

# Uncertain Performance of Standalone Loyalty Programs: Optimal Success Drivers for Coalition Programs as Viable Alternatives

**Shameek Sinha**

IE Business School, IE University

Cite as:

Sinha Shameek (2019), Uncertain Performance of Standalone Loyalty Programs: Optimal Success Drivers for Coalition Programs as Viable Alternatives. *Proceedings of the European Marketing Academy*, 48th, (9845)

Paper presented at the 48th Annual EMAC Conference, Hamburg, May 24-27, 2019.



# Uncertain Performance of Standalone Loyalty Programs: Optimal Success Drivers for Coalition Programs as Viable Alternatives

## **Abstract**

The performance of standalone loyalty programs is debatable due to self-selection, competition and diverse customer requirements. Coalition programs with extensive category partnerships, variety of rewards and enhanced customer experience provide a viable alternative. Customers' involvement in terms of their transactions, reward redemptions and promotion responses drive loyalty program's optimal targeting. We propose a multi-dimensional sequential targeting algorithm that simultaneously determines the store type and sponsor choice, reward offer type, campaign action type and mode of communication contingent on customer decision elements. While customer behavior is modeled with competing-risk hazard, the computational challenges of the algorithm are addressed with a particle filter for parameter updates, sufficient statistics for summarizing behavioral history and a forward simulation in a grid-based optimization for evaluation of expected utility integrals in backward induction.

**Keywords:** *Loyalty; Customer; Targeting*

**Track:** Methods, Modelling & Marketing Analytics