



Loyalty that lasts: **how retail leaders keep** **customers coming back**

**Enhancing customer lifetime value
through loyalty and personalization**

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Design. Engineering. AI.

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In today's highly competitive retail and consumer goods (CG) landscape, it isn't enough to simply offer people great value and get them through your physical or digital doors. Once you've attracted customers, you need to retain them and keep them loyal to your brand.

To learn more about how leading retailers and CG companies are leveraging customer loyalty and personalization to drive customer lifetime value and revenue growth, Thoughtworks and The Ortus Club recently held an executive roundtable event in Europe.

At the roundtable, loyalty and customer experience leaders from some of the world's top retail and CG brands discussed their strategies, and the biggest opportunities available today to drive customer lifetime value.

In this paper, we'll dive into those opportunities in detail, share advice to help you overcome some of the persistent challenges associated with driving customer loyalty, and explore how you can build a foundation for sustainable customer lifetime value and revenue growth.

The state of customer loyalty in retail and CG

Retailers and CG companies understand the value of loyalty. Many customer loyalty and reward schemes as we know them today were born in the retail sector. But, over time — and thanks to some major customer and technological changes — the effectiveness of traditional loyalty approaches has begun to erode.

Companies are facing several key challenges in their mission to maximize loyalty and deliver outstanding customer experiences:

- **Customers have become increasingly wary about how their data is used by companies.** They understand that one of the primary roles of loyalty and reward programs is to incentivize them to exchange their data for value, and that isn't always an exchange they're willing to make.
- **Being rewarded for loyalty is no longer a competitive differentiator** — it's a basic expectation for all customers. So, companies must do more to differentiate their loyalty offerings, and make sure the value they offer isn't just significant to customers, it must also be unique.
- **What customers value is evolving.** In the past, discounts and free gifts were king in the world of loyalty rewards. But today, a new generation of customers want rewards that are aligned with their ethics and support ESG goals.

- **Personalized experiences and offers are appreciated by customers**, but there's a fine line between experiences which feel intuitive, and those that feel "creepy".
- **Measuring what's truly valuable to customers** isn't always easy. 'Earn & burn' loyalty schemes have diluted the true essence of what constitutes loyalty. Retailers must develop more nuanced approaches, incorporating qualitative feedback, sentiment analysis, and brand affinity measures to fully understand the emotional dimensions of loyalty that drive long-term program success.

The five opportunity areas we're going to explore don't just represent chances to boost customer lifetime value. They're also tightly aligned to those challenges, and present opportunities to overcome them at scale.

Opportunity #1: **Building lasting trust through transparency**

Today's customers want personalized, relevant retail experiences. In fact, according to Google and BCG's¹ Business Impact of Personalization in Retail study, when consumer experience is personalized, 40% of customers spend more than planned. But modern customers also value privacy very highly.

There's a delicate balance for retailers and CG companies to strike. They must embrace hyperpersonalization, but the hyperpersonalized experiences they deliver must never drift into feeling creepy, overly complex, or frustrating.

The keys to success

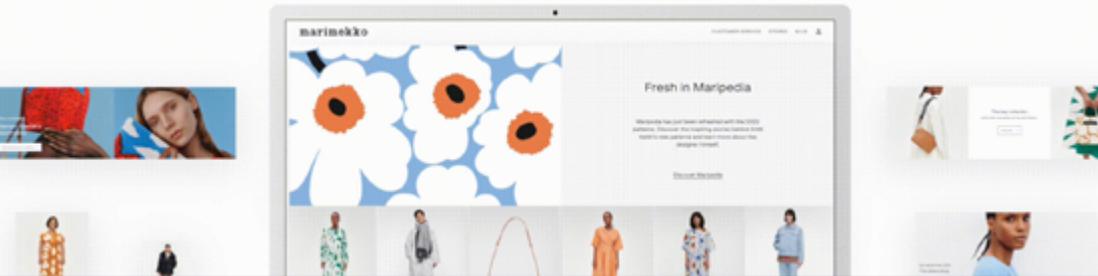
To strike that balance, you need to build trust through transparency. By being transparent about exactly how customer data will be used to enhance their experiences, then honoring your promises, you can build customer trust and loyalty. This is a legal obligation in many jurisdictions, but truly credible brands go beyond compliance and use authentic expectation management as an opportunity to foster customer relationships.

1. <https://www.thinkwithgoogle.com/consumer-insights/consumer-trends/you-dont-just-need-personalization...>

When a customer shares data with you, let them know how it will be used. So, when they see personalized elements as part of their customer journey, they'll quickly be able to tell exactly how those elements were generated. Also, consider your brand's place in your customer's life and connect your personalization to subjects where your customer expects and values your input. The aim is to deliver ethical personalization that gives customers choice, respects their boundaries and is always transparent.

To help, it's worth spending some time establishing:

- What your customers' boundaries are and where the line into "creepiness" is for them within the context of the purpose of their relationship with your brand.
- Where and when transparency should be built into customer experiences to ensure customers are always presented with information and options in a natural way.
- How you can put customers in control of personalization in ways that feel rewarding and engaging for them — you'll find a lot more on this in opportunity area three.
- When to use anonymized data for contextual relevance without tracking at an individual level.
- How you'll ensure that more sophisticated elements of your tech stack — such as AI capabilities and models — can be made transparent and understandable to customers.
- How you will ensure and validate the quality of your personalization content, to build credibility with your customers.



Marimekko Decision Factory — the ultimate in customer-driven personalization

Marimekko challenged Thoughtworks to design and build a scalable personalization engine that could help the company drive growth across an increasingly broad customer base — enabling compelling digital experiences while increasing customer understanding.

In response, we created The Marimekko Decision Factory. It's a reinforcement learning-based personalization engine, running a factory abstraction for scalability. The factory recommends, personalizes, and optimizes virtually anything on Marimekko's website to match users' interest.

In addition to providing customers with highly tailored products and recommendations, the decision factory also teaches Marimekko a lot about customer behavior. What content and products are interesting to new customers? What actions drive conversions for different segments? What segments seem to be most attracted to new designs and products? Do our beliefs about customer behavior actually hold true?

After being live for just a few hours, the decision factory delivered a whopping double-digit increase in homepage-to-funnel conversions. This high performance is due to the fact that the model can accurately optimize what to show, and to which customers. For example, it may seem obvious to promote discounts first, but in some scenarios, it is more effective to show new collection items first.

[Explore Marimekko's full story here](#)

Opportunity #2: Rising to the demands of Gen Z

For many years, most customer loyalty models have revolved around some form of point accumulation, with points then being convertible into discounts, free products, or other perks. While these programs have delivered value for retailers and customers alike, they fail to distinguish between transactional and emotional loyalty.

Transactional loyalty occurs when customer engagement is driven solely by rewards and incentives such as discounts, points. In these cases, customers participate primarily for the benefits and savings — not because they feel a genuine connection to the brand.

Emotional loyalty represents a deeper connection between the customer and brand, where customers feel aligned with brand values and maintain loyalty even when it's not the most economical option. Many retailers fall into the trap of relying on superficial metrics that don't accurately reflect loyalty program effectiveness. Enrollment rates, total membership numbers, and points accumulation are commonly tracked but fall short of indicating true loyalty.

Today, that distinction is more relevant than ever. Traditional transactional loyalty and reward models do not appeal to Gen Z in the same way as previous generations. Instead, today's younger customers are increasingly motivated by emotional and purpose-driven loyalty rewards. They want to feel like they're contributing to an ethical mission, having a positive impact on the wider world through their repeat custom, or building a sense of belonging to a brand which is aligned with their personal priorities and values.

The keys to success

To meet the new generation's needs, retailers must align their brand values with what Gen Z actually cares about. Then, those brand values must be translated into alternative loyalty programs and rewards which enable the customers to directly connect their spend with your brand to measurable progress towards those values.

Where possible, retailers should balance short- and long-term rewards, meeting Gen Z's need for rapid gratification as well as its desire to have a positive long-term impact on the world. Instant rewards should be provided to keep customers engaged in the moment, while more long-term rewards, such as supporting your brand's progress towards net zero emissions, give them an incentive to stick with your brand over multiple months and years.

Gen Z also attributes high value to exclusivity. This can be leveraged through the creation of exclusive experiences made available to loyal customers — or even through your loyalty and personalization programs themselves. Every customer should be rewarded for their loyalty, but tiered systems where high value customers receive exclusive rewards or join an exclusive program will likely appeal highly to Gen Z customers.



Transforming customer engagement and loyalty at a globally recognized beverage brand

Since 2018, Thoughtworks has worked in close collaboration with a global beverage brand to transform its digital customer experiences. After building multiple new multi-channel digital touchpoints, we also revamped their loyalty program — integrating it across the company’s new digital journeys.

With loyalty intelligently woven into digital touchpoints, customers gained control over their rewards, and the ability to redeem them with ease. As a result, the company saw a significant uptick in customer engagement and customer loyalty. But most importantly, enabled the company to learn more about their customers, and improve promotion, upsell and cross-sell targeting.

Opportunity #3: Put customers in control of personalization

Today's customers are wary of how their data is used. They don't trust brands that collect too much of it and don't deliver clear value in return. They want control over personalization, and it's up to retailers to build that control into their experiences.

When customers feel they're being tracked or manipulated by brands rather than supported, that leads to distrust and loss of loyalty. So, to drive loyalty and increase customer lifetime value, retailers and CG brands need to put customers in direct control of how their data is used.

The keys to success

At a very basic level, you need to be transparent about what you're using customer data for and provide customers with easy opt-out solutions, so they stay in charge of how their data is used. The more granular you can make those controls, the more empowered your customers will feel.

Here are a few tips to help you optimize how you empower your customers:

- **Clearly connect data sharing to customer value** so it's immediately obvious to your customers how sharing data with you enables you to better tailor offers and continuously improve their experiences. The more specific you can be about that value, the better. For example, telling customers that sharing data will enable you to offer them "discounts on their favorite products" will likely have a greater impact than simply saying their data will be used to deliver "personalized offers".

- **Don't treat consent as a "one and done" exercise.** Customers often make opt-in decisions when they sign up to a loyalty program or download a loyalty app for the first time. However, where possible, opt-ins should be a part of their regular journey and interactions with your brand. If they have opted out, create further incentives for them to opt-in. Even just reminding them that they have choices and controls available can be empowering to them.
- **Make your personalization controls easy to find, understand and use.** If customers can't easily find and use your consent and personalization controls, they're not going to have much impact. Building those controls into natural places in a customer's journey and interactions demonstrates that you really do want them to be in charge of the personalized offers and experiences they receive.



Personalizing customer profiles to offer a better shopping experience at Coles

Thoughtworks and Coles have worked together closely for many years, delivering numerous new capabilities for the retailer's customer-facing platforms.

One of the most notable functionalities added to the Coles app was the ability for customers to manage their profiles within the app itself. Since its launch, there are about 500,000 customers who are using the new version of the app, and over 30% of customers have opted in to personalize their experience, using the new set of services that were built as part of this engagement.

[Read Coles' full story here](#)

Opportunity #4: Make sustainability embedded and accessible

Many customers claim to value sustainability very highly, yet overwhelmingly people still buy from unsustainable brands. Often, sustainability and ethical products and offerings come at the cost of other forms of customer value. For example, sustainability linked pricing means that if you want a sustainably sourced and produced product, you can typically expect to pay more for it.

Customer loyalty programs and personalized offers are some of the few areas where companies don't need to make trade-offs between those forms of value. Sustainability and ESG-based rewards can be provided alongside cost and value-based rewards, giving customers the freedom to choose which they want, and how the two are balanced.

The keys to success

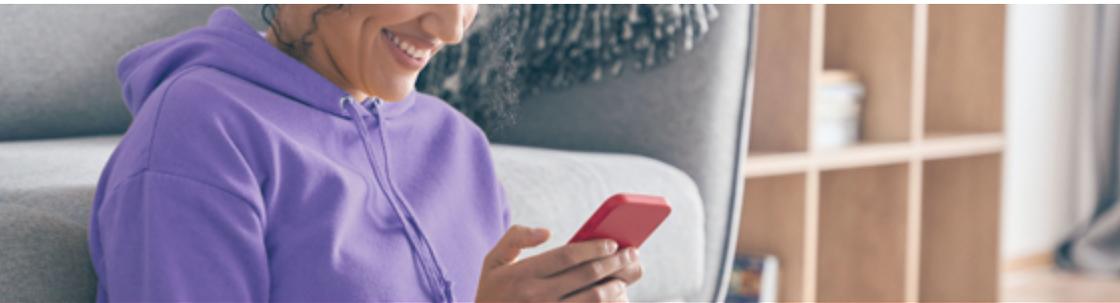
The biggest opportunities to drive sustainability will always be in your supply chain and through operational transformations. So, if you can find ways to connect customer activity to your progress in those areas, you won't just give your customers the illusion that they're making a difference — they actually will be.

Some examples of how this can be achieved include:

- Offering % based rewards where a certain percentage of a customer's spend is reinvested in your sustainability initiatives.
- Providing customers with value-based rewards for recycling and returning products they no longer have use for.

- Offering alternatives to value-based offers and discounts where customers can directly convert their loyalty points into contributions towards causes they care about.

But as you step into this area, keep in mind that empty sustainability claims achieve nothing. In fact, they can erode customer trust and loyalty. Focus on making your real actions and impacts visible, and then connecting them to customer activity. That's what will really drive customer loyalty and trust.



How OTTO incentivizes sustainable purchases

OTTO is one of the largest German retailers and OTTO UP is their loyalty program. In 2022, Thoughtworks took responsibility for the frontend of OTTO UP, aiming to increase subscriptions and overall customer engagement.

As part of our transformations to the program, we gave customers the freedom to choose rewards that align with their priorities, even offering additional reward point incentives for purchasing sustainable products. Now, customers who prioritize sustainability are rewarded both ethically and financially for making those choices, increasing their engagement and loyalty to OTTO.

Opportunity #5: **Don't replace human connection with AI, augment it**

AI has immense potential in retail, particularly due to its ability to provide contextual insight through unstructured interactions. However, many customers don't fully trust it yet — and for good reason. Hallucinations and bad outputs generated by poor applications of AI are well-known to the public. If AI isn't implemented with taste, sensitivity and robust quality controls it can end up having a negative impact on customer loyalty and lifetime value.

AI can massively improve customer experiences by providing timely suggestions and anticipating customer needs in real time. It marks the beginning of a new era in personalization which has the potential to engage customers like never before. Many retailers and CG companies are eager to embrace it. But they must do so with care and with empathy for customer needs rather than leaping to deploy tech for tech's sake.

The keys to success

AI shouldn't replace human connections between customers and brands — it should be applied in ways where it can augment them. AI-driven personalization at scale represents a transformative approach to customer engagement, enabling businesses to deliver highly individualized experiences without requiring human intervention at every step.

However, the promise of AI personalization can only be fully realized when paired with appropriate guardrails that ensure ethical operation, prevent harmful outputs, and protect both business and customer interests. As AI technology continues to evolve, organizations must balance the drive for innovation with responsible implementation practices, creating personalization systems that build genuine connections while respecting privacy and maintaining trust.

Effective AI guardrails for personalization systems include content moderation mechanisms aligned with brand standards, bias-free datasets, and copyright/IP violation control.

Ideally, AI and humans should work together to anticipate and understand customer needs and translate that insight into authentic, human-driven connections and interventions. So, from a customer's perspective, it all feels as if real humans deeply understand their needs and step in at the right times to help.

This drives a radically different sentiment to feeling like they're continuously being observed by AI, even if that's what's really happening.



Helping Etsy keep human connection at the heart of commerce

Etsy is an online marketplace that's built on authentic human connections. It's seen meteoric growth over the last few years, and quickly recognized that in order to continue delivering great human-centric experiences to its users, it needed to upgrade its digital foundation by moving to Google Cloud.

It engaged Thoughtworks to support that journey, and through numerous initiatives we helped Etsy embed new processes, scale its infrastructure, and deploy a new foundation which has seen a 208% increase in buyers and more than \$11 million in incremental value creation.

[Read Etsy's full story here](#)

The common underlying challenge: Technology

Each of these areas represents a distinct opportunity for retailers and CG companies that want to increase customer lifetime value. However, there's a common thread that runs between them — they're all highly dependent on your technology.

- Delivering exceptional personalized customer experiences requires control over customer data, robust governance practices, and the right data strategy and data engineering foundation.
- Omnichannel orchestration demands tight synchronization across POS systems, mobile apps, e-commerce platforms.
- Neural networks can become the new workhorses of loyalty personalization to analyze transaction histories, social sentiment from connected social media handles, geolocation tags and patterns, and device level data.
- Trust and transparency can only be built through digital touchpoints and experiences which are designed with customer needs in mind, in addition to the goals of your brand.

To make the most of the opportunities available to them today, many retailers and CG companies will need to evolve their technology strategy and ensure they have the right capabilities in place to increase loyalty, deliver great personalized experiences, and drive customer lifetime value.

Seize amazing opportunities to drive customer lifetime value through loyalty and personalization

With competition high and growth opportunities harder to find than ever, customer loyalty and personalized experiences represent some of your biggest opportunities to increase customer lifetime value and drive revenue growth.

To seize them, you'll need the right technology foundation in place — spanning everything from your core infrastructure and customer data strategy, through to your customer-facing apps, AI adoption plans, and CX design.



For decades, Thoughtworks has helped retailers and CG companies engage customers in innovative ways that increase their lifetime value. To discover how we can help you drive growth in challenging times and start seizing these powerful opportunities today, [talk to us](#).

Authors



Chris Ford

Europe Technology Director of Retail, Consumer Goods, Travel and Transport

Chris is Europe's Technology Director at Thoughtworks, leading Retail, Consumer Goods, Travel and Transport. He specializes in data, architecture, and agile development, advising global clients on technology driven solutions. A sought-after speaker and writer, he has coached organizations in improving software delivery across four continents, helping businesses enhance efficiency, innovation, and customer experience.



Sanjeev Athreya

Head of Retail, CPG and Commerce Practice

Sanjeev leads Thoughtworks' Global Retail practice, bringing nearly three decades of industry experience to clients around the world. He has deep expertise in helping retailers reinvent themselves to stay relevant through significant paradigm shifts in technology and consumer mindsets. He enjoys music, traveling and reading on geo politics.

We are a global technology consultancy that delivers extraordinary impact by blending design, engineering and AI expertise.

For over 30 years, our culture of innovation and technological excellence has helped clients strengthen their enterprise systems, scale with agility and create seamless digital experiences.

We're dedicated to solving our clients' most critical challenges, combining AI and human ingenuity to turn their ambitious ideas into reality.

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