

The Role of Self-Rewarding Behavior in Cashback Loyalty Programs

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Abstract

Given the vast popularity of loyalty programs, extant research has extensively studied their effectiveness. Surprisingly little is known, however, about consumer behavior during the redemption act itself, even though the redemption is at the heart of the program. In this study, the authors argue that consumers change their regular consumption behavior during the redemption and redeem points to buy more numerous (quantitative uptrading) or more expensive products (qualitative uptrading), i.e., they use the redemption to reward themselves. The authors investigate this issue in a hedonic service context using a mixed-methods approach. The results of a field study show that consumers indeed change their purchasing behavior engaging in uptrading. Moreover, this effect is moderated by important self-, firm-, and socially induced levers. Subsequent experimental studies show that self-indulgence is the prevalent mediating mechanism, explaining points redemption's impact on uptrading.

Keywords: *Loyalty Programs; Indulgence ; Mixed Methods*

Track: Relationship Marketing