THE LOYALTY RESET:

Driving true emotional connection in an age of customer fatigue

TLC WORLDWIDE

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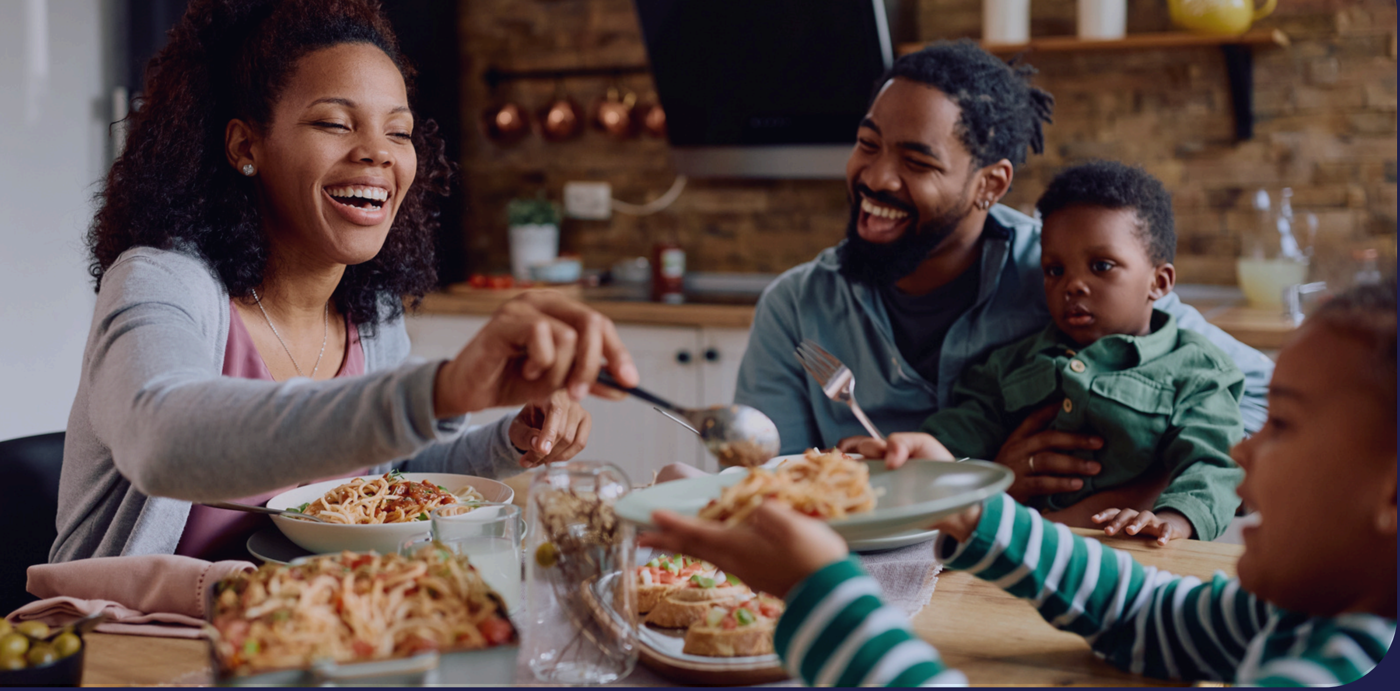
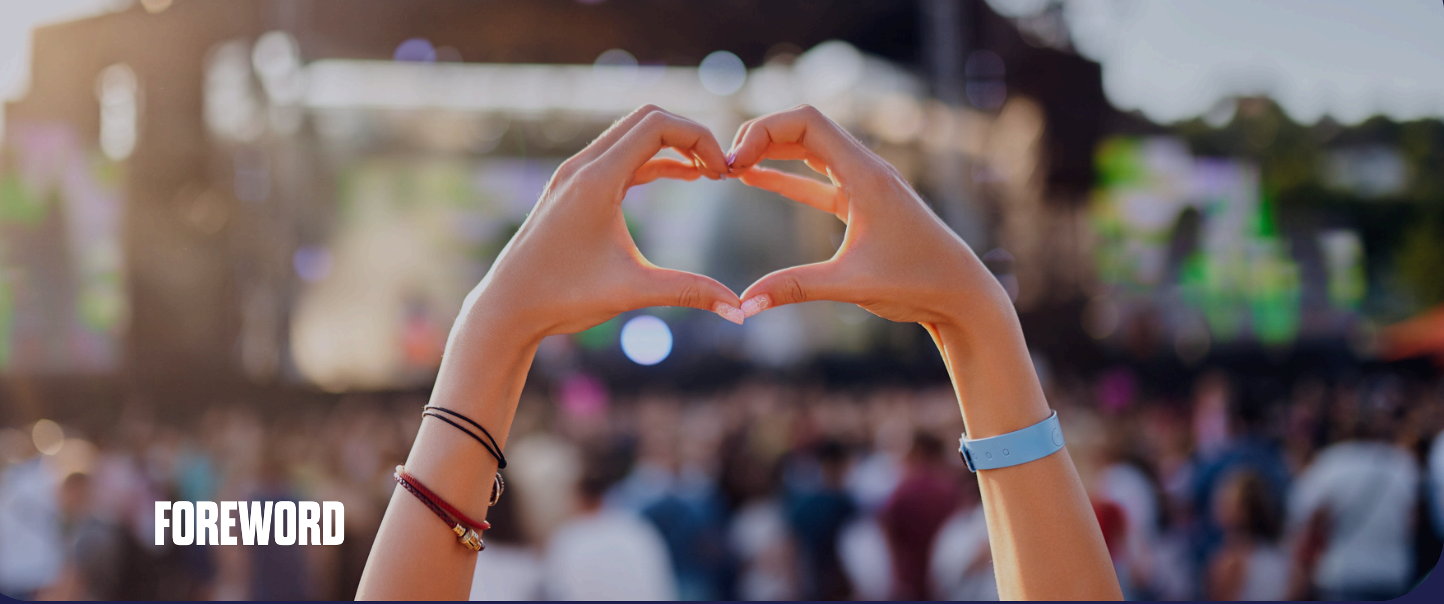


Table of Contents



FOREWORD

The loyalty industry has never been more active, so why are its most senior professionals fraught with uncertainty about its direction?

At two major global events in early 2026 – the Loyalty Summit CXM in Amsterdam and Loyalty Connect US in Atlanta – the same question surfaced repeatedly: ***Across different continents, different sectors, and different stages of strategic maturity, are loyalty programs actually building loyalty? Or are they simply maintaining the illusion of it?***

The honest answer, for many brands, is the latter. Enrolment numbers look healthy. Redemption rates are tracked. Points are issued. And yet meaningful customer engagement – the kind that creates genuine affinity, drives advocacy, and proves resilient when a competitor offers a better deal – remains stubbornly elusive.

It's crazy really. Never before have we had today's level of savvy technology, data-driven intel, and the ability to provide such varied rewards and personalised engagement opportunities. The mechanics are all there. But often the emotional connection isn't.

At TLC Worldwide, this is not a new observation. With over more than 30 years of experience building loyalty strategies for some of the world's most remarkable brands, the evidence has always pointed in the same direction – customers remember moments. So, the programs that endure – not to mention the programs that achieve the strongest ROI – are not necessarily those with the most generous points ratios or discounting structures. They are the ones that make people feel something.

As motivational speaker Tomeka B. Holyfield put it during the Atlanta event: ***"Loyalty is not built in a transaction – it is built in how people feel, remember, and return."*** It is a line that captures, with rare clarity, what the industry is still grappling to act on at scale.

This white paper therefore explores why emotional connection has become one of the most stand out challenges and opportunities in loyalty today. It looks at why loyalty fatigue is so apparent among consumers globally, what is really driving it, and – critically – what the more successful loyalty leaders are doing differently.

The brands that embrace the reset and make the shift, will build something considerably more valuable than a loyalty program. They will build an inimitable relationship.

Shouldn't that be the true goal, among us all?

Mike Brinn
Global Loyalty Director,
TLC Worldwide

1.

THE LOYALTY LANDSCAPE TODAY

There can be no disputing that the loyalty landscape is a busy place. The value of the market, globally, is expected to surpass $17.5 billion in 2026.

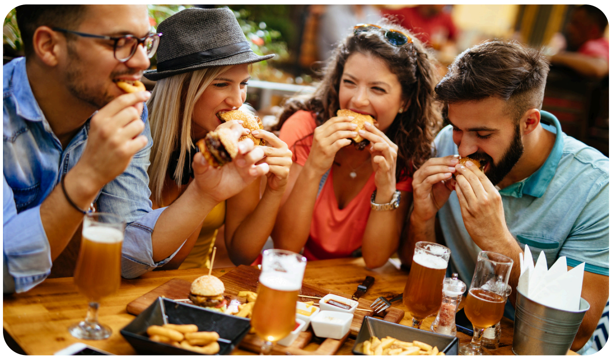
This is evidenced in consumers carrying loyalty programs on their phones, collecting points at every checkout, and being enrolled in more schemes than they can count. By many conventional measures, loyalty marketing is seemingly booming.

But while the number of loyalty programs is growing, so too are customer expectations. That's why enrolment figures may be up, but meaningful engagement is flat. Points are being accumulated but perhaps not redeemed, and many customers are technically 'members' of programs they have largely forgotten about.

Time and again, participation – or merely the presence of consumers – is being confused with loyalty. And the two are definitely not the same.

At two international loyalty expos in Amsterdam and Atlanta in early 2026, the message from brands, consultants, and industry experts was strikingly consistent.

Traditional reward mechanics alone are no longer enough. The era of the 'earn-and-burn' loyalty model is giving way to something more complex, yet ultimately more rewarding – the era of emotional connection.



> **"Loyalty is a behavioural outcome."**
> Walmart, Loyalty Connect US, Atlanta 2026

This deceptively simple observation, made during the opening keynote in Atlanta, cuts to the heart of the challenge. Loyalty cannot be manufactured. It is earned, over time, through the consistent delivery of value and experiences that genuinely matter to people.

The brands that understand this – regardless of sector, size, or geography – are thriving, whereas those that are still treating loyalty as a cost centre to be managed, rather than a relationship to be built, are struggling.

2.

IS 'LOYALTY FATIGUE' REAL?

While predictions vary, reports suggest that the average consumer is enrolled in 15-19 loyalty programs. We see them everywhere, across retail, utilities, hospitality and financial services to name just a few.

On the one hand this sector-wide investment in loyalty is encouraging, as it shows a widespread acknowledgement of its importance. But at the same time, virtually every segment is becoming saturated with many initiatives that look and feel the same.

That means consumers receive multiple weekly emails, push notifications, and app prompts from brands clamouring for their attention. They have loyalty cards for their supermarket, their coffee shop, their airline, their bank, and their favourite fashion retailer.

But most of the time, they probably barely notice, because consumers don't lack rewards, they lack connection.

Many industry critics cite the concept of 'loyalty fatigue', which suggests the sheer volume of programs has diluted their impact. There is undoubtedly some truth in that.

However, an article in Business Insider suggests that consumers increasingly view many programs as merely gimmicks, particularly when the underlying brand experience fails to match the program promise.

So perhaps it is not the number of programs that is the problem, but instead – as an article in Forbes implies – it is how poor they are.

At its best, the **'sea of sameness'** means loyalty programs fail to stand out. But if rewards feel generic, forgettable, and disconnected from anything consumers actually care about, it may actively switch them off.

> **"We do not remember days, we remember moments."**
> Brand film, World of Coca-Cola, Atlanta

While not a brand that personally has to rely on a points program, this Coca-Cola sentiment is an important consideration here. At the iconic World of Coca-Cola museum in Atlanta, a brand film captures something important.

Customers do not particularly remember points they accumulate or their cashback percentage. But they do remember the moment a brand made them feel seen, valued, or surprised – and these moments are increasingly rare in a landscape dominated by mechanics.

This is not simply a creative problem. It is a strategic one. Because brands may have invested heavily in loyalty infrastructure, but without the equivalent investment in 'experience', programs may function perfectly and feel like nothing at all.

The first step to combatting this, is remembering that loyalty is an emotional relationship, not a transactional one. Points and discounts can play a supporting role, but they cannot carry the weight of a lasting relationship on their own.

3.

ARE YOUR CUSTOMERS TRULY LOYAL?

Armed with this backdrop, brands can start to better understand if their customers are truly loyal, or whether they simply haven't switched yet. The distinction matters enormously.

Consider the supermarket loyalty card. Iconic, widely adopted, and deeply embedded in everyday shopping behaviour, these programs are often cited as textbook examples of loyalty in action.

They generate rich first-party data, potentially contribute to repeat visits, and provide a mechanism for personalised communication.

But does using a loyalty card at the same supermarket every week prove that a customer is loyal to that brand? Or does it mean the shop is on the way to work, the parking is free, and switching would be a mild inconvenience?

In most cases, it is probably the latter. The customer is not making a proactive choice to shop there because they feel a deep connection to the brand. They are following a path of least resistance – experiencing inertia, dressed up as loyalty.

This pattern extends well beyond grocery retail. In sectors from airlines to banking to telecoms – categories where switching costs are low and competitive offers are plentiful – the gap between perceived loyalty and genuine loyalty has become commercially significant.

A customer retained by inertia is one competitive offer, one poor experience, or one moment of financial pressure away from switching.

A customer retained by emotional connection is genuinely harder to lose — and considerably more valuable while they stay.

This is where brand complacency becomes dangerous. Many brands assume that because their retention metrics look healthy, their loyalty is secure. But retention is not loyalty. It may simply be the absence of a compelling enough reason to leave.

DID YOU KNOW?

Europe's Loyalty Association describes this distinction as the difference between 'Big L' and 'Little L' loyalty.

- **Little L** is transactional – think points, rewards and discounts – and it drives behaviour in the short term.
- **Big L** is comparatively emotional – fuelled by passion and trust to nurture the kind of attachment that is not easily bought or broken.

The most effective programs find a way to deliver both, but it is Big L that provides the commercial durability.

SPOTLIGHT

BUILDING EVERYDAY LOYALTY

Few examples better illustrate the power of emotional loyalty built on everyday utility than the Three+ program, designed and built by TLC Worldwide for VodafoneThree (operating in the UK as Three).

In a telecoms market dominated by price-led incentives and short-term promotions, Three recognised that loyalty needed to deliver real, repeatable value in customers' everyday lives. The answer was elegantly simple – a barista-made coffee for £1, once a week, redeemable at over 1,500 independent and high-street cafés across the UK.

The proposition was not flashy. It did not promise luxury experiences or headline-grabbing rewards. What it offered was something far more powerful – a genuine weekly ritual customers grew to crave, week after week. This simple, repeatable reason to engage has become embedded in everyday behaviour – a compound effect that is far more durable than any points balance.

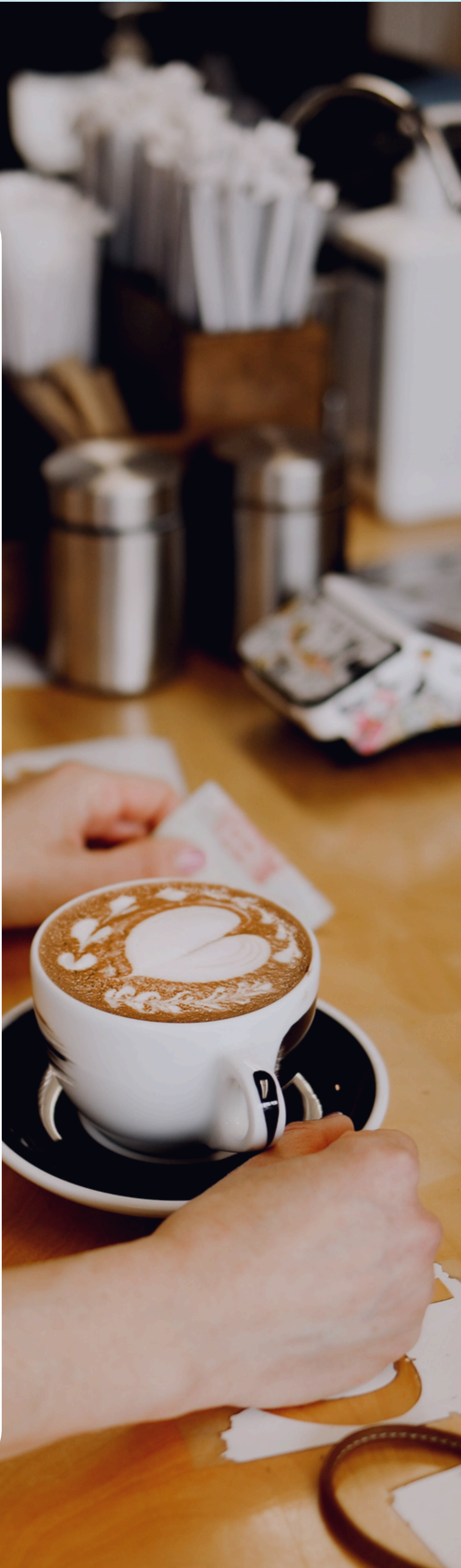
INTERNATIONAL LOYALTY AWARDS WINNER GOLD 2026

Recognised with the gold award for International Loyalty Program of the Year Europe at the 2026 International Loyalty Awards.

"By leveraging a strong network of independent businesses, the program delivers everyday benefits that seamlessly integrate into customers' daily lives, creating a loyalty experience that feels both authentic and immediately useful."

International Loyalty Awards 2026, judges' comments

READ FULL CASE STUDY



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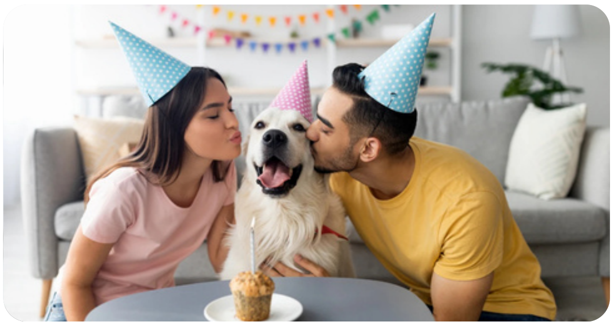
THE BIGGEST THREATS TO BRAND LOYALTY RIGHT NOW



PERSONALISATION HAS BECOME THE BASELINE – BUT IT MUST MEAN SOMETHING

Customers live in a world shaped by Netflix, Spotify, and Amazon. These platforms have normalised hyper-personalised experiences, to the point that we are now accustomed to recommendations that feel relevant, content that reflects our tastes, and interactions that seem to know us.

In comparison, a generic *'Dear valued customer'* email, offering 10% off everything, feels like a relic from another era.

But there is an important nuance here. Personalisation, done poorly, can be actively counterproductive. A 2025 Gartner survey found that **traditional personalisation tactics generated negative experiences for 53% of customers,** making them over 3 times more likely to regret a purchase and 44% less inclined to buy again.

What's more, customers exposed to high volumes of personalised content felt overwhelmed and rushed, not valued. The implication for loyalty programs is significant.

- **Passive personalisation** – such as using a customer's name, referencing their purchase history, or sending slightly more targeted offers – is no longer enough, and in some cases may do more harm than good.

- What customers increasingly respond to is **active personalisation** – experiences that invite them to co-create their own journey, feel genuinely two-way, and demonstrate a real understanding of what matters to them as individuals.

The most progressive brands are going further still. Consumer trend forecaster WGSN has identified a growing segment it calls **'The Gleamers'.**

These consumers are moving away from traditional life milestones and increasingly celebrating **personal 'minorstones'** – like paying off a student loan, committing to a wellness routine, or adopting a pet.

If a brand is able to recognise and celebrate these smaller, deeply individual achievements, through hyper-relevant, experience-led rewards, they can unlock a far richer form of emotional engagement and a sense of being understood, than any points balance could ever deliver.

THE COST OF LIVING CRISIS HAS RAISED THE STAKES

The prolonged cost of living crisis has made consumers both more deliberate and more discerning in how they spend.

In fact, as household budgets have tightened worldwide, many brands have discovered that their most 'loyal' customers were actually the most price-sensitive.

When a competitor offered a better deal, they left – not because they disliked the brand, but because there was nothing deeper holding them there.

True loyalty, by contrast, is more resilient. For example:

- **Customers** who feel genuinely connected to a brand are more likely to absorb a higher price, overlook an occasional service failure, and/or actively recommend it to others.
- **Brands** that deliver genuine, tangible value are building stronger relationships than ever. A well-designed reward, particularly one that delivers an experience, can dramatically elevate perceived value in a way that a discount simply cannot.

GEN Z IS REWRITING THE RULES

Research presented at both the Amsterdam and Atlanta loyalty conferences highlighted a generation with fundamentally different expectations of brand relationships. **Around 70% of Gen Z consumers consider themselves loyal,** but more than half would switch brands for a better deal – and many actively search for alternatives before making a purchase.

This is not disloyalty in the traditional sense. However, it is a generation that is highly aware, highly selective, and quick to disengage if something feels inauthentic, irrelevant, or low value.

For brands targeting younger audiences, surface-level personalisation and broad segmentation are not just ineffective, they are actively damaging. Gen Z can identify inauthenticity instinctively, and – importantly – will act upon it.

AI IS ACCELERATING THE PACE OF CHANGE

The rise of AI-powered search is fundamentally changing how customers discover and choose brands.

Research shared at the Amsterdam event found that **37% of consumers** now begin their product searches using tools like ChatGPT and Gemini, often without ever visiting a brand website.

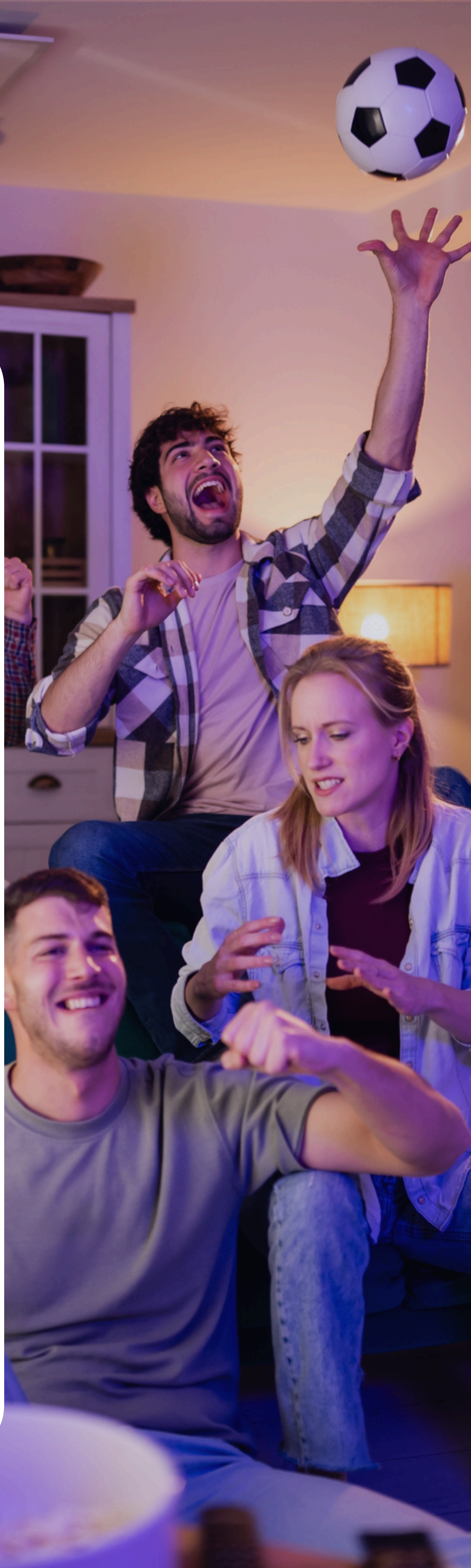
The implications for loyalty are profound. With fewer touchpoints, a shorter path to decision, and an even greater premium placed on being immediately relevant, brands that rely on visibility and habit are discovering that both are increasingly fragile.

In a world where AI surfaces the best available option in seconds, the customer's emotional relationship with a brand may be the only durable competitive advantage left.

THE QUESTIONS EVERY BRAND SHOULD BE ASKING:

- Are your customers choosing you — or simply not choosing to leave?
- Would your customers miss you if you were gone, or just find a convenient alternative?
- Is your loyalty program building genuine emotional connection, or just rewarding habit?
- If a competitor offered the same product at the same price tomorrow, what would keep your customers with you?

SPOTLIGHT



MediaWorld

DRIVING EMOTIONAL LOYALTY THROUGH INNOVATION

In the consumer electronics sector – a category characterised by infrequent purchases and low emotional engagement – Italian-based MediaWorld faced a loyalty program that was losing effectiveness.

Their existing program was built primarily on discounts and promotions, and was struggling to create meaningful emotional connection with customers who largely shopped on price.

Partnering with TLC Worldwide, MediaWorld launched the MediaWorld CLUB – an entirely reimagined loyalty ecosystem that rewarded not just spending, but participation. High-value welcome gifts, personalised monthly campaigns, birthday rewards, instant wins, and exclusive events replaced a purely transactional proposition with one designed to create feeling.

With an average **33% engagement rate** and a **61% increase in purchase frequency** among program members, this program clearly evidenced that emotional connection translates directly into commercial value. The partnership was renewed for a further three years.

READ FULL CASE STUDY

5.

HEAD, WALLET, HEART IS YOUR LOYALTY PROGRAM FALLING SHORT?

The head, wallet, and heart framework for understanding loyalty is well-trodden ground for any senior marketer or loyalty strategist.

It has been a useful lens for many years, and its core logic remains sound.

- **The head** represents rational value – a logical case for belonging to a program. Does the proposition make sense? Is it clear and easy to understand?
- **The wallet** represents financial incentive – transactional mechanics that drive behaviour. Think points, cashback, discounts or tier benefits.
- **The heart** represents emotional connection – the feeling a program creates.

Does it make members feel valued, understood, and part of something meaningful? Does it create moments they remember? Does it reflect what they actually care about?

The vast majority of loyalty programs today are well served on head and wallet. They are clear, financially credible, and deliver rational value.

But why, given that this framework is so well understood, does heart remain so consistently neglected?

The uncomfortable answer is that the heart is harder. Head and wallet can be designed, measured, and optimised with relative precision, if not ease. Heart, on the other hand, requires a genuine insight into how customers feel, not just what they do.

It demands creativity, empathy, and a willingness to invest in experiences that do not always have an immediately obvious return. It means thinking about loyalty not as a channel, but as a relationship, and that requires a fundamentally different mindset.

There is also a tendency, particularly in large organisations, to default to what is measurable. Points ratios, redemption rates, and tier migrations are easy to report, whereas the emotional resonance of a program is considerably harder to quantify.

And so, quarter after quarter, heart gets deprioritised, not because it is unimportant, but because it is perceived as less demonstrably linked to ROI*.

> **"Scalable loyalty begins with utility, not aspiration."**
> Walmart, Loyalty Connect US, Atlanta 2026

Walmart's observation about utility is important here. Emotional loyalty does not necessarily mean grand gestures or expensive experiential moments that will burst a brand's loyalty budget.

In fact, Walmart also reminded us that loyalty must be economically credible so that it can be sustained.

But utility value can instead be built through small, consistent acts of relevance:

- **Rewards** that integrate naturally into customers' everyday lives, such as free coffee from a local barista
- **Interactions** that feel considered and human such as playful gamification that creates a pocket of joy in someone's busy day
- **Value** that shows up in the moments that actually matter, as emphasised in the minorstones example previously explored.

DID YOU KNOW?

At the Loyalty Summit CXM Europe 2026, international loyalty advisor Nacho Carnés introduced a complementary framework for thinking about the different components of an effective program:

Soul
brand identity and purpose
What does the brand genuinely stand for, and does the loyalty program reflect that?

+

Brain
data, technology, and AI
The intelligence that enables personalisation at scale.

+

Heart
community and members
The emotional engagement that creates belonging and connection.

+

Fuel
media and channel activation
The means by which the program reaches and resonates with its audience.

Arguably an extended, modern day take on the head-wallet-heart model, this framework suggests that without soul, loyalty programs lack authenticity. Without brain, they lack relevance. Without fuel, they lack reach. But without heart – given all of the themes explored throughout this paper – little else matters.

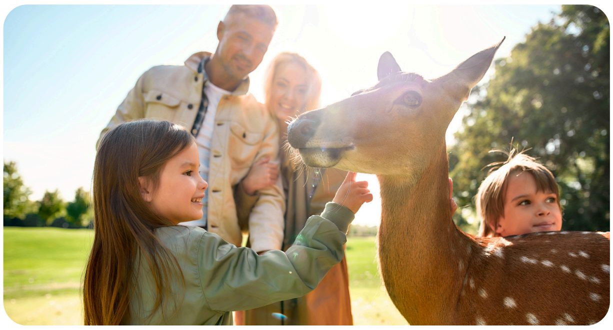
UNSURE IF YOUR LOYALTY PROGRAM IS LACKING HEART?

Whether you're constrained with internal pressures or not sure if your loyalty program needs a reset, we're happy to offer a fresh perspective. Our global colleagues have deep sector, segment and country-specific experience, which can help uncover small refinements or completely untapped potential.

Contact us to arrange a complimentary consultation.

6.

EXPERIENTIAL REWARDS WHERE HEAD, WALLET, AND HEART CONVERGE



One of the most powerful tools available to loyalty strategists – yet one that is still significantly underused – is the experiential reward.

Unlike a discount or points credit, an experiential reward operates across all three dimensions simultaneously.

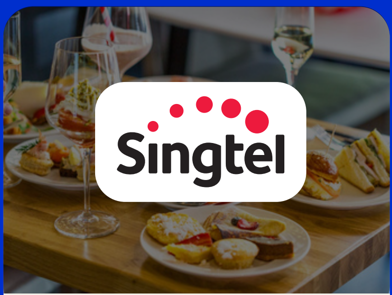
It justifies a purchase or participation rationally (**head**), delivers tangible financial value (**wallet**), and creates a memorable moment that forges genuine emotional connection (**heart**).

Savvier brands are already recognising this, even in contexts where a long-term loyalty program is not yet in place.

Shorter-burst loyalty campaigns built around experiential rewards – including access to events, experiences, or moments that customers genuinely value – are repeatedly demonstrating that emotional connection can be built affordably and at scale, providing the reward is relevant and the execution is right.

LOOKING FOR INSPIRATION?

Explore our collaborations with these remarkable brands:



1-FOR-1 FOOD AND BEVERAGE

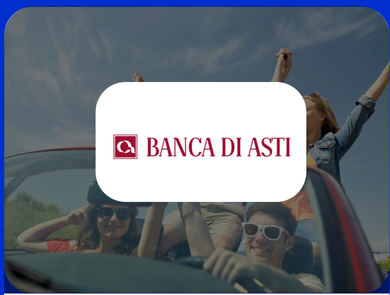
Singtel curates new deals on the first day of every month to encourage habitual engagement.

Read the case study

ACTIVITY-BASED REWARDS

Decathlon rewards members for staying active, driving ongoing engagement through sport and shopping.

Read the case study



GEN Z LIFESTYLE REWARDS

Banca di Asti rewarded young account holders with €300 in lifestyle experiences to drive acquisition and retention.

Read the case study

SPOTLIGHT

REDUCING CUSTOMER CHURN

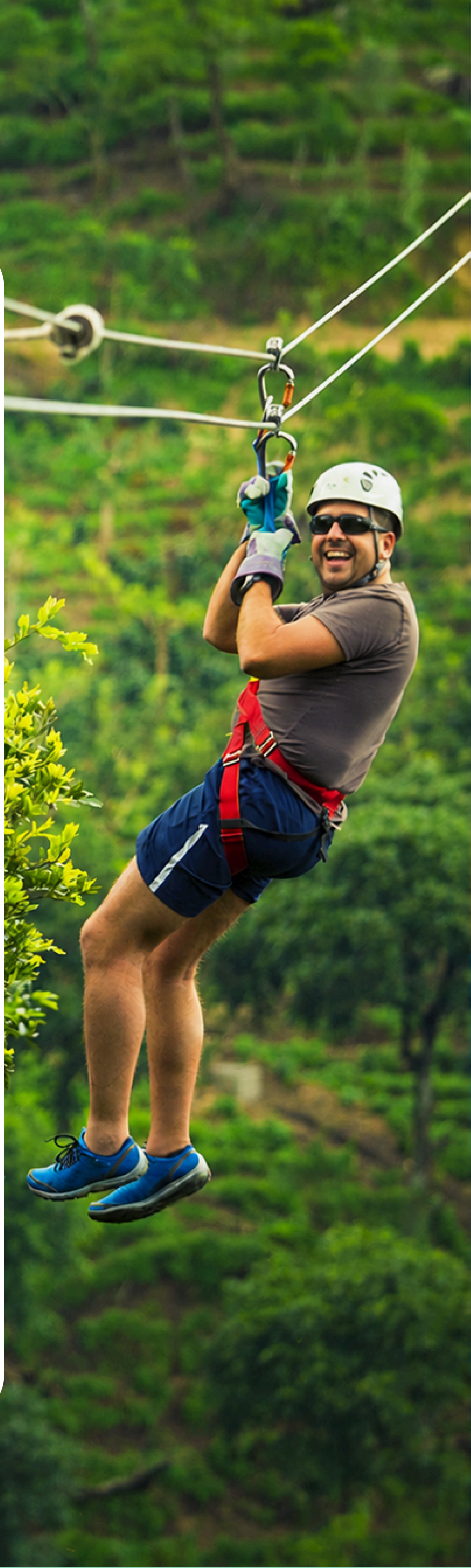
Electric Ireland faced perhaps the most challenging loyalty context of all – a utility market where churn was rising, a new competitor had entered, and tariffs were dropping across the board. But in a category where customers have little natural emotional affinity with their energy supplier, building loyalty requires going well beyond what the product itself can deliver.

Working with TLC Worldwide, Electric Ireland supercharged its rewards program with always-on experiential value – free and discounted access to venues, attractions, and experiences nationwide – under the brand's existing 'Your world, brighter' positioning.

The new 'Brighter Things to Do' platform gave customers up to €195 in annual savings and a genuine reason to feel that Electric Ireland was on their side.

> **"The results speak for themselves — reduced churn, increased engagement, and nearly €1 million in customer savings. It's a clear win for our customers and our business."**
>
> Naomi Callanan,
> Retention Marketing Manager
> Electric Ireland

READ FULL CASE STUDY



7.

WHAT THE BEST BRANDS DO DIFFERENTLY

BUILDING LONG-TERM EMOTIONAL RESONANCE

The path to emotional loyalty is clearer than many brands think. The challenge, as noted in **TLC's fireside chat at the Amsterdam loyalty summit,** is not necessarily creating the emotional moment, but doing so consistently, at scale, and cost-effectively. Here is what the brands getting this right have in common:

THEY START WITH THE CUSTOMER, NOT THE MECHANIC

The brands building genuine emotional loyalty begin by asking what their customers actually care about, not what is easiest to offer. They invest in understanding customer passions, behaviours, and life moments, and they use that understanding to design rewards that feel genuinely relevant rather than generically transactional.

The most progressive brands are taking this further still, moving from passive inference to active co-creation. Rather than guessing at customer preferences from behavioural data alone, they invite customers to share directly what matters to them.

Gartner's 2025 research confirms the importance of this approach – customers engaged through active personalisation are 2.3 times more likely to confidently complete purchase decisions, with significant improvements in both satisfaction and ROI.

THEY INVEST IN EVERYDAY VALUE, NOT JUST ASPIRATIONAL MOMENTS

Expanding on the Walmart point referenced on Page 11, customers increasingly expect programs to earn a place in their daily routines, not just to surface once a year with a birthday voucher or a tier upgrade.

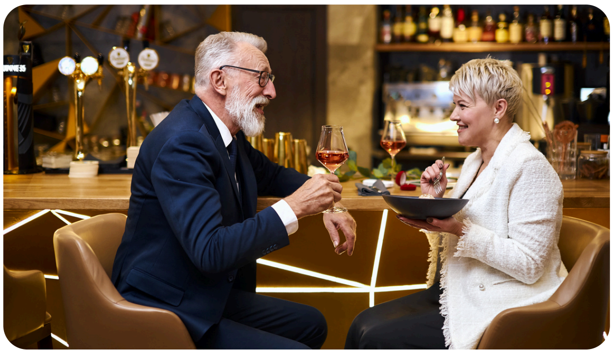
The most effective programs are those that deliver consistent, accessible value that integrates naturally into customers' lives. Think of this not as what you give away, but how, and how often.

THEY THINK LIKE MARKETERS

One of the most powerful examples of this mindset in action comes from the telecoms sector. The T-Mobile Tuesdays program grew to become a globally-acclaimed loyalty initiative because they thought like a marketing organisation rather than a telecoms operator.

Instead of anchoring loyalty to network quality, which has grown to become a commodity in most developed markets, T-Mobile showed loyalty to its customers first, delivering over $1.5 billion in weekly rewards across free food, coffee, and entertainment.

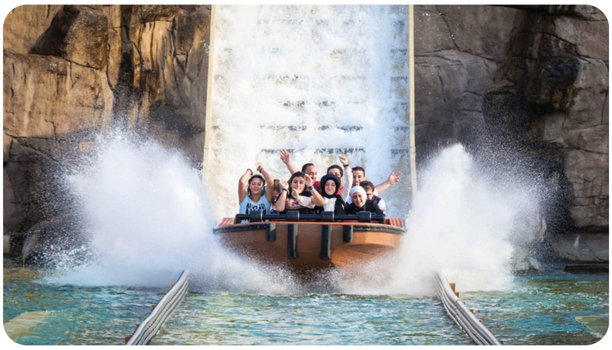
The result was instant, habitual engagement, minimal brand erosion, and – with less than 1% postpaid churn – industry-leading retention. In the sea of sameness referenced on Page 4, T-Mobile stood apart because of how it made people consistently feel.



THEY MAKE CONNECTION FEEL PERSONAL, NOT JUST TARGETED

Strong emotional connections stem from a customer feeling genuinely understood, and the Gleamers insight is instructive here.

As consumers increasingly celebrate personal milestones that fall outside traditional life scripts, the brands that can recognise and reward those individual moments – a wellness commitment, a financial achievement, or another personal first – will build a level of affinity that generic segmentation can never reach. But this needn't be complex.



THEY STAY TRUE TO THEIR BRAND PURPOSE

Emotional loyalty cannot be manufactured in isolation from a brand's identity. The programs that resonate most deeply are those that feel like a natural extension of what the brand already stands for.

When a loyalty program reflects a brand's values and personality, the emotional connection becomes self-reinforcing and members feel they are truly part of something.

8.

KICKSTARTING THE LOYALTY RESET — WHERE DO YOU GO FROM HERE?

Across every sector, in every market, the direction of travel is the same – the era of transactional loyalty is giving way to the era of emotional connection.

The brands that make that transition successfully will build customer relationships that are more resilient, more valuable, and far more difficult for competitors to replicate.

It is important to note that this shift is not about abandoning what works.

Points. rewards, and financial incentives still play an important role, not least because loyalty must be economically credible.

But these mechanics are the starting point, not the destination.

And given the notion of loyalty fatigue described on Page 4, brands needn't worry if they are offering enough rewards, but if they are creating enough connection.

REMEMBER

The head and the wallet are well served by most loyalty programs today.
The heart is where the opportunity lies.
What's your version of Three's £1 coffee?

REMARKABLE BRANDS DESERVE REWARDING RESULTS.
WHAT ELSE COULD YOU ACHIEVE?

At TLC, we have spent over 30 years helping the world's most remarkable brands build loyalty strategies that go beyond the transactional. Our globally recognised loyalty experts work with brands across every sector to design, build, and optimise programs that achieve genuine emotional connection, without sacrificing commercial rigour.

We are extremely proud of our experienced loyalty team, and many of them regularly take to the worldwide stage to share their insights and advice on this complex and ever-changing topic. And now, they're offering their time on a 1-to-1 basis too. Book a complimentary discovery meeting with one of global loyalty experts, and pose the questions you want answering.

LET US HELP YOU

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