

Monetary versus non-monetary rewards in loyalty programs: Perceived attractiveness under different involvement context

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Abstract

The aim of the paper is to explore the relation between loyalty program rewards' monetarism and their attractiveness and to examine the role of involvement played there. Study 1 demonstrates that in the absence of specific context monetary rewards are perceived to be more attractive. Study 2 demonstrates that involvement moderates this trend.

Key words:

- LOYALTY PROGRAM (LP)
- INVOLVEMENT
- MONETARY & NON-MONETARY LOYALTY REWARDS

Background

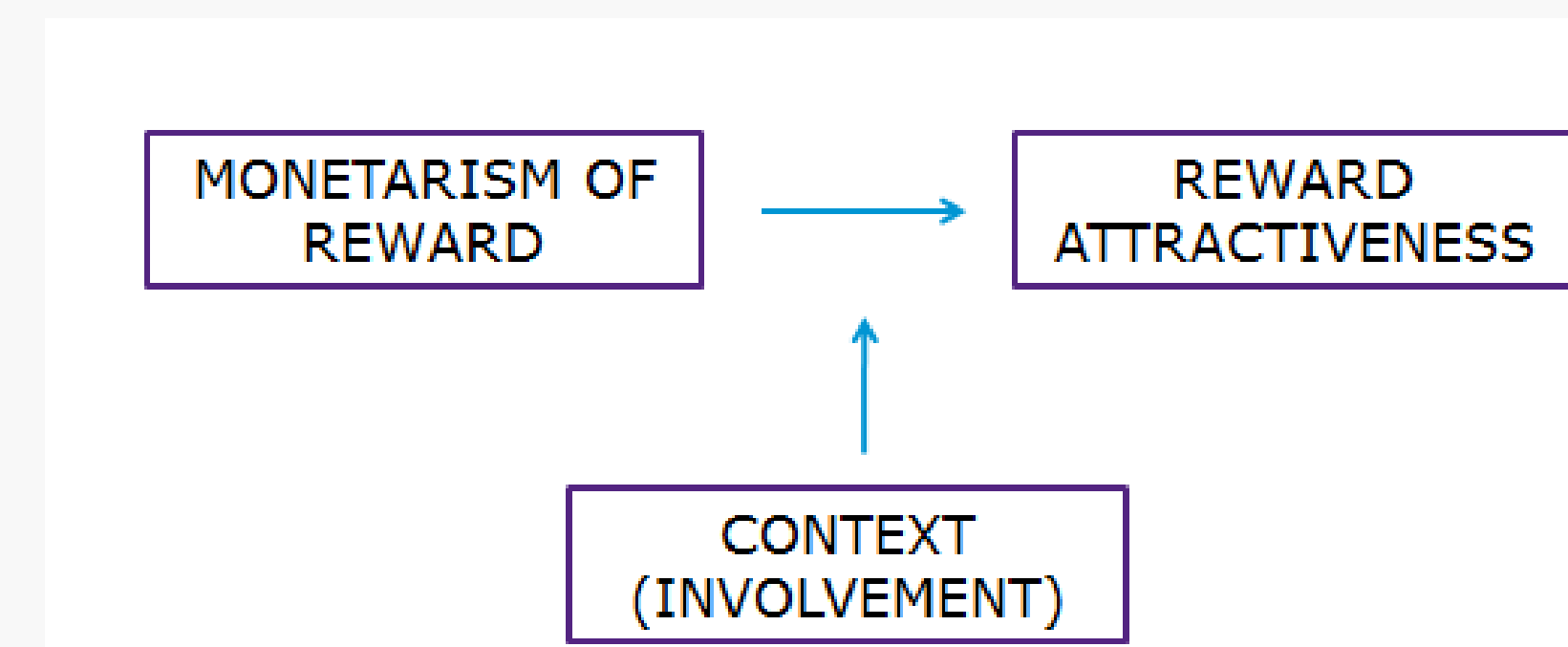
- Loyalty program (LP) success depends on its actual execution (Meyer-Waarden & Benavent, 2006)
- 3/4 of LP members were not-satisfied with incentives they got (Mimouni & Volle, 2003)
- Finding appropriate rewards is of prime importance

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?
- Involvement is related to loyalty and LP efficiency (Yi & Jeon, 2003)

Research questions

1. How monetary are rewards perceived?
2. Whether and when are monetary rewards perceived as more attractive than non-monetary rewards?

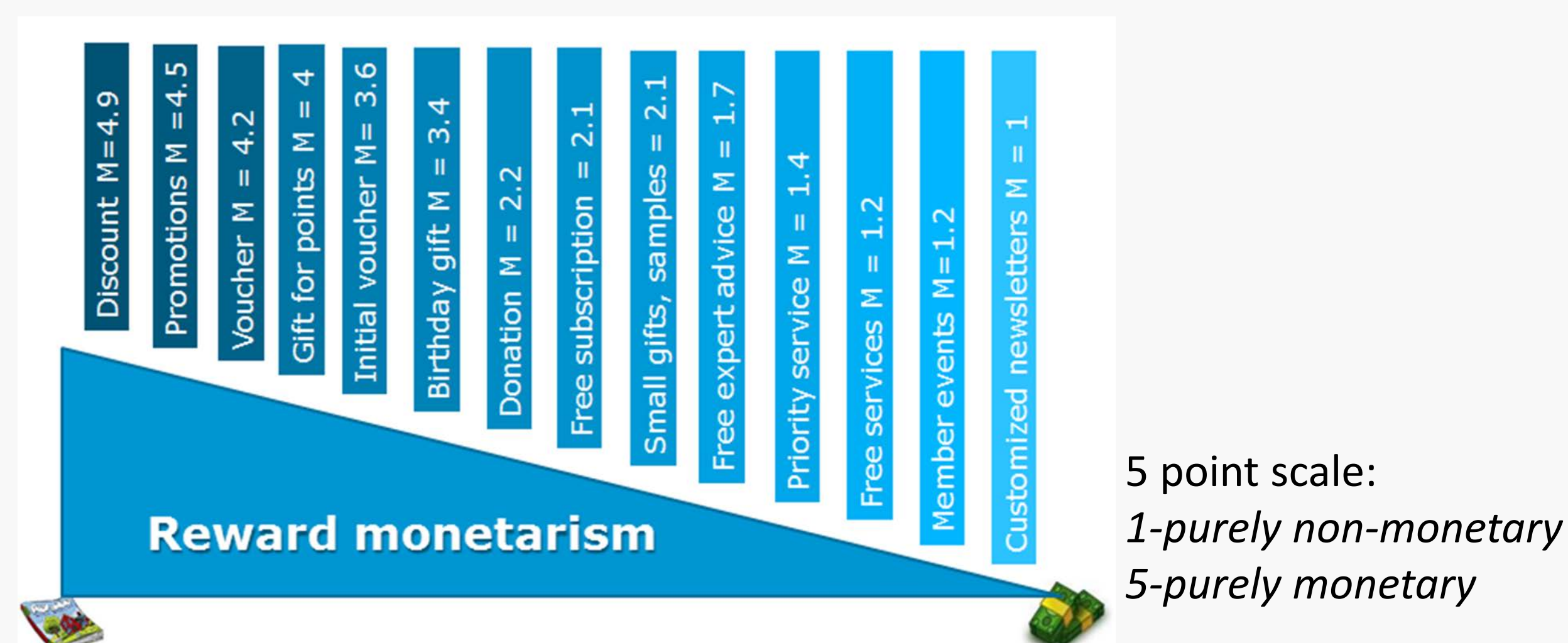


Study 1: Survey

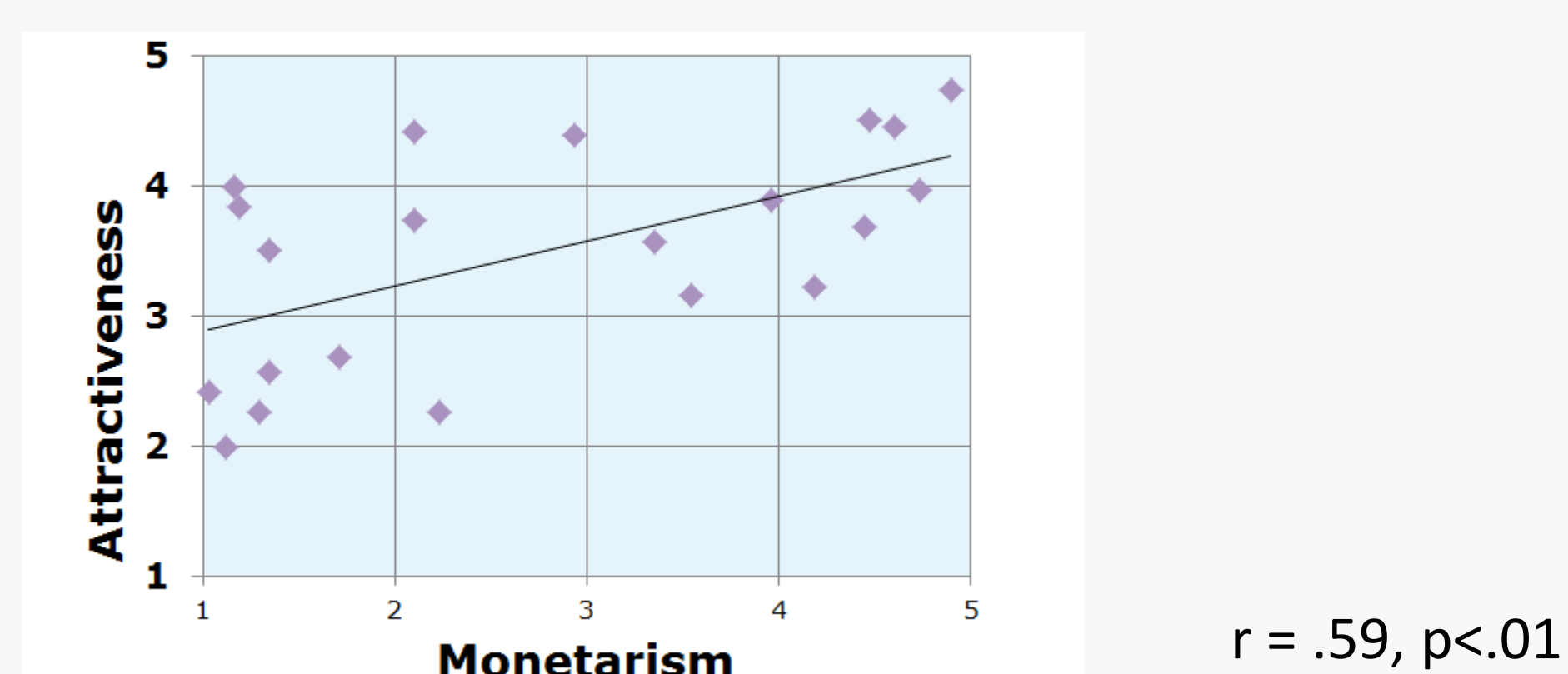
- Aim:
 1. To explore perceived monetarism of loyalty rewards
 2. To explore whether monetarism predicts attractiveness of LP rewards
- Participants: 31 postgraduate (UK)
- Procedure & measures: Request to rate loyalty rewards along perceived monetarism & attractiveness in context free questionnaire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

Results

How are rewards perceived?



Is monetarism of rewards related to their perceived attractiveness?



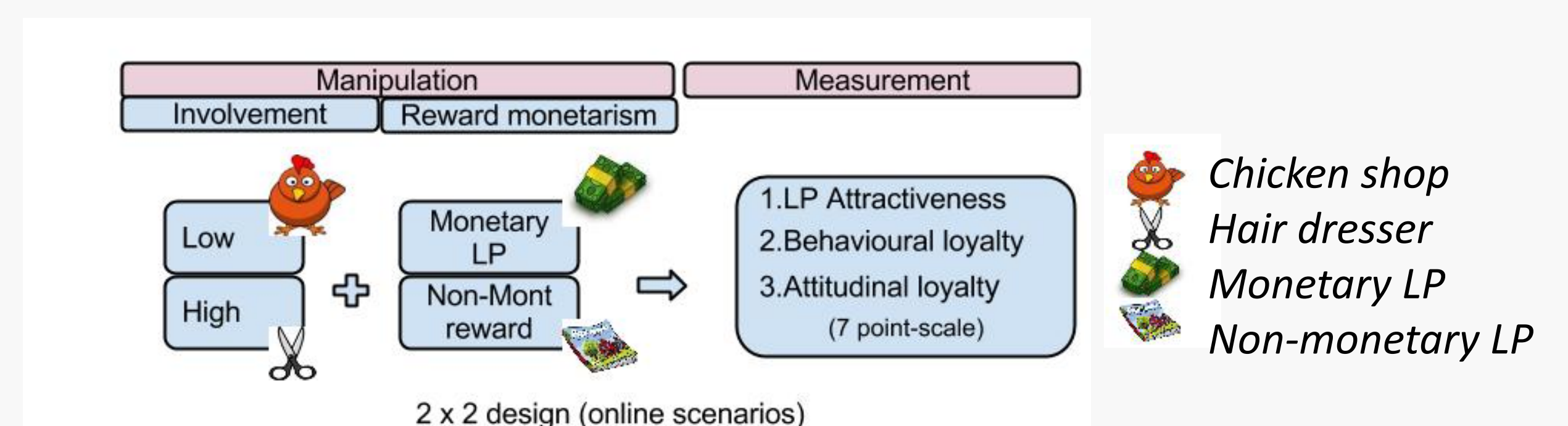
- The more monetary reward is perceived to be the more attractive it is rated



- Monetarism predicts attractiveness in absence of context

Study 2: Experiment

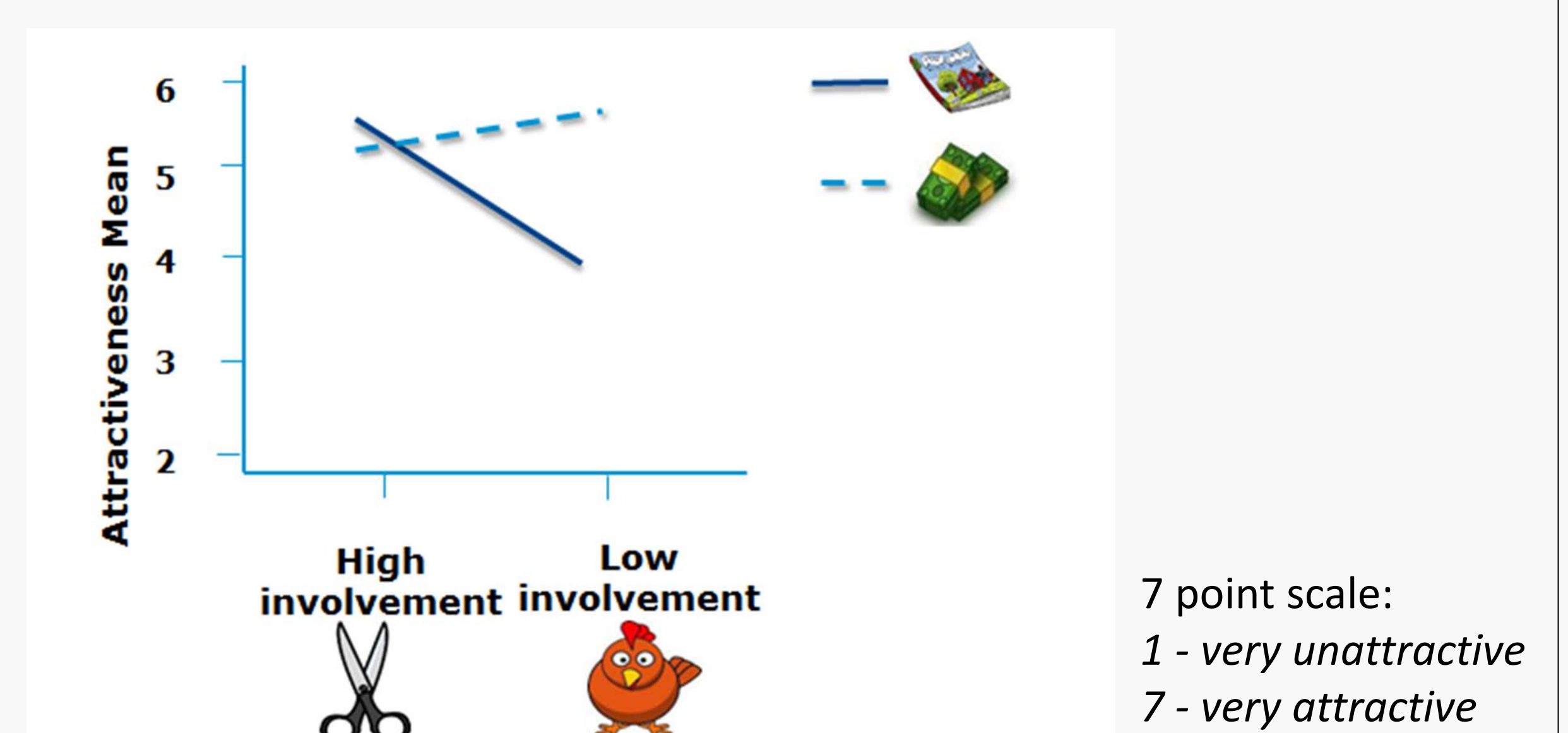
- Aim: To explore whether context (product category involvement) changes attractiveness of LP rewards
- Participants: 124 postgraduates (UK)



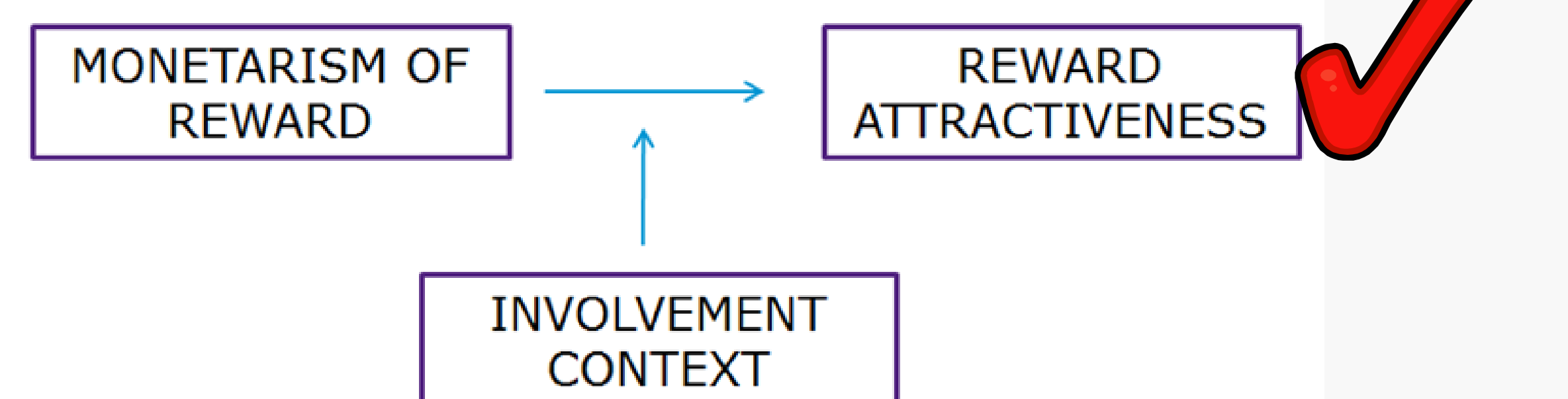
Results

Does context influence attractiveness of rewards?

- MANOVA
 - main effect of context $F(4, 117) = 3.90, p < .01, \eta^2 = .12$
 - no main effect of reward monetarism
 - interaction between context and type of program, $F(4, 117) = 11.44, p < .001, \eta^2 = .28$



- More favorable reactions to monetary LPs in the low involvement context and to non-monetary LPs in the high involvement context



- Context changes the perception of loyalty rewards' attractiveness

Conclusion & Contribution:

- Monetarism of loyalty rewards is perceived as continuous construct
- Monetarism predicts attractiveness in absence of context
- Context changes attractiveness of rewards
 - In low involvement context preference for monetary rewards
 - In high involvement context preference for non-monetary rewards

Main References

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