



## The similar versus divergent effects of pride and happiness on the effectiveness of loyalty programs

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### ABSTRACT

Firms typically utilize loyalty programs to encourage repeat purchases. In particular, frequency reward programs and customer tier programs are the two predominant loyalty program structures. However, there is little insight on the conditions under which these loyalty program structures can be more effective. This research investigates how different, discrete positive emotions such as pride and happiness can leverage the effectiveness of these loyalty program structures. Findings from four studies show that while pride and happiness can similarly increase repurchase intentions following a frequency reward program, only pride (vs. happiness) differentially increases repurchase intentions following a customer tier program. Further, the effects of these emotions are mediated by two distinct paths: the intensity of positive affect (for frequency reward programs) and signaling motives (for customer tier programs). These findings have beneficial implications for marketers and firms in employing appropriate positive emotion appeals to promote their loyalty programs.

Firms engage in different retention strategies, such as encouraging customers to join loyalty programs, to improve customer loyalty and repeat business. Indeed, loyalty programs can provide substantial benefits for both customers (e.g., rewards and higher status) and firms (e.g., repeat patronage and rich customer data) (Liu, 2007; Rust, Zeithaml, & Lemon, 2000). Unfortunately, many loyalty programs do not produce the expected financial performance (Daryanto, Ko, Wetzels, & Patterson, 2010; Henderson, Beck, & Palmatier, 2011), forcing firms to terminate them (Business Insider, 2018; Melynk & Bijmolt, 2015; Nunes & Drèze, 2006). Hence, while some loyalty programs can be effective (Leenheer, Van Heerde, Bijmolt, & Smidts, 2007; Shugan, 2005), firms clearly need an in-depth understanding of “what sets a successful [loyalty program] apart from an unsuccessful one” (Kumar & Reinartz, 2006, p. 172).

Although there are various forms of loyalty program, frequency reward and customer tier programs are two predominant structures (Blattberg, Kim, & Neslin, 2008). Frequency reward programs encourage customers to “buy X amount/collect X points, and then get some rewards”. On the other hand, customer tier programs encourage customers to “buy X amount/collect X points, and then qualify for a

tier”. However, as indicated by a recent review paper (Breugelmans et al., 2015), there is little empirical research examining the contextual differences under which one loyalty program structure can be more effective than another. Thus, the current research examines how marketers can increase the effectiveness of two distinct types of loyalty program (frequency reward and customer tier) by purposively evoking discrete positive emotions.

Previous studies on psychology and consumer research have established that emotion is a significant factor influencing consumer judgment and decision making (see Lerner, Ye, Valdesolo, & Kassam, 2015 for a review). More importantly, marketers typically evoke different, discrete positive emotions in their advertising and marketing campaigns (Cavanaugh, Bettman, & Luce, 2015; Septianto & Pratiwi, 2016). Hence, examining specific emotions in the context of loyalty programs may offer significant actionable managerial implications for marketers. For example, marketers could develop effective communication strategies (e.g., Facebook page, website, check-in counter) to elicit such emotions in conjunction with promoting their loyalty programs.

Using four experimental studies, this research investigated the

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**Table 1**  
Overview of key research on discrete positive emotions in marketing.

Study	Positive emotions	Context	Main findings
Agrawal, Menon, and Aaker (2007)	Happiness and peacefulness	Health messages	Messages emphasizing potential benefits for self (other people) are more persuasive for consumers feeling happy (peaceful)
Mukhopadhyay and Johar (2007)	Pride and happiness	Advertising	Consumers feeling happy (proud) after (not) engaging in unintended purchases will then prefer a product advertisement with similar appeals (happiness vs. pride).
Griskevicius et al. (2010)	Pride and contentment	Product evaluations	Pride (contentment) increases positive evaluations of public-display (home) products.
Kim, Park, and Schwarz (2010)	Excitement and peacefulness	Tourism	Vacation advertisements with adventurous (serene) appeals are more persuasive for consumers feeling excited (peaceful).
Winterich and Haws (2011)	Hope (vs. happiness and pride)	Food consumption	Hope (vs. happiness, pride) increases self-control.
Huang et al. (2014)	Authentic and hubristic pride	Advertising and product choice	Consumers experiencing hubristic (vs. authentic) pride prefer unique products.
McFerran et al. (2014)	Authentic and hubristic pride	Luxury products	Authentic pride increases intentions to purchase luxury products. However, this action signals hubristic pride.
Cavanaugh et al. (2015)	Love (vs. pride, compassion, and hope)	Donations	Love (vs. pride, compassion, hope) increases donations to distant (vs. close) others.
Williams et al. (2018)	Pride and awe	Branding	Pride (awe) increases self-brand connections with luxury (sustainable) brands.
Septianto and Chiew (2018)	Joy, hope, and love (vs. pride, gratitude, compassion, awe, amusement, and contentment)	Word-of-mouth	Joy, hope, and love (as compared to other positive emotions) increase electronic word-of-mouth.
Yang and Zhang (2018)	Authentic and hubristic pride	Product evaluations	Authentic (hubristic) pride puts more weight on desirability (feasibility) of product attributes when making evaluations.

influence of pride and happiness on the effectiveness of frequency reward and customer tier programs for increasing customers' repurchase intentions. Furthermore, we were seeking to shed light on how discrete positive emotions can influence the performance of loyalty programs through distinct mediating mechanisms. Specifically, we aimed to show that evoking happiness or pride increases the intensity of positive affect, which in turn increases the positive effect of a frequency reward program on repeat purchases. In contrast, only pride (vs. happiness) is effective in increasing the performance of a customer tier program via stimulating customers' signaling motives. In the following section, we review the relevant literature and develop our hypotheses. We then present four studies designed to test our predictions. Finally, we end with a general discussion of theoretical contributions, managerial implications, and directions for future research.

## 1. Theoretical background

### 1.1. The effectiveness of loyalty programs

Following Liu and Yang (2009), we define loyalty programs as long-term marketing programs that allow customers to accumulate some form of points and then exchange the collected points for rewards. Indeed, well-designed loyalty programs that are perceived to offer highly attractive rewards to customers have been shown to significantly increase service usage regardless of customer levels of attitudinal loyalty (Wirtz, Mattila, & Lwin, 2007). Further, customers' strong preference for loyalty programs also increases their loyalty toward the firm (Kang, Alejandro, & Groza, 2015). Investment in loyalty programs has also been linked to stronger customer-to-firm relationships (Mimouni-Chaabane & Volle, 2010) and greater profitability (Lee, Capella, Taylor, & Gabler, 2014).

Although there are different forms of loyalty program, frequency reward and customer tier programs are the most prevalent loyalty program structures (Blattberg et al., 2008). Both loyalty program structures use accumulated customer sales to determine the customer's eligibility for rewards (Kopalle, Sun, Neslin, Sun, & Swaminathan, 2012). However, they differ in the means by which customers receive those rewards. Frequency reward programs are a "one-shot affair" where customers redeem accumulated points for rewards (Kopalle et al., 2012, p. 217). In contrast, customer tier programs group customers into different tiers based on their profitability potential or

purchase volumes (Blattberg et al., 2008; Drèze & Nunes, 2009). Based on these tiers, firms provide different preferential treatment, rewards, and services for the customers in higher tiers (Lacey, Suh, & Morgan, 2007).

A key challenge when developing an effective customer tier program is identifying the most appropriate basis for separating customers into different segments (Zeithaml, Rust, & Lemon, 2001). This hierarchical structure should be able to pressure higher-tier customers to increase repeat business without demotivating those in the lower tiers (Drèze & Nunes, 2009; Kivetz & Simonson, 2002). Industry practice indicates that frequency reward programs are commonly used for transaction-focused businesses with low levels of customer involvement (e.g., grocery stores), whereas customer tier programs are more common for businesses with high levels of customer involvement and a high price point (e.g., hotels, airlines) (Breugelmans et al., 2015).

Prior research has illustrated various benefits of employing frequency reward programs (Kivetz, Urminsky, & Zheng, 2006; Lewis, 2004; Roehm, Pullins, & Roehm Jr, 2002). For instance, Kivetz et al. (2006) suggested that customers increase their purchases the closer they are to earning the rewards (i.e., points pressure effect). Roehm et al. (2002) found that when customers earn a reward, it encourages repeat purchases (i.e., rewarded behavior effect). Although there is little research examining customer tier programs, a study reported by Drèze and Nunes (2009) provides meaningful insight into the unique nature of this type of loyalty program. Specifically, customer tier programs provide an opportunity for customers on higher tiers to signal their status to others (Drèze & Nunes, 2009). Moreover, Eggert, Steinhoff, and Garnefeld (2015) demonstrated both positive and negative effects of customer tier programs, specifically customer gratitude and customer skepticism, especially when the benefits of the customer tier program are offered to customers who are not entitled to them because they do not meet the required spending level. While these studies are informative, as pointed out by Breugelmans et al. (2015), there is still limited understanding of the contextual conditions under which one loyalty program structure is more effective than the other.

The current research aimed to address this important gap by examining how different, discrete positive emotions can leverage the effectiveness of frequency reward and customer tier programs in encouraging customer repurchase intentions. We examined positive emotions because marketers commonly evoke positive emotions in their advertising and marketing campaigns (Cavanaugh et al., 2015;

Septianto & Pratiwi, 2016). While these practices illustrate the importance of understanding how positive emotions can influence consumer judgment and decision making across various contexts (see Table 1), it remains unclear whether they can leverage the effectiveness of different loyalty programs.

Of particular relevance to the current research is recent work by Steinhoff and Palmatier (2016). Their paper compares the differential effects of loyalty programs on target and bystander customers. Target customers are those who get rewards from the loyalty program, while bystander customers only observe others (i.e., target customers) receiving rewards. The authors argue that the effects of loyalty programs for these different customers (target vs. bystander customers) can be explained by the distinct psychological mechanisms of gratitude, status, and perceived unfairness. Specifically, among target customers, loyalty program rewards can increase incremental sales because such rewards may elicit feelings of gratitude and status. However, loyalty programs can also lead to negative consequences among bystander customers because viewing others receiving rewards can evoke perceptions of unfairness. Notably, Steinhoff and Palmatier (2016) found that offering visible rewards to target customers at the expense of bystander customers can be problematic because the strong negative effects generated among bystander customers override the relatively smaller positive effects on target customers.

While this study examines customers' emotional responses (as mediators) to offer an understanding of *why* loyalty programs can lead to positive or negative effects, it is less clear *how* marketers can use emotions to leverage the effectiveness of loyalty programs. The present research thus investigates how specific positive emotions – pride and happiness – can influence the effectiveness of different types of loyalty program.

### 1.2. Positive emotions and consumer decision making

For the past few decades, research across different disciplines has established the significant effects of emotions on consumer decision making processes (Lerner et al., 2015). Much of the research typically differentiates emotions based on their valence (i.e., positive vs. negative). In particular, Schwarz and Clore (1983) propose in their seminal article that emotions can provide information to an individual's judgment process regarding an object and thus influence evaluations regarding that object. Consequently, they argue that positive emotions increase positive evaluations of an object, whereas negative emotions increase negative evaluations of an object (i.e., emotion-congruent effects).

Prior research has tested such congruent effects across different settings. For instance, Yeung and Wyer (2005) found that positive emotions can increase positive evaluations, not only of a specific product but also toward other products in a brand extension. Kamins, Marks, and Skinner (1991) also showed that positive emotions evoked by a TV program can influence positive evaluations of a commercial placed after the TV program. Recently, however, emerging research suggests that different, discrete positive emotions have distinct functions and therefore differential influences on consumer behavior. For example, Griskevicius, Shiota, and Nowlis (2010) demonstrated that contentment (but not pride) increases favorable evaluations of products that are used in the home (e.g., sofas, pajamas) because contentment motivates consumers to seek familiar objects. In contrast, pride (but not contentment) increases favorable evaluations of products that facilitate public display (e.g., clothes) because pride motivates consumers to signal their accomplishments (Griskevicius et al., 2010).

Given these different perspectives on various positive emotions, it is important to examine the conditions under which positive emotions can lead to similar versus distinct effects and thus reconcile these two perspectives. The current research aimed to address this important gap in the literature by investigating the effects of different positive emotions on the effectiveness of frequency reward and customer tier

programs. In particular, building on the functionalist perspective of emotion, our research examined the emotion of pride.

According to the functionalist perspective of emotion, each discrete emotion has distinct functions and helps an individual to adapt to their environment (Lazarus, 1991). Specifically, an emotion is analogous to a “switch” (Gross & Barrett, 2011). Once activated, it leads to different neural programs that can help an individual to respond to their situation. In general, negative emotions help an individual to react to different threats, whereas positive emotions facilitate responses to different opportunities (Griskevicius et al., 2010).

Pride is a positive emotion experienced by an individual when achieving something important (Griskevicius et al., 2010). Thus, pride functions to signal self-accomplishment (Griskevicius et al., 2010; Lazarus, 1991). Williams, Coleman, Morales, and Cesareo (2018) demonstrated that pride (vs. awe) increases self-brand connection with luxurious brands. Wilcox, Kramer, and Sen (2011) have also suggested that this emotion can lead to the consumption of unhealthy food as a form of reward. Notably, there is a growing body of literature arguing that pride has two different facets: authentic and hubristic (Ho, Tong, & Jia, 2016; Huang, Dong, & Mukhopadhyay, 2014; Tracy, Cheng, Robins, & Trzesniewski, 2009; Tracy & Robins, 2007). Authentic pride arises when a success is attributed to controllable, unstable factors such as effort, whereas hubristic pride arises when a success is attributed to uncontrollable, stable factors such as traits (Huang et al., 2014; Tracy & Robins, 2007). It is further argued that authentic pride is associated with a genuine accomplishment, while hubristic pride is associated with arrogance (Tracy et al., 2009; Tracy & Robins, 2007) and feelings of entitlement (Ho et al., 2016).

Given this distinction between authentic and hubristic pride, research has demonstrated how these two facets can lead to differential influences on consumer decisions. For example, hubristic (but not authentic) pride increases preferences for unique products (Huang et al., 2014), whereas authentic pride motivates consumers to purchase luxury products as a form of reward (McFerran, Aquino, & Tracy, 2014). Nevertheless, research has consistently shown that pride in general, both authentic (McFerran et al., 2014; Williams et al., 2018) and hubristic (Huang et al., 2014), increases motivations to signal status to others. Thus, we argue that both types of pride should lead to consistent effects in this regard.

### 1.3. Positive emotion effects on loyalty programs

We propose that positive emotions can lead to similar versus divergent effects on the effectiveness of frequency reward and customer tier programs. Specifically, our research focus is the role of positive emotions in enhancing the effectiveness of loyalty programs, as prior research has shown that loyalty programs increase sales by evoking strong positive emotions such as gratitude and feelings of status (Steinhoff & Palmatier, 2016). By intensifying the positive emotions that customers experience when engaging with frequency reward programs, we expect that the positive effects of loyalty program on repeat purchases will become stronger.

Moreover, recent research has shown that loyalty program engagement behaviors, such as using loyalty cards, redeeming loyalty program points, or even receiving communication from or searching for more information about the loyalty program, can evoke strong positive emotions such as greater satisfaction, passion and loyalty toward the firm (Bruneau, Swaen, & Zidda, 2018). Therefore, we argue that when learning about a new loyalty program, positive emotions can also strengthen the positive effect of loyalty program on loyalty behaviors.

Building on the functionalist framework of emotion, positive emotions in general function to facilitate different opportunities (Griskevicius et al., 2010). That is, positive emotions help an individual to enjoy their circumstances, and the opportunities associated with their situation. Frequency reward programs provide the opportunity for customers to accrue sales points and receive rewards (Blattberg et al.,

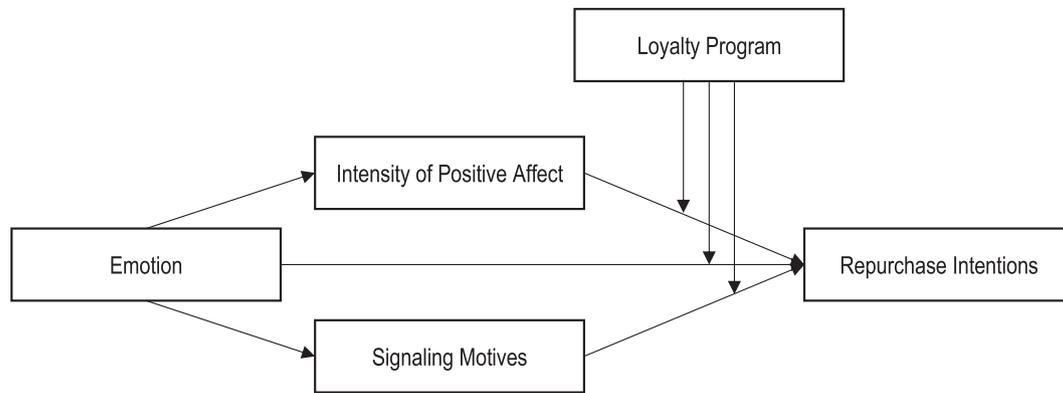


Fig. 1. Conceptual model.

2008). Thus, consistent with emotion-congruent effects (Schwarz & Clore, 1983), we argue that positive emotions in general, such as pride and happiness (a general positive emotion; Sauter, 2010), will increase the effectiveness of a frequency reward program in leveraging repurchase intentions.

In contrast, customer tier programs not only offer rewards to customers, but also provide an opportunity for customers to signal their superior status to others (Drèze & Nunes, 2009). This opportunity is in line with the function of pride, which is to signal self-accomplishment (Lazarus, 1991). The feeling of status induced by a loyalty program is an important driver of customer loyalty (Brashear-Alejandro, Kang, & Groza, 2016). Hence, we argue that pride, as compared to happiness (a general positive emotion), will increase the effectiveness of a customer tier program because consumers who feel pride are more likely to take an opportunity to be at the top or close to the top tiers. Moreover, this effect is explained by the signaling motive which is activated by pride (Griskevicius et al., 2010). Fig. 1 describes the conceptual model for the research. Formally, we propose that:

**H1a.** Pride and happiness, as compared to a neutral condition, will increase repurchase intentions in the frequency reward program condition.

**H1b.** Intensity of positive affect will mediate pride and happiness effects, as compared to a neutral condition, on repurchase intentions in the frequency reward program condition.

**H2a.** Pride, as compared to happiness and neutral conditions, will increase repurchase intentions in the customer tier program condition.

**H2b.** Signaling motives will mediate pride effects, as compared to a neutral condition, on repurchase intentions in the customer tier program condition.

## 2. Overview of studies

We conducted four experimental studies to test these predictions. Study 1 examined whether customers' propensity to experience pride and happiness (dispositional emotions) influences their repurchase intentions after evaluating a loyalty program. This is built on the notion that the effects of dispositional emotions should be consistent with state emotions (Cavanaugh et al., 2015; Septianto & Chiew, 2018). Study 2 extended Study 1 by establishing the causal relationship between emotions and repurchase intentions using incidental emotions (i.e., emotions emerging from an initial task normatively unrelated to the focal task). Studies 3 and 4 replicated the findings of Study 2 using integral emotions (i.e., emotions arising from the focal task, such as advertising taglines). Importantly, while we recruited undergraduate students in Malaysia for Studies 1–3, Study 4 tested the predictions in a real-world context with adult consumers in Indonesia to enhance the

external validity of our findings.

## 3. Study 1

Prior studies on emotion suggest that we can provide initial evidence of predicted emotion effect by examining a trait-based feature that correlates with that emotion (i.e., dispositional emotions; Agrawal & Duhachek, 2010; Cavanaugh et al., 2015; Lerner & Keltner, 2001). Thus, we conducted Study 1 to examine dispositional pride and happiness. Consistent with Hypotheses 1a and 1b, we expected that increasing dispositional pride and happiness would predict increased repurchase intentions in the frequency reward program condition. In contrast, only dispositional pride (but not happiness) would predict increased repurchase intentions in the customer tier program condition.

### 3.1. Methods

#### 3.1.1. Participants

We recruited undergraduate students of a public university in Malaysia for Studies 1–3. We randomly assigned students to different treatment groups using Qualtrics. Students were asked to complete an online survey using their mobile phone or laptop at a specific time in class in exchange for a course credit. Sixty-one students (48% male,  $M_{age} = 21.54$ ,  $SD = 1.46$ ) participated in Study 1. This study employed a 2 (dispositional emotion: pride, happiness; within-subjects)  $\times$  2 (loyalty program: frequency reward program, customer tier program; between-subjects) mixed-design.

#### 3.1.2. Procedure

To reduce potential demand effects, we used a cover story so that participants did not know the true purpose of the study. Thus, this study consisted of two ostensibly unrelated sections. In the first part, as a cover story, we told participants we were interested in how they evaluate themselves (Cavanaugh et al., 2015; Lerner & Keltner, 2001). Specifically, participants were asked to complete a 6-item ( $\alpha = 0.94$ ) dispositional pride scale (Shiota, Keltner, & John, 2006) and a 3-item ( $\alpha = 0.93$ ) dispositional happiness (subjective well-being) scale (Lyubomirsky & Lepper, 1999). In the second part of the survey, participants were told that an airline in Malaysia was planning to use a new loyalty program (the cover story). Participants evaluated a customer tier program or frequency reward program for the airline (Kopalle et al., 2012) and indicated on a 7-point scale (1 = *not likely at all*, 7 = *very likely*) their likelihood of using the airline again, given the loyalty program.

#### 3.1.3. Results and discussion

Following prior research (Cavanaugh et al., 2015), we conducted a 2 dispositional emotion (pride, happiness)  $\times$  2 loyalty program (customer tier program, frequency reward program) mixed effects model

with subject random intercept to account for repeated measurements within-subject. As expected, we found a significant main effect of dispositional pride ( $F(1, 52) = 11.81, p < .01$ ) and a significant interaction between dispositional happiness and loyalty program ( $F(1, 52) = 4.65, p < .05$ ).

Further, simple slope analyses revealed that increasing dispositional pride was associated with increasing repurchase intentions in both the frequency reward program ( $B = 0.55, SE = 0.16, t(55) = 3.37, p < .01$ ) and customer tier program conditions ( $B = 0.72, SE = 0.17, t(55) = 4.18, p < .001$ ). However, increasing dispositional happiness was associated with increasing repurchase intentions in the frequency reward program condition ( $B = 0.55, SE = 0.17, t(55) = 3.22, p < .01$ ), but not the customer tier program condition ( $B = -0.15, SE = 0.20, t(55) = -0.77, NS$ ).

These results provide support for [Hypotheses 1a](#) and [2a](#). That is, there were significant effects of dispositional pride and happiness on repurchase intentions in the frequency reward program condition. However, only dispositional pride (but not happiness) had a significant effect on repurchase intentions in the customer tier program condition.

## 4. Study 2

Study 2 was conducted to provide additional evidence for [Hypotheses 1a](#) and [1b](#) by establishing the causal relationship between incidental emotions and repurchase intentions. In particular, the arguments for [Hypotheses 1a](#) and [1b](#) are built on the self-accomplishment aspect of pride because the concept of loyalty programs is associated with earning rewards as an accomplishment ([Kivetz & Simonson, 2002](#)). Hence, we focused on authentic pride in this study and, importantly, also tested and established the underlying process of emotion effects ([H1b](#) and [H2b](#)).

### 4.1. Methods

#### 4.1.1. Participants

Two hundred and thirty-nine students (29% male,  $M_{age} = 21.93, SD = 1.13$ ) participated in Study 2. It employed a 3 (incidental emotion: pride, happiness, neutral)  $\times$  2 (loyalty program: frequency reward program, customer tier program) between-subjects design.

#### 4.1.2. Procedure

The study consisted of two ostensibly unrelated parts. In the first part, following prior research ([Griskevicius et al., 2010](#); [Winterich & Haws, 2011](#)), we used a cover story “Imagination and Memory Study” to induce the intended emotional states. Specifically, participants were asked to read and imagine a narrative to evoke specific emotion states. Participants in the pride condition read a story about a student who studied hard for a difficult exam and received a favorable grade. Those in the happiness condition read a story about winning a \$100 gift card. Participants in the neutral condition read about daily activities of a student.

As emotion manipulation checks, we asked participants to rate their feelings (happy and proud as the focal constructs, and other filler items such as calm, upset, ashamed, and sad) in response to the narrative they had read on a 9-point scale (1 = *not at all*, 9 = *extremely*) ([Huang et al., 2014](#)). To measure the mediators, we used two items to assess the intensity of positive affect: “I feel good” and “I feel positive” ( $\alpha = 0.98$ ) ([Smith & Ellsworth, 1985](#)). The two items for signaling motives were: “I want to have others notice myself” and “I want to draw attention to myself” ( $\alpha = 0.94$ ) ([Griskevicius et al., 2010](#)). In the second part of the survey, similar to Study 1, participants were told that an airline in Malaysia was planning to use a new loyalty program (the cover story). The participants then evaluated a customer tier program or frequency reward program for the airline ([Kopalle et al., 2012](#)). For the focal dependent variable, they indicated their likelihood of using this airline again, given the loyalty program, on a 7-point scale (1 = *not likely at all*,

7 = *very likely*).

## 4.2. Results

### 4.2.1. Emotion manipulation checks

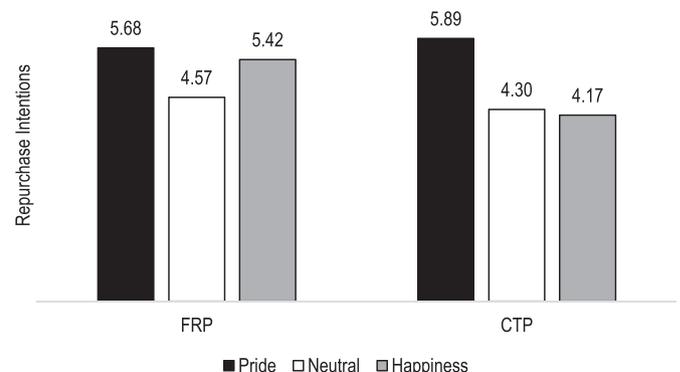
A two-way ANOVA was conducted with emotion, loyalty program, and their interaction as independent variables, and self-reported emotion factors as dependent variables. As expected, only main effects of emotion were significant for self-reported pride ( $F(2, 233) = 24.54, p < .001$ ) and happiness ( $F(2, 233) = 12.14, p < .001$ ). Also, there were non-significant effects for other filler items (calm, upset, ashamed, and sad). Specifically, participants in the pride condition ( $M = 7.22$ ) reported higher levels of pride factor as compared to those in the happiness ( $M = 5.18, t(233) = 5.85, p < .001$ ) and neutral conditions ( $M = 5.04, t(233) = 6.36, p < .001$ ). In contrast, participants in the happiness condition ( $M = 6.96$ ) reported higher levels of happiness factor as compared to those in the pride ( $M = 5.95, t(233) = 2.69, p < .01$ ) and neutral conditions ( $M = 5.17, t(233) = 4.92, p < .001$ ).

### 4.2.2. Repurchase intentions

To test [Hypotheses 1a](#) and [1b](#), we ran a two-way ANOVA with emotion, loyalty program, and their interaction as independent variables, and repurchase intentions as the dependent variable. We found significant main effects of emotion ( $F(2, 233) = 14.54, p < .001$ ) and loyalty program ( $F(1, 233) = 4.40, p < .05$ ). Importantly and as predicted, these effects were qualified by a significant interaction effect ( $F(2, 233) = 4.12, p < .05$ ). Specifically, in the frequency reward program condition, participants in the pride ( $M = 5.68, t(233) = 3.08, p < .01$ ) and happiness conditions ( $M = 5.42, t(233) = 2.35, p < .05$ ) showed higher repurchase intentions than those in the neutral condition ( $M = 4.57$ ). However, in the customer tier program condition, participants in the pride condition ( $M = 5.89$ ) showed higher repurchase intentions than those in the happiness ( $M = 4.17, t(233) = 4.69, p < .001$ ) and neutral conditions ( $M = 4.30, t(233) = 4.35, p < .001$ ) ([Fig. 2](#)). These findings support [Hypotheses 1a](#) and [2a](#).

### 4.2.3. Underlying mechanisms of emotion effects

A two-way ANOVA was conducted to examine the intensity of positive affect and signaling motives. As expected, we only found significant main effects of emotion such that participants in the pride ( $M = 7.28, t(233) = 5.01, p < .001$ ) and happiness conditions ( $M = 6.85, t(233) = 3.77, p < .001$ ) reported higher levels of intensity for positive affect, as compared to those in the neutral condition ( $M = 5.64$ ). We also found that participants in the pride condition ( $M = 6.36$ ) reported higher levels of signaling motives as compared to those in the happiness ( $M = 4.77, t(233) = 4.28, p < .001$ ) and neutral conditions ( $M = 4.60, t(233) = 4.80, p < .001$ ).



**Fig. 2.** Study 2: repurchase intentions by emotion and loyalty program conditions.

To test **Hypothesis 2a** (the underlying mechanism of happiness effects), we conducted a moderated mediation analysis using PROCESS Model 15 with 5000 resamples (Hayes, 2017). Specifically, we examined the indirect effects of the happiness versus neutral condition on repurchase intentions via the intensity of positive affect, and moderated by loyalty program. As predicted, the results revealed a significant indirect effect of happiness (vs. neutral) via the intensity of positive affect in the frequency reward program condition, with  $B = 0.4982$ ,  $SE = 0.1715$ , and 95% CI excluding zero (0.2138 to 0.8912).

To test the underlying mechanism of pride effects (**H2b**), we ran a similar moderated mediation analysis using PROCESS Model 15 to examine the indirect effects of the pride versus neutral condition. As expected, we found that the indirect effect via positive affect was significant in the frequency reward program condition ( $B = 0.6805$ ,  $SE = 0.1843$ , 95% CI: 0.3552 to 1.0845). In contrast, the indirect effect via signaling motives was significant in the customer tier program condition ( $B = 0.9358$ ,  $SE = 0.2286$ , 95% CI: 0.5258 to 1.4253). These findings provide evidence for **Hypotheses 1b** and **2b**.

#### 4.3. Discussion

Study 2 examined incidental pride and gratitude, providing strong evidence for **Hypotheses 1a** and **1b**. Consistent with our predictions, both happiness and pride (vs. neutral) increase repurchase intentions in the frequency reward program condition, but pride (as compared to happiness and neutral) increases repurchase intentions in the customer tier program condition. The moderated mediation analyses also support **Hypotheses 1b** and **2b**. Specifically, emotion effects on repurchase intentions in the frequency reward program condition are mediated by the intensity of positive affect. However, pride effects on repurchase intentions in the customer tier program condition are mediated by signaling motives.

### 5. Study 3

Studies 1 and 2 found evidence to support **Hypotheses 1a**, **1b**, **2a** and **2b** using dispositional and incidental emotions. However, it is less clear whether these findings can be applied in a more practical situation by managers when the emotions are dispositional and incidental in nature. Thus, Study 3 tested our predictions using integral emotions and evoking emotion states using loyalty program taglines.

#### 5.1. Methods

##### 5.1.1. Participants

Two hundred and fifty-six students (23% male,  $M_{\text{age}} = 22.02$ ,  $SD = 1.64$ ) participated in Study 3. The study employed a 3 (emotion tagline: pride, happiness, no-tagline)  $\times$  2 (loyalty program: frequency reward program, customer tier program) between-subjects design.

##### 5.1.2. Procedure

In Study 3, participants were told that a hotel in Malaysia was launching a new loyalty program and the hotel wanted to get opinions from the public. Participants then evaluated either a customer tier program or frequency reward program for the hotel (Kopalle et al., 2012). Following prior research (Cavanaugh et al., 2015), we primed emotion states by manipulating taglines. Specifically, in the pride condition, the tagline was: “Be proud of what you can get and enjoy your reward”. In the happiness condition, the tagline was: “Be happy and enjoy your reward”. We did not use any tagline for the neutral condition. Participants were also asked to think about the emotional appeal of the tagline. For the focal dependent variable, participants indicated their likelihood to come back to the hotel, given the loyalty program, on a 7-point scale (1 = *not likely at all*, 7 = *very likely*).

### 5.2. Results

#### 5.2.1. Emotion manipulation checks

As for Study 2, a two-way ANOVA was conducted with emotion, loyalty program, and their interaction as independent variables, and self-reported emotion factors as dependent variables. As expected, only main effects of emotion were significant for self-reported pride ( $F(2, 250) = 8.79$ ,  $p < .001$ ) and happiness ( $F(2, 250) = 10.13$ ,  $p < .001$ ). Moreover, there were non-significant effects for other filler items. That is, participants in the pride tagline condition ( $M = 6.60$ ) reported higher levels of pride factor as compared to those in the happiness tagline ( $M = 5.61$ ,  $t(250) = 3.14$ ,  $p < .01$ ) and no tagline conditions ( $M = 5.35$ ,  $t(250) = 4.02$ ,  $p < .001$ ). In contrast and as expected, participants in the happiness tagline condition ( $M = 6.83$ ) reported higher levels of happiness factor as compared to those in the pride tagline ( $M = 5.56$ ,  $t(250) = 3.98$ ,  $p < .001$ ) and no tagline conditions ( $M = 5.67$ ,  $t(250) = 3.79$ ,  $p < .001$ ).

#### 5.2.2. Repurchase intentions

We conducted a two-way ANOVA with emotion, loyalty program, and their interaction as independent variables, and repurchase intentions as the dependent variable. We found a significant main effect of emotion ( $F(2, 250) = 6.69$ ,  $p < .01$ ). However, this effect was qualified by a significant interaction effect ( $F(2, 250) = 4.49$ ,  $p < .05$ ). Specifically, in the frequency reward program condition, participants in the pride tagline ( $M = 5.38$ ,  $t(250) = 2.23$ ,  $p < .05$ ) and happiness tagline conditions ( $M = 5.54$ ,  $t(250) = 2.70$ ,  $p < .01$ ) showed higher repurchase intentions than did those in the no tagline condition ( $M = 4.67$ ). On the other hand, in the customer tier program condition, participants in the pride tagline condition ( $M = 5.56$ ) showed higher repurchase intentions than those in the happiness tagline ( $M = 4.41$ ,  $t(250) = 3.45$ ,  $p < .001$ ) and no tagline conditions ( $M = 4.59$ ,  $t(250) = 2.92$ ,  $p < .01$ ) (Fig. 3). These findings provide evidence for **Hypotheses 1a** and **2a**.

#### 5.2.3. Underlying mechanisms of emotion effects

As expected, the results show that participants in the pride tagline ( $M = 7.03$ ,  $t(250) = 3.49$ ,  $p < .001$ ) and happiness tagline conditions ( $M = 7.19$ ,  $t(250) = 4.18$ ,  $p < .001$ ) reported higher levels of intensity for positive affect as compared to those in the no tagline condition ( $M = 6.05$ ). Further, we found that participants in the pride tagline condition ( $M = 6.04$ ) reported higher levels of signaling motives compared to those in the happiness tagline ( $M = 4.49$ ,  $t(250) = 4.67$ ,  $p < .001$ ) and no tagline conditions ( $M = 4.99$ ,  $t(250) = 3.21$ ,  $p < .01$ ).

To test the underlying mechanism of happiness effects (**H2a**, **H2b**), we conducted a moderated mediation analysis using PROCESS Model 15 with 5000 resamples (Hayes, 2017). As for Study 2, we examined the

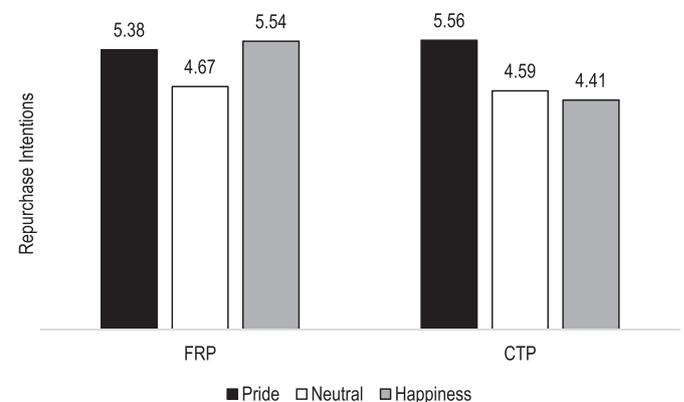


Fig. 3. Study 3: repurchase intentions by emotion and loyalty program conditions.

indirect effects of the happiness versus neutral condition on repurchase intentions via the intensity of positive affect, and moderated by loyalty program. As predicted, the results revealed a significant indirect effect of happiness (vs. neutral) via the intensity of positive affect in the frequency reward program condition, with  $B = 0.6060$ ,  $SE = 0.1797$ , and 95% CI excluding zero (0.2897 to 1.0229).

To test the underlying mechanism of pride effects (H2b), we ran a similar moderated mediation analysis using PROCESS Model 15 to examine the indirect effects of the pride versus neutral condition. We found that the indirect effect via positive affect was significant in the frequency reward program condition ( $B = 0.5188$ ,  $SE = 0.1791$ , 95% CI: 0.2109 to 0.9225). Conversely and as expected, the indirect effect via signaling motives was significant in the customer tier program condition ( $B = 0.2908$ ,  $SE = 0.1184$ , 95% CI: 0.0989 to 0.5663). Taken together, these findings supported Hypotheses 1b and 2b.

### 5.3. Discussion

Study 3 replicated the findings of Studies 1 and 2 using integral emotions. Specifically, by directly evoking emotion states in the loyalty program messages, we found that pride and happiness (vs. neutral) can increase the effectiveness of a frequency reward program, however only pride (vs. happiness and neutral) can increase the effectiveness of a customer tier program. Moreover, the moderated mediation analyses demonstrated that the intensity of positive affect mediated pride and happiness (vs. neutral) effects on repurchase intentions in the frequency reward program condition. In contrast, the effects of pride (vs. happiness and neutral) on repurchase intentions in the customer tier program condition are explained by signaling motives.

## 6. Study 4

Study 4 sought to extend Studies 1–3 in two meaningful ways. First, we tested our predictions in a real-world context. Hence, we collaborated with Griya Yunika, a boutique hotel in Yogyakarta, Indonesia to collect data from their customers via an online survey. Second, we examined both authentic and hubristic pride. As discussed, because both types of pride increase signaling motives (Huang et al., 2014; Williams et al., 2018), we predicted that their effects on different loyalty programs would be similar. However, prior research further suggests that hubristic (but not authentic) pride is associated with customers' feelings of entitlement (Ho et al., 2016). Hence, we expected that while both authentic and hubristic pride may be beneficial in leveraging loyalty programs, hubristic pride may also have unintended negative consequences.

### 6.1. Methods

#### 6.1.1. Participants

Two hundred and seventy-five participants (50% male,  $M_{age} = 33.33$ ,  $SD = 7.90$ ) were recruited to complete an online survey. We provided an online link to a representative of the hotel. They then collected data from customers during the check-in/out process and also sent out emails with the link to their customers. The data were collected over a two-week period in September 2018. Study 4 employed a 4 (emotion tagline: authentic pride, hubristic pride, happiness, no-tagline)  $\times$  2 (loyalty program: frequency reward program, customer tier program) between-subjects design.

#### 6.1.2. Procedure

Study 4 used similar procedures and materials to Study 3 with the following exceptions. First, we included hubristic pride (Huang et al., 2014) in addition to authentic pride. Specifically, in the hubristic pride condition, the tagline was: “Be proud of who you are and enjoy your reward”. Second, we measured participants' feelings of entitlement using three items on a 9-point scale (1 = not at all, 9 = extremely).

Adapted from Wetzel, Hammerschmidt, and Zablah (2014), the items were: “I deserve to be a priority in this hotel”; “I am entitled to be a priority in this hotel”; and “I am worthy to be a priority in this hotel” ( $\alpha = 0.97$ ). Third, we had two dependent variables for this study. Participants were told that the hotel was planning a new loyalty program (Kopalle et al., 2012). They then indicated whether they would join this program (1 = yes, 0 = no) and their likelihood of coming back to the hotel, given the loyalty program, on a 7-point scale (1 = not likely at all, 7 = very likely).

## 6.2. Results

### 6.2.1. Emotion manipulation checks

A two-way ANOVA was conducted with emotion, loyalty program, and their interaction as independent variables, and self-reported emotion factors as dependent variables. As expected, only main effects of emotion were significant for self-reported happiness ( $F(3, 267) = 3.51$ ,  $p < .05$ ) and pride ( $F(3, 267) = 8.82$ ,  $p < .001$ ); there were non-significant effects for other filler items. Specifically, participants in the authentic pride tagline condition ( $M = 5.82$ ) reported higher levels of pride factor as compared to those in the happiness tagline ( $M = 4.95$ ,  $t(267) = 2.51$ ,  $p < .05$ ) and no tagline conditions ( $M = 4.61$ ,  $t(267) = 3.57$ ,  $p < .001$ ). Participants in the hubristic pride tagline condition ( $M = 6.09$ ) reported higher levels of pride factor as compared to those in the happiness tagline ( $M = 4.95$ ,  $t(267) = 3.38$ ,  $p < .001$ ) and no tagline conditions ( $M = 4.61$ ,  $t(267) = 4.48$ ,  $p < .001$ ). In contrast, participants in the happiness tagline condition ( $M = 6.15$ ) reported higher levels of happiness factor as compared to those in the authentic pride tagline ( $M = 5.41$ ,  $t(267) = 2.11$ ,  $p < .05$ ), hubristic pride tagline ( $M = 5.39$ ,  $t(267) = 2.24$ ,  $p < .05$ ), and no tagline conditions ( $M = 5.06$ ,  $t(267) = 3.15$ ,  $p < .01$ ).

### 6.2.2. Choice to join

We conducted a logistic regression analysis with emotion, loyalty program, and their interaction as independent variables, and consumer choice to join the program (1 = yes, 0 = no) as the dependent variable. The results revealed a significant main effect of emotion (Wald = 19.02,  $p < .001$ ). However, as expected, this was qualified by a significant interaction effect (Wald = 8.07,  $p < .05$ ). Follow-up tests showed that in the frequency reward program condition, as compared to the no tagline condition, participants in the happiness ( $B = 1.47$ ,  $p < .01$ ), authentic pride ( $B = 1.69$ ,  $p < .01$ ), and hubristic pride ( $B = 1.28$ ,  $p < .05$ ) conditions were more likely to join the program. In contrast, in the customer tier program condition, as compared to participants in the no tagline condition, only participants in the authentic pride ( $B = 1.22$ ,  $p < .05$ ) and hubristic pride ( $B = 1.28$ ,  $p < .05$ ) conditions were more likely to join the program (Fig. 4).

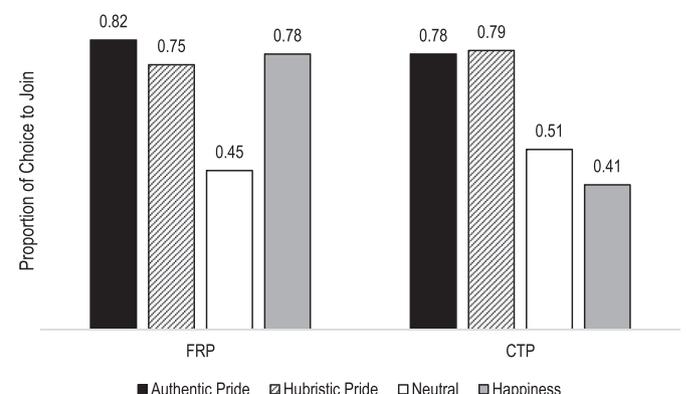


Fig. 4. Study 4: proportion of participants choosing to join by emotion and loyalty program conditions.

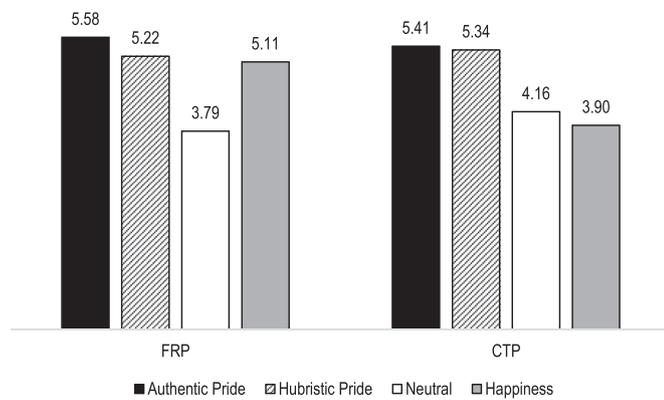


Fig. 5. Study 4: repurchase intentions by emotion and loyalty program conditions.

### 6.2.3. Repurchase intentions

A two-way ANOVA was conducted with emotion, loyalty program, and their interaction as independent variables, and repurchase intentions as the dependent variable. We found a significant main effect of emotion ( $F(3, 267) = 11.67, p < .001$ ). However, this effect was qualified by a significant interaction effect ( $F(3, 267) = 2.80, p < .05$ ). Specifically, in the frequency reward program condition, participants in the authentic pride ( $M = 5.58, t(267) = 4.28, p < .001$ ), hubristic pride ( $M = 5.22, t(267) = 3.50, p < .001$ ) and happiness conditions ( $M = 5.11, t(267) = 3.24, p < .001$ ) showed higher repurchase intentions than those in the no tagline condition ( $M = 3.79$ ). On the other hand, in the customer tier program condition, participants in the authentic pride condition ( $M = 5.41$ ) showed higher repurchase intentions than those in the happiness ( $M = 3.90, t(267) = 3.46, p < .001$ ) and no tagline conditions ( $M = 4.16, t(267) = 3.02, p < .01$ ). Similarly, in the customer tier program condition, participants in the hubristic pride condition ( $M = 5.34$ ) showed higher repurchase intentions than those in the happiness ( $M = 3.90, t(267) = 3.44, p < .001$ ) and no tagline conditions ( $M = 4.16, t(267) = 3.00, p < .01$ ) (Fig. 5). These findings provide evidence for [Hypotheses 1a](#) and [2a](#).

### 6.2.4. Underlying mechanisms of emotion effects

The results show that participants in the authentic pride ( $M = 6.88, t(267) = 4.69, p < .001$ ), hubristic pride ( $M = 6.89, t(267) = 4.85, p < .001$ ), and happiness tagline conditions ( $M = 6.49, t(267) = 3.41, p < .001$ ) reported higher levels of intensity for positive affect, as compared to those in the no tagline condition ( $M = 5.44$ ). Furthermore, we found that participants in the authentic pride condition ( $M = 4.90$ ) reported higher levels of signaling motives as compared to those in the happiness tagline ( $M = 4.14, t(267) = 2.00, p < .05$ ) and no tagline conditions ( $M = 3.72, t(267) = 3.17, p < .01$ ). We also found that participants in the hubristic pride condition ( $M = 5.32$ ) reported higher levels of signaling motives as compared to those in the happiness tagline ( $M = 4.14, t(267) = 3.23, p < .001$ ) and no tagline conditions ( $M = 3.72, t(267) = 4.46, p < .01$ ).

To test the underlying mechanism of happiness effects ([H2a](#), [H2b](#)), we conducted a moderated mediation analysis using PROCESS Model 15 with 5000 resamples (Hayes, 2017). We examined the indirect effects of the happiness versus neutral condition on repurchase intentions via the intensity of positive affect, and moderated by loyalty program. The results revealed only a significant indirect effect of happiness (vs. neutral) via the intensity of positive affect in the frequency reward program condition, with  $B = 0.3137, SE = 0.1273$ , and 95% CI excluding zero (0.0929 to 0.5832).

To test the underlying mechanisms of authentic and hubristic pride effects, we ran similar moderated mediation analyses using PROCESS Model 15 for both authentic and hubristic pride. First of all, we examined the indirect effects of authentic pride versus the neutral

condition. We found that the indirect effect via positive affect was significant in the frequency reward program condition ( $B = 0.4325, SE = 0.1540, 95\% CI: 0.1562$  to  $0.7564$ ). The indirect effect of hubristic pride versus the neutral condition was also significant in the frequency reward program condition ( $B = 0.4324, SE = 0.1498, 95\% CI: 0.1595$  to  $0.7339$ ). We then ran moderated mediation analyses via signaling motives. The indirect effect of authentic pride versus the neutral condition was significant in the customer tier program condition ( $B = 0.2151, SE = 0.1040, 95\% CI: 0.0533$  to  $0.4601$ ). Further, the indirect effect of hubristic pride versus the neutral condition was significant in the customer tier program condition ( $B = 0.2926, SE = 0.1259, 95\% CI: 0.0917$  to  $0.5790$ ). These findings support [Hypotheses 1b](#) and [2b](#).

### 6.2.5. Feelings of entitlement

A two-way ANOVA was conducted with emotion, loyalty program, and their interaction as independent variables, and feelings of entitlement as a dependent variable. The results revealed only a significant main effect of emotion ( $F(3, 267) = 10.47, p < .001$ ). Specifically, participants in the hubristic pride condition ( $M = 5.97$ ) reported higher levels of entitlement as compared to those in the authentic pride ( $M = 4.50, t(267) = 4.01, p < .001$ ), happiness ( $M = 4.29, t(267) = 4.59, p < .001$ ) and no tagline conditions ( $M = 4.24, t(267) = 4.81, p < .001$ ).

### 6.3. Discussion

Study 4 provided strong support for our predictions in a real-world context. In particular, we found that authentic pride, hubristic pride, and happiness (vs. neutral) can increase the effectiveness of a frequency reward program. However, only authentic and hubristic pride (vs. happiness and neutral) increase the effectiveness of a customer tier program. Moderated mediation analyses also demonstrated that the intensity of positive affect mediates pride and happiness (vs. neutral) effects on repurchase intentions in the frequency reward program condition. In contrast, the effects of pride (vs. happiness and neutral) on repurchase intentions in the customer tier program condition are explained by signaling motives. Moreover, we also found evidence that hubristic (vs. authentic) pride may have unintended negative effects because it increases feelings of entitlement.

## 7. General discussion

Across four studies, the current research tested the differential influence of distinct positive emotions – happiness and pride – on the effectiveness of frequency reward and customer tier programs. Study 1 provided initial evidence using dispositional emotions to demonstrate that increasing dispositional pride and happiness are associated with increasing repurchase intentions when a frequency reward program is promoted. However, only increasing dispositional pride (but not happiness) is associated with increasing repurchase intentions when a customer tier program is promoted. Study 2 tested our predictions using incidental emotions and found that pride and happiness (vs. neutral) similarly increase repurchase intentions in the frequency reward program condition. On the other hand, pride (vs. happiness and neutral) increases repurchase intentions in the customer tier program condition.

Study 3 replicated Study 2 using a more realistic emotion induction method (taglines). Finally, Study 4 tested our predictions in a real-world context with customers of a boutique hotel in Yogyakarta, Indonesia to show that while authentic and hubristic pride have similar effects, hubristic (but not authentic) pride also leads to unintended negative consequences (i.e., an increased sense of entitlement). Importantly, Studies 2–4 also provided evidence on the underlying mechanisms driving the emotion effects. Specifically, emotion effects on repurchase intentions in the frequency reward program condition are mediated by the intensity of positive affect. In contrast, signaling

motives mediate pride effects on repurchase intentions in the customer tier program condition. Overall, these findings demonstrate strong evidence for our predictions across different contexts.

### 7.1. Theoretical contributions

The findings of the current research provide several theoretical contributions. First, research on positive emotions has traditionally considered these emotions to be relatively undifferentiated (Ekman, 1993; Smith & Ellsworth, 1985). However, an emerging body of research suggests that discrete positive emotions serve distinct purposes and thus influence the consumer judgment process in different ways (Cavanaugh et al., 2015; Griskevicius et al., 2010). Addressing a recent call for research (So et al., 2015), this study contributes to the literature on positive emotions by *systematically* examining the conditions under which discrete positive emotions – happiness and pride – can lead to similar versus distinct influence on consumer decision making. Specifically, our research identifies that pride and happiness can lead to similar influence (i.e., increase the effectiveness of frequency reward programs); however, the influence of pride, as compared to happiness, is divergent (i.e., pride, but not happiness, enhances the effectiveness of a customer tier program). Importantly, we tested the robustness of our findings by examining the effects of dispositional, incidental, and integral emotions on the effectiveness of loyalty programs for increasing repurchase intentions.

Second, this research contributes to the literature on loyalty programs by identifying strategy for leveraging the effectiveness of frequency reward and customer tier programs. As pointed out by Breugelmans et al. (2015), little research has investigated the conditions under which different structures of loyalty program can be effective for promoting repurchase intentions. This is because prior research has typically focused on understanding different components of one type of loyalty program that can be modified to enhance the effectiveness of such a program (Breugelmans et al., 2015; Eggert et al., 2015; Wirtz et al., 2007). The current research adopted a novel perspective by capitalizing the potential of emotions in amplifying the effectiveness of frequency reward and customer tier programs in promoting repurchase intentions.

Third, this research establishes the underlying mechanisms driving emotion effects. Building on the functionalist framework of emotion (Griskevicius et al., 2010), we found that emotion effects on frequency reward program are explained by the intensity of positive emotion. That is, increasing pleasantness of an emotion leads to increased repurchase intentions. However, the influence of pride on a customer tier program is mediated by signaling motives because customer tier programs provide consumers with an opportunity to signal their status, which is consistent with the function of pride. This is interesting because the findings indicate how pride can lead to positive effects on frequency reward and customer tier programs simultaneously via two distinct pathways; specifically, the intensity of positive affect and signaling motives, respectively.

However, our findings also suggest that not all types of pride are beneficial for marketers. In particular, while both authentic and hubristic pride can be useful in activating signaling status and increasing the effectiveness of customer tier programs, hubristic pride may lead to increased feelings of entitlement. This is consistent with prior research (Ho et al., 2016). Further, these feelings of entitlement make customers less profitable due to high service costs (Wetzel et al., 2014). Overall, these findings are consistent with prior literature suggesting that hubristic (vs. authentic) pride is associated with negative consequences of pride (Carver, Sinclair, & Johnson, 2010; Ho et al., 2016; Tracy et al., 2009; Tracy & Robins, 2007).

### 7.2. Managerial implications

Marketers have broadly evoked positive emotions in their

advertising (Septianto, 2016; Septianto & Pratiwi, 2016; Singh, 2000). The current research provides specific managerial guidelines for increasing the positive effects of loyalty programs on customers' repeat purchases by evoking discrete positive emotions.

First, marketers should employ a specific emotional appeal in their communication strategies, depending on the type of loyalty program they want to promote. For instance, the findings from Studies 3 and 4 (integral emotions) suggest that using a tagline such as “Be proud of what you can get and enjoy your reward!” can stimulate (authentic) pride and increase customers' signaling motives, which in turn increases their repeat purchase intentions. Moreover, the findings from Study 2 (incidental emotions) also indicate that such emotional appeals can be used in conjunction with different media or campaigns (e.g., Facebook page, website, check-in counter) and are not necessarily needed as part of the loyalty program campaigns.

Second, marketers can derive information regarding their customers' dispositional emotions and then promote the appropriate type of loyalty program. For instance, recent technologies enable marketers to use text analysis on customers' written and spoken communications on social media or to call centers to estimate customers' emotional characteristics. Such information can be used to identify customers who display strong pride and target them with a customer tier program. Alternatively, if marketers are implementing a frequency reward program, they can target customers who show either happiness or pride to increase the performance of the loyalty program.

### 7.3. Limitations and future research

This paper has several limitations that offer interesting directions for future research. First, this research examined two contexts in the service industry, namely an airline and a hotel. However, prior research suggests that such contexts are arguably more appropriate for customer tier programs than for frequency reward programs (Breugelmans et al., 2015). Accordingly, it would be interesting to explore different contexts (e.g., retailing) in which frequency reward programs are more commonly used to examine whether our findings can be replicated. Second, given that loyalty programs are developed to encourage repeat purchases, this is a dynamic process. It would thus be of interest to understand how customer tier and frequency reward programs influence customer behavior across different time contexts (e.g., at the time of joining vs. right before getting the rewards).

Third, this research used scenario-based stimuli among student samples in Malaysia and a general population in Indonesia. Because these countries have similar cultures, it would be valuable to undertake future research to replicate the findings using a behavioral measure in different cultures and countries. Fourth, the dependent variable of this research was the likelihood to repurchase, and not ‘actual’ repurchase rates. It is therefore important to conduct a field experiment and/or examine secondary data. Despite these limitations, this research contributes to the extant literature on emotion and loyalty programs and offers practical implications through identifying specific emotions that can increase the effectiveness of different loyalty programs.

## Appendix A

### A.1. FRP Studies 1 and 2

Earning Points: One mile flown 1 = one “base mile,” bonus miles depending on class of ticket purchased

Cash-in Rewards: Free trip, seat upgrade; points required depends on destination

### A.2. CTP Studies 1 and 2

Customer Tiers: Silver, Gold, Platinum, Diamond

Tier Eligibility:

Silver: 25 K miles  
 Gold: 50 K miles  
 Platinum: 75 K miles  
 Diamond: 125 K miles  
 Note: Miles calculated starting January 1 of each year  
 Tier Benefits:  
 Silver: Priority phone line, priority boarding  
 Gold: Higher priority phone line, priority boarding  
 Platinum: Highest priority phone line, priority boarding  
 Diamond: VIP phone line, priority boarding, club membership

### A.3. FRP Studies 3 and 4

Earning Points: Two “Reward Points” for every dollar spent at the hotel

Cash-in Rewards: Free night stay, free merchandise from hotel “partners,” gift card for a clothing and accessories retailer

### A.4. CTP Studies 3 and 4

Customer Tiers: Preferred, Gold-Preferred, Platinum-Preferred  
 Tier Eligibility:  
 Preferred: automatic  
 Gold-Preferred: 10 stays (25 nights) in a calendar year  
 Platinum-Preferred: 25 stays (40 nights) in a calendar year  
 Tier Benefits:  
 Gold-Preferred: Late check-in, bonus points, best rate guarantee  
 Platinum-Preferred: Gold-Preferred benefits + arrival amenity, best room guarantee, free internet

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