

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

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Abstract

By running loyalty-program promotions (LPPs), brands try to capitalize on retailers' popular temporary loyalty programs. In such programs, consumers have limited time to save stamps for a highly-discounted reward, or to complete a set of collectibles. In LPPs, brands award stamps or collectibles to consumers buying their products. We provide a framework to identify the effect of LPPs on brand sales, as well as differences in this effect across promotion designs, brands, categories, and competitive LPP environments. We test this framework with a sample of 800+ LPPs across a broad set of categories in 27 loyalty programs at six retailers. We find a clear positive effect of LPPs on brand sales. However, LPPs work less well when combined with a price cut, but work better in programs that immediately provide small collectibles at checkout. The impact of LPPs is also stronger for brands with a higher market share, for national brands, in food categories, and in less concentrated categories.

Keywords: *Loyalty; Program; Promotion*

Track: Pricing & Promotions