

# Effectiveness of Temporary Loyalty Programs

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Cite as:

Bombaij Nick, Dekimpe Marnik, Gelper Sarah (2020), Effectiveness of Temporary Loyalty Programs. *Proceedings of the European Marketing Academy*, 49th, (63020)

Paper from the 49th Annual EMAC Conference, Budapest, May 26-29, 2020.



# Effectiveness of Temporary Loyalty Programs

## **Abstract**

Retailers are increasingly adopting temporary loyalty programs (TLPs), in which consumers have a limited amount of time, typically 3 to 4 months, to save stamps and redeem highly discounted rewards. It is common for retailers to run these TLPs alongside their permanent loyalty programs (e.g., club cards), in an attempt to engage their customers and increase their spending. While the popularity of TLPs has been growing, the literature is still limited. Considering that consumers behave differently in these programs, and retailers have to make different decisions, we address this gap by looking at the effectiveness of 700+ TLPs in the grocery industry. We find that the discount on rewards is the strongest driver of engagement. The optimal TLP duration is around 15-16 weeks, but it is longer for programs with a higher discount. A TLP's engagement is also dependent on the retailer and country: it is higher for retailers with a larger market share, and in more individualistic societies.

**Keywords:** *Loyalty; Program; Design*

**Track:** Relationship Marketing