



We've been here before.

Are loyalty program currencies similar to legal tender, and your cache of points subject to the regulations that apply to bank accounts?

I thought this question was settled about thirty years ago. If points, miles, stars, tokens are treated like cash, thorny issues like fungibility and taxation come up, which would pretty much sink most reward-based programs.

Yet the topic has been raised again, this time in context of government investigations into some major airline programs. I get nervous when someone suggests, as Transportation Secretary Pete Buttigieg recently did, that “many Americans view their rewards points balances as part of their savings, but unlike a traditional savings account, these rewards are controlled by a company that can unilaterally change their value.”

Loyalty currencies are not legal tender. All programs make that clear in their Terms & Conditions. Program rewards are not an entitlement, but part of a voluntary, permissioned relationship that incentivizes purchases and other valuable customer behaviors. Unlike pricing, hidden fees, return policies, or false advertising, reward programs are not about fairness. They are transparently unfair, by design. That's the whole point.

It's interesting to note where complaints about program fairness come from. They generally don't come from those customers who are most engaged in the programs – and who have the most at stake – but from casual customers, who are not the target of programs in the first place; or from government agencies whose regulatory zeal may be misplaced when they turn their focus on programs.

Of course, any program-related misconduct must be found and punished, like any

abusive practice. The question is, how should programs be regulated? The focus should not be on perceptions of “unfairness” – we’ve already established that, as the late Brian Woolf famously wrote in laying out the principles of loyalty marketing, 1) "All customers are not equal," and 2) "Behavior follows rewards."

The public is often the best regulator when it comes to program fairness; just ask Delta how the market reacts every time they try to devalue their points. While a program sponsor legally can alter programs “at their sole discretion,” no marketer does themselves a favor when they abuse that discretion. They may have the right to devalue their points; to obfuscate redemption and expiry policies; to unilaterally reduce the value they promised to deliver. But doing so is just bad business. Enforcing the rules in ways that anger customers will strain the relationships programs are designed to nurture, driving disgruntled social posts and ultimately chasing customers away.

The best programs are easy to understand, transparent, and offer solid value propositions. And while rewards are a key part of many current programs, 21st Century programs have long been moving away from a tight focus on earning and redeeming points, instead providing a mix of benefits, experiences, content and rewards that drive more meaningful engagement than the old-school quid pro quo.

The question of how much regulation is positive, and how much is too much, is ultimately in the eye of the beholder. [Your thoughts?](#)

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