

Online Loyalty Programs: Perpetual Motion?*

Ammarah Marjan (marjana@lsbu.ac.uk) | School of Marketing, Management and People

*meaning: operate indefinitely with no additional maintenance

Introduction

Loyalty programs are in increasing popularity around the world. They help to motivate members to make next purchase and support firm's objectives [1]. Establishing online loyalty schemes will create an additional brand touchpoint which will provide benefit for members, therefore loyalty schemes require small on-going maintenance. But, the evidence suggests behavioral loyalty to loyalty schemes does not achieve perpetual motion.

Online Loyalty Programs

These are structured marketing efforts which reward members (with incentives such as points redeemable for prizes or discounts), and therefore, encourage loyal behaviour. For brand, they are available online, can increase single-brand loyalty [2], provide as a free standing touchpoint, keep the memory of brand fresh, and intuitively are good value for money.

Measure of online loyalty schemes: Success is measured with increased level of repeat visits because loyalty programs only reward behaviour. Members are not given incentives for changing their attitudes [3]

Hypothesis: Online loyalty programs are built to lock existing and attract new members. If this is true, they should be self-supporting. In other words, they will not lose members and should be growing quickly.

Research Questions

1. Do we see persistent growth in online loyalty programs over long-term?
2. What is the impact of online loyalty programs on users repeat visits?
3. Can we see similar patterns across all loyalty websites?

Method

With access to Brandmovers® propriety analytics stats, three-years of time series data is used in analysis from three different loyalty websites all of which seemed to be launched in that time. Then, plot analysis was run to recast Google Analytics engagement metric in each quarter resulting into 36 datasets, also distributed and propositioned visitors between classes (heavy, light or medium) [5].

Findings

Behavioural loyalty to loyalty schemes is thought to be contributing to brand loyalty by influencing customers decision-making process. In response to repeat patronage, they offer customers incentives, therefore, it might be expected that they need little maintenance. But Sharp argues, people have busy lives and do not care much about brands or their loyalty schemes [4]. We explore these assumptions in the light of the evidence:

1. The analysis covered Affinity, Customer, Employee loyalty programs which had different functionalities but they are all faced with the same problem: it reaches an inflexion point (Figure 1). It might be that members interest in schemes tails off and therefore, loyalty schemes are not perpetual motion and hence do not self-support.
2. Findings show that repeat visits are extremely low and 80% of total visitors only turned up once (Figure 2). This pattern suspiciously looks like NBD. For future research, we need to fit this distribution in the model and study it more. The members mostly declining are expectedly light visitors as the evidence suggests [7].

The implications are:

Keep nudging members: Marketers need to keep nudging people to come back - this will help to increase the propensity to make a purchase and will keep the brand memory fresh. Loyalty schemes are providing additional brand touchpoint in the customer journey, therefore no efforts are wasted.

Visitors behaviour on loyalty websites

Figure 1: Employee Loyalty Scheme, visitors frequency

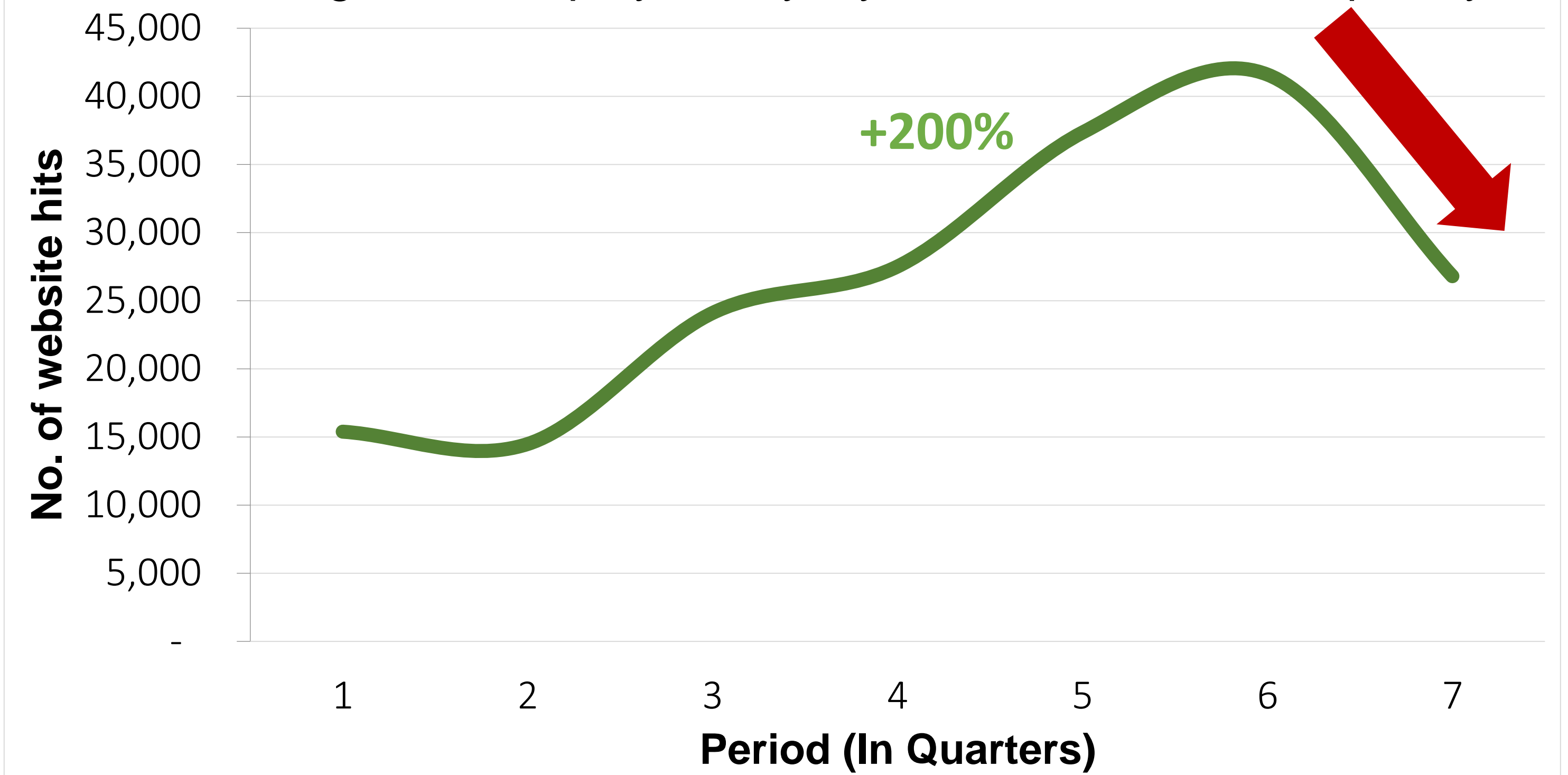
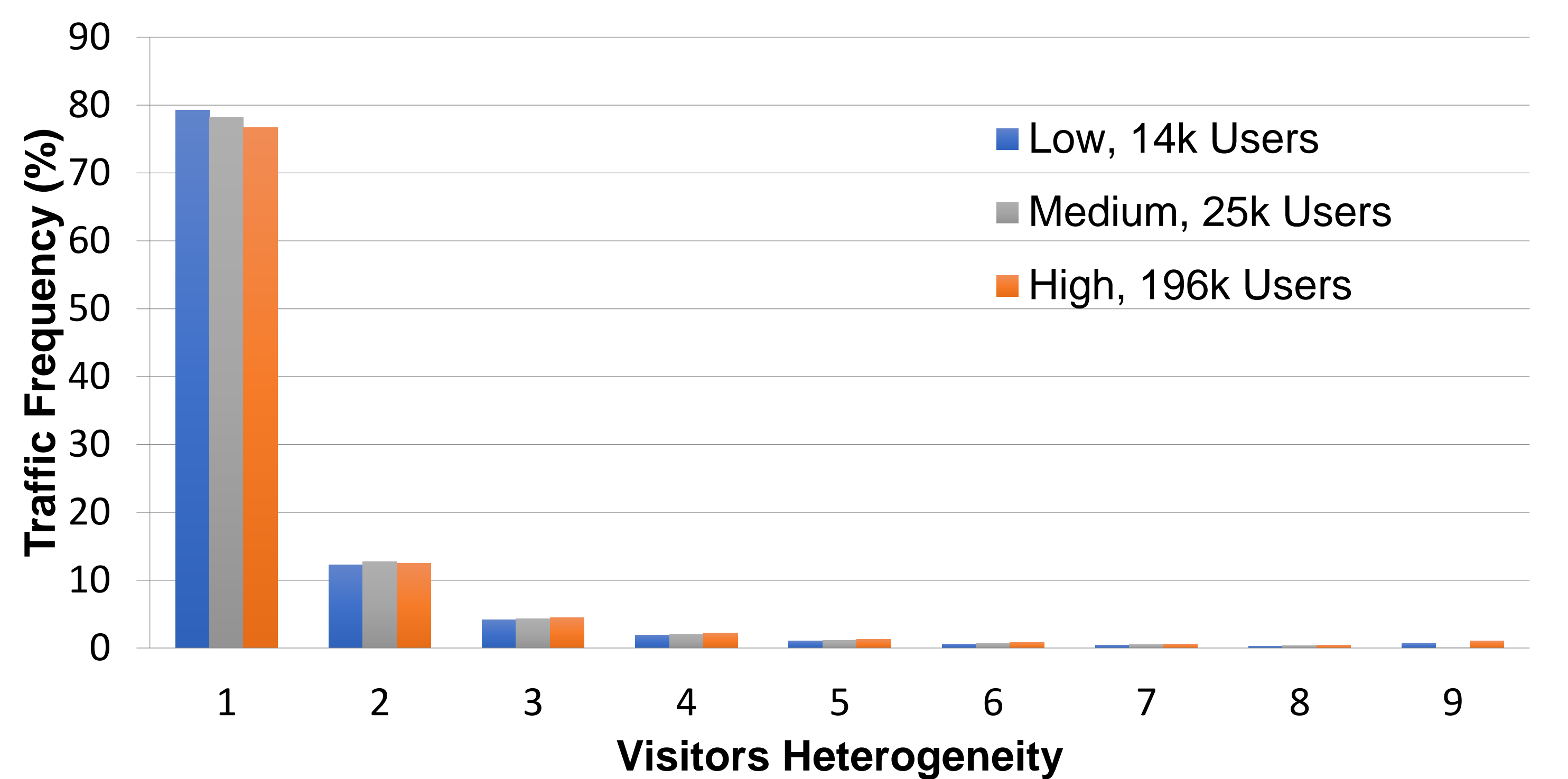


Figure 2: Affinity Loyalty, visitors repeat activity



The finding suggests loyalty to loyalty schemes drop even when members are given incentives (Figure 1)

Findings (continued)

Know who to reach: The benefit with online loyalty schemes is that firms already have a list of people who signed up for the program. This makes it easier to reach them as now they don't need to talk to the entire world but only to the ones who have subscribed to and probably used it before.

Recognise composition of non-repeating: It is suggested that light members tend to be 100% loyal [6] and visit a scheme only once or twice in a quarter (Figure 2). Evidence suggests that because of competing brand and loyalty programs available in the market, its not matter of differentiating but salience – being on top of customers mind in buying situation [7] Therefore, the objective of loyalty programmes should be to nudge very large numbers of light visitors back to make another visit of the loyalty website.

3. These findings are imperative as brands often alienate light visitors and consider them as insignificant. The time-series analysis showed us a similar pattern of an inflexion point and extremely low repeat rates across all three websites. For future research, we need to look into more online loyalty websites across different industries and find similarities or differences in such behavioural patterns.

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