“Make me feel special”: Are hierarchical loyalty programs a panacea for all brands? The role of brand concept

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A B S T R A C T

Despite extant literature, the most effective structure of loyalty programs is still heavily questioned among researchers. Building on the congruence principle, we examine the moderating role of brand concept. Our findings reveal that for symbolic brand concepts, customers perceive hierarchical loyalty program structures (which classify customers into tiers according to spending levels or other purchase activities) to be more congruent; this perception increases firm loyalty intentions. However, for functional brand concepts, customers perceive hierarchical and linear loyalty programs structures as equally congruent. Also for symbolic brand concepts, program structure appears as the most important feature in ensuring perceived congruence between a program and a brand, ahead of program benefits. These findings have important theoretical and managerial implications.

1. Introduction

The number of loyalty program memberships in the United States reached 3.3 billion in 2015, a growth rate of 26% compared with 2013 (Colloquy, 2015). In the United States alone, companies spend more than $2 billion on loyalty programs every year (Cap Gemini, 2015). Such widespread use justifies the practical and academic interest in determining how such programs influence consumer behavior (Demoulin and Zidna, 2008; Meyer-Waarden, 2015; Pandit and Vilches-Montero, 2016). Most recent work has focused on hierarchical loyalty program (HLP) structures, which consist of patterns of classes or tiers that customers reach by spending certain amounts and engaging in other purchase activities (Drèze and Nunes, 2009; Eggert et al., 2015; Steinhoff and Palmatier, 2016; Wagner et al., 2009). This work highlights the superiority of HLP structures, compared to linear structures (i.e., loyalty programs without tiers), in fostering feelings of status (Drèze and Nunes, 2009) and increasing member loyalty (Bijmolt et al., 2011; Drèze and Nunes, 2011; Kopalle et al., 2012).

Notwithstanding the widespread acceptance of these insights, favoring HLP structures over linear structures could be questioned (Breugelmans et al., 2015). First, hierarchical structures can severely damage the quality of the customer-firm relationship in case of customer status demotion (i.e., losing one’s superior position because of a decrease in expenditures, Wagner et al., 2009) and may trigger feelings of unfairness (Steinhoff and Palmatier, 2016). Second, as a wide range of brands are using these programs, important questions arise: Are some brands more likely to benefit from the use of a hierarchical structure instead of a linear one? Is fit between the brand and the type of loyalty program structure (hierarchical vs. linear) necessary to ensure firm loyalty?

Indeed, according to the brand-as-a-person metaphor literature, consumers consider their brands animate persons and may assign human personality traits to them (Aaker, 1997; Aaker et al., 2004). One extension of this literature is to think of brands as meaningful relationship partners (Davies and Chun, 2003; Fournier, 1998). Consumers’ brand interactions involve reciprocity and feelings of trust and commitment, as in interpersonal relationships. Moreover, brands as partners promise long-term satisfaction and seek to obtain consumers’ loyalty. Given that a brand is “someone we can have relationships with” (Davies and Chun, 2003, p. 58), brand meaning on the one hand and relationship marketing actions on the other hand must be in line (Bolton et al., 2004; Roehm et al., 2002). Yet brands can convey functional or symbolic-oriented meaning. Symbolic brands, such as Rolex, are primarily positioned with an abstract concept of self-enhancement (e.g., dominance, prestige, uniqueness), whereas functional brands, such as Timex, are positioned on utilitarian and problem-solving benefits (e.g., durable, resistant, ease of use) (Monga and John, 2010; Torelli et al., 2012a). Of particular importance then is the nature of brand concept (i.e., the general unique and abstract brand meaning) derived from basic consumer needs and firms’ marketing activities.
(Park et al., 1986, 1991). Brand concept can, consciously or unconsciously, activate customers’ needs and affect their evaluation and decision processes (Torelli et al., 2012a).

This is why, building on the congruence principle, we suggest that perceived congruence (LP/B) between brand concept (functional vs. symbolic) and program structure (hierarchical vs. linear) is important in enhancing loyalty to the firm. The findings, from an experiment in the banking sector (n = 221) and a survey in the hotel industry (n = 329), show that the principle of congruence is supported only for symbolic brand concepts: Consumers believe a hierarchical structure is more congruent with a symbolic brand concept than a linear structure is. For a functional brand concept, consumers judge hierarchical and linear structures as equally congruent with the brand concept, which enhances firm loyalty. We also find, with regard to the symbolic brand concept, that program structure is the main antecedent of LP/B perceived congruence, ahead of program benefits.

These findings make three main contributions. First, this article theoretically extends the relevance of brand concept to the loyalty program field and empirically demonstrates the intricate connection between brands and relationship marketing strategies in general. Hence, research should systematically account for brand differences when analyzing loyalty programs effectiveness. Second, the findings enrich brand concept/congruence literature by showing that, with regard to loyalty programs, a functional brand concept is more flexible than a symbolic brand concept, since the brand can adapt to both linear and hierarchical program structures. Third, the findings enrich prior work on loyalty programs by adding LP/B perceived congruence as a critical boundary condition to the program effectiveness. From these contributions, we derive concrete practical recommendations concerning program structure designs in a way that matches brand concept.

2. Conceptual background

2.1. Loyalty programs: a shift in focus from linear to hierarchical structures

Literature on loyalty programs is abundant; it focuses on the effect of loyalty program membership on purchase behavior (e.g., Meyer-Waarden, 2008), customer retention (e.g., Verhoef, 2003), attitudinal loyalty (e.g., Pandit and Vilches-Montero, 2016), perceived benefits (e.g., Mimouni-Chaabane and Volle, 2010), preference for type of reward (e.g., Kivetz and Simonson, 2002), and program profitability (e.g., Wansink, 2003). Early literature investigates the effectiveness of a special type of loyalty program structure—the linear structure—in which there are no tiers and all members enjoy the same benefits. More recently, loyalty program researchers have begun to question the effectiveness of such a structure (e.g., Bijmolt et al., 2011) and advocate for a hierarchical design in which members get assigned to patterns of classes or tiers, according to their spending and other purchase activity criteria. Such structures support a better allocation of the company’s resources. Seminal work by Drèze and Nunes (2009) on hierarchical structures shows that the number and degree of exclusivity of tiers affects perceptions of status, regardless of a program’s rewards. The most effective design offers three tiers and allows only a few customers to be in the top tier. Follow-up literature provides empirical evidence that hierarchical structures increase customer motivation and loyalty (Drèze and Nunes, 2011; Kopalle et al., 2012). Customers increase their purchases to remain in the same tier or move to the next tier; they experience negative feelings when they lose their status (Wagner et al., 2009). Hierarchical structures also foster feelings of gratitude among target customers (Steinhoff and Palmatier, 2016). Positive results occur when progress within the hierarchy is earned or voluntary rather than endowed (Eggert et al., 2015). To trigger feelings of elevated status, the program must fit with the industry type (Arbore and Estes, 2013) and be directed at the right audience (Melyn and van Osselaer, 2012). For example, Arbore and Estes (2013) show that the number and size of tiers affect perceived status only in exclusive industries (e.g., airline industry); the effect does not apply to non-exclusive industries (e.g., supermarkets). Melnyk and van Osselaer (2012) find that men respond more favorably than women to hierarchical structures that foster feelings of status if that status is visible to others.

Overall, the findings from previous literature suggest that a hierarchical structure produces positive outcomes. However, though some boundary conditions have been established (e.g., gender, industry type), there is a need for deeper investigations of moderating variables that might hinder the effectiveness of hierarchical structures. Notably, industry type (Arbore and Estes, 2013) is an important but insufficient moderator; many industries comprise a variety of brands that feature both symbolic and functional brand concepts (e.g., hotels, clothing, airlines). As a result, consumers encounter self-image and problem-solving brands within the same industry. Such situations have not been researched fully. We aim to fill this void by examining the moderating effect of brand concept, according to the theory of congruence.

2.2. Congruence with brand concept as a loyalty-driving factor

The brand concept positions brands in consumers’ minds by categorizing them according to their functional or symbolic benefits (Jin and Zou, 2013; Monga and John, 2010; Park et al., 1991). The distinction between symbolic and functional brand concepts is rooted in the classification of consumer needs (Lanseng and Olsen, 2012; Park et al., 1986). It also stems from the implementation of a particular set of product attributes (e.g., quality, price, performance), benefits (e.g., convenience, prestige, uniqueness), and specific marketing tactics (e.g., logos, slogans, style and tone of the communication, choice of the distribution channels) dedicated to conveying a particular brand abstract meaning (Park et al., 1986; Torelli et al., 2012b).

A symbolic brand concept fulfills the needs of self-expression and self-enhancement (Bhat and Reddy, 1998; Park et al., 1986). Consumers choose symbolic brands to convey their status, communicate their self-image, and reinforce their social identification (Jin and Zou, 2013; Keller, 1993). For example, the Ferrari brand is described on the brand website (http://corporate.ferrari.com/en/about-us-brand) in terms of “inimitable style, Italian luxury, exclusivity, [and] source of inspiration”. A functional brand concept instead emphasizes problem-solving benefits (Jin and Zou, 2013; Park et al., 1986), such that the brand satisfies practical and rational needs (Bhat and Reddy, 1998). For example, General Motors describes the Chevrolet brand primarily as offering “affordable and fuel-efficient cars, trucks and SUVs” (http://www.gm.com/shop-for-a-vehicle/our-brands/chevrolet.html). Symbolic brand concepts are more abstract than functional brand concepts, which have associations tied to tangible attributes and product category (Monga and John, 2010; Park et al., 1991).

Park et al. (1986) recommend that firms design marketing programs consistent with their chosen brand concept. Consumers judge marketing actions according to the degree to which those actions are compatible with the consumers’ knowledge about the brand (e.g., benefits, attitudes, beliefs). This fit, or match, between a brand and a firm’s actions, constitutes congruence (Fleck et al., 2012). The theoretical foundation underlying the congruence principle is cognitive dissonance theory (Festinger, 1957), which highlights the mental stress that people experience when they hold contradictory ideas at the same time (e.g., eating a high-fat doughnut while dieting). Because dissonance between contradictory ideas produces discomfort, people constantly seek consistency between their expectations and reality and prefer situations in which the elements seem to fit well together (Festinger, 1957). Marketing literature contains ample empirical support for the congruence principle in various marketing activities, such as sales promotion, relationship investments, brand extensions, and sponsorship (Aaker et al., 2004; Chandon et al., 2000; Park et al., 1991; Roehm et al., 2002). For example, Chandon et al. (2000) find that for high-equity brands, sales promotions are more effective if the benefits match the product type: Monetary promotions are more (less) effective for a utilitarian
(hedonic) product, and nonmonetary promotions are more (less) effective for a hedonic (utilitarian) product.

Research has examined the symbolic–functional congruence from both an industry–product category perspective (Chandon et al., 2000; Rifon et al., 2004) and a brand concept perspective (Lanseng and Olsen, 2012; Park et al., 1991; Torelli et al., 2012b). From an industry–product category perspective, the fit originates from an assessment of product benefits and attributes at the industry or category level, whereas from a brand concept perspective, it results from direct or indirect experience with the brand (Lanseng and Olsen, 2012). For example, Park et al. (1991) presented participants with a set of brand names from various product categories (Mercedes, Lenox, and Reebok). Despite this apparent heterogeneity and mismatch, participants were able to spontaneously find links between the brands using concepts such as luxury and status. In this research, we focus on different functional and symbolic brand concepts within the same product category and industry.

3. Conceptual model and hypotheses

Our conceptual model, depicted in Fig. 1, links the program structure (linear vs. hierarchical) to firm loyalty through LP/B perceived congruence. Our main proposition is that the mediating effect of LP/B perceived congruence depends on the type of brand concept (functional vs. symbolic). The two moderated-mediation hypotheses that result from this conceptual model are discussed.

Previous literature abounds with empirical evidence of the effect of congruence on customer evaluations, attitudes, and behaviors (Daryanto et al., 2010; Rifon et al., 2004; Roehm et al., 2002). Rifon et al. (2004) find that the congruence between a company and the cause it sponsors improves customer attitudes, because congruence enhances the sponsor’s perceived credibility, which then affects customer attitudes. Roehm et al. (2002) show that cue-compatible rewards (i.e., rewards that relate to favorable brand associations) enhance brand accessibility and thus increase consumers’ post-loyalty behavior. Daryanto et al. (2010) also provide evidence that regulatory fit (e.g., a match between program rewards and how they are communicated) has a positive effect on exercise intentions and exercise intensity.

According to prior literature (Park et al., 1991; Torelli et al., 2012a), brand concept congruence involves sharing the same brand meaning. Consumers judge which brand concept (symbolic or functional) an HLP is congruent with depending on whether the brand concept and the HLP already share a set of consumer benefit associations (e.g., status, exclusiveness). We propose that the symbolic brand concept and an HLP tap into the same consumer needs and convey the same consumer benefits in terms of status. Symbolic brand concepts highlight needs of self-image, status, and prestige (Bhat and Reddy, 1998; Han et al., 2010). Hierarchical structures also carry a set of tactics that deliver feelings of superiority, exclusiveness, and status enhancement (Bijmolt et al., 2011; Drèze and Nunes, 2009, 2011; Steinhoff and Palmatier, 2016): they offer different customer tiers, include preferential treatment strategies, and require more effort than linear structures to obtain a reward. Alternatively, functional brand concepts are valuable because they deliver concrete and basic benefits (Bhat and Reddy, 1998; Keller, 1993). Consumers may expect brands to meet these basic requirements when loyalty programs feature basic, simple, non-discriminatory linear structures, which then should appear more congruent than hierarchical structures. This rationale is consistent with Desai and Keller’s (2009) findings about channel extensions, for which consumers perceive poor fit when symbolic stores carry functional brands or functional stores sell symbolic brands. This discussion leads to our two moderated-mediated hypotheses:

H1:. For a symbolic brand concept, hierarchical structure leads to higher perceived congruence between a program and a brand than a linear structure, which in turn has a positive effect on firm loyalty.

H2:. For a functional brand concept, linear structure leads to higher perceived congruence between a program and a brand than a hierarchical structure, which in turn has a positive effect on firm loyalty.

4. Study 1

Study 1 is a between-subjects experiment in the context of the French banking sector. The banking sector represents a relevant empirical setting, because French banks offer a large variety of loyalty programs with both hierarchical and linear structures. In addition, banks have distinct brand positioning, such that customers encounter both symbolic and functional brand concepts. For example, French customers view HSBC as “prestigious” and “bourgeois;” the firm’s associations are mainly related to the types of consumers and their lifestyles (Gardes et al., 2013). Furthermore, customer expectations with regard to loyalty programs in the banking sector can be linked to both point collection and status. According to Deloitte’s (2014) study of 3037 French bank customers, 43% expected linear rewards (i.e., loyalty points to convert into gifts), and 27% expected special recognition and VIP programs. This competitive, heterogeneous context enhances the realism of the study manipulations.

4.1. Experimental design

In this experiment, we manipulated brand concept (functional, symbolic) and program structure (linear, hierarchical); when program structure was hierarchical, we also manipulated the customer’s position in the program hierarchy (high, medium, or low tier). We adopted a scenario method to help respondents project themselves into the described situation (Drèze and Nunes, 2009; Wagner et al., 2009). The manipulations varied the program structure (linear vs. hierarchical), brand concept (functional vs. symbolic), and, in the case of a hierarchical structure, the customer’s position in the program’s hierarchy (high = Gold, medium = Silver, low = Bronze). The design resulted in eight experimental conditions, with substantially equivalent numbers of respondents for each manipulated variable (see Table 1).

4.2. Manipulation of brand concept

The operationalization of brand concept relied on brand positioning, the type of customers targeted by the bank, and the nature of the product. These three dimensions are the most relevant in conveying the brand concept (Bhat and Reddy, 1998; Park et al., 1991, 1986). Thus, in our experiment, the description of the symbolic brand concept

Table 1

<table>
<thead>
<tr>
<th>Brand concept</th>
<th>Loyalty program structure</th>
<th>Linear</th>
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<tbody>
<tr>
<td>Functional</td>
<td>Gold</td>
<td>C1</td>
</tr>
<tr>
<td></td>
<td>Silver</td>
<td>(20)*</td>
</tr>
<tr>
<td>Symbolic</td>
<td>Gold</td>
<td>C5</td>
</tr>
<tr>
<td></td>
<td>Silver</td>
<td>(24)</td>
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* Number of respondents.
emphasized that it was “prestigious and valuable,” offered “sophisticated, custom products,” and targeted a “demanding”, competitive clientele. In contrast, the functional brand concept description noted the brand was “serious and reliable,” offered “simple and practical products,” and targeted a “standard” clientele. We varied only the brand benefits that, according to prior literature (e.g., Park et al., 1986), most effectively characterize functional and symbolic brands (detailed scenarios appear in Appendix A).

4.3. Manipulation of program structure

Banking sector loyalty programs (both hierarchical and linear) reward customers for using their credit cards to make purchases or obtain cash advances. For this study, the linear structure loyalty program contained no tiers, whereas the hierarchical structure program had three tiers: customers who earned fewer than 300 points a year (Bronze), customers who earned 300–500 points (Silver), and customers who earned more than 500 points a year (Gold). We favored the three-tier option because it is based on real-life practices, so we could enhance respondents’ projection into the program as well as the scenario’s credibility. This option is also in line with Drèze and Nune’s (2009) recommendation to design HLPs with three tiers. Thus, respondents were randomly assigned to one of the three tiers. The scenarios also offered a vague description of the program’s benefits: “Points collected are redeemed for multiple services and preferential advantages.” By controlling for the perceived benefits of both programs in this manner, we ensured that the only differences referred to the program structure (Appendix B).

4.4. Sample and procedure

Our sample consisted of 221 respondents with bank accounts and credit cards, almost equally split by gender (48.9% men). Students of a major western Paris university recruited the participants as part of a course requirement. The final sample varied in age (19–79 years, mean of 33.5 years) and education (70% of respondents had a college degree). Almost half the respondents represent households comprising at least two adults. Finally, respondents participated in three loyalty programs on average.

Respondents were randomly assigned to one of the experimental conditions, in which they imagined being customers of a fictitious bank—ABC Bank—and its loyalty program. The assigned scenarios presented the bank as either symbolic or functional in its brand concept and provided a brief description of the loyalty program structure (hierarchical or linear) and, if the program structure was hierarchical, the respondent’s position in the program. Respondents indicated their loyalty intentions toward the firm. Next, they evaluated their perceptions of status and congruence between the program structure and the brand concept. They also reported their evaluations of the bank’s symbolic or functional associations (brand concept manipulation check) and rated their perceptions of the benefits of the program (to confirm there was no difference between linear and hierarchical programs in terms of perceived benefits). Finally, participants indicated the number of loyalty programs to which they belonged overall and in the banking sector specifically (covariate measures). They also provided socio-demographic information.

4.5. Measures

We drew measures from prior literature (see Appendix C for the full scales and reliability indicators). We measured perceived congruence as the degree to which the program and the brand “go well together” using the scale designed by Fleck et al. (2012). Firm loyalty is defined as strong, positive attitudes toward a firm, using measures from Parasuraman et al. (2005). Voss et al.’s (2003) utilitarian dimension of consumer attitude and Bhat and Reddy’s (1998) symbolic dimension of brand positioning provided checks for the brand concept measure. In addition, to confirm that the manipulation succeeded in controlling for perceived benefits, we used measures of monetary savings (Mimouni-Chaabane and Volle, 2010) and convenience (Wagner et al., 2009). Respondents used 7-point Likert scales for all items. All the measures were reliable (internal reliability range .80–.96).

4.6. Manipulation checks

According to a means comparison, when the brand was described in the scenario as symbolic, the means of symbolic associations were significantly higher than those of functional associations (MSymbolic = 5.22, MFunctional = 3.27, t(218) = −12.78, p < .00). In contrast, when the brand was described as functional, the means of functional associations were higher than those of symbolic associations (MSymbolic = 3.85, MFunctional = 5.09, t(219) = 9.10, p < .00). These results support the brand concept manipulation. In addition, the linear and hierarchical structures prompted similar perceptions of monetary savings (MLinear = 5.53, MHierarchical = 5.81, t(219) = −1.44, p = .15) and convenience benefits (MLinear = 5.19, MHierarchical = 5.09, t(219) = .506, p = .61); these results reinforced the reliability of the experiment, such that the only difference between the two programs was their structure. When respondents were assigned to a specific tier, they were able to remember it accurately (chi-square = 87.22, p < .01).

In addition, the three customer tiers did not differ in terms of the symbolic brand concept (MGold = 3.33, MSilver = 3.71, MBronze = 3.24, p = .39), functional brand concept (MGold = 5.17, MSilver = 4.78, MBronze = 5.17, p = .38), monetary savings (MGold = 6.11, MSilver = 5.81, MBronze = 5.79, p = .81), convenience benefits (MGold = 5.11, MSilver = 5.42, MBronze = 4.91, p = .43), or perceived congruence (MGold = 4.23, MSilver = 5.11, MBronze = 4.45, p = .18). Comparisons across sub-groups, using a Scheffe test, also proved nonsignificant (all ps > .2). As a result, we pooled the data across the three tiers to test the hypotheses.

Finally, we compared the experimental groups in terms of socio-demographics (gender, age, education, family status, and program membership). All comparisons proved to be non-significant (all ps > .05).

4.7. Hypotheses testing

Table 2 indicates the descriptive statistics for the variables. We tested H1 and H2, using bootstrapping regression for indirect effects (Preacher et al., 2007) through the Preacher-Hayes (2004) script, with 5000 resamples. The program structure (1 = hierarchical structure, 0 = linear structure) and brand concept (1 = symbolic, 0 = functional) were dummy variables. We ran Model 7 with monetary savings benefits, convenience benefits, and program membership as covariates. The results (Table 3) revealed a significant interaction effect between brand concept and program structure (β = .88, p < .05).

We further examined the means of LP/B perceived congruence across both brand concepts and program structures by a means comparison. As Fig. 2 shows, customers perceived hierarchical structures as more congruent with symbolic brand concepts (MLinear = 3.92, MHierarchical = 4.61, t(109) = −2.14; p = .03). However, they perceived both linear and hierarchical structures as congruent with a functional brand concepts (MLinear = 4.81, MHierarchical = 4.61, t(108) = .71; p = .47).

In addition, as Table 3 shows, perceived congruence had a positive, significant effect on firm loyalty (β = .53, p < .001). For the symbolic brand concept, the mediating effect of perceived congruence was significant (95% confidence interval [CI] = [0.0080, 0.7384]). Furthermore,
the idea of a moderated-mediated effect, but only for symbolic brand concepts. For these brands, it is the mere presence of a hierarchical structure that matters, regardless of one’s position in the hierarchy. Functional brand concepts enjoy flexibility with regard to loyalty program structure design, but symbolic brand concepts must resort to hierarchical structures if they wish to enhance firm loyalty.

The absence of congruence between the linear structure and the functional brand concept can be explained by cognitive elaboration. On the one hand, a functional brand concept tends to generate less cognitive elaboration than a symbolic brand concept (Bhat and Reddy, 1998), thereby undermining the congruence principle. On the other hand, as Park et al. (1991) suggest, expectations associated with functional brands may be less accessible in consumers’ memories than expectations associated with symbolic brand concepts. Therefore, for functional brand concepts, consumers may concentrate their expectations on the core exchange, with few aspirations beyond that transaction, especially in relation to loyalty programs. Because they have no preconceived ideas about what kind of loyalty program a functional brand concept should offer (their expectations focus instead on the reliability and convenience of the transaction), both types of program structure fit their expectations.

Furthermore, perceived congruence had an important positive effect on firm loyalty. This effect undermines the direct effect of program type, but also the interaction with brand concept (Table 2), confirming the idea of a moderated-mediated effect only. In other words, examining firm loyalty only may lead to erroneous conclusions: brand concept does not matter, and symbolic brand concepts should carry linear or hierarchical structures in an undifferentiated way. However, when we take into account the mediating effect of brand concept, the conclusion changes: symbolic brand concepts should stick to hierarchical structures. The findings thus call for future research to design loyalty program effectiveness models that account for and explicitly measure LP/B perceived congruence.

Finally, although the findings from Study 1 are valuable, they do not establish how important it is for a symbolic brand concept to offer a hierarchical structure compared with other program features. Indeed, many antecedents, other than program structure, may influence overall loyalty program/brand concept perceived congruence. For example, will the influence of program structure still remain significant if we take into account perceived congruence with program benefits or program name? If so, is the effect of program structure more important? To answer these important questions and provide additional strong empirical support to the assertion about the relevance of LP/B perceived congruence for symbolic brand concepts, we conducted Study 2.

5. Study 2

In Study 2, we aim to provide additional empirical support for the prediction that program structure is critical to program success in the case of symbolic brand concepts. To do so, we examine the relative importance of program structure/brand concept perceived congruence, compared with brand concept perceived congruence with other critical program features.

5.1. Hypothesis

According to literature on loyalty programs, five main features are important for program success: program structure (linear or hierarchical, Bjmolt et al., 2011), program’s benefits/rewards (Kivetz and Simonov, 2002), program’s eligibility rules (Lacey and Sneath, 2006; O’Brien and Jones, 1995), program name, and tiers names (Dréze and Nunes, 2009). These features are all managerially relevant (under managers’ control and easily operational) and should contribute to the
overall LP/B perceived congruence. Indeed, brand concept is achieved through fit with the consumer’s needs, but also with the mix elements (Park et al., 1986). We expect that program structure/brand concept perceived congruence will have a stronger effect on overall LP/B perceived congruence than the other features.

Visual and design features (e.g., names, logos, colors) produce abstract associations (Fajardo et al., 2016). Because these associations are intangible and subjective and require that consumers make an effort to elaborate the information, we expect that they will play a less important role in conveying overall LP/B perceived congruence than the other three features. Strict program rules (e.g., a high level of spending) are perceived congruence will have a stronger effect on overall LP/B perceived congruence. Indeed, brand concept is achieved according to managerial studies (Colloquy, 2014), consumers lack knowledge about program rules, which they perceive as complex and difficult to process. In comparison, the information about program structure is easily available for consumers, who can retrieve it with less effort. Finally, Drèze and Nunes (2009) show that program structure has a stronger impact on preference for a hierarchical program than perceived benefits do. This finding may be due to the fact that the hierarchical structure itself drives the idea of symbolic recognition and provides strong cues about benefits, even before customers gain any reward or experience any program conditions. In addition, the hierarchical structure publicly showcases prestige and status, while program benefits may be private and unshared. This discussion leads to the following hypothesis:

**H3:** For a symbolic brand concept, loyalty program structure/brand concept perceived congruence has a greater effect on overall LP/B perceived congruence than the other four program features.

### 5.2. Method

Study 2 consists of an online survey conducted in the hotel industry with a panel firm (Toluna Inc.). At the beginning of the questionnaire, we provided a scenario of a symbolic brand concept in the hotel industry (Drèze and Nunes, 2009); the scenario referred to the fictitious “Uno Hotel Group” and its loyalty program. The loyalty program was described as a program named “Uno Prestige Program,” with a hierarchical structure containing three tiers: Black (lowest tier), Silver (middle tier), and Gold (highest tier). To provide information about the strictness of the eligibility rules (program conditions), we told respondents that to access Black tier, customers had to spend at least 10 nights in one of the Uno hotel group properties, even though Black was the lowest tier. To keep the scenario as clear and short as possible, we did not provide additional information about the conditions to fulfill to move to the superior tiers, but we assume that consumers naturally inferred that they had to fulfill more criteria to be in a higher tier. Program benefits were listed below each of the three tiers levels. We ensured a relatively equal split, in terms of numbers and perceived value, between functional and symbolic benefits that represent the two main reward types provided by loyalty programs (Mimouni-Chaabane and Volle, 2010). This split also ensures a realistic and an appealing rewards portfolio in the program, so that respondents could fairly evaluate program benefits. The following functional benefits were given: discounts, information newsletters, and special practical services (free laundry and breakfast in room). The following symbolic benefits were given: special treatments (late check-in and check-out and a bottle of champagne in the room on arrival), invitations to prestigious events, and free concierge service 24/7 (a detailed scenario appears in Appendix D).

The measures from Study 1 served to assess firm loyalty, overall LP/B perceived congruence, and the specific perceived congruence between each program feature (program structure, program benefits/rewards, eligibility rules, program name, and tiers names) and the brand. We also ran manipulation checks to ensure respondents perceived the Uno Hotel Group as a symbolic brand concept and understood that the program structure was hierarchical. The questionnaire ended by gathering socio-demographic information.

The sample consists of 329 respondents, with 67% women. The final sample varied in age (18–78 years, mean of 40 years) and education (55% of respondents had a college degree). In addition, 85% of the respondents represent households consisting of at least two adults.

### 5.3. Results

Our test of the model in Fig. 3 used partial least squares with XLSTAT PLSPM software. Contrary to the analyses conducted in Study 1, this method allows us to account for all the independent variables at the same time and to compare their relative weight and importance. Thus, we ran a bootstrapping algorithm to identify significant relationships in the model.

The model fits the data well; the goodness of fit reached .762, which
is large according to Wetzels et al. (2009). Significant path coefficients (identified by asterisks in Fig. 3) indicate that overall LP/B perceived congruence depends first on the perceived congruence between the program structure and brand concept ($\beta = .67, p < .01$) and then on program benefits ($\beta = .22, p < .01$). However, the congruence between symbolic brand concept and program eligibility rules ($\beta = -.01, p = .90$), program name ($\beta = .07, p = .10$) and tiers names ($\beta = -.02, p = .57$) has no significant impact on overall LP/B perceived congruence. These findings are in line with H3.

5.4. Discussion

Loyalty program efforts and benefits are generally considered the most important drivers of program success (Kivetz and Simonson, 2002; Mimouni-Chaabane and Volle, 2010). Study 2's findings add nuance by establishing the supremacy of program structure for a symbolic brand. In addition, the results are valuable because they show that all other classic program features—namely, the specific conditions for entering the program and moving to superior tier, program name, and tiers names—are secondary features. Visual and naming features likely produce abstract associations, which are intangible and subjective (Fajardo et al., 2016), while program rules are fuzzy and difficult to process for consumers (Colloquy, 2014). Thus, these criteria would not be clear and precise enough for consumers to consider them when evaluating overall LP/B perceived congruence. However, program structure is a more generic and powerful signaling cue that people use to infer congruence.

6. General discussion

6.1. Summary of findings

Perhaps because a hierarchical structure promotes the idea of managing and rewarding customers according to their financial value, most research assumes it is “better” than a linear structure (e.g., Bjmolt et al., 2011). Our study seeks to add nuance to this idea by investigating the moderating role of brand concept (symbolic vs. functional) on the effect of the program structure (hierarchical vs. linear) on loyalty to the firm. Although most previous research supports a symmetrical fit hypothesis between functional and symbolic brand concepts and marketing actions (e.g., Desai and Keller, 2009; Park et al., 1991), our study reveals that perceived congruence between the program and the brand has a differential, asymmetrical impact. Consumers perceive a hierarchical structure and a linear structure as equally congruent with functional brand concepts. In contrast, consumers perceive a hierarchical structure as more congruent with symbolic brand concepts than a linear structure is. In addition, LP/B perceived congruence fully mediates the relationship between this program structure and loyalty to the firm. Adopting a hierarchical structure for symbolic brand concepts is of the utmost importance because the mediating effect of LP/B perceived congruence consists of an indirect-only mediation. Finally, congruence with the program structure is a critical feature for building LP/B perceived congruence; its effect is greater than that of program benefits. Other program features, especially the strictness of the eligibility conditions, program name, and tiers names, do not have effects on LP/B perceived congruence.

6.2. Theoretical contributions

Our research is valuable because it contributes to the brand concept/congruence literature. First, the findings extend the relevance of brand concept beyond the unique prevalent issue of brand extensions (Lanseng and Olsen, 2012; Park et al., 1991). In addition to brand personality (Aaker, 1997; Aaker et al., 2004), we show that brand concept is a meaningful factor to examine the connection between brands and consumers' relationships in general and loyalty programs in particular. Second, the findings challenge prior work on the flexibility of symbolic brand concepts (Monga and John, 2010; Park et al., 1991). In that work, symbolic brand concepts, and especially prestige brand concepts, are more elastic than functional brand concepts because they can capitalize on their very abstract positioning to successfully accommodate the launch of distant extensions. Our findings show that in the specific context of loyalty programs, symbolic brand concepts are less flexible than functional brand concepts. While the latter enjoy some freedom in terms of loyalty program structure design, symbolic brand concepts must resort to hierarchical structures.

The research also has theoretical implications for the loyalty program literature. The findings highlight the importance of LP/B perceived congruence in understanding consumers’ response to loyalty programs. The idea that perceived congruence matters is new and represents an important contribution to the field. Prior research on loyalty programs has identified programs features such as the required effort and the types of rewards (Kivetz and Simonson, 2002; Roehm et al., 2002), as the key drivers of customer loyalty, with little, if any, information about the brand's role. We enrich this literature by suggesting that processing and integrating the brand's abstract meaning is a key factor to unlocking the complexity of how consumers evaluate and respond to loyalty programs. Furthermore, the findings enrich the debate about the boundary conditions to the success of HLPs (Breugelmans et al., 2015). In addition to examining gender and industry features (Arbore and Estes, 2013; Melnyk and van Osselaer, 2012), we show that hierarchical structures are not useful for all brands.

6.3. Managerial implications

Our findings have practical implications for the choice and design of loyalty programs structures. In particular, the studies underscore that what really matters is not only the structure the program offers, but to what extent is that structure in accordance with a previously established brand concept. The results can thus sensitize managers to the dangers of a universal one-size-fits-all program design, and encourage them to refrain from systematically favoring hierarchical structures over the linear ones.

For symbolic brand concepts, customers are not willing to lose the symbolic benefits they attach to the brand; they expect a loyalty program to reinforce those benefits. Therefore, when designing loyalty programs for symbolic brand concepts, managers should favor a hierarchical structure and emphasize associations that fit the brand concept (e.g., prestige, distinctiveness, sophistication). In contrast, customers of functional brand concepts are less demanding and have fewer expectations of the program's design; managers of these brands in turn enjoy more freedom with regard to the kinds of loyalty programs to implement. If a firm's objective is to instill symbolic benefits and/or reposition the brand, a hierarchical structure could be an opportunity to create new brand associations and positively influence brand image. However, HLP structures exert pressure on consumers, particularly because of the possible demotion to a lower status. This perceived pressure can lead to feelings of regret and discomfort in the relationship, and decreases consumer well-being (Pez et al., 2017). Furthermore, HLP structures are more expensive than linear loyalty program structures (because the company must administer several tiers). They also require several practical decisions about how to manage customer tiers (calculation) and customer transfers from one tier to another. For example, how often should transfers take place? How will transfers be communicated? How should loss of status be managed for customers who fall short of the required criteria to maintain their position? Given these challenges, and our finding that customers are indifferent to the type of structure (linear or hierarchical) associated with functional brands, brand managers of functional brands should choose a classic linear structure for their loyalty programs.
6.4. Limitations and further research

Our study also has several limitations. First, we explore only a fraction of the possible hierarchical programs that could be employed considering the number of tiers. As research has shown that the number of tiers affects consumers’ perception of status (Drèze and Nunes, 2009), further studies are necessary to control for the effect of the number of tiers on the perceived congruency between brand concept and program structure (e.g., perceived congruence for a hierarchical program with five tiers vs. two tiers). Second, our study investigates the effect of a single aspect of a brand (brand concept). Further studies could expand this work by studying other features, such as brand equity. High-equity brands benefit from established network associations in consumers’ minds (Chandon et al., 2000); such associations may lead them to have specific expectations, regardless of the brand concept. Moreover, our studies do not take individual consumer differences into account, even though such differences are crucial in determining the effectiveness of firms’ loyalty activities (Pez et al., 2015). Last, our studies offer insights pertaining to short-term loyalty outcomes. It is possible that long-term perceived benefits, such as monetary considerations, convenience, and recognition (e.g., Mimouni-Chaabane and Volle, 2010), and the nature of the benefits (e.g., absolute or relative; Drèze and Nunes, 2009) interact with different dimensions of the brand concept. Additional studies could examine the effects of these interactions on program evaluations and preferences. Such avenues of research could help managers make even more informed decisions about loyalty program designs.

Appendix A. Manipulation of brand concept (Study 1)

The symbolic brand concept

ABC Bank is considered prestigious and valuable. The bank’s target customers have demanding profiles. They look for sophisticated, innovative, and custom-made banking services. Here is the bank’s last tagline: “Looking for custom-made banking services? Willing to be conquering and successful? Looking for a bank in line with your requirements? Ask for the best, ask for ABC Bank”.

The functional brand concept

ABC Bank is considered serious and reliable. The bank’s target customers have standard profiles. They look for basic, simple, and practical banking services. Here is the bank’s last tagline: “Looking for simple banking services? Need to have effective and practical offers? Looking for a bank that makes things easier? Ask for clarity, ask for ABC Bank”.

Appendix B. Manipulation of loyalty program structure (Study 1)

The HLP structure

ABC Bank has recently launched a loyalty program that grants points for each use of the credit card (payment or cash withdrawals from ATMs). The program offers three tiers, with members being treated according to their tier:

– Bronze: customers who earn fewer than 300 points a year.
– Silver: customers who earn between 300 and 500 points a year.
– Gold: customers who earn more than 500 points a year.

Points collected are redeemed for multiple services and preferential advantages.

The linear loyalty program structure

ABC Bank has recently launched a loyalty program that grants points for each use of the credit card (payment or cash withdrawals from ATMs). The program has no tiers, with all members being treated the same.

Points collected are redeemed for multiple services and preferential advantages.

Appendix C.Items and reliability indicators

<table>
<thead>
<tr>
<th>Concept</th>
<th>Items</th>
<th>Adapted from</th>
<th>Internal Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covariates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional brand associations</td>
<td>This firm is… Simple Functional Problem solving Useful Practical Efficient</td>
<td>Voss et al. (2003)</td>
<td>.80</td>
</tr>
<tr>
<td>Symbolic brand associations</td>
<td>This firm is… Sophisticated</td>
<td>Bhat and Reddy (1998)</td>
<td>.80</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>/</td>
</tr>
</tbody>
</table>
Successful
Distinctive
Prestigious
Stands out in a crowd

Monetary benefits
Being a member of this loyalty program
...helps me do my banking transactions at
lower financial cost
...helps me save money

Mimouni-Chaabane and Volle (2010)

Convenience benefits
Being a member of this loyalty program
...helps me save time and effort
...helps me do my banking transactions with
lesser effort
...makes my banking transactions easier

Wagner et al. (2009)

Dependent Variables

LP/B perceived congruence
This brand and its program go well together
This program is well matched with this brand
In my opinion, it is very appropriate for this
brand to propose such a program

Fleck et al. (2012) .96 .93

Firm Loyalty
I will use the services of this firm in the future
This firm is my first choice
I intend to carry on doing business with this firm in the next few years

Parasuraman et al. (2005) .90 .94

Program structure vs. brand perceived congruence
This brand and this [program feature] go well together

/ .92

Program benefits vs. brand perceived congruence
This [program feature] is well matched with this brand

/ .95

Strictness of eligibility rules vs. brand perceived congruence
In my opinion, it is very appropriate for this brand to propose such a [program feature]

/ .92

Program name vs. brand perceived congruence

/ / .95

Tiers names vs. brand perceived congruence

/ / .96

Appendix D. Description of the program features (Study 2)

Imagine that you regularly stay in a hotel chain called “Uno Hotels”. Uno Hotel is considered prestigious and rewarding. The hotel chain’s target customers have demanding profiles. They look for sophisticated, innovative, and custom hotel services.

To reward its customers, Uno Hotel runs a loyalty program called “Uno Prestige”, which comprises 3 tiers:

- Black: the lowest tier
- Silver: the middle tier
- Gold: the highest tier

To access Black tier, customers must spend at least 10 nights in one of the Uno hotel group properties, even though Black is the lowest tier. The rewards granted for each tier are as follows:

<table>
<thead>
<tr>
<th>Discounts</th>
<th>Black</th>
<th>Silver</th>
<th>Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information newsletters</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Special services (breakfast in room, free laundry)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Special treatments (a bottle of champagne at arrival, early check-in and late check-out)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Invitations to prestigious events (Opera shows, private museum visit, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concierge services 24/7</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

References


