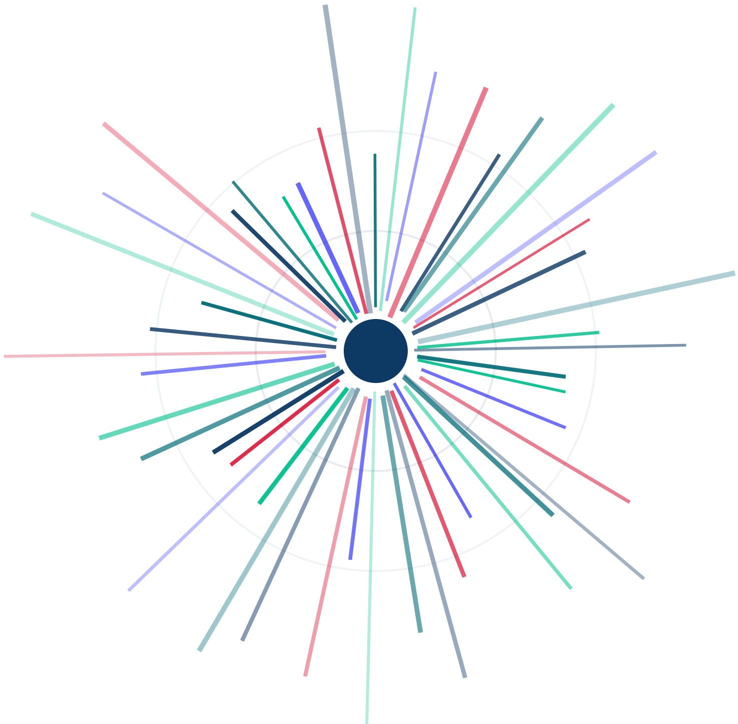

ON THE FUTURE OF LOYALTY

Loyalty Isn't Dead. We've Just Been Measuring the Wrong Things.

A conversation with Gary Hawkins and Ron Bonacci

by Kate McCormick, Director of Solutions Engineering

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ON THE FUTURE OF LOYALTY

Loyalty Isn't Dead. We've Just Been Measuring the Wrong Things.

When I sat down with Gary Hawkins and Ron Bonacci for our latest Retail Perch discussion, I expected to spend a lot of time talking about points, rewards and loyalty programs.

Between them, Gary and Ron have helped shape more loyalty programs than most of us could count. But as our conversation unfolded, we kept returning to something more fundamental:

The customer.

Not the loyalty card. Not the app. Not the points balance. Not even the promotion.

The person on the other side of all of it.

That distinction matters because I don't believe loyalty is dead. I believe we have sometimes confused loyalty with the mechanics designed to support it.

Points, coupons, fuel rewards, digital offers and personalized promotions were never the purpose of loyalty. They were tools: reasons for customers to identify themselves, engage with a retailer and return.

Over time, those mechanics also became the most visible and consistent ways to measure a program's success. Redemption rates, enrollment figures and campaign performance gave retailers something concrete to track.

Those measures still matter. But they do not tell us everything about the customer relationship.

A successful redemption tells us that an offer worked. It does not necessarily tell us whether the customer became more engaged, visited more often or developed a stronger relationship with the retailer.

That is the opportunity in front of us now: to expand how we define and measure loyalty.

Loyalty still needs a human element

One of the first things I noticed during our discussion was what Gary and Ron didn't mention when they described the future of loyalty.

They didn't begin with points. They talked about recognition. Experiences. Community. Making a customer feel known and appreciated.

Gary shared how something as simple as a handwritten thank-you note to a retailer's most valuable shoppers can create an effect far beyond the initial gesture. Ron talked about customer appreciation events, school programs and the role a grocery store can play in its community.

> **These aren't complex loyalty mechanics. They are human ones.**

That may seem counterintuitive at a moment when so much of the industry conversation is focused on AI, automation and increasingly advanced personalization. But technology and humanity are not opposing ideas.

Technology can help retailers recognize where the human connection matters—and make it possible to act across millions of individual customer relationships.

A retailer should be able to recognize its most valuable customers. It should know when a previously consistent shopper begins visiting less often or when a household's needs may be changing. It can then use that understanding to create an experience that feels relevant, useful and genuinely appreciative.

Technology can identify the moment. The retailer still decides what that moment deserves.

Value is personal—and it keeps changing

Points, discounts and rewards will continue to play an important role in loyalty programs.

But the complexity of grocery makes relevance difficult.

A restaurant loyalty program may work with a relatively limited menu. A grocer is working across tens of thousands of products, different pricing strategies, overlapping promotions and customers whose definitions of value change from one category to another.

I see that in my own household.

I am highly price-sensitive in certain categories and much less price-sensitive in others. What creates value for me depends on what I am buying, why I am buying it and what matters to my family at that moment.

A generic discount may influence one purchase. Understanding those differences creates the possibility of earning the next trip—and the one after that.

Retailers have collected customer and transaction data for years. What has changed is their ability to connect that information, recognize meaningful patterns and make those insights available while there is still time to respond.

A customer may be visiting less frequently, spending differently within a category, trying a new brand or returning after a period of inactivity.

> **Each of those changes creates an opportunity to respond with greater relevance.**

AI can help make that understanding more accessible and actionable. But more data does not automatically create a better customer experience. The data must be accurate, insights must reach the people making decisions, and those decisions still require human judgment.

Loyalty reaches beyond the program

Loyalty may be managed by marketing, but the customer's experience is shaped across the organization.

Merchandising determines whether the assortment remains relevant. Pricing influences how customers perceive value. Operations shape the in-store experience. Digital teams determine convenience. Marketing helps connect and communicate those experiences.

Customer Lifetime Value can provide a shared perspective across those functions.

It does not need to replace sales, margin or category performance. It adds another view—one that helps retailers understand how business decisions contribute to the strength of the customer base over time.

Retail leaders already monitor sales and operational performance closely. Customer measures help them answer another set of questions:

- Are customers visiting more or less frequently?
- Are valuable households becoming more engaged?
- Which customers are beginning to drift?
- What changed after a promotion or campaign ended?
- Which parts of the customer base need attention now?

When customer measures become more accessible across the organization, teams gain a shared view of what is changing and where attention may be needed.

Creating shared value with CPG partners

Customer intelligence can also strengthen collaboration between retailers and CPG partners.

Retailers bring an understanding of how customers shop across categories, stores and occasions. CPGs bring deep knowledge of their brands, products and the needs they address.

Together, they can ask more customer-focused questions:

- Which customers would benefit most from discovering this product?
- Which shoppers are beginning to disengage from the category?
- What would encourage an existing brand customer to purchase again?
- Which customers are most likely to respond to a new product introduction?
- How can an investment support immediate performance while also strengthening the customer relationship?

This extends the conversation beyond an individual campaign and helps both parties understand how their investments contribute to customer growth over time.

It is not a choice between meeting a brand objective and serving the customer. Better customer intelligence can help retailers and CPGs do both.

Measuring the relationship behind the program

For years, the industry has debated whether the traditional loyalty program has run its course.

I think there is a more useful question:

> **Does the program help the retailer understand its customers well enough to earn their next decision?**

Instead of asking only, "Which promotion performed best?"
Ask, "Which customers became more engaged because of it?"

Instead of asking only, "How many offers were redeemed?"
Ask, "What happened after the redemption?"

Instead of asking only, "How many members are enrolled?"
Ask, "How well do we understand the customers behind those memberships?"

Points, offers and rewards remain valuable. What is changing is our ability to understand how they contribute to customer behavior over time.

The future of loyalty isn't simply more points or more offers.

It is understanding customers well enough to create value in the moments that matter and earning the next trip because of it.

Loyalty isn't dead.

We are expanding our ability to measure and build the relationship it was always meant to represent.

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