

Why Loyalty's Next Evolution Requires Shared Rails

Every large economic system eventually reaches the same moment: scale demands infrastructure. Loyalty has quietly crossed that threshold.

By Brad Harvey, Founder & Chairman, Project Loyalty

Start With the Frame

What began decades ago as a promotional tactic has evolved into a structured, multi-trillion-dollar economic system built on issuance, deferred liabilities, redemption cycles, and balance-sheet management.

Loyalty Already Behaves Like a Financial Instrument

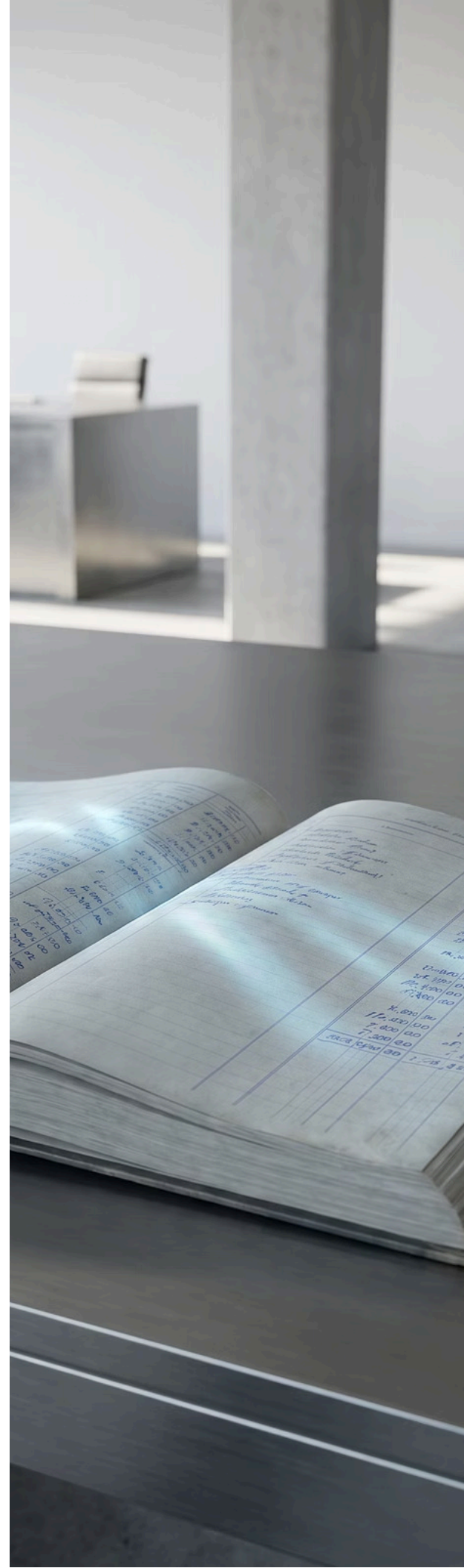
Points are issued against transactions. They sit as obligations. They influence consumer behavior. They expire, convert, or get redeemed. That is not a marketing gimmick — that is financial architecture.

The Unavoidable Question

In the first four articles, we established three realities:

- Loyalty operates at financial scale
- Hundreds of billions in value go dormant each year
- Expiration and breakage are structural inefficiencies — not features

If loyalty behaves like a financial instrument, why is it still operating without financial-grade infrastructure?



What Every Asset Class Eventually Builds

When you step back and look at other mature systems, the pattern becomes obvious. No major asset class functions indefinitely in isolation.

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Payments

Run on shared card networks — Visa, Mastercard — enabling universal acceptance across institutions.

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Securities

Trade through exchanges and clearinghouses, providing standardized settlement and price discovery.

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Banking

Settles through ACH and global wire systems like SWIFT, coordinating trillions in daily flows.

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Loyalty

Over a trillion dollars in outstanding value globally — yet still operating on siloed ledgers controlled by individual brands.

Infrastructure doesn't replace participants. It coordinates them. The scale is modern. The plumbing is not.

The Silo Architecture Problem

Today, each loyalty program maintains its own closed environment — its own ledger, accounting methodology, expiration policy, redemption logic, and liability treatment. That structure made sense when programs were small and brand-specific. At trillion-dollar scale, fragmentation creates friction.

Dormancy Rises

Consumers accumulate balances they cannot efficiently use across siloed systems.

Expiration Becomes a Tool

Outstanding obligations are managed through expiration rather than transparency.

Engagement Plateaus

Incremental issuance loses its power when perceived value stagnates.

Breakage Fills the Gap

CFOs rely on breakage assumptions rather than real-time liability visibility.

Coordination Collapses

Isolation makes breakage a strategy rather than a structural problem to solve.

⚠️ Fragmentation forces expiration. Isolation makes breakage a strategy. The problem is not that loyalty lacks creativity — it lacks coordination.

We've Seen This Movie Before

Early electronic payment systems were closed loops. Department stores issued proprietary charge cards. Regional banks processed transactions locally. Merchant acceptance was fragmented and limited. Each participant protected its own system.

The Breakthrough

The breakthrough was not a better promotional offer. It was shared rails.

When interoperable networks like Visa and Mastercard emerged, they did not eliminate competition between banks or merchants. They provided a neutral coordination layer.

- Trust increased because settlement was standardized
- Adoption expanded because acceptance widened
- Volume scaled because friction decreased
- Enterprise value multiplied as the total addressable market grew

The Loyalty Parallel

Loyalty today resembles payments before networks. It functions — sometimes extremely well inside individual brands — but it does not scale efficiently across institutions because there is no shared settlement architecture tying it together.

Closed systems protect margins. Shared systems expand markets.

What Shared Rails Actually Mean

When executives hear "shared rails," the first instinct is often concern: loss of control, forced standardization, or commoditization of brand equity. That reaction misunderstands what infrastructure does.

- ❶ Payment networks do not dictate merchant pricing. Clearinghouses do not dictate corporate strategy. Exchanges do not dictate product design. Infrastructure coordinates participants without replacing them.



Transparent Issuance Tracking

Clear, auditable records of every point issued across the system — without exposing proprietary program economics.



Standardized Accounting Visibility

Consistent methodology for recognizing and reporting deferred loyalty liabilities across institutions.



Real-Time Settlement

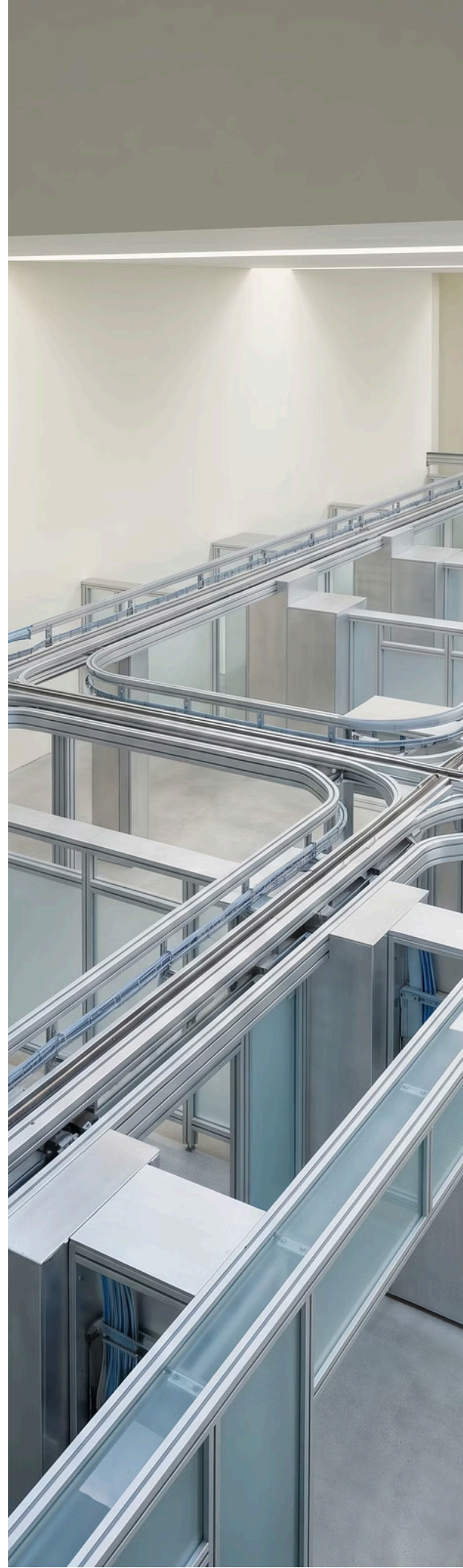
Value moves when participants choose — not because they are forced to, but because the infrastructure makes it possible.



Jurisdiction-Aware Compliance

Structured frameworks that reduce regulatory opacity without fundamentally altering how brands operate their programs.

Shared rails enable portability — they do not dictate policy. Brands continue designing their programs exactly as they see fit.





Why This Shift Is Economically Inevitable

Fragmentation hides inefficiency at small scale. At trillion-dollar scale, inefficiency becomes visible — and measurable inefficiency gets fixed.

Dormant Value = Structural Drag

When hundreds of billions in value sit dormant annually, that is not a rounding error. It is a measurable, addressable inefficiency embedded in the system's architecture.

Consumer Frustration = Trust Erosion

When consumers consistently voice frustration about expiration, that is not anecdotal noise. It is a signal that the system's design is misaligned with user expectations.

Breakage Dependence = Workaround

When CFOs depend on breakage assumptions to stabilize liability forecasts, that is not optimization. It is a structural workaround masking a transparency deficit.

This shift is already underway. Airline alliances allow cross-carrier redemption. Credit card ecosystems permit cross-category point usage. Unified hotel portfolios enable shared earning and redemption. Each example increases perceived value without destroying brand differentiation — proof that limited interoperability expands utility.

- ✔ Behavior has modernized. Consumers expect portability in nearly every other digital asset they hold — from money to media to identity. Loyalty is the outlier.

From Marketing Stack to Financial Stack

Historically, loyalty has lived inside marketing technology: CRM systems, promotional engines, segmentation tools, campaign dashboards. That framing made sense when loyalty was viewed purely as a retention lever.

But loyalty is not only behavioral — it is financial. Points represent future claims on goods or services. They sit as deferred revenue. They influence treasury planning. They carry jurisdictional implications.

Marketing drove adoption. Finance will define maturation.

As systems mature, infrastructure moves from the marketing stack to the financial stack.

What Financial Stack Means

- Treasury-grade reporting
- Settlement-aware architecture
- Compliance alignment
- Audit-level transparency

The Regulatory Dimension

As outstanding balances grow into the trillions globally, transparency and consumer protection are no longer optional considerations. Shared rails create transaction-level audit trails, clear issuance records, and structured redemption flows.

What Changes When Value Can Move

When loyalty value becomes portable across compliant systems, perception shifts fundamentally across every stakeholder in the ecosystem.

Perceived Utility ↑

Balances feel usable rather than trapped, increasing the emotional and practical value of every point earned.

Engagement Compounds

Rewards are no longer limited to a single redemption path — engagement deepens as options multiply.

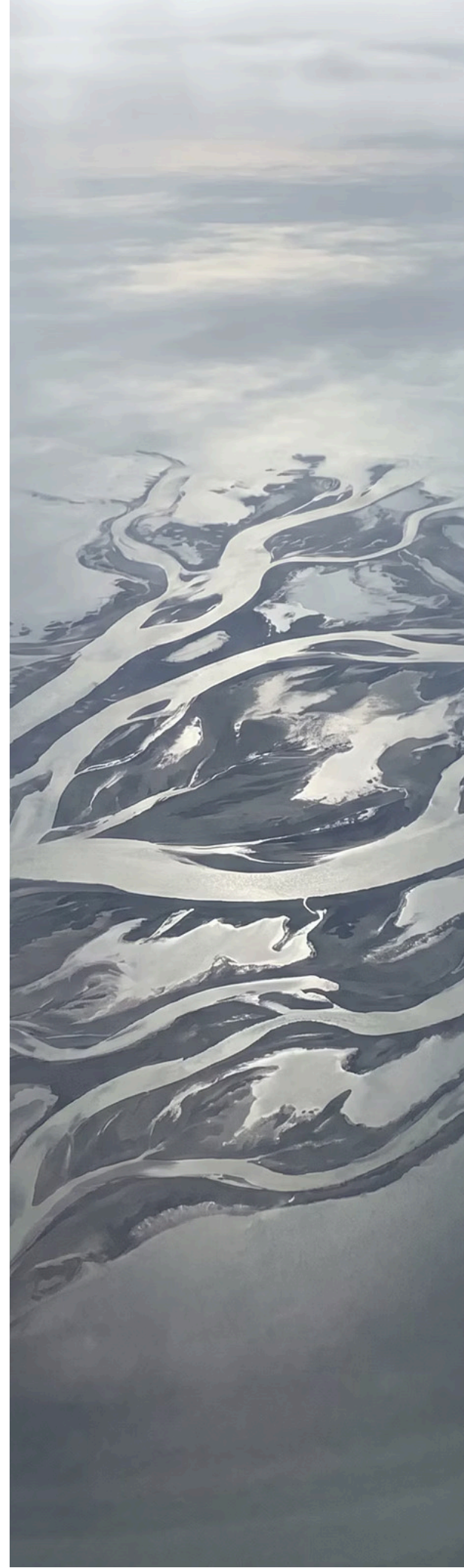
Expiration Pressure ↓

Value can circulate instead of decay, reducing the structural pressure to expire balances as a liability management tool.

Transparent Liability

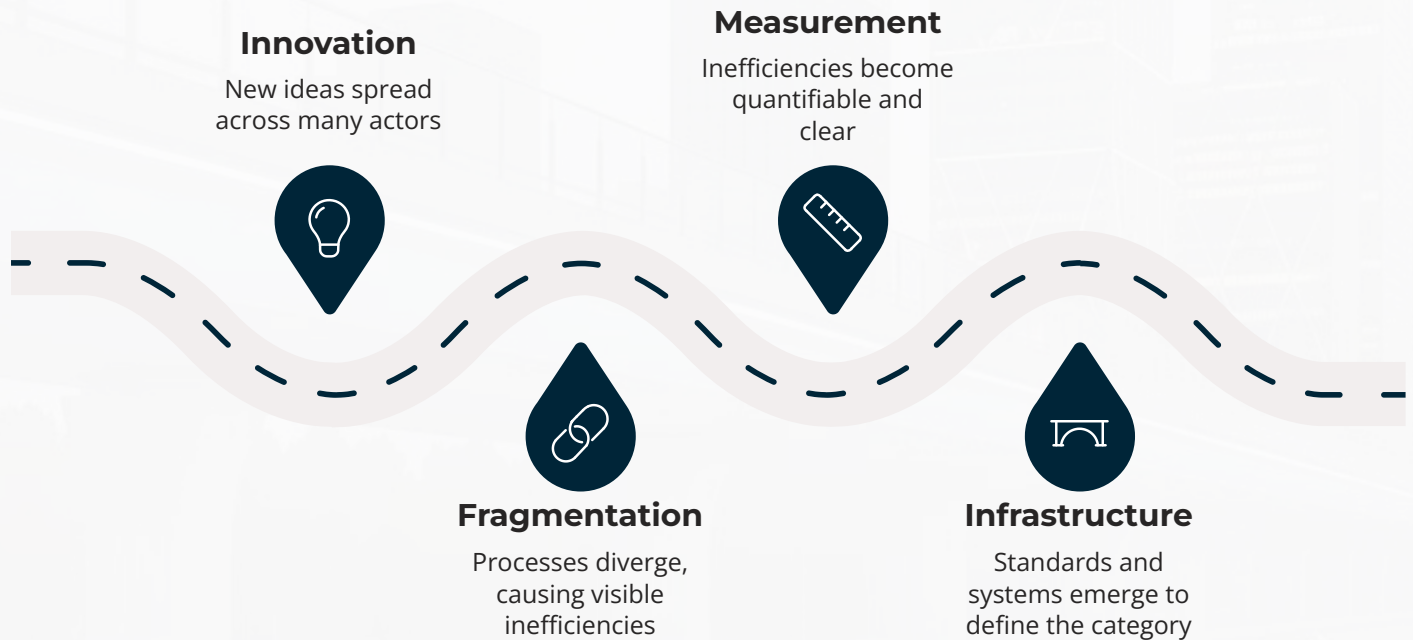
Management becomes transparency-based rather than assumption-based, giving CFOs real data instead of breakage estimates.

When value moves, value grows — not by inflation, but by utility. Interoperability does not shrink loyalty programs. It expands their addressable utility.



The Predictable Pattern — and the Logical Conclusion

Every major economic system follows a similar progression. Loyalty is between measurement and maturation.



The inefficiency is now visible. The scale is undeniable. The infrastructure gap is obvious. Shared rails are not speculative — they are structural.

What Already Exists

- The behavior already exists
- The issuance already exists
- The liabilities already exist

Loyalty is already a massive economic system. It has simply been under-architected.

The Logical Conclusion

As scale increases, coordination becomes necessary. As coordination becomes necessary, infrastructure emerges. This is not about disruption for its own sake. It is about maturation — aligning the plumbing of the system with the size of the system.

The rails are simply catching up.