

Smarter rewards

The AI revolution in loyalty programs and promotions



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**Laurens
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Over the past decades, the “AI” label was used to describe many different innovations. Chatbots, chess computers and translation software are just a few examples from more than twenty years ago. A recent wave of innovations has sparked countless breakthroughs, as well as failed experiments. Today, AI is playing an increasingly important role in the incentives space, with brands such as Starbucks, Carrefour, and Wendy’s building AI-powered loyalty programs.

At Talon.One, we’ve approached the recent AI developments with a healthy dose of caution. That’s in part due to the relatively high error margins that still exist within AI models: when it comes to promotions and loyalty programs, even a small misstep can significantly impact company revenue. But as AI continues to evolve and grow in accuracy, there’s no denying its ability to significantly improve efficiency.

Whether you’re looking for actionable ways to integrate AI into your own incentives strategy or simply curious about how it’s set to transform the loyalty industry, our guide covers current applications, future use cases, and questions to consider when starting your AI journey.



Tjeerd Brenninkmeijer

Executive Vice
President, EMEA



For 15 years, businesses have been striving to deliver personalized customer journeys—and not quite living up to expectations. What’s more, it’s becoming more complex by the day to get it right, and on top of this, technologies like ChatGPT are fundamentally changing what consumers expect from their digital experiences.

At Bloomreach, we believe AI is core to solving this personalization problem. AI not only enables the speed and scale necessary to engage consumers where they are, but it also offers the predictive capabilities to meet consumers where they’re going.

Whether it’s predicting the best channel to offer personalized promotions or understanding search behaviors to recommend the most relevant loyalty incentive, AI elevates how businesses engage their customers at every touchpoint. And with AI at the center, businesses can connect these experiences seamlessly. The same data, training the same AI, powering each aspect of the customer journey—together, this creates true end-to-end personalization.

90%

of commercial leaders expect to
utilize GenAI solutions “often”
over the next two years.

McKinsey

Types of AI

To truly unlock the potential of AI and to make sense of the topics explored in this report, it's essential to grasp the differences between generative AI, predictive AI, and machine learning.

	FUNCTION	BENEFIT
Predictive AI (using machine learning)	Analyzes data patterns to forecast future consumer behavior.	Enables businesses to anticipate customer actions (e.g., next purchase or churn) and act proactively.
Generative AI	Creates personalized experiences in real time based on customer inputs.	Delivers dynamic offers and personalized product recommendations.

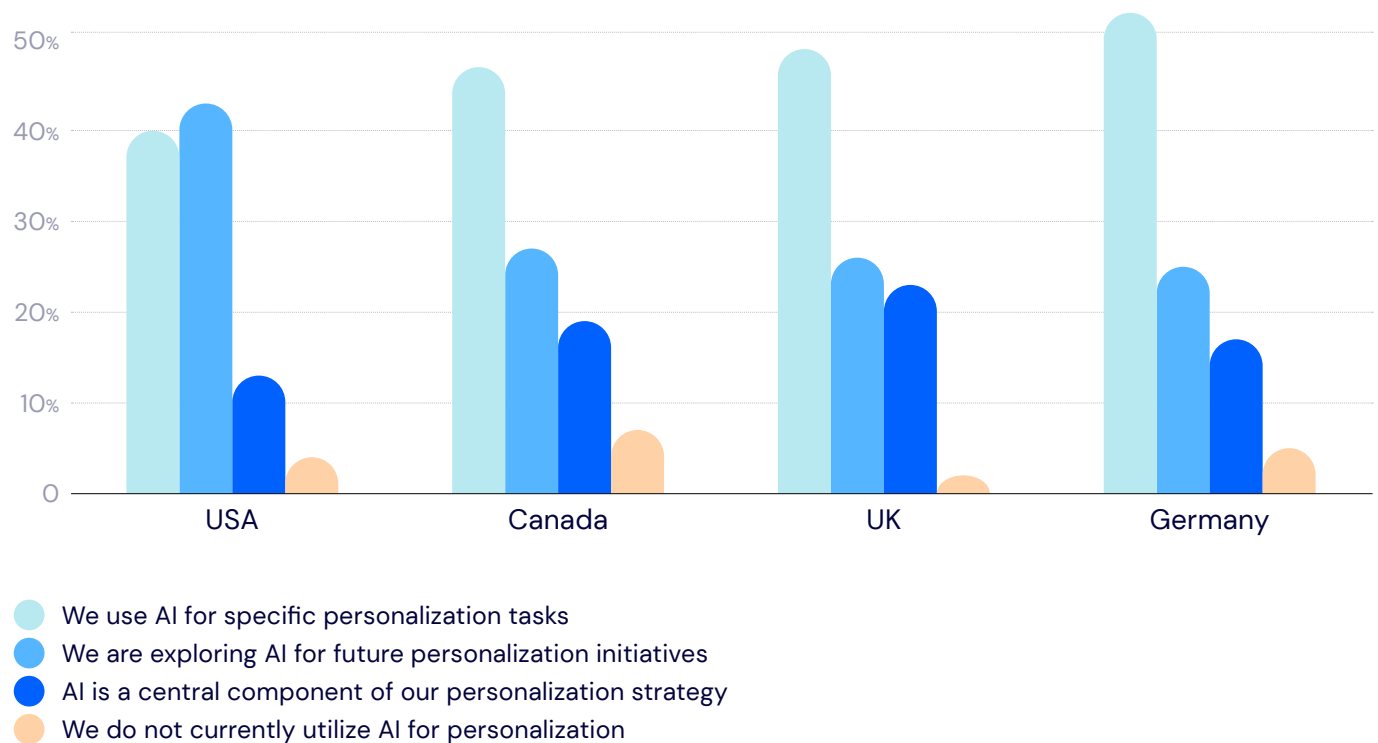
Predictive AI helps anticipate and mitigate challenges, machine learning optimizes and enhances those predictions, while generative AI delivers a more personalized, real-time customer experience.

AI-powered personalization & incentives: Where we are now

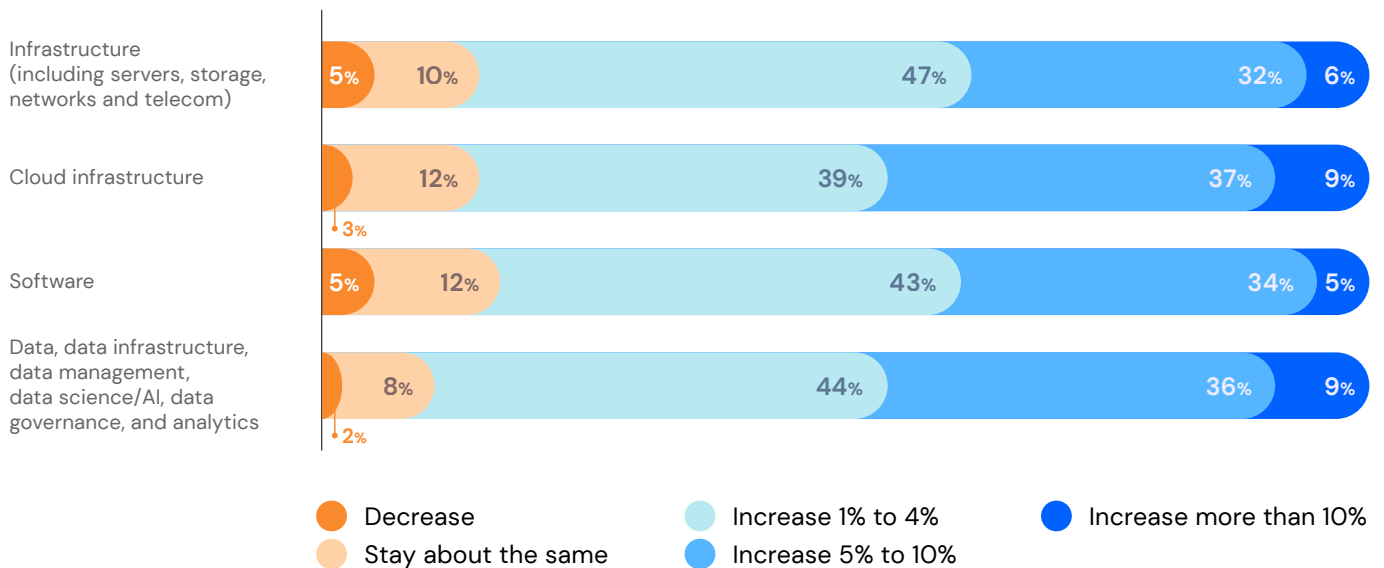
Companies have been quick to embrace AI as a core component of their personalization strategies. According to a recent [Talon.One survey](#), 65% of retailers are already using AI to tailor customer experiences, while another 30% are actively exploring its potential for future integration. This signals a clear trend: personalization is no longer a “nice-to-have” but a business imperative—and AI is an important driving force behind it.

AI adoption varies by region: The UK leads with 72% of retailers using AI for personalization, followed by Germany at 70% and Canada at 66%. Surprisingly, the U.S. lags, with only 53% of retailers reporting AI usage in their personalization strategies.

What role, if any, does artificial intelligence play in your current personalization strategy?



Planned or anticipated change in infrastructure budgets over the next 12 months



Source: Forrester's Budget Planning Guide 2025

AI's potential in retail, especially in personalization, remains undeniable. Most commonly, AI is being used to deliver personalized product recommendations. Retailers are using demographic and behavioral data—from browsing history to social media interactions—to offer customers the most relevant experiences. AI makes it possible to streamline previously time-consuming tasks, like generating thousands of personalized ads or crafting custom shopping experiences, all based on real-time data.

The growing role of AI is reflected in enterprise spending. [Forrester's research](#) reveals that 44% of enterprises are set to boost their data science/AI budget by 1%–4%, while another 36% are planning increases of 5%–10% in the coming year.

“AI will allow businesses to meet consumer expectations as they make a fundamental shift toward a new era of commerce: a conversational era. With generative AI and LLMs, online shopping will become more personal than ever before, with one-to-one conversations guiding consumers toward exactly what they need.”



Tjeerd Brenninkmeijer
Executive Vice President
Bloomreach, EMEA

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AI-powered use cases for your loyalty & promotions

From personalized perks to real-time offers, let's look at 5 practical applications of AI models that we're already seeing in loyalty program design.

USE CASE #1

PREDICTIVE AI

Guide loyalty program design

By analyzing historic customer data—such as sign-up dates, purchase histories, and transaction patterns—AI can uncover valuable insights that help predict future behavior.

For instance, with just a year of historical data, AI models can forecast:

- How likely new customers are to join a loyalty program.
- How likely they are to make a purchase within their first week.
- When they are likely to progress through loyalty tiers.

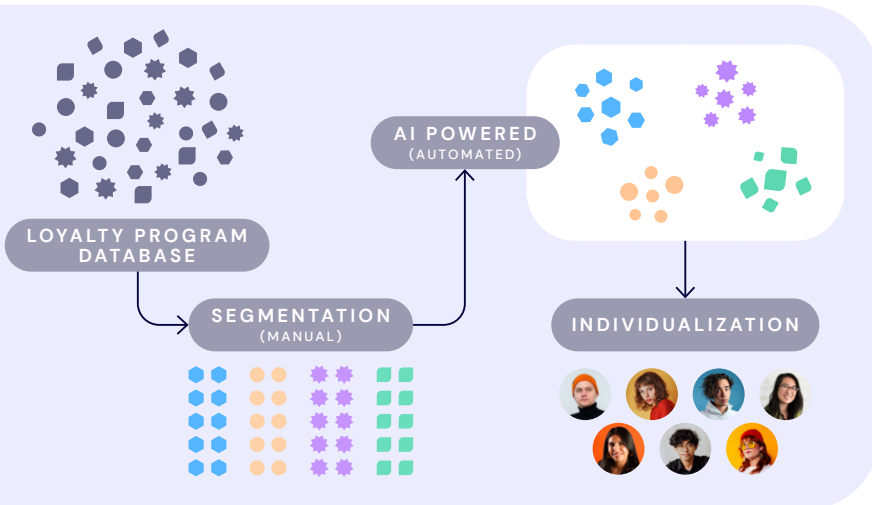
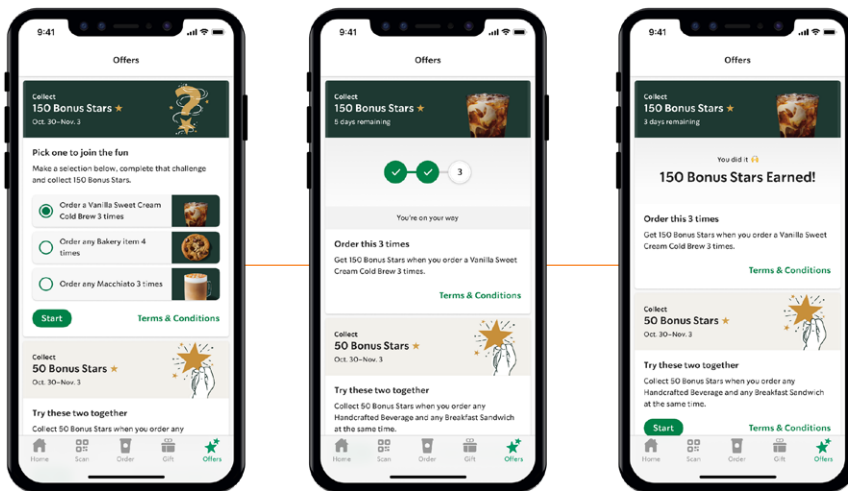
On a macro level, AI can assist in financial planning by [predicting the future value of loyalty points as liabilities](#). For example, if a company knows more customers will move into a tier that offers higher discounts, AI can help you adjust your strategy to maintain profitability.

Manage personalized incentives at scale

AI's power in managing personalized incentives enables businesses to use key data points—like browsing history and past purchases—to **deliver the right offer at the right time**. While it's not flawless, this level of scalable precision wasn't achievable with traditional methods. It empowers businesses to move away from generic offers and instead provide meaningful incentives that resonate with their audience, helping to grow both loyalty and revenue.



Starbucks is using AI to personalize offers that drive customers to spend more and visit more frequently. In a recent earnings call, CEO Laxman Narasimhan highlighted how AI-powered insights are boosting the effectiveness of their rewards program. According to Narasimhan, "Starbucks activated new capabilities within our proprietary Deep Brew data analytics and AI tool to identify and incentivize specific rewards members cohorts", ultimately driving up both transaction volume and average spend.



Reduce customer churn

AI plays a critical role in helping businesses **identify at-risk customers before they leave**, transforming churn reduction from a reactive process to a proactive one. Predictive analytics can sift through vast amounts of customer data—purchasing patterns, online behavior, and engagement history— and learn to spot the early warning signs of churn. Once at-risk customers are

identified, AI enables businesses to deploy highly personalized retention strategies.

For example, an ecommerce company might use AI to identify customers who frequently abandon their shopping carts and automatically trigger personalized campaigns offering simplified checkout processes or discounts to encourage purchase completion.

Automate mass campaigns and offers

Instead of relying on time-consuming and error-prone manual processes, AI uses real-time data to generate and manage thousands of campaigns and incentives automatically.

Take **Carrefour**, for example. The multinational grocery chain faced the challenge of discounting over 40,000 SKUs daily across 83 stores in Belgium due to products nearing expiration. By implementing an AI-driven tracking tool, Carrefour can now **efficiently manage stock, optimize discounts, and reduce food waste**. The model monitors real-time inventory, predicts demand, and automates discounting, allowing employees to save up to 60 minutes of work time per day while simultaneously improving profitability.



Increase omnichannel engagement

Using predictive AI models, businesses can analyze customer behavior and preferences to deliver personalized experiences across multiple platforms. For example, AI can identify when a customer is more likely to interact with a brand on social media versus a mobile app and tailor their outreach accordingly, ensuring **a seamless experience no matter where the interaction happens**.

Puma's recent collaboration with Google Cloud highlights how AI-driven omnichannel engagement works in practice. By migrating its ecommerce infrastructure to Google Cloud, Puma is not only personalizing product discovery but also synchronizing loyalty rewards across both digital and physical spaces. GenAI and predictive AI models are used to customize offers and promotions, whether a customer is browsing online or visiting a store. This omnichannel approach has already led to a 19% boost in average order value.



“With Google Cloud’s AI and data capabilities, we have been able to not only gain a far better understanding of our customers, but also translate that insight into frictionless commerce and more personal shopping experiences both online and offline.”



Pancho Ortuzar
Director Global E-Commerce Engineering, Puma

What to ask when starting your AI journey

There's no doubt that AI is set to play an important role in the future of loyalty and promotions. But it's also worth considering its limitations and the risks of applying it. A checklist of questions to ask when embarking on your AI journey should include:

Does this use case really need AI?

Not every problem needs an AI-driven solution, and sometimes simpler, more traditional methods can be just as effective—if not more so. The allure of AI can lead to unnecessary complexity and investment. Without a focused agenda, there's a risk of integrating just another tool that fails to drive meaningful customer engagement.

Do you have management buy-in?

Implementing AI is not a one-person job. It requires a cross-functional team with deep expertise in data science, IT, and business strategy. Just as critical is gaining management buy-in. Without leadership's commitment to support AI initiatives—financially and culturally—the technology won't achieve its full potential.

What expectations do you have about AI solutions and are they realistic?

One of the biggest risks with AI adoption is expecting instant, game-changing results. But it can take time to deliver meaningful value. AI works best when expectations are tempered with realism—understanding that AI, like any other tech solution, requires data, testing, and iteration to perform optimally.

What accuracy threshold are you willing to compromise on?

There's a temptation to let AI take over entire processes, but the reality is more complex. AI should enhance decision-making, not replace it. Even an 80% accuracy rate isn't secure enough for many enterprise-level use cases. In industries like B2B, where precision is non-negotiable, the stakes are too high for AI algorithms to handle everything.

How will you future-proof your AI efforts?

AI isn't a one-and-done investment. The financial commitment to training and deploying AI models is substantial, and companies need to future-proof their budgets accordingly. As AI evolves, so will the expenses. Organizations must plan ahead to ensure they can sustain this long-term financial commitment.

**The cost of
implementing
and maintaining a
generative AI model
can range from
several million dollars
to as high as
\$100 million.**

Forrester

Budget Planning Guide 2025

Moving forward

To truly unlock AI's potential, it's all about developing models tailored to specific tasks—like using a year's historical data to predict how likely a new customer is to join or convert.

With platforms like Talon.One and Bloomreach, you can access models that analyze patterns at the cart level (e.g., abandoned sessions), customer level (e.g., likelihood of moving from tier A to B), or SKU level (e.g., products to discount for clearing inventory). These insights empower you to drive program sign-up, improve productivity, and boost profitability.

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