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How customer loyalty programmes can leverage pride and happiness: evidence from Malaysia and Indonesia

Customer loyalty programmes divide into two main types. Frequency reward programmes, common in transaction-dominated businesses with low customer involvement like grocery shopping, reward consumers with one-off gifts. In contrast, customer tier programmes are common in high-involvement and service industries like airlines and hotels. Customer tier schemes elevate the biggest spenders to a privileged tier of ongoing preferential treatment.

What makes either type of loyalty programme effective? Previous research has found that marketing programmes can raise sales by evoking positive emotions in general. Recent research carried out in four different experiments refines this insight by identifying the different roles of two discrete positive emotions: pride and happiness.** Participants in studies 1 to 3 were undergraduates at a public university in Malaysia, while study 4 tested findings using 275 adult customers of a boutique hotel in Yogyakarta, Indonesia.

The researchers found that both pride and happiness boosted effectiveness (measured by repurchase intentions) for a frequency reward programme. However, only pride was effective for a customer tier programme. Further, the boosts worked through different pathways. For frequency rewards, the boost depended partly on how intensely customers felt “positive”; whereas for customer tier schemes, the boost from pride was explained by “signalling” motives: pride motivates higher-tier customers to advertise their superior status.

The studies distinguished “authentic” from “hubristic” pride. Authentic pride arises when people attribute success to things they control, like effort, whereas hubristic pride stems from, for instance, inherent

abilities. Authentic and hubristic pride showed similar effects, but an unintended negative consequence of the latter was a heightened sense of entitlement.

Marketers can take away two main lessons for programme effectiveness. First, tailor emotional appeal to programme type. Thus, a tagline like “Be proud of what you can get and enjoy your reward!” can fruitfully stimulate authentic pride and increase customers’ signalling motives that enhance customer tier loyalty programmes. Moreover, such appeals can go via different media or campaigns (Facebook page, website, check-in counter) without necessarily being part of the loyalty campaign itself.

Second, pitch programme types according to your customers’ natural – or “dispositional” – emotional tendencies, which technology can now glean from the likes of text analysis on their communications on social media or to call centres. So, for instance, pitch a customer tier scheme at customers who display strong dispositional pride, and a frequency reward one to people who incline towards either happiness or pride.

Meanwhile though, beware that enhanced sense of entitlement from hubristic pride, since entitlement makes customers less profitable due to high service costs.

**The full study results are available in an article by Felix Septianto, Jake An, Tung Moi Chiew, Widya Paramita and Istiharini Tanudharma: “The similar versus divergent effects of pride and happiness on the effectiveness of loyalty programs”. *Journal of Business Research* 99, 12-22, June 2019.

