Feeling Superior: The Impact of Loyalty Program Structure on Consumers' Perceptions of Status

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We study status as it pertains to loyalty programs, investigating the impact of the number and size of tiers on consumers' perceptions of status. We find increasing the number of elites in the top tier dilutes perceptions of status while adding a subordinate tier enhances status. Tiers below the second tier do not impact those at the top, but can make those in the tier immediately above feel more elite. Given the choice between alternative programs, those who do not qualify for status prefer hierarchies with multiple tiers. Finally, we show that status-laden labels (gold and silver) on their own signal an increasingly selective hierarchy.

Status in the conventional sense is defined as one's position in society. More specifically, a person with status possesses a high ranking that is socially recognized and typically carries prestige, power, or entitlement. Status matters because the need to compare one's self with others is pervasive and often occurs whether or not individuals intend to do so (Gilbert, Giesler, and Morris 1995) and without them being aware of what they are doing (Stapel and Blanton 2004). Research has shown people compare themselves to someone who is either better off (upward comparison) or worse off (downward comparison), and everyone engages in each at one time or another (Wood 1996) and sometimes both simultaneously (Taylor and Lobel 1989). Such comparisons have an impact on people's evaluations of their satisfaction with life and are important when determining subjective well-being (Diener 1984). Not surprisingly, people feel better when they perceive themselves to be superior rather than inferior to others (Giordano, Wood, and Michela 2000; Locke and Nekich 2000).

Status structures, or hierarchies, are "patterned inequalities" among a group of people (Ridgeway and Walker 1995). Social status is only one type of status hierarchy. Corporate titles and military ranks also prescribe one's position within a defined hierarchy. Our research studies the status that firms bestow on customers within the hierarchies created in the firms' loyalty programs. Firms are increasingly segregating customers based on their level of commitment (spending) by creating well-defined classes (tiers) that help patrons identify what benefits—both tangible and intangible—they are entitled to as ordinary or extraordinary purchasers. Once the exclusive domain of the airlines, such "status programs" now exist in hotel chains (e.g., Starwood), casinos (e.g., Harrah's), cruise lines (e.g., Regent), spas (e.g., Spa Chakra), and even shoe stores (e.g., Famous Footwear). The result is what *BusinessWeek* has called "a whole new

stratification of consumer society" with higher tiers enjoying unprecedented levels of personal attention (Brady 2000). Of course, those at the top of the hierarchy are usually the heaviest users.

The Pareto Principle suggests a small fraction of a firm's customers often accounts for a large fraction of its sales and profits. For example, MRCA Information Services attributed 84% of Diet Coke volume to 8% of drinkers and 90% of restaurant visits to 20% of households (Halberg 1995). In the travel industry, where loyalty and status programs are pervasive, Woodside, Cook, and Mindak (1987) reported that 4.1% of adults—defined as heavy users because they took three or more trips during the previous 12 months—accounted for 70.4% of airline trips in 1984. Similarly, less than 10% of travelers accounted for more than 50% of hotel nights. Given the concentration repeatedly observed in categories of frequently purchased goods and services, firms typically bestow elite status and consequently a disproportionate amount of attention on their heaviest users. The result is that a consumer's level of status depends on his or her purchase behavior; the more you buy, the higher you climb.

Our interest lies in understanding how the hierarchical structure, created and put into place by firms that utilize these types of programs, impacts people's sense of status or standing within the program. Compare Famous Footwear, which has only one elite tier (Gold), with most hotels that have at least three tiers (e.g., Marriott Rewards offers Silver, Gold, and Platinum) or Regent Cruise Line, which has five tiers (Bronze, Silver, Gold, Platinum, and Titanium). While myriad factors will determine what hierarchical structure is optimal for any individual firm, our focus is on two basic characteristics that affect subjective impressions of status: (1) the number of tiers; and (2) the relative size of each tier. These characteristics warrant attention as they constitute the critical determinants in the tradeoff encountered when marketers decide how many customers to bestow with status. On one hand, a firm can make more customers feel special by

adding elite tiers and/or increasing the size of any or all of the tiers. On the other hand, expanding the pool of elites can dilute the subjective perceptions of status among those customers who would qualify for status in a more restrictive scenario. Consider, for example, how Famous Footwear's Gold members' sense of status might change if their number were doubled or if a Silver tier were added.

Further, we explore how top-tier customers (e.g., Gold) feel when a superordinate tier (e.g., Platinum) is introduced above them. This is what happened when United reportedly invited some 18,000 high-revenue Mileage Plus fliers to be Global Service members, relegating its top-tier 1K fliers to de facto second-class status (Elliott 2007). We also look at how different tier structures appear to customers in the middle and at the bottom. Given a customer is not at the top, or does not have elite status at all, is there a preference for more, less, or no elite tiers? Understanding the nature of the hierarchy and how changes to it affect consumers' perceptions of status is critical to firms like Virgin Blue airlines, which introduced status tiers into its loyalty program (Red, Silver, and Gold) in August 2007, and Southwest Airlines, which introduced an "A-List" group in October 2007. The influence of tier size and number is also interesting theoretically as it presents a new mechanism through which social comparison operates.

The remainder of this article is organized as follows. We summarize the recent research on loyalty programs before turning to relevant work on social comparison. Study 1 is comprised of three parts. Part I reveals that those in the top elite tier feel they have more status when there is a second elite tier separating them from the masses. Part II shows how the size of the second tier affects status perceptions for those in the top tier, while the inclusion of a third elite tier does not. Part III illustrates how a firm can increase the number of top-tier members without diluting their sense of status by simultaneously adding a second, subordinate elite tier. In study 1, we

provide respondents with both symbolic labels (e.g., Gold and Silver) and numeric information (e.g., 5% and 15%) that indicate the relative exclusivity of each tier. In study 2, we show that providing the latter (i.e., percentages) is not necessary to achieve the results of study 1. We reproduce the results using only non-numeric status-laden labels (Gold and Silver).

In study 3, we shift our attention to lower tiers. The results suggest that when consumers look *up* and see too many tiers, the presence of more tiers *below* allows them to feel better about their status. In study 4, we investigate the impact of the addition and deletion of tiers. Consistent with our earlier results, we find the presence of a subordinate tier can help soften the impact of inserting a superordinate tier. In study 5, we look at consumer preferences among different hierarchies. We find a program with two elite tiers is chosen over programs with either one or no elite tiers by prospective members—regardless of whether or not they are eligible for status and into which elite tier they would qualify. Differences in the benefits allocated across tiers and the specificity with which the benefits were described did not impact this result. We conclude by discussing managerial implications that emerge from our work, pointing out some of its limitations and suggesting fruitful avenues for future research.

LOYALTY PROGRAMS, STATUS, AND SOCIAL COMPARISON

One purpose of loyalty programs is to reward repeat purchases. An abundance of research looks at the structure of loyalty programs in this regard. That research has concentrated on two components that have an impact on consumers' psychological response: the purchases required and the nature of the contingent reward. Numerous studies have investigated the impact of the perceived effort required to earn a reward (Nunes and Drèze 2006; Kivetz and Simonson 2003),

the nature of the rewards offered (Roehm, Pullins, and Roehm 2002; Kivetz and Simonson 2002), distribution frequency of rewards (Drèze and Nunes 2008), and the qualities of the alternative currency utilized (Hsee et al. 2003). But many loyalty programs involve more than simple payoffs to customers who make multiple purchases; they are designed to provide less obviously contingent benefits to the firm's best customers.

Practitioners (Uddin 2001; Gaughan and Ferguson 2005) have divided the benefits of loyalty programs for consumers into two broad classes: hard benefits (rewards) and soft benefits (recognition). Hard benefits consist mainly of rewards, which may include upgrades, along with other perks such as earning miles/points towards rewards at accelerated rates. Lacey, Suh, and Morgan (2007) have shown that higher levels of preferential treatment in terms of hard benefits can result in an increase in future purchases. Soft benefits include special privileges such as restricted check-in counters, priority on wait lists, and individually tailored communications. Most important for our purposes, soft benefits are intended to make the firm's best customers feel special and give them a sense of elevated status. Consider Centura Banks Inc. of Raleigh, N.C., which divides its two million customers into five classes according to profitability. The company's CEO personally calls highly profitable customers to wish them happy holidays (Brady 2000).

Status bestowed on a firm's best customers is comparable to what is known among social psychologists as *achieved* status, because it comes as the result of effort. This differs from notions of *endowed* status, such as hereditary titles, or *face-to-face* status, which includes the status that accompanies race, gender, and other identifiable characteristics beyond the individual's control. In the context of a loyalty program, achieved status is a purely ordinal characteristic. Notions of achievement and order are important because finding oneself in a

higher tier (Gold) versus a lower tier (Silver) is unambiguous regarding rank—a higher tier is objectively superior in terms of status.

The order of tiers allows us to view consumers' perceptions of status through the lens of social comparison theory. In his seminal article on the topic, Festinger (1954) proposed that people have a drive to evaluate their abilities through comparisons with others. Wood (1996) defines social comparison more generally as "…the process of thinking about information about one or more people in relation to the self" (p. 521). Social comparison has been applied to the study of diverse topics, including, but not limited to images in advertising (Richins 1991), queuing in lines (Zhou and Soman 2003), CEO compensation (O'Reilly, Main, and Crystal 1988), academic achievement (Marsh 1987; Rogers 1978), and membership in different high school cliques (Brown and Lohr 1987). People often make social comparisons because such comparisons are forced on them by circumstances (Wheeler and Miyake 1992; Wood 1989). And while this is certainly the case with many loyalty programs, as certain areas of casinos are off limits to non-elites and airline check-in counters segregate fliers according to their status, people often make deliberate comparisons to see where they stand (self-evaluation) and to make themselves feel better (self-enhancement).

Status comparisons, like other forms of social comparison, can involve a target that is above the self (upward comparison) or below the self (downward comparison). We focus first on consumers in the top tier for whom there is only one way to look—down. Perceptions of relative standing influences many outcomes, including a person's self concept, level of aspiration and feelings of well-being (Suls, Martin and Wheeler 2002; Wheeler and Miyake 1992). Others have suggested that a desire to appear more capable might lead to downward comparisons (Suls 1977). In general, downward comparison enhances one's subjective well-being. People want to

believe that they are better than others (Taylor and Brown 1988), and comparisons with less privileged others can enhance their self-appraisal and self-esteem (Brown and Lohr 1987; Giordano et al. 2000; Locke and Nekich 2000; Olson and Evans 1999; Wills 1981).

When customers who are in the top tier of a loyalty program look down, different hierarchical structures determine exactly what they see, differentially affecting their self-evaluation (perceptions of how high they rank) and the degree of self-enhancement (what it means to be at the top). Two important features of the hierarchy will have an impact on how special elite customers feel and their sense of superiority. The first is the exclusiveness of their group, which can be facilitated by dividing an overly inclusive category (elites in general) into more exclusive subgroups (tiers of elites). The second is the size of the subgroup to which the customer belongs: the smaller, the more distinctive (Pickett, Silver, and Brewer 2002). The notion that exclusivity can enhance an individual's sense of status drives our first hypothesis.

H_0: The fewer people granted elite status, the more superior these people will feel.

It is important to point out that social status and group size can be independent (Brewer, Manzi, and Shaw 1993). In different contexts, membership in the majority or minority equates to power and status. In the domain of loyalty programs, we predict that perceptions of status will increase as the group size, or number of elites, decreases. For elite consumers, we expect their perception of status to be affected by comparisons to other elites, as self-evaluation is facilitated by comparisons with people whose abilities are similar (Brown et al. 1992; Tesser and Campbell 1980; Wood 1989). Being ranked above other elites is different from being above the masses. Consequently, we expect the presence of a second elite tier to benefit those at the top by further clarifying their position and making them feel a greater sense of superiority. Tesser's self-evaluation maintenance (SEM) model helps us understand how the perceived similarity of those

with whom we compare ourselves influences our reactions (McFarland, Buehler, and MacKay 2001; Tesser 1988). The model predicts a contrast effect will occur when individuals engage in social comparison with individuals who are close or similar to them on an important dimension, or what Zanna, Goethals, and Hill (1975) call "related attribute similarity." We expect that when a downward social comparison is made with other consumers who are deemed to be similarly loyal patrons, self-enhancement is more likely to occur. This leads to hypothesis 1a.

H1a: A second elite tier will elevate perceptions of status among consumers in the top tier.

Work by Lockwood (2002) suggests that the presence of a second elite tier may have other benefits as well. She argued that when considering one's situation relative to that of an inferior other, one may either delight in one's superiority or feel alarmed at the prospect of falling prey to a similarly unhappy fate. Thus, a second elite tier may appear as a safety net for those at the top. While this may make the program more attractive overall, we would not expect it to affect perceptions of status, or how special someone in the top tier feels.

For those in the top tier to consider those in the second tier as similar, there must be some commonality with respect to their achieved state (Ashmore, Deaux, and McLaughlin-Volpe 2004). In other words, the purchase behavior of those in the second tier cannot vary too widely from those at the top if consumers in the second tier are to be regarded as similar. As the second tier becomes more and more inclusive (i.e., larger), it naturally admits those who are less and less similar to those at the top. Accordingly, we expect a second tier that is too large to diminish the perceived similarity between its members and members in the top tier. Consequently, it will fail to make those at the top feel any more special. This leads to hypothesis 1b, which proposes tier size as a moderator for the status effect proposed in hypothesis 1a.

H1b: The smaller the size of the second tier, the greater the perception of status among consumers in the top tier.

Pragmatically speaking, H_0 implies that status and the attendant feelings of superiority would decrease as the number of customers in the top tier increases. However, as H_{1a} and H_{1b} suggest, feelings of superiority among those at the top can increase as the overall number of elites is increased, conditional on the new elites being categorized differently and their subordinate group not being too large. These opposing forces lead to two important implications for marketers tested explicitly in this research. The first implication is stated as follows:

I1: Firms can offset a dilution in perceptions of status accompanying a larger top tier by having a second elite tier.

It is counterintuitive to believe that a firm can increase the total number of customers with elite status without diminishing perceptions of status, particularly among its most elite. What we show is that a firm can do just that by increasing the size of the top tier, while simultaneously maintaining even more elites in a separate, second tier. If the inclusion of a second tier shields those in the top tier from a horizontal threat to their status (i.e., expanding the top tier), it should aid in buttressing a vertical threat as well (i.e., adding ultra-elites in a new tier above what was previously the top tier). This leads to our second implication.

I2: Having a second, subordinate tier in place can offset a dilution in perceptions of status brought about by the introduction of a new super-ordinate tier.

Up to this point, we have argued that the presence of a second elite tier will enhance the perception of status among those in the tier above. This is because second-tier customers are considered both similar and subordinate to the top tier. However, less active customers in lower tiers, while subordinate, are unlikely to be viewed as similar. Comparisons with dissimilar others have been shown to have little effect on self-evaluation or behavior (Wood 1989). Therefore, we

expect the sense of status among those at the top to be unaffected by lower tiers with whom they have little in common. We state this more formally as hypothesis 2.

H2: The presence of additional tiers below a second elite tier will not impact the perception of status among those consumers in the top tier.

In a number of our studies, we assess the impact of tier size by providing explicit information regarding the percentages of customers in each tier. These percentages are typically not known by consumers participating in most loyalty programs. Rank in a status program is usually conveyed by using labels that are recognized as corresponding to increasingly selective standards (e.g., Silver, Gold, or Platinum). It is widely known that colors can be imbued with meaning that can evoke a variety of responses. For example, Bottomley and Doyle (2006) demonstrated how colors can be congruent and thus complement a brand's desired image and positioning. Similarly, we believe color can convey valuable information about rank and therefore status. Bronze, Silver, Gold, and Platinum represent increasing levels of rarity due to their relationship with precious metals. In Roman times, gold and silver coins were the most valuable and were issued by the emperor, while bronze coins were minted by the Senate. In modern history, the custom of gold, silver, and bronze for the first three places at the Olympics dates back to 1904 and has been adopted by numerous other competitions. Therefore, we predict that:

H3: Consumers derive information about the structure of the hierarchy from status-laden labels.

To this point, we have concerned ourselves with perceptions of status among only those at the top. Next, we explore how those in the middle respond to different hierarchical structures. Our principle question of interest concerns how consumers would respond if they were too look up as well as down when formulating their perceptions of status. A significant amount of work has

examined the underlying motives when people opt to compare themselves with others who are above or below.

In general, people are believed to look up for self-evaluative purposes and down for self-enhancing purposes, although recent research suggests upward comparisons can also be self-enhancing (Collins 1996). Numerous studies have attempted to determine which motive usually wins by exploring what people do more frequently. It is important to point out that upward and downward comparisons can occur simultaneously for different purposes (Taylor and Lobel 1989). The general consensus is that people tend to compare themselves to those who are slightly better than themselves for self-evaluative purposes (Wood 1989). If upward comparison threatens one's sense of status, downward comparisons can serve self-enhancing purposes (Wills 1981). This leads us to our next two hypotheses:

H4a: For those in the middle, the evaluation of one's status depends primarily on the number of tiers above.

H4b: If the number of tiers above threatens one's perceived status, the number of tiers below can offer status enhancement.

Hypotheses 4a and 4b address how consumers perceive different structures and respond to a perceived threat to their status—too many tiers above. They do not address how consumers would respond to a change in the hierarchy, specifically the insertion of a superordinate tier. We expect that consumers who enjoy top-tier status would be threatened by the introduction of a new tier above them. In response to this threat, we expect consumers to look down for reaffirmation of their status. This leads to our next hypothesis:

H5: When introducing a super-ordinate tier, adding or maintaining a subordinate tier will lessen the negative impact of the introduction.

Taken together, our theorizing is intended to help explain how different hierarchical structures impact perceptions of status among consumers who participate in loyalty programs. The following studies were designed to test these hypotheses directly.

PILOT STUDY

We conducted several pilot studies that validated H_0 as well as guided the design of the studies included in this research. It is useful to describe briefly one such study and its results before going forward. We surveyed 548 undergraduate business students utilizing a loyalty program scenario similar to those in the studies subsequently reported here. Respondents were told that they were in the top 1% of customers in a fictitious loyalty program and therefore qualified as Premier Customers. They were then told that only 1% (or 5%, 10%, 25%) of all customers qualified for premier status. Respondents were asked to consider other options in terms of the percentage of elites and to indicate which percentages would or would not make them feel special. Logistic regression (see Figure 1) confirmed our expectation that the more exclusive the program, the greater the number of respondents who would feel special ($M_{1\%}$ = 82%, $M_{5\%}$ = 81%, $M_{10\%}$ = 72%, $M_{25\%}$ = 53%, ß = -.061, $\chi^2 = 34.68$, $p < .01$). These results support H_0 in that the greater the number of elites (or less exclusive the group), the less status or special customers feel. In future studies, whenever specified, we describe the relative size of the top tier utilizing either 1% or 5%, as each made more than 80% of customers feel special, and a planned contrast indicated no statistically significant difference between them ($\chi^2 = .10$, n.s.).

Insert figure 1 about here

STUDY 1: A VIEW FROM THE TOP

In this study, we explore consumers' reactions to different hierarchical structures, given that they are at the top of the hierarchy. In other words, we investigate how the number of tiers and the relative size of the tiers affect perceptions of status for those in the top tier. Study 1 is comprised of three parts. In each part, the basic scenario was the same. Respondents were told to imagine that they were customers of a firm that segregates its customers based on their spending history, and that they were "near the very top." They were also told that the firm placed them in "a class of customers recognized as Gold Customers." We utilized both a description of the tiers (Gold, Silver, Bronze, and no-status) and percentages describing the relative size of each tier in the hierarchy. We recognize that this is not common in practice, and future studies replicate key findings without providing percentages.

Part I: From Elite to Super-Elite

Respondents. Participants in this study were 30 executive business students at a major university who completed the survey voluntarily.

Stimuli and design. We utilized a single factor design that varied the number of tiers in the hierarchy. Respondents in the first condition were told that they were in the top 5% of all customers based on their spending history and thus were Gold members, while the remaining

95% of customers possessed no status (i.e., two tiers— in this article, the number of tiers refers to the total number of different customer classes, and not only to the elite tiers. For instance, a program with Gold and Silver tiers in addition to a no-status group has three tiers.). In the opposing condition, respondents also were told they were in the top 5% of all customers and thus were Gold members. However, they were told that a Silver tier existed with an additional 10% of customers (i.e., three tiers). It was made clear that the benefits awarded to Silver members did not impinge on the benefits afforded to Gold members.

Perceptions of status were measured using four different nine-point scales, intended to gauge members' perceptions. These measures included how special the program made them feel (not at all-very), the degree of status attained (low-high), how difficult it would be for others to earn similar status (not at all-very), and the disparity in attention they would expect relative to a no-status customer (none at all-a great deal). Together these measures were intended to describe how superior respondents would feel relative to other customers.

Results. First, in light of the high correlation between the four measures ($\alpha = .90$), we collapse them into a composite measure we call "superiority." As expected, Gold members in the three-tier program reported feeling more superior than Gold members in the two-tier program ($M_{\text{Gold-Silver}} = 7.09$ vs. $M_{\text{Gold}} = 5.81$, $F = 27.7$, $p < .01$). The addition of a second elite group (Silver members) bolstered the feelings of superiority held by top tier (Gold members), making them feel super-elite. These results support H1a.

Part II: Looking Down, But Not Too Far

Respondents. Participants in this study were 49 executive business students at a major university who completed the survey voluntarily.

Stimuli and design. We utilized a 2 (number of tiers: three vs. four) by 2 (second-tier size: 5% vs. 10%) between-subject design. Respondents were told they were in the top 1% of all customers, based on their spending history. To vary the size of the subordinate group, respondents were told that a Silver tier existed with either an additional 5% or an additional 10% of customers. Also, we varied the total number of elite tiers by including either a Bronze tier (an additional 25% of customers) or no fourth tier. In summary, respondents were at the top of a hierarchy that included either three or four tiers, and the second tier (right below them) contained either 5% or 10% of customers.

Results. As in Part I, given the high correlation between our measures ($\alpha = .90$), we collapsed them into one composite measure that we call *superiority*. An ANOVA on this measure revealed a main effect of second-tier size such that perceptions of status or members' sense of superiority decreased as the second tier grew ($M_{5\%} = 7.33$ vs. $M_{10\%} = 6.45$, $F = 27.5$, $p < .01$). No other effects were significant. These results suggest that those at the top of the hierarchy look down, but only so far. In other words, Gold members are made to feel more elite when a Silver class is added, but we find no evidence that the addition of a Bronze class below Silver further heightens perceptions of status. In addition, while having a second-tier elite class makes those at the top feel super-elite, increasing the size of the second tier can dilute those feelings of superiority. These results support H_{1b} and H_2.

Part III: Adding Elites without Diluting Status

Respondents. Participants in this study were 104 executive business students at a major university who completed the survey voluntarily.

Stimuli and design. We utilized a single-factor, between-subject design with three conditions. Respondents in the first condition were told that they were in the top 1% of all customers based on their spending history and thus were Gold members, while the remaining 99% of customers possessed no status (i.e., two tiers). In the second condition, the percentage of Gold members was 10%, while the remaining 90% possessed no status. In the third condition, the percentage of Gold members was also 10%, but a second Silver tier was included comprised of an additional 15% of members, leaving 75% in the no-status tier. By comparing conditions one and two, we can assess the impact of expanding the size of the top tier (replication of the pilot study—H_0). Looking at the third condition, we can test whether adding a second tier offsets any dilution in perceptions of status or superiority that occurred from expanding the size of the top tier from 1% to 10% (Implication 1).

Results. Again, we collapsed our measures into one composite measure that we call *superiority* ($\alpha = .87$). We analyzed the data as a one-by-three ANOVA and report pairwise *t*-tests. We find that the two-tier program with a smaller top tier is preferred to a program with a larger set of elites ($M_{1\%} = 7.42$ vs. $M_{10\%} = 6.49$, $p < .01$), which replicates the results of our pilot study (H_0). We also find that the three-tier program is preferred to the two-tier program ($M_{10\%\text{-}15\%} = 7.23$ vs. $M_{10\%} = 6.49$, $p < .05$), which replicates the results from Part II (H_{1a}). More

importantly, adding a second high-status tier offsets the loss of status created by the larger top tier such that the three-tier program with the larger top tier is rated as highly as the two-tier program with a smaller top tier ($M_{1\%}$ = 7.42 vs. $M_{10\%\text{-}15\%}$ = 7.23, p = .58). These results support Implication 1.

Discussion

Study 1 focused on how the number of tiers and their relative size affect the perceptions of status or superiority among those at the top. The results from Part I reveal that the addition of a second tier can bolster perceptions of status among top-tier members, transforming elites into super-elites. The results from Part II illustrate that increasing the size of the elite class in the second tier dilutes the perceptions of status among those above them, while adding a third elite tier did not affect their perceptions. Taken together, these results suggest that those at the top (Gold) perceive their status most favorably when there is a small second tier (Silver). The results from Part III reveal that a detriment to consumers' perceptions of status brought about by expanding the top tier, as illustrated by the results of our pilot study, can be offset by adding a second elite tier. The results of study 1 support H_{1a}, H_{1b}, I_1, and H_2.

The observed effects are due to the hierarchical structure imposed. It is important to point out that we are not claiming these results will hold irrespective of the percentages assigned to each tier size. We have replicated the basic pattern of these results in several studies, omitted here for the sake of brevity. However, every study included a hierarchical structure in which higher tiers were significantly smaller than lower tiers (i.e. a basic pyramid structure). In all the aforementioned studies, we utilized both a status-laden color classification (Gold, Silver, and

Bronze) and provided percentages to define the nature of the hierarchy (increasing selectivity). More common in practice is that firms set thresholds for admittance, which result in a pyramid structure, rather than assign customers on the basis of specific percentages. Firms typically represent hierarchy solely by classifying customers with colors (e.g., Platinum, Gold) or by assigning semantic labels (e.g., premier, premier executive). In study 2, we demonstrate how color classifications perform just like the percentages utilized in study 1, but only when they come to symbolize an increasingly selective hierarchy.

STUDY 2: STATUS CONSCIOUSNESS

Study 2 examines the impact of describing a consumer's status (i.e., tier) in terms of colors that either have or don't have hierarchical meaning. In other words, in addition to utilizing the conventional gold and silver classifications as we did in study 1, we described a program in which customers were classified as blue if in the top tier and yellow if in the second tier. Color preference studies suggest that the preference ordering of hues is blue, green, purple, red, and yellow (Whitfield and Wiltshire 1990), which is consistent with the ordering of our tiers. These colors have been found to convey other things as well. For example, blue is seen as dependable and yellow as cheerful. Yet the research on color does not suggest any reason to believe these colors by themselves imply any hierarchy. In a separate condition, we provide the percentage of customers in each tier along with the generic colors. Two additional conditions utilize conventional status colors (i.e., gold and silver), one with and one without the percentages.

Method

Respondents. Participants in this study were 111 undergraduate business students at a major university who completed the survey as part of a course requirement.

Stimuli and design. We utilized a 2 (Number of tiers: two vs. three) x 2 (Percentages: % vs. No%) x 2 (Colors: Status vs. Generic) between-subject design. We varied the number of tiers, the presence of percentages, and the type of colors associated with each tier. We hypothesized a priori that specific color labels affect how consumers process information about hierarchies. We predicted that status-laden colors (the Gold as well as Gold-Silver conditions) would prompt people to think about hierarchy, while the generic (Blue and Blue-Yellow conditions) would not. To test whether status-laden colors do indeed prime hierarchical thinking, we included a word-search task designed to tap into participants' mental processes. We included an 18- by 12-letter grid that concealed 15 words related to status (e.g. Hierarchy, Order, and Supreme) and 15 words unrelated to status (e.g. Heartfelt, Rodeo, and Sundial). The words were balanced in terms of length (ranging from four to nine letters) and pre-tested to ensure similarity in their level of difficulty. After completing the standard measures used throughout study 1, respondents were instructed to find 15 words with four or more letters hidden within the grid and record them.

We predicted that respondents in both status color (Gold and Gold-Silver) conditions, with and without percentages present, would be sensitized to hierarchy, as would those who saw generic colors (Blue and Blue-Yellow) with percentages. Respondents who saw the generic colors (Blue and Blue-Yellow) without the percentages would not be sensitized and thus were expected to find fewer status-related words than respondents in the other six conditions. This pattern would suggest that status-laden colors (Gold, Gold-Silver) on their own would work as

well as status-laden colors with percentages in conveying an increasingly selective hierarchy, while generic colors on their own (Blue, Blue-Yellow) would not.

Results

We collapsed our four measures (special, status, level of difficulty, and purchase intentions) into one collective *superiority* measure ($\alpha = .76$). An ANOVA revealed the main effects of percentage ($F = 4.49$, $p < .05$) and number of tiers ($F = 6.33$, $p < .05$) as well as an interaction between colors and percentage ($F = 3.98$, $p < .05$). No other effects are significant. The main effect of number of tiers replicates the results of study 1, Part I—the addition of a second tier makes those at the top feel more superior—with and without percentages being present. This lends additional support to H_{1a}.

Individual contrasts show that when using non-status-laden or generic colors, the addition of a second status tier does not improve the evaluation of the program ($M_{Blue} = 6.07$ vs. $M_{Blue\text{-}Yellow} = 6.43$, $p = .29$). However, adding percentage information to the generic colors increases overall perceptions of status ($M_{Generic\text{-}No\%} = 5.76$ vs. $M_{Generic\text{-}\%} = 6.74$, $p < .01$). When using status-laden colors (Gold and Silver), the number of tiers matters ($M_{Gold} = 5.97$ vs. $M_{Gold\text{-}Silver} = 6.80$, $p < .05$), and the addition of percentage information does not alter overall perceptions ($M_{Status\text{-}No\%} = 6.42$ vs. $M_{Status\text{-}\%} = 6.35$, $p = .84$). This shows that status-laden colors, similar to percentages, convey the notion of an increasingly selective hierarchy while generic colors do not.

To test our theory that providing status-laden colors serves the same function as percentages because they evoke hierarchy, we analyze the results of the word-search exercise. Looking at the number of status words found in each condition, we find the main effects of color

and percent. Respondents found more status-related words when exposed to the Gold or Gold-Silver (status-laden) scenarios then when exposed to the Blue or Blue-Yellow (generic) scenarios (M_{Status} = 6.87 vs. $M_{Generic}$ = 3.98, F = 96.06, $p < .01$). They also found more status words when percentage information is added to the color descriptions ($M_{\%}$ = 5.88 vs. $M_{No\%}$ = 4.98, F = 10.74, $p < .01$). No other effects are significant.

Discussion

In study 2, we highlight how marketing conventions associating status tiers with status-laden colors such as gold and silver sensitize consumers to notions of hierarchy. The use of gold and silver alone to describe each tier produced the same results as providing the relative percentage of consumers in each tier. Thus, the impact of adding a second tier is observed when using status-laden colors (gold and silver) alone, but not when using generic colors (blue and yellow) alone. This replicates the results of study 1, Part I, without the use of explicit percentages. This provides support for H_3 while demonstrating the ecological validity of our findings. It is critical for managers to understand that they can create perceptions of a pyramid-shaped hierarchy using status-laden colors without specifying the percentage of customers in each tier.

STUDY 3: LOOKING UP OR LOOKING DOWN

Studies 1 and 2 explore how consumers respond to different hierarchical structures when they are members of the top tier. In study 3, we look at different hierarchies from the viewpoint of someone in the middle. The key question is whether perceptions of status depend on the size and

structure of tiers comprised of those consumers below the focal consumers in the hierarchy, those above, or both. According to a survey of the social comparison literature, we expect that consumers get a sense of precisely where they stand through their comparison to those directly above them (Collins 1996). If they do not like what they see, self-enhancement occurs through downward comparisons, which can offer reassurance that they are superior (Wills 1981). We neither specify nor test whether one comparison precedes the other, recognizing, as stated earlier, that these comparisons can co-occur. We concern ourselves only with how differences in the number of tiers above and below impact one's perception of status.

Method

Respondents. Participants in this study were 390 undergraduate business students at a major university who completed the survey as part of a course requirement.

Stimuli and design. We utilized a 2 (Number of tiers above: one vs. two) x 2 (Number of tiers below: one vs. two) between-subject design. More specifically, respondents were told that they fell into a tier (including 20% of customers) illustrated in a picture of a pyramid (see Figure 2) that had either one or two tiers above (15%, or 5% and 10%, respectively), and either one or two tiers below (65%, or 25% and 40%). These specific percentages were chosen such that the total percentage of customers above and below the respondent's tier remained constant.

Insert figure 2 about here

Results

We collapsed our original four measures (special, status, exclusivity, and disparity in attention) into one collective *superiority* measure ($\alpha = .88$). An ANOVA revealed the main effects of the number of tiers above ($F = 15.50$, $p < .01$) as well as below ($F = 4.64$, $p < .05$). The latter result demonstrates how the effects of study 1 apply to second-tier members—those in the second tier perceived more status when there were two tiers below them.

To test H_{4a} and H_{4b} directly, we performed paired *t*-tests. In support of H_{4a}, we find that when there is only one tier above, the number of tiers below does not matter ($M_{1Up\text{-}1Down} = 5.26$ vs. $M_{1Up\text{-}2Down} = 5.44$, $p = .33$). Conversely, when there are two tiers above, respondents show a marked preference for having two tiers below rather than only one ($M_{2Up\text{-}1Down} = 4.59$ vs. $M_{2Up\text{-}2Down} = 5.01$, $p < .05$); this provides support for H_{4b}. These results suggest that respondents who look up and don't like what they see (i.e., their position is too low) can be comforted by what they see when looking down. These results are consistent with a large amount of literature on upward (Collins 1996) versus downward (Wills 1981) comparisons.

STUDY 4: CHANGING THE PYRAMID

All of our studies up until this point have been static. They involve between-subject designs that assess evaluations made separately. In study 4, we change this by utilizing stimuli that test the impact of altering a program midstream. Our interest lies in understanding how consumers

respond to changes in the hierarchy of their status program. More specifically, we test the impact of inserting a new superordinate tier.

Method

Respondents. Participants in this study were 119 undergraduate business students at a major university who completed the survey as part of a course requirement.

Stimuli and design. We utilized a 2 (Tiers in current program: two vs. three) x 2 (Tiers in new program: three vs. four), between-subject design with four conditions. Initially, all respondents were told that they were Gold Passport holders for a premier hotel chain and were presented with a list of benefits. Within the current program, in two conditions, there were no other elite tiers (two tiers), and in two conditions, there was a second, lower Silver Passport level (three tiers). Respondents were also told that they had gone to great lengths to consolidate their purchases in order to achieve this level of status, surpassing the threshold of 25 nights by staying an average of 30 nights per year for the past five years. In telling them this, we conveyed the impression that changes in purchase behavior and thus status were unlikely in the near future. We then asked respondents to report how special the program made them feel, the degree of status associated with their level, how exclusive their level made them feel, and how distinctive their Gold Passport was to them on separate nine-point scales.

Next, on a separate page, each respondent was informed that the hotel chain was changing the structure of the program. The new program structure had two variations. One program offered a Platinum tier and a Gold tier, in which the Platinum tier (50 nights or more is

required to qualify) stands above the Gold. Figures were provided (see Figure 3) representing the change so that it was clear the Platinum members were being drawn from the pool of Gold Passport members, which shrank as a result, and that the respondent would not qualify for it (i.e., the benefits to the respondent do not change, only the relative status). The second program offered three tiers, the same Platinum tier as the first program and a lower Silver tier.

Insert figure 3 about here

The two new programs were crossed with the two original programs such that half the members of the two-tier program moved from a Gold-only to a Platinum-Gold program (addition of a tier above) and the other half moved from a Gold-only to a Platinum-Gold-Silver program (addition of a tier above and below). Similarly, half those in the three-tier program moved from Gold-Silver to Platinum-Gold (deletion of the tier below and insertion of a tier above), while the other half moved from Gold-Silver to Platinum-Gold-Silver (addition of a tier above).

The constant across all four scenarios is the addition of a new Platinum tier above the current Gold tier that demotes the participants from first-class to second-class members. What varies is the relative impact of demotion as a function of the existence of a lower Silver tier before and/or after the program is changed. We expect the presence of a Silver tier before the program change to negatively affect the evaluation of the change as it means people move not just from an elite position to a second-class position, but from a super-elite position to a second-class one. Further, we expect the presence of a Silver tier in the final program to reduce the impact of the demotion; although the new program demotes participants, it still puts them in a class where they are superior to some elites.

Results

We collapsed the four measures taken before the change (special, status, exclusive, and distinction) into one collective *superiority* measure (α = .86). We did the same for measures taken after the change (α = .67). Our dependent variable of interest was the difference between these two measures. Average changes in feelings of superiority across all four conditions are reported in table 1 along with the pre and post mean program evaluation.

Insert table 1 about here

We analyzed the data using a two-by-two ANOVA. We find significant main effects of both the number of tiers in the original program and the number of tiers in the new programs. Participants who start with a program that had a Silver tier feel worse than those who do not start with a Silver tier (M_G = -.45 vs. M_{GS} = -1.00, F = 23.47, p < .01), after moving from super-elite to second class. Consistent with H_{4b} and the results of study 3, those who finish in a program with a Silver tier feel better than those who do not finish with a Silver tier (M_{PGS} = -.54 vs. M_{PG} = -.91, F = 10.86, p < .01). These results provide support for H_5. We also find a marginally significant interaction between the two main factors (F = 3.73, p = .056) such that removing the Silver tier and adding Platinum in one step leads to an even greater decrement to consumers' perceptions of status. The removal of the Silver tier transforms the consumer from super-elite to simply elite. The introduction of a Platinum tier places a super-elite class above the consumer. Combined, the consumer has gone from being at the top of the elites to being merely entry-level elite.

STUDY 5: BENEFITS, THE NEED FOR STATUS AND CHOICE

Three important characteristics of study 5 differentiate it from previous studies. First, we allow respondents to choose between programs. The programs differ in the number of tiers, but the benefits provided to the gold tier remain unchanged within a choice set. In this way, we show how offering more elite tiers can be a competitive advantage for firms trying to attract those at the top. Second, we show respondents do not perceive the benefits associated with elite status any differently based on the number of tiers available, which demonstrates how greater feelings of superiority drive our results. Finally, we measure the choice among programs for both elite and non-elite. Doing so reveals that offering multiple elite tiers does not disenfranchise those who are at lower ranks. Non-elites do not appear to begrudge the elite their status and privileges.

Method

Respondents. Participants in this study were 147 undergraduate business students at a major university who completed the survey as part of a course requirement.

Stimuli and design. In this study, we vary two factors: (1) the nature of the benefits and (2) the elite status of the respondent. We utilize a 3 (Benefit gap: big, small and fuzzy) x 3 (Elite qualification: gold, silver, non-elite), between-subject design.

Respondents were asked to imagine that they had begun a new job requiring them to travel periodically. They were told that in order to make their travel arrangements as efficiently

as possible, the company's travel agent would like to know which hotel they prefer among three competing chains. The chains were described as equivalent in cost, as well as the quality of furnishings and service, and the only difference was in their loyalty programs. Chain A was described as offering no elite status, with all guests being treated the same. Chain B was described as offering a loyalty program with one (1) elite tier for guests who stay at least 30 nights per year (gold status). Chain C was described as offering a program with two (2) elite tiers, one for guests who stay at least 30 nights (gold status) and one for guests who stay at least 20 nights (silver status).

The benefit gap between gold and silver members was described in one of three ways. In the big gap condition, both groups received more overall, but the difference between what gold members received versus silver members was larger than in the small gap condition (see table 2). In addition, there was a fuzzy benefit condition in which the benefits were not stated explicitly; respondents were simply told that gold status "…is accompanied by numerous preferential benefits and services." For Chain C, it was specified that silver membership also has its benefits but that "gold members receive better and more exclusive benefits than Silver members." In all three conditions, the benefits for gold members at chains B and C were identical.

Insert table 2 about here

Elite qualification was varied by telling respondents that they would be required to travel for either weekly, bi-weekly, or monthly sales meetings, resulting in hotel stays of 45-50, 20-25, or 5-10 nights per year, which would qualify them as gold, silver, or non-elites, respectively. It was pointed out that their level of travel was not expected to change in the foreseeable future,

thus they should expect to remain at that level indefinitely. After reading the descriptions of the competing hotel chains, respondents ranked them in terms of preference, and this ranking served as our dependent variable. Respondents were also asked to rate the benefits they would expect to receive at each of the three chains separately on a scale anchored by 1 = deficient and 5 = exceptional. Given the only difference across hotel chains was their loyalty program structure, this measure allowed us to compare how gold members perceived the elite benefits they would receive when there was and wasn't a Silver tier present (Chains B and C, respectively).

Based on our previous results, we expected those who qualified for gold status to prefer Chain C, with its silver tier, to both Chain B (gold tier only) and Chain A (no elite status). We also expected those who qualified for silver status to prefer Chain C, the only chain that offered them elite status and its associated benefits. Our theorizing did not lead to a strong prediction for non-elites; we included this scenario to test whether the presence of a status program unreachable to the masses might disenfranchise them and thus have negative consequences.

Results

First, we rule out the idea that our results depend on differences with respect to the perception of benefits associated with different program structures by testing whether those who qualify for gold membership perceive the benefits provided by chains B and C differently. Because we have three measures per respondent, we analyze the data using a repeated measure ANOVA. The analysis reveals a main effect of Elite qualification ($F = 8.91$, $p < .01$). The main effect is qualified by a significant interaction between the program being evaluated (Chain A, B, or C) and Elite qualification ($F = 36.93$, $p < .01$). We find no effect of Benefit gap ($F = .76$, $p = .47$)

and no interaction between Elite qualification and Benefit gap ($F = .47$, $p = .76$). Thus, we collapse cells across Benefit gaps and focus our attention on the impact of the tier in which the respondent qualified (gold, silver, or non-elite) on the evaluation of each chain's benefits.

The average evaluation of the benefits for each hotel chain based on the respondent's Elite qualification (Gold, Silver, or No Status) is shown in table 3. The most important result for our purpose is that Gold members evaluate the benefits of gold status at Chain B (Gold only program) the same as at Chain C (Gold-Silver program; $M_{G\text{-}G} = 4.0$ vs. $M_{G\text{-}GS} = 4.1$, $p = .3$). Those at the top of the pyramid do not perceive their benefits to be any different when there is a silver tier present, any preference for the three-tiered program (Chain C) would not be due to higher expected utility from the benefits. It did not matter how big the difference was in the benefits provided to the gold and silver tiers (big gap, small gap) or how precise/fuzzy we were in the descriptions; those who were at the top did not believe that what they stood to receive was significantly better or worse based on whether a silver elite tier was offered as part of the program.

Insert table 3 about here

Given our respondents provided a ranking among the three chains (A, B, & C), the data can be analyzed in two ways. We can compare the sequence of preferences or look at their top pick alone. As the two analyses provide similar results, for ease of exposition, we report only the analysis with respect to the most favored chain. However, we report components of our analysis of the sequence when necessary to make a point.

We specified a multinomial logit with the choice of chain as the dependent variable. The Benefit gap and Elite qualification of the individual were our independent variables. The results

reveal a main effect of Elite qualification ($\chi^2(2) = 7.73$, $p = .02$), no main effect of Benefit gap ($\chi^2(2) = .14$, $p = .93$), and no interaction between Elite qualification and Benefit gap ($\chi^2(4) = 2.35$, $p = .67$). The nature of the benefits and the precision with which we described them did not appear to affect people's choices. Therefore, we collapsed the cells across Benefit gap and report only the effects of Elite qualification.

Table 3 shows the frequencies for each of the six possible rankings across the Elite qualification conditions, as well as the top choice. The most striking result is Chain C (Gold and Silver tiers) is the overwhelming favorite with 118 out of the 143 respondents (82.5%) ranking the 3-tier hierarchical structure as their most preferred choice. Further, when Chain C is picked as the most favored, Chain B is the runner up 95% of the time. Even respondents who would not qualify for elite status prefer Chain C 71.4% of the time.

A multinomial logit analysis conducted on the 1st pick data as a function of Elite qualification reveals that Chain C is much more likely to be picked then either Chain A ($\chi^2(1) = 38.58$, $p < .01$) or Chain B ($\chi^2(1) = 42.81$, $p < .01$). These results replicate our earlier findings: Gold members favor a program with a silver tier over one that makes them the only elites. Silver members also prefer chain C. This is not surprising as it is the only chain that would provide them with status. Perhaps the most interesting finding is that non-status respondents also prefer chain C (71%). They do not appear to begrudge the elites their status as they themselves favor the chain with two elite tiers. Note that Chain C is overwhelmingly the preferred choice among those who qualify for gold status despite the fact that in both the big and small Benefit gap conditions it is made clear they get exactly the same benefits at Chains B and C, and as noted above they perceive it that way.

Discussion

In study 5, we were able to accomplish several things we had not in our previous studies. First and foremost, we find our results hold in a competitive environment where people are exposed to different program structures simultaneously. Second, we show that those who qualified for gold overwhelmingly preferred a program with a silver tier present even though they did not perceive their benefits differently based on whether or not a silver tier was available. Third, the evaluation of the benefits associated with each tier did not depend on the specificity with which they were defined or the gap between the benefits provided to the top (gold) and the second tier (silver). It is important to note that even when the benefits were described in fuzzy terms, no differences emerged. The results suggest a firm can allocate the total package of benefits it affords its elites across several tiers to engender a sense of preferred status without significantly increasing costs.

Finally, the results also reveal several interesting findings with respect to those who would not qualify for status and their preferences. Overall, the non-elites strongly favor a hotel offering a program with two elite tiers (71% prefer Chain C). It seems three-quarters of participants either believe those who stay more often deserve more or like the idea of something to strive for despite being advised they were unlikely to achieve status in the foreseeable future. This alleviates the fear of a backlash from the masses for being treated differently from the elites. In this case, non-elites may have viewed elite tiers and the associated benefits as a reminder of what might one day be achieved and hence there may have been differences in perceived attainability of elite status as Chain C has the lowest threshold for status.

Those who qualify for silver status also favor the program in which they get elite status (Chain C), leading us to conclude that a program with two elite tiers generally is preferred by all

customers involved. This is important given the 80-20 rule whereby firms want to reward the 20% of customers responsible for 80% of their profits. Our results suggest doing so by creating elite classes does not disenfranchise non-elites who appear to favor firms that offer special benefits to their most loyal customers. Additionally, two elite tiers is the most-favored hierarchical structure. The prescription for managers is clear: if you create an elite tier, it is better to create two.

GENERAL DISCUSSION

Status is most commonly considered one's position in society, which is driven in large part by specific status characteristics such as wealth, race, and occupation. Marketers recognize people's desire for status and design loyalty programs that capitalize on individuals' desire to be recognized and feel superior to others. The status that firms bestow is extremely context-specific, whether it is awarded to customers flying the 100,000 miles necessary in one year to become Executive Platinum on American Airlines or to customers staying 50 nights at a Hyatt to secure Diamond Membership. Any sense of status and the accompanying feelings of superiority should apply only toward other customers who are destined not to be treated with the same regard.

The focus of our research is on assessing the impact of different hierarchical structures on consumers' perceptions of status. While perfect customization may be the ultimate desire for both firms and customers, businesses today predominantly group customers into distinct classes, creating a status hierarchy whereby a better customer receives a differentiated and better experience. Firms also enable customers to exhibit their status, which includes establishing priority queues, providing premium customers with special luggage tags, and having lounges or

other publicly appointed spaces for premier customers. The tradeoff facing any firm that stratifies its customers is between how many customers the firm makes elite and the perception of status these customers will feel. Our research addresses this tradeoff and presents potential solutions to a firm wanting to make more customers feel special without disenfranchising its best customers by diluting their elite status.

Our results suggest a simple solution. A three-tier program (e.g., Gold, Silver, and no-status) is more satisfying to all involved than a two-tier program (Gold and no-status), even to those who do not qualify for elite status. We show that the size of the Gold tier can be increased with little or no decrement to status perceptions among those in the top tier when a Silver tier is added. Thus, the firm grows the number of customers it recognizes in two ways: by expanding the top tier and adding a second tier. In addition, we have evidence to suggest that adding a third elite tier would benefit perceptions of status for those in the second tier, while we do not have evidence to support it affecting those in the top tier. The expected caveat applies—the size of these subordinate tiers must not be so large as to suggest that the firm is perceived as lowering its standards. We find that the larger the second tier, the less special the top tier feels, so that the net impact of too large a second tier may very well be negative for those at the top. We also show that a second elite tier can help shield those in the top tier from program changes, especially when a new, superordinate tier (e.g., Platinum) is added.

From a managerial perspective, this research sheds light on the number of tiers a status program should include and the impact of changes to a status program's structure. We believe we are the first to investigate the design of status hierarchies within loyalty programs. From a theoretical perspective, this work is a step towards a better understanding of how the structure of a status hierarchy affects perceptions of status. In this way, we contribute to the literature on

social comparison. That literature has focused predominantly on how individuals compare specific levels of achievement and utilize this information. In comparison, we have focused on how individuals respond to rankings of a group to which they belong. In addition, our work reveals how the presence of a subordinate but elite group benefits those who look down, either because it is the only direction possible, or because looking up threatens their perceived status.

This work adds to the social comparison literature by studying tiers as social categories and how different numbers of tiers and different tier sizes impact perceptions of status. Kruglanski and Mayseless (1990) note how the process involved with comparative judgments can differ based on the content of the comparison and stimuli being compared, as well as type of comparison being conducted. Our domain is quite new—status programs that segregate customers based on their purchase behavior. And, unlike previous work, we look at groupings according to earned or achieved rank, with subjective impressions of one's position as the primary outcome of interest. Further, we have identified a robust phenomenon that has not been documented before: the existence of subordinate elite tiers can elevate the impressions of status among those who are immediately above.

This work is not without limitations. First, we explore only a fraction of the possible hierarchical structures that could be employed. In our studies, higher tiers were always more selective (i.e., a pyramid). This need not be the case. Other possible structures such as equal tier sizes or an inverted pyramid could be studied too. Second, we focus on perceptions of status and, thus, feelings of superiority as our dependent measure. We do not relate our findings directly to actual purchase behavior. While we go to great lengths to control for them in study 5, we believe that the material benefits provided to consumers in each tier are typically stronger motivators of short-term behavior. Yet, for many consumers, relative benefits will matter more than absolute

benefits. While we vary the size of the gap in benefits in study 5, future work may examine how varying disparities in, and the type of material benefits provided impacts perceptions of status more deeply. We also acknowledge that there are many intangible and often ethereal benefits that accompany status (e.g. the deference of service personnel) that are difficult to disentangle from feelings of superiority. Future work should explore more deeply consumers' expectations regarding the specific benefits of status.

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TABLE 1

STUDY 4: CHANGE IN PROGRAM EVALUATION AFTER A CHANGE IN PROGRAM STRUCTURE

		After	
		Platinum-Gold	Platinum-Gold-Silver
Before	Gold	-.53 *5.88 5.35*	-.37 *6.19 5.81*
	Gold-Silver	-1.29 *6.68 5.38*	-.70 *6.83 6.13*

The numbers in each cell provide the change in program evaluation before and after the change in number of tiers. The numbers in italics show the pre and post means.

TABLE 2
STUDY 5: BENEFIT DESCRIPTIONS FOR ELITE MEMBERS AT CHAINS B AND C

Big Gap: 3 unique, 4 common but superior

	Gold Status (Chain B & C)	**Silver Status** (Chain C Only)
Unique to Gold at Chain C	- A guarantee that the bed type you request will be available - Receive a complementary upgrade to a Grand Club room - Redeem free nights even when award inventory is sold out	
Common to Gold and Silver at Chain C	- Receive a 50% point bonus - An exclusive "Gold" check-in counter - 2 p.m. late checkout - An exclusive "Gold" reservation and account information telephone line	- Receive a 15% point bonus - An exclusive "Silver" check-in counter - 2 p.m. late checkout upon request - An exclusive "Silver" reservation and account information telephone line

Small Gap: 1 unique, 4 common but superior

	Gold Status (Chain B & C)	**Silver Status** (Chain C Only)
Unique to Gold at Chain C	- A guarantee that the bed type you request will be available	
Common to Gold and Silver at Chain C	- Receive a 25% point bonus - An exclusive "Preferred Member" check-in counter - 2 p.m. late checkout upon request - An exclusive "Preferred Member" reservation and account information telephone line	- Receive a 15% point bonus - An exclusive "Preferred Member" check-in counter - 2 p.m. late checkout upon request - An exclusive "Preferred Member" reservation and account information telephone line

TABLE 3: RANK ORDER OF HOTEL CHAINS BY CONDITION

		Gold	Silver	No Status	
Benefits Ratings	A	1.7[a]	1.8[a]	2.3[b]	
	B	4[c]	2.7[b,d]	2.7[b,d]	
	C	4.1[c]	4.1[c]	2.8[d]	
Rank Order	ABC	1	2	6	9
	ACB	0	1	5	6
	BAC	0	0	2	2
	BCA	6	1	1	8
	CAB	1	3	2	6
	CBA	42	37	33	112
1st Pick	A	1	3	11	15
	B	6	1	3	10
	C	43	40	35	118
N		50	44	49	143

Ratings with the same superscript are not statistically different from each other.

FIGURE 1

PILOT STUDY: LOGISTIC REGRESSION

FIGURE 2

STUDY 3: FIGURES FOR STIMULI

FIGURE 3

STUDY 4: FIGURES FOR STIMULI

FIGURE 1

PILOT STUDY: LOGISTIC REGRESSION

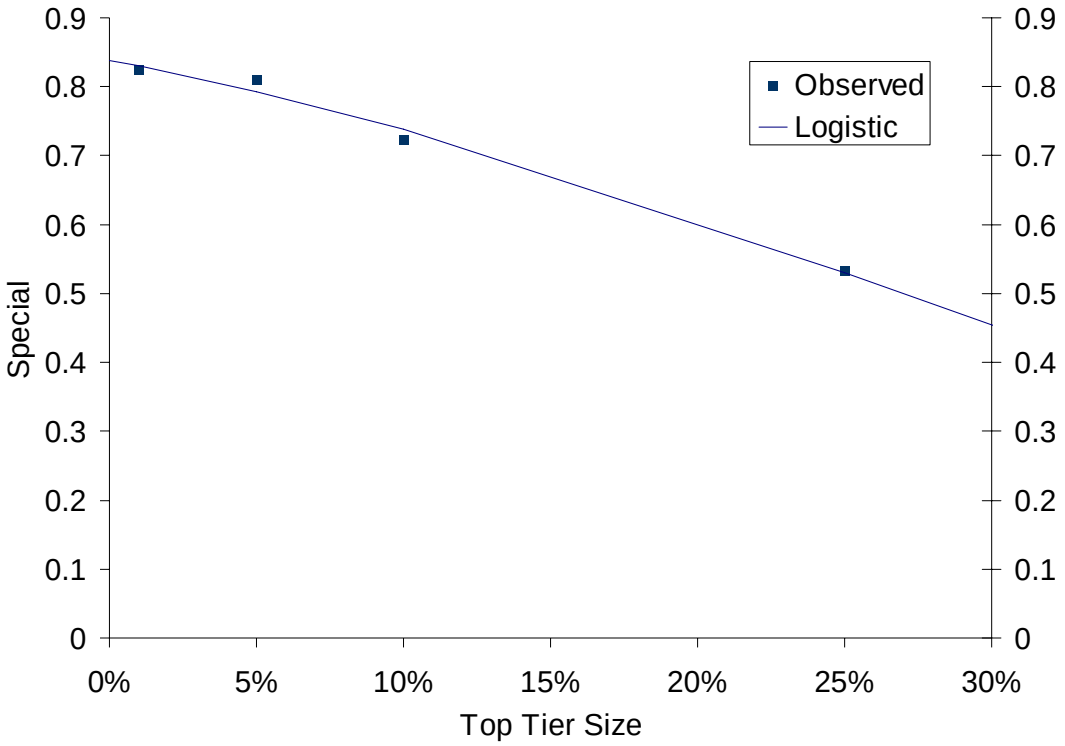


FIGURE 2

STUDY 3: FIGURES FOR STIMULI

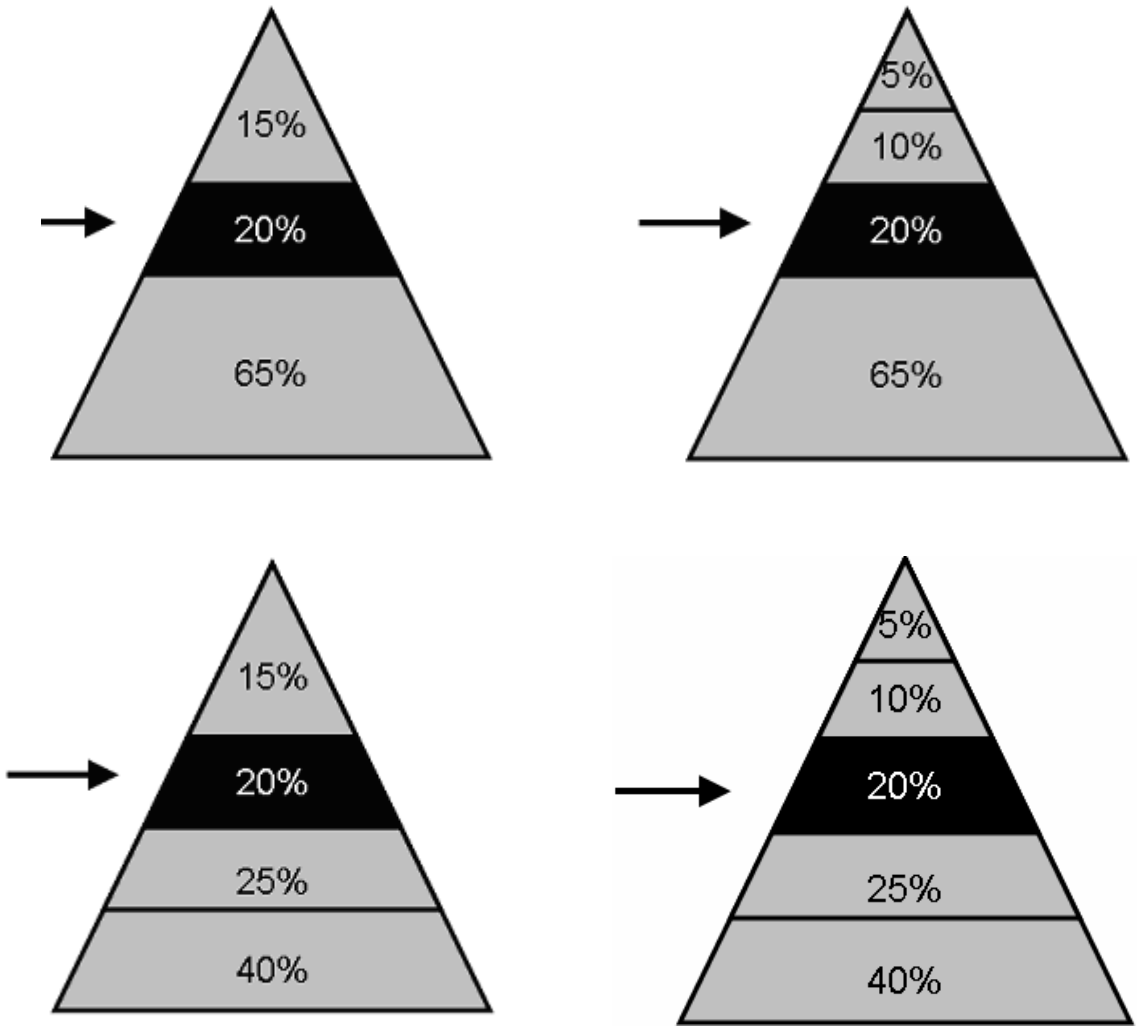
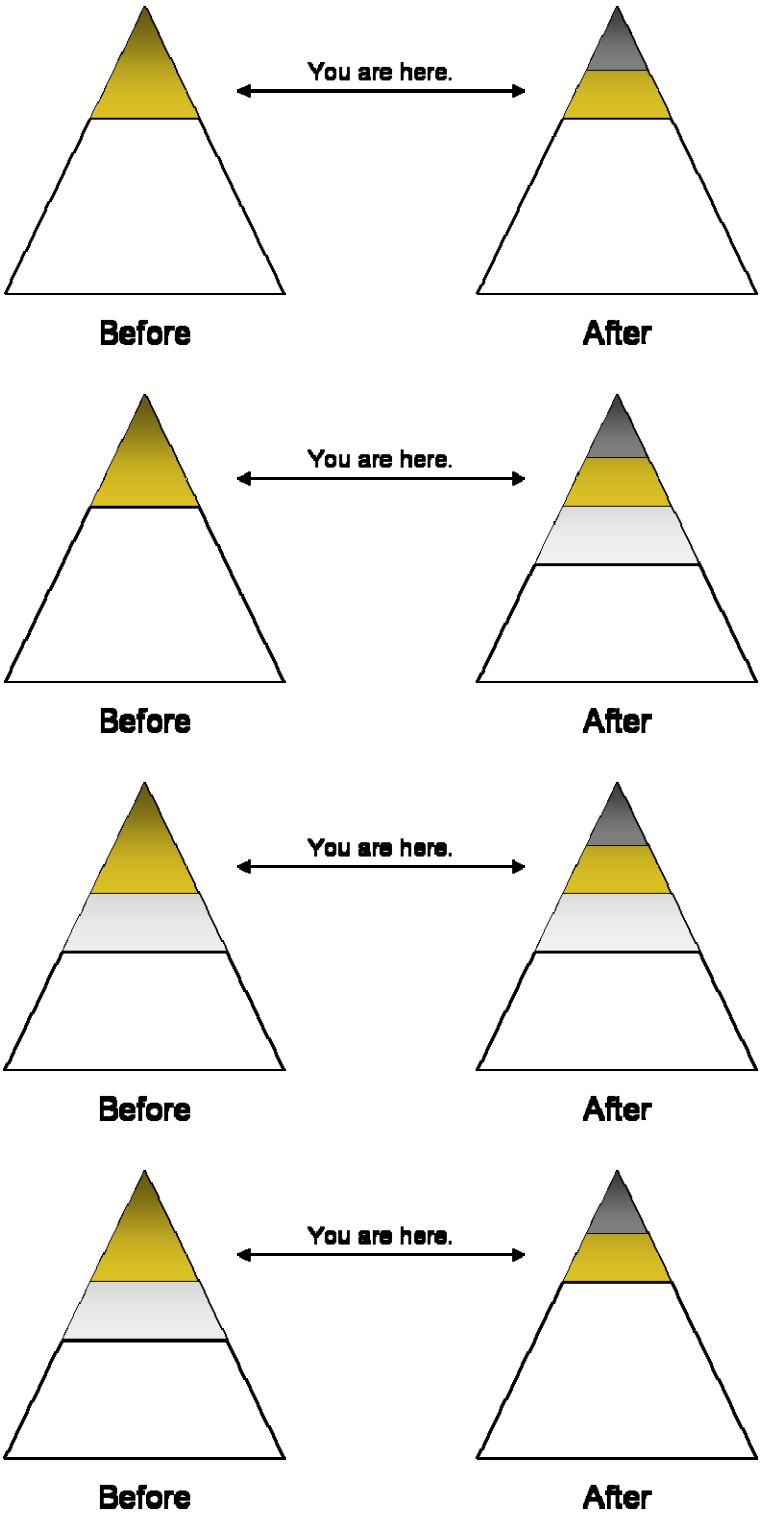


FIGURE 3

STUDY 4: FIGURES FOR STIMULI



1) LOYALTY PROGRAMS, STATUS, AND SOCIAL COMPARISON

1) PILOT STUDY

1) STUDY 1: A VIEW FROM THE TOP

2) Part I: From Elite to Super-Elite

3) Respondents

3) Stimuli and design

3) *Results*

2) Part II: Looking Down, But Not Too Far

3) Respondents

3) Stimuli and design

3) *Results*

2) Part III: Adding Elites without Diluting Status

3) Respondents

3) Stimuli and design

3) *Results*

2) Discussion

1) STUDY 2: STATUS CONSCIOUSNESS

2) Method

3) Respondents

3) Stimuli and design

2) Results

2) Discussion

1) STUDY 3: LOOKING UP OR LOOKING DOWN

2) Method

3) Respondents

3) Stimuli and design

2) Results

1) STUDY 4: CHANGING THE PYRAMID

2) Method

3) Respondents

3) Stimuli and design

2) Results

1) STUDY 5: BENEFITS, THE NEED FOR STATUS AND CHOICE

2) Method

3) Respondents

3) Stimuli and design

2) Results

2) Discussion

1) GENERAL DISCUSSION