LOBYCO

THE LOYALTY ENGINE

Powering retail growth through personalisation, engagement & gamification, and retail media.

As retail customer expectations continue to rise, loyalty matters more than ever. Brands must embrace the key tenets of modern loyalty strategies to engage with customers in the ways they deserve. Then, they can pursue the game-changers that will turn loyalty into a revenue-generating asset.

Introduction

Just as today's retail environment is more complex than it used to be, so too is customer loyalty. It's no longer "just" a marketing initiative. A smart loyalty strategy can help retailers delight customers, nurture long-term relationships, and even open up new revenue streams – if done thoughtfully. It all starts by meeting customer expectations.

However, customer expectations constantly evolve, which is part of the reason they can be challenging to accommodate. But, at a baseline, retailers must offer customers three things: convenience, value, and recognition of loyalty. These expectations aren't going away any time soon. In fact, they're likely to keep rising over time. Businesses need to stay on their toes if they hope to keep up and win the market.

Thanks to new technology that enables data analytics and real-time engagement, the bar has been raised for what it means to be a retailer today. Boston Consulting Group's 2024 research found that customers – especially younger generations – want retailers to offer differentiated experiences beyond competitive prices in exchange for their patronage.

This means personalised promotions, engaging communications, and exclusive rewards – all of which should prioritise customer convenience. But here's the good news: just as technology elevated customer expectations, it can also bring about the strategies that will help retailers thrive on a new, more challenging playing field.

When retailers successfully address these new expectations, they can build and nurture loyalty as a revenue – generating asset.

That's what we're here to explore today: why loyalty matters so much, what it means for business leaders, and how to get it right.
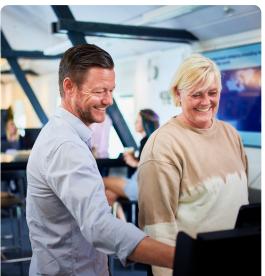
Ole Buch,
Lobyco CEO

Loyalty is a team effort

Customer loyalty used to be an afterthought; a cherry-on-top byproduct of good business. It was something that happened to a business, not something that was proactively generated and honed.

But things are different now, and customer loyalty is an entire business in and of itself. It's a strategic engine that can drive growth, retention, and new revenue streams. When Amazon first launched Prime Day, an exclusive loyalty member event, in 2005, they generated $1 billion in sales. In 2023, the event brought in nearly $13 billion. That's the difference a loyalty strategy can make.

Loyalty is the lens through which customers view a product's price; it dims the focus on money spent and brightens the perception of value; it also directly unlocks value through promotions, customer experience, and more. Loyalty may have been historically deemed a consideration for marketing teams, but it's everyone's business now.

Loyalty is just as much about profitability as it is customer retention; just as much about digital experiences as it is strategic alignment with the market. It contributes to business longevity, competitive differentiation, brand awareness, and so much more.

Successful retail loyalty programmes are built with crossdepartmental collaboration and serve as the front door to the organisation. A loyalty programme is the primary way customers interact with a business; it's the vehicle for customer data-sharing, digital orders, feedback, and more.

Today, three key tenets are emerging in retail customer loyalty.

①

Personalisation at scale
Personalisation serves as the driving force behind effective loyalty programmes, making customers feel uniquely appreciated and ensuring that promotions are delivered to the people most likely to redeem them.

②

Engagement & gamification
Brands must offer a variety of engagement drivers, including gamification, to communicate their relevance and value, nurture awareness, and encourage digital and in-store visits.

③

Retail media monetisation
Loyalty programmes are also collaborations between retailers and their partners (e.g., suppliers), creating opportunities for new revenue streams.

In working to perfect each of these three areas, retailers can go a long way in optimising their customer loyalty programs. But that's easier said than done.

Let's dive in.

Under the Hood
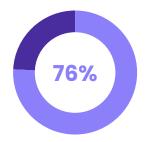## Powerful loyalty engines are built with personalisation, engagement & gamification and retail media.

Each of these tenets is instrumental. But when leveraged together, they pave the way toward new levels of success.

1. Personalisation at scale

Personalisation at scale is an absolute must for any loyalty programme. While it does require detailed preparation and advanced technology, it's well worth the effort – McKinsey has found that 71% of customers expect companies to deliver personalised interactions, and 76% get frustrated when that doesn't happen.

71%

71% of customers expect companies to deliver personalised interactions

McKinsey

Mass promotions are no longer enough. Personalisation is the way forward.

Personalisation employs quality over quantity, forgoing a "spray and pray" approach in favour of a more tailored, resonant solution. And the results speak for themselves – 65% of customers cited personalised promotions as a top reason to make a purchase. Personalisation also makes customers feel appreciated as individuals. Lobyco's 2024 Grocery Pulse survey found that nearly half (46%) of customers feel more valued when given personalised promotions.

When it's done right, personalisation means customers receive tailored promotions and communications based on their individual preferences and behaviours. This is much more than simple product preferences. Thanks to advanced tech, retailers can personalise based on:

76%

76% get frustrated when that doesn't happen

McKinsey

- Real-time transaction data
- Product and offer data
- Promotion activation data
- Store and chain preferences
- Channel preferences (e.g., customers' responsiveness to digital communications, as well as chain consents).

The benefits of personalisation are clear: happier customers, more resonant promotions, and more store visits But that's not all – personalisation is good for store margins, too.

Research has shown that, if promotions are personalised, the activation rates don't change when the level of discount goes up. This means retailers can safely offer relatively low discounts if they're personalised. Relevance beats price.

65%

65% of customers cited personalised promotions as a top reason to make a purchase

Lobyco's 2024 Grocery Pulse Survey

It's clear that mass promotions are no longer enough. Personalisation is the way forward.

─────── CASE ───────

coop

Gamification

Homescreen

Retail Media

Personalisation

Vouchers

Coop Denmark strengthened its personalisation strategy by building all the above factors into its loyalty engine. The results speak for themselves: email open rates increased by up to 90% and personalised offer activation increased by more than 46%. It was also found that customers spend 18% more in weeks they activate and use a personalised offer.

Email open rates increased by up to

90%

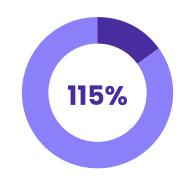**Personalised offer activation increased by more than**

46%

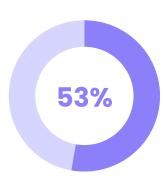**Customers spend 18% more in weeks they activate and use a personalised offer**

18%

2. Engagement & gamification

Successful loyalty programmes offer customers a pleasant, upbeat experience that encourages both digital interaction and in-store visits. At a minimum, this means having a mobile app that's easy to use, intuitive, and rich with features.

Beyond UX, retailers can use gamification to take their engagement to the next level. This means introducing features like luck-based games with free or discounted items as prizes. Whether playing spin-the-wheel or scratch-to-win games, Lobyco's 2024 Grocery Pulse survey found that 84% of customers think gamification is an important component of any loyalty programme.

115%

53%

Game winners spend 115% more on gamified campaign products after winning ...

... and 53% more if they lose.

Lobyco's 2024 Grocery Pulse Survey

Combining gamification with personalisation makes it even more delightful for customers. When the prize being offered is hand-picked for the customer based on their personal shopping history, it serves as additional motivation not just to engage but to visit the store to collect their winnings. And shoppers spend more, too – game winners spend 115% more on gamified campaign products after winning, and 53% more if they lose.

If their luck-based games prove popular, retailers might consider introducing skill-based games to encourage further engagement. Skill-based games tend to hook certain subsets of customers and motivate them to spend more time on the game. Lobyco research found that skill-based games can increase the number of gamers by 52% and the time spent gaming by an incredible 707%. The prizes for skill-based games should be extra appealing for customers (e.g., a lottery draw for a free car or all-expenses paid vacation), serving as an incentive to keep playing even if they don't initially win.

Gamification creates a win-win-win: customers can win free or discounted prizes based on their personal preferences, retailers benefit from increased spending and store visits, and suppliers can maximise impact by sponsoring gamified elements.

A solid engagement strategy grounded in gamified elements is what will keep customers coming back to the loyalty app (and store!) for more experiences. Gamification creates a win-win-win: customers can win free or discounted prizes based on their personal preferences, retailers benefit from increased spending and store visits, and suppliers can maximise impact by sponsoring gamified elements.

Foodstuffs NZ

Foodstuffs, the largest grocery retailer in New Zealand, with more than 50% of the market share, is using the Loyalty and Promotions Platform to create engaging offers for their members.

Using Lobyco's toolbox, they ran a Wonderful Wednesday campaign, with a prize pool of 1 million NZD. It was a full-scale marketing event, with a new game dropping every Wednesday. They offered multiple prize tiers for each game, distributing rewards to more than 100.000 lucky winners.

111,000
new users on the app.

44%
Increase in app sessions.

~40%
of the unique members played the game at least one, activating many legacy app users.

3. Retail media

Due to the mutual benefits it offers, retail media has become increasingly popular as a revenue driver. Boston Consulting Group has estimated that the U.S. retail media market will grow by 25% per year, reaching $110 billion by 2026. Retail media is also incredibly profitable, offering gross margins of 70–90%. In 2023, Amazon earned $46.9 billion from advertising alone and became the third-largest advertising platform in the U.S.

25%

The U.S. retail media market will grow by 25% per year ...

$110b

... reaching $110 billion by 2026.

70–90%

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Boston Consulting Group

Below are some examples of how stores can leverage retail media:

- Sponsored, personalised promotions that help customers discover new products and reinforce existing loyalty.

- Sponsored search results that align with (or complement) shoppers' keywords and purchase history.

- Advertiser-funded alerts for in-store customers at risk of forgetting to purchase items on their mobile shopping list. This approach is especially powerful; dunnhumby research found that omnichannel engagement (i.e. mixing online and in-store activation) increases conversion rates by 380%.

- Promotion of high-margin private label brands through interactive, tap-to-purchase recipes or gamified elements like stamp cards.

Within loyalty frameworks, retail media creates opportunities for retailers to monetise insights and engage customers with personalised supplier-funded experiences. Mobile apps are popular homes for retail media as they play pivotal roles in the planning and execution phases of customer spending.

By monitoring customers' in-app behaviour and both digital and in-store purchases, retailers can uncover insights about customer sentiment toward certain brands. This information is invaluable for advertisers and can help strengthen retail partnerships. By contrast, traditional customer data collection involves in-store sampling and doesn't let retailers link shopper behaviour with individual purchase profiles. Digital retail media gives retailers the gift of closed-loop data.

However they're used, all sponsored elements must seamlessly integrate with the surrounding UX so as not to disrupt the customer experience. When done right, retail media will enrich customer engagement while turning loyalty apps into a revenue-generating asset.

These three loyalty tenets – personalisation at scale, engagement, and retail media – work together to support superior customer loyalty and experiences.

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7 times more

Personalised offers were activated seven times more than standard offers.

10 M

10 million product prizes have been funded by suppliers via retail networks.

86%

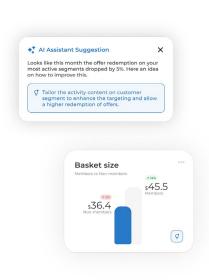**One particular game, Caroli, drew in 86% of the store's weekly average users (WAUs).**

Loyalty game-changers

Personalisation, engagement through gamification, and retail media are now core components of successful retail loyalty programmes – and, at this point, they're must-haves for any business serious about loyalty. But retailers can go above and beyond these areas by exploring three game-changers for their customer loyalty:

Agentic AI:
Unlocking Loyalty Insights with Agentic AI: Turning Data into Action

Retailers today have no shortage of loyalty data – but without the right tools, that data can easily become overwhelming. The real challenge isn't collecting information – it's knowing how to act on it. That's where agentic AI comes in.

Acting as an intelligent partner, agentic AI transforms raw data into real-time, actionable insights. It identifies opportunities, flags risks, and highlights key performance drivers – all tailored to a retailer's specific needs and context.

Say you want to understand how in-app games are performing across different customer segments. Instead of diving into layers of backend reports, agentic AI delivers instant, visual insights – no analyst required.

It doesn't stop there. Imagine asking: "We're losing share in this segment and have €200K to invest – what campaigns will move the needle most?" Agentic AI will assess behaviour, historical impact, and benchmarks to suggest strategic actions – down to the campaign level. It can even uncover blind spots, like overexposed or underengaged audiences, helping you optimise spend and drive balance.

Retailers leveraging agentic AI are gaining a competitive edge – making faster, smarter decisions and evolving their loyalty programmes to keep pace with customer expectations in real time.

Journey orchestration:
Marketing automation meets customers where they are right now

Personalisation at scale is about identifying which products, offers, and engagement tactics resonate with customers. But just as important as the "what" is the "when." Timing matters.
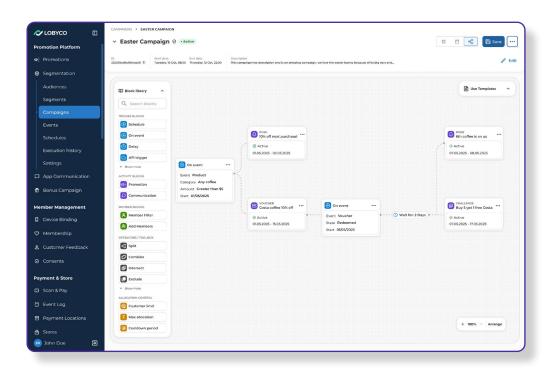
For example, a promotion offering a relatively small discount isn't likely to resonate with a customer who hasn't visited the store in over a month. Retailers need to engage at the right time for each customer.

Journey orchestration does just that, offering automated, hyper-personalised engagement across all channels and based on customer lifecycles.

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- New users may be met with a special "welcome" journey complete with recommendations and helpful resources.

- Customers at risk of churning are reactivated with highly persuasive offers they can't get anywhere else.

- A retailer's best customers are rewarded with exclusive promotions on their favourite products.

- If customers have already activated a personalised offer, retailers can identify the "next best" offer and send it at the optimal time.

This engagement is automated, triggered by pre-defined rules and real-time behaviour, and always activates at the right time. With journey orchestration, retailers can send the right message at the exact right time, with much less manual labour. That means better loyalty, fewer resources required, and more proactive engagement.

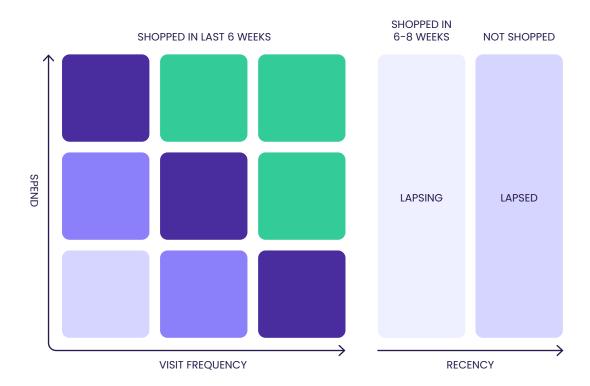## RFM (recency, frequency, monetary value) segmentation: Behavioral segmentation unlocks precision at scale

The ability to create and action meaningful segmentations can drive sales, loyalty and strong ROI. One foundational segmentation strategy is Recency-Frequency-Monetary Value (RFM).

To make this work, retailers don't need to be experts in data science or pay for complex custom setups. Rather, they can use technology to assign customers a score in each of three attributes: recency (when was the last time they made a purchase?), frequency (how often do they make purchases?), and monetary value (how much do they spend?).

This simple analysis lets retailers create actionable segments and timely campaigns.

- New customers eager to spend may receive special "welcome" offers.

- High-value loyal shoppers may receive "thank you" communications and a gift.

- Frequent, mid-value shoppers may receive stretch-spend basket vouchers.

- Lapsing customers whose average spend has steadily decreased may receive win-back communications.

RFM segmentation helps retailers hit the ground running with personalised, resonant, and timely engagement. Technology helps keep this refreshed and accurate to ensure base loyalty is being well managed.

The future of loyalty is bright

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Loyalty is a big undertaking, but it doesn't need to be overwhelming. It's important for retailers to work with vendors whose composable architecture can sit on top of existing systems, rather than requiring a complete overhaul.

At Lobyco, we work with retail customers to design programmes that make sense for their specific organisation, finding the "sweet spot" of momentum that unlocks manageable yet continuous progress. We are born from retail and take inspiration from retailers around the world with our customer-first approach.

Click here to see some of the work we've done for our global customer base.

We couldn't be more excited for the future of the loyalty industry and are looking forward to seeing where it goes next. As loyalty evolves in the years to come, we are committed to supporting our customers in retail by building and modernising their loyalty engines, supporting their strategic growth, and creating delightful customer experiences.

Born from retail, with the DNA of the shop floor, we exist to bring retailers and customers closer together by making loyalty easy, personal, and impactful.

LOBYCO