Managing customer interactions to enhance the effectiveness of loyalty programs

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Abstract

Loyalty programs (LPs) are a widely used tool to build relationships with customers. Recently, researchers have underlined the importance of customer interactions in building relationships. This study investigates the effectiveness of incorporating customer-to-customer (C2C) interactions in the design of an LP. With the help of an experiment, our results show that C2C interactions have a positive impact on the effectiveness of LPs in building loyalty. We also show that LP members don't react similarly to the inclusion of C2C interactions and that it is important to consider customers' level of engagement when designing an LP. In addition, this study underlines the importance of adapting the proposed reward to the point collection structure. This research contributes to the wide literature about the effectiveness of LPs by considering two novel and under researched elements of the LP design: the customer interactions and the point collection structure.

Keywords: *loyalty programs; customer engagement; relationship marketing*

Track: Relationship Marketing