

Customer  
first  
thinking.



## The Loyalty Puzzle:

An Interview with Dr. Yuping Liu-Thompkins, Founder, Loyalty Science Lab

### Dr. Yuping Liu-Thompkins

Dr. Yuping Liu-Thompkins is one of the world's leading academic researchers on customer loyalty and the Founder of the Loyalty Science Lab at Old Dominion University.



For most marketers it may be the most puzzling question of all.

Do they plow more money into demand capture, hoping to grow market share by going after ready-to-buy consumers, or do they place more of a bet on existing high value customers in the hope of increasing their spending even more?

That debate has gone on for decades. It's still going on. Just consider the latest provocation from the renowned Marketing Science Professor Bryron Sharp in a recent Ad Age podcast interview<sup>1</sup> where he says "... the real world doesn't fit with armchair theories. And so things like massively investing in your existing customer base and hoping that you'll get lots more out of it turns out to be wrong."

Is it wrong though? If he's right, upwards of about \$14 billion (US) in worldwide loyalty spending<sup>2</sup> is going to waste.

Sharp, who wrote the popular myth-busting book "How Brands Grow", would prefer that marketers direct their dollars toward converting [in his words] "very light, infrequent customers",

getting them to buy "a little bit more often". His reasoning is that most frequent brand users are already spending up to their limit. And most consumers have a repertoire of favourite brands, he says, making them natural born switchers. In fact, he once notoriously quipped, "If you want loyalty, buy a dog."

Sharp's debatable view that current customers are not the best source of sales growth is only true if a brand has succeeded in capturing all of their spending. The whole point of loyalty programs, however, is to get those customers to consolidate their spending, thereby increasing "share of wallet".

The other factor to consider is that customer relationships are never static. Loyalty is an elastic measure which expands and contracts based on the quality and consistency of the customer experience. In a category where all choices are pretty much the same, it's certainly true that customers will have no hesitation in switching brands.

Best offer usually wins. But if a brand gives those customers more than expected – makes it worthwhile for them to buy again and again - treats them with the respect they deserve – goes out of their way to help them – rewards them for their trust - they will be far more open to buying more, more often, over a longer period. Or so the theory goes.

The challenge for marketers of course – and this is why it remains an open and contentious debate – is that proving return on loyalty is dependent on measuring it accurately. And therein lies the problem. There is not one single accepted measure of true loyalty, not even NPS, mainly because no one can seem to agree on even a standard definition of loyalty. Nor is it easy to know whether an investment in loyalty pays off. Are you truly driving incremental sales, or would customers have spent that money anyway (as Sharp would have us believe)?

In the mass marketing world of Byron Sharp all that really matters is mental availability: Is the brand top of mind when it's time to make a buying decision? Whereas a loyalty marketer would argue that all that matters is the depth of emotional commitment to the brand: Is the customer prepared to go out of their way to buy the brand? The ultimate (and rarest) manifestation of loyalty is an unwillingness to consider substitutes. But in reality loyalty exists on a continuum. It is a stratified measure, meaning there are different types of loyalty. Loyalty is a conditional state of mind, prone to volatility.

Considering the massive body of academic literature on loyalty, you would think that this loyalty puzzle would have been resolved by now. But much of this past research is too abstruse for the average stressed out marketing practitioner. And there remain many unanswered questions that require a lot more rigorous research. Which is why Dr. Yuping Liu-Thompkins founded the Loyalty Science Lab within the Strome College of Business at Old Dominion University in 2020. Its mission is to close the gap between the scientific side of loyalty and its real world application. In other words, to help solve the loyalty puzzle.

Dr. Liu-Thompkins is a highly accomplished researcher in the field of brand and customer loyalty. Her work has been published in many of the top marketing and advertising journals. She's earned numerous honours and awards – given countless conference presentations and talks – serves on the review boards of several prominent journals - and is an Associate Editor for the Journal of Advertising. In short, she is better positioned than almost anyone to help solve the loyalty puzzle.

**SS** **Stephen Shaw (SS):** What inspired you to start the Loyalty Science Lab? Did you see a gap in the research?

**LT** **Yuping Liu-Thompkins (LT):** The problem is that as researchers we publish our work within a very small circle of academic journals. These journals are read only by other academics. Nobody whose a marketing practitioner reads a lot of that. So the idea of starting the Loyalty Science Lab was to foster greater business collaboration.

**SS** You are no doubt familiar with Byron Sharp's dismissive perspective on loyalty. His position all along has been that loyalty is largely a myth, that consumers are naturally polygamous. Is he wrong?

**LT** When we are looking at a very mature market which is also low involvement, high frequency, we probably see

that kind of consumer behaviour. But I don't think it's the same for every market. Because if that's the only way it works, bigger brands would always be better because they have deeper pockets - they can afford to blanket the market with advertising. But history has told us otherwise, right? We have seen plenty of examples of smaller brands disrupting the market, initially starting with a really core loyal group of fans.

**SS** Your next easiest dollar is always going to come from an existing customer, so I've never fully understood his argument.

**LT** Well, I think it depends, right? There is a real possibility that your heavy users have already maxed out their usage. So there's always the ceiling effect, right? "You can keep on talking to me but it's not going to make a significant difference to what I purchase". And so, maybe they're not the best target. What you want to do there is maintain your relationship with your loyal customers.

With light users, it also kind of depends. Are they light users because they really don't have a need for your product? Are they light users because they really don't like your brand? Or are they light users because they are barely aware of who you are? It really depends on the nature of the brand, the nature of the market.

When I first started doing loyalty-related research, I actually studied the effect of loyalty programs on customers based on their different usage level. What we saw was that moderate and light users showed the most behavioural increment from participating in the loyalty program.

**SS** Let's start with your definition of customer loyalty. You make the point that loyalty is not a monolithic concept. What are the different types of loyalty as you see them?

**LT** Loyalty is like an onion. Peel one layer, there's another layer inside it. On the outermost layer, you have behavioural loyalty. If you are buying my product a lot, if you are repeatedly returning to my store, then I'm going to think of you as a loyal customer. And so we capture that through, for example, customer lifetime value, RFM models and so forth.

But then if you go a little bit deeper there's attitudinal loyalty. And so this is where we talk about brand love – true loyalty. People follow your brand, they advocate for it,

they talk to other consumers about it. And so this layer of loyalty is very precious. Whereas with behavioural loyalty, the moment a competitor comes along with a slightly better offer, those consumers are not necessarily going to be loyal to you anymore.

But then another layer is something we call cognitive loyalty. And so cognitive loyalty is more about, “I know this brand is better”. I personally love Pentel pens because I know they really just write better. So because of your product superiority, customers know you’re better, cognitively.

**SS** Beyond quality products and services at the right price, what are the other main drivers of loyalty?

**LT** Some is about the experience that customers have over and above the standard customer experience. You have good customer service, that’s one thing. But do your brands provide a fun experience for me? Does your brand make me feel like you understand me as a consumer? Does your brand create a feeling of social connection? Is the brand representative of who you are? A lot of the luxury brands, or the very community-oriented brands, make you feel like you’re in a selective community of people.

**SS** Are there generational differences that you’ve identified that need to be taken into account?

**LT** What we have found in our own research is that “values” in the sense of worldview tends to be more important to younger consumers. And so for these consumers, whether you care about sustainability, whether you care about the human race in general, plays a bigger role in their behaviour. With older generations, the fundamental core drivers of price, product and so forth play a much more important role.

**SS** The first person to define loyalty was Melvin Copeland<sup>3</sup> in 1923. Correct me if I’m wrong, but his idea was that loyalty is when a product is not substitutable - customers are 100% committed to that brand. But in CPG by contrast, I believe loyalty is defined as every other purchase. How high should brands set the bar? What’s a realistic loyalty goal for brands to set?

**LT** That’s a good question. So it’s hard to just give a single straight answer because the situations are so different for every brand. I would probably say every brand would

like their customers to be completely committed. That is the ideal picture. But is it really achievable for all of the brands out there? I’m not sure that would be the case.

How many brands would I be able to really say I’m truly loyal to in the sense that I would go nowhere else? I would say that’s a limited set for most individuals. You need to audit your own brand, audit your own products. Be honest with what is possible for you. Now if you happen to operate in a product category where there’s a lot of variety seeking, 100% share of wallet is not achievable. And in that kind of environment maybe it’s how frequently people are coming back to you? Are you one of the primary choices for consumers?

**SS** I imagine every brand wants to be the Apple of their category, just that blind devotion to the brand. Is emotion the critical factor in sustaining loyalty over time?

**LT** That’s a good question. I will give you an example. So there are two brands that I’m personally really loyal to. One of them is Lego. I have so much fun in that process, putting things together. It’s purely built on emotions. Versus Pentel pens for example. I don’t necessarily feel emotion about my writing instrument. I just know this product works better for me. But what is challenging about cognitive loyalty only is that you’re always at the risk of somebody else coming up with a potentially superior product. And then at that point you’re potentially going to lose customers.

**SS** Most companies treat loyalty as a program, not as a strategy, often in isolation of any kind of coherent customer experience strategy. Every program that’s out there is practically a digital version of trading stamps. Often customers end up loving the program but not so much the brand. Do you agree that most marketers confuse promotional tactics with strategy?

**LT** I am surprised at how many people, the minute I talk about loyalty, immediately define that as loyalty programs. Customer loyalty and brand loyalty are so much more than a loyalty program itself. And at the same time I would say that if you are doing a good job with your program, really connecting with your brand’s value proposition, then you can grow that long term loyalty towards your company or towards the brand. But a lot of the time businesses want a loyalty program because they’re losing customers to a competitor that’s offering a loyalty program, so they

need to have one too. What is really the value of loyalty program? I would say it's not just to fend off competitors. There's a whole lot more. Whether that's gathering more useful information about your customers, or aligning with your brand value, creating a community - all of those things.

SS

Does the very existence of the program blind management to the things that they actually need to do to improve loyalty?

LT

With all of these different programs, some of them are essentially substitutions for discounts as a promotional tool. Similar to coupons in a way, just works in a different manner. Some of them are truly to make the best customers feel rewarded. And so to create that higher level of loyalty and resonance with your customers. And then some of them are a way to grow market share, getting people to concentrate their purchases with your company. So each program depends on what it is that you are trying to achieve.

SS

Does it make sense for every brand to have a loyalty program or are there certain situations where it doesn't make sense?

LT

Loyalty program management is complex. You need to manage the data, you need to manage the rewards, all of these complex mechanisms, and you have to think about liability. Do you have the resources to be able to manage those things? I do think that any company that's trying to start a loyalty program really needs to think about the actual benefits. Only if your answer is a clear "yes" – and ideally across multiple benefits - that's when a loyalty program would be a good tool to look at.

SS

When does it make sense for a brand to consider a coalition program versus a proprietary one?

LT

If your primary objective is to increase engagement with your customers and to increase that emotional component of loyalty, I don't think a coalition loyalty program is the way to go. However, as we mentioned, loyalty programs are not cheap to operate. And so, is that worth your investment based on what you're trying to get out of the program? If you are trying to do nothing other than offer a discount, then it probably doesn't matter as much whether it's your currency or whether it's a coalition loyalty program's currency.

SS

NPS is the beacon loyalty measure for just about every major enterprise. What's your perspective on NPS?

LT

There has been some academic research looking into the validity of NPS as a generic gauge of customer loyalty. Mixed findings I would say. NPS is popular in the business world because it's really easy to implement. You literally have one single question. Does it reflect loyalty? I think it does because one of the indicators of loyalty is a willingness to share word of mouth about the brand. And that's what NPS is trying to measure. But is that the only indicator of loyalty? Not necessarily. You are using a single score to try to measure a complex construct. And when you do that you are missing out on a lot of important things. As researchers we typically ask multi-item measures that represent different facets of that particular construct you are trying to measure. And so, is NPS an indicator of loyalty? Yes, it is. But is it the only indicator of loyalty that represents the true picture of your customer's loyalty? I don't think so.

SS

Is it important to create a composite score that captures the different levels or gradations of loyalty we talked about?

LT

There's absolutely value in having a more refined view of loyalty. If you have a more multi-faceted view, let's say using three different loyalty components, based on cognitive, emotional and behavioural loyalty, you might have a consumer with two high scores and one low. Then I think you have a much more nuanced view of your customers. So I definitely see the value in doing that. Are you loyal to the car brand or are you loyal to the dealership? Are you loyal to buy your next car from us or are you loyal to the service that you need for your car? When you have these complex relationships NPS is not enough.

SS

The other thing about taking a more nuanced approach to measurement is it creates segments that can be treated differently.

LT

Absolutely. Consumers are heterogeneous. Human beings are just different from each other. We have similar underlying motivations, but at the same time, what makes us tick, individually, is quite different from each other. In order to identify that, I would say one of the big things that companies need to ask is "Why?". Without understanding the why, it's challenging to really know how people are different from each other.

**SS** So is the principle problem that marketers generally don't have a true loyalty strategy – they have a program strategy?

**LT** A majority of companies focus more on consumer differentiation. So in other words it's more about which bucket do I put you in and invest accordingly rather than taking a more longitudinal view of the same consumer. How are you growing over time? And what is your opportunity or potential for growing over time and then customize my loyalty strategy according to that.

**SS** What do you see as the evolution of loyalty going forward?

**LT** We are actually trying to start a research initiative to look at that. I foresee challenges for the loyalty industry going forward because of AI. A big part of true loyalty lies in that emotional connection. But how do you maintain that emotional connection when you have agentic AI acting on behalf of consumers? How do you go through that gatekeeper and connect with the consumer? So I do see that as a significant challenge for the loyalty industry.

**SS** Notwithstanding AI, companies are still planning to spend a lot more on loyalty programs according to every forecast I've seen. Will they continue to do so?

**LT** That's probably an argument best left between the CMO and the CFO. I don't necessarily see a decline in the short term. I can't predict what's going to come in the longer term. Maybe at that point nobody has a loyalty program

anymore. That's entirely possible. But in the short term I think people are used to the idea of an alternative currency. The bigger question is, how do you match that with the newer AI-related investment that you need to make? Can you utilize Gen AI capabilities to understand customers better? If you're able to do that, build synergy across those investments, I think it would be very useful. A loyalty program is not something you just install and forget about. Or at least not if you want to really get the most out of it.

<sup>1</sup>. "How evidence-based marketing works—and why Byron Sharp says reach matters more than loyalty tactics", Marketer's Brief Podcast, Dec. 17, 2025

<sup>2</sup>. "Loyalty Management Market Report", Grand View Research

<sup>3</sup>. Melvin T. Copeland served as Professor of Marketing and Director of the Bureau of Business Research in the Graduate School of Business Administration at Harvard University. He was the first to use the term "consumer loyalty" to describe the relationship between a company and its customers.



Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at [sshaw@kenna.ca](mailto:sshaw@kenna.ca).