

Loyalty-reward programs can improve companies' online reviews and word-of-mouth reach

February 16 2022, by Aaron Wagner



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New research from Penn State's School of Hospitality Management found that companies like airlines and hotels can use their loyalty-reward programs to improve word-of-mouth about their business, both online and in the real world.

Research has repeatedly validated the well-worn cliché that word-of-mouth is the best form of advertising. Today, unpaid product and business reviews on sites like Yelp and TripAdvisor constitute a digital form of word-of-mouth that is more important than ever to the success of businesses.

Anna Mattila, Marriott Professor of Lodging Management in the School of Hospitality Management at Penn State, and Yoo Hee Hwang, assistant professor of hotel and tourism management at Hong Kong Polytechnic University and Mattila's former graduate student, co-authored a recent study in the *Journal of Hospitality & Tourism Research*. They examined customers' attachments to the products the customers redeemed through loyalty-reward programs.

The researchers found that consumers who were emotionally attached to the products they redeemed were more likely to promote the products both online and in person. When customers redeem rewards on products they value, they often perceive of themselves as being 'smart shoppers,' which makes them feel good. Then, they transfer these good feelings onto the company that provided the reward.

What companies should do

Loyalty-reward programs are very expensive to operate, but companies need them to build long-lasting relationships with their most valuable customers, according to Mattila. As a result of these findings, she suggests that companies who offer loyalty-reward programs should focus on offering experiential—rather than physical—rewards.

"Experiences create memories, and our memories are tied to our autobiographies," Mattila explained. "Experiences become adopted into our self-concepts. People think things like, 'I enjoy a broad range of excellent restaurants,' or 'I travel the world.'" When companies help

people build or reinforce these self-concepts through loyalty rewards, those people become more willing to spread the word about the reward they received both to their friends and to strangers on the internet."

In addition to offering experiences, Mattila said that loyalty-reward programs also need to be flexible enough to meet individuals' idiosyncratic preferences. When this flexibility exists, people are more likely to use and value their rewards.

Similarities across cultures

Though the findings confirmed the researchers' hypotheses, they were surprised at the robustness of the results. Study participants were drawn from two nations, South Korea, where the dominant culture tends to focus on interdependence, and the United States, where the dominant culture tends to focus on independence. Responses were similar in both nations.

"I have done a lot of cross-cultural research," said Mattila, "and I did not expect people to respond to loyalty-reward programs in the same way across nations. The response seems to be something that is deeply engrained in people."

Loyalty-rewards programs and the pandemic

Mattila believes that these findings are especially relevant during and in the wake of the COVID-19 pandemic. Airlines and hotels rely heavily on loyal customers—especially business travelers—and these industries tend to have widely-used loyalty-reward programs.

The pandemic and its associated restrictions have substantially reduced business travel while giving rise to online meetings via Zoom and similar

platforms. Mattila says that airlines and hotel chains need to cultivate relationships with business travelers during this period of transition in order to thrive, and loyalty-reward programs can be a valuable tool in the maintenance or rebuilding of these relationships.

More information: YooHee Hwang et al, The Effect of Smart Shopper Self-Perceptions On Word-Of-Mouth Behaviors in the Loyalty Reward Program Context, *Journal of Hospitality & Tourism Research* (2021). [DOI: 10.1177/1096348020985212](https://doi.org/10.1177/1096348020985212)

Provided by Pennsylvania State University

Citation: Loyalty-reward programs can improve companies' online reviews and word-of-mouth reach (2022, February 16) retrieved 17 July 2024 from <https://phys.org/news/2022-02-loyalty-reward-companies-online-word-of-mouth.html>

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