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Loyalty programs: New insights and developments in the digital era

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Management Summary





Top-15 most important insights & implications:

1. Loyalty programs have a small, positive impact on behavioral and attitudinal loyalty.
2. Effect of loyalty programs differ across markets, contexts and customer groups, e.g. they are most effective for mid-group customers.
3. Almost all LP members want to engage with the program through new and emerging digital technologies.
4. When assessing the LP effect, a researcher should control for self-selection (whether or not a customer is an LP member, is not at random), otherwise the LP effect will be overestimated enormously.
5. A loyalty program affects customer loyalty through four mechanisms: a) habitual behavior, b) relationship, customer-firm bonding, c) increased status, and d) rewards.



Top-15 most important insights & implications:

6. Increasing status of customer may enhance loyalty, but could also backfire.
7. Reward redemption is a crucial part of the LP, not just a cost component.
8. Rewarding social media engagement increases loyalty program effectiveness, but only if it is fun and self-determined.
9. Loyalty programs can have a crucial role in a omni-channel setting (including mobile & online), throughout all stages of the customer journey.
10. It is easier to redeem a reward and benefits are more clear in an online versus off-line context.



Top-15 most important insights & implications:

11. Smart customization is important: LP effects are higher if the LP matches with idiosyncratic characteristics of the LP member.
12. Redemption momentum: Redeeming a reward creates positive attitudes that drive members to purchase more frequently and obtain higher amounts of LP points.
13. The option to donate points to charity enhances attitudinal and behavioral loyalty.
14. Short-term loyalty programs and collaborations with brands through bonus promotions stimulate purchase behavior.
15. Collaboration within loyalty programs offers advantages for firms and customers.



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Customer loyalty in the digital era

