tranxactor

Beyond the discount

Building sustainable growth through data-driven loyalty programmes

A Strategic Guide to Customer Retention in the Modern Retail Landscape

October 2025

Executive Summary

In today's hyper-competitive retail environment, the difference between short-term gains and sustainable growth often comes down to one critical question: How do you keep customers coming back?

While discounting remains the dominant acquisition tool across retail, recent industry data reveals a striking truth: loyalty programme members generate 12-18% more revenue than non-members, and a mere 5% increase in customer retention can boost profits by 25-95%. Yet despite these compelling numbers, many businesses continue to rely heavily on price promotions that erode margins and commoditise their brand.

This white paper examines the fundamental differences between discount-driven and loyalty-driven retention strategies, backed by current market research and performance data. More importantly, it demonstrates how data-driven loyalty platforms can transform customer relationships from transactional encounters into lasting partnerships that drive predictable, profitable growth.

Key Findings:

- Loyalty programme members spend more per transaction and visit more frequently than discount-seeking shoppers
- Frequent discounting trains customers to delay purchases, creating revenue volatility
- Data-driven loyalty programmes provide actionable insights that improve personalisation, inventory management, and marketing ROI
- The most successful retailers use discounts for acquisition and loyalty programmes for retention
- Platform-based loyalty solutions deliver measurability and flexibility that manual programmes cannot match

The Loyalty Advantage: Data-Driven Relationships That Compound

Beyond Transactions to Relationships

Loyalty programmes operate on fundamentally different psychology than discounts. Rather than reducing friction at a single point of purchase, they create an ongoing relationship where every interaction adds value to both parties.

The customer perspective shifts from "How much can I save today?" to "What am I building toward?" This future orientation creates investment in the brand beyond the products themselves. Each purchase becomes a step toward a goal, whether that's earning a free product, unlocking VIP status, or accumulating points for future rewards.

The Compounding Effect

Unlike discounts that reset after each transaction, loyalty programmes create compounding engagement. 53% of consumers admit that discounts and loyalty points make them stay with a brand longer, demonstrating how rewards-based systems reduce churn more effectively than price promotions alone. The data reveals striking differences in behaviour:

Purchase Frequency: 43% of consumers are more likely to make weekly purchases due to loyalty programmes, showing how structured rewards drive habitual behaviour.

12% - 18%
more revenue from loyalty programme members

Revenue Impact: Members of retailers' customer loyalty programmes generate between 12% and 18% more revenue than non-members, demonstrating measurable financial benefits.

Order Value Growth: Strategic loyalty programmes can drive dramatic increases in basket size, with properly integrated e-commerce implementations seeing up to 319% increases in average order quantity.

Profitability: A 5% increase in customer retention increases profits by 25% to 95%, highlighting the exponential value of keeping customers engaged.

+43% Increase in Weekly Purchases	**+319%** Increase in Order Quantity	**25-95%** Profit Increase from 5% Retention Boost	**53%** Stay Longer with Loyalty Points

The Power of Progress and Achievement

Loyalty programmes tap into powerful psychological motivators that discounts cannot replicate. Progress toward a goal activates the same reward centres that make games addictive and create a genuine desire to return and continue accumulating points or advancing through tiers.

Tier-based programmes amplify this effect by adding status and exclusivity. VIP members don't just receive different benefits, they belong to a different class of customer. This psychological distinction creates emotional attachment that transcends rational price comparison.

The Australia and New Zealand Context: Regional Insights

A Mature Loyalty Market

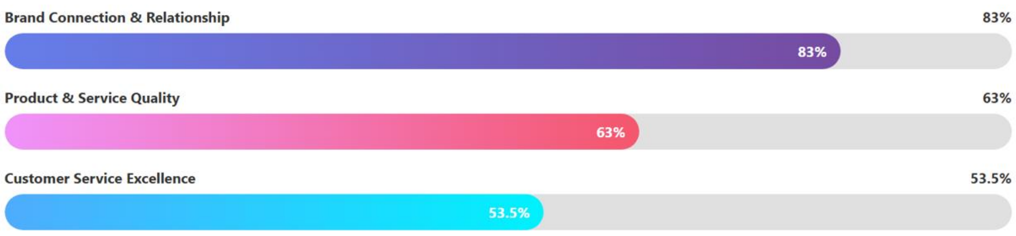
Australia and New Zealand represent sophisticated loyalty markets with high consumer participation and evolved expectations. Almost 80% of Australians are members of at least one loyalty scheme, creating a landscape where programmes are expected rather than exceptional.

However, this saturation brings challenges. Only around 50% of programme members report actively using their memberships, suggesting that mere enrolment doesn't guarantee engagement. Success requires programmes that deliver compelling, accessible value.

What Drives Loyalty in the Region

Australian and New Zealand consumers have clear priorities. The leading driver of brand loyalty among Australian respondents is that the brand offered good products and services, with around 63% indicating this. Brand connection remains more important than price and loyalty programmes, with 83% of Australian consumers loyal to their preferred retailers based on brand relationship.

This data reveals a crucial insight: loyalty programmes cannot compensate for poor products or service. They amplify existing brand strengths but cannot create loyalty where none exists organically.



Regional Programme Preferences

Australia's active loyalty programme members indicate their most sought-after benefits are regular discounts, cashback based on spending, and the ability to pay in full using loyalty points. This preference for tangible, monetary rewards reflects practical consumer expectations in the region.

In these markets the loyalty programme landscape is characterised by a strong appetite for digital card-based interactions and transactional benefits, like discounts, suggesting that mobile accessibility and immediate value remain critical success factors.

The Evolving Landscape

New Zealand has experienced significant shifts in its loyalty ecosystem. Flybuys and SmartFuel both recently closed, while Airpoints by Air New Zealand remains arguably the most iconic loyalty programme in the country.

Retailers now almost exclusively insource their loyalty strategy and embed their loyalty programme into their own customer experiences, delivering better revenues and margins at lower cost than outsourcing has ever been able to provide.

This trend toward owned programmes creates opportunities for platform solutions that enable sophisticated loyalty management without the overhead of coalition schemes.

Service Quality Imperative

Over 53.5% of Australian respondents said bad customer service would make a brand lose their loyalty, even more than a decrease in product quality (50.6%). This reinforces that loyalty programmes must operate within an ecosystem of excellent service delivery. Technical functionality, responsive support, and seamless experiences aren't optional—they're foundational.

Key Takeaways for ANZ Markets

For businesses operating in Australia and New Zealand:

- High penetration means differentiation requires exceptional execution, not just programme existence
- Consumers expect immediate, tangible value alongside emotional benefits
- Brand reliability and product quality remain key loyalty drivers
- Mobile-first, digitally accessible programmes align with regional preferences
- Platform solutions enable competitive capabilities without coalition complexity

The Data Advantage: Why Modern Loyalty Platforms Win

From Intuition to Intelligence

The most significant advantage of digital loyalty programmes isn't the rewards themselves but the data infrastructure they create. Every point earned, reward redeemed, and tier achieved generates valuable behavioural data that transforms marketing from guesswork into science.

Traditional discount strategies offer limited insight. You know a promotion drove sales, but you rarely know which customers were new versus existing, whether they would have purchased anyway, or what they'll do next month.

Platform-based loyalty programmes, by contrast, create comprehensive customer profiles that reveal:

Purchase Patterns:
- Frequency, basket composition, channel preferences, and seasonal behaviour
- Engagement Levels:
- Email open rates, point balance awareness, reward redemption velocity

Lifetime Value Trajectory:

Whether customers are growing, maintaining, or declining in value:

- Churn Indicators:

Early warning signs when engagement drops or purchase intervals lengthen

- Segment Characteristics:

How different customer groups respond to various incentives

Personalisation at Scale

This data enables personalisation that generic discounting cannot match. Rather than blasting the same 20% off promotion to your entire list, loyalty platforms allow you to:

- Reward high-value customers with exclusive benefits that recognise their importance
- Re-engage dormant members with targeted incentives based on their previous preferences
- Accelerate new member engagement with bonus point opportunities in relevant categories
- Prevent churn by identifying and intervening with at-risk customers before they leave

88% of loyalty programme owners think micro-targeting has a positive impact on customer retention and satisfaction, reflecting the industry's recognition that relevant, personalised rewards outperform broad discounting strategies.

Predictable Revenue and Planning

Perhaps most valuable for business operations, loyalty programmes create predictable customer behaviour. When you understand member purchase cycles, you can:

- Forecast revenue more accurately
- Optimise inventory based on anticipated demand
- Time marketing campaigns to moments of natural purchase intent
- Allocate marketing budget more efficiently by focusing on high-potential segments

This predictability extends to the P&L. While discounting creates volatile margins that fluctuate with promotional intensity, loyalty programme costs are more stable and can be structured as a percentage of revenue through point accrual models.

The Evolving Loyalty Landscape: What Works in today's market

Rising Expectations and Programme Saturation

The loyalty programme space has evolved dramatically in recent years. The average US consumer now belongs to more than 15 loyalty programmes, a 10% increase from 2022. This saturation creates new challenges: customers have more options, higher expectations, and less patience for programmes that don't deliver immediate value.

The implication is clear: basic point programmes are now table stakes. Differentiation requires either exceptional rewards, unique experiences, or seamless integration that makes participation effortless.

Generational Preferences

Understanding demographic nuances matters more than ever. 60% of consumers aged 18-24 prefer point-based loyalty programmes, and 20% would stop shopping with brands if these programmes disappeared. Younger consumers have grown up with digital rewards and view loyalty programmes not as optional perks but as expected features of retail relationships.

The Premium Programme Opportunity

An emerging trend shows potential for paid loyalty programmes that mirror Amazon Prime's success. 47.6% of industry professionals think premium loyalty programmes have a positive impact on customer retention and satisfaction.

Premium Loyalty Programmes

A subscription-based programme with additional benefits

Programmes that charge a membership fee can offer enhanced benefits like free shipping, exclusive access, or accelerated earning rates while creating immediate commitment through the paid enrolment.

Brand Advocacy and Social Proof

The value of loyalty extends beyond direct purchases. More than half of the most loyal customers actively recommend brands to others, while 14% publicly endorse or defend the company.

Consumers with access to top loyalty programmes are 10% more likely to shop with the organisation, 14% more likely to increase purchase frequency, and 12% more likely to recommend the brand. This organic advocacy reduces customer acquisition costs and builds brand credibility in ways that paid advertising cannot replicate.

Building an Effective Loyalty Strategy: Key Components

1. Clear Value Proposition

The most successful loyalty programmes make the benefits immediately obvious. Customers should understand within seconds what they'll earn and how to redeem rewards. Complexity creates friction, and friction reduces participation.

Best Practices:

- Use simple earning mechanics (1 point per $1 spent)
- Offer achievable first rewards (250 points = $10 off)
- Clearly communicate tier benefits and requirements
- Make point balance and progress visible across all channels

2. Multiple Earning Opportunities

Purchase-based earning should be foundational, but the most engaging programmes offer diverse ways to accumulate value:

- Account creation and profile completion
- Social media follows and engagement
- Product reviews and user-generated content
- Referral bonuses for bringing new customers
- Birthday and anniversary rewards
- Engagement with email or app notifications

This multi-dimensional approach keeps members engaged between purchases and deepens the relationship beyond transactions.

3. Relevant and Desirable Rewards

The rewards must be worth pursuing. This seems obvious but many programmes fail by offering rewards that customers don't actually want or that require unrealistic point accumulation.

Effective Reward Structures:

- Discounts or credits toward future purchases
- Free products at achievable thresholds
- Exclusive early access to sales or new products
- Free shipping or other service upgrades
- Experiential rewards (e.g. events, exclusive content)
- Charitable donations on the customer's behalf

4. Tier Systems That Create Aspiration

Well-designed tiers turn satisfaction into aspiration. When customers can see the next level of benefits within reach, they're motivated to increase spending to achieve it.

Tier Design Principles:

- Make entry-level tier immediately accessible
- Space mid-tiers at achievable but meaningful intervals
- Reserve truly exclusive benefits for top tiers
- Communicate progress toward next tier clearly
- Annual qualification to drive consistent engagement

5. Seamless Integration Across Channels

Customers expect consistent experiences across every touchpoint. Your loyalty programme must work flawlessly whether customers shop in-store, online, or via mobile app.

Integration Requirements:

- Unified customer profiles across channels
- Real-time point balance updates
- Point earning and redemption in all channels
- Consistent tier benefits regardless of purchase location
- Mobile accessibility for checking balances and rewards

The Platform Advantage: Why Processing Infrastructure Matters

Manual vs. Platform-Based Programmes

Many businesses begin with manual or spreadsheet-based loyalty tracking, but this approach quickly becomes unsustainable as complexity and membership grow. Platform-based solutions provide critical advantages:

Automation and Scalability

Manual programmes require constant administrative effort to track points, send rewards, and manage tier transitions. Platforms automate these processes, allowing programmes to scale from hundreds to millions of members without proportional increases in administrative cost.

Real-Time Data Processing

Modern platforms process transactions and update customer profiles in real-time, enabling immediate reward application and up-to-date insights for marketing teams. This speed creates better customer experiences and more agile marketing capabilities.

Advanced Analytics and Reporting

Beyond basic tracking, sophisticated platforms provide dashboards that reveal programme performance, member segmentation, redemption patterns, and predictive analytics about future behaviour. These insights drive strategic decisions about reward structures, promotional timing, and customer intervention strategies.

Security and Compliance

Platform providers handle the complex requirements of data security, privacy compliance, and financial reporting that burden internal development. This expertise becomes especially critical as regulations like GDPR and the Australian Privacy Act create legal obligations around customer data management.

Integration Ecosystems

Leading platforms integrate with e-commerce systems, point-of-sale terminals, email marketing tools, and customer service platforms. This connectivity ensures loyalty data enriches every customer interaction and eliminates data silos that fragment the customer experience.

The Build vs. Buy Decision

While building custom loyalty infrastructure might seem appealing, the hidden costs usually outweigh the benefits:

- Development Costs: Building reliable, scalable systems requires significant engineering investment
- Maintenance Burden: Ongoing updates, security patches, and feature additions consume resources indefinitely
- Opportunity Cost: Engineering time spent on loyalty infrastructure isn't spent on core product development
- Missing Expertise: Loyalty platforms embed years of best practices and lessons from thousands of programmes

Platform solutions allow businesses to launch sophisticated programmes quickly, iterate based on results, and benefit from continuous feature enhancements without additional development costs.

Business Impact Metrics

Member vs. Non-Member Spend: How much more do programme members spend compared to customers who haven't enrolled?

Purchase Frequency Lift: Do members shop more often than non-members?

Customer Lifetime Value (CLV): What is the lifetime value difference between members and non-members?

Retention Rate: What percentage of members remain active after 6, 12, and 24 months?

Referral Rate: How many members refer new customers, and what is the conversion rate of those referrals?

Measuring Success: Key Performance Indicators

To optimise loyalty programme performance, focus on metrics that reveal both programme health and business impact:

Programme Engagement Metrics

Active Member Percentage: What portion of enrolled members engage within a given period (30/60/90 days)?

Points Earned per Active Member: Are customers accumulating points at healthy rates?

Redemption Rate: What percentage of earned points are redeemed? (Too low suggests rewards aren't compelling; too high might indicate point devaluation)

Time to First Redemption: How quickly do new members earn their first reward? (Faster is generally better for building habit)

Tier Distribution: Are members progressing through tiers as designed?

Financial Metrics

Programme Cost as % of Revenue: What does the loyalty programme cost relative to the revenue it influences?

Incremental Revenue: How much additional revenue is directly attributable to the programme?

ROI: For every dollar invested in the programme, how much incremental profit is generated?

Margin Impact: How does margin from member purchases compare to discount-driven sales?

Strategic Implementation: Balancing Discounts and Loyalty

The Complementary Approach

The most effective retention strategies don't abandon discounts entirely but deploy them strategically within a loyalty framework:

Acquisition Phase: Use discounts to lower barriers for first-time customers, but immediately enrol them in the loyalty programme. The discount brings them in; the programme keeps them coming back.

Retention Phase: Reserve most promotional offers for loyalty members, making programme enrolment the gateway to the best deals. This approach maintains the promotional appeal while building the member base.

Reactivation Phase: Use targeted discounts to re-engage inactive members based on their previous purchase patterns and preferences, not blanket promotions to your entire list.

VIP Recognition: Provide tier-based discounts that increase with member status, rewarding loyalty with better pricing while maintaining full-price positioning for non-members.

Example of Transition Strategies

For businesses currently dependent on frequent discounting, transitioning to loyalty-focused retention requires careful planning:

Phase 1: Foundation (Months 1-3)

- Launch loyalty programme with compelling initial offers
- Aggressively enrol existing customers
- Maintain existing discount calendar to avoid revenue disruption
- Begin collecting and analysing member behaviour data

Phase 2: Integration (Months 4-6)

- Make loyalty membership the primary access path to promotions
- Reduce frequency of public discounts by 20-30%
- Introduce member-exclusive sales and early access windows
- Expand earning opportunities beyond purchases

Phase 3: Optimisation (Months 7-12)

- Further reduce general discounting by another 20-30%
- Launch tier-based benefits and exclusive perks
- Use behavioural data to personalise reward offerings
- Measure and report on member vs. non-member performance differences

Phase 4: Maturity (12+ Months)

- Reserve public discounts for specific strategic purposes (inventory clearance, seasonal events)
- Drive most promotional activity through loyalty channels
- Continuously optimise reward structure based on performance data
- Expand programme features based on member feedback and competitive dynamics

Case for Platform-Based Solutions

Why Purpose-Built Platforms Win

While the previous sections established the strategic value of loyalty programmes, implementation quality determines whether that value is realised. Purpose-built loyalty processing platforms deliver advantages that custom solutions struggle to match:

Proven Mechanics: Leading platforms incorporate learnings from thousands of programmes across industries, building in best practices for earning structures, redemption flows, and engagement mechanics.

Rapid Deployment: Launch sophisticated programmes in days or weeks rather than months or years required for custom development.

Flexibility and Experimentation: Easily test different reward structures, point values, and tier configurations to optimise performance without engineering resources.

Compliance and Security: Benefit from enterprise-grade security and regulatory compliance managed by specialists rather than building this expertise internally.

Continuous Innovation: Platform providers regularly release new features and capabilities that enhance your programme without additional development investment.

The Data-Driven Advantage

Modern loyalty platforms aren't just reward management systems, they're customer intelligence engines that:

- Unify customer data across all touchpoints
- Enable sophisticated segmentation based on behaviour
- Power personalised marketing automation
- Predict churn risk before it occurs
- Measure incremental impact with statistical rigour
- Connect loyalty behaviour to business outcomes

This data infrastructure transforms loyalty from a cost centre into a strategic advantage that informs product development, marketing strategy, inventory management, and customer service priorities.

The Future of Customer Retention

Beyond Points: The Evolution Ahead

While points-based programmes remain dominant, the loyalty landscape continues to evolve:

Experiential Rewards: Younger consumers increasingly value experiences over discounts, creating opportunities for event access, exclusive content, or personalised services.

Community Building: The most valuable programmes create communities where members interact with each other and the brand, generating engagement beyond transactions.

Sustainability and Values: Programmes that allow customers to direct rewards toward charitable causes or sustainability initiatives appeal to values-conscious consumers.

Gamification: Interactive challenges, achievement badges, and social competition add entertainment value that keeps members engaged between purchases.

Subscription Integration: Hybrid models combining paid membership benefits with points-based rewards create immediate commitment while offering ongoing value.

The Inevitable Shift

The retail industry's trajectory is clear: as customer acquisition costs rise and market saturation increases, retention economics become increasingly critical. With 20% of current customers projected to make up 80% of future revenue, investing in loyalty infrastructure isn't optional, it's essential for sustainable growth.

Brands that treat loyalty programmes as peripheral marketing tactics rather than core business infrastructure will struggle against competitors who recognise retention as a strategic imperative. The question isn't whether to invest in loyalty but whether you'll lead the transition or scramble to catch up.

Conclusion: The Path Forward

The data makes the case unequivocally: while discounts serve tactical purposes in customer acquisition and inventory management, data-driven loyalty programmes build the sustainable, profitable relationships that determine long-term success.

The businesses thriving in today's competitive environment share common characteristics:

- They use discounts strategically for acquisition, not as the primary retention tool
- They invest in loyalty infrastructure that captures behavioural data and enables personalisation
- They measure programme performance rigorously and optimise based on results
- They view loyalty not as a marketing expense but as strategic infrastructure
- They partner with platform providers who bring expertise, scalability, and continuous innovation

For retail leaders evaluating their retention strategy, the choice is becoming simpler: continue competing primarily on price and watch margins erode, or build data-driven loyalty programmes that create defensible competitive advantages based on customer relationships.

The transition requires commitment, investment, and patience, but the economics are compelling. Programmes that increase retention by just 5% can nearly double profitability, while the customer intelligence gained enables smarter decisions across the entire business.

The question is no longer whether loyalty programmes deliver better long-term value than discounting. The question is whether your loyalty infrastructure is sophisticated enough to capture that value before your competitors do.

Brands that treat loyalty programmes as peripheral marketing tactics rather than core business infrastructure will struggle against competitors who recognise retention as a strategic imperative. The question isn't whether to invest in loyalty but whether you'll lead the transition or scramble to catch up.

The future belongs to brands that make their customers feel valued beyond the transaction, that use data to understand and anticipate needs, and that build relationships worth maintaining even when competitors offer lower prices.

Tranxactor's Thor Platform delivers!

Our data-driven loyalty processing platform enables retailers to launch sophisticated customer retention programmes that drive measurable business results. With seamless integration, sku-level shopping basket tracking, powerful reward points engine, tiering, targeted digital eVouchers, analytics, and flexible reward structures, we can help you transition from discount dependency to loyalty-driven growth.

Contact us to learn how our Thor Platform can transform your customer retention strategy and unlock sustainable revenue growth.

This white paper synthesises current industry research, behavioural economics, and retail performance data to provide strategic guidance on customer retention. All statistics cited are from published industry sources as of October 2025.

tranxactor

A4/1 Beresford Square, Auckland Central, 1010, New Zealand
sales.nz@tranxactor.com | +64 (0)9 369 5832 | www.tranxactor.com