The Effects of Identification on Loyalty Program Social and Psychological Benefits

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The use of loyalty programs in various industries is a form of both promotion and community building for companies where customers are rewarded for their repeat patronage (Henderson, Beck, & Palmatier, 2011). Loyal repeat customers drive multiple benefits for firms and customers. Repeat customers overall have lower costs of service which increases the bottom line by lowering costs (Reinartz & Kumar, 2000), while longer and closer relationships provide deeper insight and a better understanding of consumer needs and wants (Mithas, Krishnan, & Fornell, 2005; Payne & Frow, 2005). Customer loyalty programs provides potential insight into customer behavior opening opportunities to craft offerings that enhance customer value and firm profits (Boulding, Staelin, Ehret, & Johnston, 2005). For the customer, the greater value from the offerings is augmented by the social benefits that firms offer customers for participating in the loyalty programs.

Loyalty program research has explored customer company identification with loyalty to the program and the social benefits from the program (Kang, Brashear Alejandro, & Groza, 2015; Brashear Alejandro, Kang, & Groza, 2016). What has not been looked at is the role of program members’ identification with the sponsor of the loyalty program and identification’s effects on perceived benefits from loyalty program. This study uses social identity theory to propose that social identification with the loyalty program sponsor in a fee-based loyalty program increases the perceived social benefits.

The study addresses three key gaps in the literature. First, the effects of identification with the loyalty program sponsor has not been studied to date. Identification has been studied with regard to cause related marketing, brands and companies, but not to loyalty program sponsors. This is important as loyalty programs are key marketing practices used to retain customers and to build communities. Strong identification with the program sponsor enhances the ability for creating broader alliances among the programs and the participating brands.

A second gap in the literature is the importance of identification and the perception of social benefits by members from a particular group, the loyalty program membership. Previous research notes the importance of social versus economic benefits in building a loyalty program community. But not what may increase those rewards or benefits. Understanding the effects of identification provides new theoretical implications for building stronger forms of customer identification.

Lastly, this study extends existing research by exploring higher psychological outcomes in loyalty programs and their effect on consumer preference and word-of-mouth. Understanding the effects of social benefits and higher level psychological benefits from a social identity perspective provides new theoretical dimensions to the study of loyalty programs.

Benefits from affinity programs, reward programs and loyalty programs can be either financial/economic (Bolton, Lemon, & Verhoef, 2004; Mimouni-Chabane & Volle, 2010) or non-financial/social (Gwinner, Gremler, & Bitner, 1998). The preponderance of research into loyalty programs focuses on the economic benefits rather than social benefits (Brashear Alejandro, Kang & Groza, 2016; Gwinner, Gremler, & Bitner, 1998). Social benefits are non-financial benefits that result from the engagement and participation in loyalty programs. These psychological benefits pertain to outcomes and feelings based on the social identification and participation in the loyalty rewards program.

Social identification and consumer identity, which emerge from social identity theory, provides individuals a sense of who they are within the groups they belong to or identity they aspire to (Tajfel & Turner, 1979). Social identity has
been explored with regard to consumer motivation (Oyserman, 2009), self-concept (Reed, 2009) and consumer behavior in general (e.g., Reed, Forehand, Puntoni, & Warlop, 2012). While marketers have explored various forms of social identity through the consumption process, specifically between a consumer and a brand (Tildesley & Coote, 2009), customer-company (Bhattacharya, C.B. and Sen, S., 2003) or in consumer communities (Muniz, Jr., & O’Guinn, 2001). Membership in a company sponsored loyalty program creates a basic element of identification but the social elements generated by loyalty program communities can produce higher levels of identification with the company (Kang, Brashear Alejandro, & Groza, 2015). Based on this background, the theoretical model was developed and tested.

The context of this study is the Brazilian national championship soccer clubs. Teams have developed one of the strongest fan communities in Brazil. Data was collected over one weekend at Maracanã Stadium from attendees of soccer matches between three popular Rio de Janeiro teams. The final sample consisted of 264 spectators. Partial least squares structural equation modeling with SmartPLS 2.0 was used to test conceptual model (Ringle, Wende, & Will, 2005). All measures come from the literature and were rigorously assessed for internal consistency, convergent and discriminant validity, as well as the effects of common methods bias.

The results show that all the hypotheses received support. There is a positive relationship between Team Identification and social benefits of the fan loyalty program, Personal Recognition (t = 8.77) and Exploration Experience (t = 6.79). These findings support the contention that the greater ones identity with the team, the higher their perceived benefits from this identification. Personal Recognition (t = 6.07) and Exploration Experience (t = 6.06) respectively, lead to higher levels of feeling of status as predicted. Belongingness was also positively related to Personal Recognition (t = 6.18) and Exploration Experience (t = 11.15). The predictions that feeling of status and belonging are positively related to Word-of-Mouth is supported with t = 5.07 and t= 2.33 respectively. Feeling of status (t = 7.35) and belongingness (t = 4.75) both being positive and significant. The explanatory power of the proposed model was reasonably high, according to the R-square value of the dependent constructs. The R-squares for customer feelings of status and belonging were .44 and .63, respectively; Word-of-mouth has an R-square of .30 and Preference .56.

The current study provided evidence that the impact of team identification was a powerful predictor in a loyalty program context. From a practical standpoint, the results suggest that team identification can be used to foster fan communities and eventually to increase consumer preference and word-of-mouth. The findings support the contention that identification with the loyalty program sponsor increases the levels of perceived social benefits. Within the context of the team or company’s loyalty program, this provides a theoretical explanation of how identification drives positive company outcomes. Finally, careful and creative management of loyalty programs contribute to the achievement of satisfying consumers and increase the likelihood of strengthen loyalty. Given the theoretical importance of team identification in sport study it seems reasonable to believe that the soccer loyalty program is a good product extension to the team and effective to improve team outcomes.