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Mark Wendlandt, Ulf Schrader,

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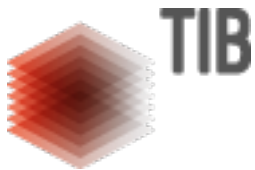
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Consumer reactance against loyalty programs

Mark Wendlandt and Ulf Schrader

Department of Marketing and Consumer Research, University of Hannover, Hannover, Germany

Abstract

Purpose – Although relationship marketing has developed into the prevailing marketing paradigm, it frequently encounters resistance from the demand side. Both management practitioners and academics indicate that at least some consumers show reactance against loyalty programs, i.e. against tactical instruments of relationship marketing. Nevertheless, relationship marketing has widely neglected reactance theory. This paper attempts to close this gap.

Design/methodology/approach – Based on the fundamental principles of loyalty programs and reactance theory the paper presents a set of hypotheses on the determinants and effects of situational consumer reactance against loyalty programs. It tests these hypotheses on the basis of 388 face-to-face interviews with bookstore customers. These interviews include a between-subject manipulation on the reactance effect of economic, social-psychological, and contractual bonding potentials. To test the proposed hypotheses, the paper applies structural equation modeling with PLS.

Findings – As expected, contractual bonds provoked reactance effects, while social-psychological bonds neither increased reactance, nor the perceived utility of the program. Economic bonds raised perceived utility up to a certain threshold level, from which the reactance effect dominated thereafter.

Practical implications – As a consequence, a cautious and limited application of customer loyalty programs is advisable. The developed consumer reactance scale can help managers to evaluate the effects of planned or implemented customer retention measures.

Originality/value – This is the first attempt to investigate situational reactance in a loyalty program setting.

Keywords Relationship marketing, Loyalty schemes

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

Relationship marketing has become one of the most prominent and prosperous branches of marketing theory in recent times, as well as one of the most important management issues for the business community (e.g. Sheth, 2002; Hennig-Thurau and Hansen, 2000; Morgan and Hunt, 1994; Palmer, 1996). This development is mostly due to declining growth in industrialized countries. Marketers nowadays have to care increasingly about retaining customers instead of conquering new market segments. Therefore, achieving high customer loyalty is generally seen as the most important goal of relationship marketing (e.g. Diller, 2000). Originally stemming from the services and the business-to-business sector, relational concepts are now established in consumer markets as well. Despite this success story, it has become clear that relationship marketing has its limits or its “dark side” (Grayson and Ambler, 1999). With the broad diffusion of tactical instruments of relationship marketing, such as frequency programs or customer cards, these practices are being assessed more critically (Kavali *et al.*, 1999; Capizzi and Ferguson, 2005; Yau *et al.*, 2000). Besides the refusal of being tied to one company, issues like privacy and discrimination seem to raise consumers’ concerns (Evans, 1999; Hansen, 2000). In this sense, relationship-marketing measures might

not only exhibit low effectiveness, but in some cases even evoke the opposite of the intended objectives.

While these problems have been discussed in theory, empirical findings are still limited. Anecdotal evidence suggests widespread negative reactions of consumers (Fournier *et al.*, 1998). This finding was supported by further qualitative research (O’Malley and Prothero, 2004; Boulaire, 2003). Meanwhile, quantitative studies are scarce. Stauss *et al.* (2005), for example, conducted interviews with the participants of a railway bonus system and found different forms of and reasons for frustration. Rather indirect evidence is the limited success of customer retention programs indicated by some studies (Bellizzi and Bristol, 2004; McIlroy and Barnett, 2000; Moore and Sekhon, 2005). All in all, the gravity of the problem for suppliers is difficult to estimate.

To contribute to the understanding of possible negative consequences of relationship marketing, we investigate the perceived threat to consumers’ autonomy caused by retention programs. This effect of intense bonding efforts can be described as the arousal of psychological reactance, a social sciences construct mentioned on various occasions in the field of relationship marketing without deeper analysis of reactance theory (Hansen, 2000; Sheth and Parvatiyar, 1995). In our opinion, consumer reactance offers a promising explanation for the opposing behavior in this domain. Hence, based on the fundamentals of tactical relationship marketing and reactance theory, a model that describes the determinants and effects of consumer reactance against loyalty programs is developed and empirically tested.

Theoretical background

Loyalty programs as tactical instruments of relationship marketing

When it comes to managing customer retention, a multitude of instruments exists. Many of these instruments represent

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already established methods that are now used under the relational paradigm, e.g. mailings and customer magazines. Different classifications of relationship marketing instruments and approaches have been proposed in the literature (e.g. Diller, 2000; Hennig-Thurau *et al.*, 2000; Odekerken-Schröder *et al.*, 2003). Berry distinguishes amongst financial, social and structural bonds (Berry, 1995). While financial and social benefits are regularly utilized in consumer markets, structural bonds are much more difficult to establish. Instead, some companies use legal bonds to restrain customers from switching. These three basic approaches can also be incorporated in loyalty programs. As increased retention is intended by companies through these measures but does not necessarily occur, we prefer to speak of bonding potentials. Hence, the following bonding potentials seem relevant for our study:

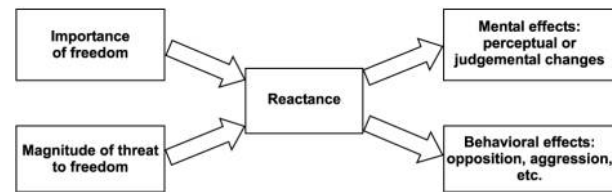
- Economic bonding potentials refer to the core benefit and the related exchange processes. The economic bond can be due to a higher net benefit, lower costs or higher switching barriers. In the context of loyalty programs, financial rewards (e.g. bonus points) play an important role, while a higher quality of the core product or service is usually not relevant.
- Socio-psychological bonding potentials are especially distinctive for services where good personal relationships between employees and customers hinder the latter to switch. Additionally, special events and individualized treatment of “good” customers can be summarized under this point.
- Contractual bonding potentials apply to consumers’ liabilities, such as fixed subscription periods or minimum purchases.

From this perspective, we interpret loyalty programs as combinations of bonding potentials. A customer club that offers personal contact to other members and a price discount represents a mixture of socio-psychological and economic bonds. If these advantages are only accessible to subscribers, a contractual bonding potential is added. The same logic applies to customer cards that typically show a higher proportion of economic and less socio-psychological bonding potentials. These programs are tactical in the sense that they do not create lasting and inimitable strategic switching barriers. Nevertheless, they are supposed to increase customer retention to some degree and constitute the reality of loyalty management in consumer markets today.

Reactance theory as an analytical framework

The “theory of psychological reactance” was introduced by Brehm in 1966. According to Brehm, an individual experiences reactance when his/her behavioral freedom is eliminated or threatened. The magnitude of the reactance is determined by the importance of the influenced behavior(s) for the individual and the magnitude of the exertion of influence, i.e. the amount of freedom eliminated or threatened (Brehm, 1966). Brehm postulated various effects of reactance that he later classified into two categories (Brehm, 1972): mental effects, which consist of perceptual or judgmental changes, and behavioral effects that are observable by others (Figure 1). The first encompasses, for example, a stronger preference towards a restricted alternative; the latter includes open protest or aggression. As the theory deals with opposing behavior, consequences of

Figure 1 Fundamental predictions of reactance theory



Source: Adapted from Brehm (1966, 1972)

reactance have been also referred to as “boomerang effects” (Clee and Wicklund, 1980).

The strength and at the same time the weakness of the theory is its wide applicability. Accordingly, a variety of situations can be explained with reactance effects, like ineffective persuasion attempts (Brehm and Sensenig, 1966), psychological reactions to physical barriers (Brehm and Weintraub, 1977) or desiring the unattainable (Wright *et al.*, 1992). However, the definitions of reactance, its determinants and effects are quite general (Wiswede, 1979). Brehm (1966) himself admitted that in certain situations reactance will not occur, e.g. when the limitation of freedom is socially justified or legitimate. Furthermore, it has to be kept in mind that reactance is only one type of reaction that is usually confounded by other motives of the individual.

In the context of consumer marketing, different applications of reactance theory exist (Clee and Wicklund, 1980). The most important research topic has been reactance against promotional influence. This was addressed in experiments concerning personal selling (Brehm, 1966; Wicklund *et al.*, 1970) and later, for example, in the domain of online promotion (Edwards *et al.*, 2002). Especially the early studies about “hard-selling” represent the classical framework in which reactance effects were successfully demonstrated: participants who were confronted with a lot of pressure to choose a certain product from an assortment showed a less favorable attitude towards the promoted object as compared to participants approached with less pressure and the percentage of buyers decreased. In an experiment at the point of sale, strong financial incentives as well as verbal requests led to the expected reactance effect (Brehm, 1966). However, in most of the experiments the high-pressure condition still produced a greater readiness to buy than the no pressure condition. In all of these studies no direct measure of reactance was used; only the effects of reactance (buying behavior or attitude changes) were measured.

A second and younger body of reactance research assumes a stable disposition towards reactance, called “trait reactance”. Starting with Merz (1983), different authors developed and tested measurement scales for reactance as a personality trait (Herzberg, 2002; Hong and Faedda, 1996; Donnell *et al.*, 2001). Others addressed the question of the demographic and psychological correlates of this construct (Buboltz *et al.*, 2003; Dowd *et al.*, 1994; Hellman and McMillin, 1997). The results show declining reactance levels with age and that reactant individuals are less interested in making a good impression, less tolerant, more dominant and more self-confident. However, studies that link trait reactance to situational reactance (also called “state reactance”) are only very recent (Dillard and Shen, 2005; Silvia, 2006, both in the field of persuasive communication) and show mixed results in

producing the predicted effects. Even though the idea of trait reactance also seems interesting in the consumer context (e.g. for segmentation purposes), marketing research has not drawn upon this idea yet, except for one study by Kivetz (2005) that will be discussed in the next section.

Conceptual framework

General reflection

Based upon the present understanding of reactance and loyalty programs, hypotheses of the determinants and effects of consumer reactance in this specific domain will be proposed and tested. Even though many authors have investigated the success of loyalty programs (e.g. Bolton *et al.*, 2000; De Wulf *et al.*, 2003; Palmer *et al.*, 2000; Yi and Jeon, 2003), the only work in this area explicitly considering reactance was conducted by Kivetz (2005). He confirmed that individuals with higher trait reactance show a higher tendency to choose rewards that are congruent with their efforts (e.g. choosing a gasoline coupon instead of a grocery coupon as a reward for ten purchases of gasoline), because congruent rewards reduce the feeling that one's buying behavior is controlled by external influences. Even though Kivetz focuses on trait reactance, he states that loyalty programs are linked to consumers' (situational) reactance, because they "seek to influence ongoing behavior" (Kivetz, 2005, p. 726). Following Brehm, the behavioral freedom threatened by loyalty programs is the autonomous choice of a supplier, as such programs aim at increasing customer retention and preventing switching. Given that these programs can also aim at enlarging transaction volume with existing customers, they additionally try to influence customer spending.

Determinants of reactance formation

The external incident which triggers consumers' reactance against loyalty programs is the program itself. In our understanding, this is composed of economic, socio-psychological, and contractual bonding potentials. Contractual bonds are evidently the most direct way of restraining switching. Bendapudi and Berry (1997) distinguish between constraint based and dedication based relationship maintenance, with the first leading to less favorable outcomes in consumer behavior. In this sense, constraint based measures like contractual bonds presumably have the particular risk of inducing reactance. As the "classical" reactance experiments and Kivetz (2005) reveal, economic benefits in the form of financial incentives can also lead to reactance, though they do not restrict customers to the same degree. Financial rewards that have to be accumulated over a longer period of time (like bonus points) can especially serve as a switching barrier and therefore contain a restricting element (Gustafsson *et al.*, 2004). Similarly, the employment of socio-psychological elements may be capable of arousing reactance in certain situations, if customers perceive them as manipulative and anticipate the company's economic intentions behind them (Hansen, 2000). Therefore, we state the following hypotheses:

H1a. The use of contractual bonding potentials increases consumer reactance against the loyalty program.

H1b. The use of economic bonding potentials increases consumer reactance against the loyalty program.

H1c. The use of socio-psychological bonding potentials increases consumer reactance against the loyalty program.

As mentioned before, the restoration of freedom is, of course, not the only motive of consumers. Loyalty programs incorporate elements that have a certain utility for participants, as it is their primary function to encourage patronage and cause compliance. While other authors elaborated on different relational benefits (Hennig-Thurau *et al.*, 2000), we state an aggregate judgment of utility that is generated by the bonding potentials, similar to Yi and Jeon (2003). Economic and socio-psychological bonding potentials can enhance consumers' utility, as they offer cash value and some kind of community. Contractual bonding potentials by contrast are very unlikely to be of utility for the customer, because they usually only have a restricting function:

H2a. The use of economic bonding potentials increases the perceived utility of the loyalty program.

H2b. The use of socio-psychological bonding potentials increases the perceived utility of the program.

Wiswede (1979) stated that reactance is reduced when the individual expects some rewards from the restricted freedom. In this sense, reactance and perceived utility should be considered as antagonists and reactance would be lowered by the perceived utility of the program. Gniech and Dickenberger (1992) express a similar idea in their "conflict model" of reactance, in which the individual's compliance motivation and reactance motivation exist, and in which utility increases the motivation to comply. The existence of these two countervailing forces is also considered in the domain of persuasive communication (Mann and Hill, 1984):

H3. The higher the perceived utility, the lower the reactance against the loyalty program.

Apart from the design of the loyalty program itself, the consumers' characteristics also influence his or her disposition towards reactance. The personal determinant of reactance according to Brehm is the importance of the behavioral freedom that is threatened for the individual, meaning here the importance of preserving autonomous buying behavior in the affected product category. Brehm (1966, p. 4) speaks of the "unique instrumental value" of certain behaviors for the individual. This value can be relatively low if consumers perceive, e.g. alternatives in a certain product category as homogeneous or a certain choice situation as less relevant for the fulfillment of personal needs. For other consumers, buying behavior in the same product category can be an important issue. It follows that:

H4. The greater the importance of autonomous buying behavior in the relevant product category, the higher the reactance against the loyalty program.

Whereas the importance of autonomous buying behavior is specific to a product category or situation, some authors state the existence of a general predisposition towards reactance in all situations. This concept of trait reactance was already presented in detail in the theoretical section; the relationship to situational reactance is implied by definition. We accordingly assume:

H5. The higher the trait reactance, the higher the reactance against the loyalty program.

Effects of reactance

While reactance theory predicts various effects of reactance, these effects have to be specified for the present framework. The most straightforward consequence of reactance against loyalty programs would be the consumer's refusal to participate, as participation in such programs is always voluntary. This would also be the most immediate way to the "direct restoration of freedom" that reactant individuals are motivated to achieve (Brehm and Brehm, 1981, p. 98):

H6. The higher the reactance against the loyalty program, the lower the willingness to participate in the loyalty program.

Another important facet of consumer behavior is the word-of-mouth communication that gained special attention in relationship marketing. Stahl (2004) explicitly mentions negative word-of-mouth as a possible consequence of reactance against retention measures. Like buying behavior, communication activities are examples of behavioral effects in Brehm's framework of fundamental predictions of reactance theory (see Figure 1):

H7. The higher the reactance against the loyalty program, the higher the readiness to engage in negative word-of-mouth about the program.

Finally, apart from the effects referring to the loyalty program itself, further behavioral intentions towards the company might shift as well due to the aroused reactance, similar to a halo effect (see Wu and Petroschius, 1987). Concerning the relevant marketing objectives, intended repurchase behavior is of key interest for companies. To express his/her independence, the consumer might therefore exhibit a lower tendency towards this patronage behavior:

H8. The higher the reactance against the loyalty program, the lower the repurchase intention towards the company.

In summary, the presented hypotheses build a conceptual model of the reactance formation and effects in the domain of loyalty programs (see Figure 2).

Method

Procedure and participants

To test the conceptual model on empirical data, a study with bookstore customers in the region of Hanover (Germany) was

conducted. The book retail industry was selected because most people occasionally buy books; it is not a product specific to gender or age, and loyalty programs are used in this sector, but are not widespread yet so that the reaction to a fictitious program is mostly unaffected by membership in real life.

The presentation of a customer card was integrated during a standardized face-to-face-interview. The interviews were conducted by Master's level marketing students. A total of 388 interviews were conducted during December 2004 and January 2005, taking 23 minutes on average. Rough target quotas per interviewer were provided so that all demographic groups were included. After the deletion of missing cases, 319 observations remained. The final sample consisted of 164 females and 155 males. The average age of respondents was 36.04 years with a standard deviation of 15.29.

Experimental manipulation

To be able to vary the attributes of the program named as "book card", an experimental design was developed. A written scenario describing the card was manipulated according to the three bonding potentials. Thereby these attributes were illustrated with typical examples, namely:

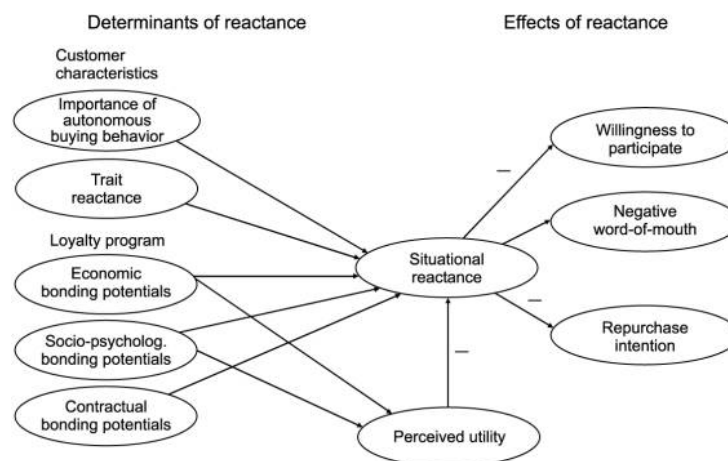
- 1 *Economic bonding potential.* Bonus points are offered for each sale in the level of 10, 20, 30 or 40 percent of the sales value, or no bonus points are offered at all[1].
- 2 *Contractual bonding potential.* There is or there is no contractual obligation to buy at least one book each six months.
- 3 *Socio-psychological bonding potential.* There is or there is no invitation to customer events (festivity on New Year's Day, exclusive readings) and announcement of a "little birthday surprise".

In this manner, $5 \times 2 \times 2 = 20$ different descriptions of the loyalty program existed. Using a between-subject design, each subject was randomly assigned to only one version of the program. The experimental conditions were equally distributed across the interviewers and the cells of the design were approximately equally occupied.

Operationalization of constructs

For the variables included in the conceptual model, appropriate measuring scales had to be adopted or, if no

Figure 2 Conceptual model of reactance against loyalty programs



suitable scales existed, constructed. All variables except behavioral intentions were quantified by multi-item scales, as superior measuring properties can be expected (e.g. Churchill, 1979). For the construction of new scales, items were derived from qualitative consumer interviews conducted by the authors and from creative group work with marketing students. A pretest with 45 participants was carried out to detect unsuitable items and comprehension problems. For the sake of consistency, agreement scales with five categories were used throughout the questionnaire from 1 = “totally applies” to 5 = “does not apply at all”.

As mentioned in section 2.2, nearly all previous studies measured situational reactance indirectly by its effects[2]. Treating reactance as a regular, measurable latent construct in turn offers richer opportunities of analysis and separates the underlying motivation from its consequences. The disadvantage is meanwhile the danger of pushing respondents to experience reactance and therefore creating an artifact. This was tried to be avoided by “hiding” the negative reactance-items behind the positive utility-items and keeping the respondents unclear about the central assumptions of the study. The newly developed scale to measure situational reactance against loyalty programs consists of seven items. Statements emphasize the negative appraisal of when one’s buying behavior is influenced by the program, e.g. “the card restricts my flexibility when buying books” or “I perceive the card as having an unpleasant influence” (see Appendix 1 for other items).

A comparable methodical challenge applies to the measurement of the importance of autonomous buying behavior. In classical reactance studies, the importance of behavioral freedom is either manipulated in an experiment or not accounted for at all. As we suppose this variable is consumer-sided and cannot be influenced by companies, measuring it as a consumer characteristic seems reasonable. Consequently, four items express the importance of autonomous buying behavior for the respondent in the domain of bookstores, e.g. “it is important for me to have free choice among several bookstores”.

The perceived value of loyalty programs was recently studied by Yi and Jeon (2003), whose conceptualization accentuates the economic valuation. As the perceived utility in our study represents a more general impression, we used a wider set of six items, e.g. “the present card offers attractive advantages” or “the card represents a clear benefit for me”.

Apart from the situation-specific importance of autonomous behavior, the global importance of autonomy for the consumer is captured by trait reactance. For that purpose, Merz’s original scale modified by Herzberg (2002) consisting of 12 items was adopted.

The three behavioral intentions that are effects of reactance (i.e. willingness to participate in the loyalty program, negative word-of-mouth, and repurchase intention) were measured with single-items (see appendix 1 for the wording).

Analysis approach

The proposed model (see Figure 2) was estimated by structural equation modeling, with the experimental variables (the bonding potentials) as exogenous variables without measurement error[3]. According to the recommended two-step approach (Anderson and Gerbing, 1988), the measurement properties were first assessed with explorative and confirmatory factor analysis as well as

Cronbach’s alpha using SPSS 12.0 and LISREL 8.7. As it yields advantageous statistical properties, maximum likelihood was used as the estimation method (Bollen, 1989). Since ordered categorical data is provided, polychoric matrices were calculated with PRELIS (Byrne, 1998, p. 166, see appendix 2). Then the structural model was evaluated with partial least squares analysis (PLS, see Chin, 1998), using the software SmartPLS. As a distribution-free method, PLS has fewer constraints and statistical specifications and therefore seems especially appropriate for experimental data containing dichotomous variables.

Results

Measurement assessment

The central and newly developed construct of our study, the situational reactance against the loyalty program, possesses very good statistical properties. The seven-item-scale shows unidimensionality[4] and reaches the required threshold levels (see Table I) for factor and composite reliability as well as for the average variance extracted (AVE). The same occurred for the importance of the autonomous buying behavior, except one of the four indicators had to be excluded. The perceived utility met the requirements for local performance indices after excluding two of the six items.

Despite Herzberg’s claim of unidimensionality (Herzberg, 2002), trait reactance displayed multidimensionality, when three factors were extracted. The literature reveals repeated dimensionality related problems with trait reactance scales (Donnell *et al.*, 2001; Shen and Dillard, 2005). Since this pattern could not be interpreted, only the items loading strongly on the first and most important factor were kept. This procedure may be criticized as inductive, meanwhile a comparison of the sum of the remaining items with the sum of all twelve items showed a high correlation of 0.858. Thus, we conclude that the refinement did not change the fundamental meaning of the construct trait reactance while securing its psychometric properties. One item that slightly missed the required indicator reliability of 0.4 (TRAIT7) was kept in the analysis.

As a result, all final constructs met or exceeded the suggested local performance indices. Table I shows the internal consistency of the constructs. Details concerning the indicators can be inspected in Appendix 1. All item loadings reveal significant t-values, suggesting convergent validity. Discriminant validity was checked according to Fornell and Larcker (1981) by comparing the squared correlations between all pairs of constructs with the AVE. None of the squared correlations exceeded the AVE of one of the constructs.

As Table II reveals, most global fit indices of the measurement model meet the threshold levels proposed in the literature[5]. However, goodness-of-fit index (GFI) and adjusted goodness-of-fit index (AGFI) are below the expected values. As the local fit indices are constantly high, this is presumably due to deviation from normal distribution. This assumption was confirmed by the inspection of histograms and uniformly significant Kolgorov-Smirnoff-tests for non-normality. Thus, the use of a distribution-free method like PLS for evaluating the structural model seems particularly appropriate.

Table I Internal consistency of constructs

Construct	Number of items	Average variance extracted (AVE)	Composite reliability	Cronbach's alpha
Situational reactance	7	0.70	0.94	0.92
Importance of autonomous buying behavior	3	0.59	0.81	0.75
Trait reactance	4	0.51	0.80	0.77
Perceived utility	4	0.77	0.86	0.90
Required		≥ 0.5	≥ 0.6	≥ 0.7

Note: Single items not reported

Table II Global fit indices for the measurement model

	RMR	RMSEA	GFI	AGFI	NFI	CFI
Measurement Model	0.05	0.079	0.86	0.80	0.94	0.95
Required	≤ 0.05	≤ 0.08/0.1	≥ 0.9	≥ 0.9	≥ 0.9	≥ 0.9

Note: Dotted lines indicate non-significant paths; $p < 0.05$ one sided test

Evaluation of structural model

While moving from measurement estimation to path estimation in PLS, all path loadings stay significant and in a comparable range. To obtain t -values, a bootstrapping procedure with 1,000 resamples was applied. Local fit indices indicate a good fit, average variance extracted is greater than 0.6 and composite reliability is greater than 0.85 for all constructs. Meanwhile, the reported path coefficients do not confirm some of the stated hypotheses (see Figure 3). Concerning the bonding potentials, reactance arousal was only supported for contractual bonds, while economic incentives increased perceived utility, but seemingly did not cause reactance. It stands out that the socio-psychological bonding potentials in our case neither caused reactance nor influenced the perceived utility of the loyalty program. Even though it has to be kept in mind that we only used two possible forms of these potentials (store event and birthday surprise), this result reinforces some doubts about the desirability of such benefits for consumers (see Boulaire, 2003). The trait reactance and the importance of the autonomous buying behavior revealed the predicted impact

on the situational reactance. Perceived utility had a very strong negative influence on reactance, indicating the opposing nature of the two constructs.

In summary, the influence of contractual bonding potentials and consumer characteristics on reactance was supported; whereas, economic bonding potentials demonstrated an effect only on perceived utility and socio-psychological bonding potentials revealed no clear-cut effects.

The relationships between reactance and its postulated behavioral effects exhibit significant t -values in the predicted direction. The two behavioral intentions aiming directly at the loyalty program show high path coefficients, while the effect on repurchase intention is less strong. As we limit ourselves to the isolated study of reactance, the explained variance of the repurchase intention is consequently low.

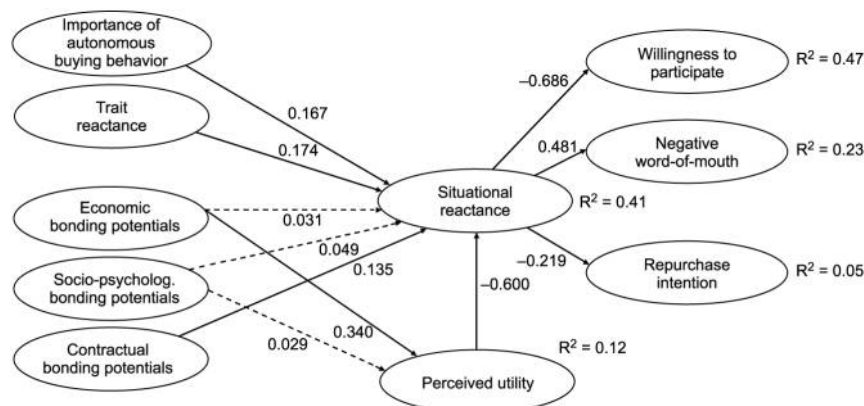
Discussion

Implications

A major contribution of this study is the development of a validated scale for measuring situational reactance against loyalty programs. This scale can also be easily adapted to other relationship marketing instruments. It provides both scientists and practitioners with a tool to further explore customer reactance against relational marketing measures.

In terms of the field of book retail, the results indicate that common loyalty programs like customer cards can arouse psychological reactance, especially if legal bonds are utilized. Hence, companies should use these elements with some caution and check the acceptance of the program before their implementation. Economic bonding potentials increased

Figure 3 Estimated paths for the structural model with PLS



Note: Dotted lines indicate nonsignificant paths; $p < 0.05$ one sided test

perceived utility, but did not lead to reactance in our study. As reactance effects might occur at certain threshold levels, we will check for nonlinear relationships between economic bonds and psychological outcomes (see below). Meanwhile, any influence of socio-psychological bonding potentials was not supported. Their use did not lead to reactance, but did not create an observable benefit either. However, even if the initial acceptance of relationship instruments is mainly determined by their hard benefits, soft factors might play a role later in the process when it comes to retaining consumers within the program.

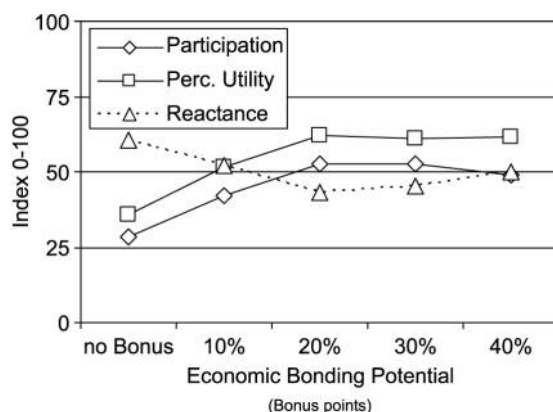
The level of reactance is further influenced by the disposition of customers towards reactance in general and the importance of autonomous buying behavior. This suggests that some customers can be convinced more easily than others to participate. However, the magnitude of these differences is estimated to be relatively low, since correlation with willingness to participate is -0.107 for trait reactance and -0.062 for importance. Thus, the practical use of these variables for customer segmentation remains doubtful.

The study has shown that reactance against loyalty programs can lead to a number of negative consequences from the company's perspective. It has the potential to reduce the willingness to participate in the program, to enhance negative word-of-mouth and even to decrease the repurchase intention.

Despite our implicit assumption about linear relations between the variables by using SEM methods, it seems probable that reactance effects occur at certain threshold points and are therefore nonlinear. As only the amount of economic bonding can be measured in a rather metric way (in percentages of offered rebate) and can consequently be checked for such a nonlinear threshold, we concentrate on the economic bonding potentials (see Figure 4) [6].

The depiction shows that bonus levels beyond 20 percent seem ineffective in our case, as perceived utility stays the same and reactance, after declining from the no-bonus condition to this point (caused indirectly by increasing utility), begins to rise again. Similarly, the willingness to participate falls slightly below the level of 50 index points. Even though this cannot be termed a "boomerang effect", as strong economic incentives still lead to a higher participation than in the no-bonus-condition (comparable to the classical reactance experiments), they cause declining utility and rising

Figure 4 Levels of situational reactance, perceived utility and willingness to participate depending on the offered bonus points



resistance. Hence, the insignificant path coefficient between economic bonds and reactance in the PLS model has to be put into perspective by this finding: very strong economic bonds can foster reactance and diminish the cooperativeness of consumers and therefore the chance to increase loyalty in the long run. Thus, it is in a company's self-interest to avoid exaggerated bonding attempts. Reactance proves to be a relevant problem for relationship marketing.

Limitations and further research

As presented, our model does not satisfy all performance indices generally indicated in quantitative research. Furthermore, the aim of our study is to discover reactance effects and not to fully explain participation in loyalty programs, so the explained variances of the behavioral constructs remain relatively low. Another shortcoming of the present empirical study is its limitation to the category of book retailing and to one region, which of course reduces generalizability. Hence, a validation of the developed reactance scale in other domains and countries would be desirable.

Additionally, it has to be noted that the respondents were consciously in a fictional scenario, leaving some final doubt as to whether they behaved naturally all along. Thus, future research should include field studies as well. Another interesting topic could be the characterization of the reactant customer. Therefore, other consumption-related behaviors like complaining or opinion leadership have to be taken into consideration. This could clarify the extent to which customers with high trait reactance are nevertheless a valuable segment. In general, both situational and trait reactance as the central constructs of reactance theory have the potential to cross-fertilize relationship marketing theory and practice.

Notes

- 1 Even though rebates and discounts in the German book retail industry are limited by law to two percent (at least for books liable to the German "book price fixing" law), higher levels were adopted to increase the relevance of the economic potential.
- 2 An exception is Dillard and Shen (2005), who measure situational reactance as composed of anger and the amount of negative thoughts after being exposed to health messages. The measurement of anger does not seem appropriate in a fictional scenario. Silvia (2006) measures situational reactance as lower message agreement.
- 3 The socio-psychological and contractual bonding potentials are modeled as dichotomous variables; the economic bonding potential are modeled as quasi-metric. Measurement invariance was addressed by comparing factor patterns of the final scales in exploratory factor analyses between the separate experimental conditions (principal component analysis, correlation matrix, Kaiser's criterion, varimax rotation). The average of the absolute differences of all items in all comparisons was 0.0639, suggesting similar indicator weights over different conditions and therefore configural invariance and factorial invariance.
- 4 Unidimensionality was tested with explorative factor analysis, using principal component analysis, the correlation matrix, Kaiser's criterion, and varimax

rotation. Unidimensionality was assumed when only one factor was extracted per scale.

- 5 Required thresholds levels were adopted from Bagozzi and Yi (1988) (AGFI, NFI), Jöreskog and Sörbom (1996) (GFI), Byrne (1998) (RMR), MacCallum *et al.* (1996) (RMSEA), Hair *et al.* (1998) (CFI) and Nunnally (1978) (Cronbachs alpha).
- 6 Levels were calculated in SPSS using the item loadings and transforming five-point-scales to indices from 0 to 100.

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Appendix 1

Table AI List of indicators

Construct	Item	Wording (translated)	Indicator reliability (R^2)	t-value
Situational reactance	REAC1	I reject the intrusion upon my freedom to decide as intended by the card	0.67	17.82
	REAC2	My independence is more valuable to me than the benefits of the card	0.77	19.64
	REAC3	I do not share in this kind of "loyalty mania"	0.76	19.44
	REAC4	The card restricts my flexibility too much	0.58	15.89
	REAC5	I would regret a stronger retention caused by the card	0.64	17.04
	REAC6	I do not want to be bound by this card	0.71	18.47
	REAC7	I perceive the card as having an unpleasant influence	0.76	19.52
Importance of autonomous buying behavior	IMP1	I do not like to be restricted to one bookstore	0.42	11.94
	IMP2	I prefer buying my books in various stores	0.90	17.93
	IMP4	It is important for me to have free choice among several bookstores	0.44	12.04
Trait reactance	TRAIT3	I react to restrictions with a "now more than ever" attitude	0.46	12.61
	TRAIT5	I perceive advice easily as paternalism	0.50	13.37
	TRAIT7	I often lose interest in an activity if others are expecting it from me	0.35	10.67
	TRAIT9	Advice and recommendations incite me to do the opposite	0.71	16.30
Perceived utility	UTIL1	The card of "company name" seems very good	0.83	20.95
	UTIL2	With the card I feel valued as a good customer	0.71	18.20
	UTIL4	The present card offers attractive advantages	0.83	20.77
	UTIL6	The card represents a clear benefit to me	0.72	18.53
Willingness to participate	Single item	In the customer card program I will ... "participate definitely" to "will definitely not participate"	–	–
Negative word-of-mouth	Single item	I will report negatively about the customer card to my friends	–	–
Repurchase intention	Single item	I will continue to buy books at "company name"	–	–
Required			≥ 0.4	$\geq 1,645$ ($\alpha = 0.05$ one sided)

Note: Statements translated from German

Appendix 2

Table All Matrix of polychoric correlations used for the estimation of the measurement model

	Importance of autonomous buying behavior	Economic BP	Socio- psych. BP	Contractual BP	Perceived utility	Situational reactance	Participation intention	Neg. W-O- M	Repurchase intention	Trait- reactance
Importance of autonomous buying behavior	1.00									
Economic BP	−0.09	1.00								
Socio-psych. BP	0.09	0.01	1.00							
Contractual BP	−0.10	0.03	0.04	1.00						
Perceived utility	0.16	0.38	0.06	−0.12	1.00					
Situational reactance	0.07	−0.14	0.00	0.29	−0.70	1.00				
Participation intention	0.13	0.25	0.01	−0.17	0.77	−0.74	1.00			
Neg. W-O-M	0.02	−0.10	0.01	0.17	−0.45	0.60	−0.49	1.00		
Repurchase intention	−0.14	−0.08	−0.01	0.01	0.25	−0.27	0.18	−0.26	1.00	
Trait-reactance	0.11	0.11	−0.04	0.12	0.05	0.16	−0.09	0.07	−0.31	1.00

Notes: "BP" stands for bonding potential; "W-O-M" stands for word-of-mouth

About the authors

Mark Wendlandt is research assistant and lecturer at the Department of Marketing and Consumer Research of the University of Hannover. His research interests are relationship marketing, consumer behavior and quantitative marketing research. Mark Wendlandt is the corresponding author and can be contacted at: mw@marketing.uni-hannover.de

Ulf Schrader is senior researcher and lecturer at the Department of Marketing and Consumer Research of the University of Hannover. His special research interests are service marketing, corporate social responsibility and sustainable consumption.

Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.

The increasing popularity of relationship marketing has been to a considerable extent fuelled by slower growth in the developed world. This has meant fewer opportunities to discover new market segments and raised awareness that the retention of existing customers is even more crucial.

How customer loyalty programs work

This has in turn heightened the profile of loyalty schemes that essentially function to reward those who remain with a specific supplier. However, such schemes are not universally approved and many customers complain about the threat to their freedom of choice, while others argue that their buying is

dictated by external forces. In the face of such opposition, these schemes may fail to the extent of having a contrary outcome. While empirical evidence is limited, the indication is that many consumers respond negatively to schemes they believe threaten their independence.

Different studies have identified that loyalty programs function by forging different bonds with the customer:

- 1 *Economic bonds.* The outcome of such bonds can be lower costs, greater net rewards or higher penalties for switching. Financial benefits accrued through the accumulation of bonus points also play a significant role.
- 2 *Socio-psychological bonds.* This relates to the development of positive personal relations that may act to deter the customer from switching. A key function of this form of bonding sees the customer granted privileged status and entitled to receive personalized treatment such as invitations to special events.
- 3 *Contractual bonds.* The most overt form of restriction that demands customer compliance with minimum subscription periods or purchase requirements.

A distinction is drawn between "dedication based" and "constraint based" bonus point schemes. While there is invariably some payoff for involvement with such schemes, it is pointed out that economic bonds can act as a constraint when customers must accrue bonus points over a lengthy period before qualifying for a reward. Likewise, socio-psychological bonds can be considered controlling if consumers identify their economic foundations.

Consumers and reactance

Psychological theory holds that individuals experience "reactance" when their freedom to behave in a chosen way is challenged. The response can be mental or physical and can respectively strengthen desire or prompt open dissent or hostility. How important the individual regards the behavior

under threat and the degree in which freedom is perceived to be at risk will determine reactance levels. Individual response to the threat is also likely to be influenced by other factors. Previous studies have indicated that reactance levels fall when the individual feels that a reward helps compensate for the loss of freedom.

Some analysts have drawn distinctions between “situational reactance” that is context specific and reactance that is considered a personality trait. Results have indicated that those possessing this trait are confident, forceful characters with lower levels of tolerance and little concern about how others perceive them. There is also support for the belief that reactance diminishes with age.

Against this background, Wendlandt and Schrader conducted a study of bookstore customers in Hanover, Germany. The 164 female and 155 male participants were interviewed face-to-face and presented with a store card relating to a fictitious loyalty program. It was felt appropriate to choose this scenario because most people buy books at one time or another and the product is not age or gender specific. It was also felt that although loyalty programs exist in the sector, their presence is not so widespread as to influence the survey response. To guard against this further, respondents were not made aware of the study’s main purpose.

In the light of these earlier findings, the authors perceive loyalty programs as involving a combination of potential bonding elements. Consequently, the loyalty program in the survey included economic, contractual and socio-psychological strands. The scenarios were manipulated so that economic bonding centered on varying percentages of bonus points or none at all; contractual bonding on an obligation or not to buy books every six months; and socio-psychological bonding involved whether or not the consumer received a birthday surprise and invitations to special events. Each participant was randomly presented with one of 20 different versions of the loyalty scheme.

The investigation mirrored previous work when findings indicated that individuals displaying higher trait reactance preferred rewards more appropriate to the context. Spending money on gasoline and receiving a gasoline voucher rather than a food voucher is one example given. The premise here is that any suspicion about attempts to manipulate behavior diminishes when rewards are deemed fitting.

In the present study, only contractual bonding prompted reactance. The economic incentives increased the perceived value of the program without apparently causing reactance to occur. This was in line with the hypothesis that reactance will reduce as perceived utility increases. That the correlation was especially strong confirmed beliefs about the opposing nature of the two constructs. Contrary to expectation, socio-

psychological bonding was found to be of no consequence as it impacted neither on reactance nor on the perceived value of the program. As predicted, the survey confirmed that trait reactance is particularly influential.

Other researchers have found the most likely effect of reactance to be:

- a refusal to participate in the loyalty program;
- negative word-of-mouth communication about the company involved; and
- less likelihood of making future purchases from the organization.

While it was also the case here in respect of the first two potential outcomes, the effect was less evident where future purchase intention was concerned.

Implications and further research

It has previously been found that customers who felt more pressured into making purchases showed a more unfavorable attitude to the given product than others put under less pressure. In one experiment, strong financial inducements also triggered reactance. A similar outcome occurred for Wendlandt and Schrader because reactance started to occur when bonus point percentages rose above a certain level. Since perceived usefulness stayed the same, the authors warn against using excessive economic bonds because of the apparent increased risk of eliciting a negative consumer response.

The study supports earlier belief that reactance levels are determined by disposition and the perceived importance of personal autonomy where buying activity is concerned. While Wendlandt and Schrader accept that this could make some consumers more likely than others to partake in loyalty schemes, they argue that differences may be insignificant and would thus prove unfeasible to pursue segmentation strategies on this basis.

It is thought, however, that further research may help develop a profile of a typical reactant by considering other aspects such as tendency to complain or lead opinion. Armed with this information, marketers might even be able to consider consumers with high trait reactance as a potential market segment.

The authors note the limitation of the work to books and one geographical area, and feel that any generalizations will be more likely if study is carried out in other product categories and nations. It is also felt that the fictitious scenario may have influenced consumer responses and Wendlandt and Schrader suggest using field studies might elicit more natural behavior.

(A précis of the article “Consumer reactance against loyalty programs”. Supplied by Marketing Consultants for Emerald.)

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