

# Department of Marketing



Research Seminars Series

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## Loyalty-program promotions: How brands can capitalize on retailers' temporary loyalty programs

**Abstract:** In a loyalty-program promotion (LPP), brand manufacturers offer additional stamps or collectibles when their products are purchased, enabling consumers to accelerate their progress in retailer-initiated loyalty programs. Such retailer-manufacturer collaboration has become especially popular in the context of temporary loyalty programs where consumers have limited time to collect their rewards. Despite LPPs' increasing popularity, prior research offers limited advice on how to implement them. We provide a contingency framework that quantifies the effect of an LPP on brand sales, taking into account potential synergies with regular price-off promotions, the promotion design, and the potential interference from concurrent LPPs from other brands. We test the framework on almost 800 LPPs across a broad set of categories in 26 loyalty programs at six Dutch grocery retailers. We find a clear positive effect of LPPs on brand sales, in size equivalent to a 30% price discount. Yet LPPs work less well when combined with a price promotion, reflecting negative synergy effects, and are more effective when offered for a higher share of a brand's SKUs and later in the program. Importantly, not all brands can expect to benefit equally from LPPs, as various brand- and category-related factors are found to moderate their effectiveness.