

# Introducing the Currency Effect

Generating value from loyalty currency monetization

## Authors

Evert de Boer  
Xiao Yao Chin

Survey Results



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# About On Point Loyalty

On Point Loyalty is a global consulting firm focused exclusively on loyalty finance and strategy.

We partner with leading loyalty operators, program partners, owners and investors to shape and realize their loyalty vision.

With tailored solutions, ranging from strategy consultancy to outsourced operating models, we help our clients to define the future – and create a competitive edge.

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## Summary

- The scale of loyalty currencies globally has reached unprecedented levels, with c. U\$ 300 billion worth of new points being issued annually.
- Based on that scale, and the unique characteristics of points, firms are increasingly adopting novel applications of loyalty currencies.
- We introduce the concept of the *currency effect*, which describes the direct and indirect benefits of loyalty currency monetization.
- This report presents the results from our research amongst qualified loyalty experts globally to test the relevancy and viability of the currency effect.
- Respondents generally believe that pursuing the currency effect can coexist with the conventional focus on the member effect – and that the currency effect can be material.
- Corporate structures and resources have not caught up to the opportunity yet, according to a vast majority of respondents.
- The currency effect can present a formidable opportunity but requires a fresh look on the performance of loyalty programs.

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# Introducing the Currency Effect: Generating value from loyalty currency monetization

**Selling points has become big business.** Traditionally, the focus of loyalty programs has been on their impact on consumer behaviour — boosting the share of wallet, enhancing customer stickiness, and improving yields. However, loyalty programs have quietly evolved beyond their original role as marketing tools. Today they play a crucial role in generating revenues by selling points to partners.

But the sale of points to partners is only the beginning, with many novel applications of loyalty programs in a corporate finance setting starting to gain ground. There is an opportunity to transition into full-scale loyalty currency businesses, generating significant income in the process.

The reason for this opportunity is twofold. In successful loyalty programs, points represent access to high value rewards, at levels that cash could never match. At the same time, for points issuers, using points instead of cash offers several advantages over other distribution and pricing channels. This unique combination of value for both consumers and issuers puts points in a sweet spot, unlocking material opportunities for value creation.

To do justice to this transformation and opportunity, we introduce the concept of *the currency effect*, underscoring the critical role of managing loyalty currencies to unlock a program's full value potential. We define the currency effect as the direct and indirect benefits derived from the optimal management and monetization of loyalty points.

Underpinning our views on the currency effect are the scale, relevancy and viability of the concept. In this paper, we offer an assessment of the scale, as well as the outcomes of a global survey, investigating not only the relevancy in the eyes of the loyalty professionals, but also the forces driving the viability of the concept.

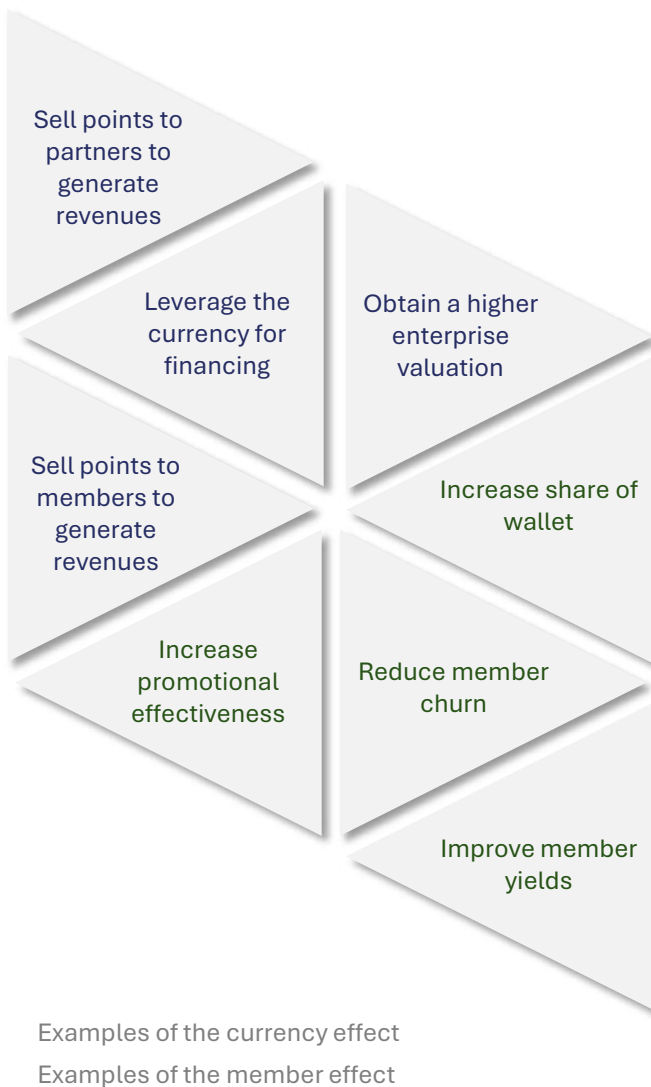
The currency effect is defined as the direct and indirect benefits of a loyalty currency monetization strategy.

# Introducing the Currency Effect:

## The currency effect supplements the member effect

**The currency effect covers the direct and indirect benefits of managing a successful loyalty currency.** Unlike the conventional targets of a loyalty program, which we describe as the *member effect*, the benefits of the currency effect are all ultimately tied to the currency. Exhibit A shows examples of the currency effect versus the member effect.

Exhibit A: examples of the currency effect and the member effect



Unlike the member effect, which captures the impact of a loyalty program on member behavior, the currency effect is centered around the direct and indirect benefits associated with the issuance and management of the loyalty currency itself.

Source: On Point Loyalty

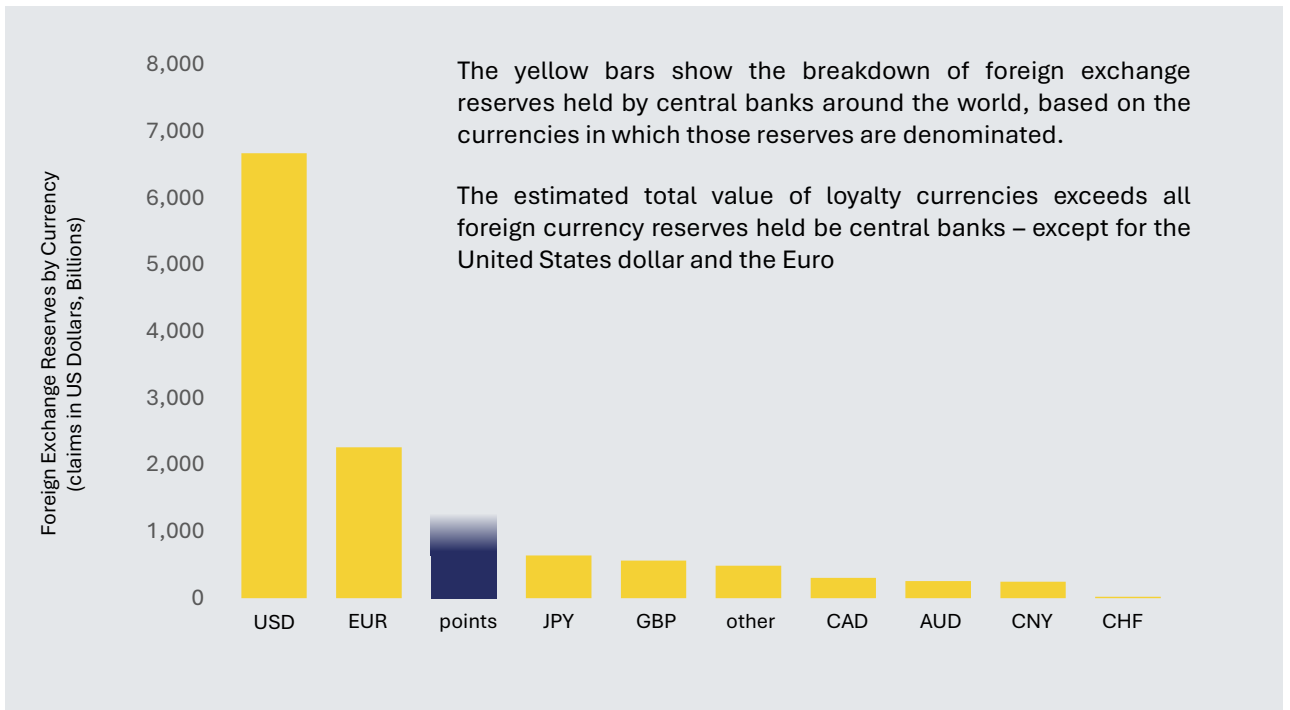
# Introducing the Currency Effect:

## Loyalty currencies have reached unprecedented levels

**The scale of loyalty currencies is unprecedented.** Loyalty programs have become ubiquitous. And with that, loyalty points have become a universal currency. In fact, using our estimates in combination with data provided by the International Monetary Fund, we believe that the total value of points outstanding, if combined, would represent the world's third largest foreign reserve currency after the United States dollar and the Euro.

In our estimates, USD 300 billion worth of fresh loyalty points are issued worldwide every year. And with a multiple of that accumulating in outstanding balances, loyalty points could outrank the foreign exchange reserves held in Japanese yen and pound sterling globally, making points the world's third largest foreign exchange reserve currency after the U.S. dollar and Euro.

Exhibit B: foreign currency reserves versus the estimated value of total loyalty points outstanding



Source: foreign exchange reserves - International Monetary Fund (Q2, 2024); value of loyalty points - On Point Loyalty estimates

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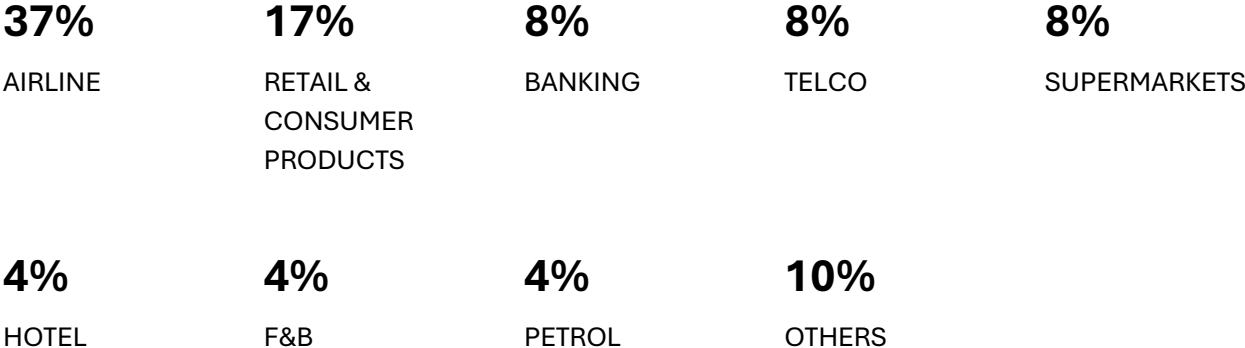
# Validating the Currency Effect: Survey methodology and participant profile

To gain an unbiased view from industry experts, our survey was targeted exclusively at loyalty professionals holding management positions in firms operating a loyalty program. The survey consisted of a combination of closed and open-ended questions, aiming to gain the insights from the global loyalty community.

A total of 52 respondents completed the survey from a target list of 250 qualified loyalty professionals across all relevant industries and geographies.

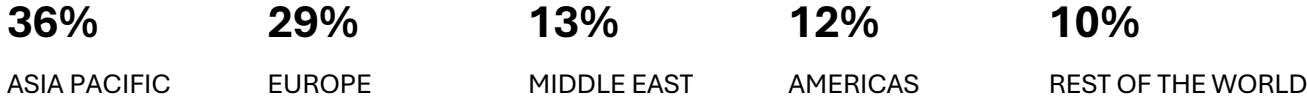
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## KEY INDUSTRY SECTORS

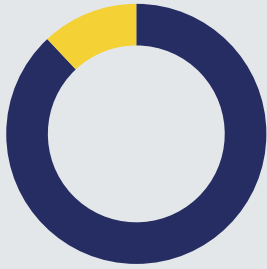


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## GEOGRAPHIES

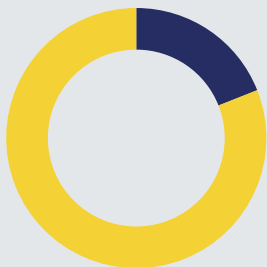


## KEY SURVEY FINDINGS



88%

of respondents believe that the currency effect is material enough to justify investments in additional capabilities and resources.



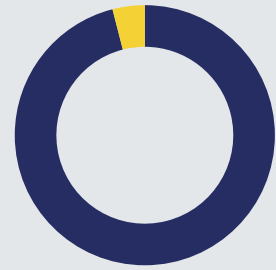
19%

of respondents believe that programs have sufficient resources and appropriate organizational structures to fully pursue the currency effect



71%

of respondents agree that the currency effect can be as significant as the member effect



96%

of respondents believe that the member effect and the currency effect can coexist harmoniously

80%

of respondents agree that their industry is well-suited for currency monetization.

40%

of respondents believe that there is sufficient understanding, recognition, and attention to the financial implications and possibilities of loyalty program currencies within their specific industry.

Source: On Point Loyalty Currency Effect Survey 2024



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## Survey results:

# Conventional tools for measuring success are limited

**Measuring the effectiveness of loyalty programs was one of the most cited issues in the survey.** The traditional focus on the member effect of loyalty programs poses significant difficulties in isolating the incremental value created by the loyalty proposition from other interconnected factors. Given that various elements influence purchase decisions, attributing outcomes solely to loyalty efforts is challenging. In fact, 75% of respondents agreed that measuring the consumer effects of a loyalty program can be empirically challenging, and adopting the perspective of running loyalty programs as a currency business with a dedicated P&L can provide a more comprehensive lens for performance measurement.

The second most commonly identified challenge was gaining organizational buy-in and securing sufficient budgets from the C-suite. This challenge is often linked to the difficulty in measuring program effectiveness, as the inability to present a robust business case makes it harder to gain executive support. This also highlights a broader issue: loyalty, particularly loyalty finance, remains somewhat of a black box for many senior managers. Without a clear understanding of how these programs drive value, securing necessary resources can be a struggle.

This issue is reinforced by the third most cited challenge: understanding the financial and economic dynamics of loyalty currencies. Despite their importance in driving program success, these areas often receive insufficient attention and understanding, hindering the strategic management of loyalty currencies and limiting their full potential for value creation.

Other challenges related to the delivery of loyalty programs, such as possessing strong digital and technological capabilities and optimizing program design, were ranked in the middle of the list. About 30% of respondents also mentioned recruiting capable loyalty professionals as one of the top three challenges they face. This points to the growing need for specialized skills and expertise in the rapidly evolving loyalty landscape.

75% of respondents agreed that empirically measuring the member effect of a loyalty program can be challenging.

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## Survey results:

# Loyalty currency monetization is material and relevant

**In our survey 71% of respondents agree that the benefits of currency monetization can be *as significant as the consumer impacts of a loyalty program*.** In fact, 88% of respondents believe that the financial benefits of effective loyalty currency management are material enough to justify investments in additional capabilities and resources.

Importantly, these financial benefits do not come at the expense of the member value proposition. On the contrary, they reinforce each other. A high perceived value of points drives earn velocity, which in turn enables monetization of the currency. The attractiveness of a loyalty currency to members directly influences its appeal to partners, which in turn drives successful monetization. A striking 96% of respondents believe that currency monetization and delivering a strong member value proposition can coexist harmoniously.

When asked if their particular industry lends itself well to currency monetization, there was a strong consensus, particularly from respondents in the airline industry, followed by those in the hotel and supermarket sectors. In the airline industry, strategic partners such as co-brand partners and access to airline inventory at attractive pricing, coupled with the aspirational nature of flight rewards, have been key drivers of value creation. The hotel industry shares many of these characteristics, contributing to its success in loyalty currency monetization. The supermarket sector also benefits from frequent customer interactions, though the dynamics differ slightly. Mixed responses were received from respondents in the retail, consumer products, and banking industries, while the petrol and telecommunications sectors showed the highest levels of disagreement regarding the suitability of their industries for currency monetization.

96% of respondents believe that currency monetization and delivering a strong member value proposition can coexist harmoniously.

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## Survey results:

# Rewards, partnerships and the currency itself are key

**Having the right currency design was identified as the key requirement.** Given that the loyalty currency is the cornerstone of the business, its success hinges on its appeal. An attractive loyalty currency is one that offers high utility and is highly sought after by consumers, which in turn attracts partners to purchase the currency to reward their own customers. However, appeal alone is not enough; the currency must be backed by solid economics to ensure profitability. Therefore, crafting an optimized currency design that meets the needs of consumers, partners, and program operators is pivotal in running a successful loyalty currency business.

When asked about the key ingredients for a successful loyalty currency business, survey participants also highlighted several other critical factors. The presence of strategic partnerships and access to attractively priced rewards emerged as the second and third most-mentioned key ingredients for success. This underscores the reality that, while the loyalty currency business can be lucrative, not all players have access to the necessary elements for success.

An optimized  
currency design tops  
the list of key  
requirements.

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## Survey results:

# Corporate structures and resources have not caught up

**Many participants also emphasized the importance of top management endorsement and having the right organizational structure to support these initiatives.** While the loyalty currency business can be a significant revenue generator, it requires investment from the sponsor company to build an attractive value proposition and set the flywheel in motion. Top management endorsement is critical to aligning the entire organization in support of the growth of the loyalty currency business as a strategic priority. Companies must also ensure that their organizational structure is equipped to deliver results, as loyalty programs often face technological and resource constraints that hinder their ability to act swiftly. This is reflected in our survey, where only 19% of respondents believe that loyalty programs currently have sufficient resources and appropriate organizational structures to fully support optimized currency management. This indicates a significant gap that organizations need to address to fully leverage the potential of their loyalty currencies.

Our survey findings highlight a significant opportunity for organizations to deepen their understanding of loyalty currency management and monetization. While 80% of respondents agree that their industry is well-suited for currency monetization, only 40% believe there is sufficient understanding, recognition, and attention to the financial implications and possibilities of loyalty program currencies within their specific industry.

19% of respondents believe that loyalty programs currently have sufficient resources and appropriate organizational structures to fully support optimized currency management.

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# Survey results:

## Business models, consolidation and new tools emerge

Survey respondents provided valuable insights around forward-looking scenarios, highlighting key trends that will shape the future of loyalty currencies and redefine how businesses approach loyalty programs.

1

**Clearer Distinction in Loyalty Business Models** Respondents predict a more pronounced split in loyalty business models. On one side, there will be programs operated as profit centers, excelling at currency management and contributing significantly to the parent company's bottom line. On the other side, some loyalty programs will continue to function more as marketing expenditures or brand extensions, with less emphasis on profitability. Traditionally seen as tools for customer engagement and retention, loyalty programs are now revealing their identity in the form of currency economics, encompassing accrual, redemption costs, perceived value, and overall financial performance. This evolution will lead to greater clarity on the value of both currency management and member engagement metrics.

**Consolidation and Simplification in the Loyalty Landscape** Respondents anticipate that the loyalty landscape will undergo consolidation and simplification. Operators are likely to join forces, combining their currencies to create more compelling propositions. Some standalone programs may enter multilateral exchange-based ecosystems with interchangeable currencies, while others might find it more efficient to join existing currency systems and invest in their currency. The consolidation trend will also lead to the creation of new currency coalitions, making it easier for members to earn and redeem points across a broader network. Simultaneously, loyalty programs will simplify their value propositions to make them more accessible and attractive to members.

2

3

**New Tools in the Battle for Customers** As competition intensifies, loyalty programs will seek new tools to attract and retain customers. The focus on performance and investment in loyalty will continue to grow, with programs finding innovative solutions to stand out in a crowded market. Access to first-party data will become increasingly valuable, especially as privacy regulations tighten and the use of cookies diminishes. Non-monetary rewards and experiences will gain prominence, offering members unique perks. In this competitive arena, value-added offerings, product differentiation, strategic partnerships, and personalization will be key to driving growth and member stickiness. Overall, loyalty programs will become even more strategic as companies better understand the true value of loyalty and the pivotal role it plays in their success.

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## Key take away:

# The currency effect presents a formidable opportunity

**Conventional views and definitions no longer do justice to the overall opportunity presented by well-run loyalty programs.** With novel applications of loyalty currencies starting to gain ground, the industry stands to benefit from a new and practical concept in the form of the currency effect.

With their unrivalled application in today's consumer-facing businesses, loyalty currencies could amount to the world's third-largest foreign reserve currency, owing to their unique sweet spot of representing value to both program members and currency operators.

The global survey amongst loyalty professionals confirms that the currency effect can co-exist alongside the traditional mandate of loyalty programs. Equally important, the vast majority of participants also believe that the benefits of currency monetization can be as large as the conventional member effects of a loyalty program.

The pursuit of the currency effect is not the exclusive realm of those who have access to attractive rewards like air tickets or hotel accommodation. Other industries can also benefit from the optimal management of the currency, including the optimization of breakage. Our survey participants support this, with 80% of respondents stating that they believe their industry is suitable for the currency monetization.

The currency effect represents a significant, yet underexplored, opportunity for businesses across industries. As loyalty programs continue to evolve, it will become increasingly important for organizations to invest in the capabilities and resources needed to optimize their currency management. Doing so will not only unlock new revenue streams but also enhance the overall value proposition for members, ensuring the long-term success of loyalty programs.

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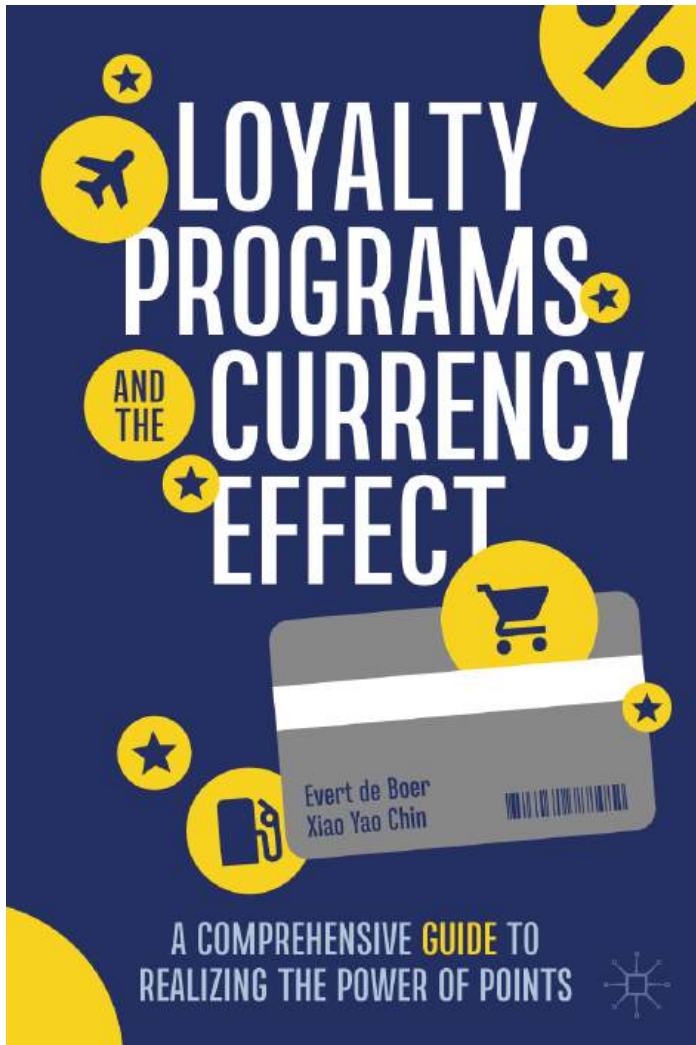
## About the authors

**Evert de Boer** is a Managing Partner at On Point Loyalty, Singapore, and CEO at Fidio. He has researched and worked in loyalty strategy since 2000, providing strategic guidance to leading companies globally, including more than 40 airlines. Evert has published numerous articles and white papers on loyalty strategy and finance, including the Harvard Business Review. He is the author of *Strategy in Airline Loyalty* (Palgrave Macmillan, 2017), and *Loyalty Programs and the Currency Effect* (Palgrave Macmillan, 2025).

**Xiao Yao Chin** is a Partner at On Point Loyalty, Kuala Lumpur, Malaysia. Her loyalty experience spans program design, strategic planning, member analytics and program valuations. Prior to joining On Point Loyalty, Xiao Yao worked for AirAsia's loyalty program and contributed to various strategic projects for top financial institutions at Bain & Company in Southeast Asia. She holds a PhD from the University of Cambridge, UK. She is the author of *Loyalty Programs and the Currency Effect* (Palgrave Macmillan, 2025).

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## Read more about the Currency Effect



**Want to know more about how to pursue the Currency Effect?** In *Loyalty Programs and the Currency Effect*, the authors unravel the secrets behind running the world's most successful loyalty currencies and provide hands-on practical guidance on how to reap the full benefits from your own.

With their unique experience as advisors to the world's leading loyalty programs, and unparalleled expertise around program valuations, de Boer and Chin for the first time share their insights around the optimal management of loyalty currencies.

Through a combination of new concepts and definitions, the authors explain the workings of what many consider the black box of loyalty program currencies.

*Loyalty Programs and the Currency Effect* is an indispensable guide for everyone involved in loyalty programs, from program operators and owners to investors, and offers a complete manual on how to realize the full value potential of your loyalty program. The book is available from all major booksellers.





