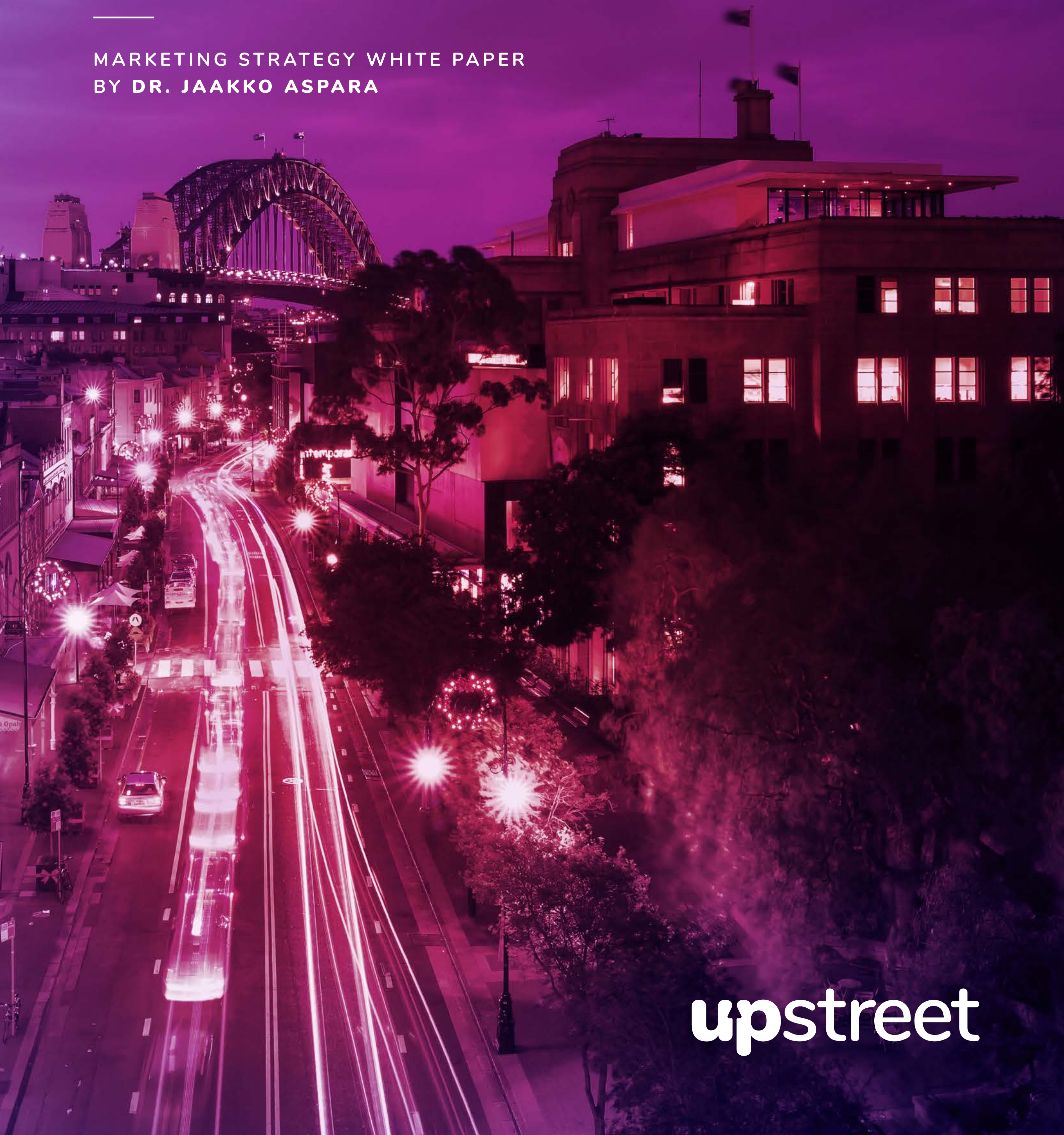
# SHARE REWARD PROGRAMS

## A rare strategy for achieving true loyalty

MARKETING STRATEGY WHITE PAPER
BY **DR. JAAKKO ASPARA**



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## A share reward program is a unique way to enhance both behavioural and attitudinal customer loyalty

DR. JAAKKO ASPARA

The most established framework about brand or customer loyalty among both academic researchers[1] and marketing practitioners[2] essentially distinguishes between two dimensions of loyalty: (1) the attitudinal dimension and (2) the behavioural dimension.

Despite the fact that the distinction between (1) attitudinal vs. (2) behavioural dimensions of customer loyalty has been acknowledged for decades now, scholars and practitioners alike have identified few tangible strategies that would allow enhancing customers' loyalty on both of the dimensions at the same time. Below, I propose and cite evidence suggesting that stock reward programmes are a rare – even unique – example of such a strategic tool.

[1] See e.g., Day 1969; Jacoby and Olson 1970; Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1999

[2] See common textbooks on marketing strategy, e.g., Palmatier and Sridhar 2017

## Attitudinal vs. Behavioural Dimensions of Loyalty

The figure to the right presents the key idea in distinguishing between the dimensions of (1) attitudinal loyalty and (2) behavioural loyalty. In brief, the former refers to whether a consumer or customer likes the company or brand, whereas the latter refers to the extent to which the person actually purchases the company's products repeatedly and regularly.

In other words, the attitudinal loyalty points to a psychological bond the customer has with the company, while behavioural loyalty refers to the question of whether the customer's loyalty materialises in terms of repeat purchasing.

It is, further, an established notion that customers have "true" loyalty towards a company or brand only if they exhibit both positive attitudinal loyalty (i.e., like the brand), and high behavioural loyalty (i.e., repeatedly/regularly purchase from the company).

In contrast, the company's business is at risk with customers that only have high behavioural loyalty but low or negative attitudinal loyalty – spurious loyalty. This is because such customers are perhaps only purchasing from the company because they currently have no alternatives. For instance, in case of spurious loyalty towards a brand, the availability of alternative brands in a local store is low – or in case of spurious loyalty towards a retailer, there is only one retail store at a reasonable distance to the customer. But if this situation changes, and alternatives arise, the spuriously loyal customers may quickly switch to purchasing from competitors.

> *"customers have 'true' loyalty towards a company or brand only if they exhibit both positive attitudinal loyalty (i.e., like the brand), and high behavioural loyalty (i.e., repeatedly/regularly purchase from the company)"*

Despite the riskiness of the spuriously loyal customers for the company, a positive aspect about them is that even if they might not like the brand or company, the spuriously loyal customers are still purchasing from the company for the time being. The opposite is true for "latently" loyal customers. They may like the brand a lot, but this does not materialise in their actual purchases. For instance, some more expensive, premium brands may have this situation: the brand has a lot of admirers, but perhaps due to low purchasing power, they cannot afford to actually purchase the brand. From the business perspective, hence, the existence of latently loyal consumers is not profitable – at least not yet, before the company can turn these customers' positive attitude to purchasing action, as well (e.g., by making the brand available and accessible to these customers).

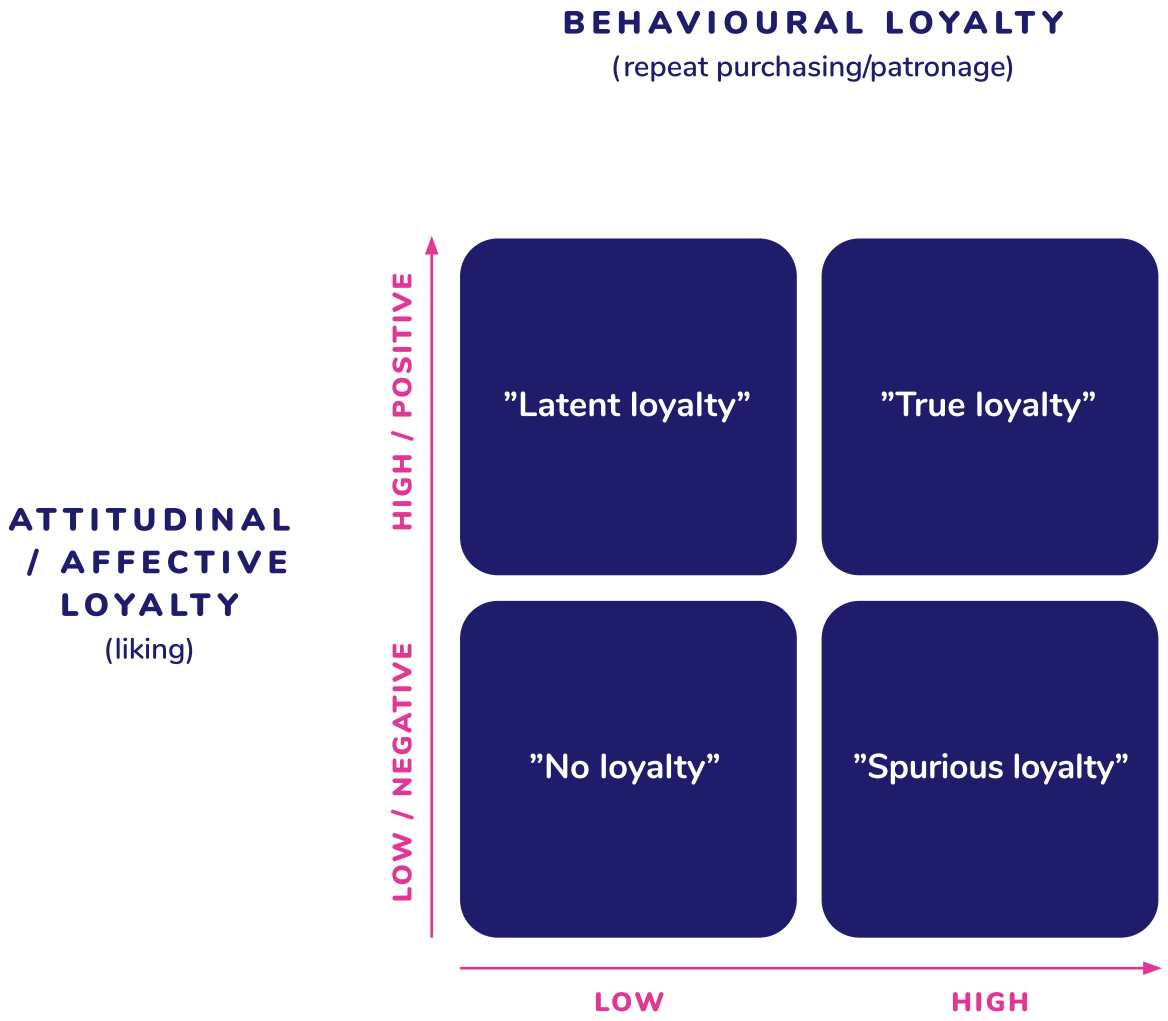


**Figure 1.** The two dimensions of customer loyalty

## Loyalty-enhancing marketing strategies

Figure 2 below shows examples of loyalty-enhancing strategies that companies may typically utilise, across the same two-dimensional framework as above.

Starting from the bottom left corner, launches of such new products and services, which turn out to have poor use experience when actually used by customers, rarely manage to improve customer attitudes towards to company – nor do such new products lead to repeated purchases after the customer has erred to once purchase and try out the product. To the same category fall such ad campaigns that do not make the advertised brand clear enough to the consumer. Even if the advertisement itself were cool, trendy, and creative, if consumers remain confused about what brand the ad actually advertised, no substantial positive effects can ensue for brand loyalty.

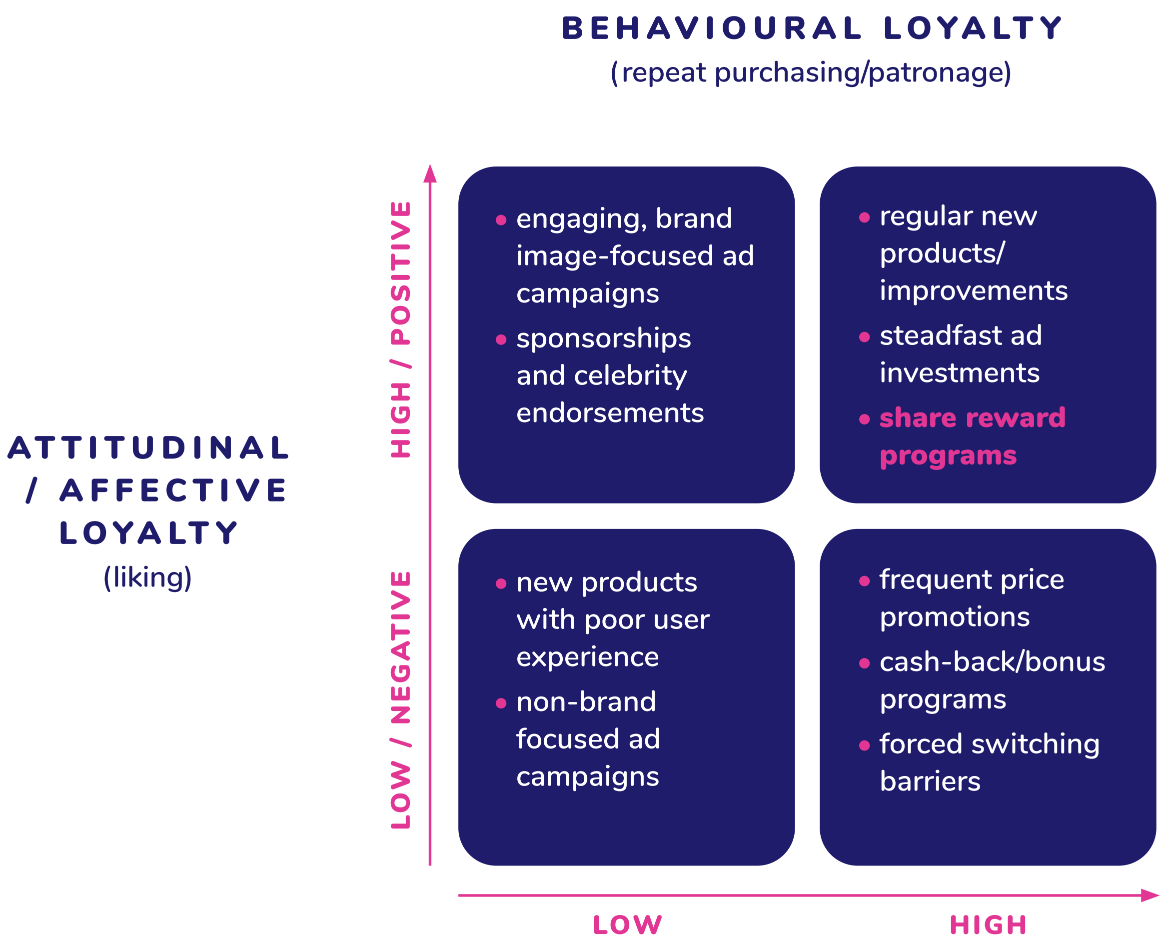


**Figure 2.** Classification of typical marketing strategies in terms of impact on loyalty

Many more ad campaigns fall to the top left cell of the matrix. That is, the ad campaign may be creative and engaging, and even make the advertised brand clear – hence enhancing customers' attitudes towards and liking for the brand. Yet, even when able to do this, many of such brand image-focused ad campaigns do not manage to notably increase customers' repeat purchases of the brand – for instance, due to the brand not having any new products to sell to the customers. Many sponsorships and celebrity endorsements may suffer from the same shortcoming: the likeable sponsored cause or celebrity does increase consumers' liking for the brand, too, but this does not necessarily manifest in increasing brand purchases.

> *"regular introductions of new products and product improvements is a strategy that many of the 'best' consumer product companies have used"*

The bottom right corner, in turn, includes strategies, which typically increase brand purchases, but have no or even negative effect on brand attitudes. Most notably, frequent price promotions and discounts do boost brand purchases temporarily at least, but they may make the price discounts the only reason for customers to purchase the brand, and this way deteriorate the brand's quality image.

Cashback programs, as well as ordinary frequent customer programs and rewards, often have the same problem: customers do continue purchasing from the company due to the cash-back or other rewards that are perceived lucrative, but attitudes towards or liking for the company does not get improved by this. An extreme example of strategy that does enhance repeat purchasing, but lowers brand attitudes, is the introduction and maintenance of forced switching barriers. Banks and telecom operators, in past decades, were utilising this strategy by not allowing customers to take their account or telephone numbers with them, if wanting to switch service providers.

Finally, the top right – 'best' – corner of the matrix includes a couple of rare strategies which may – when designed and implemented effectively – enhance both attitudinal and behavioural loyalty. First, regular introductions of new products and product improvements is a strategy that many of the 'best' consumer product companies have used both to keep their brand image fresh and likeable and to provide consumers regularly new reasons to buy the brand (i.e., the new product introductions themselves). Second, constant and consistent advertising investments, focused on the brand as well as its new product introductions, may effectively serve the same purpose.

## A share reward program as a strategy for building "true loyalty"

**Intriguingly, stock reward programs have the potential to become another rare example of a strategy which may enhance both customers' attitudinal loyalty and behavioural loyalty towards the brand. Especially compared to cash-back programs, which only create a 'cold' monetary incentive to purchase the company's products/services, the stock reward programs elicit a more long-term oriented affective attachment or psychological bond to the company.**

This is because the stock reward program's monetary reward level is not equally 'coldly' calculable, and only occurs after a longer period of time – if ever – when the consumer sells or cashes in their shares.

At the same time, the stock ownership creates an affective bond between the consumer and the company – such that the feeling of 'psychological ownership' actually becomes greater than the factual financial ownership stake in the firm.

This psychological ownership is akin to the feeling that individual members of companies taking the cooperative form tend to have towards the cooperative (Pierce and Jussila 2011; Jussila et al. 2015), even if in cooperatives, individual members' financial stake in the company is also extremely small. Yet, this feeling of ownership has been speculated to be one of the reasons why cooperatives in, e.g., grocery retailing, have been able to achieve a market leader position in many countries, like Finland.

## Research evidence of share ownership as source of attitudinal and behavioural loyalty

The main academic research evidence of the positive impact of stock ownership on both attitudinal and behavioural loyalty of consumers, is available in our study (Aspara 2009). The study analysed survey data of 'real' consumer–stockowners of three Finland-based companies operating in consumer goods industries. All the three companies are listed in stock exchange, NasdaqOMX Helsinki. The three companies represented different consumer good categories, providing evidence of the loyalty impact of stock ownership for companies in a variety of industries: (a) car and other tyres, (b) gardening and other home maintenance/improvement tools, (c) sports equipment and apparel. The study included a total of n=293 responses from consumer–stockowners (of consumers who had become shareholders of the company during past 1.5 years), with an exceptionally high response rate of 32.5 per cent.

As to the results of this study, regarding *behavioural* loyalty, an average of 60% (43-76% for the different companies) of the studied consumers reported to have increasingly favoured purchasing the company's products, after investing in the company's stock. Specifically, the following results were obtained, concerning behavioural loyalty:

- 36% (26-47%) of the stockowning consumers reported to have purchased more of the company's products in general
- 30% (23-41%) of the stockowning consumers reported to have purchased company's products more frequently
- 33% (17-41%) of the stockowning consumers reported to have ceased to buy competitors' products altogether
- 29% (10-42%) of the stockowning consumers reported to have been prepared to pay a premium price for the company's products (over competitors')
- 38% (21-53%) of the stockowning consumers reported to be prepared to continue buying the company's products even if their price increased.

Indeed, only 23% stated that becoming a shareholder had *not* influenced their buying decisions of the company's products in any way.

Regarding *attitudinal loyalty*, in turn, up to 63% of the stockowning consumers stated that their more positive attitude towards the ("liking the company more") after purchasing the company's stock had influenced their purchasing. What supports the notion that stock ownership increases such attitudinal loyalty to an equal extent as it increases behavioural loyalty – or even more so – is the fact that only 15% of the stockowning consumers stated that their attitudes towards the company were unchanged.

Finally, it is to be noted that the above results reflect the *conscious* effect of stock ownership on consumers' brand loyalty, i.e., the effect which the consumers themselves recognise/admit. The "true", full effect of stock ownership is likely to be even greater, given that consumers' are not typically fully aware of the motives influencing their own behaviour, or may not want to admit their true motives in surveys. In other words, in reality, the share ownership has most likely affected the brand loyalty and repeat patronage/purchases of even greater proportion of the consumers studied, than 60%.

Another academic study providing evidence of the positive impact of stock ownership on consumers' brand loyalty and repeat patronage/purchases is also ours (Aspara, Nyman, and Tikkanen 2008). In a statistical analyses of customer databases as well as survey data of up to 46,440 individual customers of a Nordic bank, share ownership with the bank was found to decrease the odds of switching service providers by 42% (i.e., answering that it is "not likely at all" that the bank would be the respondent's bank still after 12 months' time). In other words, the likelihood of switching to competing service providers almost halved as a result of the customer's stock ownership.

## THE BOTTOM LINE

**In summary,** the above empirical results from two different studies, addressing altogether four consumer product/service sectors, suggest that share reward programs are indeed likely to be a rare type of marketing strategy, in enhancing both attitudinal and behavioural customer loyalty – not only one of them.

### References

**Aspara, J. (2009)**. Stock ownership as a motivation of brand-loyal and brand-supportive behaviours. *Journal of Consumer Marketing*, 26 (6), 427-436. [Available at: http://yconomie.com/aspara/articles/aspara-2009_stock_ownership_brand_loyal_behaviors.pdf ]

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# ABOUT THE AUTHOR

### DR. JAAKKO ASPARA

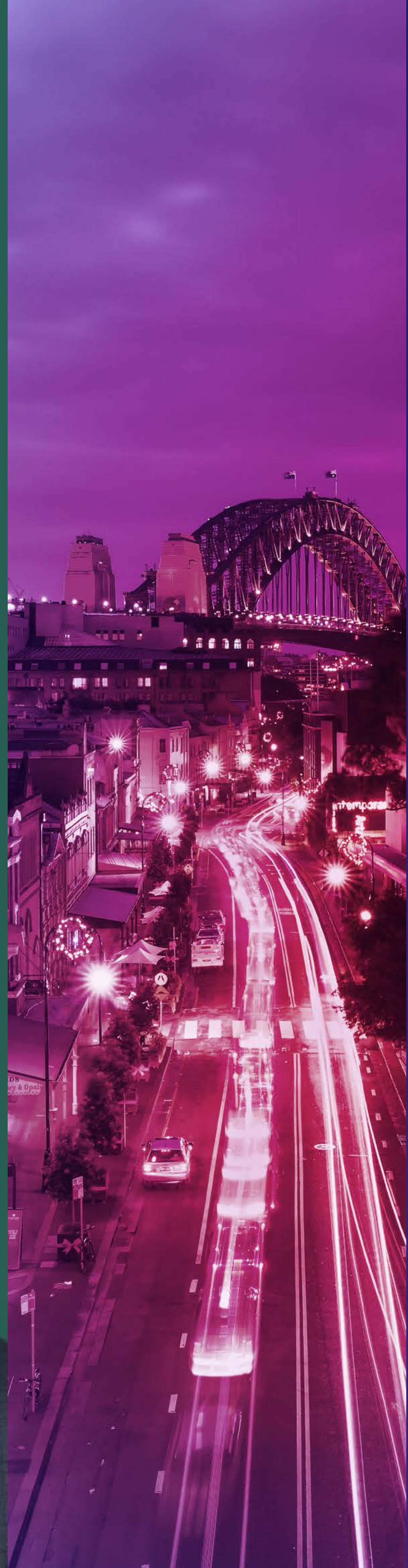
Dr. Jaakko Aspara is Christian Grönroos Professor at Hanken School of Economics, a triple-crown accredited (AACSB, AMBA, EQUIS) university business school in Helsinki, Finland. Aspara also serves as the Vice-Rector and Dean of Research and Innovation at Hanken School of Economics.

The specialization of Dr. Aspara's professor chair is market strategy and service business – his chair is named after professor emeritus Christian Grönroos, who has been nominated as a "Legend in Marketing" by Sage Publications, due to his invaluable contributions to research on service and relationship marketing.

Dr. Aspara's own research focuses on business model innovations, new product and service development, the interface between marketing and finance, consumers' financial behavior and decision-making, and consumer-based strategic management.

Dr. Aspara's research has been published in top scientific journals of the field, including Journal of Marketing, Journal of Consumer Research, Journal of the Academy of Marketing Science, and Journal of Consumer Psychology.

In addition to his academic work, Dr. Aspara has served in Boards of Directors for several large companies, as well as in advisor and consultant roles for both large and growth companies.



# A MESSAGE FROM OUR CEO

Dear reader,

Upstreet was founded in 2019 by a passionate team of experienced professionals and entrepreneurs looking to make life better for everyday shoppers across Australia and the world.

Loyalty points and cash back rewards are fine, but they're fleeting and don't really lead to more love for the brands offering them. Dr. Aspara's research shows that "true loyalty," when a customer both likes and shops with a brand, over an enduring period of time, can be achieved through the implementation of a Share Reward Program. We thank Dr. Aspara for his contribution to this white paper and his continued support as our academic advisor.

Upstreet makes it simple for major brands to launch Share Reward Programs that integrate seamlessly with any existing loyalty and marketing programs. All the legal, regulatory and major technical work has been done; all brands need to do is partner with us, create an offer, and announce the good news through any channels they choose to make available. Join us and our launch partners, some of Australia's most well-known brands, in making shopping more rewarding than it has ever been.

Please don't hesitate to contact me for more information or to arrange a product demonstration.

Warm regards,

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