

The Loyalty Illusion — Why Every Points Program is a Confession of Structural Failure

Andy Loves This Bar



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10 MIN READ



Andy loves cocktails. There's a bar — Bar None — on the street corner near her office. She's been going every Friday night for two years. The bartender knows her name. He starts making her usual before she sits down. She tips well. She stays late. She brings energy to the room.

By every metric the loyalty industry has ever invented, Andy is a **loyal customer**.

But here's the thing about Andy. She can't go more than once a week. She has a life. She has a job. Her body has limits. Her wallet has limits. Her time has limits.

Andy generated more revenue through her mouth than through her wallet. She recommended it to at least ten friends. One of them became a regular. But Bar None's loyalty program can't see that. Can't measure it. Can't reward it.

Because Bar None's loyalty program — like every loyalty program ever built — is designed to measure one thing and one thing only: repeat purchase.

And repeat purchase is not loyalty. It never was.

The \$18.2 Billion Misunderstanding

The global loyalty management market is currently worth [\\$8.6 billion and projected to exceed \\$18.2 billion by 2026](#). More than 90% of companies now have some form of loyalty program.

And here's the stat that should make the entire industry flinch: [26.2% of all loyalty points go unspent, 11.9% expire completely unused](#). In the United States alone, that's an estimated \$10 billion in consumer value — evaporated.

That's not a loyalty program. That's a graveyard with a dashboard.

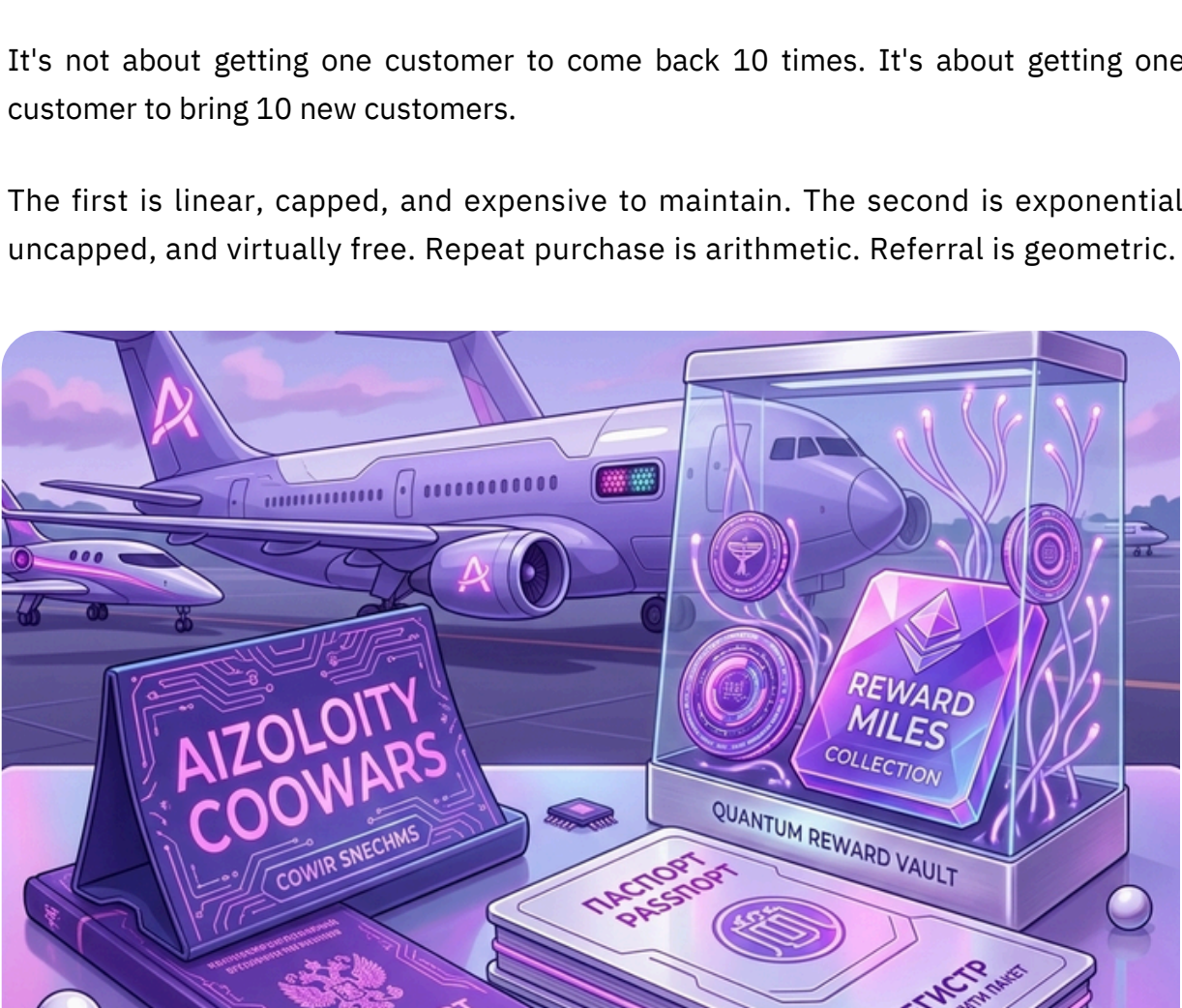


The Confession Hidden in Every Points Program

Every points program is a confession. It's a confession that your product alone isn't enough to bring people back. That without the bribe of points, stars, miles, or stamps, your customers would drift.

Real loyalty doesn't need a program. Real loyalty is structural. It's emotional. It's identity-based. But business loyalty? Business loyalty is a spreadsheet pretending to be a relationship. And the spreadsheet is lying.

The Starbucks Paradox



Starbucks Rewards has [34.6 million active members in the U.S.](#) [57% of U.S. revenue comes from Rewards members](#). Sounds like a triumph, right?

In February 2023, Starbucks increased the Stars required for redemption across every tier. Overnight, every member's accumulated value was **cut in half**. The program was too expensive to sustain at its original generosity. The very thing that made it "successful" was eating into margins so aggressively that the company had to devalue its own currency.

That's not a loyalty success story. That's a Ponzi scheme with better branding.

The Real Problem: You're Measuring the Wrong Thing

Go back to Andy. Andy visits once a week. She spends \$60 per visit. That's \$3,120 per year. A consumption ceiling every human has.

But Andy can recommend Bar None to 10 friends. Those 10 friends can each spend \$60. That's \$600 in new revenue — from a single conversation. Andy's referral value has no ceiling. The chain extends. The value compounds.

It's not about getting one customer to come back 10 times. It's about getting one customer to bring 10 new customers.

The first is linear, capped, and expensive to maintain. The second is exponential, uncapped, and virtually free. Repeat purchase is arithmetic. Referral is geometric.



The Disloyalty Myth

Customers who don't come back aren't disloyal. They're human. Maybe they moved. Maybe their schedule changed. But if they're aware of someone looking for what you offer? They'd recommend you in a heartbeat.

That's real loyalty. Measured in advocacy. In trust. In the willingness to put your reputation on the line for a brand — even if you never buy from them again.

The loyalty industry can't see this. So it ignores the most powerful force in commerce: **the human instinct to share what's good**.

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