

# VIP loyalty programs: Consumers prefer awards they can share

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Consumers appreciate being able to share their perks with others, and will sacrifice exclusivity to do so, according to a new study in the *Journal of Consumer Research*.

"Companies spend billions of dollars each year on customer loyalty or VIP programs in an effort to [reward](#) loyal customers and make them feel both special and a sense of status," write authors Brent McFerran (University of Michigan) and Jennifer J. Argo (University of Alberta). Many [loyalty programs](#), like airline lounges, luxury boxes, and hotel rooms extend benefits to guests of the VIP, or "an entourage."

"These entourage members have typically done nothing to earn the preferential treatment, and may potentially dilute the prestige of the services, because the perks are extended to people merely on the basis of who they know," the authors explain. "In other words, entourage members receive undeserved perks, and these people make VIP rewards less scarce."

The authors wondered whether extending the preferential treatment to the entourage dilutes the prestige of rewards programs. Across six studies, they found that loyalty program members value the ability to share an experience with their guests. Most surprisingly, they are willing to trade the scarce nature of preferential treatment in order to do so. For example, in one study, [consumers](#) imagined attending a dinner party with a political figure of their choice. The bigger the entourage, the more the feeling of status increased.

In another study, consumers were invited up to a luxury box during a professional football game. Those who had an entourage with them felt a higher degree of status. Finally, they showed that feelings of social connection underlie the effect. An entourage makes one feel socially connected, and these feelings of connectedness with others make consumers feel a sense of personal status.

"Scarcity and value are strongly linked. What we found most interesting was not just that people want to bring guests, but that they were willing to trade off scarcity of rewards in order to do so," the authors write.

"People are willing to trade rare rewards for more common ones, if they get to share these experiences with their friends."

**More information:** Brent McFerran and Jennifer J. Argo. "The Entourage Effect." *Journal of Consumer Research*: February 2014.

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