

# Research Talk

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## “Indulge in Redemption? When and Why” Customers Uptrade in Cashback Loyalty Programs”

Cashback loyalty programs in which customers collect and redeem points for dollar discounts are widely popular among customers in various industries. Although redeeming rewards is at the heart of these programs, little is known about customers' buying behavior during the redemption occasion, or about the contingencies and the psychological mechanisms underlying this behavior. Through three experimental studies and a field study with a major European restaurant chain, the authors demonstrate that when redeeming cashback points, customers engage in uptrading behavior: purchasing more expensive items (qualitative uptrading) and buying more numerous items (quantitative uptrading). Results show that indulgence—that is, customers breaking out of their usual purchase patterns to treat themselves—is the prevalent mechanism underlying uptrading behaviors, rather than monetary savings or reciprocity considerations. Furthermore, Uptrading is particularly pronounced when customers redeemed rewards when they are by themselves and diminishes when the customer is accompanied by other customers. This is because additional consumers decrease their desire to indulge. These insights provide actionable guidance to managers on how to leverage redemption occasions to differentially augment qualitative or quantitative performance outcomes.

**Date**

October 25<sup>th</sup> 2023

**Time**

12:00 - 13:30 h

**Room**

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