

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the Faculdade de Economia da Universidade Nova de Lisboa.

Spill-over Effects in Multi-Partner Loyalty Programs

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## **Abstract**

This study analyses spill-over effects in multi-partner loyalty programs. In particular the effect of high prestige companies entering a multi-partner loyalty program on the initial individual partners is under examination. The effect of size (number of partners) is also examined. Results generally report a significant influence of the entrant on the other individual partners that ally; negative spill-over effects are observed. The study further shows that the strength of spill-over effects isn't influenced by the size of the partner loyalty program. Results have been confirmed through a replication study.

Keywords: Multi-partner loyalty program, brand alliance, spill-over effects, prestige, loyalty program size

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## 1 Introduction

Can people be as loyal to a retail brand as they are to a football club? A real fan of the Portuguese club Benfica for instance talks about the club in the “we” form, has times where the club has seemingly the highest priority in his life and where his mood and behaviour are affected by the performance of the players on the field (Uncles, Dowling and Hammond, 2003). Literature refers to such an example as “super-loyalty”, which is characterized by more loyal consumers than expected by the double jeopardy line (Dowling and Uncles, 1997).

It is reasonable to state that it is highly unlikely for consumers to show the same enthusiasm for retail brands. Nevertheless, marketers have tools with whom they can try to come close to the dedication people direct toward a football club. A loyalty program, whose objective is to increase customer loyalty by offering rewards to profitable clients, is such a tool (Yi and Jeon, 2003).

Researchers in general are still discordant whether loyalty programs directly can enhance customer loyalty (Rosenbaum, Ostrom and Kuntze, 2005) which may be linked to a very high number of programs that fail caused by a considerable number of critical success factors in the program design (Nunes and Dreze, 2006). Nunes and Dreze (2006) have identified five goals that can be served through a smart introduction of a loyalty program: creating barriers to exit, increasing share of wallet, creating incremental demand, acquiring consumer behaviour data and even make profit through the sale of reward points (e.g., American Airlines sells miles, their loyalty currency, to other companies that use the miles to reward their clients.)

Loyalty programs have sprouted out in almost every business sector and every region around the world since the beginning in the 1980s. Loyalty marketing now is

rather mature wherefore marketers are challenged to come up with innovative strategies that increase the perceived value and bind consumers to companies. One such strategy is the creation of a multi-partner loyalty program (Capizzi and Ferguson, 2005 & Dowling et al, 1997). Despite the recent and prospective boom of partner programs, research in that area is rather scarce. Therefore, this research investigates the composition of the partners that ally in the program and resultant spill-over effects. In detail, the effect of a prestigious entrant on each of the other individual partners is researched.

Researchers have found evidence of perception spill-over effects in other forms of alliances but none of them focused on multi-partner loyalty programs. Further, spill-over effects are under investigation for different sizes (number of partners) of multi-partner loyalty programs. Due to the mentioned trend towards partner loyalty programs, it is increasingly important to understand which effect the entry of a new partner can have on the other brands.

An experiment was conducted to test these hypotheses where the variables entrant and size were manipulated to analyze the impact that a high prestige entrant has on the individual partners. This research also includes a detailed discussion of the results, its limitations and its managerial implications for marketers and brand managers.

## 2 Multi-Partner Loyalty Programs

Multi-Partner loyalty, also referred to as coalition loyalty, programs are defined as three or more partners with generally non-overlapping product portfolios that ally to offer a common loyalty currency to consumers. Typically they commonly bear the costs of running the program, engage in marketing and branding activities and have consumer and member data ownership (Capizzi and Ferguson, 2005 & Leenheer, Bijmolt, van Heerde and Smidts, 2002).

Examples of coalition schemes in Europe are Payback in Germany with more than 30 million member cards issued, Nectar in Great Britain and S'Miles in France (Zentes, Morschett and Schramm-Klein, 2007).

Capizzi and Ferguson (2005) consider multi-partner programs as a natural evolution and a big trend in the loyalty marketing future. They are expecting multi-partner loyalty programs to sprout fast, being created to target homogenous consumer segments e.g. seniors, children, extreme sport enthusiasts, ski bums etcetera.

From a consumer perspective, the membership in a coalition program allows to benefit at all partnering companies (Leenheer et al., 2002). Thus, it allows a consumer to collect reward points faster by accumulating at more companies which results in a quicker qualification for a desired reward (Zentes et al., 2007). Consumers value coalition programs as highly attractive because they can choose from a huge pallet of redemption offers. Most programs offer aspirational reward and money-off reward choices simultaneously (Moore and Sekhon, 2005). This goes along with the findings of Leenheer et al. (2002) that multi-partner loyalty programs increase customer loyalty to a bigger extent than loyalty programs solely based on one company.

From the perspective of the partners, a coalition loyalty program can reduce the costs of setting up and launching a loyalty program as well as result in lower ongoing maintenance costs. It can also be argued that the strengths and weaknesses of the individual partners complement the program, while on the other hand the desire of consumers to become a member increases (Berman, 2006).

Single company loyalty programs acquire customer data and information about buying behaviour only from their own customers while in a coalition program each partner can access the information and data of the whole program. This allows them to analyze consumer purchasing behaviour regarding cross-selling potential and allows targeting potential new customers by an individual partner. However, due to a huge amount of data, the analysis can be expensive if not operated efficiently. The membership in a coalition program can be especially advantageous for companies with a low purchasing frequency, because attracting customers to a single loyalty program would be expensive for them (Berman, 2006 & Zentes et al., 2007).

Generally, the involvement with the coalition program and the awareness of the program modalities are higher compared to a single company loyalty program due to a wider application of the partner program. Partners in the program can benefit from others' reputation, given the scenario that a consumer is loyal to one of the partners in the program and not to the others (Leenheer et al., 2002).

### **3 Brand Alliances & Spill-over effects**

Gammoh, Voss and Chakraborty (2006) define brand alliances as cooperative marketing activities jointly performed by two or more brands with a short- or long-term nature. Since brand alliance definitions generally have an abstract character, the spectrum of types of brand alliances among researchers is very broad (Woisetschlaeger,

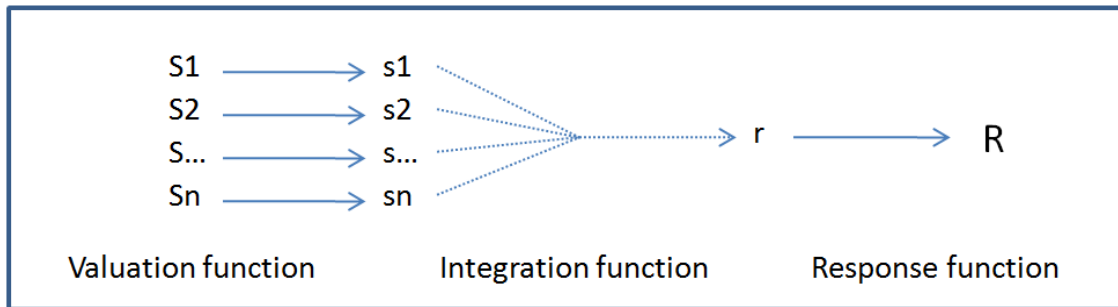
Michaelis and Backhaus, 2008). Research in brand alliances generally can be grouped into three main areas: global brand alliances, the composition and evaluation of alliances and spill-over effects. Hao, Hu and Bruning (2009) demonstrated that the country-of-origin image has a positive relation to the valuation of a global brand alliance. The view of Rao and Rueckert (1994) on brand alliances is to compose alliances in a form that synergy effects arise; increasing the brand value of each single brand through the ally. Empirical studies revealed that the consumer evaluation of brands in a brand alliance is higher or more favourable compared to brands that are not allying (Hao et al. 2009). The composition or type of the alliance generally varied. Simonin and Ruth (1998) used one highly familiar and one moderately familiar partner for their studies. Rodrigue and Biswas (2004) distinguished between resource dependent/independent and exclusive/non-exclusive contract allies. Rao, Que and Rueckert (1998) focused on unobservable quality and vulnerability to consumer sanctions as alliance types in their studies. Woisetschlaeger et al. (2008) studied spill-over effects caused by the entrance or exit of brands to an alliance. In their research, scenarios of airline brands entering the Star Alliance were created and results show that only the entry of strong airline brands leads to positive spill-over effects to the alliance.

#### **4 Information Integration Theory**

Anderson (1981) proposed the theory which focuses on the process of how attitudes or beliefs are integrated when stimuli are combined. Based on this theory, information that people absorb and interpret is combined or mixed with already existing attitudes and beliefs which results in newly formed or changed attitudes or beliefs.



Anderson (1981) describes the theoretical process as follows: Physical stimulus  $S$  impacts on a person which, through the valuation function, will be processed into their psychological values  $s$ . These values are mixed or combined, through the integration function, into a psychological response  $r$ . The response function then processes it into an observable response  $R$ .



**Figure 1: Information Integration Process**

The valuation function's purpose is to identify the meaning or value of the information and its weight by extracting the information from the stimuli. Value is the evaluation (e.g. favourable or unfavourable) of the extracted information. Weight is the variable that represents the importance of an individual stimulus in the final response. Therefore, information that is high in value and that has a high importance for an organism will have more positive impact on one's attitudes or beliefs than the contrary. The level of impact is determined by the integration function, whose purpose is to combine each piece of information (value and weight) to generate a response. Anderson (1981) proposes different types of information combination models, namely adding, multiplying and averaging as the most researched ones. The core of information integration theory is that the types of combination are based on algebraic models, to which he refers as cognitive algebra. The averaging model calculates the weighted average of the value of all pieces of information (the sum of all weights has to equal one), while in adding, all individual values and weights are summed up. All of the

combination models repeatedly have shown in experiments that they have validity, while averaging proved to have the widest area of application.

In general, the integration function has a unitizing or simplifying function, because it allows producing a unitary result out of complex constructs of stimuli. The internal response, the outcome of the integration process, is then translated into a physical response (Anderson, 1981).

A limitation of information integration theory is the fact that Anderson doesn't provide a theoretical framework showing which integration type to use under which circumstances and that Anderson assessed the validity of the information integration processes entirely in hypothetical experiments (Berkowitz, 1984).

The past decades, this theory has been leveraged to a wide variety of research fields. Simonin and Ruth (1998) used information integration as a fundamental theory for their research about brand alliances and spill-over effects, where they demonstrated brand attitude spill-over effects, through formed brand alliances, to individual members of an alliance.

## **5 Hypotheses development**

Based on the definition and character of brand alliances as described above it can undoubtedly be derived that a multi-partner loyalty program is a form of a brand alliance. Nevertheless, it has to be stated that brand alliances can be characterised by the intensity of sharing brand values, which is higher in the case of SonyEricsson, where the name of the alliance is created out of two individual strong brands, than in the before mentioned German multi-partner loyalty program Payback, where partners can not be identified through the name of the alliance. The chapter about brand alliances above has demonstrated that spill-over effects occur in different settings of

brand alliances, but most of them focus on the introduction of a brand alliance as the cause. Woisetschlaeger et al. (2008) did research on spill-over effects caused by an alliance entry or exit of individual partners, where their focus was on spill-over effects on the alliance brand. However, spill-over effects caused by the entry of a new partner on the other individual, already allying, partners hasn't been examined so far. This research gap is the central topic of this project. In particular, the spill-over effects caused by the entry of a high prestige partner into a multi-partner loyalty program on each individual partner are under investigation. Hypotheses will be developed based on Information Integration Theory. Specifically, the prestigious perception of an individual partner brand will be influenced by the entry of a new partner. The organism is confronted with new stimuli that will be assigned a value and weight and those consequently influence the integration process and change the response, thus resulting in an attitude or belief change of the prestige of an individual partner. The nature of an alliance ensures that brands are presented in the context of each other, wherefore evaluations of one brand are influenced by the brands that are in close proximity. Therefore, I hypothesize that:

**H(general):** *When adding a new partner to a multi-partner loyalty program, the perception of the other individual partners is influenced by the entry of the new partner.*

**H1:** *When adding a new partner with a highly prestigious perception to a multi-partner loyalty program, the perception of the other individual partners is more prestigious than without the added partner.*

As described above, there are different models of how information is integrated, but there is no framework that suggests a specific type for a specific circumstance.

Since the level of prestige of brands will be measured on a scale, the most realistic process is averaging, because under adding the maximum of the scale would be reached easily through the presentation of new stimuli. Since in the information integration process each piece of information will be assigned a value and a weight, the influence of one piece with outstanding value, either positive or negative, on the final response will be higher if the total amount of information combined in the integration function is smaller. Therefore, I hypothesize that:

*H2: Spill-over effects from one new partner to the other individual partners are stronger when the number of participating companies in the partner loyalty program is smaller.*

## **6 Main Study**

In order to formally test the hypotheses, a multi-partner loyalty alliance had to be created in which the composition of the partner companies approaches reality. Since, according to the earlier presented definition of a multi-partner loyalty program, a multi-partner loyalty program implies non-overlapping product offers, partners from different retail sectors had to be selected. Further, a company with a very high prestige perception among consumers had to be identified to act as the new entrant. To activate genuine brand attitudes, beliefs and affect, the usage of real brands was essential. To test the hypotheses with different selected brands, a replicate multi-partner loyalty program was used.

To create realistic coalition loyalty programs, existing programs were analyzed. No patterns could be identified regarding the alliance composition. To fulfil the non-overlapping product offers condition, categories based on different retail sectors were selected. To identify brands in each category, the Retail Index was leveraged. The

Retail Index is a product from the Veraart Research Group, located in the Netherlands, which provides retail market data ranked and classified into retail sectors for more than 70 countries around the world. Hence the selected brand categories are as follows: Optical, Furniture&Decoration, Telecommunication, Petrol station, Sports&Leisure and Fashion&Clothing.

## 6.1 Pre-Test I

The purpose of Pre-test I was to identify two brands per category that are perceived as similar. This was necessary to meet the replication requirement. First of all, the top ranked brands per category, provided by the Retail Index (rankings are based on sales excluding VAT), have been taken into consideration so that the brands are relevant to the subjects, thus avoiding poor knowledge regarding the brands (James, 2005). In a second step, one brand per category was selected randomly, representing the partner brands for the multi-partner loyalty program and the input for the pre-test. The pre-test was dispensed to 17 undergraduate and graduate students from an economics faculty. Their task was to select a brand that they perceive as most similar to a given brand. The given brands were the initially randomly selected ones. The options they could choose from were the other brands selected from the Retail Index. In addition, subjects had to indicate the level of similarity between the two, given and chosen, brands on a five-point rating scale ranging from 1, very low similarity, to 5, very high similarity. Each subjects had to fulfil this task for each category. The results (see Figure 2) show the most similar brand to each ex ante selected one. The high similarity values ensure that the brands qualify for the replication of the program.

Category	<i>ex ante selected</i>	<i>most similar</i>	<i>frequency of nomination</i>	<i>similarity</i>
<i>Optical</i>	Multiópticas	Optivisao	88%	4.27
<i>Furniture &amp; Decoration</i>	Aki	IKEA	53%	3.00
<i>Telecommunication</i>	The Phone House	Ensitel	100%	4.29
<i>Petrol station</i>	Total	Esso	41%	3.86
<i>Sports &amp; Leisure</i>	Decathlon	SportZone	100%	4.18
<i>Fashion &amp; Clothing</i>	C&A	H&M	59%	3.60

Figure 2: Results Pre-test I

## 6.2 Pre-Test II

The purpose of Pre-test II was to identify brands that are suitable to join the alliance, wherefore brands with a superior prestigious perception needed to be identified. Due to the replication condition, it was necessary to select two brands. A selection of 13 brands that were expected to be perceived as highly prestigious by consumers has been used for the pre-test. Subjects were asked to indicate their perceived level of prestige of each of the 13 brands on a nine-point rating scale. The scale ranged from 1 (very low prestige) to 9 (very high prestige). Subjects were 15 undergraduate and graduate students from an economics faculty in Portugal. The results show, as expected, that all tested brands have a superior prestigious perception. The final selection of the two entering companies was based on two criteria; very high prestige ranking and fit to the alliance. Fit to the alliance focuses on interferences with existing categories which could lead to overlapping product offers and a general assessment of the credibility that the company would enter a multi-partner loyalty program. The two companies chosen were Apple Inc. and The Ritz-Carlton. Apple Inc. had the highest prestige ranking with a mean of 8.33 and a standard deviation of 0.62. The Ritz-Carlton also ranked among the top with a mean of 8.13, a standard deviation of 1.76 and a median, the highest, of 9. Further, there is no potential interference with existing categories for either brand and credibility of entering is high for both brands.

This is especially true for hotels; many partner loyalty programs have hotel chains among their partners.

### 6.3 Design of the main study

A 2 x 2 between subjects factorial design was used to measure the effects of the two independent variables which were *entrant* and *size*. The variable *entrant* is expressed through the status *yes* or *no*, representing the cases with vs. without a high prestige partner respectively. The high prestige partner is one of the two brands determined in Pre-test II, the other one is used as entrant for the replication study. The conditions of the *size* variable are *three* or *six*, representing the number of partnering companies. In the case of status *three*, the six categories have been split randomly into programs with three of the six categories hence resulting in two alliances with three partners each (see appendix). Subjects were 80 Portuguese undergraduate and graduate students from the economics faculty of Universidade NOVA de Lisboa which were randomly assigned to one of the four experimental conditions. Students were chosen as participants in the study to have a homogeneous sample as is common in experimental consumer research. They were spontaneously recruited at the university, informed that the study would take approximately 15 minutes and asked to carefully read and fill out the questionnaire.

The first part of the questionnaire consisted of an example of a multi-partner loyalty program. A description of the functioning, the benefits for consumers and the structure of the German coalition loyalty program Payback was presented to the subjects (see appendix). Further the importance of understanding this example was mentioned in order to guarantee that participants have a common understanding. In the second part, the fictitious partner loyalty program was presented through newspaper

articles. Independent of the four conditions, structure and design of the article were identical, containing a text part where information about the program was provided, a graphical representation of the partnering companies including the original brand logo and an article headline (see appendix). The multi-partner loyalty program itself was named *Reward4You–loyalty partnership*. After each newspaper article participants had to indicate, considering all the information about the coalition loyalty program, their perceived level of prestige of each individual partner brand. A nine-point scale ranging from 1 (very low prestige) to 9 (very high prestige), was used for the measurement. Subjects voluntarily and gratuitously participated in the study. Since real brands were used, it was necessary to conduct the experiment within a short time frame in order to keep the potential of upcoming news that could change the perception of a brand on a minimum.

## 6.4 Results

To analyse the overall model it was necessary to conduct a multivariate analysis of variance, MANOVA, with the 12 brands being the dependent variables. The multivariate test presented in Figure 3 shows that there is a statistically significant main effect, with  $p < 0.01$ , for the independent variable *entrant*. The Wilks-Lambda test has been used for the interpretation of the results since it is the most common test when dealing with multiple dependent variables. This finding supports the general hypothesis H(general), indicating that the entry of a high prestige partner has an influence on the perception of other partners; thus showing the general existence of spill-over effects in the model. It can further be seen that the size and interaction effect are not significant at an acceptable significance level across all 12 brands.



Effect	Factor	Wilks - Lambda	F - Value	Sig.
Main effects	Entrant / No Entrant	.522	4.970	.000
	Size 3 / Size 6	.768	1.632	.104
Interaction effect	Entrant / No Entrant x Size 3 / Size 6	.783	1.497	.148

Figure 3: Results of the MANOVA of the overall model

In a next step the question if every dependent variable is significant was addressed. The between subjects effects tests reveal that the model is significant at  $p < 0.1$  for 10 of the 12 brands. Analyzing the variable *entrant* for each of the dependents indicates that 11 of the 12 are significant at a 10% level. Ranking the means of the two factors, *entrant* and *no entrant*, shows that  $M_{noentrant} > M_{entrant}$  for all 12 brands. This indicates that the findings do not support hypothesis 1; more specifically, the results contradict H1. In other words, the entry of a high prestige partner causes negative spill-over effects on the other individual partners.

To test for hypothesis 2 another MANOVA test was conducted with *size* as the independent variable and the 12 brands as the dependent variables. The multivariate test shows that there is no statistically significant main effect ( $M_{size3(entrant)} = M_{size6(entrant)}$ ,  $F(1.231)$ ,  $p > 0.1$ ). The between subjects effects test confirms the overall result stating that none of the 12 dependent variables show significant differences based on the variable *size* at a 5% level. This indicates that the findings do not support hypothesis 2, which expected spill-over effects to be greater with decreasing size of the loyalty program. Detailed results of all statistical tests can be found in the appendix.

Further, it was analyzed whether the level of prestige of the entering company decreases through the participation in a multi-partner loyalty program, since consumers associate the brand with weaker brands (Varadarajan, 1985). Differences between data

from pre-test II and data from the main study were tested. Generally it can be concluded that the membership in a coalition loyalty program doesn't reduce the level of prestige of the high prestige entrants. The conducted t-tests for Apple and The-Ritz-Carlton with p-values of 0.22 and 0.29 respectively affirm this.

## **7 Managerial Implications**

The primary objective of this study was to get insights into consumers' judgments regarding the entry of a highly prestigious partner to a multi-partner loyalty program. The results of the study are consistent with the replication study and show that the entry of a prestigious partner causes negative perception spill-over effects on the other individual partners. This clearly indicates that prestigious partners do not have an endorsing function when joining a multi-partner loyalty program. The entry even harms the other partners' prestige. Given the fact that prestige is generally a positive factor creating brand value, it is not recommended, from the perspective of the program members, to let a prestige partner join a multi-partner loyalty program. Efforts to win a prestige company as a partner or even financial compensation to do join the loyalty program shouldn't be considered. This finding is especially important for marketers and brand managers when designing and implementing a partner loyalty program. Especially since Capizzi et al. (2005) pictures partner loyalty programs as one of the biggest future trend in customer relationship management and loyalty marketing, the underlying findings have considerable value. Through the consideration of these findings a lot can be gained, namely the avoidance of diminished prestige. The monetary value therefore can be enormous considering that efforts to build or increase a brand's prestige can be costly and timely. Further, it can be stated that the size of the loyalty program has no influence on the strength of the spill-over effect. Showing that

even if a high number of retail companies ally the effect of one prestige entrant causes the same intensity of diminished brand prestige. The entering company itself doesn't lose or gain prestige due to a loyalty alliance with other brands. This implies that a membership in such an alliance should have other motives than prestige creation for them.

## **8 Limitations**

The results of this research have to be discussed critically especially since the opposite effect to what was initially hypothesized was found. Participants in the experiment perceived the entry of a high prestige company as negative in the context of the other partners and assigned this piece of information with a rather high weight. Generally, this doesn't imply that information integration theory as the theoretical basis of the hypotheses didn't hold. Since the partner loyalty programs in the experiment were fictitious, one might argue that real alliance association and real benefits couldn't be activated in the minds of the participants. That implies that the information about the alliance and its benefits was not actively taken into consideration (low weight in the valuation function) when the level of prestige was indicated. Generally, I got the impression that the knowledge about multi-partner loyalty programs in Portugal is still very limited and people haven't actively experienced such programs wherefore valuations they made in the experiment may have limited validity. Another limitation to this research could be that consumers do perceive multi-partner loyalty as a very weak form of an alliance. This would imply that consumers do not picture a partner in the context of one another and hence evaluations of one do not depend on or influence the other brands. Based on that, contrast effects could arise. Research in that field generally states that the outcome of an evaluation is dependent on the context in which a stimulus

is presented. Researchers distinguish between assimilation and contrast effects, with contrast effects arising when the variables judgment and implication of a piece of information have an inverse relationship and assimilation effects being the opposite relationship (Martin & Tesser, 1992). Lynch, Chakravarti & Mitra (1991) in their research reported contrast effects due to a manipulation of the range of gas mileage and price for a set of car profiles which they presented in different contexts.

In this research the entrant of a high prestige partner may have changed the perceived range of prestige and consequently resulted in lower prestigious evaluations of the individual partners.

## **9 Future research**

Since this study is the first one that assesses spill-over effects in partner loyalty programs there is high potential for future research. A replication of that study in a country where knowledge and experience with partner loyalty programs are higher should be conducted. Further real alliances should be used to confirm my findings. Moreover spill-over effects should be analyzed in a longitudinal setting to investigate long-term effects. Also compositions of partners programs geared towards homogenous buying groups like children, seniors, students, extreme sport enthusiasts ..., could be researched. Settings based on other variables than prestige may be of interest to test the robustness of the results.

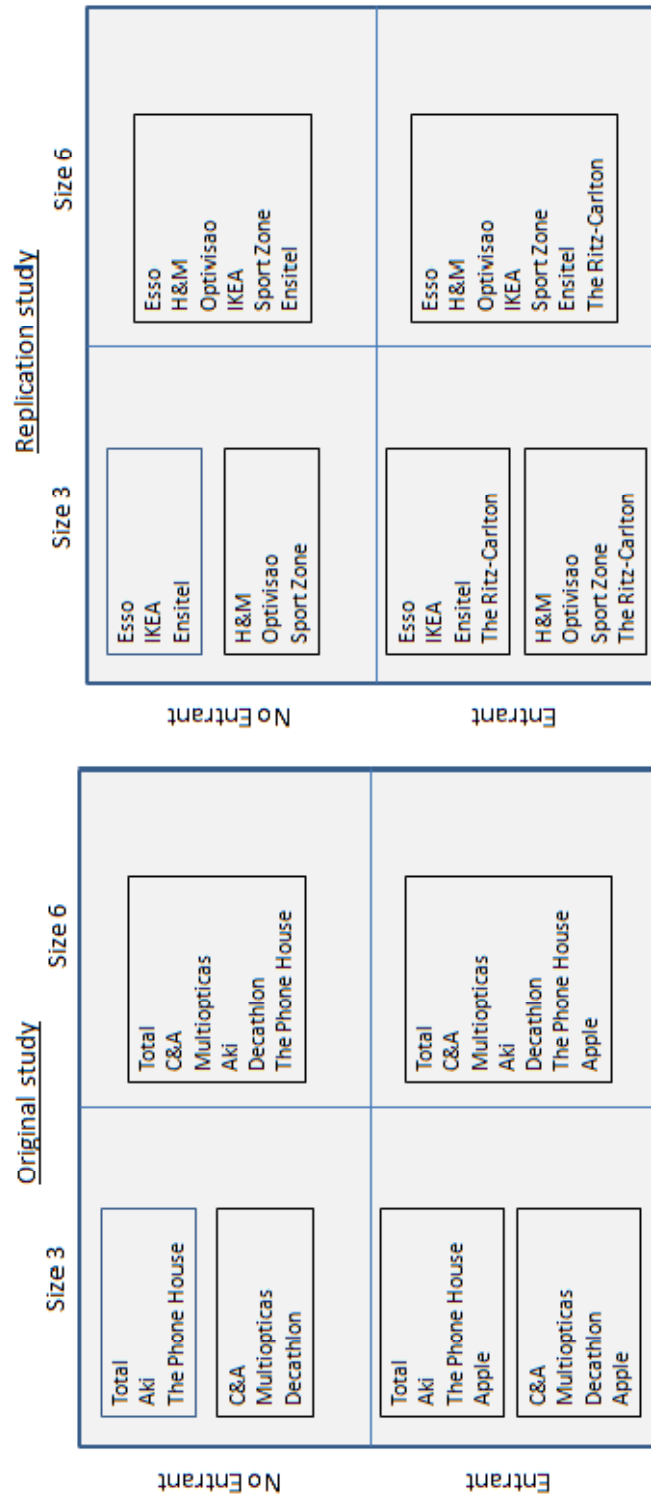
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## 11 Appendices

Appendix I – *Main experiment; Composition of the partner loyalty programs including the replication study*



Appendix II – *Main experiment; Information provided to study participants to ensure a common understanding of a multi-partner loyalty program*

Dear participant,

the following questionnaire is part of my work project, wherefore I kindly ask you to spend some of your time and answer the questions below. Please carefully read the instructions in each section and answer each question in a thoughtful and honest way.

Thank you very much for your participation!

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**Part 1**

Instructions: Part 1 consists of a description of a multi partner loyalty program. Please read carefully through it because the comprehension of it is necessary for Part 2 of the questionnaire. If you have any questions please feel free to ask at any moment.

Payback – Germany's biggest multi partner loyalty program

Payback is the biggest multi partner loyalty program in Germany. A lot of different companies from various sectors have formed a partnership, to work together and commonly reward consumers for buying within the partner network.

*How does it work?*

If a customer buys something at any of a partners store or online he receives reward points, so called Payback Points, which will be credited to his account. The Payback Points are the common reward currency of all partner companies participating in the Payback partner network. For every purchase a customer makes at any partner company, he will be rewarded and his Payback Point account is getting more and more. After having accumulated some points a customer can start spending his reward points at every Payback Partner by trading them for special discounts, free products and more. The partner companies work closely together and coordinate themselves in designing special offers, special discounts ... that can be bought with the Payback Points.

*Who can participate?*

Every customer can participate. He or she just needs to register online or directly at one of the partners stores. After the moment of registration the collection of Payback Points starts and consumers start benefiting of the partner companies collaboration.

*Benefit for the consumers?*

It makes their life easier, they just have one loyalty card and they just need to know the details about one program. And there is a group of partnering companies that work commonly together to give something back to the consumers. This allows them to collect reward points faster and also to spend them for rewards at any partner, independently from which partner they initially collected the points.

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**Part 2**

Instructions: Part 2 consists of three sections, A, B and C. The structure of every section is the same. First you will be presented a newspaper article ad of a multi partner loyalty program. Imagine the article presented is a real ad in a newspaper. Second you will have to answer some questions based on your perception.

The multi partner loyalty programs that you will be presented in this part are highly similar to the description of Payback in Germany that you have read in part 1. When you will be confronted with a task containing a multi partner loyalty program the structure and functioning will be the same as in Part 1.



Appendix III – Main experiment; example of one of the newspaper advertisements presented to the subjects. Treatment condition: prestige partner entering and size3.

# THE CONSUMER

Portugal, April 2010

**Reward4You got a prestige new partner – Apple Inc. consumer electronics specialist**

The diagram features a central circle with 'REWARD 4 YOU loyalty-partnership' written inside. Surrounding this circle are four partner logos: 'MULTIOPTICAS' at the top, 'DECATHLON' on the left, 'C&A' on the right, and 'Apple' at the bottom. A starburst graphic next to the Apple logo indicates it is a 'New Partner'.

Portugal – The Reward4You loyalty program is a multi partner loyalty program in Portugal where companies work closely together to reward their consumers for the purchases they make. Consumers can buy at all of the partners stores and will get reward points based on the amount they spent. The collected points at each individual store are added together and can be spent for discounts, free products and much more, at all of the partner's stores. On the left you can see the partnering companies.

Rewards4You is proud that Apple Inc. decided to join the partner loyalty program in Portugal. "Consumers will get and can spend reward points if they buy products from the Apple online store and at the shops of the premium resellers. This is a great thing for consumers as well as the other partners", said the PR-manager of Rewards4You.

Appendix IV – Results; MANOVA and ANOVA results of the 2x2 between subject factorial model and a ranking of the means for the variable entrant.

Multivariate Tests

Effect		Value	F	Hypothesis df	Error df	Sig.
NoEntrant/Entrant	Wilks-Lambda	.522	4.970	12.000	65.000	.000
Size3/Size6	Wilks-Lambda	.768	1.632	12.000	65.000	.104
Interaction (NoEntrant/Entrant * Size3/Size6)	Wilks-Lambda	.783	1.497	12.000	65.000	.148

Between subjects effects tests

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	Esso	14.238	3	4.746	1.995	.122
	Ensitel	27.650	3	9.217	4.327	.007
	Ikea	26.638	3	8.879	4.881	.004
	HundM	31.137	3	10.379	4.314	.007
	Optivisao	18.500	3	6.167	2.599	.058
	SportZone	18.738	3	6.246	3.461	.020
	ThePhoneHouse	20.837	3	6.946	5.011	.003
	CundA	10.450	3	3.483	1.566	.205
	Total	17.137	3	5.712	2.442	.071
	Multiopticas	34.100	3	11.367	5.139	.003
	Decathlon	33.900	3	11.300	6.319	.001
	Aki	35.438	3	11.813	7.670	.000
	NoEntrant/Entrant	Esso	6.613	1	6.613	2.780
Ensitel		20.000	1	20.000	9.389	.003
Ikea		21.013	1	21.013	11.551	.001
HundM		30.013	1	30.013	12.474	.001
Optivisao		11.250	1	11.250	4.742	.033
SportZone		17.113	1	17.113	9.483	.003
ThePhoneHouse		17.113	1	17.113	12.345	.001
CundA		2.450	1	2.450	1.101	.297
Total		17.113	1	17.113	7.317	.008
Multiopticas		28.800	1	28.800	13.021	.001
Decathlon		33.800	1	33.800	18.902	.000
Aki		35.113	1	35.113	22.798	.000
Size3/Size6		Esso	2.113	1	2.113	.888
	Ensitel	7.200	1	7.200	3.380	.070
	Ikea	2.813	1	2.813	1.546	.218
	HundM	1.013	1	1.013	.421	.518
	Optivisao	3.200	1	3.200	1.349	.249
	SportZone	1.513	1	1.513	.838	.363
	ThePhoneHouse	3.613	1	3.613	2.606	.111
	CundA	.800	1	.800	.360	.551
	Total	.013	1	.013	.005	.942
	Multiopticas	4.050	1	4.050	1.831	.180
	Decathlon	.050	1	.050	.028	.868
	Aki	.313	1	.313	.203	.654
	Interaction (NoEntrant/Entrant * Size3/Size6)	Esso	5.513	1	5.513	2.318
Ensitel		.450	1	.450	.211	.647
Ikea		2.813	1	2.813	1.546	.218
HundM		.113	1	.113	.047	.829
Optivisao		4.050	1	4.050	1.707	.195
SportZone		.113	1	.113	.062	.804
ThePhoneHouse		.113	1	.113	.081	.777
CundA		7.200	1	7.200	3.236	.076
Total		.013	1	.013	.005	.942
Multiopticas		1.250	1	1.250	.565	.455
Decathlon		.050	1	.050	.028	.868
Aki		.013	1	.013	.008	.928

Dependent variable	Ranking of the means		
	M no entrant	M entrant	M no entrant > M entrant
Esso	5.30	4.73	Yes
Ensitel	6.18	5.18	Yes
Ikea	7.68	6.65	Yes
H&M	7.10	5.88	Yes
Optivisao	6.08	5.33	Yes
SportZone	6.93	6.00	Yes
ThePhoneHouse	6.65	5.73	Yes
C&A	6.00	5.65	Yes
Total	5.50	4.58	Yes
Multiópticas	6.95	5.75	Yes
Decathlon	7.20	5.90	Yes
Aki	6.90	5.58	Yes

Appendix V – Results; MANOVA and ANOVA results to test for size effects given the condition that a prestigious partner enters (equivalent to H2).

#### Multivariate Tests

Effect	Value	F	Hypothesis df	Error df	Sig.
Size3Size6 Wilks-Lambda	.646	1.231	12.000	27.000	.314

#### Between subjects effects tests

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Size3Size6	Esso	7.225	1	7.225	2.393	.130
	Ensitel	5.625	1	5.625	2.425	.128
	Ikea	.000	1	.000	.000	1.000
	HundM	.225	1	.225	.079	.780
	Optivisao	7.225	1	7.225	3.209	.081
	SportZone	.400	1	.400	.170	.683
	ThePhoneHouse	1.225	1	1.225	1.040	.314
	CundA	6.400	1	6.400	2.415	.128
	Total	.025	1	.025	.010	.919
	Multiópticas	.400	1	.400	.153	.698
	Decathlon	.000	1	.000	.000	1.000
	Aki	.225	1	.225	.135	.716