

Do Loyalty Programs Hurt or Help Retailers when Involved in Crises?

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Abstract

While loyalty programs (LPs) remain popular among both retailers and consumers, research indicates that LPs often do not live up to managers' expectations. But maybe there are also some more hidden benefits that only materialize when the going gets tough. Specifically, do LPs hurt or help retailers when they get caught up in a (product-harm or reputational) crisis? To address this question, the authors conduct, adopting an Empirics-First approach, a large-scale study in the Dutch retail industry. The study investigates how more than 11,000 households (who are either a member or non-member of various retailers' LP) respond to close to 50 different crises that took place in a 9-year period. The results indicate that LP membership buffers against a crisis' negative effects not only in terms of a smaller reduction in purchase frequency and (conditional) purchase volume, but also in terms of a higher effectiveness of various marketing-mix-related recovery efforts.

Subject Areas: *Marketing-Mix Effectiveness, Marketing Strategy, Retailing*

Track: Retailing & Omni-Channel Management