

Department of Marketing



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Promotions and Demotions of Business-to-Business Customers in a Multi-Tier Loyalty Program: Effects on Share of Wallet

Abstract: Multi-Tier Loyalty Programs (MTLPs) have become a popular marketing instrument to develop customer-firm relationships. Within an MTLP, customers can go up or down in tier level over time, and such promotions and demotions may affect their future purchase behavior. We develop a framework to explain whether and how the tier structure in a MTLP affect customer's share of wallet (SOW). A unique business-to-business dataset with information on over 20,000 MTLP members and marketing efforts of the firm in Germany from 2009 to 2017 is used for the analysis. We utilize a panel regression model with Tobit-style lower and upper boundaries. Our analysis is inspired by the Regression Discontinuity Design approach and we define the impact of the MTLP through a step function for the lagged dependent variable as an independent variable. In the analysis, we examine whether these effects depend on customer characteristics, and control for the effects of other potential drivers of share of wallet such as marketing activities. We contribute to the literature on drivers of customer loyalty of B2B markets, where customer behavior and drivers thereof has been shown to be substantially different from B2C markets. Overall, this study offers new insights into the temporal effects of demotions and promotions of B2B customers in MTLPs and has important implications for theory and practice.