

Determinants of grocery loyalty app performance

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Determinants of grocery loyalty app performance

Abstract

Loyalty apps (i.e., apps, where consumers can access and redeem coupons, and collect and redeem loyalty points) are frequently described as enabler of business growth for grocery retailers. Yet, retailers are afraid these apps will cut into their profitability and work only for specific segments. Using a difference-in-difference design with adopters (vs. matched non-adopters) of a grocery loyalty app, we find that loyalty apps increase sales volume and profits after adoption. This effect is influenced by prior purchase behaviour (total spending, frequency and private label share) and consumer characteristics (age and distance to nearest store). In line with engagement theory, apps intensify usage (coupon or loyalty point redemption) and, in turn, influence purchase behaviour. The effect of the app adoption on purchase behaviour declines over time but increases again after ~20 weeks, highlighting post-adoption dynamics related to loyalty point redemption.

Track: Retailing & Omni-Channel Management