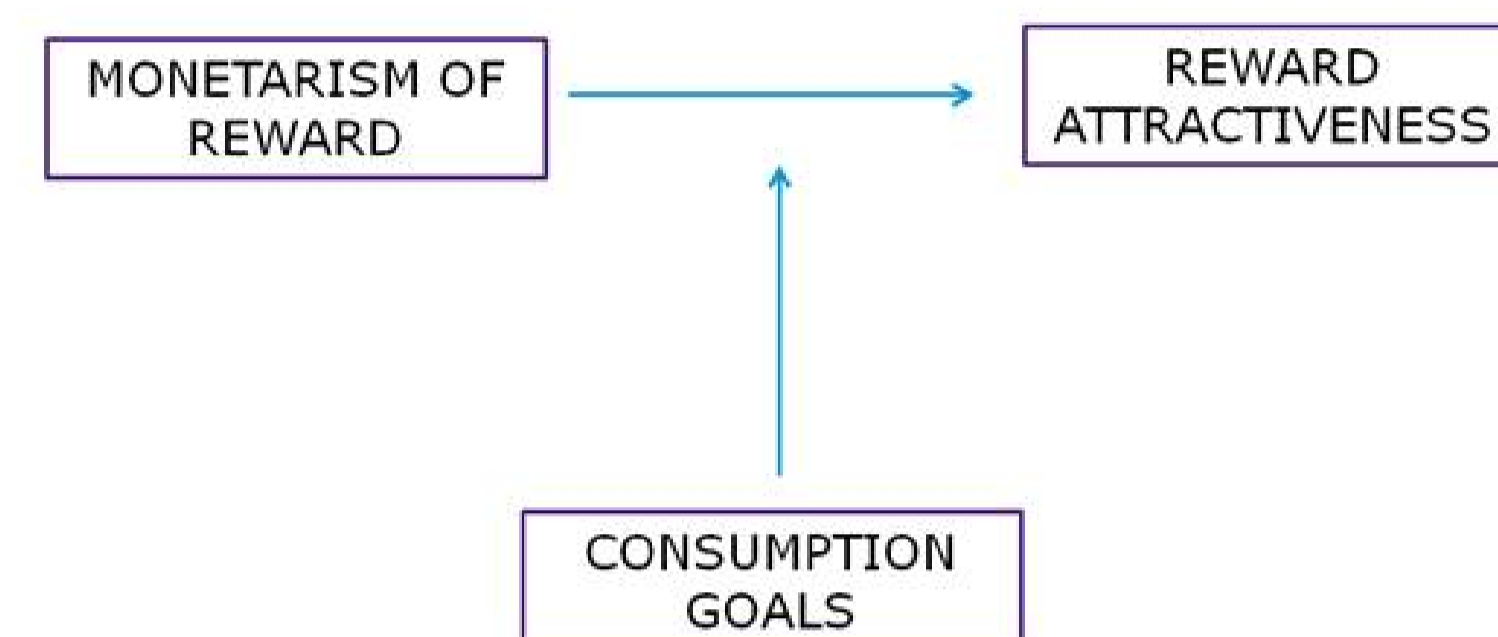
- Loyalty program (LP) success depends on its actual execution (Meyer-Waarden & Benavent, 2006)
- 3/4 of LP members were not-satisfied with incentives they got (Mimouni & Volle, 2003)
- Finding and adopting appropriate rewards are of prime importance

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 proneness 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?

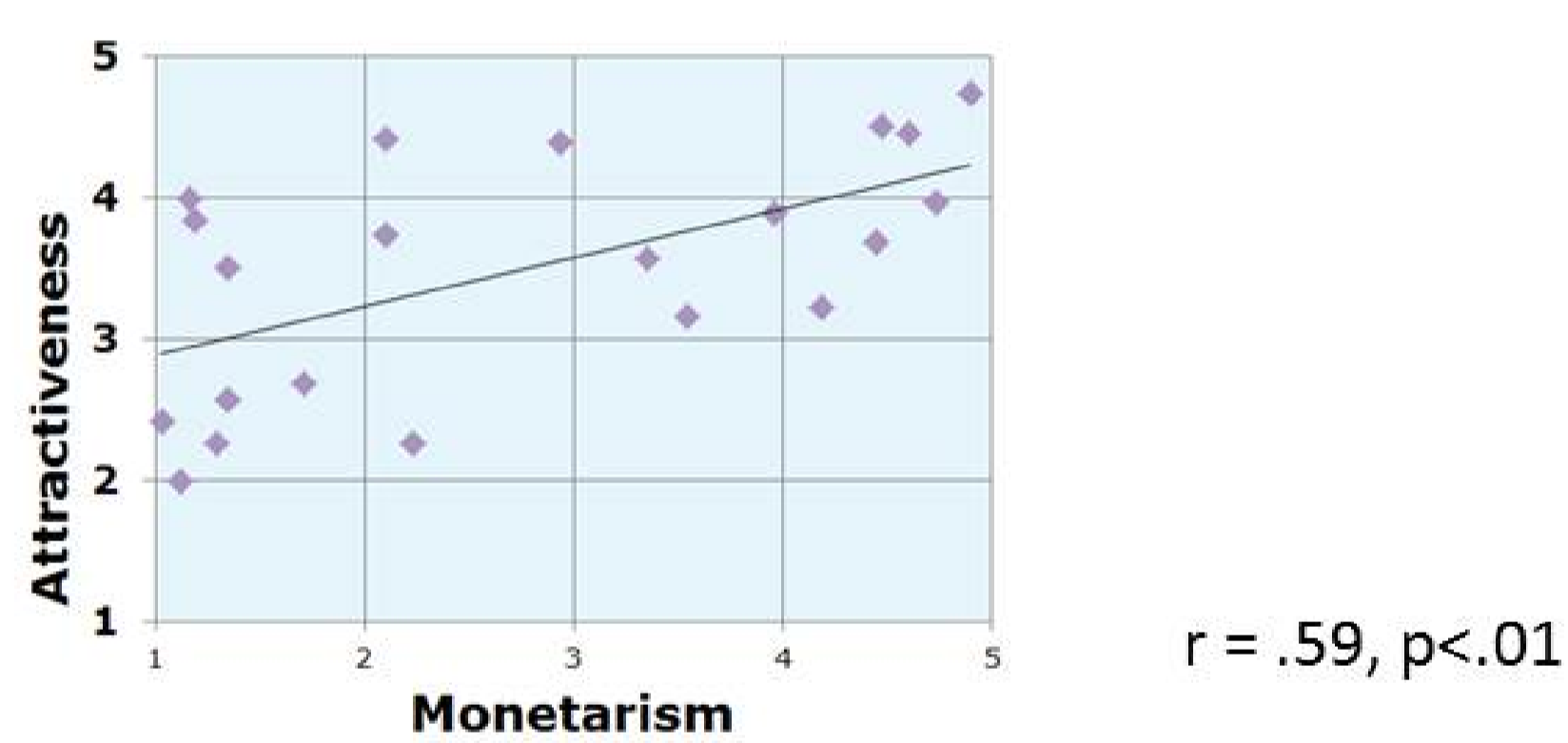


Study 1: Survey

- Aim:
 1. To explore perceived monetarism of loyalty rewards
 2. 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)

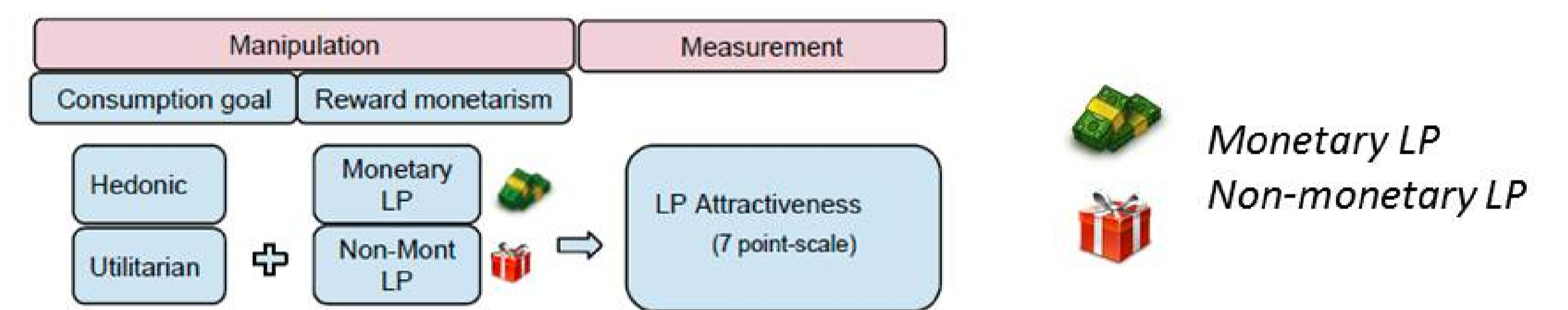
Results

Is monetarism of rewards related to their perceived attractiveness?



Study 3: Experiment

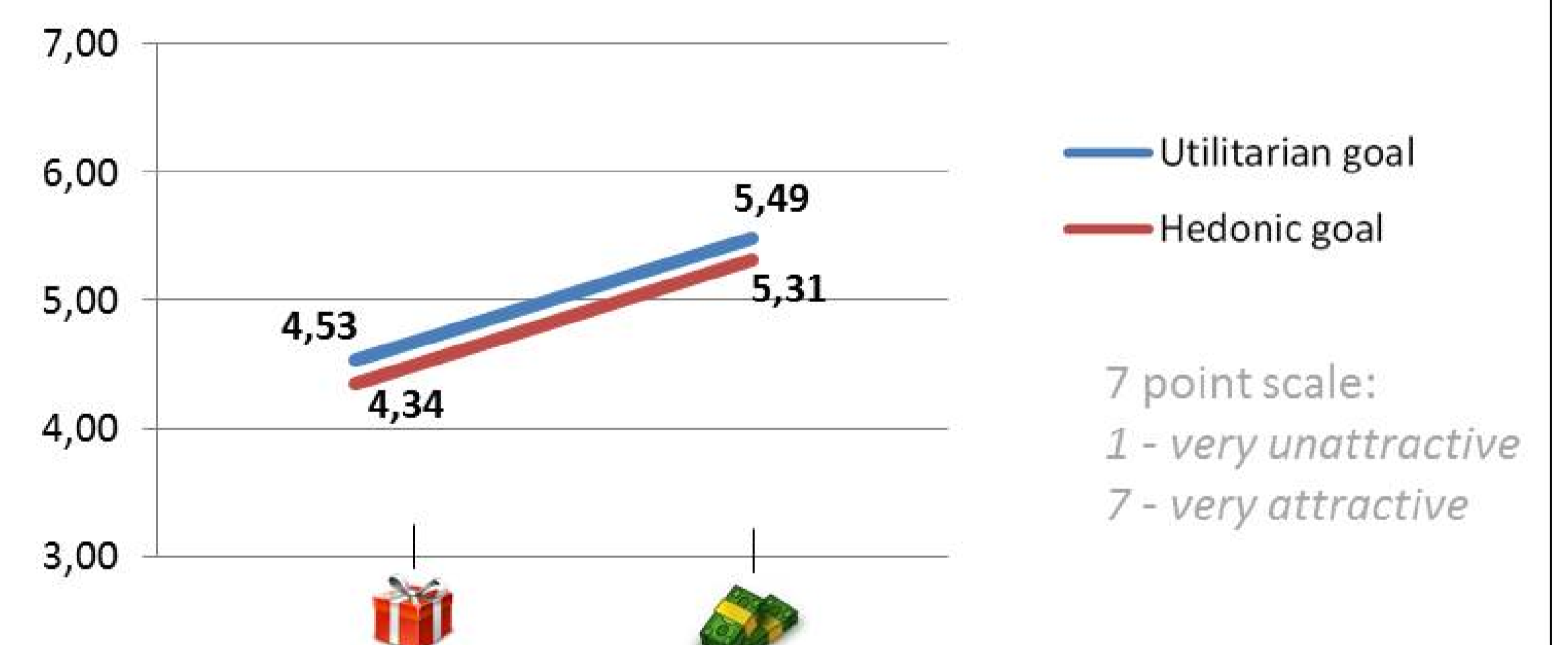
- Aim: To explore whether salient consumption goals changes attractiveness of LP rewards
- Participants: 144 graduates and postgraduates (AT)



Results

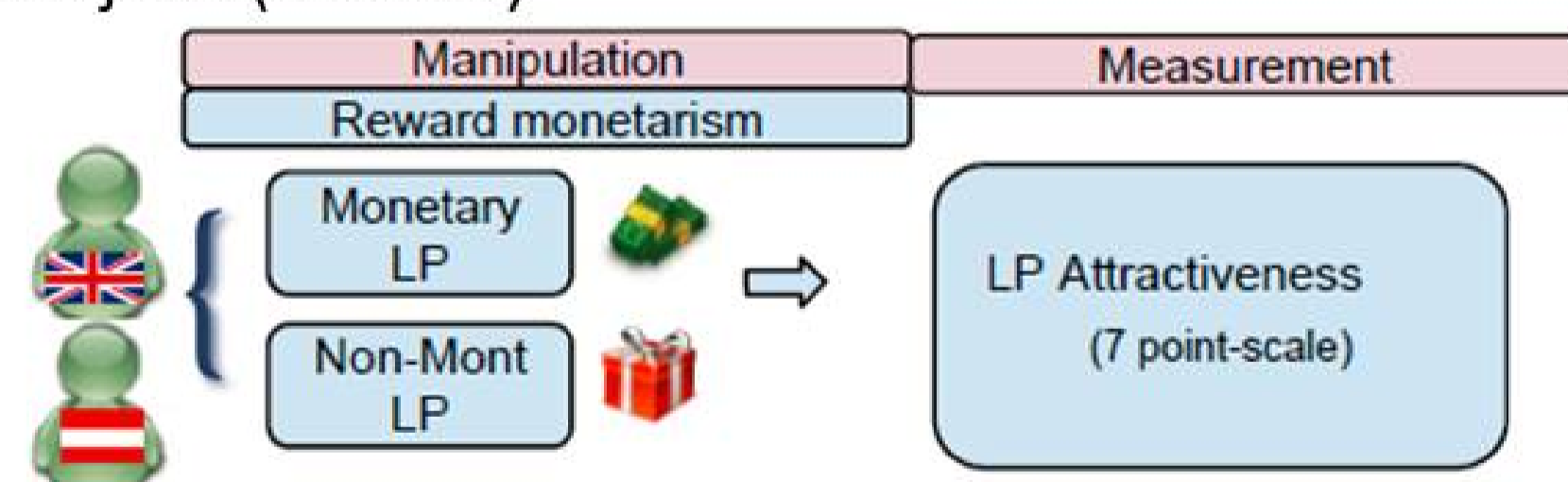
Do consumption goals influence attractiveness of rewards?

- 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



Study 2: Experiment

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



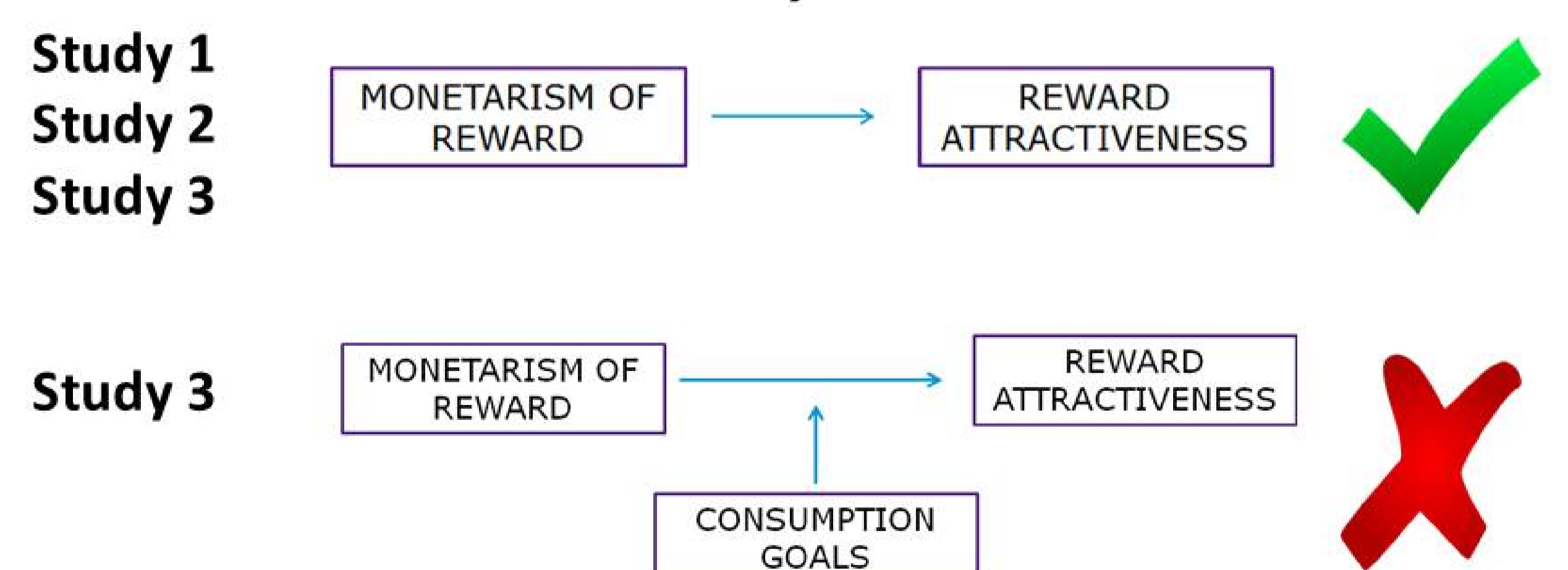
Results

Are monetary LP more attractive than non-monetary in hospitality context?

- ANOVA
 - main effect of **reward monetarism** $F(2, 134) = 5.14, p < 0.01, \eta^2 = .06$
 - no main effect of country & no interaction between and country and reward monetarism



Summary of results



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

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**

Main References

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