When Rewards Backfire: Customer Resistance to Loyalty Programs

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Following Boltanski and Thévenot’s (2006) regimes of justifications, this research explores consumer resistance to loyalty programs. The findings of a qualitative study show that the informants’ representations of the “market world” conflict with those of other orders of worth, such as “domestic” and “civil” worlds. They also provide evidence of psychological reactance, cynicism, need for cognition and transactional orientation of these consumers.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/15871/volumes/v38/NA-38

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EXTENDED ABSTRACT
Customer loyalty represents a critical issue for firms that try to create enduring relationships with their customers, which helps explains the multiplicity and diversity of loyalty programs (Pal- matier et al. 2006). However, most existing research indicates that the success of these programs is questionable and that their effects have only limited scope (Dowling and Uncles 1997; O’Brien and Jones 1995; Sharp and Sharp 1997). Prior studies note the relative ineffectiveness of loyalty programs but, owing to behavioural methods they use, they leave in the dark the possible reasons for negative assessments. Besides, staying at a general level, very few qualitative approaches consider the causes of potential negative perceptions of loyalty programs and the marketing practices on which they are based (Fourier, Dobscha, and Mick 1998; O’Malley and Prothero 2004).

In the light of scarce information about perceptions of loyalty programs, which represent main tools of relationship marketing, this study explores the negative elements perceived by customers that may lead them to reject membership in such programs. Using an exploratory study of 15 customers who resisted joining a loyalty program, this research attempts to answer three questions: What reasons do they give to explain their refusal? What is their aim exactly? What individual and situational characteristics might influence these justifications?

Entry into loyalty programs primarily is motivated by a gain or use that the consumer expects to attain. However, research provides widespread evidence of the effect of autoselection, which poses the crucial question of how retailers can attract occasional and not only regular customers who are naturally loyal to a particular point of sale. Besides, questions about privacy and discrimination raise concerns about loyalty programs (Wendlandt and Schrader 2007). In addition, other factors are likely to provoke customer resistance to loyalty programs, such as perceived attempts by the seller to influence them, the level of engagement required, and subsequent appeals to which members are subjected (O’Malley and Prothero 2004). As Friestad and Wright (1994) suggest, consumers’ “metacognition” about persuasion mechanisms may increase their perception of influence attempts thus hampering their will to participate in relationship marketing. This article thus explores how practically consumers negotiate their refusal to join loyalty programs and what reasons they put forward to support their decision. We seek to understand whether this resistance follows from previous bad experiences and what situational and/or psychological antecedents play a part in customers’ refusal. In this respect, we investigate individual characteristics that are likely to influence consumer resistance and have not been addressed in previous studies.

Because of the extent, novelty, and lack of prior investigation into this issue, this study adopts a qualitative, in-depth approach, based on the analysis of discourses by 15 informants who have refused loyalty cards, including free ones offered by retailers. Five informants had never possessed a card, and the other 10 owned one or two that they had never used. Because age appears to influence the informants’ cognitions, this study adopts a homogeneous split, based on the average age of the sample, 47 years, which matches the median that falls between 22 and 70 years. It seemed equally important to vary the size of the households and the family structure, which both influence the amount and nature of purchases. The approximately two-hour respondent interviews were recorded, transcribed, and analyzed sequentially, which allowed for control of the progressive development of themes and provided a guideline for choosing subsequent profiles. Four resistance themes emerge from the discourses: the unacceptable invasion of privacy that programs impose; shifts of interpersonal frames of reference and domestic values being unduly appropriated by the marketing sphere; suspected dishonesty of companies; and perceptions of the poor value of the programs, such that the rewards do not compensate for the overall inconvenience.

The results suggest reasons that consumers might refuse loyalty cards, which, except the perceived unbalance between rewards and nuisances, have less to do with the content of the scheme itself than to what such programs represent in relation to the marketplace. The informants are recalcitrant about such forms of loyalty because customer–company relationship appears as a commercial strategy, whose hidden profit objective is masked by rhetorical discourse and fallacious methods. This resonates with O’Malley and Prothero’s (2004) contribution but extends it two ways: firstly, it shows that informants’ alleged resistance do not solely derives from previous bad experiences and feelings about the program, but from an extended sympathy for more vulnerable customers who may be victims of companies’ interests; secondly, it accounts, other than plain rejection of loyalty card, for various resistant behaviours that are less discernible but possibly more detrimental to firms, such as opportunistic and disloyal behaviours. Our findings also show that informants have developed a “marketplace metacognition” (Friestad and Wright 1994) that influences their perceptions of the consumer society and the loyalty devices that companies use to capture them. This knowledge makes them circumspect in their responses to every attempt used by companies to create a relationship. The perception of a mismatch between the “Market World” and the “Domestic World” or “Civil World” (Boltanski and Thévenot 2006), as well as the psychological reactance, need for cognition and cynicism that characterize this group of consumers, play key roles in their refusal. As a consequence for practitioners, relational approaches are inappropriate for these consumers and a better strategy would be to maintain a transactional orientation toward them. In addition, the informants’ inferences about corporate dishonesty and unethical practices suggest the need for more transparency, respect, and ethics, as well as the more moderated and timely use of marketing techniques. The possible consequences of consumer resistance also suggest many avenues for further exploration. Because of their metacognition about market function, customers who resist loyalty programs may develop other negative perceptions of companies’ practices. Their more general tendency to doubt the allegations of the firms and disloyalty toward ads, offers and labels represent additional areas that could benefit from further development of this research.

REFERENCES


