



How perceived rewards of Loyalty Programs influence  
consumers' Self-Expansion and Brand Loyalty.

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## **Abstract**

As customers, what rewards in Loyalty Programs impact our brand loyalty? How can managers design effective Loyalty Programs? What characteristics are crucial for a customer to see added value to be loyal to a specific brand? These are some questions that this dissertation investigates, as it becomes more important to understand how to create added value for customers in a world that is constantly evolving, and competition grows rapidly.

One experimental 2x2 study asked participants to imagine they were part of a Loyalty Program from a sneakers and apparel brand. Where they were presented with one of the four reward scenarios – Direct Hedonic, Direct Utilitarian, Indirect Hedonic, and Indirect Utilitarian. It was found that reward type as influence on the all the dependent variables studied and reward fit only has impact on the brand relationship variable. Additionally, the impact of the type of reward on brand loyalty is mediated by consumers' self-expansion.

This research contributes to extending conclusions on the influence that different rewards will have on customers' loyalty as it is becoming more important to have the right Customer Relationship Management tools to overcome the competition and invest the right resources in the correct manner.

**Keywords:** Loyalty Programs; Consumer-Brand Relationship; Hedonic Rewards; Utilitarian Rewards; Direct Rewards; Indirect Rewards; Brand Loyalty; Self-Expansion.

**Title:** How perceived rewards of Loyalty Programs influence consumers' Self-Expansion and Brand Loyalty.

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## **Resumo**

Como clientes, quais as recompensas que nos Programas de Fidelização têm impacto na nossa lealdade à marca? Como podem os gestores conceber Programas de Fidelização eficazes? Que características são cruciais para um cliente ver o valor acrescentado para ser leal a uma marca específica? Estas são algumas das questões que esta dissertação investiga, pois torna-se mais importante compreender como criar valor acrescentado para os consumidores, num mundo que está em constante evolução e a concorrência cresce rapidamente.

Este estudo experimental 2x2 pediu aos participantes que imaginasses que faziam parte de um Programa de Fidelização de uma marca de sapatilhas e vestuário, onde lhes foi apresentado um dos quatro cenários: Direto Hedónico, Direto Utilitário, Indireto Hedónico e Indireto Utilitário. Foi descoberto que o tipo de recompensa influencia todas as variáveis dependentes estudadas e a recompensa ser direta ou indireta apenas tem impacto na variável que avalia a relação com a marca. Além disso, o impacto do tipo de recompensa na fidelidade à marca é mediado pela auto-expansão do consumidor.

Esta investigação contribui para alargar as conclusões sobre a influência que diferentes recompensas terão na lealdade dos clientes, uma vez que se está a tornar mais importante ter as ferramentas corretas de Gestão da Relação com o Cliente para superar a concorrência e investir os recursos corretos de uma forma acertada.

**Palavras-chave:** Programas de Fidelização; Relação consumidor-marca; Recompensas Hedónicas; Recompensas Utilitárias; Recompensas Diretas; Recompensas Indiretas; Lealdade à marca; Auto-Expansão.

## Table of Contents

<i>Abstract</i> .....	<i>II</i>
<i>1. Introduction</i> .....	<i>1</i>
<i>2. Literature Review</i> .....	<i>3</i>
2.1. Loyalty Programs .....	<i>3</i>
2.2. Design Elements .....	<i>4</i>
2.2.1. Reward Fit .....	<i>4</i>
2.2.2. Reward Type .....	<i>5</i>
2.3. Self-Expansion Theory .....	<i>8</i>
2.4. Brand Loyalty .....	<i>9</i>
2.5. Hypothesis Formulation .....	<i>9</i>
<i>3. Methodology</i> .....	<i>12</i>
3.1. Sample .....	<i>12</i>
3.2. Materials .....	<i>13</i>
3.3. Procedure .....	<i>15</i>
3.4. Manipulation Checks .....	<i>16</i>
<i>4. Analysis</i> .....	<i>17</i>
4.1. Manipulation Checks Results .....	<i>17</i>
4.2. Main Results .....	<i>17</i>
4.2.1. Variation of Brand Loyalty before and after different rewards .....	<i>17</i>
4.2.2. Brand Loyalty after manipulation .....	<i>20</i>
4.2.3. Rewards effect on Self-Expansion .....	<i>22</i>
4.2.4. Effect of the reward type on brand loyalty, when mediated by self-expansion ...	<i>23</i>
4.2.5. Rewards effect on Brand Relationship, Brand Identification, Intention to Recommend, and Brand Inclusion .....	<i>27</i>
<i>5. Discussion</i> .....	<i>31</i>
<i>6. Theoretical and Managerial Implications</i> .....	<i>34</i>
<i>7. Limitations and Future Research</i> .....	<i>36</i>

8. <i>Conclusion</i> .....	37
9. <i>Appendix</i> .....	38
Appendix 1 – Survey.....	38
10. <i>References</i> .....	46

**List of Tables**

Table 1 - Repeated measures analysis of Variance on "Brand Loyalty".....	18
Table 2 - Univariate Analysis of Variance of “Brand Loyalty”.....	21
Table 3 - Univariate Analysis of Variance on “Self-Expansion”.....	22
Table 4 - Mediation analysis of "Reward Type" on "Brand Loyalty", mediated by "Self-Expansion" .....	23
Table 5 -Mediation analysis of "Reward Type" on "Brand Loyalty", mediated by "Self-Expansion", under the indirect reward context .....	25
Table 6 - Mediation analysis of "Reward Type" on "Brand Loyalty", mediated by "Self-Expansion", under the direct reward context .....	26
Table 7 - Univariate Analysis of Variance on "Brand Relationship".....	27
Table 8 - Univariate Analysis of Variance on "Brand Identification" .....	28
Table 9 - Univariate Analysis of Variances of "Brand Inclusion" .....	29
Table 10 - Univariate Analysis of Variance on "Intention to Recommend" .....	30

**List of Figures**

Figure 1 - Conceptual Diagram of H5.....	11
Figure 2 - Inclusion of Converse in the Self .....	15
Figure 3 - Estimated Marginal Means of Brand Loyal .....	20
Figure 4 - Estimated Marginal Means of Brand Loyalty under Utilitarian Context.....	21
Figure 5 – Coefficients of the relationship between Reward Type and Brand Loyalty mediated by Self-Expansion. * $p < .05$ .....	24
Figure 6 - Coefficients of the relationship between Reward Type and Brand Loyalty mediated by Self-Expansion under the indirect reward context. * $p < .05$ .....	25

## **1. Introduction**

During times of intense competition, a Loyalty Program is typically implemented to increase customer loyalty through a predetermined reward scheme based on the customer's purchase history. The main purpose of a Loyalty Program is to guarantee a higher level of customer retention in profitable consumer groups by providing a better shopping experience and value to already engaged buyers (Yi & Jeon, 2003). Marketeers have adopted the idea that Customer Relationship Management strategies improve financial performance due to the loyal customers that spread a positive word-of-mouth, make repeat purchases and are less price sensitive (Gorlier & Michel, 2020).

Considering the intense existent competition in the market, customers are loyal to the brands that, besides answering their needs, can also provide them something extra, something that brings them some form of happiness (Agarwal et al., 2022). It is clear to marketers that nowadays customers are constantly pursuing the choice that brings them the most satisfaction possible, thus these agents are persistently thinking of and creating new ways of exceeding customers' expectations.

Over the last three decades, marketing and consumer behaviour researchers focused on the adoption, design, and consequences of Loyalty Programs – from both the corporate and the customer perspectives – to better understand the complexity of good Loyalty Program management (Chen et al., 2021).

Most of the research in this field has focused on describing and exploring the many sorts of relationships that consumers form with brands, along with a large variety of constructs, models and theories that have been introduced to elaborate these consumer-brand relationships. Some research have found that loyalty programs have positive outcomes on customers, but on the other side, some other research questions the true capacity of these programs to really improve loyalty (Leenheer et al., 2007; Liu, 2007).

Bearing this in mind, this dissertation will attempt to answer the following research question: How perceived rewards of Loyalty Programs influence consumers' Self-Expansion and Brand Loyalty?

To answer this main research question, relevant literature on the explored concepts will be presented alongside with the reveal of the hypothesis of the study. Furthermore, the methodology of the survey study will be described in detail, followed by a deep analysis of the results. Lastly, there will be presented its discussions, implications, future research, and main conclusions.

## **2. Literature Review**

### **2.1. Loyalty Programs**

Over the last decades Loyalty Programs (LP) have extended across a wide range of industries, including airlines, retailers, and the hospitality sector. (Kivetz, 2005; Kivetz et al., 2006; Noordhoff et al., 2004)

In the retailing sector reports show that there is an increasing trend for the implementation of LP, with more than 60% of all retailers in Europe already offering it (Bombajj & Dekimpe, 2020).

Yi & Jeon (2003) defined Loyalty Programs as rewards schemes introduced by firms to build profitable and long-lasting relationships with the customers, rewarding them accordingly with their purchase behaviour.

The introduction of a LP promotes in the induction of perceived value, that leads to customers enrolling in and staying with a LP, as well as reinforcing their purchase behaviours and connection with the company. Customers can collect and redeem incentives such as points, miles, or different currencies for prizes (Chaudhuri et al., 2019; Sharp & Sharp, 1997).

Having loyal customers is valuable for firms for many reasons, among them: They are more likely to acquire more frequently (Jacoby & Chestnut, 1978), they produce positive word-of-mouth (Webster Jr, 1994), and they are less price sensitive (Reinhold, 1996).

As a result, a LP is an essential customer relationship management (CRM) tool which marketers use to find, reward, and maintain profitable customers. However, LP's efficiency is often questioned, so this research intends to help answering questions such as – what are the features of a successful LP? What are the features that promote loyalty? How can managers design effective LPs?

## **2.2. Design Elements**

To analyse a LP there are some features that need to be taken into consideration. Usually, they depend on the study that the researcher wants to pursue, and this study will refer features of the LPs as being direct/indirect and hedonic/utilitarian.

### **2.2.1. Reward Fit**

First, rewards can be direct or indirect, where the direct rewards are related to the brand and products that the brand commercializes, while indirect rewards have no relation (Keh & Lee, 2006; Yi & Jeon, 2003). For a footwear and apparel brand, a direct reward could be, for instance, a free pair of laces, a discount on the next purchase or a ticket for an event that the brand is organizing or promoting. On the other side, an indirect reward is everything that is not directly connected with the brand and product, being something that resonates with what the brand stands for but is not owned or linked with brand activities and products. For the same footwear and apparel brand the indirect reward could be a gift with purchase, where the gift is a bag from other brand, or a ticket for an artist's concert who usually wears the brand products, despite the event not being owned or organized by the brand.

Yi & Jeon (2003) previously studied the effects of LP on value perception of program loyalty and brand loyalty, they used a two-dimensional categorization of the LP: fit and timing of the reward. In their experiment, they used product/service involvement as a mediator of the effects of reward fit and timing, consisting of two levels of high and low involvement, whereas high involvement were beauty salons, and the low involvement were fried chicken stores. The given rewards were either direct or indirect, with the indirect one being a portable CD case, and the direct a free chicken or hair bleach. This study confirmed that, under high involvement products/service, direct rewards promote a higher perceived value of the LP, which consequently leads to higher brand and program loyalty and, under a low involvement product/service the reward being direct or indirect is not relevant, but the timing of the reward has indeed an effect on value perception, as immediate rewards were considered more valuable than delayed rewards.

### 2.2.2. Reward Type

There are several ways of exploring the different features of a reward, they were previously studied by different authors and in this section, they will be briefly introduced. Though, for this study the features of rewards used will be the hedonic/utilitarian type.

From these diverse conceptions, in this section it was considered that rewards can be either tangible or intangible, hard or soft, social or economic, special or mundane and hedonic or utilitarian. Besides these mentioned studied characteristics, it is important to mention other concepts that could be used for describing a reward type, such as transitional or emotional and material or experiential.

Previous research highlight that a particularly important categorization of LP is the one implied in the distinction between tangible and intangible. Tangible (hard) rewards are defined as monetary rewards, such as discounts, gift cards, vouchers, and merchandise, and they aim to influence consumers to repeat the purchase. On the other side, intangible (soft) rewards consist of special communications or preferential treatment to the customer. Kim et al. (2021) in their article, that synthesizes insights on loyalty programs from empirical research and the associated psychological theories and where consumers and marketing practitioners are interviewed, propose a theory for the loyalty programs dynamics in each customer relationship stage. The authors reached the conclusion that intangible benefits are harder to value before joining the LP, while tangible benefits tend to capture more attention from potential customers due to their financial value. Additionally, intangible benefits tend to have an emotional weight where customers feel a sense of recognition and distinct in comparison with regular customers (Bridson et al., 2008). Regarding the tangible ones, these are suitable to induce buying behaviour in the short term from recent members but do not promote sustained relationships.

Intangible rewards do not have an intrinsic monetary value while tangible rewards carry an economic value (Harris, 2000; Johnson, 1999). Researchers and marketing practitioners believe that the mix of both rewards are crucial for a sustained loyalty program (Bridson et al., 2008). However, many research findings proved that tangible rewards would reduce loyal customers profitability in the long run.

Research carried by Melancon et al. (2010) focused on assessing how different reward types would influence the program effectiveness. In their study, rewards are defined as social and economic. Social (internal) rewards are not material, they enhance the internal satisfaction of a behaviour as well as the internal motivation to continue that behaviour. Social rewards lead the customer to have perceptions of special treatment, receiving customized attention, such as invitations for exclusive events, and improved service. Economic (external) rewards are material, and they are given in exchange for certain behaviours. According to Psychology literature, economic rewards are often referred as monetary, such as discounts, but prizes are also frequently referenced (Melancon et al., 2010; Rummel & Feinberg, 1988).

Likewise, research carried by Gorlier & Michel (2020) described rewards as being special versus mundane. Special rewards characterized by novelty and emotion and are uncommon, rare, and extreme. Comparatively, mundane rewards are part of everyday life, and don't produce excitement. The more the reward is perceived as extraordinary the more special it is, on the other side, mundane are perceived as ordinary.

Finally, there is the Hedonic versus the Utilitarian concepts' confrontation.

Utilitarian benefits are those related to the products'/services' functional utility being primarily focused on meeting customers' needs (Alba & Williams, 2013; Alex & Joseph, 2012; Chiu et al., 2014; Voss et al., 2003). Besides meeting customers' needs these benefits deliver financial value and convenience paybacks (Agarwal et al., 2022). Considering, for example the footwear and apparel industry, a utilitarian benefit could range from free shipping on online purchases, to a discount on a next purchase, or a gift with purchase where the gift is a mug. These benefits are perceived as convenient and encourage consumers to enrol in the LPs (Mimouni-Chaabane & Volle, 2010), easing the decision-making process of buying a product/service, since they reduce the difficulty in choosing among different alternatives (Berry, 1995; Bolton et al., 2000). LPs that rely on this kind of benefits also minimize the consumers' search and decision costs as regards to the value-added services they can provide, as free shipping, exclusive customer-service, easy payment methods, and so forth. Consequently, members enjoy better shopping convenience and can save money and time.

On the other side, Hedonic benefits have two different dimensions of exploration and entertainment. They derive from non-instrumental, experiential, emotional and personally

gratifying benefits. Through hedonic benefits members are encouraged to take part in distinctive and pleasing activities (Agarwal et al., 2022) (Mimouni-Chaabane & Volle, 2010). Experiencing different and innovative products and/or having access to content about new trends characterize examples of exploratory behaviours that, for example, newsletters can provide. Hedonic benefits also permit members to enjoy unique experiences that they probably wouldn't try otherwise, like invitations for a movie premiere, or being able to participate in the creation of a new sneaker's design. Activities like these can be appealing and provide joy to members (Mimouni-Chaabane & Volle, 2010).

Concluding the categories of reward types, it is also worth mentioning other two alternatives that can be considered. Transactional opposing to Emotional rewards, where rewards related with money, such as discounts and vouchers, are considered transactional since they are related with the transaction of buying a product or service, thus they are easily quantified. On the other side, emotional rewards are hard to quantify financially, being related with the feelings and experiences they can provide. These rewards' purpose is to build a stronger relationship with the customer whereas the transactional rewards' aim is to make the customer purchase more.

Finally, according to Rosenzweig & Gilovich (2012), purchases can be considered either material or experiences if the benefits from a loyalty program are treated as purchases. Hence, material purchases are those formed primarily with the purpose of attaining a material good: a tangible object that one has in his/her possession. Experience purchases are those made primarily for the purpose of obtaining a life experience: an event or series of events that someone goes through. In the context of rewards, a material reward is tangible and the person that receives it has it in his/her possession, as for example a mug. On the other side, the experience reward is a life experience that the customer could participate in as a compensation for its membership, such as a concert ticket, for instance.

### 2.3. Self-Expansion Theory

Individuals become loyal to brands they use and like, which can be interpreted as a relationship between the consumer and the brand, since consumers generate feelings towards the brand. The greater the experiences the customer has with a brand the more connected the customer becomes with it. The self-expansion model explains how people think, feel, and act in close relationships (Aron & Aron, 1986, 1996) and suggests two main principles: First, humans have a basic motivation to expand the self, as according to this theory the motivation for self-expansion is represented by the human propensity to seek new resources, perspectives and identities by taking on the characteristics of someone and merging them into one's own personality (Gorlier & Michel, 2020); Second, the predominant means of achieving this goal is through close relationships. The degree to which one individual experience a relationship with another as a promoter of improved knowledge, skill, abilities, and unique experiences is measured by self-expansion. People who score higher on self-expansion have higher levels of relationship satisfaction and commitment (Aron et al., 2013). Therefore, relationships that fulfil the basic need to expand are more rewarding. However, individuals want to integrate the other in themselves to expand the self, and the cognitive construction of the self-overlap with the cognitive construction of the other (Gorlier & Michel, 2020). This perceived inclusion of other people's resources is particularly relevant from a motivational standpoint because it means that the outcomes experienced by others are, to a certain extent, viewed as one's own. This also means that the acquisition and loss of resources by others are felt as if they were occurring to one's own resources to some extent (Aron & Aron, 1986).

Previous studies suggested that in the context of lasting relationships, substantial benefits can be gain from the participation in novel and enticing activities that promote self-expansion or excitement, which tend to be associated with rapid self-expansion. On the contrary, participating in enjoyable but ordinary activities that do not produce excitement neither self-expansion may contribute little or nothing (Gorlier & Michel, 2020). This theory was previously tested in a research carried by Gorlier & Michel (2020) in the context of consumer-brand relationships, and on how special rewards promote self-expansion. The results demonstrated that loyalty programs' rewards positively influence members' self-expansion, and special rewards – that promote novel and arousing activities – strengthen consumer-brand relationships in brand identification, intention to recommend, and overall evaluation. The findings of this study also validate that if a brand can provide novelty and excitement in the rewards offered to

their clients, the customers will perceive the brand as one that enriches their aptitudes, knowledge, and experiences, as what is suggested by the self-expansion theory in interpersonal relationships.

## **2.4. Brand Loyalty**

Brand loyalty can be defined as “the biased (i.e., non-random) behavioural response (i.e., purchase) expressed over time by some decision-making units with respect to one or more alternative brands out of a set of such brands, which is a function of psychological (decision making, evaluative) processes” (Jacoby & Chestnut, 1978).

Previously, the construction of loyalty was solely defined in behavioural terms, as being the customer repeat purchase behaviour, because it was seen as an external sign of loyalty that could be directly related with sales (Jacoby & Chestnut, 1978). Nowadays, the definition of loyalty has evolved. Marketeers acknowledge that defining brand loyalty only by measuring behaviour by itself is not enough and does not embody the whole loyalty notion (Bridson et al., 2008). Researchers have then developed an improved definition for loyalty, a two-dimensional construction that comprises behavioural and attitudinal components (Yi & Jeon, 2003). Oliver Richard (1997) defined loyalty as “a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing effort having the potential to cause switching behaviour”. The behavioural component of brand loyalty includes repeat purchase and positive word-of-mouth, while the attitudinal component comprises commitment to the brand (Oliver Richard, 1997; Bridson et al., 2008).

## **2.5. Hypothesis Formulation**

LP are an essential CRM tool which marketers use to find, reward, and maintain profitable customer. However, not all benefits have the same influence under the customer who receive it. Starting from the reward type, utilitarian benefits are linked to customer needs, while hedonic rewards have two dimensions of exploration and entertainment. Deriving from Self-Expansion theory which suggests, in the consumer-brand context, that an individual expansion depends on specific brand activities that enable them to feel something special, excitement and arousal,

which were main effects that a special reward produces. Some of the features of special reward relate to hedonic therefore if the special rewards increase self-expansion due to those features it is expected that hedonic rewards will also increase self-expansion, so the following is hypothesised:

**H1:** *Hedonic rewards generate higher levels of self-expansion than Utilitarian rewards.*

Besides, this theory also suggests the idea that individuals reach higher levels of self-expansion through close relationships, in the case of consumer-brand relationships, if the brand rewards the customer with something that is not related with the brand – an indirect reward – the customer might not value the reward as something close to their relationship. So, it is expected that when the rewards are directly connected with the brand they will lead to higher levels of self-expansion:

**H2:** *Direct rewards generate higher levels of self-expansion than Indirect rewards.*

It was shown in previous literature that the reward fit influences consumer loyalty, indirect rewards tend to be less efficient promoting loyalty and direct rewards make consumers more loyal, thus, it is expected:

**H3:** *Direct rewards generate higher brand loyalty than Indirect rewards.*

Moreover, theory suggests that consumers' loyalty depends not only on the product/service provided by the brand but also by the novelty and excitement that the brand can bring. And, in the long term, if loyal customers are presented with several discounts they might lose value, and consequently the brand will lose value. So, to prevent that, hedonic rewards might be a good option for rewarding customers and make them more loyal. So, the following is hypothesised:

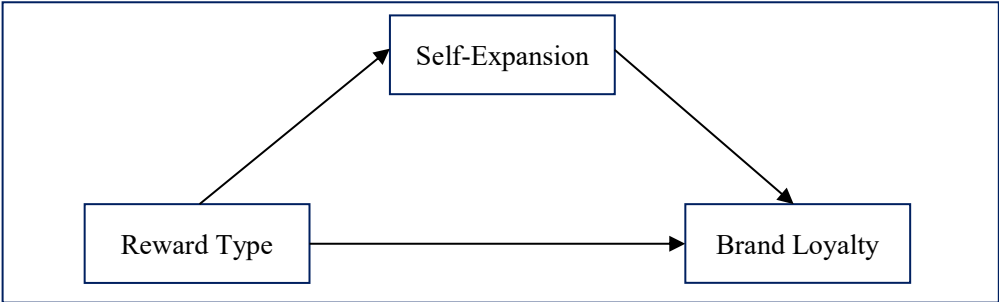
**H4:** *Hedonic rewards lead to higher brand loyalty than Utilitarian rewards.*

Evidence supports the idea that higher levels of self-expansion strengthen consumer-brand relationships in brand identification, intention to recommend, and overall evaluation, considering brand loyalty as a two-dimensions construction with a behavioural component, that

includes repeat purchase and positive word-of-mouth, and the attitudinal component comprises commitment to the brand. Thus, the prediction that the impact of the type of reward on brand loyalty is mediated by self-expansion can be drawn:

**H5:** *The more hedonic a reward is the more it has an indirect positive effect on brand loyalty via mediation of self-expansion.*

Figure 1 - Conceptual Diagram of H5



Besides the hypothesis mentioned above, this study will have more exploratory hypothesis to evaluate the impact of rewards on other dependent variables as inclusion in the self, intention to recommend, and brand identification. The behaviour of these dependent variables should be similar to brand loyalty since high scores on these constructs are all connected to high perceptions of the customer towards the brand.

### **3. Methodology**

After the secondary data previously showed on the literature review, and to understand the effect of the perceived benefits of a loyalty program in consumers' brand loyalty, self-expansion, and inclusion in the self, while being members of the LP, primary data was collected through an online survey.

This research uses the same measures of Gorlier and Michel (2020) to assess the consumers' level of self-expansion, inclusion in the self, intention to recommend, and brand identification when presented with a special versus a mundane reward in a LP. In their study, the reward "special versus mundane" type was classified by the extent the reward is extraordinary (versus ordinary). Furthermore, their study only focused on indirect rewards and used a fictional bank as the studied brand (Gorlier & Michel, 2020).

In this research, Converse – a sneakers and apparel goods company – was the chosen brand and the LP developed as being provided by this brand in their online shop. This study had a 2x2 design (2 reward fit x 2 reward type: direct/indirect x hedonic/utilitarian) following a between subject design, thus each participant was presented with only one of the four rewards available.

#### **3.1. Sample**

Throughout the month of April, the survey was shared across social media, like Facebook groups, Instagram, Reddit, LinkedIn, and WhatsApp. It was conducted using a quantitative approach and was available in both English and Portuguese idioms. It allowed the collection of data that could then be analysed using statistical methods. Qualtrics Survey Software was the tool used to develop and collect all data, then SPSS was the software platform used to run the statistical methods and analyse them.

A total of 183 people participated on the survey where 162 (88.5%) finished it. Demographically the age average is 30 years old (SD = 12.85) with 61% of the participants being between 18 and 25 years old. 66% of the participants are female, 32% male and 2% prefer to not disclose their gender. Participants were also asked about their first language where 80%

answered to be Portuguese, 7% English and 13% had other European language as their mother tongue.

### **3.2. Materials**

In the present study participants were asked to consider different LPs. Loyalty programs differed regarding the 2 independent variables defined – reward type and reward fit. There were 2 conditions of reward fit, as participants were presented to either a direct or an indirect reward, and there were 2 other conditions of reward type, either utilitarian or hedonic. In the direct utilitarian condition participants were presented with the stimuli “We are celebrating our members! Only this month join Converse Family and win 15€ discount voucher on your next purchase on the website!”, on the direct hedonic condition the stimuli was “We are celebrating our members! Only this month join Converse Family and in your next purchase win 1 ticket for either (ticket worth is 15€): - a skate event sponsored by Converse or, - Create the next shoe design Workshop with Converse with one of Converse Designers or, - a Music Festival that Converse sponsors”, the indirect utilitarian condition stimuli was “We are celebrating our members! Only this month join Converse Family and with your next purchase win 15€ discount voucher on Carhartt!”. And, finally on the indirect hedonic condition the stimuli was “We are celebrating our members! Only this month join Converse Family and in your next purchase win 1 ticket for either (ticket worth is 15€): - A skate event or, - An Art exhibition or, - A Music Festival.” (See Appendix 1). Regardless of the context presented in the survey, all participants were presented with the same questions.

Since the brand used in the study was not a fictional brand, it was necessary to assess if brand familiarity had any impact on the participants reaction to the stimuli. Thus, the survey started with 3 questions to measure each participant’s knowledge and relationship with Converse. The first question was “How familiarized are you with the brand Converse?” and it was measured in a 5-point scale from Not at all to Extremely. Secondly, the question “Have you ever bought/offered/used Converse before?” and in this case it was a yes or no question. The third question was “How often do you purchase, for yourself or for others, or receive as a gift, products from the brand Converse?” and listed answers were Never / A few times in my life / About once every three years / About once a year / About every 6 months / Almost every season / Almost every month / Almost every week.

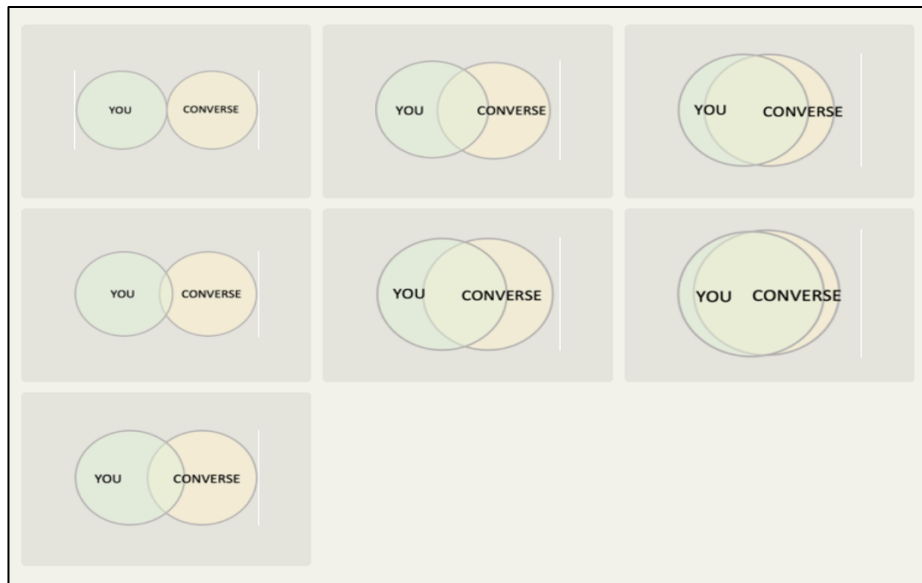
To measure brand loyalty an adaptation of the previously used and tested scale by (Bridson et al., 2008) to measure store loyalty was used. The brand loyalty construct was operationalized with three different components: Behavioural, Word-of-mouth and Commitment, though the scale was shortened to 3 items in each component (Cronbach's alpha = 0.945) (See Appendix 1), measured in a 7-point scale from Strongly disagree to Strongly Agree, plus 3 extra questions were added: "How much do you like this brand?", "How happy would you feel if you got a product from this brand?", and "How happy would you be if you could use a product from this brand?" and these questions were measured in a 5-point scale from Not at all to Extremely (Cronbach's alpha = 0.950). This construct was again asked after the reward was presented, with verbs in the future and not in the present, so the participant would answer based on the impact that receiving the reward would have.

The next dependent variable to be tested was the brand relationship. This construct was built with 5 items to test the relationship between the participant and Converse after receiving the reward. It was measured in a 5-point scale from Not at all to Extremely (Cronbach's alpha = 0.950).

To evaluate self-expansion, participants answered to an adaptation from the self-expansion questionnaire (SEQ) by (Aron et al., 2002). Since this scale was originally design in the context of romantic relationships, Gorlier and Michel (2020) selected items that could likely be applied in the context of consumer-brand relationships. Some items included were "Converse would allow to expand my vision of things"; "I have the feeling Converse would teach me new things"; "Converse would make me live new experiences". The scale was reworded to represent the individual perception of self-expansion and it was measured in a 7-point scale from Strongly disagree to Strongly Agree (Cronbach's alpha = 0.970).

To measure the inclusion of the Converse brand in the self, the scale created by (Aron et al., 1992) was employed, this scale consists of 7 pairs of overlapping circles and transmit the idea of interconnected selves. This single-item graphical measure addresses the concepts of feeling close as well as behaving close. (See Figure 2)

Figure 2 - Inclusion of Converse in the Self



Finally, to measure brand identification the homophily scale by (McCroskey et al., 2006) and intention to recommend the 3-items scale from (Grappi et al., 2013) were used, both also measured in a 7-point scale from Strongly disagree to Strongly Agree.

### 3.3. Procedure

The survey began with a brief presentation in which participants were provided with a consent introduction stating that all the data collected was going to be treated anonymously and used only for research purposes under a master's Thesis by Universidade Católica Portuguesa in Management with Specialization in Strategic Marketing with the purpose of better understanding the influence of different rewards of LP on customers' relationship and perceptions of a brand.

Firstly, participants were asked about their Brand Familiarity and Brand Loyalty, then they were randomly assigned to one of the four conditions – Direct Utilitarian Reward, Direct Hedonic Reward, Indirect Utilitarian Reward, and Indirect Hedonic Reward (see Appendix 1). After reading the scenario given, participants were asked to think about the reward presented and they were tested through a manipulation check, aiming to understand if the perceived value of the rewards was the predicted.

Afterwards, participants were asked to imagine they were members of the Converse Loyalty Program, named Converse Family, and were presented with the afore mentioned reward. They were then requested to fill scales of Brand Relationship, Self-Expansion, Inclusion in the self, Brand Identification, and Intention to Recommend. Additionally, the same questions asked in the beginning of the questionnaire – that measured the participants brand loyalty – were asked again to measure if the reward had any impact on their brand loyalty.

Finally, there was an attention test/check asking what reward the participant received and demographic questions were conducted.

### **3.4. Manipulation Checks**

To confirm if the manipulation of the rewards was successful several questions were asked. Firstly, to assess the hedonic or utilitarian nature of the reward, three seven-point semantic differentials previously tested by Wakefield & Inman (2003) were presented (Cronbach's alpha = 0.866 > 0.700) (See Appendix 1). This metric analyses the extent to which an individual considers the scenario where a product is often used to be either more pleasurable (hedonic) or useful (utilitarian). Then, the manipulation of the reward fit – direct and indirect – was also check by asking two questions: “To what extent is this reward related with Converse as a brand?” and “To what extent is this reward related with Converse products?”, measuring them on a 5-point scale from Not at all to Extremely. Since this metric only has 2 items, Pearson's correlation analysis was employed (Person's correlation = 0.760 with Sig.(2-tailed) <0.001).

## 4. Analysis

### 4.1. Manipulation Checks Results

In order to assess if the manipulation of the reward type worked, the univariate analysis of variance had to be employed. In the hedonic context, participants considered the reward to be more pleasurable ( $M_{Hedonic}=5.017$ ,  $SD=1.453$ ) than in the utilitarian context where participants considered the reward to be more useful ( $M_{Utilitarian}=3.49$ ,  $SD=1.448$ ). According to the test of between-subjects effect, it is known that the “Reward Type” is significant [ $F(1;180) = 50.196$  and with a  $p$ -value lower than 0.05 ( $p$ -value < 0.001)]. This shows that the participants see more pleasure and enjoyment under the hedonic context and find more functional purpose under the utilitarian reward. Thus, it is possible to confirm the success of this manipulation.

On the other hand, to assess the reward fit manipulation, the same analysis was employed. In the direct context participants considered the reward to be more related with the brand and the product that the brand sells ( $M_{Direct}=3.536$ ,  $SD=1.061$ ) than in the indirect context where the participants do not consider the reward to be related with the brand nor the product the brand sells ( $M_{Indirect}=2.809$ ,  $SD=1.015$ ). According to the test of between-subjects effect, it is known that the “Reward Fit” is significant [ $F(1;180) = 21.698$  and with a  $p$ -value lower than 0.05 ( $p$ -value < 0.001)]. It is possible to confirm that the participants detected difference in the reward fit in each context. Thus, the manipulation was again successful.

### 4.2. Main Results

#### 4.2.1. Variation of Brand Loyalty before and after different rewards

To understand if the “Reward Type” and “Reward Fit” influences participants’ brand loyalty, the construct was asked before and after the manipulation of the reward. To analyse it, a repeated measured analysis of Variance was employed (see Table 1).

Table 1 - Repeated measures analysis of Variance on "Brand Loyalty"

	Reward		Descriptive Statistics	
	Fit	Type	Mean	Std. Deviation
BL – Pre-Reward	Direct	Utilitarian	3.678	1.484
		Hedonic	3.662	1.487
		Total	3.669	1.477
	Indirect	Utilitarian	3.111	1.496
		Hedonic	3.650	1.533
		Total	3.391	1.530
	Total	Utilitarian	3.395	1.508
		Hedonic	3.656	1.500
		Total	3.534	1.505
BL2 – Post-Reward	Direct	Utilitarian	4.193	1.299
		Hedonic	4.524	1.386
		Total	4.374	1.349
	Indirect	Utilitarian	3.421	1.299
		Hedonic	4.344	1.346
		Total	3.900	1.395
	Total	Utilitarian	3.807	1.345
		Hedonic	4.439	1.362
		Total	4.145	1.388

Test of Within-Subjects Effects		
	F	p-value
Pre_Post	62.216	<0.001
Pre_Post * Reward Fit	1.520	0.218
Pre_Post * Reward Type	5.875	0.016
Pre_Post * Reward Fit * Reward Type	0.014	0.905

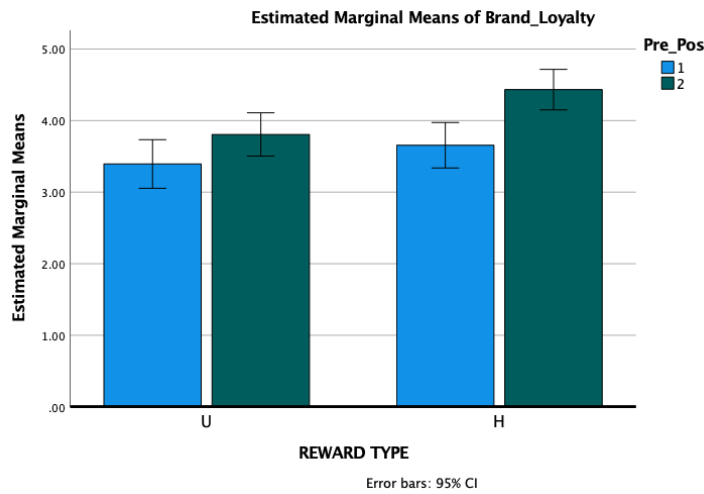
As seen by the descriptive statistics, brand loyalty is higher after the reward is presented ( $M_{BL-pre} = 3.534$ ,  $SD_{BL-pre} = 1.505$  and  $M_{BL-post} = 4.145$ ,  $SD_{BL-post} = 1.388$ ). Looking at the effects table, there is an effect on the Pre and Post reward [ $F(1,159) = 62.216$ ,  $p < .001$ ], which suggests that

there is a significant difference between the repeated measures of brand loyalty in the two points in time, where in the second measurement the level of brand loyalty is significantly higher than in the first. So, it is confirmed that the level of brand loyalty changes just by giving a reward to the participants. However, this amount of changes only depends on the Reward Type [ $F(1,159) = 5.875, p = .016$ ], such that Hedonic rewards lead to a higher increase in Brand Loyalty than Utilitarian rewards. Neither the Reward Fit nor the interaction between Reward Type and Fit are significant.

Looking for the Test of Between-Subject effect it is possible to observe that the Reward Fit suggests a marginal effect on the Brand Loyalty [ $F(1, 159) = 3.319, p = .070$ ] indicating that direct reward leads to higher brand loyalty than the indirect reward ( $M_{BL-Direct} = 4.014, SE_{BL-Direct} = .147$  and  $M_{BL-Indirect} = 3.632, SE_{BL-Indirect} = .151$ ). Analysing the effect of Reward Type on Brand Loyalty it is observable a significant effect [ $F(1, 159) = 4.474, p = .036$ ], indicating that hedonic reward leads to higher brand loyalty than utilitarian reward ( $M_{BL-Hedonic} = 4.045, SE_{BL-Hedonic} = .144$  and  $M_{BL-Utilitarian} = 3.601, SE_{BL-Utilitarian} = .153$ ). No main effect of the interaction between Reward Type and Fit was found.

Continuing with the analysis on Brand Loyalty pre and post reward, it is possible to observe that the difference between the Brand Loyalty pre and post reward is higher in the Hedonic condition ( $M_{BL-pre-Hedonic} = 3.656, SD_{BL-pre-Hedonic} = 1.500$  and  $M_{BL-post-Hedonic} = 4.439, SD_{BL-post-Hedonic} = 1.362$ ) than in the Utilitarian condition ( $M_{BL-pre-Utilitarian} = 3.395, SD_{BL-pre-Utilitarian} = 1.508$  and  $M_{BL2-Utilitarian} = 3.807, SD_{BL-post-Utilitarian} = 1.345$ ). This suggests hedonic reward leads to a significantly higher increase in Brand Loyalty than the utilitarian reward. (See Figure 3). Thus, the H4 is confirmed.

Figure 3 - Estimated Marginal Means of Brand Loyalty



#### 4.2.2. Brand Loyalty after manipulation

Since it was observed in a univariate analysis of variance that none of the independent variables had a significant impact on the first measurement of Brand Loyalty [ $F_{Reward\ Fit}(1, 182) = 1.737, p = .189$ ], [ $F_{Reward\ Type}(1, 182) = 1.445, p = .231$ ], [ $F_{Reward\ Type * Reward\ Fit}(1, 182) = 1.331, p = .250$ ], meaning that there was no previous preferences for the brand before the reward in this point in time, for the next analysis it will only be considered the measurement of Brand Loyalty after the reward is presented.

To better understand the impact of different reward types on Brand Loyalty, we performed an additional analysis on the measurement of Brand Loyalty after the exposure to the different rewards. To test H3, a univariate analysis of variance was developed on the brand loyalty variable. The results demonstrated that Reward Fit is significant [ $F_{Reward\ Fit}(1, 159) = 5.143, p = .025$ ] indicating a higher Brand Loyalty when the reward is direct ( $M_{BL-Direct} = 4.374, SD_{BL-Direct} = 1.349$ ) than when the reward is indirect ( $M_{BL-Indirect} = 3.900, SD_{BL-Indirect} = 1.395$ ). For Reward Type the results are also significant [ $F_{Reward\ Type}(1, 159) = 8.929, p = .003$ ], indicating a higher Brand Loyalty when the reward is hedonic ( $M_{BL-Hedonic} = 4.439, SD_{BL-Hedonic} = 1.362$ ) than when the reward is utilitarian ( $M_{BL-Utilitarian} = 3.807, SE_{BL-Utilitarian} = 1.345$ ). The interaction between Reward Type and Reward Fit is not significant (see Table 2).

Table 2 - Univariate Analysis of Variance of “Brand Loyalty”

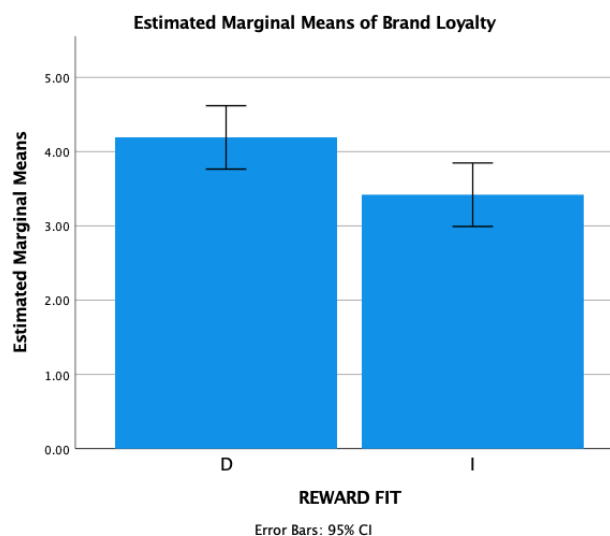
Test of Between-Subjects Effects		
	F	p-value
<b>Reward Fit</b>	5.143	0.025
<b>Reward Type</b>	8.929	0.003
<b>Reward Fit * Reward Type</b>	1.989	0.160

Even though the interaction effect was non-significant, independent samples t-tests indicate that when the reward is utilitarian, direct rewards lead to higher Brand Loyalty than indirect rewards.

Starting with the Utilitarian group, an independent samples t-test was performed, and it showed that under the Utilitarian reward context there is a difference in “Brand Loyalty” between being a direct or indirect reward [ $t(74) = 2.590, p=.012, d'=1.299$ ], the level of “Brand Loyalty” is higher under the direct rewards ( $M_{BL-Direct} = 4.193, SD_{BL-Direct} = 1.299$  and  $M_{BL-Indirect} = 3.421, SD_{BL-Indirect} = 1.299$ ).

However, under the Hedonic context there is no difference in Brand Loyalty between being a direct or an indirect reward ( $M_{BL-Direct} = 4.524, SD_{BL-Direct} = 1.386$  and  $M_{BL-Indirect} = 4.344, SD_{BL-Indirect} = 1.346$ ), [ $t(85) = 0.631, p = .541$ ] meaning that the t-test’s null hypothesis – stating that the means of the sample are equal – is rejected). Thus, in the case of having a hedonic reward it is irrelevant if it’s direct or indirect and in the case of having a utilitarian reward it is crucial that this reward is directly connected with the brand and/or product (See Figure 4).

Figure 4 - Estimated Marginal Means of Brand Loyalty under Utilitarian Context



### 4.2.3. Rewards effect on Self-Expansion

Onto the analysis of the effect of the rewards on customers self-expansion, a univariate analysis of the variance was performed (See Table 3).

Table 3 - Univariate Analysis of Variance on “Self-Expansion”

	Reward		Descriptive Statistics	
	Fit	Type	Mean	Std. Deviation
Self-Expansion	Direct	Utilitarian	3.393	1.548
		Hedonic	4.100	1.474
		Total	3.766	1.542
	Indirect	Utilitarian	3.268	1.377
		Hedonic	4.186	1.424
		Total	3.743	1.468
	Total	Utilitarian	3.333	1.461
		Hedonic	4.141	1.443
		Total	3.755	1.503

Test of Between-Subjects Effects		
	F	p-value
Reward Fit	0.008	0.929
Reward Type	13.439	<0.001
Reward Fit * Reward Type	0.228	0.634

According to the tests of between-subjects effects, only Reward Type out of the two independent variables in the study is significant [ $F(1,170) = 13.439, p < 0.001$ ], the Hedonic reward presents a higher value of self-expansion than the Utilitarian reward ( $M_{Hedonic} = 4.141, SD_{Hedonic} = 1.443$  versus  $M_{Utilitarian} = 3.333, SD_{Utilitarian} = 1.461$ ). So, as expected a Hedonic reward leads to a higher self-expansion of a customer and H1 is confirmed.

The effect of “Reward Fit”, as well as the interaction effect between Reward Type and Reward Fit arises as non-significant on participants self-expansion [ $F(1,170) = 0.008, p = .929$  and  $F(1,170) = 0.228, p = .634$ , respectively]. Since the Reward Fit variable does not have a

significant impact on the means' variance of self-expansion, H2 is rejected. Although the direct reward has a higher mean than the indirect reward ( $M_{Direct}= 3.766$ ,  $SD_{Direct}= 1.542$  and  $M_{Indirect}=3.743$ ,  $SD_{Indirect}= 1.468$ ), the relatedness of the reward does not have an impact on customers' self-expansion.

Concluding this analysis, the present results suggest that only "Reward Type" has an impact on the customers' increase on self-expansion, and the more hedonic the reward is perceived to be, the higher the impact on self-expansion.

#### 4.2.4 Effect of the reward type on brand loyalty, when mediated by self-expansion

To understand if "Self-Expansion" appears as a mediator of the relationship between "Reward Type" and "Brand Loyalty", a bootstrapping method with 5,000 resamples using Process by Andrew F. Hayes (2018), Model 4, was performed. This analysis will be performed under the H5.

This mediation analysis indicated that there is indeed a significant indirect effect of the reward type on brand loyalty mediated by self-expansion since the range between the bootstrap interval does not contain zero, meaning that "self-expansion" is in fact a mediator of the effect of the independent variable on the dependent one with a confidence interval of 95% ( $\beta = 0.4948$ , 95%CI [0.2372, 0.7644]) (See Table 4), which means the reward type hedonic increases self-expansion and as the level of self-expansion grows, there is higher brand loyalty, hence with a hedonic reward there is higher level of brand loyalty. (See figure 5)

*Table 4 - Mediation analysis of "Reward Type" on "Brand Loyalty", mediated by "Self-Expansion"*

<b>Total Effect Model (Outcome variable: Brand Loyalty)</b>			
	<b>Coefficient</b>	<b>t (163)</b>	<b>p-value</b>
<b>Reward Type</b>	0.6323	2.9717	.0034

Model (Outcome variable: Self-Expansion)			
	Coefficient	t (163)	p-value
<b>Reward Type</b>	0.8446	3.7244	.0003

Direct effect of X on Y		
Coefficient	t	p-value
0.1375	0.7914	.4299

Indirect effect of X on Y			
	Effect	BootLLCI	BootULCI
<b>Self-Expansion</b>	0.4948	0.2372	0.7644

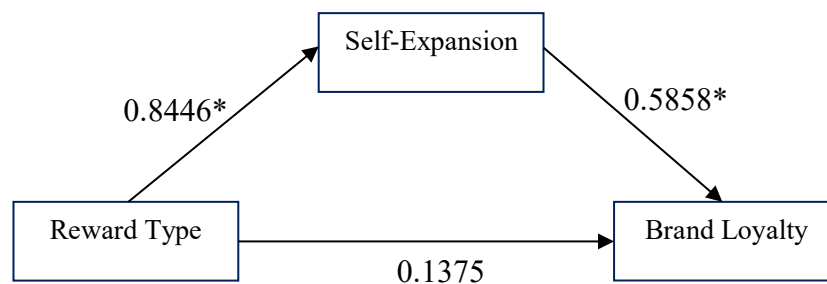


Figure 5 – Coefficients of the relationship between Reward Type and Brand Loyalty mediated by Self-Expansion. \*  $p < .05$

By proving this, it is revealed that the fifth hypothesis can be sustained. There is indeed a mediation effect of “self-expansion” on “brand loyalty” and there is a significant effect from “reward type”. Receiving a hedonic reward leads to higher levels of brand loyalty when compared with a utilitarian reward, this is mediated by the higher level of self-expansion that result of the hedonic reward.

To further explore whether reward fit can play a role on the effect of "reward type" on brand loyalty, the same analysis was performed but the indirect reward cases were selected *a priori* among all cases. This mediation analysis showed that there is also a positive indirect effect of the reward type on brand loyalty when mediated by self-expansion since the range between the bootstrap interval does not contain zero, indicating that “self-expansion” is a mediator of the independent variable on the dependent one with a confidence interval of 95% ( $\beta = 0.5463$ , CI [0.2288, 0.8889]) (See Table 5), meaning that as the level of self-expansion grows, there is

higher brand loyalty, hence under this context, with a hedonic reward there is higher level of brand loyalty.

*Table 5 -Mediation analysis of "Reward Type" on "Brand Loyalty", mediated by "Self-Expansion", under the indirect reward context*

<b>Total Effect Model (Outcome variable: Brand Loyalty)</b>			
	<b>Coefficient</b>	<b>t (77)</b>	<b>p-value</b>
<b>Reward Type</b>	0.9231	3.0973	0.0027

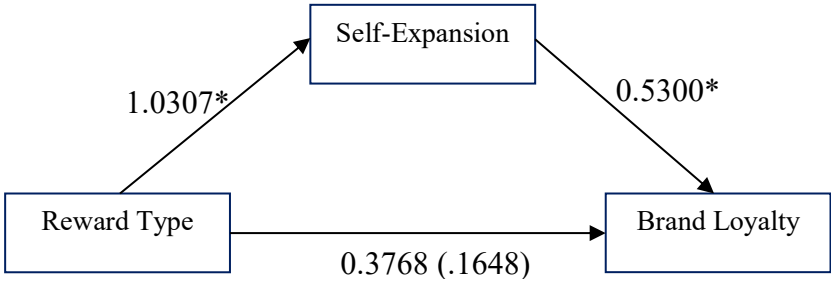
<b>Model (Outcome variable: Self-Expansion)</b>			
	<b>Coefficient</b>	<b>t (77)</b>	<b>p-value</b>
<b>Reward Type</b>	1.0307	3.3479	0.0013

<b>Direct effect of X on Y</b>		
<b>Coefficient</b>	<b>t</b>	<b>p-value</b>
0.3768	1.4025	0.1648

<b>Indirect effect of X on Y</b>			
	<b>Effect</b>	<b>BootLLCI</b>	<b>BootULCI</b>
<b>Self-Expansion</b>	0.5463	0.2288	0.8889



*Figure 6 - Coefficients of the relationship between Reward Type and Brand Loyalty mediated by Self-Expansion under the indirect reward context. \* p < .05*

Secondly, when repeating the same analysis for the direct reward group, the results are different (See Table 6).

Table 6 - Mediation analysis of "Reward Type" on "Brand Loyalty", mediated by "Self-Expansion", under the direct reward context

<b>Total Effect Model (Outcome variable: Brand Loyalty)</b>			
	<b>Coefficient</b>	<b>t (82)</b>	<b>p-value</b>
<b>Reward Type</b>	0.3312	1.1216	0.2653

<b>Model (Outcome variable: Self-Expansion)</b>			
	<b>Coefficient</b>	<b>t (82)</b>	<b>p-value</b>
<b>Reward Type</b>	0.6611	1.9816	0.0509

<b>Direct effect of X on Y</b>		
<b>Coefficient</b>	<b>t</b>	<b>p-value</b>
-0.0722	-0.3277	0.7440

<b>Indirect effect of X on Y</b>			
	<b>Effect</b>	<b>BootLLCI</b>	<b>BootULCI</b>
<b>Self-Expansion</b>	0.4034	-0.0016	0.8402

As the indirect effect is investigated – which is the part of the analysis that properly shows the mediation effect, if it exists – it is understood that “self-expansion” is not a mediator of the relationship between the independent variable and the dependent variable, as the range of the bootstrap interval does contain zero ( $\beta = 0.4034$ , CI [-0.0016, 0.8402]).

Finally, it is possible to conclude that under the two reward fits – direct and indirect – self-expansion will have different roles. Under the direct context, self-expansion does not influence brand-loyalty, on the other hand, under the indirect context, the more the reward is perceived as hedonic the higher the brand-loyalty will be, caused by the increase on the self-expansion level.

#### 4.2.5. Rewards effect on Brand Relationship, Brand Identification, Intention to Recommend, and Brand Inclusion

To test other dependent variables – as part of the exploratory hypothesis mentioned on the literature review – multiple tests of univariate analysis of variance were taken.

The first variable to be tested was the Brand Relationship construct. It is necessary to look for the test of between-subjects effects to confirm if the difference on the means between each different reward is significant. Starting by the Reward Fit, the analysis shows that the difference between the means is significant [ $F(1,181) = 8.665, p = .004$ ], indicating that the mean is higher for the direct reward than for the indirect reward ( $M_{Direct} = 3.832, SD_{Direct} = 0.845$  and  $M_{Indirect} = 3.476, SD_{Indirect} = 0.807$ ). Meaning that the reward being directly related with the brand has a significant higher impact on the relationship that the customers have with the brand providing the LP (See Table 7).

For the Reward Type, the difference between the means is also significant [ $F(1,181) = 5.878, p = 0.016$ ]. Indicating that having a hedonic reward will cause a higher impact on the brand relationship with the customer than by having a utilitarian reward ( $M_{Hedonic} = 3.800, SD_{Hedonic} = 0.795$  and  $M_{Utilitarian} = 3.507, SD_{Utilitarian} = 0.872$ ). On the other hand, the interaction of the two independent variables is not significant [ $F(1,181) = 0.077, p = 0.782$ ].

Table 7 - Univariate Analysis of Variance on "Brand Relationship"

	Reward		Descriptive Statistics	
	Fit	Type	Mean	Std. Deviation
Brand Relationship	Direct	Utilitarian	3.698	0.859
		Hedonic	3.958	0.920
		Total	3.832	0.845
	Indirect	Utilitarian	3.307	0.850
		Hedonic	3.635	0.740
		Total	3.476	0.807
	Total	Utilitarian	3.507	0.872
		Hedonic	3.800	0.795
		Total	3.658	0.844

Test of Between-Subjects Effects		
	F	p-value
<b>Reward Fit</b>	8.665	0.004
<b>Reward Type</b>	5.878	0.016
<b>Reward Fit * Reward Type</b>	0.077	0.782

The second dependent variable to be tested is the Brand Identification. In this, the behaviour of the previous analysis is observed, presenting higher means when the reward is direct rather than indirect and higher means when the reward is hedonic rather than utilitarian (See Table 8).

When analysing the significancy of the means variance that each independent variable causes, the only variable that impacts brand identification is the Reward Type [ $F(1,168) = 6.242, p = .013$ ], indicating a higher mean when the reward given is hedonic rather than utilitarian ( $M_{Hedonic} = 3.989, SD_{Hedonic} = 1.375$  and  $M_{Utilitarian} = 3.450, SD_{Utilitarian} = 1.383$ ). Thus, people identified themselves more with the brand when the rewards given are hedonic. No significant impact has been found on Reward Fit and in the interaction between Reward Fit and Reward Type.

Table 8 - Univariate Analysis of Variance on "Brand Identification"

	Reward		Descriptive Statistics	
	Fit	Type	Mean	Std. Deviation
<b>Brand Identification</b>	<b>Direct</b>	<b>Utilitarian</b>	3.512	1.502
		<b>Hedonic</b>	4.117	1.371
		<b>Total</b>	3.835	1.457
	<b>Indirect</b>	<b>Utilitarian</b>	3.385	1.262
		<b>Hedonic</b>	3.845	1.381
		<b>Total</b>	3.624	1.337
	<b>Total</b>	<b>Utilitarian</b>	3.450	1.383
		<b>Hedonic</b>	3.989	1.375
		<b>Total</b>	3.734	1.401

Test of Between-Subjects Effects		
	F	p-value
Reward Fit	0.877	0.350
Reward Type	6.242	0.013
Reward Fit * Reward Type	0.114	0.736

Next, the dependent variable tested is Brand Inclusion in the self. Once more, the behaviour of the means is identical to the previous dependent variables tested, where direct and hedonic lead to higher brand inclusion than indirect and utilitarian, respectively (See Table 9).

Observing the test of between-subjects effects, the only variable that has a significant effect on brand inclusion is Reward Type [ $F(1,173) = 6.539$   $p = .011$ ], indicating a higher mean when the reward is hedonic rather than utilitarian ( $M_{Hedonic} = 3.440$ ,  $SD_{Hedonic} = 1.708$  and  $M_{Utilitarian} = 2.810$ ,  $SD_{Utilitarian} = 1.485$ ). Thus, having a hedonic reward will make consumers feel closer to the brand, by including the brand in their own self.

Table 9 - Univariate Analysis of Variances of "Brand Inclusion"

	Reward		Descriptive Statistics	
	Fit	Type	Mean	Std. Deviation
Brand Inclusion	Direct	Utilitarian	2.84	1.632
		Hedonic	3.56	1.809
		Total	3.22	1.756
	Indirect	Utilitarian	2.77	1.330
		Hedonic	3.30	1.597
		Total	3.05	1.489
	Total	Utilitarian	2.81	1.485
		Hedonic	3.44	1.708
		Total	3.14	1.632

Test of Between-Subjects Effects		
	F	p-value
Reward Fit	0.433	0.511
Reward Type	6.539	0.011
Reward Fit * Reward Type	0.163	0.687

The last dependent variable to be tested was “Intention to Recommend”, and again, the only significant independent variable is “Reward Type” [ $F(1,168) = 6.832, p = .010$ ], where hedonic rewards lead to higher levels of intention to recommend than utilitarian rewards ( $M_{Hedonic} = 5.146, SD_{Hedonic} = 1.335$  and  $M_{Utilitarian} = 4.629, SD_{Utilitarian} = 1.195$ ) (See Table 10).

Table 10 - Univariate Analysis of Variance on "Intention to Recommend"

	Reward		Descriptive Statistics	
	Fit	Type	Mean	Std. Deviation
Intention to Recommend	Direct	Utilitarian	4.772	1.205
		Hedonic	5.300	1.328
		Total	5.053	1.292
	Indirect	Utilitarian	4.479	1.182
		Hedonic	4.976	1.338
		Total	4.737	1.282
	Total	Utilitarian	4.629	1.195
		Hedonic	5.146	1.335
		Total	4.901	1.293

Test of Between-Subjects Effects		
	F	p-value
Reward Fit	2.472	0.118
Reward Type	6.832	0.010
Reward Fit * Reward Type	0.005	0.943

## 5. Discussion

The objective of this study was to explore how different rewards' features may impact consumers' brand loyalty. Specifically, the present research further analysis the impact that the hedonic or utilitarian nature of the reward (reward type) the direct or indirect relation of the reward with the brand (reward fit) have on different variables, such as self-expansion and, ultimately, brand loyalty. Other research has already explained the impact that independent variables such as reward type and reward timing have on self-expansion, or reward fit on brand loyalty and intention to recommend, and so forth, yet no other research has combined both reward type and fit onto this impact analysis.

Since the brand used in the survey was a real brand, Converse, it was important to measure brand loyalty in two points in time, one before the participants are presented to the manipulation and after. By doing so, it was possible to assess the impact on this construct and confirm if there were any preferences for the brand in each group. It was found that the rewards on LP improve customers' brand loyalty, regardless of their type and fit, though the increase on the brand loyalty only depends on the reward type (hedonic or utilitarian). The more the reward is perceived to have an exploration and/or entertaining nature the more loyal the customer will become to the brand, which confirmed previous literature and what was hypothesized in H4.

On the other side, since it is possible to see that there was not a previous preference for the brand before the reward between the different groups it is more interesting to see the results only after the manipulation. So, taking in consideration only the second measurement of the brand loyalty, the present findings suggest that both the reward type and fit may have an impact on the customers' loyalty. In this case, if the rewards are indirect – not owned, or linked with brand activities and products – it is particularly important that this reward is at least hedonic, meaning that, in the case of an indirect reward is presented, for the loyalty of consumers to increase, it is important that this reward is perceived as hedonic, this is likely because if the rewards are indirect people look for other sources of satisfaction or connection on the hedonic/utilitarian nature of the reward.

As seen throughout the analysis section, hedonic and utilitarian is what matters for increasing people's connection with the brand, and the direct or indirect nature of the reward is in most

cases indifferent, but when looking closer to brand loyalty it is possible to see that reward fit is particularly relevant for utilitarian rewards, presumably because if utilitarian rewards are less emotional and promote lower connection with the brand when compared with hedonic rewards, consumers become more sensitive to the direct/indirect nature of the reward, consequently direct rewards tend to lead to higher brand loyalty in this specific context. So, for the utilitarian rewards, H3 is confirmed but for the hedonic ones it is not significant.

Going to the self-expansion theory, it was already suggested in previous research, by Gorlier & Michel (2020), that customers will feel a greater self-expansion when the rewards given by the brand are “special versus mundane” and the reward fit was only indirect. In this study, we did not consider rewards as “special versus mundane”, they were instead considered as hedonic and utilitarian. There are similarities between special and hedonic and mundane and utilitarian, the special rewards produce excitement and novelty and so does the hedonic reward, and, on the other side, the utilitarian reward has similarities with the mundane as they are both ordinary and part of the day to day lives. In this research the reward relatedness to the brand layer was also included. Therefore, the results from the present study are consistent with these previous findings, demonstrating that even though the direct rewards’ self-expansion result is higher this effect was not significant, thus the H2 needed to be rejected. On the contrary, the hedonic reward suggests a higher self-expansion than the utilitarian reward, thus H1 is confirmed.

Following, it was shown that self-expansion works as a mediator of reward type on brand loyalty, particularly under the indirect reward context. The more hedonic the reward is the higher the self-expansion and consequently the higher the brand loyalty. Hence, what impacts directly brand loyalty is not if the reward is hedonic or utilitarian but the degree in which the self-expansion increases when the customer is rewarded with a benefit (the more hedonic the reward the higher is this effect). On the other hand, when the reward is direct, self-expansion does not mediate the relationship between reward type and brand loyalty. In this case, there is a direct effect of the reward type in brand loyalty. So, H5 is only confirmed under the indirect context.

Additionally, there were some other exploratory hypotheses tested. For the dependent variables, Brand Identification, Brand Inclusion, and Intention to Recommend, the only characteristic that is important is if the rewards are utilitarian or hedonic. These 3 variables improve their values when the reward given is hedonic. Customers feel closer connection to the brand, include the

brand more in their selves and are more willing to recommend the brand when they are rewarded with benefits that allow them to enjoy unique experiences that they would not try otherwise. Activities like these are appealing and provide joy to their members.

Finally, the last dependent variable is Brand Relationship. This variable assesses how much the customer is satisfied and happy with the efforts made to regular customers; how much he trusts the brand; and how interested he is on its success. The results demonstrated that Brand Relationship is influenced by both reward type and fit. The scores of Brand Relationship were higher when the rewards were owned or linked with brand activities and products and when this reward was perceived as hedonic.

## 6. Theoretical and Managerial Implications

Theoretically, this dissertation contributes to the extension of prior work on loyalty programs' impact on consumer-brand relationships, also relating to a very important topic in marketing – Customer Relationship Management.

Its results provide a new perspective to the concept of Self-Expansion in Loyalty Programs context. The first time this concept was introduced in this field was by Gorlier & Michel (2020), where they explore the impact of the reward special character on self-expansion and proved that the positive effect of the special character of the reward on brand evaluation, recommendation and identification is sequentially and fully mediated by self-brand inclusion and self-expansion. Since literature defends that brand loyalty is one of the most important concepts to measure consumer-brand relationship there was a need to relate these two concepts. The results verify that particularly under indirect contexts brand loyalty is mediated by self-expansion and that reward type has impact on all variables studied, such as brand identification, inclusion, relationship, and intention to recommend. Accordingly, under the hedonic context, the results of the variables are always higher.

On the other hand, the reward fit was previously studied by Yi & Jeon (2003) with the aim to evaluate the impact it has on brand and program loyalty, where direct rewards proved to be more efficient under high involvement products/services. In this research we show evidence for moderation of the previous finding by Yi & Jeon (2003), since the rewards' relatedness with the brand had impact only under utilitarian contexts for brand loyalty. This research also suggested that reward fit has a significant effect on the measure of brand relationship regardless of the hedonic and utilitarian nature of the reward and, although they were not significant, the means for all other dependent variables were higher under direct rewards.

In addition, from a managerial perspective, this analysis presents key messages for companies in marketing, customer relationship management and fashion brands industry. It suggests that loyalty programs' effectiveness on consumer-brand relationships depends mainly on the type of reward given, and in some cases if this reward is related with the brand or not. For designing an effective loyalty program, marketers should consider a mix between different types of rewards but if they want to promote higher brand loyalty, they should implement rewards that

allow the consumer to learn, grow, have fun and different experiences. It is also important that the brand is well represented on the rewards, so consumers recall the brand after the experience ends, which improves the consumer perception of his/her relationship with the brand.

Taking this into consideration, it is important to note that brands continue to investigate how the different rewards perform, and it is also essential that after rewarding consumers, brands do assessments on consumers' opinions towards what was offered to them.

## **7. Limitations and Future Research**

The present study asked participants several questions based on the manipulation performed, and although the results of the manipulation checks confirm the accuracy of the experience, this research is only based on intentions and not the actual behaviour of the consumer.

It is also important to note that using a real brand might impact the consumers answers based on positive or negative previous experiences. The results might be biased by the participants' past opinion of the brand and not by the actual effect that the manipulation had on them.

Other limitation this research might have, is the fact that other possible mediators of brand loyalty, such as the participant mood while answering the survey, were not controlled. Moreover, other characteristics of the reward were not taken in consideration as the reward timing, which have been proved to influence consumers in previous research.

Concerning a Future Research, it would be interesting to add other independent variables such as reward timing or also to try to understand if the dependent variables can be influenced by the customer's current position in the customer relationship stages.

Finally, it would be interesting to use a real customer database to evaluate the impact of real rewards after they are offered since all the research that has been done in this field makes mostly use of fictitious brand, and intentions instead of behaviours.

## **8. Conclusion**

The goal of this research was to answer questions like: what are the features of a successful LP? What are the features that promote loyalty? How can managers design effective LPs? With the scope of understanding whether the consumer relationship with the brand would change depending on the reward offered in a loyalty program.

Throughout the study, it was understood that the initially expected influence of the reward type on variables like brand loyalty, self-expansion, brand relationship, intention to recommend and so forth is indeed confirmed. When the rewards are hedonic the level of these variables increase significantly. On the other hand, it was expected that the reward fit would also have an influence on the same variables but throughout this study this impact was only verified on the mediation effect of self-expansion on the brand loyalty and on brand relationship. Direct rewards lead to higher levels of brand relationship and indirect rewards turn self-expansion a mediator of the relationship of reward type on brand loyalty.

These results are believed to have a significant impact on previous literature as they continue the evaluation of variables that were previously studied in the Loyalty Program context, with the addition of the two independent variables in a specific industry as footwear and apparel.

## **9. Appendix**

### **Appendix 1 – Survey**

#### **Welcome Page**

Dear participant,

I would like to thank you in advance for your time and participation in this survey which aims to understand the influence of different rewards on customers' relationship and perceptions a brand.

This analysis is being done under a Master's Thesis in Management with Specialization in Strategic Marketing, by Universidade Católica Portuguesa, and every data collected will be treated anonymously and only used for research purposes.

This survey will take you 7 minutes to complete, and it is important to answer all questions as honestly as possible, after reading each question carefully. If you are not sure about your answer, please choose the one that is most close to your initial assessment. There are no right or wrong answers. If you have any questions or interest in knowing the results of this study, please contact: [s-caecos@ucp.pt](mailto:s-caecos@ucp.pt)

Thank you very much.

#### **Introduction**

Converse is a brand primarily famous for its Chuck Taylor All Star. It is a brand with a rich heritage and formerly known for manufacturing sneakers to play Basketball.

Nowadays, Converse is also associated with skateboard and streetwear style, being used by several renowned musicians and artists. It presents diverse collabs with artists in different forms, like Taylor the Creator and Keith Haring, to top performance sport athletes, as Draymond Green.

The brand also regularly launches collaborations with various fashion brands and designers, such as Comme des Garçons, Carhartt, and Off-White.

### **Brand Familiarity**

**BF-01:** How familiarized are you with the brand Converse? (5-point scale: Not at all/ Extremely)

**BF-02:** Have you ever bought/offered/used Converse before? (Yes/No)

**BF-03:** How often do you purchase, for yourself or for others, or receive as a gift, products from the brand Converse? (Never/ A few times in my life/ About once every three years/ About once a year/ About every 6 months/ Almost every season/ Almost every month/ Almost every week)

### **Brand Loyalty**

(7-point scale from Strongly disagree to Strongly Agree)

To what extent do you agree with the following statements?

#### **Behavioral**

BL-01: I consider myself a regular customer of Converse

BL-02: I feel loyal towards Converse

BL-03: I consider Converse to be my first choice when shopping for sneakers

#### **Word-of-mouth**

BL-04: I often find myself telling people about the positive experiences I have had Converse

BL-05: I would recommend Converse to someone who seeks my advice

BL-06: I encourage others to do business with Converse

#### **Commitment**

BL-07: Even if this Converse was more difficult to reach, I would keep buying from it

BL-08: Regardless of competitors' offers, I always shop at Converse

BL-09: I would never consider switching to another brand

Extra-01: How much do you like this brand? (5-point scale: Not at all/ Extremely)

Extra-02: How happy would you feel if you got a product from this brand? (5-point scale: Not at all/ Extremely)

Extra-03: How happy would you be if you could use a product from this brand? (5-point scale: Not at all/ Extremely)

## **Manipulation**

Immerse yourself in the following situation by carefully reading the text below:

You are about to buy a new pair of sneakers online. You are familiar with Converse, so you decide to shop at their website.

While you are on the website, you see an advertise to subscribe the loyalty program with the following message:

### **1. Direct Utilitarian**

“We are celebrating our members! Only this month join Converse Family and win 15€ discount voucher on your next purchase on the website!”

### **2. Direct Hedonic**

“We are celebrating our members! Only this month join Converse Family and in your next purchase win 1 ticket for either (ticket worth is 15€):

- a skate event sponsored by Converse or,
- Create the next shoe design Workshop with Converse with one of Converse Designers or,
- a Music Festival that Converse sponsors"

### **3. Indirect Utilitarian**

“We are celebrating our members!

Only this month join Converse Family and with your next purchase win 15€ discount voucher on Carhartt! ”

### **4. Indirect Hedonic**

“We are celebrating our members!

Only this month join Converse Family and in your next purchase win 1 ticket for either (ticket worth is 15€):

- A skate event or,
- An Art exhibition or,
- A Music Festival. "

## **Reward**

Think about the **reward** described above and please answer the following questions:

### **Hedonic/Utilitarian**

Three seven-point semantic differentials

HED-01: Practical purposes/just for fun

HED-02: Purely functional/pure enjoyment

HED-03: For a routine need/for pleasure

### **Direct/Indirect** (5-point scale: Not at all/ Extremely) -

DIR-01: To what extent is this reward related with Converse as a brand?

DIR-02: To what extent is this reward related with Converse products?

### **Converse – Brand Relationship** (5-point scale: Not at all/ Extremely)

Please take a moment to think that you actually subscribed to this Membership Program, you are now part of Converse Family and you actually received the aforementioned reward.

I would ask you take a moment and think about what this would make you feel towards your relationship with Converse.

BR-01: To what extent are you satisfied with your relationship with Converse?

BR-02: To what extent are you happy with the efforts Converse is making towards regular customers?

BR-03: To what extent are you happy with your relationship with the brand?

BR-04: To what extent do you trust Converse?

BR-05: To what extent are you interested in the success of Converse?

## Self-Expansion

(7-point scale from Strongly disagree to Strongly Agree)

After receiving the aforementioned reward, to what extent do you agree with the following statements?

SE-01: Converse would allow to expand my vision of things

SE-02: I have the feeling Converse would teach me new things

SE-03: Converse would make me live new experiences

SE-04: Converse would increase my ability to accomplish new things

SE-05: With Converse I would accomplish things different from my habits

SE-06: With Converse I would have the impression to reveal new aspects of my person

SE-07: With Converse I would have the feeling to extend my possibilities

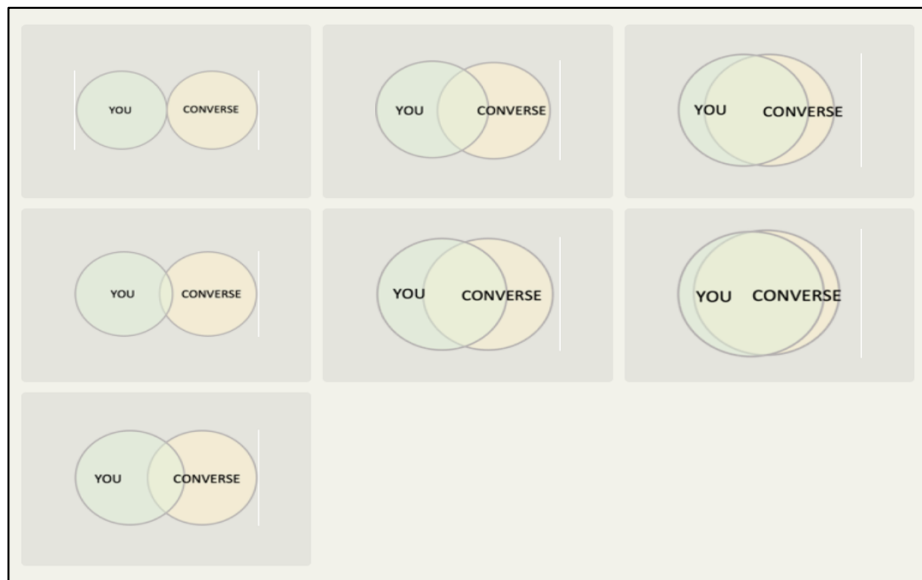
SE-08: With Converse I would have the impression that new perspectives are opening up to me

SE-09: Converse would allow me to show the best of myself

SE-10: I have a feeling that Converse would bring me something new

## Inclusion

After receiving the aforementioned reward, choose the picture below that best describes your relationship with Converse.



## Brand identification

(7-point scale from Strongly disagree to Strongly Agree)

After receiving the aforementioned reward, to what extent do you agree with the following statements?

BI-01: Converse thinks like me

BI-02: Converse behaves like me

BI-03: Converse shares my values

BI-04: Converse is like me

BI-05: Converse has thoughts and ideas like my own

BI-06: Converse has much in common with me

### **Intention to recommend**

(7-point scale from Strongly disagree to Strongly Agree)

After receiving the aforementioned reward, to what extent do you agree with the following statements?

IR-01: If I had to advise people around me, I would recommend Converse

IR-02: If I were asked my opinion, I would speak positively about Converse

IR-03: I will gladly talk about the positive aspects of Converse

### **Brand Loyalty 2**

(7-point scale from Strongly disagree to Strongly Agree)

After receiving the aforementioned reward, to what extent do you agree with the following statements?

#### **Behavioral**

BL2-01: I would consider myself a regular customer of Converse

BL2-02: I would feel loyal towards Converse

BL2-03: I would consider Converse to be my first choice when shopping for sneakers

#### **Word-of-mouth**

BL2-04: I would often find myself telling people about the positive experiences I have had  
Converse

BL2-05: I would recommend Converse to someone who seeks my advice

BL2-06: I would encourage others to do business with Converse

## **Commitment**

BL2-07: Even if this Converse was more difficult to reach, I would keep buying from it

BL2-08: Regardless of competitors' offers, I would always shop at Converse

BL2-09: I would never consider switching to another brand

Extra-01: How much would you like this brand? (5-point scale: Not at all/ Extremely)

Extra-02: How happy would you feel if you got a product from this brand? (5-point scale: Not at all/ Extremely)

Extra-03: How happy would you be if you could use a product from this brand? (5-point scale: Not at all/ Extremely)

## **Reward Check**

What was the reward showed in your survey? "Only this month join Converse Family and..."

- win 15€ discount voucher on your next purchase on the website!
- with your next purchase win 15€ discount voucher on Carhartt!
- in your next purchase win 1 ticket for either: - a skate event; - Art Exhibition, - a Music Festival
- in your next purchase win 1 ticket for either: - a skate event sponsored by Converse; - Create the next shoe design Workshop with Converse with one of Converse Designers; - a Music Festival that Converse sponsors.

## **Demographics**

DE-01: Please, write your age below

\_\_\_\_\_

DE-02: How do you identify yourself?

- Female
- Male
- Transgender Female
- Transgender Male
- Genderqueer
- Non-binary
- Rather not disclosure

- I don't identify with gender labels

DE-03: Please, write your first language below

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