

TALON.ONE'S

DEFINITIVE GUIDE TO CUSTOMER LOYALTY



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With customer acquisition costs climbing to unparalleled highs, there's no doubt that a renewed focus on retention and loyalty is high on brands' agenda for 2024 and beyond. Loyalty is an important yet elusive trait to find among consumers. For brands it equates to increased sales and a consistent advantage against competitors.

Building a loyal customer base is like nurturing a circle of trust and reliability. With economic uncertainties, loyal customers become a stabilizing force for companies, providing a steady stream of repeat business and positive word-of-mouth. As loyal customers continue to choose a brand over others, they contribute significantly to its financial resilience and overall success in the competitive business landscape.

But loyalty is a two-way relationship. Brands need to give back to their customers if they want to retain them and continue to benefit from them.

That's not as simple as it sounds. You need to adopt a thorough approach towards customer loyalty as a core business principle to see real results.

This report will explain what it takes to differentiate your loyalty program from a growing number of competitors.



Reza Javanian

Talon.One loyalty & promotions expert

1

Standing out from the crowd

Because loyalty programs are so common, it now takes much more to differentiate your brand.

The days when simple loyalty programs were enough to catch a customer's attention are long gone. Now only the best customer loyalty programs stand out.

[Research](#) shows that U.S. consumers belong to 16.6 loyalty programs on average but actively use less than half of those.

The brands at the forefront of the loyalty landscape have three key similarities:

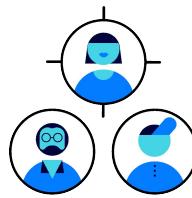
- They demonstrate an understanding of the deeper motivations behind customer loyalty
- They personalize their incentives and messaging to ensure maximum engagement with customers
- They commit to the vision across their entire business

“70% of consumers spend more and engage more frequently with brands and retailers whose loyalty program they are a member of, compared to brands where they are not. However, less than 25% of programs offer personalized member experiences based on previous interactions and purchase history. Moreover, only 14% of loyalty programs actively foster and incentivize community-building.”

Deloitte

How to differentiate your loyalty program

The key to creating customer loyalty is differentiation, offering your customers a distinctive experience that they can't find anywhere else. By offering something truly unique, be it personalized services or exclusive perks, you not only capture their attention but also build a lasting connection that extends beyond transactions.



Let your members feel unique

The surge in the number of ways that brands can interact with customers has catapulted the importance of uniqueness into the spotlight.

The unique experience is so important that Tom Osenton in his book "[Customer Share Marketing](#)" warns brands not to commit to any loyalty program until and unless it can consistently generate unique and relevant experiences for their customers.

Personalize the customer experience

The only way you can differentiate your promotional messages in the mind – and heart – of your customers is through personalization.

Taking a one-size-fits-all approach to loyalty programs isn't enough to stand out. Marketers are taking note, with [around 33% of respondents to a study in the US and UK](#) devoting more than half of their marketing budget to personalization.

Comprehensive loyalty programs that go beyond points-for-prizes are the key to turning occasional purchasers into retained customers, with 70% of U.S. consumers stating that it's important or critically important for them to buy from a brand with a loyalty program.

eMarketer



Commit to loyalty across the business

To get meaningful results, businesses need to make customer loyalty part of their DNA, and encourage all departments to commit to a loyalty-first approach.

The success of a loyalty program requires not only a customer-centric marketing department but also a cross-sectional mindset that runs throughout the entire organization.

This means everyone in the company, from customer service to product development, plays a role in building and maintaining loyalty.

It's not just about having a loyalty program; it's about fostering a culture where every customer interaction is guided by a commitment to satisfaction and long-term relationships.

2

An advanced loyalty framework

An advanced loyalty program

To be an industry leader in customer loyalty, you need to go beyond the basics in six key areas.

	BASIC	ADVANCED
Outlook	Inadequate consideration of how customer loyalty fits into the wider goals of the business.	Prioritization of customer loyalty as a key business objective from the very top. Willingness to respond to internal and external changes to ensure it remains a priority.
Insights	Limited market research and a lack of understanding of customers' emotional loyalty motivations.	Thorough, multifaceted approach to research, not just about customer profiles but also motivations, rewards and competitions.
Coordination	Processes with disconnects or significant overlaps between different departments/tools.	Meticulous processes for sharing data between departments/tools and also communicating objectives.
Tools	Lack of key business tools due to corner cutting or not understanding importance.	Investment in the best tools which provide the best outcomes for the business and customers.
Stats	Incohesive analysis of different data metrics within behavioral and emotional loyalty.	An understanding of the importance of emotional and behavioral loyalty in tandem and how both factors are intertwined.
Teams	A team that is not fully aligned on objectives or responsibilities.	A team that understands what the purpose of customer loyalty is and how they can each make the operation more effective.
Talon.One		9

Your offering to customers

Any company can set up a basic loyalty program. But, with a company-wide approach, an understanding of your customer segments, and your most valuable or loyal customers, you can set yourself apart.

You can offer everyone the same rewards, regardless of age, shopping habits and other preferences. But, if anything, it will have a negative effect on customer loyalty. This comes back to the concepts of attachment and trust in emotional loyalty

Instead, look to optimize your value proposition to each of your core customer segments. Tier-based loyalty programs are very helpful in this regard, enabling brands to diversify their offerings based on each loyalty tier.

With a clearer understanding of your customers' behaviors and their loyalty motivations, you'll be able to work out what rewards and incentives resonate with them the most.

Insights and data

(general customer analytics, behavioral loyalty, emotional loyalty, other success metrics, etc.)

Used to define your loyalty approach throughout the organization

(hierarchy, departments and touch points)

Used to adapt your offering to specific customers and customer segments

(unique rewards, unique messaging, etc.)

“A loyalty program helps you build relationships through offering value, like sharing related or complementary products to customers who have already tried your offering. Strategic, regular touchpoints will increase your customer’s lifetime value and your margin. It’s win-win!”



Felipe Silberstein
Head of Platform Strategy

3

The two types of customer loyalty

To better understand what drives your customers' behavior, you need to measure both behavioral and emotional loyalty.

Customer loyalty can be measured using two main metrics – behavioral loyalty and emotional loyalty. Both types of loyalty relate to different aspects of a customer's sentiment towards a brand, and both are vital to understand which customers to target.

Behavioral loyalty

This refers to loyalty demonstrated through behavior, including repeatedly buying certain products or repeatedly buying from a certain shop.

Emotional loyalty

This refers to a customer's emotional connection to a brand or product. It comprises three separate elements – affinity, attachment and trust.

Behavioral loyalty is the standard assessment of customer loyalty typically used by most brands. But in recent years there has been a much stronger focus on measuring and understanding the role of emotional loyalty in customers' consumer behavior.

When consumers feel appreciated

88%

plan to stay with the brand

83%

plan to spend more with the brand

87%

will advocate for the brand

Forrester

Measurement and metrics

How to measure both behavioral and emotional loyalty.

Behavioral loyalty is generally much easier to measure. You can draw some simple conclusions just looking at customers' purchase habits and other trends.

For example, a customer may come to your shop (online or in-store) twice a week and buy a certain product during 80% of their visits. This points towards a high degree of behavioral loyalty. But with this information alone it's hard to draw deeper conclusions.

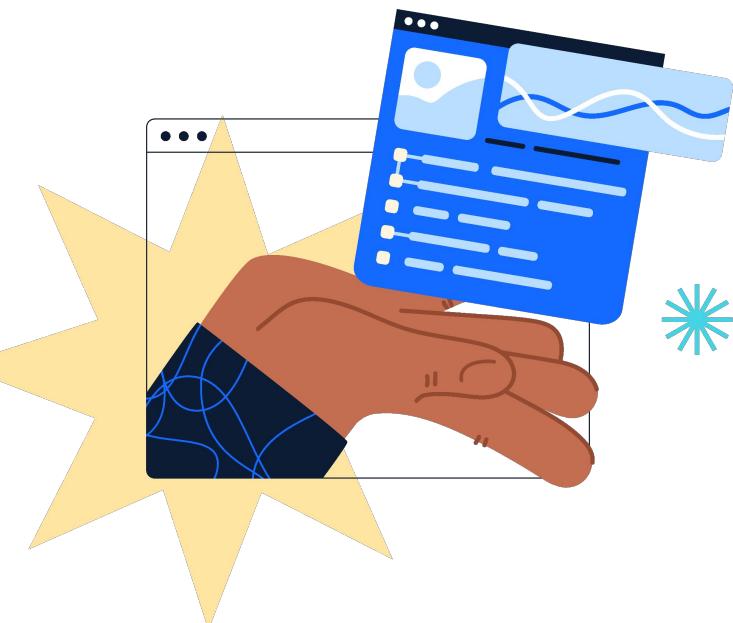
Metrics typically used to measure behavioral loyalty include:

- **Purchase behaviors (products, locations, times, etc.)**
- **Repurchase and retention rates**
- **Non-purchase interactions with your brand**

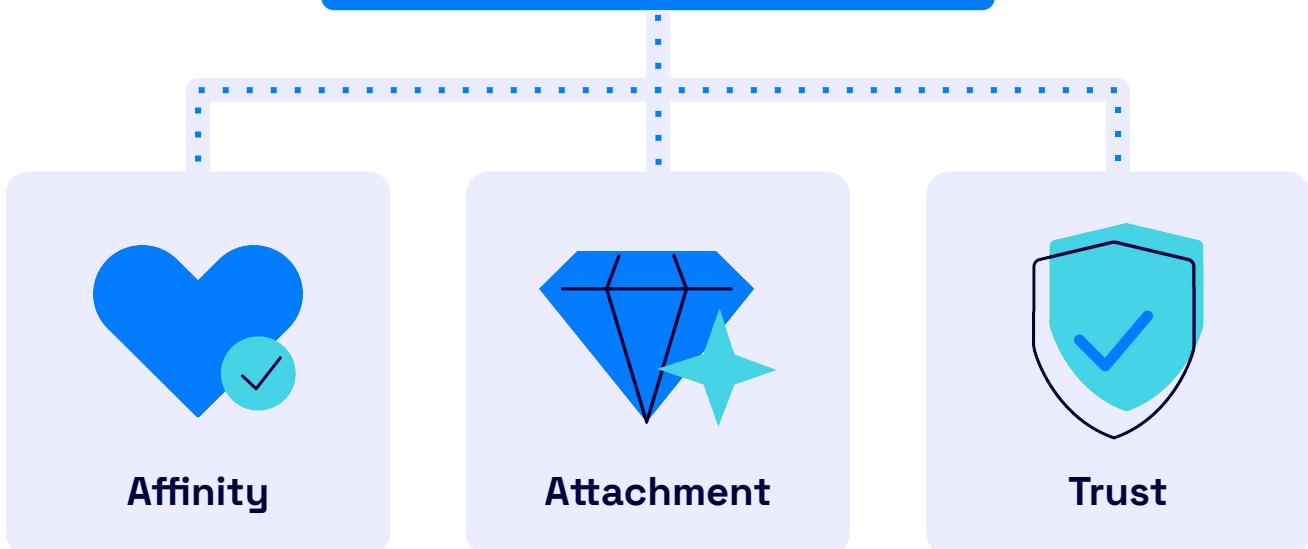
These metrics are generally very easy to measure and collect. But on their own they don't reveal much about the motivations behind a customer's purchases.

They could simply be:

- **Shopping due to convenience (living close to the store)**
- **Unable to afford alternatives**
- **Trapped by a lack of other available options**



Emotional Loyalty



Emotional loyalty gives a much deeper insight into the motivations behind customer actions and their feelings towards a brand. But it's significantly harder to measure.

Some loyalty metrics that monitor emotional motivations include:

- **Sentiment scores** (determined by lexical analysis of customer feedback and reviews etc.)
- **Customer satisfaction scores** (determined by customized surveys and reviews)
- **Net Promoter Score** (a metric that divides your customer base into Promoters, Passives, and Detractors)

Customers are people, so you need to understand their consumer behavior from a human perspective. Relying on eye-catching deals to encourage spending does not equate to true customer loyalty.

The three separate elements of emotional loyalty (affinity, attachment and trust) each play their own important role in the formation of a customer's emotional connection to a brand.

- **Affinity** – How much the customer likes or appreciates what a brand offers
- **Attachment** – How valued by a brand a customer feels
- **Trust** – How respected by a brand a customer feels

Emotions as a loyalty-inducing mechanism

Emotions play a key role in creating loyalty in your customers.

The following life-cycle theories highlight the importance of the emotional bond between a brand and its customers.

Transaction utility theory

According to [Thaler \(1985\)](#), the satisfaction a consumer experiences when purchasing a good can be divided into two core components:

- 1. Acquisition utility**
(dealing with the value of the good compared with the price).
- 2. Transaction utility**
(the perceived merits of the deal).

Transaction utility theory suggests that a person draws utility by simply maintaining a relationship with another person, beyond any objective benefits provided by the exchange.

Relational cohesion theory

Since two-way exchanges occur over time, relational cohesion theory posits that strong relationships will form. These relationships result from an emotion-cohesion process in which repeated interactions between parties facilitate emotional connections.

In addition to positive emotions, frequent exchanges between the two parties trigger commitment behaviors due to reduced uncertainty (i.e., the dual process of commitment).

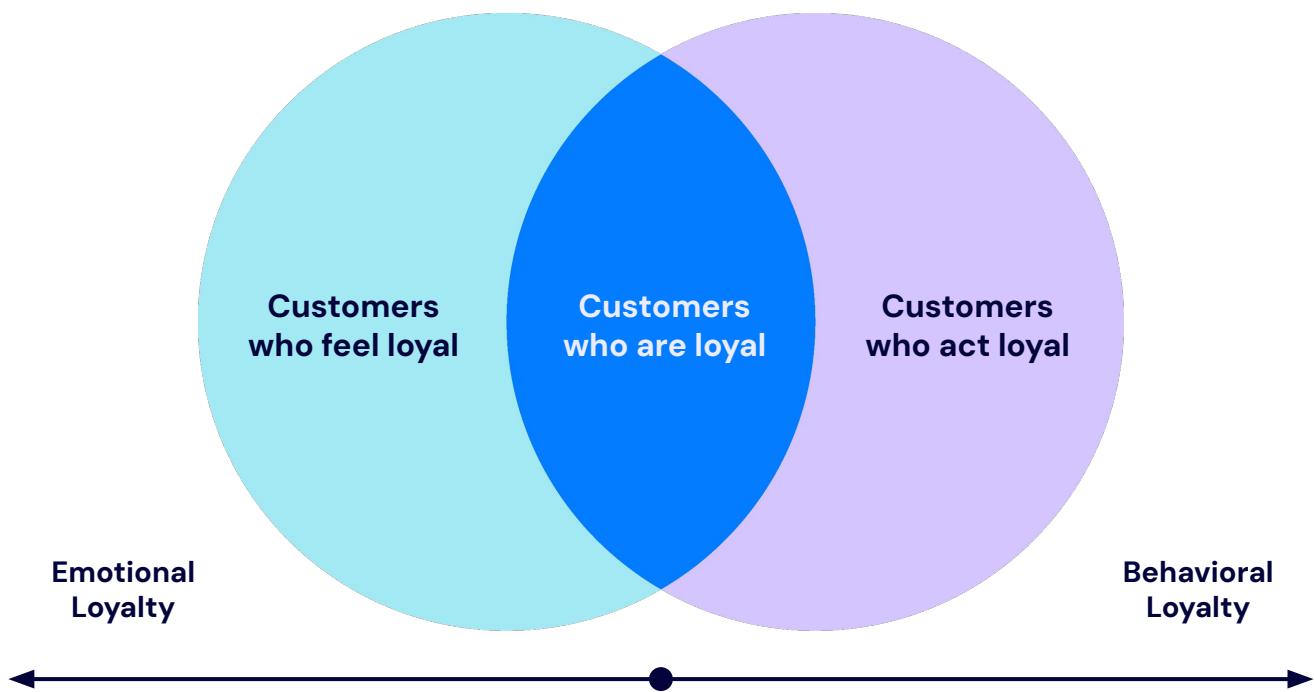
[From-exchange-to-emotion-to-cohesion](#) approach reflects the emotional mechanism influencing individuals' behaviors.

The golden spot

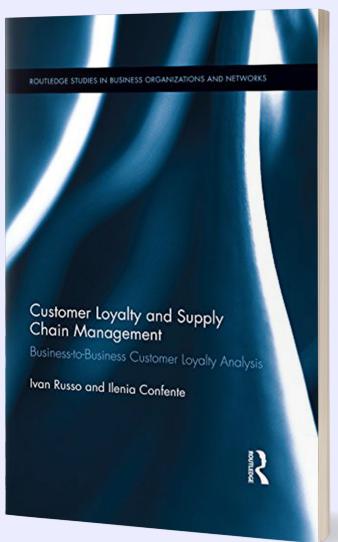
The most valuable insights come when you measure behavioral and emotional loyalty together.

Measuring emotional loyalty alongside behavioral loyalty adds a new dimension to your insights. Behavioral loyalty metrics show you which customers are most loyal in their purchase behaviors, while emotional loyalty metrics reveal which are most loyal when it comes to deeper motivations.

But comparing behavioral and emotional loyalty metrics side by side allows you to identify which customers are loyal in both senses of the word. These are the customers that bring the most value to your business, and they're the ones you should prioritize.



**“Customer satisfaction
leads to affective
commitment, and this
emotional attachment
is what influences a
customer’s subsequent
purchase behaviour.”**



Ivan Russo & Ilaria Confete
Authors of *Customer Loyalty
and Supply Chain Management*

4

Loyalty program best practices

How leading brands leverage loyalty programs

By offering rewards and exclusive benefits, these programs create a sense of appreciation and value, fostering lasting relationships. Through simple yet effective incentives like discounts, special offers, or points for purchases, brands encourage repeat business and customer loyalty.

This not only keeps customers coming back but also enhances the overall shopping experience

In essence, loyalty programs serve as a friendly and rewarding way for brands to express gratitude to their customers while ensuring continued support.

Prominent brands employ loyalty programs to craft unique customer experiences and enhance profitability. Successful instances reveal that customer loyalty is a realm where innovation flourishes, enabling businesses to avoid the sea of sameness. Let's delve into standout examples from top-tier brands in these categories:

Loyalty programs and...

first party data

gamification

exclusive offers

sustainable causes

Flybuys loyalty program

Loyalty programs allow brands to establish direct relationships with their customers, gathering comprehensive data about their preferences, behaviors, and purchase patterns.

This first-party data is not only more reliable and accurate but also enables brands to personalize their marketing efforts on a granular level.

Flybuys is an Australian customer loyalty program equally owned by the Coles Group and Wesfarmers. Once users complete the registration process, the [Flybuys loyalty program](#) invites new members to fill in a profile section. This includes fields for home and work phone, residential and postage address, number of people living in the household, number of cars, whether the member owns their own business, the month of the year when they intend to review their home insurance, car insurance, and mobile phone contract, how often they take flights for personal travel, and more.

KFC's Shrimp on a mission

Gamification plays on two of our innate human characteristics: curiosity and competitiveness. That's what makes it a hugely powerful tool for retailers looking to add excitement to their every day customer interactions, and drives huge return on investment.

[KFC Japan](#) introduced a playful twist to spread the word about their new Ebi Shrimp Puri. They created a game where shrimp were on a mission to take over the chicken-dominated world of KFC, and players were tasked with defending the KFC castle. The result? Store sales soared by an impressive 106% compared to the previous year, showcasing the campaign's effectiveness in capturing attention and boosting engagement.





EXCLUSIVITY

My John Lewis

Exclusive rewards create a sense of value and appreciation, making customers feel special and more connected to the brand. By offering unique incentives that are not readily available to the general public, businesses not only incentivize repeat purchases but also encourage customers to remain loyal over the long term.

British retailer John Lewis runs a [loyalty program](#) enabling loyal customers to get exclusive access to special events, including beauty masterclasses, crafting tutorials and cooking workshops.

SUSTAINABILITY

The Body Shop's Refills

You can connect your rewards to ESG (environmental, social and governance) causes, encouraging members to think of loyalty benefits in a broader, more sustainable way.

The Body Shop encourages customers to embrace the circular economy and help eliminate waste through its [Refill initiative](#). Loyalty program members can actively contribute to this cause while enjoying the benefit of earning double points on all refill purchases.



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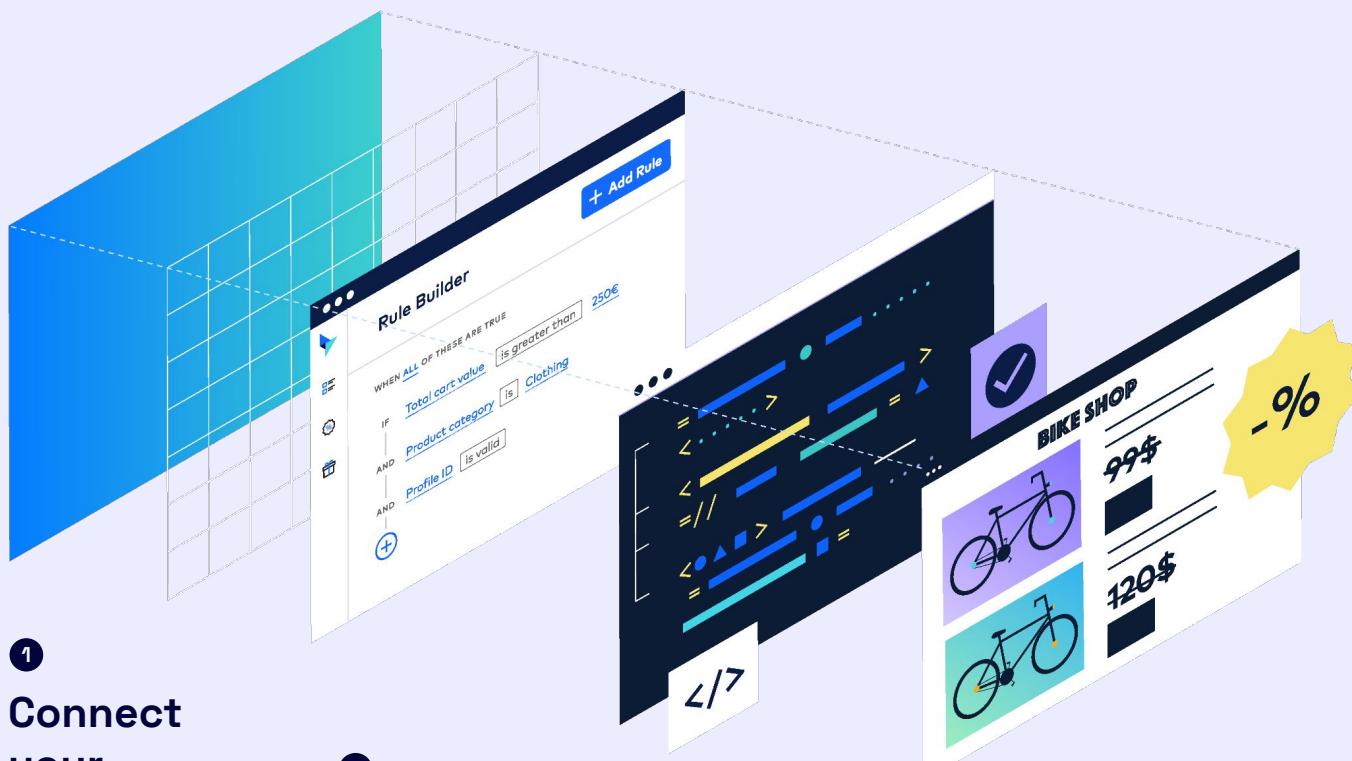
Creating a loyalty program with Talon.One

Getting started with Talon.One

Leading brands including Adidas, Carlsberg, River Island and Live Nation Entertainment use Talon.One as the foundation for their entire customer loyalty operations.

Talon.One's Promotion Engine is an all-in-one solution that lets you build any type of sales incentive & customer loyalty program your team can imagine.

Talon.One is an API-based promotion tool that allows you to integrate easily, scale your promotions quickly and build personalized & engaging campaigns faster.



1
Connect
your
backend

2
Configure
your rules

3
Send
transaction
data

4
Receive
effects

Setting up your campaigns

Once you've designed your loyalty program framework, it's time to start building. And that's where Talon.One's Campaign Manager comes in, offering you a comprehensive rule-set to get your program up and running.

Here's a checklist of the first steps our customers usually take when setting up their loyalty programs.

CAMPAIGN MANAGER SETUP

- Create a loyalty campaign and choose point expiration time
- Build rules for earning and spending points in different contexts
- Create tiers and segments of users to offer more personalized rewards
- Choose additional features as rewards (coupons, gift cards, giveaways, etc.)

“Talon.One is our loyalty brain. Working with Talon.One allowed our software developers to save up months of work because we could completely rely on Talon.One’s product.”



SHARENOW ✓

Raphael Stange

Chief Marketing, Customer Service and Sales Officer

Talon.One - the leading loyalty & promotion platform

99.96%
uptime

in the last 24 months

19
GCP regions

utilized by Talon.One
clients with single
tenant infrastructure

**40 ms –
60 ms**

average
response time

**Global
reach**

24/7 business and
support coverage

200+
Enterprise
clients

7 min

average response time
for customer support
and incidents in 2021

155 M
API calls

for a single client
on Black Friday

1.4 B
customers

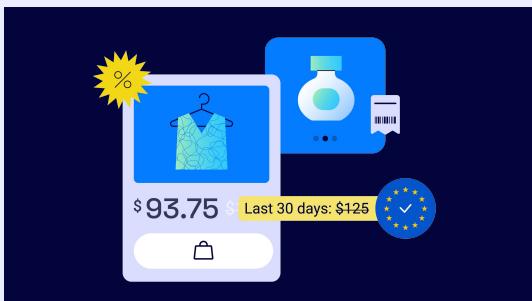
profiles in DB for
one of our customers

55.9 B
coupon

codes in
our databases



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Talon.One helps Twinset work more efficiently with omnichannel promotions

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Bilt Rewards doubled users within the first six months of using Talon.One

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loyalty & promotion engine**

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