

Why most loyalty programmes fail to turn customers into lifelong fans

Customer loyalty is a figurative holy grail of business. Why? Long-term customers have a high lifetime value to companies, while acquiring a new customer can be between five and 25 times more expensive than retaining an existing one.

By [Riaz Galant](#) 15 Jul 2025



Riaz Galant, commercial director at Achievement Awards Group. Image supplied

This is why businesses invest heavily in customer loyalty programmes. Unfortunately, many loyalty programmes don't really work, and while they may get customers back a few times, those customers need little persuading to switch to a competitor.

An obvious but important point to make is that customer loyalty is a product of much more than a loyalty programme. No loyalty programme is going to help if your pricing is out of kilter, if your staff are unhelpful or rude, or if your return policy is unfair.

Assuming no other impediments, a poorly designed loyalty programme will still not engender long-term loyalty.

It may succeed in eliciting fleeting but unsustainable feelings of goodwill in a customer, akin to a 'like' on social media.

These transitory 'likes' are soon forgotten and disposable – the epitome of short-term attention, and the antithesis of long-term affinity.

This is true not just on social media but in real life, as illustrated by the "hedonic adaptation" theory - that positive experiences may temporarily boost our feelings of happiness, but we will return to a baseline level of well-being. We may be pleased with the new television we bought, but in time we will want a bigger or newer one. The feeling of 'liking' ultimately does pass.

The million-dollar question is: how can it be sustained?

From transactional to relational

Long-term good feelings all start with 'liking'. Sometimes that grows into love.

The difference between poor and excellent loyalty programmes is in how they fail or succeed in growing liking into loving. The best ones build loyalty deeply and sustainably.



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It's easy to make a start and to achieve the most basic level of liking in a customer. A customer changes their behaviour to buy from or support your business.

So, you give them some points or a small discount or a free item in return. It's a simple exchange - nothing wrong with it, but still transactional at this stage.

Now, "if your motive is simply to drive a sale – a transaction – you can use a transactional reward. This is the bulk of the industry, and it comes from behavioralism.

You design a specific consequence (good or bad) for a specific behaviour, and you are reinforcing or discouraging that behavior; that's fine." But what if you want more than just a sale?

According to research by the Incentive Research Foundation, "from there, you can go up the spectrum – from trying to drive a behaviour to developing a long lasting relationship.

To go beyond transactional and into relational, you need to make the exchange emotional, building positive emotions, repeatedly, consistently, over time. The stronger those good feelings become, the more powerfully they influence a customer's behaviour.

In *Thinking, Fast and Slow*, Nobel Prize winner Daniel Kahneman posited that we have two ways or "systems" of thinking: fast, which is instinctive and emotional, and slow, which is deliberative and logical.

Perhaps the most impactful takeaway of the book was not that we have two ways of thinking, but that the "fast," emotional system is much more powerful and influential in our decision-making.

This upended previous assumptions that humans are primarily rational creatures. It's also been confirmed by Gallup research, which found that "about 70% of decisions are based on emotional factors and only 30% based on rational factors."

The second million-dollar question is: how do you make the relationship emotional?

From extrinsic to intrinsic motivation

A company-customer relationship can begin transactionally. Think about the ubiquitous "buy ten and get the next one free" favoured by many coffee shops. Customers are driven by something external or outside of

themselves – the free, eleventh cup of coffee.

But somewhere between the first and tenth cups of coffee, a customer’s motivation might start to become more internal and emotional. Perhaps the barista remembers them by name. And then, how they like their coffee.

Or, perhaps, the coffee shop uses only organic ingredients, and cups made from recycled materials, and offers a discount if you bring your own thermos, all of which aligns with the customer’s own values and makes them feel good about supporting the coffee shop.

By the eleventh cup, the customer is already feeling a degree of emotion and affinity to the shop. They are choosing to support it not just because of the promise of a free cup of coffee, but because they like the coffee shop’s ethos and feels good when they goes there.

The customer may be starting to develop the beginnings of something that is not yet love but is more than just like. And perhaps the “Hello, [customer name], here’s your skinny latte” is just the beginning of a relationship that feels personal. Perhaps, for their hundredth cup, the coffee shop gives the customer a thermos, personalised with their name on it.

But what about businesses that don’t get visited every day? What about tyre manufacturers, for example, who most of us only visit every few years?

There are ways to build relationships between those visits.



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A coalition loyalty programme, involving other non-competitor brands in different categories, might keep the customer engaged because they like the programme partners, some of which they are already a loyal customer of.

Or, they might have expressed a strong interest in mechanics or cars and get free subscriptions to relevant sites. Or they might have expressed a strong interest in racing and get news about racing via a newsletter, receive discounts to motor events, and can enter exclusive competitions for a trip to a Grand Prix, even in years when he may not have bought tyres.

Albeit more slowly than the coffee shop customer, the other customer is building positive feelings for, and relationship with, the tyre brand.

In both the coffee shop and tyre examples, we see evidence of things like relevance, personalisation, alignment with values, and a sense of mutual appreciation.

In these and other ways, good feelings are nurtured; emotion-based, intrinsic motivation is strengthened; and relationships are formed.

This is the kind of long-term loyalty – perhaps even love – that keeps customers coming back, repeatedly and regularly.

In both the coffee shop and tyre examples, it's more than just a freebie or discount. It's a sense of feeling valued, appreciated and rewarded emotionally for my business. There is a mutual reciprocity that isn't seen on a bank statement but is felt on a human level.

The real deal is more than just a good business deal

There's a difference between an off-the-shelf or standard-issue loyalty programme and one that actually pays dividends for years. The former operates exclusively at a transactional and superficial level: do this, get that.

The latter works at an emotional level: do this, feel that. This is what turns an introduction into a relationship. And it's true of any relationship – whether it's with a person we meet or a company we buy from.

The difference between a poor loyalty programme and an outstanding one comes down to how well it helps to grow positive feelings, from like to love.

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