How effective are new digital B2B loyalty-programmes?

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If the digital B2B loyalty scheme is effective, we might reasonably expect to see the following developments in the behaviour of the same customers [4]:

- A higher repeat rate
- Maintenance or growth of Heavy buyers
- A “trading up” of Medium and Light buyers
- An increase in penetration

Results. The evidence reports contrary to what managers usually expect from loyalty schemes. The conditional trend analysis is a useful tool to see changes in buyer behaviour in the next period and identify the sources of growth. The decline in purchase frequency is curious but may indicate either (1) a degree of order-bundling to obtain scheme rewards or (2) that the heaviest buyers were simply recruited first.

Practical implications, Although the evidence has questioned the effectiveness of loyalty programmes, managers must consider their performance in the round: do competitors have rival schemes, can they provide more opportunities for engagement, do they have the potential to manipulate order size and reduce costs through bundling? This study tests loyalty programmes in a new setting and present a simple yet effective tool that will help managers to test performance.

Table 1: CTA Analysis - T1 Buyers Heterogeneity in T2

<table>
<thead>
<tr>
<th></th>
<th>T1 Heavy</th>
<th>Medium</th>
<th>Light</th>
<th>Zero</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>T2 Heavy</td>
<td>122</td>
<td>11</td>
<td>5</td>
<td>1</td>
<td>139</td>
</tr>
<tr>
<td>Medium</td>
<td>12</td>
<td>8</td>
<td>0</td>
<td>1</td>
<td>21</td>
</tr>
<tr>
<td>Light</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Zero</td>
<td>19</td>
<td>21</td>
<td>11</td>
<td>14</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td>157</td>
<td>44</td>
<td>18</td>
<td>17</td>
<td>236</td>
</tr>
</tbody>
</table>

Table 1 shows that from T1 to T2 the scheme is having mixed results. 35 of the heaviest buyers decreased their purchase frequency in T2. Penetration of buyers declined from 93% to 58% and half of the medium and light buyers did not repeat.

Expectation
Customer buying behaviour is heterogeneous: in B2B some customers are far larger than others, and require more raw materials [3]. But given a consistent customer base with the opportunity to use two or more suppliers, the buying behaviour of the members of the loyalty programme should be observed to change between equal length periods to take advantage of the scheme benefits. Knowledge exists in the context of B2C market, but to date, this work has not included the study of B2B programmes - especially in the digital setting.

How to measure effectiveness?
A Conditional Trend Analysis compares purchase heterogeneity in buying classes defined at T1 against their subsequent purchasing at T2 [5]. This can simply be conducted as counts—what did the Heavy buyers do next? A sample of 236 B2B members is investigated. If CTA defines heterogeneity, it would be a novel but a useful technique to help marketers evaluate the performance of different buyer groups.

References