Affection or Money: What Really Drives Customer Loyalty?

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EXTENDED ABSTRACT

Research Question
This study focuses on relationship marketing instruments, that is, marketing activities such as rewards and loyalty programs that attempt to increase customer retention. Extant research focuses on either customer relationship perceptions or customer behavior, without addressing the effects on perceptions and behavior together in a common study. This study overcomes this limitation and poses the following question: What is the effect size that relationship marketing instruments (e.g., affection or money orientated loyalty programs) have on customer relationship perceptions and actual consumer behavior, and what are the routes through which effects occur?

Method and Data
The authors use data of 1,950 airline customers, obtained from combining a longitudinal field experiment with internal customer database information. The experiment manipulates four relationship marketing instruments and measures customer perceptions with two surveys (before and after the experimental manipulation) and actual behavior from the company's database at different points in time.

Summary of Findings
The authors find that all tested relationship marketing instrument types positively affect perceived relationship investment, which in turn influences repurchase intentions and thereby spending behavior, indirectly. Moderation analysis reveals that the appropriate combination of money and affection related dimensions most effectively creates perceived relationship investment. Money and core product related relationship marketing instruments also have a direct impact on behavior; in this study context, it results in the highest increase in contribution margins.

Key Contributions
This investigation represents the first research to study the effects of a systematically derived set of relationship marketing instruments on both customer relationship perceptions and customer behavior, accounting for both direct effects on customer relationship behavior and indirect effects on customer relationship behavior through customer relationship perceptions. Using a longitudinal field experimental design that combines experimental manipulations with survey data and actual customer spending information, this study substantially extends knowledge on the effectiveness of different relationship marketing instruments. Managers should be aware that there is no such thing as a "generalizable" effect of relationship marketing instruments; instead, the results strongly depend on the instrument offered. Therefore, understanding the differential effects of relationship marketing instruments represents a key task for managers and researchers alike.

References are available on request.

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