

RESEARCH MONOGRAPH · THESIS FORMAT

Loyalty Is a Currency

Why points are money, why most of it never moves,
and what the rails to move it look like

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Abstract

Loyalty points are usually discussed as a marketing tool. This monograph argues they are better understood as a currency: privately issued, priced, stored, exchanged for goods, and devalued by the issuer. Against the classical tests of money, points pass three of four. They fail the fourth, portability, and that failure explains the largest unresolved problem in the industry. Programs report redeeming fewer than half of the points they issue; the three largest US airlines alone carry about US\$27.6 billion of unredeemed points as liabilities, and Qantas carries A\$3.6 billion. The value sits on balance sheets while the people who earned it forget it exists. Using public filings from Australia's largest programs, industry research and the history of payments infrastructure, I show that every other store of value eventually acquired rails that let it move, and that loyalty is the last large pool without them. I propose that the first practical rail is the regulated digital gift card: dollar-denominated, legally standardised in Australia since 2019, and spendable at the shops people already use. I set out the design principles such a rail must satisfy to be sanctioned by issuers and regulators, the economics of the three-sided market it creates, and why the arrival of agentic commerce makes the question urgent. The argument is grounded in a working platform, Mavitra Loyalty, which has built a platform for such a rail and opened it to early access in Australia.

Keywords: loyalty programs; private currency; stranded value; breakage; deferred revenue; gift cards; payments infrastructure; agentic commerce; Australia

EXECUTIVE SUMMARY · IF YOU ONLY HAVE TWO MINUTES

The argument in six paragraphs

Your loyalty points are money. They have a price (about a cent each), they buy things, and they hold value until the issuer decides they don't. That makes them a currency. Just a private one.

The problem is they can't move. Qantas Points live in Qantas. Everyday Rewards live at Woolworths. Your bank's points live in a portal you open once a year. Australians belong to about ten programs each and actively use half of them. The wallets don't talk to each other.

So the money sits. Programs report redeeming fewer than half of the points they issue. Qantas members earned 242 billion points in FY26 and redeemed 202 billion, and the unredeemed balance on Qantas's books now stands at A\$3.6 billion. The three biggest US airlines carry about US\$27.6 billion of the same thing. The industry's word for the value people forget is breakage.

Every other store of value eventually got rails. Bank money got SWIFT, then card networks, then real-time payments. Data got open banking. Dollars got stablecoins. Each time the rails arrived, dormant value started moving and the market got bigger, not smaller.

Loyalty is the last big pool of value without rails. The first practical rail is the digital gift card: regulated in Australia with a three-year minimum life, instant, and spendable at the shops people already use. Points in, gift cards out.

That is what we have built at Mavitra, to work with programs, not around them: programs win and keep customers, retailers gain new ones, members get real value. The platform is built, early access is open, the gift card catalogue is being connected, and conversations with the first programs have started. The full paper is the argument for why this matters to anyone who issues, holds or invests in loyalty value. I'd like you to pull it apart on LinkedIn.

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1. Introduction

I run a company that turns loyalty points into gift cards. Before Mavitra Loyalty I spent close to thirty years, from 1997, building systems for banks, telcos and government. The two careers meet at one observation: the loyalty industry runs a currency and mostly does not call it one.

That is not a semantic complaint. Naming a thing correctly tells you which tools to use on it. If points are marketing, you optimise for engagement and accept that a large share will expire. If points are money, you ask the questions economists ask of money: who issues it, what backs it, what is the inflation rate, how liquid is it, and where are the rails.

The industry is starting to use the word. The founder of a leading gift card distribution platform said this year that gift cards “are no longer a niche perk – they are digital currency” and that “what’s missing is connective infrastructure.”¹ The chief executive of IAG Loyalty talks about “a strong currency like Avios.”² A 2025 book from the consultancy that values airline programs calls loyalty points “a global financial force” and estimates that, counted together, loyalty currencies “would rank as the world’s third-largest virtual reserve” after the US dollar and the euro.³ Even United Nations statisticians have weighed in, recommending in 2024 that loyalty points and gift cards be classified as financial assets in national accounts.⁴

This monograph takes the word seriously and follows it to its conclusion. It draws on public filings from Australia’s and the United States’ largest programs, on industry research, on the academic literature on loyalty currencies, and on the operating experience of building a platform that moves points across program boundaries.

The structure is simple. Chapter 2 traces how loyalty became a currency and reviews what has been written about it. Chapter 3 sets out the method and its limits. Chapter 4 presents the findings: the money test, the size of the stranded pool, the inflation record, and the map of Australia’s closed loops. Chapter 5 discusses what follows: the case for rails, the gift card as the first one, the market it creates, the objections, and why agentic commerce makes it timely. Chapter 6 is a short note on what we have built. Chapter 7 concludes and asks for argument.

A word on tone. This is written in plain English on purpose. The ideas are not complicated; they have simply been kept in separate rooms. The job of this paper is to put them in the same room.

2. How loyalty became a currency

2.1 From a promotion to a mint

American Airlines launched AAdvantage in 1981 to reward frequent customers with seats that would otherwise have flown empty. The marginal cost was close to zero. It was a clever promotion, and for about a decade that is all it was.

Then the airlines discovered they could sell the points. Banks wanted a reason for customers to choose their credit card, and a mile earned on every dollar spent was a very good reason. The airlines began selling miles to card issuers in bulk, for cash, in advance, at roughly one to two cents a mile.⁵ The promotion had become a mint.

By 2020 the arithmetic had inverted. When the pandemic grounded fleets, United pledged its MileagePlus program as collateral for a US\$5 billion loan and, in doing so, disclosed what the program was: valued at US\$21.9 billion, generating US\$5.3 billion of cash in 2019, with members who had “consistently earned 20% to 30% more miles than they redeem” and an airline that “can limit redemptions or devalue their proprietary currency as-needed.”⁶ Delta and American followed; the three carriers raised about US\$26 billion against their loyalty programs.⁶ The marketing department had become the bank, and the bank was worth more than the planes.

It still is. In 2026 the AAdvantage program was valued at about US\$26.7 billion against a market capitalisation for American Airlines of around US\$6.7 billion.⁷ Delta received US\$8.2 billion from American Express in 2025 for SkyMiles, up 11 per cent on the year,⁸ and Deloitte estimates that full-service US carriers now attribute 11 to 13 per cent of revenue to their loyalty programs.⁹ One commentator’s summary has stuck: they are “credit cards with wings.”⁷

Australia followed the same path with a shorter runway. Qantas Loyalty reported underlying EBIT of A\$625 million in the year to June 2026, up 12 per cent, on revenue of A\$2.9 billion and a 21.7 per cent margin. The program has 18.9 million members, extended its five largest credit card agreements during the year, and is targeting A\$0.8 to 1.0 billion of EBIT by 2030.¹⁰ Velocity reported underlying EBIT of A\$143 million at a 29.4 per cent margin.¹¹ Qantas describes an “earn and burn flywheel”: points are sold to partners, members accumulate them, and the economics depend on keeping the wheel turning.¹² That is the language of a currency issuer.

2.2 What the literature says

Academic work on loyalty has mostly lived in marketing journals, where the question is whether programs change behaviour. The answer, after thirty years, is a qualified yes: programs increase retention and share of wallet, with the effect concentrated among members who actually redeem.¹³

McKinsey's synthesis found that members who redeem spend about 25 per cent more than inactive members, and that points-plus-cash options lift redemption by 20 to 25 per cent.¹⁴

A smaller strand treats points as money. Dorotic, Bijmolt and Verhoef's 2012 review catalogued the design levers programs pull, from expiry rules and redemption thresholds to reward value;¹⁵ read through a monetary lens, these are policy instruments. Recent work has shown that consumers treat points through mental accounting, valuing them more or less than cash depending on how they were earned, and that variable exchange rates reduce redemption even when the average value is unchanged.¹⁶ De Boer and Chin's 2025 book, *Loyalty Programs and the Currency Effect*, is the fullest statement: programs issue an estimated US\$300 billion of new points a year, the issuer plays "a central bank role," and measurable value is created or destroyed by how the currency is managed.³ Deloitte said it more briefly in 2016: "loyalty rewards are also a type of digital currency."¹⁷

Accounting caught up before the marketers did. Under IFRS 15 (AASB 15 in Australia) and its US equivalent, ASC 606, points issued with a sale give the customer a "material right" and are a separate performance obligation. The issuer defers revenue for them and recognises it as the points are redeemed. Expected breakage, the estimate of how many will never be redeemed, is recognised in proportion to redemptions, or when redemption becomes remote, and is a significant accounting judgement that issuers disclose.¹⁸ The UN Statistics Division's 2024 note draws the conclusion: because the standards record points and gift cards as liabilities, they "have characteristics of financial assets" and should be classified as such in macroeconomic statistics.⁴

What the literature has not done is put these strands together and ask the infrastructure question: if points are money, where are the rails? That is the gap this paper works in.

2.3 Breakage: the quiet economics of unredeemed points

Breakage is the share of issued points that will never be redeemed. Accounting eventually treats it as revenue, but it is a poor kind of revenue: a member who never redeems is a member who has stopped feeling the program's value, and every unredeemed balance is a customer relationship going quiet. Design choices that made sense for a single program in isolation, such as expiry rules, minimum thresholds and catalogues behind a separate login, now work against the engagement programs are trying to build.

The scale is large and it is on the public record. Antavo's survey of program operators found an average redemption rate of 48.6 per cent, which suggests that more than half of the points members earn go unused.¹⁹ Consumers' own estimates are lower but still material: Antavo's 2026 consumer research found 26.2 per cent of points go unspent and 11.9 per cent expire unused, and that 41 per cent of consumers are frustrated by expiring points.²⁰ A widely repeated estimate attributed to Gartner puts unredeemed loyalty value in the United States at about US\$140 billion; the original report cannot be located, so I treat it as an order of magnitude rather than a fact.²¹ The hard numbers are in the airlines' own filings: at the end of 2025 Delta carried US\$9.3 billion of loyalty deferred revenue, United US\$7.8

billion and American US\$10.6 billion, about US\$27.6 billion between them.²² Qantas's unredeemed frequent flyer revenue stood at A\$3.6 billion at 30 June 2026, having risen at every half-year result since December 2023.²³

Note on a bad number. A figure of “\$48 trillion in unspent points” circulates widely online, including in material I published earlier this year before correcting it. It is a unit error that went viral. I mention it because a paper about loyalty value should not be built on a number that would be almost half of global GDP.²⁴

3. Method and limits

This is a monograph in the design-science tradition:²⁵ it diagnoses a problem, proposes an artefact (a redemption rail), and evaluates the proposal against evidence and theory. It is not a randomised study, and it does not yet report platform data; that is the next step and is set out in the conclusion.

Evidence comes from four sources. First, public filings: the FY25 and FY26 results of Qantas, Virgin Australia, Woolworths Group and Coles Group; the 2025 annual reports of Delta, United and American Airlines; and the program terms published on issuers' websites. Second, industry research: Antavo, Bond, McKinsey, Deloitte, Tillo, The Point of Loyalty, Finder and the Reserve Bank of Australia, used only where the originating report can be identified. Third, the academic literature on loyalty currencies and the accounting and statistical treatment of points. Fourth, operating experience: eighteen months designing and building a platform that connects loyalty programs to a gift card network, including the commercial conversations with issuers and distributors that shaped it.

Three limits should be stated. Market-size figures differ by definition and are quoted with their source rather than averaged. No Australian regulator or program publishes a national estimate of stranded loyalty value, so the Australian argument is made with program-level issuance, redemption and liability data and with behavioural surveys, not with a headline dollar figure I cannot defend. And I am not a neutral observer; I have built the thing I am recommending. The reader should weigh the argument accordingly, and I have tried to make every step checkable.

4. Findings

4.1 The money test

Since Jevons, economists have judged money by what it does. Today's textbooks settle on three functions: a unit of account, a medium of exchange and a store of value. Jevons also listed the properties a good money needs, and second on his list was portability.²⁶ In a world of digital value that becomes the fourth test, and the one the textbooks later took for granted: the ability to move value from where it is to where it is wanted. Cash passes all four. So does bank money, once you count the rails that move it. The question is how loyalty points score.

	Cash	Bank money	Gift card	Loyalty points
Unit of account	✓	✓	✓ A\$ face value	✓ Priced in cents
Medium of exchange	✓	✓	⬤ One merchant	⬤ One program
Store of value	✓	✓	✓ 3-year minimum	⬤ Expiry + devaluation
Portability	✓	✓ Real-time rails	⬤ Merchant-bound	✗ No rails

✓ Passes ⬤ Passes with conditions ✗ Fails

Figure 1. The four tests of money. Points pass three. The fourth is the business.

Unit of account. Points have a price. Every program sets a conversion rate into goods, and every points enthusiast knows the cents-per-point value of their balance to a decimal place. Point Hacks, Finder and the programs themselves publish valuations, mostly between half a cent and two cents a point depending on the redemption.²⁷ A unit that is priced, quoted and compared like this is working as a unit of account.

Medium of exchange. Points buy things: flights, groceries, fuel, gift cards, merchandise. The exchange is real, but it happens inside a closed loop. Qantas Points buy from Qantas and its partners; Flybuys buy from Coles and its partners. This is a currency with a border around it.

Store of value. Points hold value across time, which is the whole premise of saving for a flight. But they hold it badly. Qantas Points expire after 18 months without activity, Velocity after 24, Everyday Rewards after 18, Flybuys after 12,²⁸ and the issuer can change the price at its discretion. A currency that expires

and can be devalued by fiat is still a store of value; it is just a poor one, like a savings account with a negative interest rate and a closing date.

Portability. Here the test fails outright. There is no sanctioned way to move Qantas Points to a non-Qantas use, Flybuys to a non-Coles use, or bank points anywhere except the bank's own catalogue and a short list of airline transfers. The programs' terms prohibit sale and most transfers, for sound reasons: fraud, fairness and the integrity of the currency.²⁹ The value cannot move.

Three passes and a fail. Nobody designed the fail on purpose. Each program was built to reward its own customers, which is exactly what a loyalty program should do; portability was simply never in the brief. But a currency that cannot leave its loop is hard to spend, and a currency that is hard to spend sits. That is a problem for programs as much as for members.

4.2 The money supply and the stranded pool

If points are money, the first thing to measure is the money supply: how much is issued, how much is redeemed, and what happens to the difference.

What one program issues and what comes back in the same year

billion Qantas Points, year to 30 June 2026

Redeemed 202B

Issued 242B

40B more issued than redeemed

Unredeemed balance on Qantas's books: A\$3.6 billion at 30 June 2026

Across programs: the average redemption rate operators report

Redeemed 48.6%

Unredeemed ~51%

Sources: Qantas FY26 Investor and Supplementary Presentations, 27 Aug 2026; Antavo, Global Customer Loyalty Report 2023.

Figure 2. The loyalty money supply: issued, redeemed, and the gap that stays on the balance sheet.

Qantas gives the clearest Australian picture because it reports issuance, redemption and the resulting liability. In the year to June 2026 members earned 242 billion points and redeemed 202 billion.¹⁰ The 40 billion difference is not all breakage; much of it is members saving towards a redemption. But it is value that did not move that year, and it joins a balance of unredeemed frequent flyer revenue that has risen from A\$3.1 billion in December 2023 to A\$3.6 billion in June 2026.²³ United's 2020 disclosure that members consistently earn 20 to 30 per cent more than they redeem⁶ describes the same mechanism: the money supply grows faster than redemption by design.

The behavioural data tells the same story from the member's side. The Point of Loyalty's 2026 survey found 93 per cent of Australians belong to at least one program, that the average person names 3.8 memberships unprompted and 10.1 when shown a list, and that only about half actively use the programs they hold.³⁰ CommBank's research found 89 per cent of Australians earn rewards every

month but only 47 per cent redeem every month.³¹ A Finder survey found more than a third of Australians have been unable to redeem points before they expired, and that 57 per cent think neither airline program is worth it.³² Scale this across the country: Everyday Rewards has 10.8 million active members, Flybuys around 10 million, Velocity more than 13 million in total and CommBank Yello more than nine million, in a nation of about 21 million adults.³³ Near-universal membership, ten wallets per person and half of them dormant: the stranded pool is not a rounding error. It is the normal state of the system.

Globally the picture is the same in scale. If programs issue on the order of US\$300 billion of points a year³ and redeem roughly half,¹⁹ the annual addition to the stranded pool is measured in tens of billions of dollars, and the stock is far larger. The US\$27.6 billion on the three US airlines' balance sheets²² and the A\$3.6 billion on Qantas's²³ are the visible, audited part of it.

4.3 Inflation: the devaluation record

Every currency issuer manages the same balance: what it issues against what it redeems. When the cost of honouring points rises, programs adjust what each point buys. In loyalty this is called a program change. In economics it is inflation, and naming it that way is useful, because it shows how much programs already think like currency managers. One fintech chief executive put it this way: points are “a kind of shadow currency in the consumer economy” that “now experience something similar to inflation.”³⁴

The Australian record of the past two years is unusually dense. In August 2025 Qantas raised Classic Reward prices for the first time since 2019: around 15 per cent in economy and up to 20 per cent in international premium cabins, with a Sydney to London economy seat moving from 55,200 to 63,500 points.³⁵ Velocity raised domestic award prices in January 2025, cut earn rates in April and reduced status benefits from October.³⁶ American Express Australia cut most airline transfer rates from two-to-one to three-to-one in December 2025.³⁷ And from October 2026, after the Reserve Bank cut credit card interchange and banned surcharges, removing an estimated A\$660 million a year of issuer revenue, the banks cut what their points are worth. CommBank's transfer rate to Qantas moved from 2.5 to 3 points per Qantas Point, Westpac's to Velocity from 3 to 4, and NAB's to Velocity from 2 to 3.³⁸ The Reserve Bank's own paper anticipated exactly this: issuers “may respond by reducing the benefits available on their consumer credit cards, such as lowering rewards points.”³⁸ Internationally, Hilton devalued three times in nine months and Marriott cut the value of a point by about an eighth in 2026.³⁹

These are rational responses to rising costs, and in 2026 much of the change was driven by regulation rather than choice. They are also the clearest evidence that points behave as money: only a currency can be devalued. But they compound the portability problem. A member who cannot move a balance to a better use feels every adjustment, and the data in 4.2 shows many disengage. Programs lose that member's attention at exactly the moment they most want it.

4.4 Why it does not move: the closed-loop map

Australia has five large loyalty currencies (the two airline programs, the two supermarket programs and the pool of bank and card points), plus hundreds of smaller retail and fuel programs. The map of what can flow between them fits on one diagram.

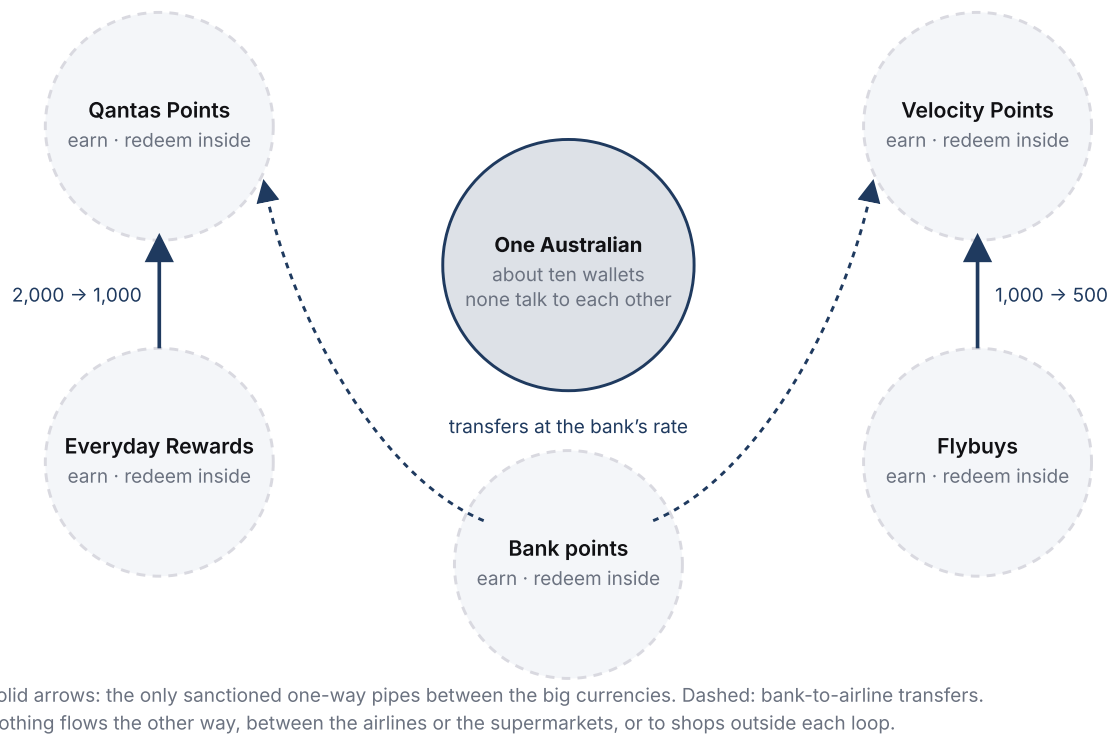


Figure 3. Australia's loyalty currencies and the only sanctioned pipes between them.

There are three kinds of sanctioned movement. Supermarket points can be transferred one way into an airline at a fixed rate: 2,000 Everyday Rewards points become 1,000 Qantas Points; 1,000 Flybuys points become 500 Velocity Points.⁴⁰ Bank and card points can be transferred one way into airline and retail programs at the bank's rate, which the bank changes periodically, as 4.3 showed.³⁸ And within a single issuer, points can increasingly be applied to a bill: Flybuys now lets members take up to \$100 off a Coles shop, Westpac applies Altitude points as a statement credit anywhere Mastercard is accepted, and the new CommBank Yello converts to cash in a CommBank account.⁴¹

Those last moves matter, and they point the same way. Every issuer is making its own currency more spendable inside its own loop, because members ask for it and because dormant balances are a cost. Coles's customer chief described the \$100 option as "a simple way to unlock more value" for "customers with points sitting in their Flybuys account."⁴¹ Qantas reported that gift card costs rose A\$66 million in FY26 after it introduced a cash payment option, and that points redeemed on the ground rose 12 per cent.¹⁰ The demand for portability is visible in every issuer's own numbers.

But nothing flows between loops in the direction members want. Nothing moves between the airlines, or between the supermarkets, or from any program to a shop that is not already a partner. Airline terms restrict selling points and limit transfers to family members, sensibly: an open market in points would be a gift to fraudsters.²⁹ Each loop has its own identity, portal, catalogue and conversion arithmetic, so the member is asked to be the integration layer, carrying the knowledge of ten systems in their head. Most do not.

The consequence is a system with enormous stored value, good unit prices, real purchasing power and no rails between the loops. The money is there. The pipes are not.

4.5 Gift cards: the currency that already moves

One instrument in this landscape already behaves like portable money, and it sits on a rack at the supermarket checkout. The gift card is a closed-loop currency too, but its loop is a merchant rather than a program, and it has three properties loyalty points lack.

First, it is denominated in dollars. A \$50 Woolworths gift card is worth \$50 at Woolworths. Second, it is regulated. Since 1 November 2019 the *Competition and Consumer Amendment (Gift Cards) Act 2018* has required most Australian gift cards to be redeemable for at least three years, to display the expiry date prominently, and has banned post-purchase fees; Treasury estimated at the time that expiry had been costing consumers in the order of A\$70 million a year.⁴² Third, it already has a mature supply chain. Retailers, distributors and the programs' own catalogues have traded gift cards at scale for two decades, so the commercial plumbing exists and a rail can plug into it rather than invent it.

The category is large and still growing. Australian gift card sales were estimated at US\$8.1 billion in 2025, forecast to reach US\$12.9 billion by 2030.⁴³ Globally the market passed US\$600 billion in 2025.⁴⁴ Behaviour has shifted with it: Tillo's 2026 research found that 79 per cent of US adults and 74 per cent of UK adults have bought a gift card for their own use, that 42 per cent did so to redeem a reward or incentive, and that a majority would choose a gift card over cashback.⁴⁵ Its founder's conclusion is the one this paper shares: the gift card has become "programmable stored value," and the problem is that "demand has outpaced infrastructure."¹

Every major Australian program already offers gift cards inside its own catalogue, which tells you members ask for them.⁴⁶ What no program offers is a way to get there from someone else's points.

5. Discussion

5.1 Every store of value eventually got rails

The history of money since the 1970s is largely the history of rails. Bank money moved between institutions by paper and telex until SWIFT gave banks a common message standard in 1973. In 1976 BankAmericard became Visa, and the card networks turned a piece of plastic into something that spends almost anywhere. Australia's New Payments Platform made bank transfers instant in 2018. The Consumer Data Right in 2020 gave consumers the legal right to move their banking data to a competitor. Stablecoins have taken the dollar onto programmable rails and now exceed US\$300 billion in circulation.⁴⁷ And in 2025 and 2026 Visa and Mastercard both launched frameworks that let AI agents initiate payments on a cardholder's behalf.⁴⁸

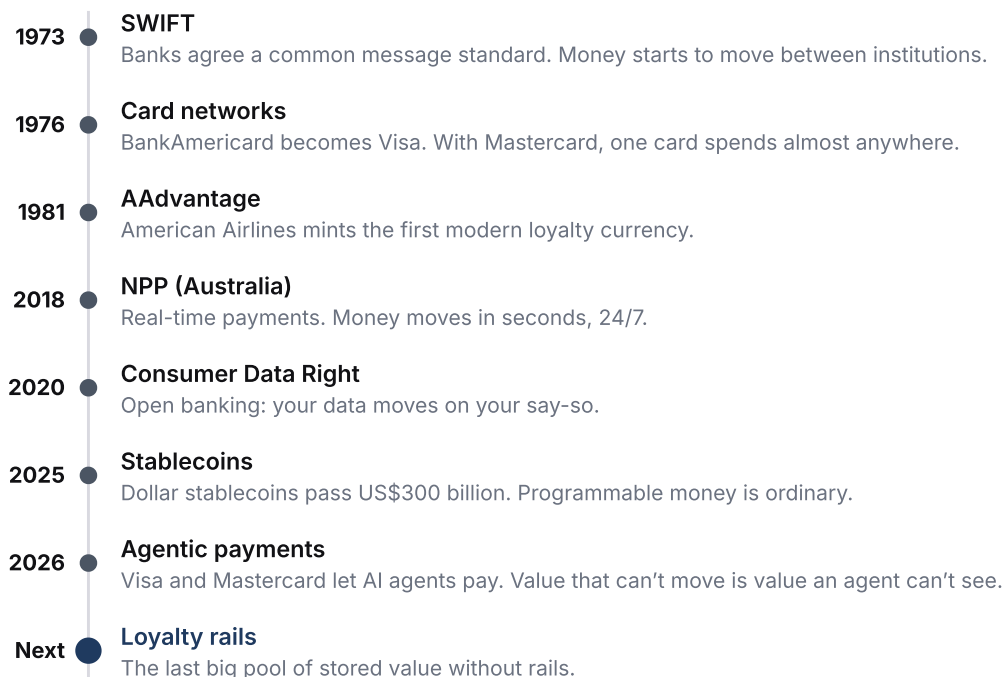


Figure 4. Every store of value eventually got rails. Loyalty is the last big one without them.

Three things happened every time. Value that had been idle started to move. The intermediaries who built the rails were paid for the movement, on an enormous volume. And the market grew, because liquidity creates demand; people use money they can use.

Loyalty points are the last large pool of consumer-held value without rails between the loops. The reasons are not technical; a points balance is a number in a database and the APIs to move it are not hard. The reasons are structural: each program was built to serve its own members, building rails between programs was nobody's job, and no third party can build them without the issuer's

permission. Rails for loyalty will therefore look less like a marketplace for points and more like a card network: a sanctioned partner that programs choose to join because it makes their currency more useful and wins them customers, while control stays with them.

5.2 The gift card as the first rail

If you were designing the first rail for loyalty value, you would want a destination that is dollar-denominated, legally standardised, instantly deliverable, broad enough to cover fuel, groceries, dining and retail, and already supplied at scale. That is a description of the digital gift card.

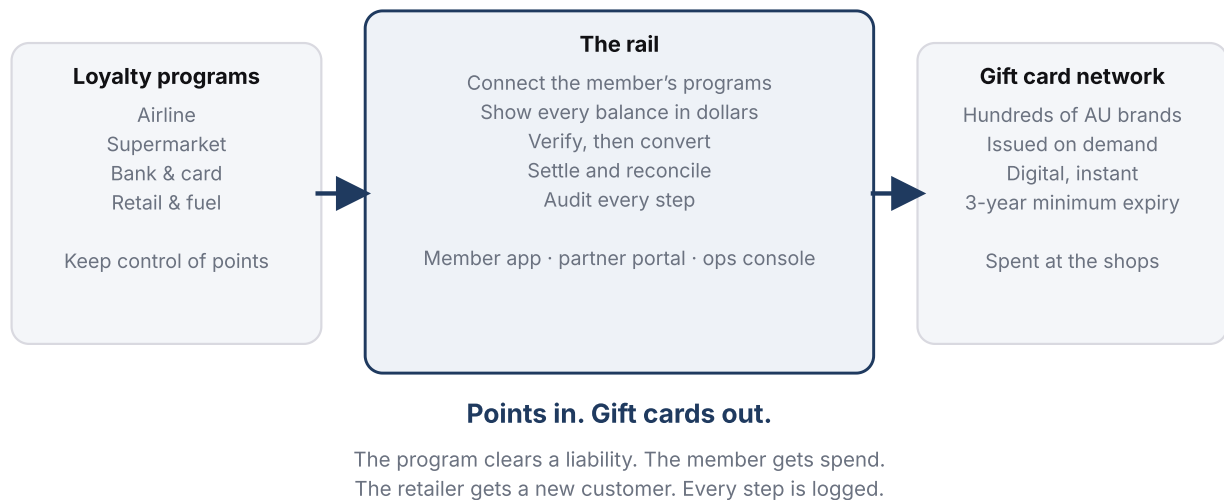


Figure 5. The rail: points in, gift cards out, every step logged.

The rail connects a member's programs on one side to a gift card network on the other. The member sees every balance, in dollars, in one place. They choose a card. The program confirms the points debit; nothing is issued until it does. The card arrives in seconds and is spent at the shop. The program settles the redemption and receives a statement that reconciles line by line.

Notice what the program does not give up. It keeps the member relationship, the data, the decision about what can be redeemed and at what rate, and the right to pause. The rail does not create a new currency, does not hold member funds, does not let points be sold to strangers, and does not touch the program's core system. It is a redemption channel the program chooses to switch on, with controls its finance and legal teams can live with. That is the difference between a rail and a grey market.

The outcomes line up for every party. The program clears a redemption it would otherwise have carried as a liability. The member gets dollars where points would have expired. The retailer gets a customer it might never have reached; Tillo found that around nine in ten people say a gift card makes them more likely to try a new brand.⁴⁵ And the rail is paid the way infrastructure is always paid: for what moves across it. I have deliberately left the commercial terms out of this paper; they are Mavitra's, and they are not the argument.

5.3 A three-sided market where the margin is on movement

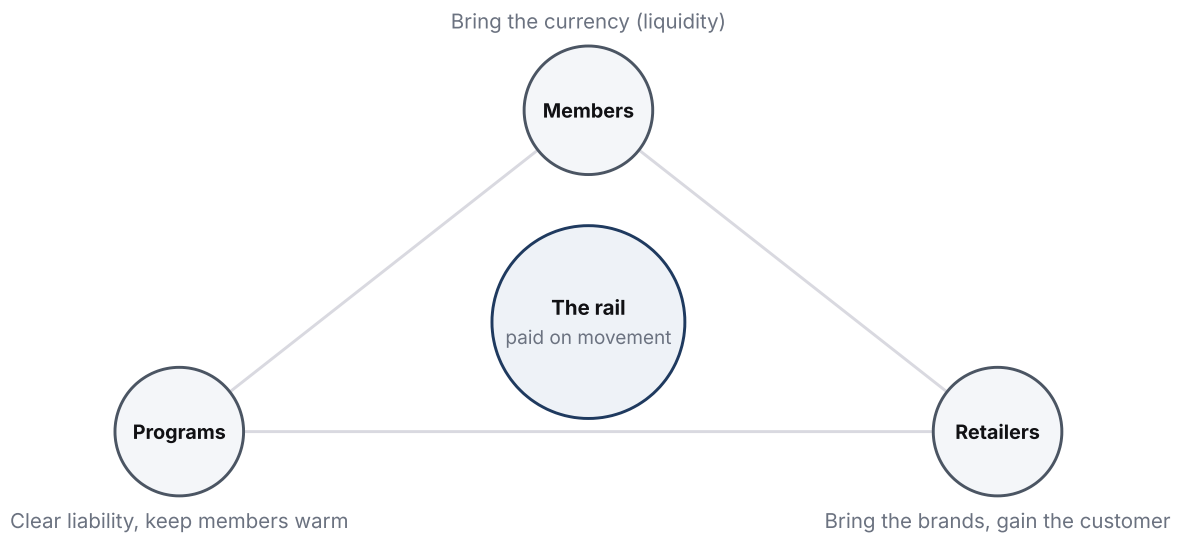


Figure 6. A three-sided market where the rail is paid on movement, not on breakage.

The rail sits in the middle of a three-sided market. Members bring the currency, which is the liquidity. Programs bring the permission and clear a liability. Retailers bring the brands and gain the customer. The rail is paid only when value moves, which aligns it with redemption rather than breakage: every incentive it has points towards making movement easier, safer and larger.

This is why the rails that last are neutral. Visa began as one bank's card and became a network only when Bank of America handed BankAmericard to a member-owned association; SWIFT was built by banks collectively. In both cases a shared rail served every institution better than each building its own. Loyalty needs the same neutral layer, working for programs rather than around them.

Party	What they put in	What they get out
Members	Points they were not going to use	Dollars at shops they already use; one view of every balance
Programs	Permission to redeem, confirmed one redemption at a time	Liability cleared; dormant members re-engaged; a channel they did not have to build
Retailers	Their brand, through the existing gift card supply chain	A new customer with money already committed
The rail	Identity, verification, settlement, audit, support	Paid for what moves, not for what expires

Table 1. Who wins when value moves.

5.4 Objections

Why would a program join? Because redemption is where loyalty pays. McKinsey found members who redeem spend about 25 per cent more than inactive members,¹⁴ and Bond's 2026 research found 85 per cent of US program members are more likely to keep doing business with a brand that runs a program.⁴⁹ Programs are already investing in more ways to spend: Qantas describes an earn-and-burn flywheel, and in July 2026 Coles raised Flybuys pay-with-points to \$100 a shop. A rail adds reach a program could not build alone, with no build on its side and the program in control of every redemption. The environment points the same way: accounting standards make unredeemed balances visible to boards,¹⁸ and the Reserve Bank's 2026 reforms have asked every bank program to deliver more member value for less.³⁸ The programs that join first will win and keep the members others risk losing.

"This is just points arbitrage with a nicer interface." No. Arbitrage moves points between strangers against the program's terms. A rail moves a member's own points, with the program's confirmation, to a redemption the program has sanctioned. The distinction is the whole business, and it is why the rail must be built with issuers rather than around them.

"Banks will do pay-with-points and make this redundant." Westpac, CommBank and Coles already do versions of it.⁴¹ They are good features and they prove demand for portability. But each is one issuer, one currency, with the issuer setting the rate. None helps a member with Qantas, Flybuys and NAB points who wants a Woolworths voucher. A rail across programs is a different product from a feature inside one.

Why has nobody done this already? Because it is hard to do legally and commercially, not technically. You need issuer partnerships, an authorised gift card supply with brand approvals, identity and fraud controls fit for a category fraudsters love (Forter reported loyalty fraud up 89 per cent year on year in 2019),⁵⁰ and an audit trail that a program's finance team will accept. That is a long list, and it is also a moat.

5.5 The agentic turn

Until now the member has been the integration layer: a person who remembers ten logins and does the conversion arithmetic. That person is about to be replaced by software. Mastercard's Agent Pay and Visa's Intelligent Commerce let an AI agent act for a consumer at checkout; Visa expects millions of consumers to be buying through agents by the end of 2026. OpenAI and Stripe shipped agentic checkout in September 2025, and in May 2026 Shopify reported that orders from AI-powered search had grown nearly thirteen-fold.⁴⁸

An agent will treat every store of value its principal owns as spendable, as long as it can see it and move it. Bank balance, card, stablecoin wallet, gift cards: all of these have APIs and rails. Loyalty points that live behind a portal login with no outbound path will be invisible to the agent, and invisible value is value that never gets used. One loyalty technology vendor has already warned that "most loyalty programs aren't ready for AI agents."⁵¹ As at October 2026 I found no airline or retailer, anywhere, that

lets a third-party agent redeem points. The stranded pool will not shrink in the agentic era; without rails it will grow, because the one party who occasionally remembered to redeem, the human, will have stepped back.

That makes rails an opportunity for programs, not a threat. The programs whose points an agent can see and spend will be the programs agents choose. Machine-readable balances and sanctioned redemption rails are how a loyalty program stays in the conversation when the conversation is between two pieces of software.

5.6 Design principles for a sanctioned rail

- **The program keeps control.** Nothing is issued until the program confirms the debit. The program sets what can be redeemed, at what rate, with what caps, and can pause the channel.
- **No new currency.** The rail moves existing points to existing instruments. It does not mint, pool or trade points, and it never holds member funds; the gift cards are closed-loop instruments issued by the retailer and supplied through an authorised distributor.
- **Verify, then move.** Identity and fraud checks before a card is released, scaled to the value moved. A rail that leaks will be switched off.
- **Every step logged.** Each redemption carries a reference the member, the program and the rail can all trace, and statements reconcile line by line. Trust in a currency is trust in its ledger.
- **Data minimisation.** The rail processes what fulfilment needs and nothing more. Each program sees only its own members' redemptions; retailer reporting is aggregate, never an individual member.
- **Consumer protection by construction.** Dollar-denominated destinations, regulated minimum expiry, transparent rates shown before the member commits, no hidden fees.
- **Neutral and multi-sided.** The rail works for any program and any brand, because a rail owned by one issuer is a feature, not infrastructure.

6. A note on practice: what we have built

This paper would be theory if the rail existed only on paper. It does not. Over the past eighteen months Mavitra has designed and built the platform described in 5.2, and it is now in early access in Australia: a member app designed to show every connected balance in dollars and turn points into gift cards in one step; a partner portal where a program sees exactly what has moved, with statements that reconcile; and an operations console behind both in which every action, from a registration to a redemption to an email, runs as a logged, auditable job. The stack is our own, on Microsoft Azure, with an API at the centre, and a catalogue of hundreds of Australian gift card brands is being integrated through an authorised global distributor.

Mavitra's purpose is simple: help everyone in the industry get more from loyalty. Programs win and keep customers, retailers gain new ones, and members get real value from what they have earned. The rail is built to work with programs, never around them. Early access is open, members are registering, and conversations with the first loyalty programs have started. Those first engagements are designed to produce the evidence this paper does not yet have: redemption rates, time-to-redeem and member retention against each program's baseline. I will publish what we find.

I have kept the mechanics out of this paper deliberately. The argument should stand on public evidence, and the parts that are ours are ours. But the reader should know that the platform is built and the first integrations are under way. The question is shifting from whether loyalty value can move to how fast the industry decides to let it.

7. Conclusion and an invitation

Loyalty points pass three tests of money and fail the fourth: movement. The failure is structural, it is nobody's fault, and it costs everyone: members lose value, programs lose engagement, and retailers miss customers. Every other store of value has acquired rails that let it move, and each time the market grew. Loyalty is the last large pool without them, and the regulated digital gift card is the first practical rail: dollar-denominated, legally standardised, instant and spendable where people already shop. The arrival of agentic commerce makes it timely, because the programs whose points software can move will be the ones software chooses.

The next step is evidence. The first program engagements will test whether sanctioned rails lift redemption without lifting cost, and whether members who redeem through them stay more loyal to the programs that let them. I intend to publish the results, and to have this work examined properly.

In the meantime I would rather be argued with than agreed with. If you issue points, hold them, distribute gift cards, regulate any of this or invest in it, tell me where this is wrong. I am collecting every response in one place, on LinkedIn at [linkedin.com/in/dean-harris](https://www.linkedin.com/in/dean-harris), and I will answer all of them.

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Glossary

Agentic commerce

Purchases initiated and completed by AI agents acting for a consumer.

Breakage

The share of issued points (or gift card value) that is never redeemed. Under IFRS 15 / AASB 15, expected breakage is recognised as revenue in proportion to redemptions, or when redemption becomes remote.

Closed loop

A currency that can only be earned and spent inside one issuer's ecosystem.

Deferred revenue / revenue received in advance

Money received for points not yet redeemed, carried as a liability until redemption or expiry.

Material right

An option, such as points earned with a purchase, that gives a customer something they would not receive without that purchase; accounted for as a separate performance obligation.

Portability

The ability to move value from where it is held to where it is wanted. The test of money that loyalty points fail.

Rail

Shared infrastructure that moves value between parties under agreed rules; SWIFT, card networks and real-time payment systems are rails.

Redemption rail

A sanctioned channel through which loyalty value leaves a program for a dollar-denominated instrument.

Stranded value

Loyalty value that is held by members but, for practical purposes, will not be used.

About the author

Dean Harris is the founder and chief executive of Mavitra Loyalty, an Australian platform that turns stranded loyalty points into digital gift cards ("Points in. Gift cards out."). He has delivered enterprise systems since 1997, for clients including Suncorp, Telstra, the Australian Taxation Office and Energex, and has also worked in property development and capital raising. He writes on commerce infrastructure and value movement at deanharris.com.au. He lives on the Sunshine Coast, Queensland, and races a Radical SR3 XX in the Queensland Sportscar Championship.

Disclosure: the author is the founder of a company that has built the kind of redemption rail this monograph recommends. Every figure is cited to a public source so the reader can check the argument independently. Program names are trademarks of their owners; no affiliation is implied. Figures are correct as at 19 October 2026 and will drift.