

# The Jersey Mike's Paradox

**Why Interoperability Increases Retention — Not Reduces It**

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WMM	13.20		
DATO	26.20		
BRP	18.85		
TBK	10.00		
GPN	23.60		
GISM	61.00		
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THE FRAME

## A Rational Fear

"If customers can move their rewards elsewhere... won't we lose them?"

Every executive has the same first reaction to interoperability. It's a fair question. For decades, loyalty has functioned as a form of retention gravity. Points accumulate inside a closed ecosystem. Redemption is controlled. Breakage and expiration quietly protect margins. The friction itself becomes part of the model.

From inside that system, portability can feel like removing a protective wall.

**i** But here's the structural reality: the friction designed to retain customers is often the very thing suppressing lifetime value.

Interoperability does not reduce retention. It increases perceived value. And perceived value is what drives behavior.

# The Walmart Principle

## One Relentless Question

I live in Northwest Arkansas — the retail capital of the world. You can't live here without thinking about Walmart. Walmart didn't become Fortune 1 because of clever accounting. It didn't win because it optimized breakage or engineered short-term margin improvements. It won because of a relentless, disciplined focus on one question:

How do we save our customers money and give them the best products at the lowest prices?

Everyday Low Prices wasn't marketing copy. It was an operating system built entirely around customer value. And that principle is timeless: **the most important asset in any business is the customer.**



Loyalty programs were originally designed to reward customers. But when rewards are locked up, fragmented across brands, or allowed to disappear through expiration, frustration builds. Customers notice when points vanish. They notice when thresholds feel unreachable. They notice when value feels trapped. Even if breakage improves short-term financial optics, it does not always serve the customer. And history is clear — when companies drift away from customer alignment, they eventually lose.

- ✔ Interoperability isn't just an accounting upgrade. It's a customer alignment upgrade. When rewards behave like real value — portable, usable, respected — trust increases. And businesses that consistently increase trust win over time.

# If It Walks Like a Market...

If it looks like a market, walks like a market, and talks like a market — it's a market.

**\$1T+**

## Annual Issuance

Global loyalty issuance exceeds \$1 trillion annually — not a promotional tactic, but a financial system.

**∞**

## Fragmented Rails

Loyalty operates as a fragmented market without shared settlement infrastructure.

**0**

## Shared Settlement

Despite its scale, loyalty lacks the interconnected rails that define mature financial markets.

Markets do not remain fragmented once infrastructure becomes available. They consolidate. They interconnect. They increase liquidity. Loyalty is following the same path.



## The Structural Flaw

# Fragmented Value

Consumers allocate spending where value feels highest — not where value technically exists.

A customer might have \$20 in grocery rewards, \$15 at Jersey Mike's, \$12 in fuel points, and \$25 in airline miles. Individually, none of those balances may cross a meaningful redemption threshold. Collectively, they represent real purchasing power. But because they are siloed, they feel small.

**\$20**

Grocery rewards — siloed, underutilized

**\$15**

Jersey Mike's — below redemption threshold

**\$12**

Fuel points — stagnant, forgotten

**\$25**

Airline miles — locked, distant

⚠ Small, fragmented balances rarely change behavior. Unusable value feels insignificant. And insignificant value does not create engagement momentum.

That is the hidden inefficiency of closed systems.

# Breakage vs. Velocity

Traditional loyalty models rely on what could be called threshold gravity. Customers accumulate points. They inch toward a reward. The fear of losing progress keeps them engaged.

On paper, breakage looks attractive. But friction reduces velocity. Across industries, the pattern is consistent:

## Participation Drops

When redemption feels distant, participation drops.

## Engagement Slows

When balances stagnate, engagement slows.

## Trust Erodes

When expiration occurs, trust erodes.

Breakage may generate static yield. Disengagement generates revenue decay.



## The Core Insight

# The Jersey Mike's Paradox



Consider a simple example. A customer earns \$15 in rewards at Jersey Mike's. On its own, that \$15 may not materially influence behavior. It might not even cover a full meal. Now place that \$15 inside an interoperable framework where it can combine with grocery rewards, fuel points, travel balances, or retail credits. Suddenly, that same \$15 contributes to \$80 or more in usable purchasing power.

**i** Jersey Mike's didn't issue more value. The infrastructure increased utility.

## The Paradox Resolved

Here's the paradox: by allowing portability, Jersey Mike's does not lose \$15. It becomes part of a larger value network — and networks increase relevance.

01

## Relevance Increases

Portability makes the brand part of a larger value ecosystem

02

## Participation Increases

Relevance drives active engagement with the program

03

## Frequency Increases

Participation translates to more visits and transactions

04

## Lifetime Value Increases

Frequency compounds into durable long-term revenue

# Open Infrastructure Wins

Closed systems optimize for containment. Open infrastructure optimizes for circulation. Velocity matters because velocity drives earning frequency, redemption frequency, cross-category engagement, and brand touchpoints.

Credit cards already prove this principle. Visa does not lose transactions because it works everywhere. Its interoperability is precisely why usage compounds.

Loyalty is simply following the same structural evolution. The behavior is modern. The infrastructure is not.

When infrastructure catches up to behavior, markets reorganize.

## Earning Frequency

More touchpoints, more earning moments

## Redemption Frequency

Usable value drives action

## Cross-Category Engagement

Network effects amplify participation

## Brand Touchpoints

Relevance compounds across the ecosystem

## What This Means for Stakeholders

# Every Seat at the Table

When loyalty is viewed correctly, the conversation changes — for everyone.

### Consumers

Expiration erodes trust. Fragmentation suppresses value. Portability increases perceived wealth and confidence. When rewards behave more like real money, engagement rises.

### CMOs

Loyalty saturation is real. Issuing more points increases cost. Interoperability increases utility without increasing issuance. Greater utility leads to higher engagement and stronger lifetime value.

### CFOs

Reduced dependency on breakage. Greater transparency of deferred liabilities. Improved predictability of redemption. More efficient incentive capital. Velocity compounds. Breakage does not.

### Regulators

Clear audit trails. Transparent outstanding obligations. Settlement visibility. Compliance-aligned infrastructure. Interoperability increases visibility rather than reducing control.



# Irrelevance.

The real risk is not portability. The real risk is irrelevance.

If loyalty value remains siloed while consumer expectations move toward liquidity and flexibility, perceived value declines. When perceived value declines, engagement declines. And when engagement declines, loyalty loses economic leverage.

## **Siloed Value**

Consumer expectations move toward liquidity and flexibility

## **Perceived Value Declines**

Fragmented rewards feel small and unreachable

## **Engagement Declines**

Disengaged customers stop participating entirely

## **Loyalty Loses Leverage**

Economic power of the program evaporates

# Infrastructure Evolution, Not Invention

## The Foundation

Interoperability is not invention. It is infrastructure evolution. Loyalty is already a multi-trillion-dollar economic system. It has simply been under-architected. Breakage and expiration are structural inefficiencies — not durable long-term strategies. For the first time, blockchain provides the settlement rails, auditability, and compliance layer to modernize what already exists.

✔ This is not speculative. It is structural.

When value moves freely, value grows. And when infrastructure unlocks liquidity inside an existing market, participation increases.

The Jersey Mike's paradox isn't a paradox at all. It's what happens when markets finally get proper rails.



## Settlement Rails

Blockchain provides the shared infrastructure loyalty has always needed



## Auditability

Transparent, verifiable records of every obligation and transaction



## Compliance Layer

Regulatory-aligned infrastructure that increases visibility, not risk