

Loyal Hearts, Loyal Wallets

Balancing Emotional and
Transactional Loyalty in Retail

Introduction

In today's fast-paced, choice-saturated retail environment, loyalty is no longer just about points and promotions. Shoppers expect more — not just rewards for their purchases but recognition, relevance, and real connections.

Transactional loyalty has value and is the backbone of most loyalty programs. But today's retailers must create something different: a secret sauce that keeps customers coming back even when competitors offer more. And that sauce is emotional loyalty.

In addition to understanding the importance of emotional loyalty, retailers should be aware of the four key trends shaping it in modern retail. What's more, they must know how to balance transactional and emotional loyalty. With this knowledge, retailers can establish strong, lasting, and fulfilling relationships with their customers.



...retailers should be aware of **the four key trends** shaping it in modern retail.

Transactional loyalty delivers immediate incentives and is tied directly to revenue. **Emotional loyalty** fosters deeper, more lasting connections — the kind that makes customers **feel seen, valued, and part of something more.**

Why loyalty strategies need a new approach

The concept of loyalty isn't new. Throughout the years, retailers have encouraged customers to come back with incentives such as collecting points or items that led to a bigger benefit. This effort makes sense, as long-standing research shows it can cost 5-25% more to get customers than to keep them.¹

Most grocery retailers understand the value of repeat customers and have approaches to keep them coming back. Competitive pricing, product choice, and a seamless customer experience are now the baseline for service.

In addition, grocers increasingly offer structured loyalty programs, and customers do join them. However, although 66% of grocery customers belong to at least one program, but signing up doesn't equate to being loyal.² In fact, although the average U.S. customer belongs to 15 programs, as they join more programs, their engagement and loyalty actually decrease.^{3,4}

Furthermore, a recent survey found that in 2024, general brand loyalty decreased 12% from two years prior.⁵ Survey respondents shared the top reasons for leaving a brand:

60% because of a product's price

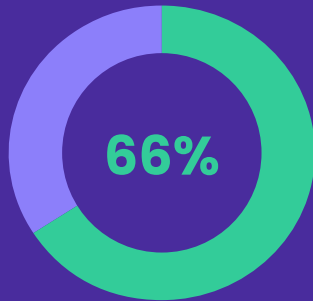
56% because of a perceived decrease in the quality of a product

53% because of bad experiences




Building loyalty is always important. However, during economic uncertainty, when customers become more price-conscious, loyalty is crucial. More than 75% of customers said price was the reason for choosing one store over another.⁶ Customers shop frequently at grocery stores, so price changes are quickly noticed. Since stores may not want to — or be able to — compete on price, they must find other ways to keep their customers coming back.





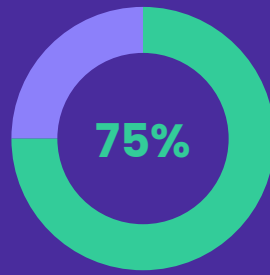
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Building loyalty is always important!

Rethinking transactional and emotional loyalty

Of course, transactional loyalty programs are valuable. They deliver immediate incentives, like points and discounts, and can easily be tied to revenue. They are also readily available. For example, customers of a successful coffee chain can earn stars based on their purchases and redeem the stars for free beverages and other perks.

“When emotional loyalty is present, customers stay loyal because of how the brand makes them feel, not just because of what it sells.”

Susie Middlemiss, Head of Customer Success, Lobyco

In contrast to a quid pro quo exchange, emotional loyalty fosters deeper and more lasting connections. Customers feel seen and valued. “Emotional loyalty in retail refers to the deep emotional connection a customer feels toward a brand or store — one that goes beyond just rational factors like price, convenience, or product quality,” explained Susie Middlemiss, Head of Customer Success, Lobyco. “When emotional loyalty is present, customers stay loyal because of how the brand makes them feel, not just because of what it sells.”

Middlemiss said emotional loyalty gives retailers power. Once this loyalty is won, fluctuations in competitors’ offerings have less influence in persuading customers to switch. “Think Nike/Adidas or Apple/Android — even if the newest products are more expensive, their loyal customers will still buy. This is not based on transactional value but emotional value that puts that brand higher than the other in that customer’s mind.”

In addition to reducing price sensitivity, emotional loyalty turns customers into brand advocates, which is critical in the age of online reviews and social sharing. Middlemiss added that since emotional loyalty creates long-term customers, it also drives a higher lifetime value.

While a few brands may have cracked the code to building emotional loyalty, many haven’t. Even among loyal customers, only 17% reported feeling valued.⁷

And so, many retailers have an exceptional opportunity to build emotional loyalty with customers, and a window in which to do it before their competition.

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A closer look at emotional loyalty

What does emotional loyalty look like? Middlemiss said the hallmarks of customer emotional loyalty are:

- Feeling **understood, valued, or cared for** by a brand
- Associating the brand with **positive emotions** like trust, joy, belonging, or pride
- **Choosing the brand** even when competitors offer lower prices or more convenience
- **Actively advocating for the brand** (word-of-mouth, social media, etc.)
- **Forgiving occasional mistakes** because of the strong emotional bond

For example, emotional loyalty is built when a customer keeps buying from a clothing brand because it consistently supports social causes they believe in. A retailer, like a local book-seller, can build emotional loyalty by remembering regular customers' reading tastes and giving personalized recommendations. A cosmetics brand can earn loyalty by fostering a community where customers feel empowered and seen.



Retailers wanting to develop deeper and lasting customer loyalty should first understand the key trends influencing emotional loyalty: personalization, data transparency, gamification, and community.

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Four trends shaping emotional loyalty in modern retail

1. Personalization.

People are used to receiving curated and relevant-to-them information. They expect recommendations to be personalized, whether they are browsing the internet, using social apps, or listening to music. Customers have the same expectations when they shop.

"Stitch Fix, which is an apparel retailer, gives customers regular quizzes on clothes they like, so that their **recommendations constantly improve.**"

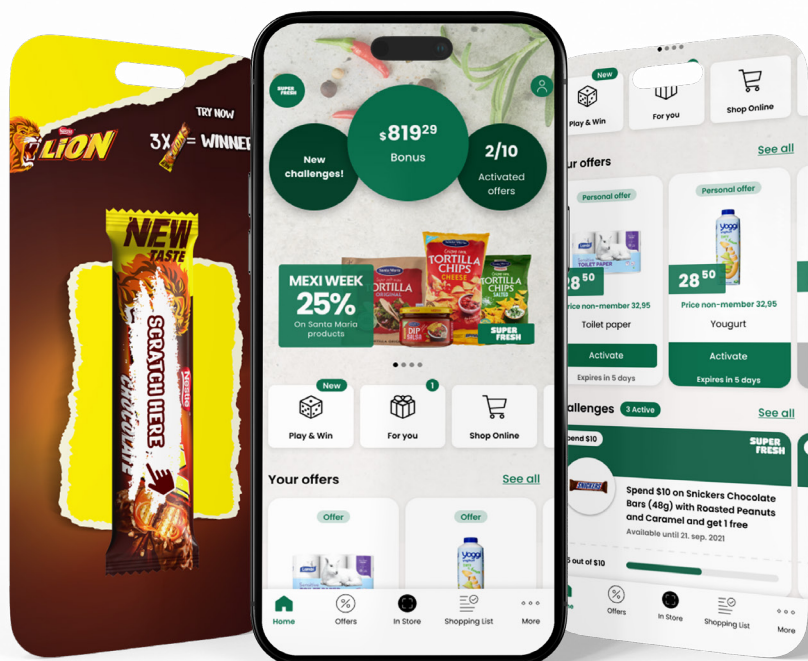
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To provide that personalization, brands and retailers need customer data. When brands know their customers, they can provide more relevant information, which makes the customer feel seen and ultimately builds customer loyalty.

Stores can personalize the customer's digital experience based on which specific store they shop in, Middlemiss added.

Another way to better gather customer insights is through gamification. Fun games and quizzes on apps keep customers engaged and can gather useful data for further personalization.

"Stitch Fix, which is an apparel retailer, gives customers regular quizzes on clothes they like, so that their recommendations constantly improve," Middlemiss said. This accuracy fosters emotional loyalty, making a customer more drawn to them, even if another retailer occasionally offers other tangible benefits.



2. Data transparency.

Customers are interested in insights into their own habits. Who knew how excited listeners would be to see their end-of-year Spotify Wrapped summary, or want to see how much screen time they accumulated in the previous month? As brands offered that information, customers felt their individual information was important, noticed, and then packaged in a helpful way. Because this information is unique to a customer's interactions with a specific brand, the data cannot be duplicated. That unique bond helps build emotional loyalty.

Retailers can use data to personalize digital wallets and savings, ensuring relevant offers and demonstrating the value customers receive for being loyal shoppers. For example, if a customer buys a certain amount of a product within a month, they receive a perk.

Retailers can also use data to recognize customers for accomplishments, such as being among the top 10 avocado buyers of the month.

Beyond providing customers with information related to their purchases, retailers can share the impact those purchases have on issues customers care about. These can be personal goals, like buying more fruits and vegetables.



3. Gamification.

Gamification is an extremely effective way to reach customers. After all, who doesn't like playing a game? Customers certainly do: Lobbyco research found that 55% of customers feel gamification is very or extremely important in grocery loyalty programs.⁹

Middlemiss explained that gamification taps into "surprise and delight"; it transforms the customer from a passive to an active participant while creating an enjoyable experience. As customers look to repeat the experience, they seek out the app or retailer's website more frequently.

55%

of customers feel gamification is very or extremely important in grocery loyalty programs.

17%

Customers spend 17% more when they win a game ...

9%

.... and 9% more even when they lose.

Lobbyco Grocery Pulse Survey 2024

When customers play games, they spend more money than when they do not play. Customers spend 17% more when they win a game and 9% more even when they lose.¹⁰

By introducing daily games that involve luck and a slight competitive edge, retailers can excite customers and keep them returning to the app and to the store.



4. Community.

In addition to sharing the data of a retailer's or brand's corporate and social responsibility, grocers can highlight their involvement in the community. By investing in both the local area and the community at large, they help customers impact important causes, which builds emotional loyalty.

Retailers can link to charities, making it easy for customers to donate by "rounding up" to a specific or customer-selected charity when they check out. Retailers can also communicate their donations to the cause, to demonstrate that both the retailers and customers are working together.

Stores can organize food drives, especially around holidays or in the wake of disasters, where customers can donate goods and the stores ensure they are delivered to those who need them.

Retailers and brands can share their corporate and social responsibility activities and tracking, which builds emotional loyalty.⁸ Showing how a customer's purchases helped further charitable partnerships, donations to a cause, use of eco-friendly packaging, or commitment to sustainability creates an even greater feeling of connection.

Causes don't always have to be dire. One successful community campaign run by a supermarket chain allowed customers to purchase soft toys in a collection at a greatly reduced price. Customers enjoyed earning points to give soft toys to their grandchildren, children, and friends, which created a deeper connection between the supermarket and its customers.



Emotional loyalty pays – in good and bad times

Middlemiss stated that developing emotional loyalty between brands and customers is especially beneficial during challenging periods. In the UK, major retailers recently experienced crippling cyberattacks on their security and data systems, which stopped channels from operating. Retailers couldn't take online orders or order stock required, which affected the supply chains. "

"The brand love built over the years has kept customers loyal even when physical availability was non-existent."

Susie Middlemiss, Head of Customer Success, Lobyco

Surprisingly, customers have been extremely sympathetic, even as the retailers recover from the attack. "Customers understood the poor availability issues in-store, and in some cases, waited to place their online merchandise orders when the store reopened rather than finding an alternative at another store," Middlemiss said. "The brand love built over the years has kept customers loyal even when physical availability was non-existent."



Tangible steps to intentionally build loyalty

Like any relationship, developing a loyal bond between brands and customers requires consistent effort and dedication. Middlemiss outlined key strategies to achieve this:

1. Provide Exceptional Customer Service

Exceptional customer service is a cornerstone of emotional loyalty. We all remember an experience when staff members have gone out of their way to help us, maybe offering to find products or offering carry-out service. Ensure that customers feel heard and valued by addressing their concerns promptly and effectively, as this can lead to customers making lasting positive brand associations.

2. Understand Your Customers

To build emotional loyalty, it's crucial to understand your customers' needs, preferences, and behaviors. Conduct surveys, gather feedback, and analyze purchasing data to gain insights into what your customers value most. This understanding will help you tailor your offerings and interactions to meet their expectations and create a more personalized shopping experience.

3. Create a Personalized Shopping Experience

Personalization is key to making customers feel seen, heard and above all – valued. Use the data you've gathered to offer personalized recommendations, discounts, and promotions. Implement loyalty programs that reward customers based on their individual shopping habits. Personalized communication, such as sending birthday greetings or special offers, can also enhance the emotional connection.

4. Foster a Sense of Community

Building a sense of community around your grocery store can strengthen emotional loyalty. Host events, workshops, or cooking classes that bring customers together and create a sense of belonging. Engage with customers on social media by sharing content that resonates with them and encourages interaction. Highlight local products and support local causes to show your commitment to the community.

5. Measure the results

Use feedback and surveys regularly to get direct feedback from customers about their emotional connection to the brand. Ask about how they feel when shopping at your store, their level of satisfaction, and their likelihood to recommend your store to others.

Additionally, use sentiment analysis to assess customer reviews, social media posts, and other forms of customer-generated content to help you to gauge the overall feeling towards your brand. This can help identify positive and negative emotions associated with your store. The advances in AI and Natural Language Processing make this quick and easy to understand.

Continue to use transaction loyalty metrics, including sales, in-store customer behavior (e.g., visits, basket size), as well as results from different campaigns or programs. Customer Lifetime Value (CLV) is also more often used, and while still based on transactional value, it nods more to emotional loyalty.

Emotional loyalty is a crucial component of the relationship between a brand or retailer and its customers, one that retailers can no longer afford to overlook. By understanding how important and influential emotional loyalty is, implementing strategies to use it alongside transactional loyalty approaches, retailers and brands can build strong, long-lasting customer relationships that withstand the competition.



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Lobyco builds engaging loyalty, promotions and checkout propositions for retailers around the world. The company's versatile and valuable marketing toolkit powers targeted and personalized customer engagement, unlocking superior experiences that keep shoppers coming back for more. Lobyco's solutions are enriched by gamification, continuity and self-checkout to ensure the customer remains at the centre of the relationship. With grocery clients in North America, EMEA and APAC, Lobyco is precisely tailored to work with grocers, grow their share of wallet and unlock new revenue streams.

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