



THE FUTURE OF LOYALTY

HOW FINANCIAL INSTITUTIONS IN HONG KONG AND SINGAPORE CAN
TURN LOYALTY FROM A COST CENTRE INTO A REVENUE DRIVER

OCTOBER 2026

HeyMax

QUINLAN
& ASSOCIATES

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FOREWORD

Customer loyalty lies at the heart of every successful brand, and credit card issuers are no exception. For issuers in Hong Kong and Singapore, developing a powerful travel rewards proposition has been a key part of their customer loyalty strategy, allowing them to tap into more affluent, higher-spending customer segments. However, current loyalty reward models are plagued by three key structural challenges.

1. **Lack of Control:** with 1/3rd of Singapore and Hong Kong customers' credit card spending now being generated overseas, issuers have struggled to build a compelling network of points transfer partners to allow customers to make travel-related redemptions, with the average issuer having no more than 3-4 airline / hotel points transfer partners. This limited partner network has skewed bargaining power in favour of partner brands, with most issuers unable to exercise proper control over their key merchant relationships.
2. **Poor Value Capture:** due to the resulting disconnect with their customers' priorities and preferences, the ability for issuers' loyalty reward programmes to effectively engage with customers is falling short, with up to 40% of reward points going unused. For the points that are redeemed, the activity takes place outside of the issuers' own ecosystem. As a result, issuers are missing out on a plethora of in-depth customer insights derived from points usage behaviour, impeding their ability to better personalise and cross-sell.
3. **High Costs:** the sizeable ongoing cost of funding loyalty points, estimated at USD 3.5 billion in 2025, coupled with the overheads associated with setting up and operating various travel loyalty programmes, is weighing on profit margins, leading to a notable uptick in cost-to-income ratios for many issuers in Hong Kong and Singapore.

To tackle these challenges, issuers need to re-think their loyalty reward programmes by transforming them into a proposition that is “open” to a more sizeable network of redemption partners while being “native” to their customer journey and user experience. And underpinning this “native open loyalty” model transformation is adopting a universally fungible rewards currency that can be redeemed without friction within the issuer's ecosystem.

We hope you enjoy the report and look forward to discussing how we can supercharge your customer loyalty proposition in the coming years.



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SECTION 1

THE IMPORTANCE OF TRAVEL-BASED LOYALTY

BANK CUSTOMER LOYALTY

KEY TAKEAWAYS

The concept of customer loyalty revolves around three core pillars:

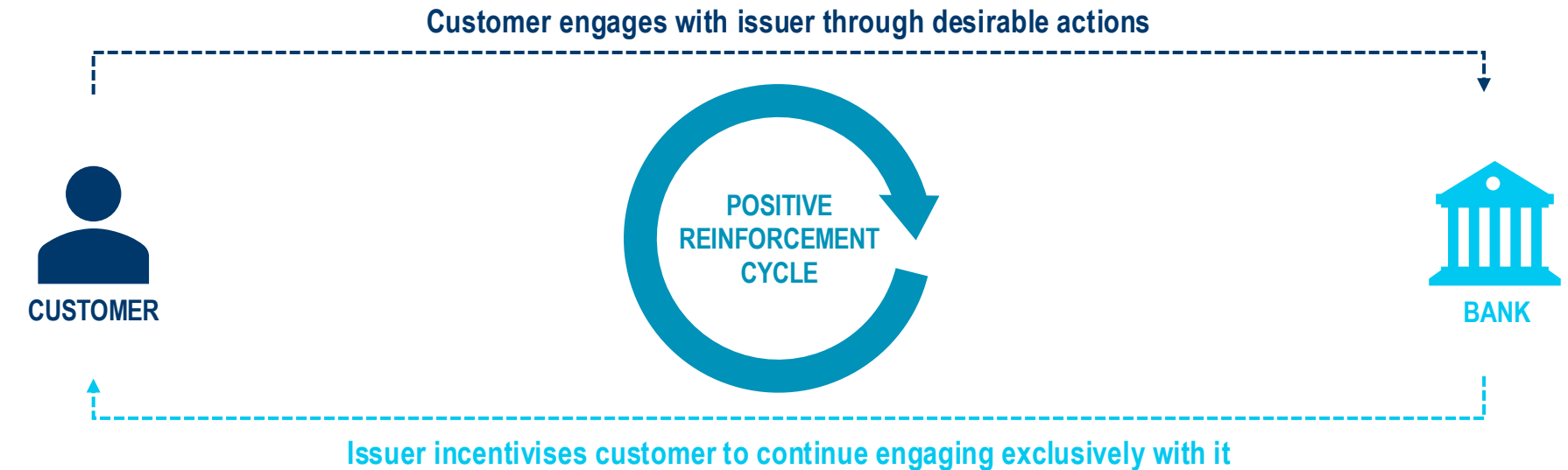
- **Exclusivity:** Primary issuer relationship;
- **Repetitiveness:** Repeat behaviour; and
- **Growth:** Increasing engagement over time.

Issuers seek to encourage customers to engage such loyalty through incentives that nudge repeat desirable behaviours, forming a virtuous cycle of positive reinforcement that results in a long-term customer relationship.

Issuer customer loyalty is characterised by a virtuous cycle of repeat behaviour that sees customers engage increasingly, repetitively, and exclusively with a particular issuer

Customer Loyalty

Process Flow

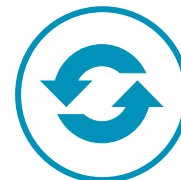


CORE PILLARS



Exclusivity

The customer maintains a single primary issuer relationship



Repetitiveness

The customer engages in repeat behaviour which is desirable for the issuer



Growth

The level of engagement between the customer and issuer deepens over time

TRANSACTION-BASED INCENTIVES DOMINATE

KEY TAKEAWAYS

Issuers typically drive customer loyalty through incentives, by offering financial rewards to customers for engaging with their services or using their products.

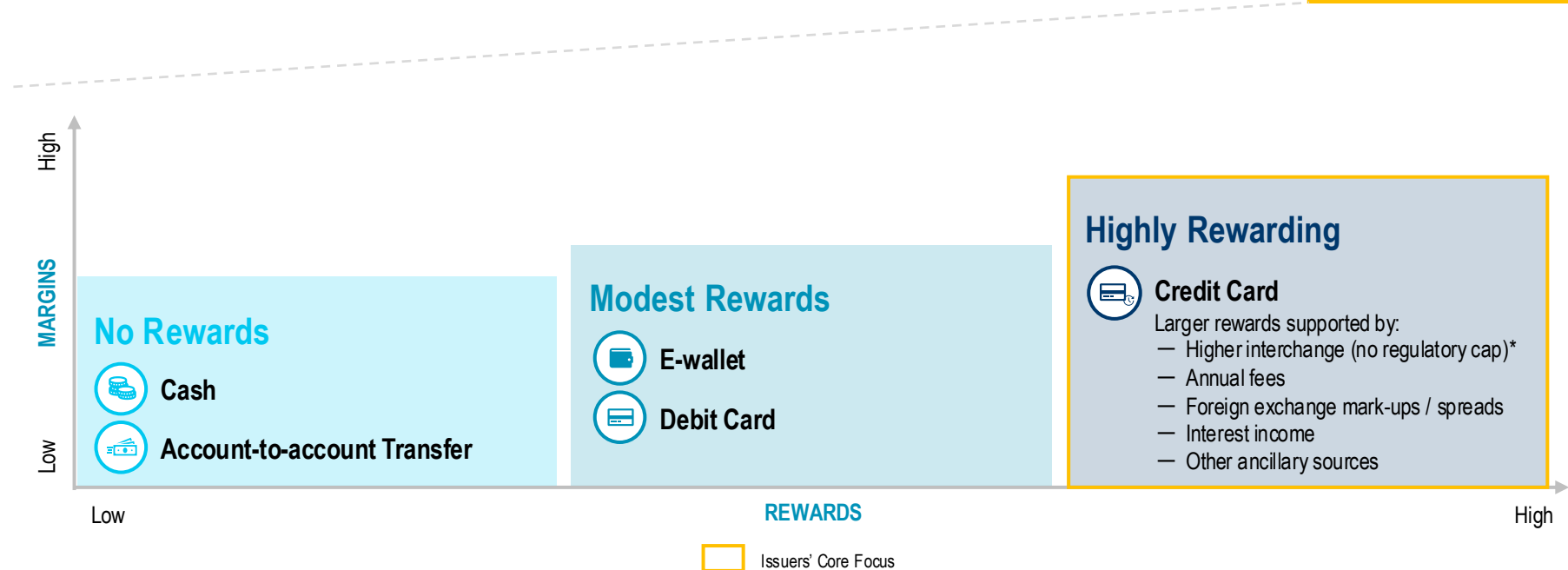
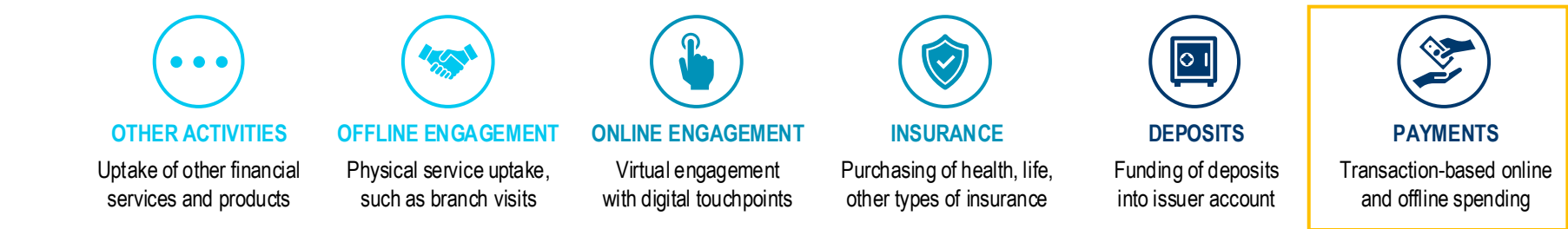
The most common avenue for this is transaction-based spending, in which rewards are offered to customers when they spend using the issuer's payment methods.

Given the relatively high transaction fees charged to merchants (with there being no regulatory cap on interchange fees) and the various ancillary revenue streams that can be earned by issuers (e.g., interest, annual fee, issuance fee), credit cards tend to offer the most (and highest) rewards to incentivise customer spending.

Issuers typically drive customer loyalty using financial rewards, especially via transaction-based spending on credit cards due to their higher margins on offer

Types of Incentivised Interactions

From High to Low Incentivisation



TYPES OF BANK CREDIT CARD REWARDS

KEY TAKEAWAYS

There are four key types of rewards offered by credit cards, including:

- Points;
- Rebates;
- Cashbacks; and
- Miles.

These rewards are generally calculated as a percentage of transaction value for each payment made.

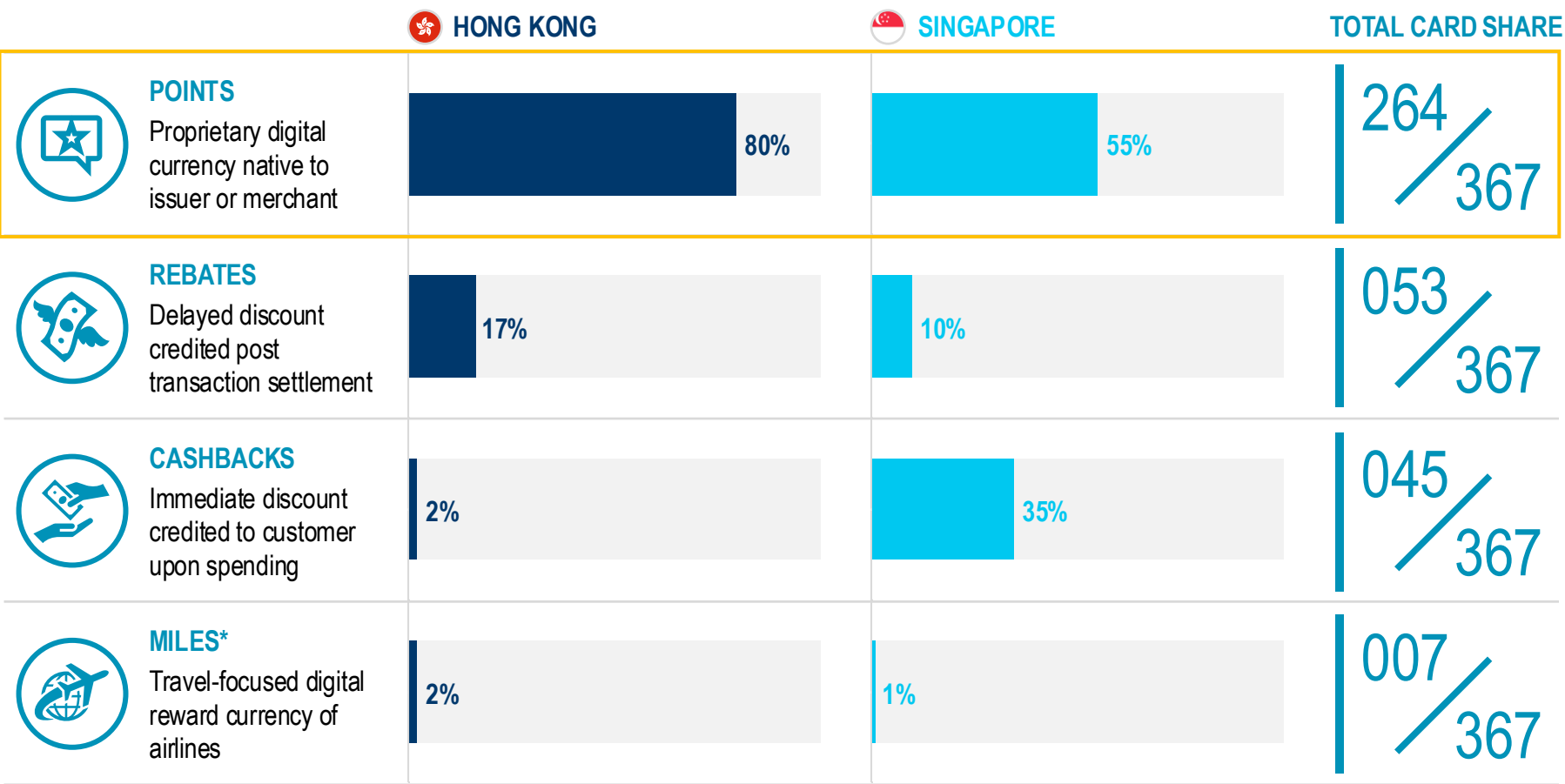
Points are by far the most popular form of loyalty rewards, offered by 264 out of 367 bank-issued credit cards in Hong Kong and Singapore (i.e., 72% of all credit cards), followed by cash rebates, cashbacks, and miles.

These point-based rewards are typically granted in issuers' native points currency, which can be exchanged for numerous benefits, differing from bank-to-bank.

Of the 367 credit cards issued in Hong Kong and Singapore, points are by far the most popular type of reward being offered (i.e., by 72% of credit cards)

Share of Loyalty Rewards

%, 2026E, Hong Kong & Singapore



*Direct rewarding of miles, without any need for conversion from points
Source: Various issuers, Quinlan & Associates estimates

 Most Popular

GROWING SHARE OF TRAVEL-BASED SPENDING

KEY TAKEAWAYS

Offshore credit card spending has skyrocketed in recent years, with 33% of credit card transaction value in Hong Kong and Singapore being generated from overseas in 2025, up from 24% in 2019.

This increase has followed a sharp rebound in outbound trips (and offshore spending) by Hong Kong and Singapore post the COVID-19 pandemic, with total combined air departures reaching 20.5 million and total spending reaching USD 47 billion in 2025, more than tripling from 2022.

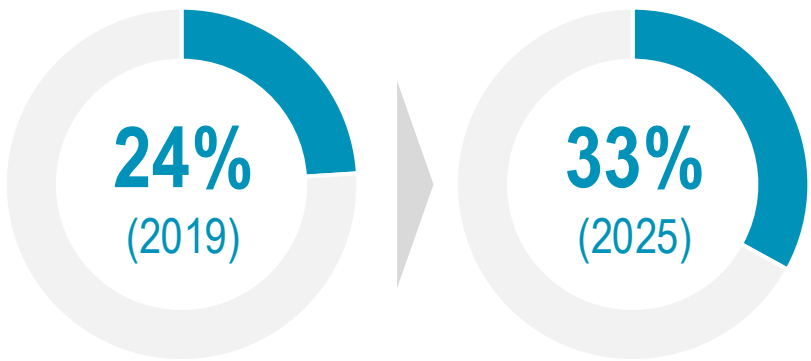
Besides the surge in overseas travel, another key driver behind the growth in foreign credit card spending is the significantly larger ticket sizes of transactions (i.e., 1.3x domestic).

Combined, these factors make the overlap between foreign travel and credit cards a lucrative opportunity for issuers to target.

A growing proportion of credit card spend is originating overseas, with Hong Kong and Singapore witnessing a rapid resurgence in post-pandemic outbound air travel

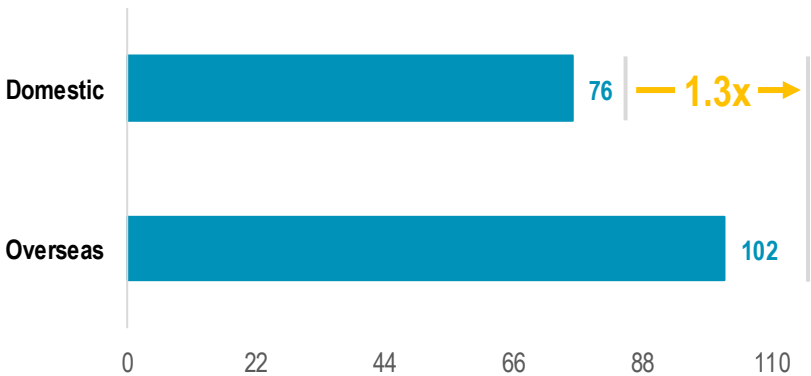
Share of Credit Card Spending Made Overseas

%, 2019E-25E, Hong Kong & Singapore



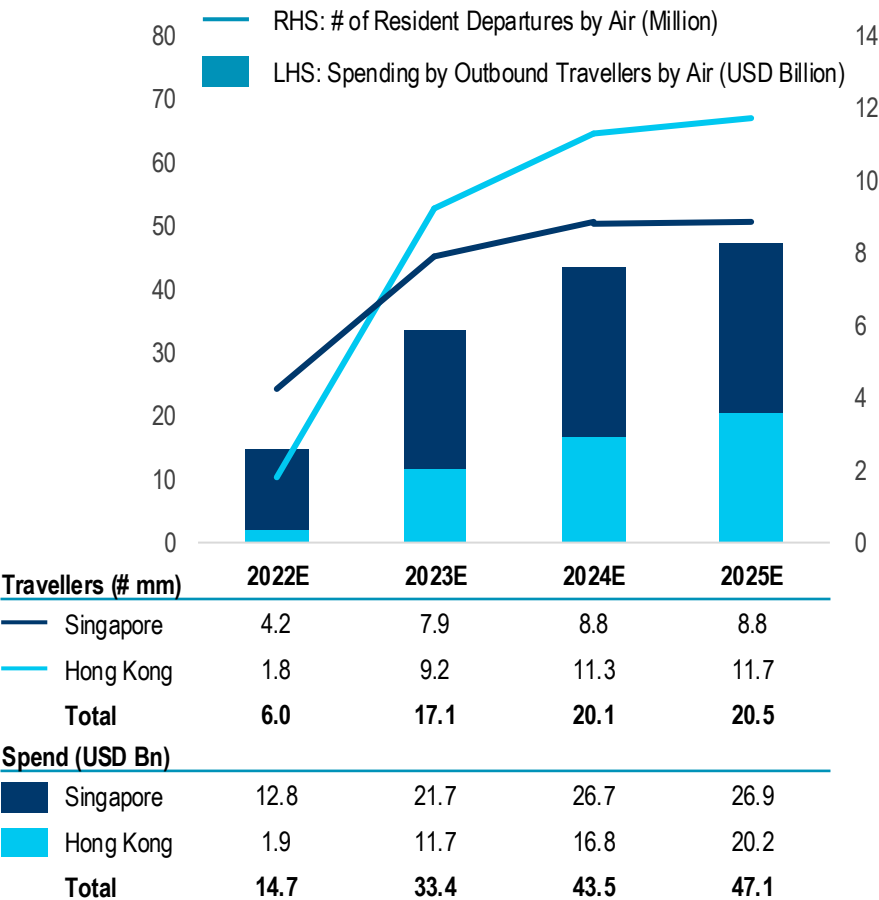
Average Overseas Credit Card Transaction Value

USD, 2025E



Outbound Air Travellers & Their Spending

2022E-25E, Hong Kong & Singapore



SURGING TICKET PRICES & REWARD TRANSFERS

KEY TAKEAWAYS

Soaring fuels costs amidst ongoing geopolitical tensions in the Middle-East has led to higher operational costs for airlines, which they are passing on to travelling passengers.

For instance, Cathay Pacific has revised its fuel surcharge 8 times since December 2025, more than doubling it from USD 72.9 to USD 174.6 for flights between Hong Kong and South West Pacific, North America, Europe, Middle East and Africa.

The consequential steep rise in ticket prices (e.g., 25% higher for travelling from Hong Kong to London) has resulted in greater customer interest in reward redemptions to offset the price increases, with travel rewards platform HeyMax experiencing a 130% month-on-month increase points transfers to Cathay Pacific between February-March 2026.

This development has further strengthened the appeal of travel-based rewards for customers and the case for financial institutions to act upon the same.

Soaring fuel costs during this period of rising demand for air travel has led to a sharp increase in ticket prices, driving a surge in customer interest in travel-based rewards to offset their higher bills

Evolving Customer Travel Landscape

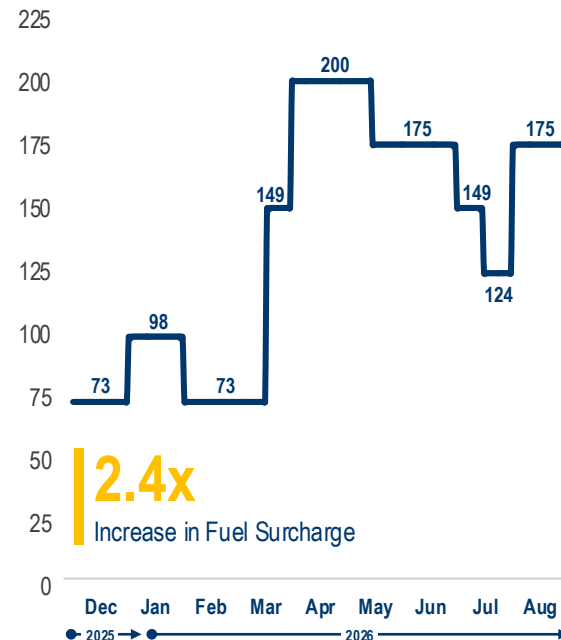
Fuel Surcharges, Ticket Prices, and Reward Transfers



RIISING FUEL SURCHARGES

USD Per Flight,* 2025-26, Cathay Pacific

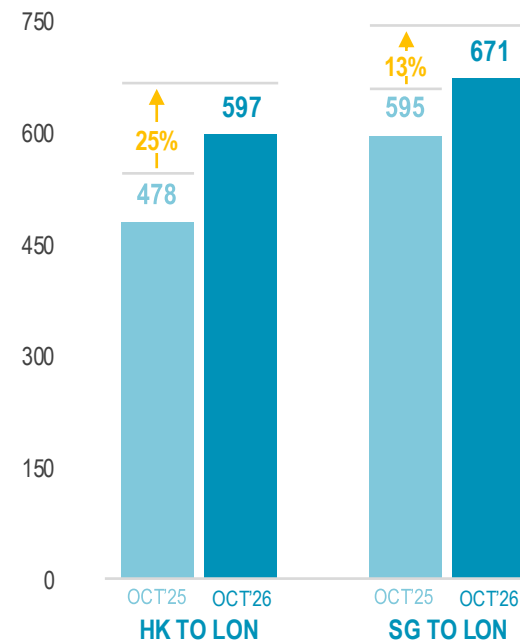
Hong Kong's Largest Airline, Cathay Pacific, Has Revised Its Fuel Surcharge for Passengers 8 Times Between Dec-Aug, More Than Doubling It



SURGE IN TICKET PRICES

USD, Oct'25 vs. Oct'26, HK/SG→LON

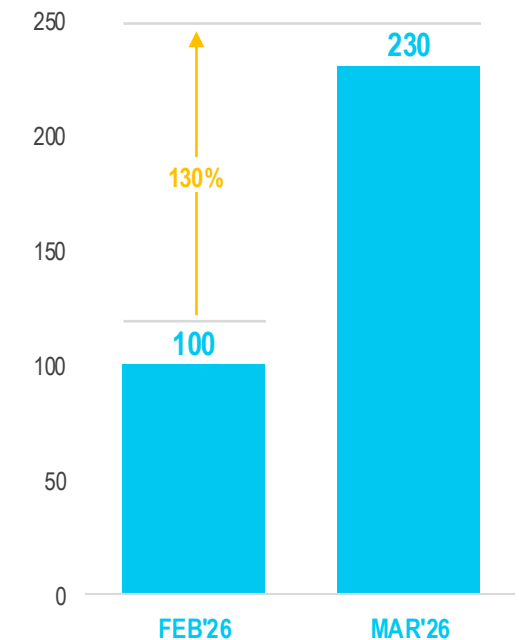
Flight Prices Have Experienced A Year-on-Year Double-Digit Percentage Hike In Both Hong Kong And Singapore, Far Outpacing General Inflation



SOARING REWARD TRANSFERS

Index, Feb-Mar'26, HeyMax→Cathay Pacific

Customers' Transfer Of Reward Points Has Skyrocketed Due To The Burning Hole That Higher Flight Prices Are Leaving In Their Pockets



EMPHASIS ON TRAVEL-BASED REWARDS

KEY TAKEAWAYS

Taking note of customers' growing preference for overseas travel and their propensity to spend larger amounts when travelling, most issuers in Hong Kong and Singapore offer travel-based rewards, allowing customers to convert their points to partner airline miles or hotel loyalty points.

This benefits not just customers, but it also benefits issuers by allowing them to:

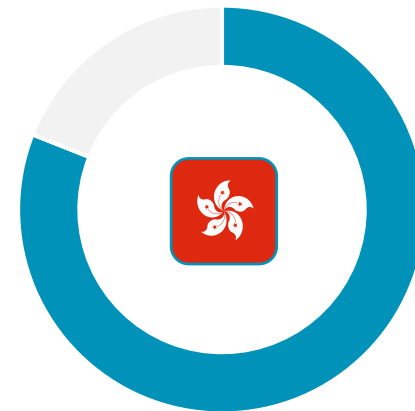
1. Acquire more affluent customers;
2. Attract greater spending;
3. Capitalise on delayed redemptions; and
4. Gain from expiration of substantial points.

As such, a strong travel-based rewards proposition has developed into a win-win model for both customers and issuers.

Recognising customers' immense interest in travel, most credit card issuers in Singapore and Hong Kong now offer travel-based rewards, allowing either direct earning of – or transfer of points to – miles

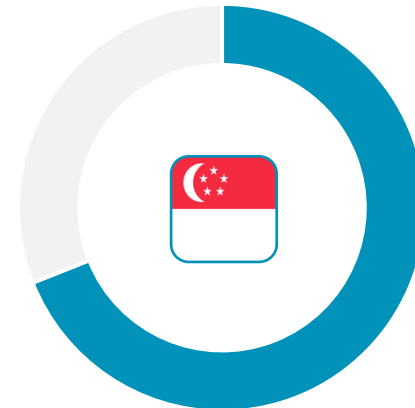
Travel-based Reward Offerings

%, 2026E, Hong Kong & Singapore



81%

...of Hong Kong credit card issuers offer travel-based redemption options

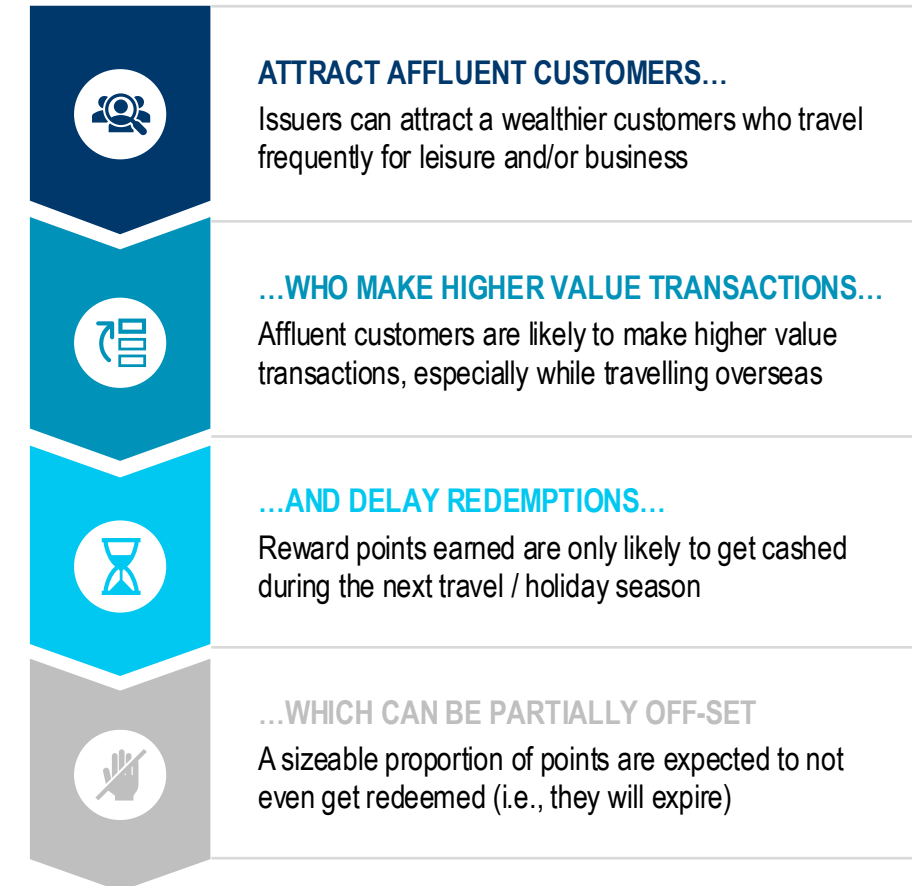


69%

...of Singaporean credit card issuers offer travel-based redemption options

Motivation for Issuers

Key Drivers



CURRENT TRAVEL-BASED REWARD MODELS

KEY TAKEAWAYS

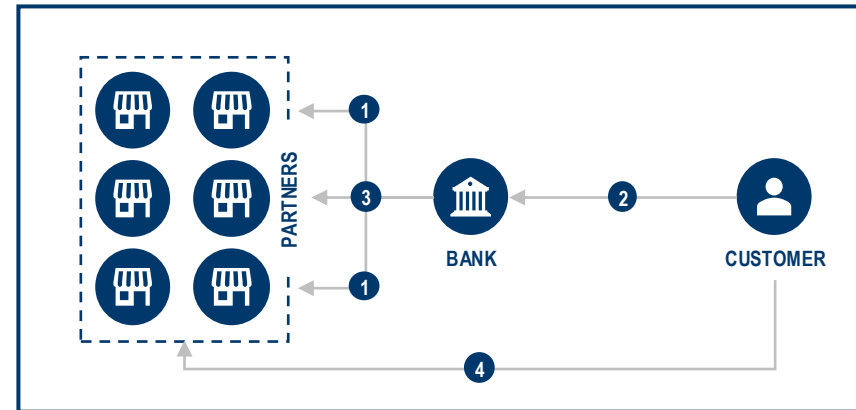
Issuers most commonly structure their rewards following one of two models:

- **Model 1 (Points Transfer To Partners):** establishing a partner network of partner brands to whose loyalty points ecosystem the issuer's customers may transfer their reward points to. or
- **Model 2 (Direct Partner Currency Crediting):** setting-up a dedicated partnership with a single partner brand to reward customers directly in that partner's native loyalty points currency.

At present, there are two main types of travel-based reward models employed by issuers, including: (1) Points Transfer to Partners; and (2) Direct Partner Currency Crediting

MODEL 1

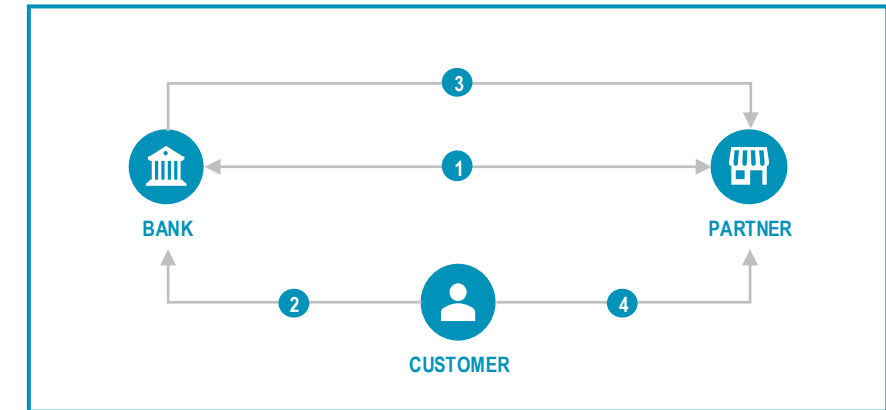
Points Transfer To Partners



- 1 Establish Partner Networks**
The issuer ties-up with multiple partners for points transfer partnerships, allowing customers to convert points from the issuer's currency to partners'
- 2 Initiate Transfer**
The customer selects an available partner to transfer points to, instructing the issuer to carry out the points conversion and transfer process
- 3 Credit Partner Currency Points**
The issuer credits the partner currency points to the customer's account held with the partner specified by the customer
- 4 Process Redemption / Transfer**
The customer redeems the points while making a purchase with the partner or instructs it to transfer them to one of its own transfer partners

MODEL 2

Direct Partner Currency Crediting



- 1 Launch Co-brand Card / Joint Points Scheme**
The issuer partners with a brand to launch a joint offering (e.g., co-brand card) that rewards the partner's native points currency to customers
- 2 Process Transaction**
The customer carries out a transaction using their credit card to make a purchase at any available merchant
- 3 Credit Partner Currency Points**
The issuer immediately credits the partner currency points to the customer's account held with the partner
- 4 Process Redemption / Transfer**
The customer redeems the points while making a purchase with the partner or instructs it to transfer them to one of its own transfer partners

EXAMPLES OF REWARD MODELS

KEY TAKEAWAYS

Taking the examples of two locally strong and globally relevant issuers in HSBC in Singapore and Standard Chartered in Hong Kong.

HSBC has built a network of 20 travel-related partners in Singapore, composed of 16 airlines and 4 hotels, for its customers to transfer their reward points to, including large brands such as Singapore Airlines and Marriott Bonvoy, making HSBC's credit cards attractive for travel-focused customers.

Over in Hong Kong, Standard Chartered has partnered with Cathay Pacific to launch a series of co-brand cards that directly reward customers in Cathay Pacific's native points currency, called Asia Miles, making it a lucrative card for frequent fliers of Cathay Pacific.

For example, HSBC has an extensive partner network of 20 brands for points transfer in Singapore, while Standard Chartered has launched three co-brand cards with Cathay Pacific in Hong Kong

MODEL 1: Points Transfer To Partners

Case Study, HSBC (Singapore)



HSBC has built a sizeable network of 20 travel-related transfer partners in Singapore, including 16 airline and 4 hotel partners, possessing a robust geographic presence that stretches across multiple continents

LIST OF TRAVEL-RELATED POINTS TRANSFER PARTNERS IN SINGAPORE

AIRLINES

HOTELS

MODEL 2: Direct Partner Currency Crediting

Case Study, Standard Chartered (Hong Kong)



Standard Chartered has launched three co-branded cards with Hong Kong's leading air carrier, Cathay Pacific, allowing cardholders to earn directly in Asia Miles (i.e., Cathay Pacific's native loyalty points).

	 Standard	 Priority	 Priority Private
Welcome Offer	Up to 40k Asia Miles	Up to 100k Asia Miles	Up to 120k Asia Miles
Transaction Reward	1 Asia Mile is rewarded for every HKD 2-6 of spend based on category		
Milestone Reward	Earn 20 Status Points for every HKD 100k eligible spend, up to 100 p.a.		
Rebate on Flights	Up to 20% Asia Miles rebate on flight awards		
Lounge Passes	Not offered	4 business class	2 first + 8 business class
Priority Check-in	Not offered	Premium eco ¹ counter	Business class counter
Priority Boarding	Not offered	Via Group 3	Via Group 2
Annual Fee	HKD 2,000	HKD 4,000	HKD 8,000

Favourable  Unfavourable

SECTION 2

THE BROKEN PROMISE OF TRAVEL-BASED LOYALTY

OVER-ARCHING CHALLENGES

KEY TAKEAWAYS

Notwithstanding the strategic merits of travel-based loyalty programmes, issuers in Hong Kong and Singapore are experiencing three key challenges with respect to their travel-based reward models:

- **Lack of Control:** no real ability to exercise adequate control over their loyalty rewards programme;
- **Poor Value Capture:** absence of end-to-end coverage of customer journey, utility, and data capture; and
- **High Costs:** high operating costs associated with setting-up and running travel-based rewards programmes.

The travel-based reward models being deployed by issuers are experiencing three core problems, centered around: (1) Control; (2) Value Capture; and (3) Cost

Key Challenges

Current Travel-based Reward Models



Lack of Control

Issuers lack sufficient control over their rewards proposition

- High industry concentration of major airlines in Hong Kong and Singapore leads to lopsided bargaining power
- Most issuers have very limited travel partners, who can arbitrarily de-value their currency and typically aren't exclusive to one issuer
- In co-brand partnerships, in particular, decision-making flexibility is constrained



Poor Value Capture

Issuers are getting cut out of the customer journey and related data

- Reward ecosystems lack true universal fungibility and transferability
- A sizeable share of up to 40% of loyalty rewards points are going unused, pointing to limited customer utility
- Issuers are unable to capture valuable data on customer travel / lifestyle behaviours, hampering personalisation and cross-sell



High Costs

The cost of travel rewards programmes is weighing heavily on profitability

- Loyalty points represent a sizeable upfront cost for issuers with minimum guarantees
- Co-brand card unit economics are further hampered by revenue- / profit-sharing agreements between issuers and airlines
- The operational costs for issuers in setting-up and managing travel loyalty programmes are sizeable

SECTION 2.1

LACK OF CONTROL



LOW BARGAINING POWER

KEY TAKEAWAYS

With Hong Kong and Singapore's airline industry being highly concentrated (e.g., their leading airlines command 56% and 50% market share, respectively), issuers have more limited partnership options than many other markets.

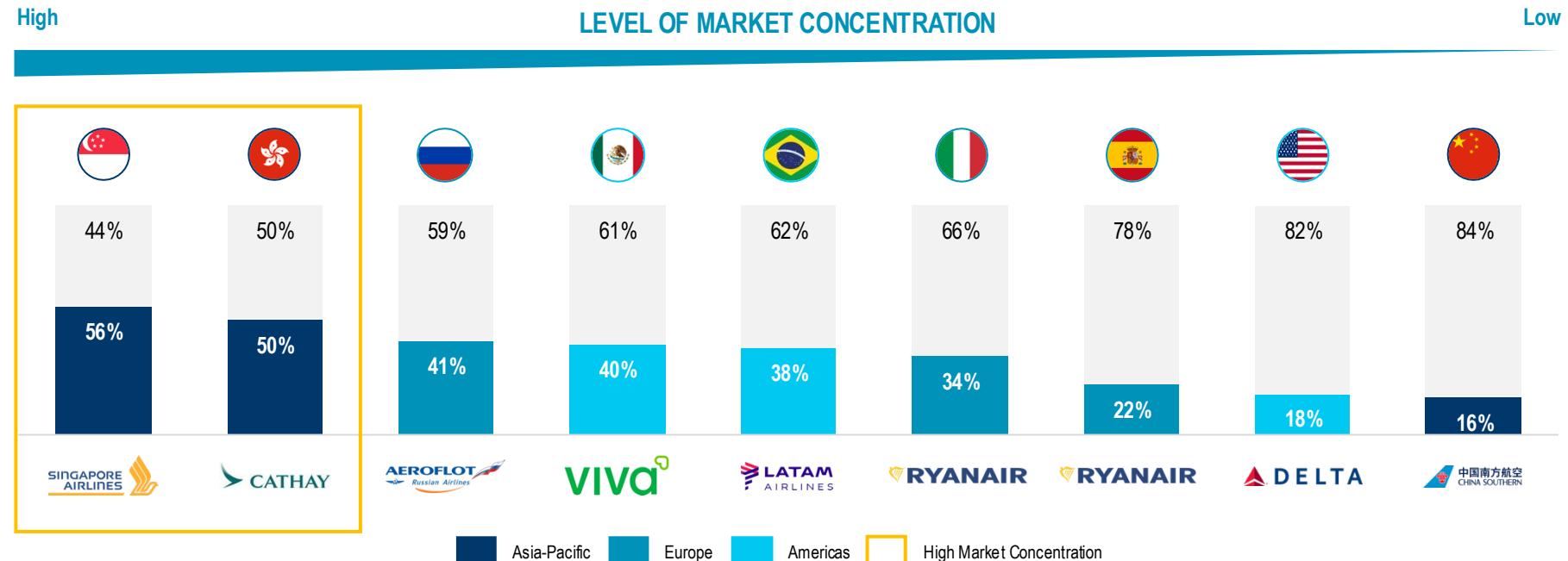
This market concentration translates to an arms race wherein several issuers are pursuing the same small set of potential partners, losing bargaining power in the process.

This results in lopsided negotiations that favour prospective merchant partner brands when agreeing upon key terms of partnership agreements (e.g., cost of airline miles acquisition).

Relative to other markets, Hong Kong's and Singapore's airline industry is highly concentrated, resulting in a lack of viable partnership options and consequent low bargaining power of issuers

Market Share of Leading Airline

%, By Market, 2025



Lack of Sufficient Partnership Options

Issuers have limited viable airline partners, given only a few players dominate the landscape...

Arms Race for Striking Partnership

...dominant players favour partnering with the largest issuers with the broadest reach

Low Bargaining Power to Negotiate

...as a result, most of the bargaining power lies with the dominant airline partner, not the issuers

Note: Market share is based on passenger seat traffic

Source: Sina Finance, Bureau of Transportation Statistics, Aviation Week, PANROTAS, T21, Aviation Source News, Air Service One, Mordor Intelligence, Quinlan & Associates analysis

SHALLOW PARTNER NETWORK BUILD-OUT

KEY TAKEAWAYS

Apart from a handful of outliers, issuers in Hong Kong and Singapore have on average just 3 and 4 hotel / airline points transfer partners, respectively, for transfer of their native currency to partner point programmes.

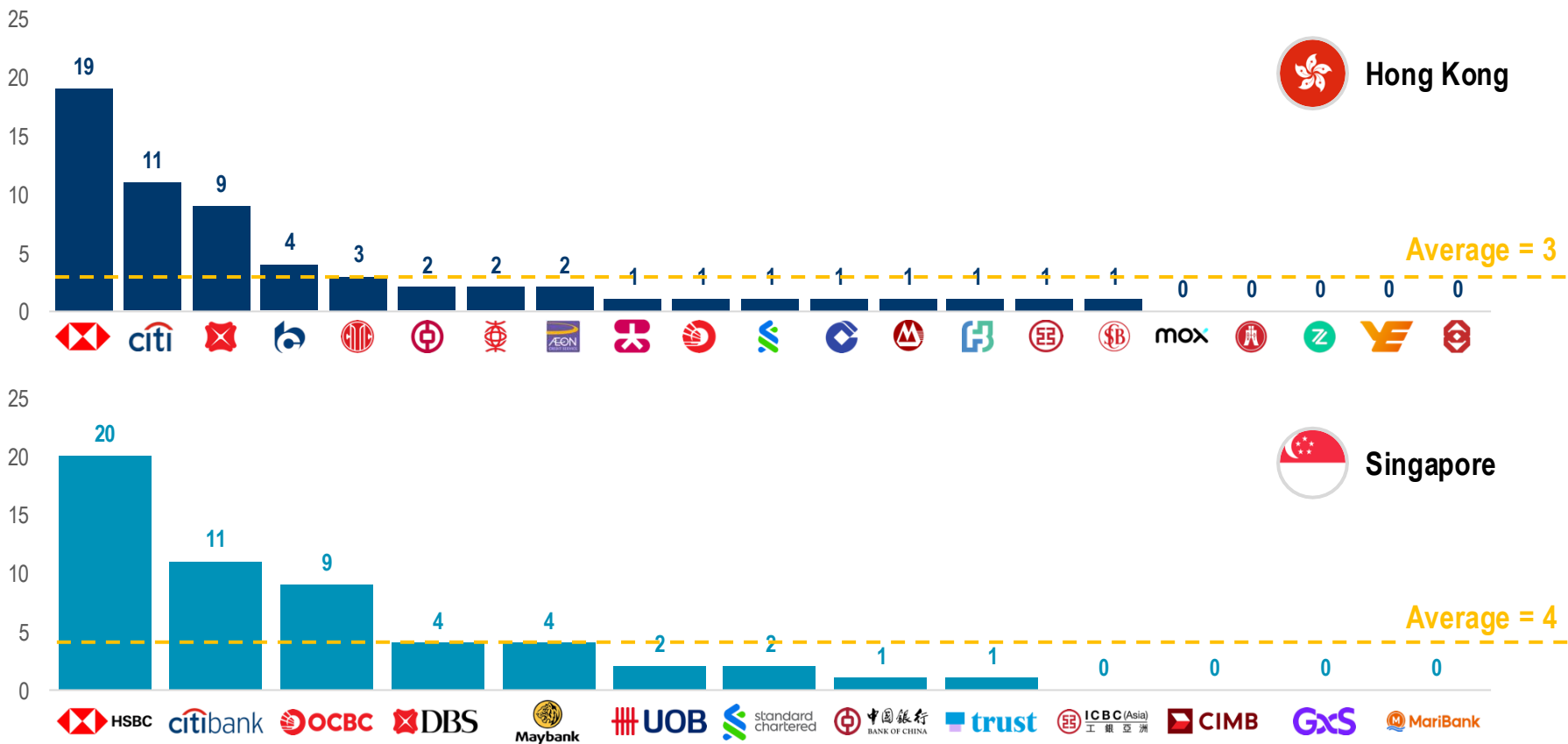
In fact, 5 issuers in Hong Kong and 4 in Singapore, respectively, offer no airline or hotel partner for points transfer whatsoever.

Such a shallow network of transfer partners has several domino effects, resulting in significant drawbacks that we explore later in this report.

Most credit card issuers in Hong Kong and Singapore have no more than 3-4 hotel / airline points transfer partners, resulting in very limited avenues for their customers to transfer points to

Partner Network for Issuer Currency to Airline / Hotel Points Conversion

of Points Transfer Partners (excluding direct crediting via co-brand card), as of October 2026



Note: The airline and hotel partners may possess several transfer partners of their own to whom the points may be transferred on to, however, only direct partnerships have been counted and displayed (e.g., DBS allows transfer of points to Avios, which is counted as a single airline partner but may allow for usage with multiple further airline partners of its own); Cebbrand card partners who do not have native points currency to partner currency convertibility are not included in the count (i.e., Model 2); Subsidiaries of partners have not been counted separately unless they have their own unique native points currency and the issuer has a separate, direct, and explicit points transfer mechanism to; Data is valid as of 26 October 2026

Source: Various issuers, Quinlan & Associates analysis

ABSENCE OF EXCLUSIVITY

KEY TAKEAWAYS

Issuers' partnerships, be they for points transfers or co-brand credit cards, may not enjoy exclusivity.

With respect to points transfer, popular merchant partner brands are commonly found to partner with multiple different issuers to permit transfer of reward points from them. For example, Cathay Pacific, which has 56% market share in Hong Kong, has point transfer tie-ups with 12 issuers in the jurisdiction.

Co-brand card partnerships may also lack complete exclusivity if the merchant partner brand is particularly lucrative and has high bargaining power. For instance, over in Singapore, Singapore Airlines, which has 50% market share, has credit card offerings with not just local issuer UOB, but also Amex in the same geographic market.

Even if an issuer is able to get a co-brand card partner to agree to exclusively launching a credit card with only itself, the merchant partner brand may still have points transfer partnerships with other issuers, resulting in quasi exclusivity.

Even if an issuer can successfully establish a partnership with a very sought-after market partner, they often lack exclusivity, impacting their competitive differentiation

Exclusivity Eroding Factors

Two Key Factors

Points Transfer to Competing Issuers

Points transfer partnership agreements generally do not carry a strict exclusivity clause, allowing merchant partner brands to tie-up with multiple issuers, resulting in limited partner differentiation

CATHAY PACIFIC (Points Transfer Partner Issuers)

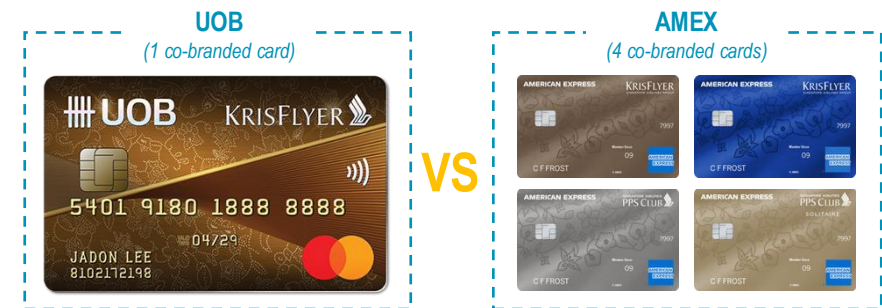


Although Cathay Pacific has a co-brand card partnership with Standard Chartered, customers can still earn Asia Miles through cards offered by other rival issuers

Multiple Co-brand Card Partnerships

Co-brand card partnerships may not always come with exclusivity; even if an exclusive credit card launch is agreed upon, points transfer partnerships with rival issuers dilute this exclusivity

SINGAPORE AIRLINES (Co-branded Credit Cards)



Although Singapore Airlines launched a credit card with UOB, it has also launched four other co-brand credit cards with American Express ("Amex"), a non-bank competitor

NO CONTROL OVER PARTNER DYNAMICS

KEY TAKEAWAYS

Issuers can neither dictate how partner merchant brands run their loyalty rewards ecosystem nor be immune to the ill effects of downturns in their partner's business fortunes.

For instance, Asia Miles, one of the most popular points transfer / earning options provided by 12 issuers in Hong Kong, in partnership with Cathay Pacific, has suffered three instances of post-COVID de-valuation between 2023-2026.

Meanwhile, in the midst of the COVID-19 pandemic which battered the airline industry, in a bid to restore their co-brand card's relevance, UOB and Singapore Airlines rolled out four key changes in 2021 to benefit their cardholders.

As such, the upside of partnering comes with its fair share of downside risks for issuers as well.

Issuers are unable to prevent partners from de-valuing their currency and may be negatively impacted by any hit to a partner's business, especially if it is a popular transfer option amongst customers

Consequences of Low Control

Two Key Aspects Explained with Examples

PARTNER CURRENCY DE-VALUATION

The partner may de-value their reward currency ecosystem



Cathay Pacific's Asia Miles (Hong Kong)

Hong Kong-based airline Cathay Pacific, which boasts a 56% domestic market share and has point transfer tie-ups with 12 issuers in Hong Kong, has carried out three de-valuation exercises since the start of the decade:

October 2023	Asia Miles awards prices were increased for Premium Economy, Business, and First Class by ~8-29%
April 2025	Asia Miles award requirements for long and ultra-long-haul Business Class flights witnessed a cost increase of ~5%
May 2026	Asia Miles award redemption rates were hiked by ~3.5%, with a greater volume of miles being required to purchase seats on flights

Source: The Milelion, Quintan & Associates analysis

PARTNER BUSINESS RISK

Hits to the partner's business may have a negative domino effect



UOB KrisFlyer Credit Card (Singapore)

With the COVID-19 pandemic sinking air travel demand, UOB's co-brand credit card with Singapore Airlines introduced new features in 2021 to boost the card's value proposition and help the airline, most of which were rolled back once the pandemic eased:

Lower Spend Milestone Threshold

40% reduction in "Accelerated Miles" spending threshold to earn bonus mile awards

Status Fast-track

A new fast-track option was added to achieve "KrisFlyer Elite Silver" status

Shopping Discounts

Discount offers were launched with KrisShop and GrabFood

Longer Points Validity

Customers could request a 12-month extension for the validity of their KrisFlyer miles

LOW DECISION MAKING FLEXIBILITY

KEY TAKEAWAYS

A co-brand card offering can suffer from decision-making paralysis due to conflicting interests between the issuer and merchant partner, ultimately causing longer turnaround times for decisions to be greenlit and making it harder for the partnership to respond to ongoing dynamics in the market or specific to their joint card offering.

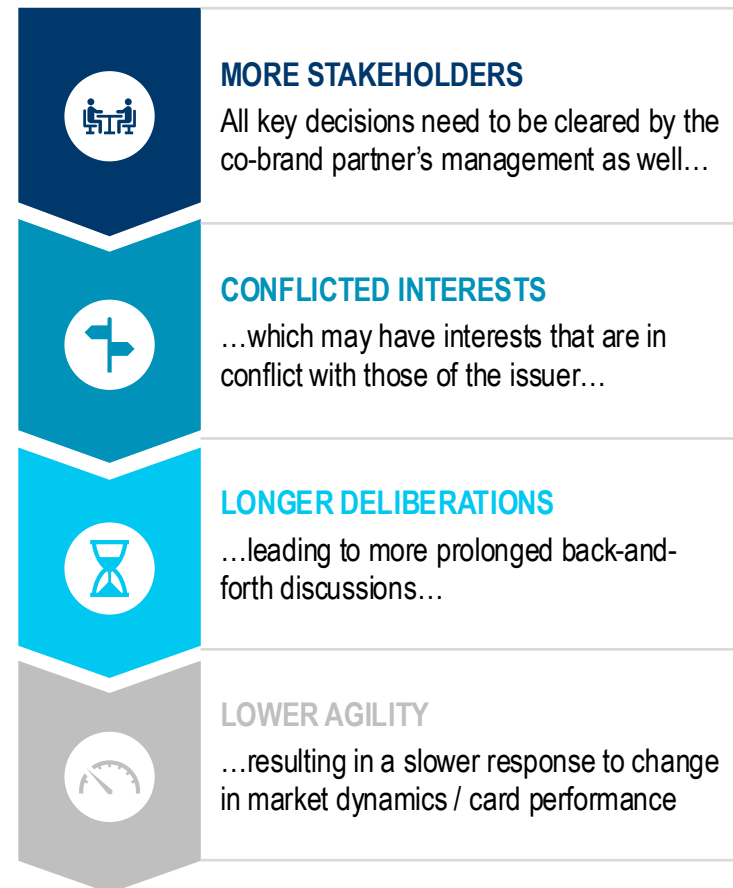
A recent example of this from the United States of America ("USA") is that of American issuer Wells Fargo's co-brand card with Bilt, which offered reward points on rent payments, a category typically excluded from rewards eligibility by issuers.

Wells Fargo suffered heavy losses of up to USD 10 million a month from this partnership. Despite its requests to Bilt to make changes, a lack of agreement between the two partners led to an early termination of the co-brand card offering.

In the case of co-brand card partnerships, since important decisions must be approved by both the issuer and the co-brand partner, conflicts of interest and a lack of agility can surface as key issues

Inflexible Nature of Offering

Four Key Sequential Reasons



Case Study

Wells Fargo x Bilt Rewards



Leading American issuer, Wells Fargo, partnered with a FinTech start-up, Bilt, to launch a co-brand card that offered points on rent payment, offering a truly differentiated card value proposition as credit cards generally do not dole out rewards for rent payments, resulting in:



SKYROCKETING INITIAL CUSTOMER ACQUISITION

Achieved 1 million active customer accounts within 18 months of launch



LACKLUSTER CARDHOLDER MONETISATION

Wells Fargo's revenues fell well short of internal projections



SIZEABLE FINANCIAL LOSSES

Wells Fargo was reported to be losing as much as USD 10m per month



ATTEMPTS AT RE-NEGOTIATING TERMS

Wells Fargo tried to re-work the co-brand card's unit economics



EARLY TERMINATION

Wells Fargo exited the partnership 4 years prior to its expiry

SECTION 2.2

POOR VALUE CAPTURE



PERSISTENT WALLED GARDENS

KEY TAKEAWAYS

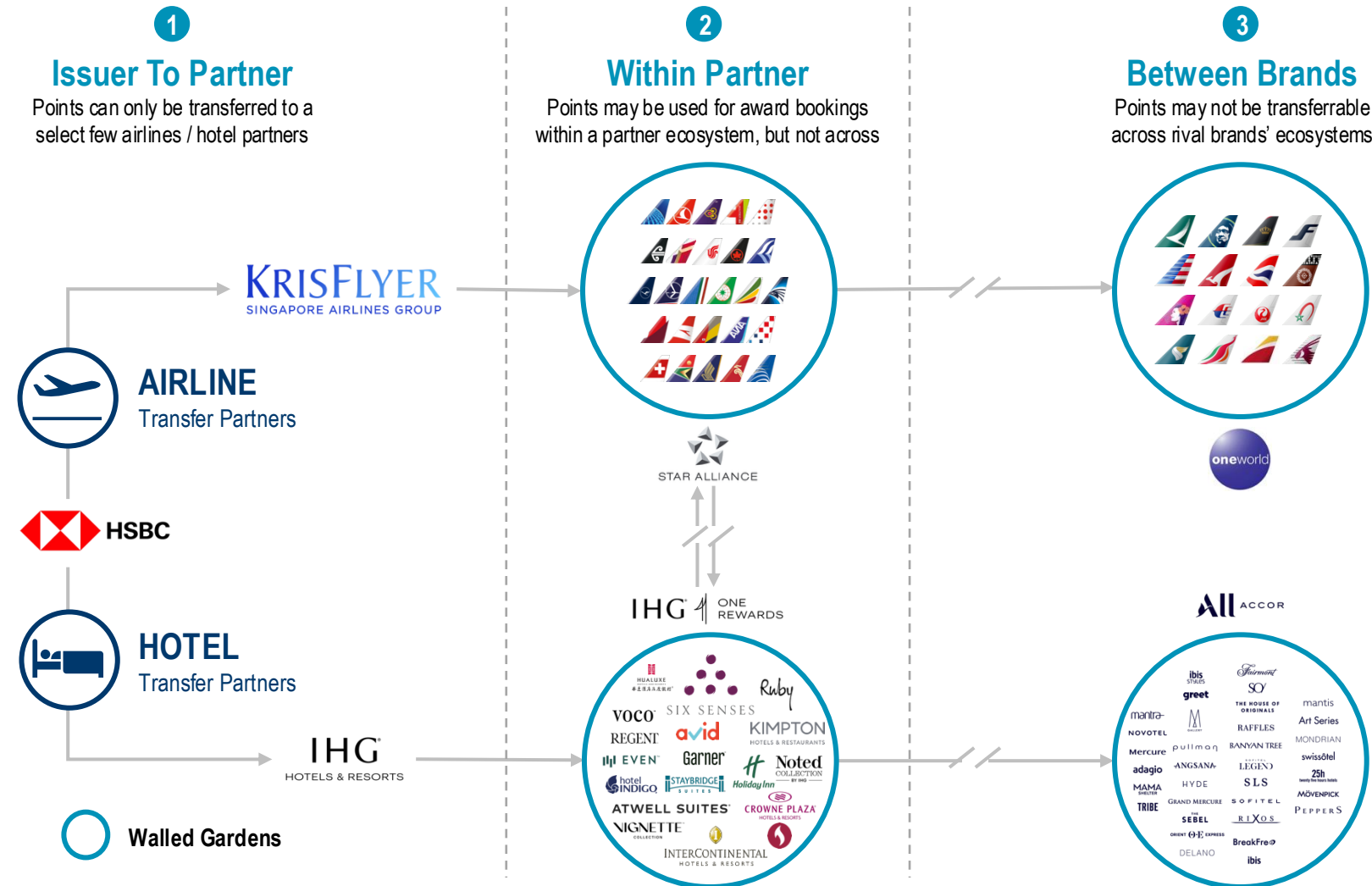
Over the years, issuers have tried to expand their travel partner ecosystems by adding more hotels and airlines. At the same time, major airlines and hotels have made great strides in creating more open loyalty currencies.

However, customers' loyalty points still remain trapped within walled gardens:

1. Customers can only transfer points to a select group of partners that have tie-ups with their issuer;
2. It may not be possible for customers to transfer points between separate hotel and airline ecosystems; and
3. It is generally not possible for customers to transfer points between rival hotel and airline ecosystems.

This greatly caps the versatility and fungibility of loyalty points' use cases for customers, given the need to manage multiple loyalty currencies across different platforms.

Despite efforts by airlines and hotels to create transferrable points ecosystems, loyalty points are not fully fungible and still sit within walled gardens, thereby limiting the utility of issuer loyalty points



Note: A few airline members of Star Alliance may have tie-ups with IHG, however, these are observed to be on an individual one-on-one basis and typically involve unidirectional transfer of points

Source: Quinlan & Associates analysis

LIMITED CUSTOMER UTILITY

KEY TAKEAWAYS

A sizeable chunk of customers' reward points simply lie dormant in their account until they expire, pointing to a lackluster value proposition that is failing to provide suitable utility to customers.

Although this may be financially accretive in the short-term, it is hurting issuers in the long-run by hampering their customer relationship.

There are five potential reasons as to why customers are not engaging with issuers' loyalty rewards ecosystem.

First, since most issuers have only a handful of transfer partners, there is a limited variety of use cases for the points' usage by customers.

Second, even if a customer finds a partner appealing, they have to read complex details, like transfer ratio, making it hard to gauge value.

Third, during transfer, a fee is often tacked on, reducing customer value.

Fourth, upon transfer, high points needed for meaningful purchases may hinder redemption.

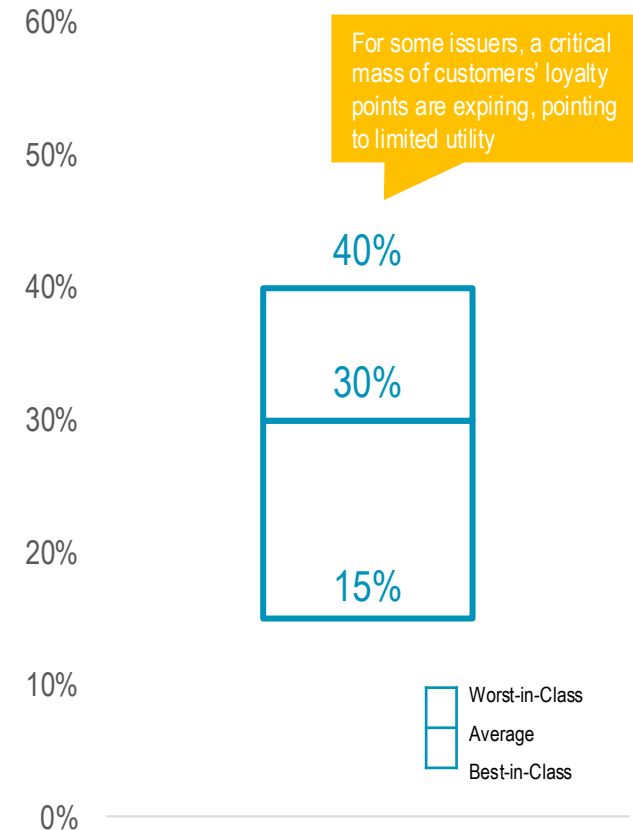
Fifth, even if they accumulate a critical mass of points, certain redemptions may be restricted.

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Between 15-40% of reward points go unused, while this may prove financially beneficial in the short-run, it points to a lack of sufficient customer value proposition that is damaging in the long-run

Loyalty Points Expiry Rate

%, 2026E



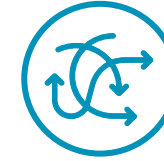
Notable Causes

Five Key Reasons



Lack of Merchant Partners

With just 3-4 partner merchant brands on average, issuers have a very limited network of partners for customers to transfer points to



Complex Mental Gymnastics

Rewards' value is unclear, due to differing transfer ratios, redemption rates, etc.



Extra Fee Charge

During the transfer process, customers may be charged a fee for facilitation of the same, reducing the value they are receiving



High Bar of Redemption

Partner merchant brands can set an arbitrarily high requirement of points for purchases



Limited Availability

Partners may restrict certain offerings (e.g., specific seats or entire flights in case of an airline partner) from being purchased via points

Source: Quinlan & Associates estimates

SIGNIFICANT VALUE BLIND SPOT

KEY TAKEAWAYS

Issuers can collect demographic customer information during the card application stage and have in-depth visibility into customer transactions, with the ability to see how much – and with what merchant – a customer is spending with.

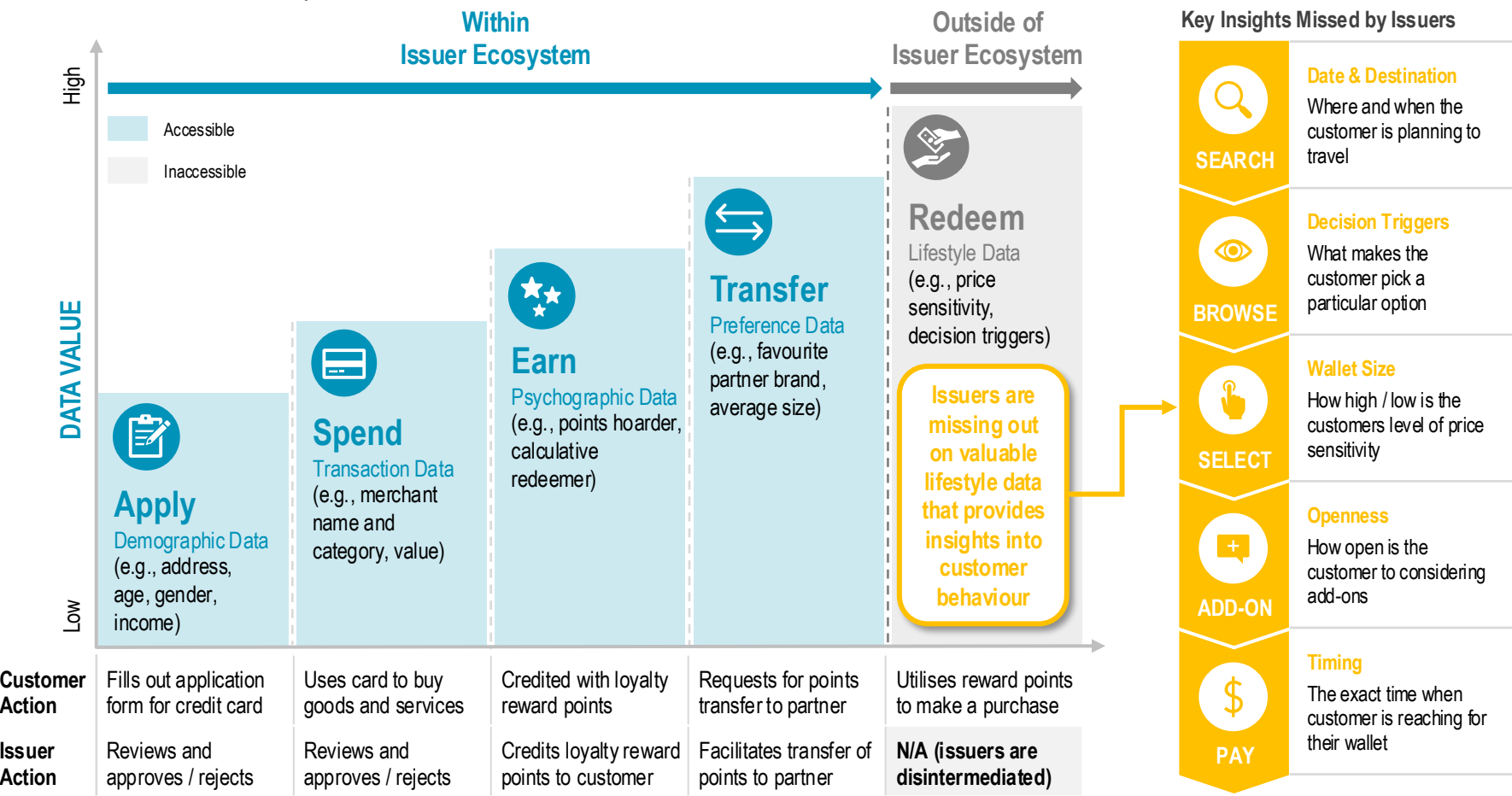
However, once customers transfer their reward points to a partner merchant brand, or in case the points are directly credited in the customer's account with the partner merchant brand to begin with (e.g., in case of a co-brand card), the issuer loses all visibility into how the points are being utilised, creating a significant value blind spot.

This inability of issuers to tap in-depth customer data in-turn prevents them from gaining insight into important customer contexts, decision triggers, and wallet size, etc.

Even when points are being used, issuers are losing visibility into their customers' key lifestyle and behavioural data, due to either transfers out – or direct crediting – of points to partners

Data Accessibility

Data Value Across Customer Journey



HARNESSING THE POWER OF DATA

KEY TAKEAWAYS

With access to in-depth data insights, issuers can gain a better understanding of their customers, allowing them to more effectively segment customers into relevant buckets for targeted engagement efforts, such as marketing.

Gleaning customer data can also act as a guiding light for future product development, such as designing new credit card launches around features and benefits that customers truly care about.

Such a data-driven approach can also allow for pricing optimisation, such as tailored discount offers and surge pricing.

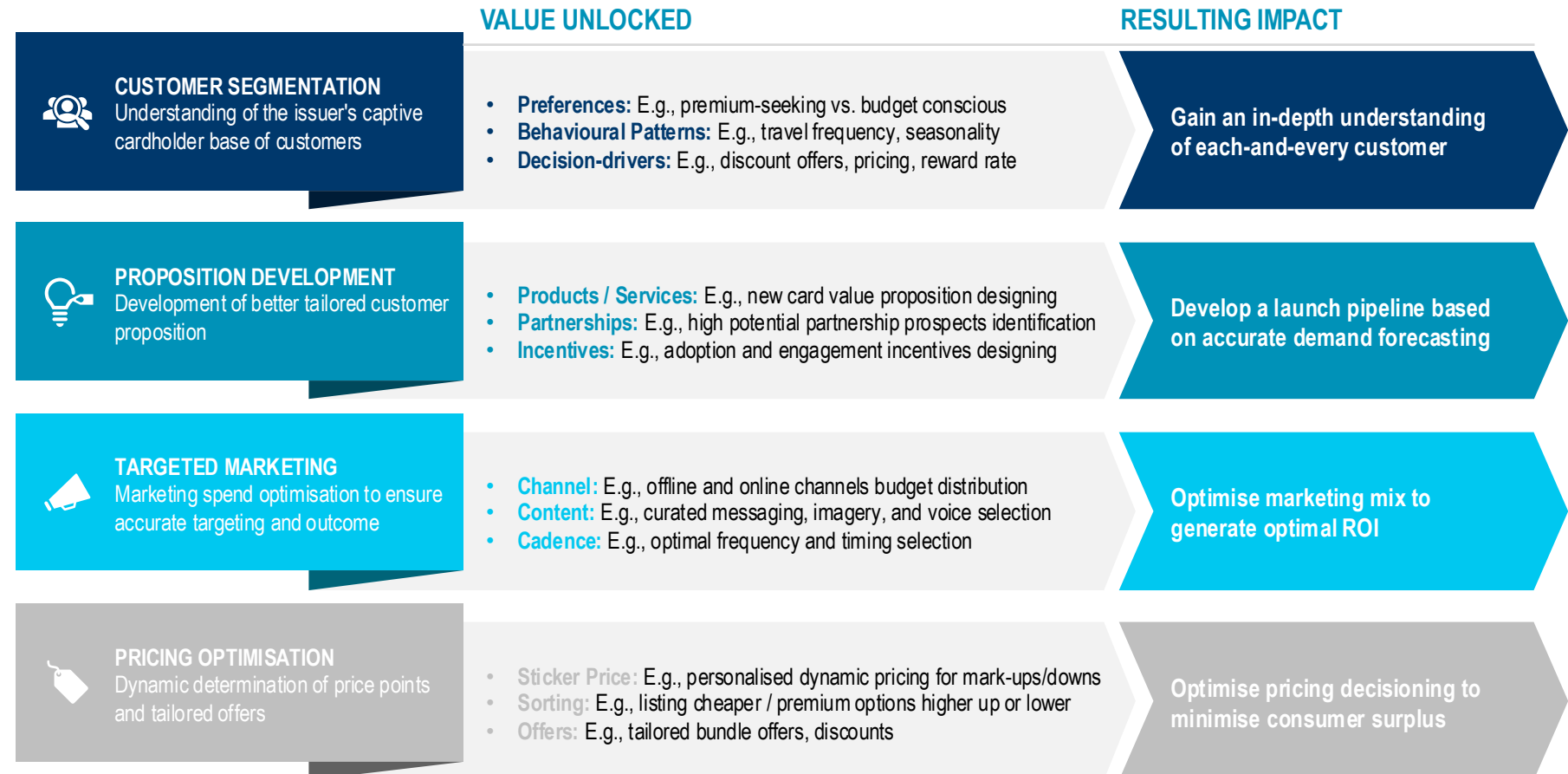
In this manner, if made accessible, lifestyle data can help issuers become more relevant to their customers.

With the resulting boost to customer retention and monetisation, banks can pare back their costly efforts towards customer acquisition.

Such data, if made accessible, can offer rich insights that can improve issuers': (1) Customer Segmentation; (2) Product Development; (3) Targeted Marketing; and (4) Pricing Optimisation

Potential Data-driven Insights Unlocked

Four-step Journey



SECTION 2.3

HIGH COSTS



COST OF FUNDING LOYALTY REWARDS

KEY TAKEAWAYS

Financial institutions typically need to fund loyalty rewards upfront in bulk or commit to a minimum rolling guarantee of points purchase.

For instance, Cathay Pacific earned USD 612 million of deferred revenue from mileage credits in 2025, a figure which has grown at 31.9% CAGR between 2022-25, of which the majority is estimated to originate from sale of miles to partners such as FIs like Standard Chartered.

Credit card issuers in Hong Kong and Singapore in particular are forecast to spend USD 5.0 billion on funding loyalty rewards by 2030, up from USD 1.8 billion in 2015, growing at a rapid clip of 7.1% CAGR.

As such, credit card issuers are experiencing a fast-burgeoning bill as they try to compete for cardholders by offering lucrative rewards on credit card spends to users.

We estimate Hong Kong- and Singapore-based credit card issuers spent a combined USD 3.5 billion on funding loyalty rewards in 2025, a figure we forecast to grow to USD 5.0 billion by 2030

Loyalty Points Purchase Requirements

Two Key Cases



CASE 1 – Bulk Upfront Purchase

Issuers may have to purchase partner points in bulk, as an upfront cost to be borne

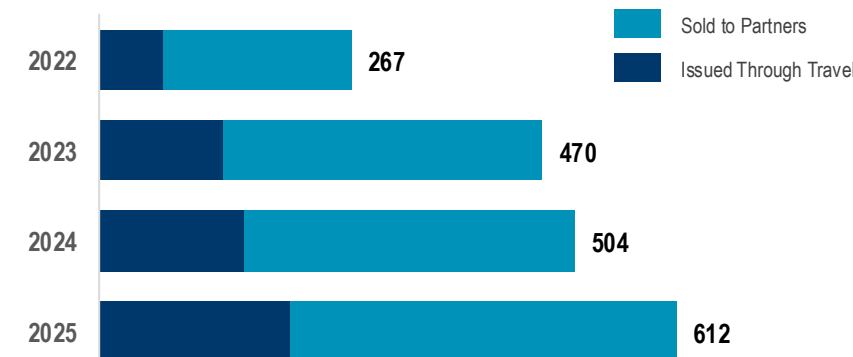


CASE 2 – Minimum Guarantee & Immediate Purchase

Issuers may have to guarantee a minimum set of points purchase and acquire them at the time of transaction, well before users redeem them

Case Study – Cathay Pacific

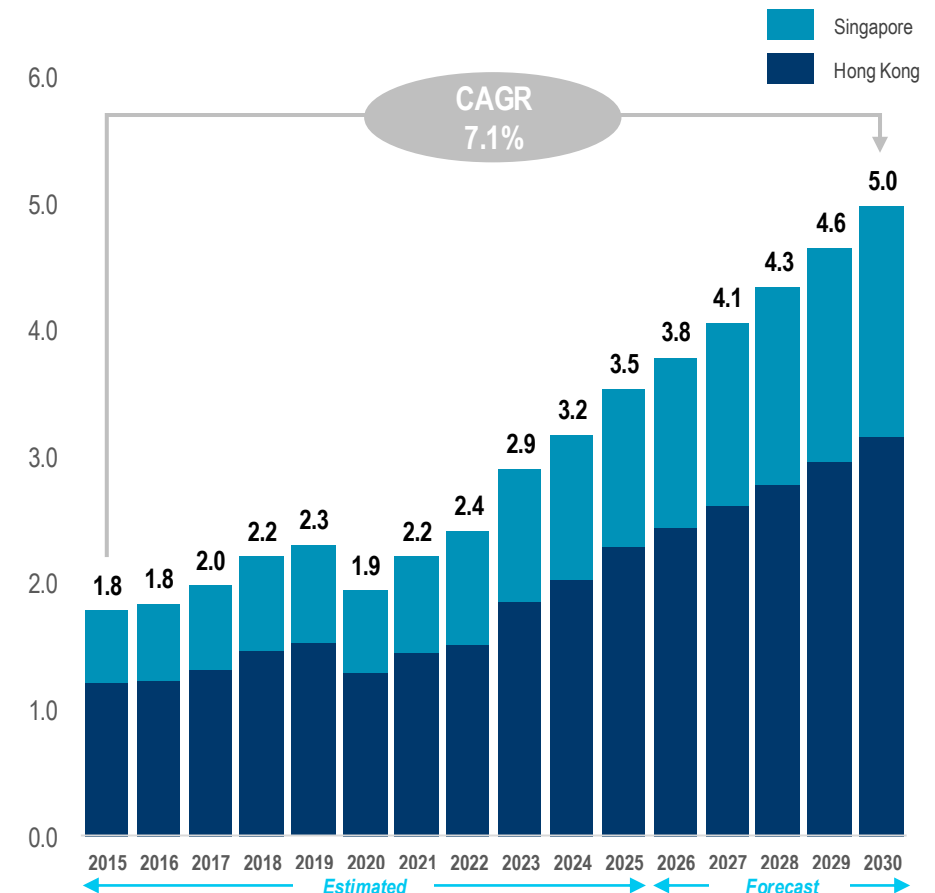
Deferred Revenue from Mileage Credits, 2022E-25E, USD Mn



Cathay Pacific generates hundreds of millions of USD in annual revenues from sale of Asia Miles to partners, with much of this coming from issuers

Loyalty Reward Costs

2015E-30F, Hong Kong and Singapore, USD Bn



CO-BRAND REVENUE / PROFIT SHARING

KEY TAKEAWAYS

The unit economics of a co-brand card partnership for an issuer are significantly impacted by having to share a sizeable cut of top-line revenue or bottom-line profits.

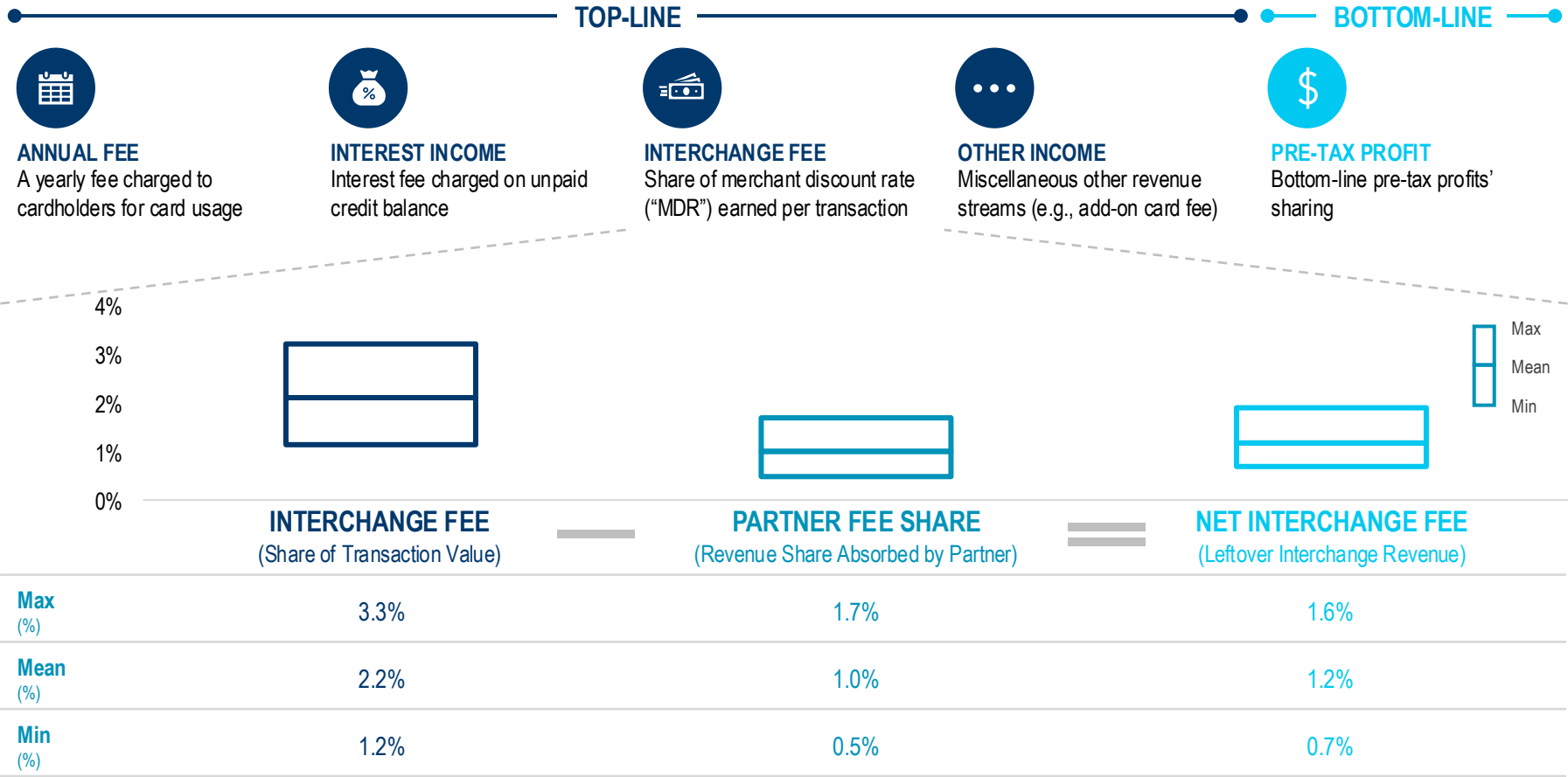
For instance, up to half of interchange fees may be absorbed by a co-brand partner if they are a market dominant brand and lucrative partner for issuers to chase after, leading to them enjoying lopsided bargaining power.

As such, issuers can feel a pressure to drive high volume due to lower unit economics, to enjoy a sufficient operating profit on co-brand card launches.

In the case of co-branded cards, unit economics are further hampered by issuers having to share their top-line revenue / bottom-line profits with their co-brand partner

Revenue / Profit Sharing

Top-line and Bottom-line



COSTLY LOYALTY MANAGEMENT

KEY TAKEAWAYS

Issuers incur four notable types of operating costs when running their loyalty rewards programmes:

- **Technology:** Infrastructure build-out and maintenance, API connectivity, etc.;
- **Staffing:** Hiring, training, and remuneration of employees;
- **Admin:** Management of the partnership-based loyalty rewards proposition in general; and
- **Marketing:** Advertising of partnerships.

Altogether, managing a loyalty rewards programme can soak up 10-20% of a credit card department's costs, resulting in issuers being out-of-pocket by a significant amount, with the hope of earning their investment back, along with a return on it, over the course of the cardholder lifecycle.

In addition, setting up and maintaining loyalty reward programmes is an expensive endeavour and accounts for an estimated 10-20% of a credit card department's annual operating budget

Share of Credit Card Costs

%, Annual, 2025E



COST CATEGORY	UPFRONT	ONGOING	SHARE (%)	MODEL 1 vs. 2*
 TECHNOLOGY	• API¹ connectivity set-up and tech infra build-out	• Cybersecurity, upkeep of tech. infra., etc.	10-30%	• Higher for Model 1, due to multiple APIs
 STAFFING	• Employee recruitment and training costs	• Remuneration, bonuses, and benefits	5-15%	• Similar, as staff is shared, not dedicated
 ADMINISTRATIVE	• Policies, systems, legalities, and governance	• Continuous management of partnerships	5-10%	• Higher for Model 2 due to co-brand nuances
 MARKETING	• Collateral design, research, sign-up / referral offers	• Online and offline promotional activities	5-10%	• Lower for Model 2 due to partner's brand power

HIGH CARDHOLDER CHURN

KEY TAKEAWAYS

Many issuers, especially those in Hong Kong, continue to launch new credit cards every year in an effort to attract new customers.

In fact, the number of credit cards in circulation in Hong Kong ballooned from 19 million in 2021 to 27.3 million in 2025.

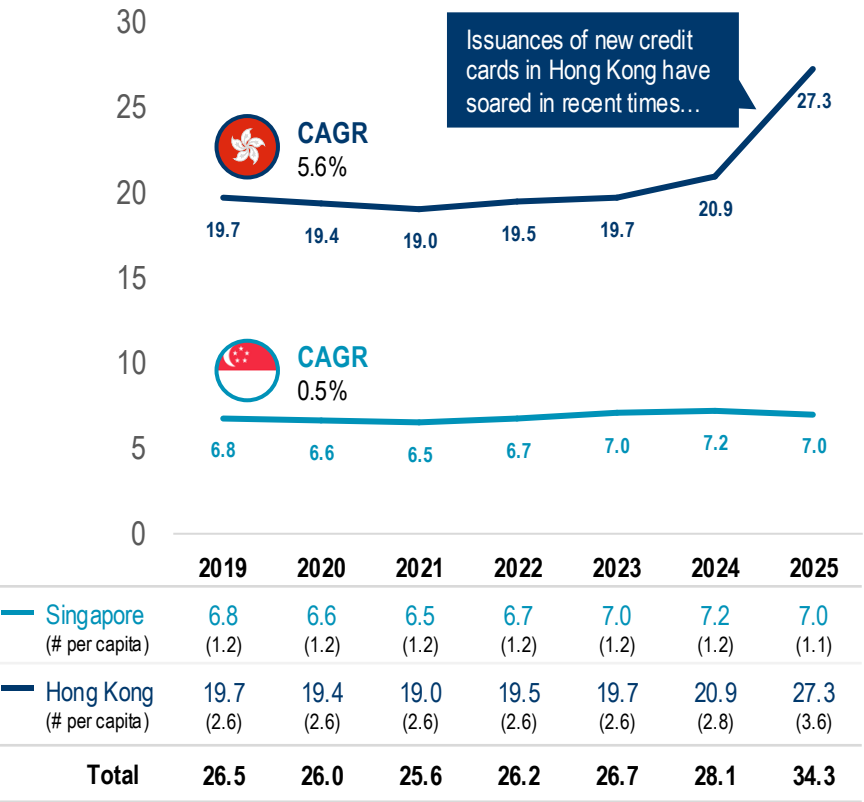
Despite the vast sums of money being poured into such efforts, it is clear that issuers in Hong Kong are failing to solve for customer retention (and hence loyalty), with the city's credit card churn rate reaching an eye-watering 87%, on average, from 2019-25.

As a result, individuals in Hong Kong now hold an average of 3.6 credit cards, pointing to a more fragmented – and thus weaker – relationship between issuers and their customers.

Issuers in Hong Kong, in particular, are struggling to maintain customer loyalty and are continually launching new cards to acquire customers without solving for retention

Number of Credit Cards in Circulation

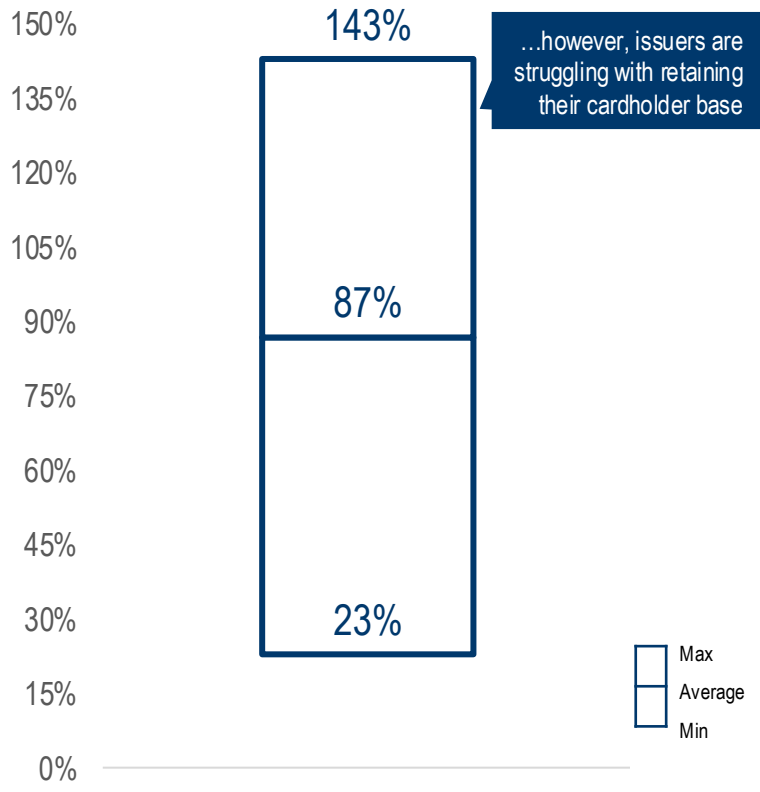
Mn, 2019-25



Issuers in Hong Kong are Attracting New Cardholders by Launching New Cards & Welcome Offers...

Annual Credit Card Churn Rate as Share of New Issuances

%, 2019-25, Hong Kong



...but are Struggling to Keep them Loyal, Having Not Yet Solved the Customer Retention Puzzle

WORSENING UNIT ECONOMICS

KEY TAKEAWAYS

The cost of running a credit card proposition has ballooned in recent years.

When examining five Hong Kong issuers who disclose their credit card P&L, we note that costs have grown by an average of 48% between 2021-25, with revenue growth lagging behind at just 27% over the same period.

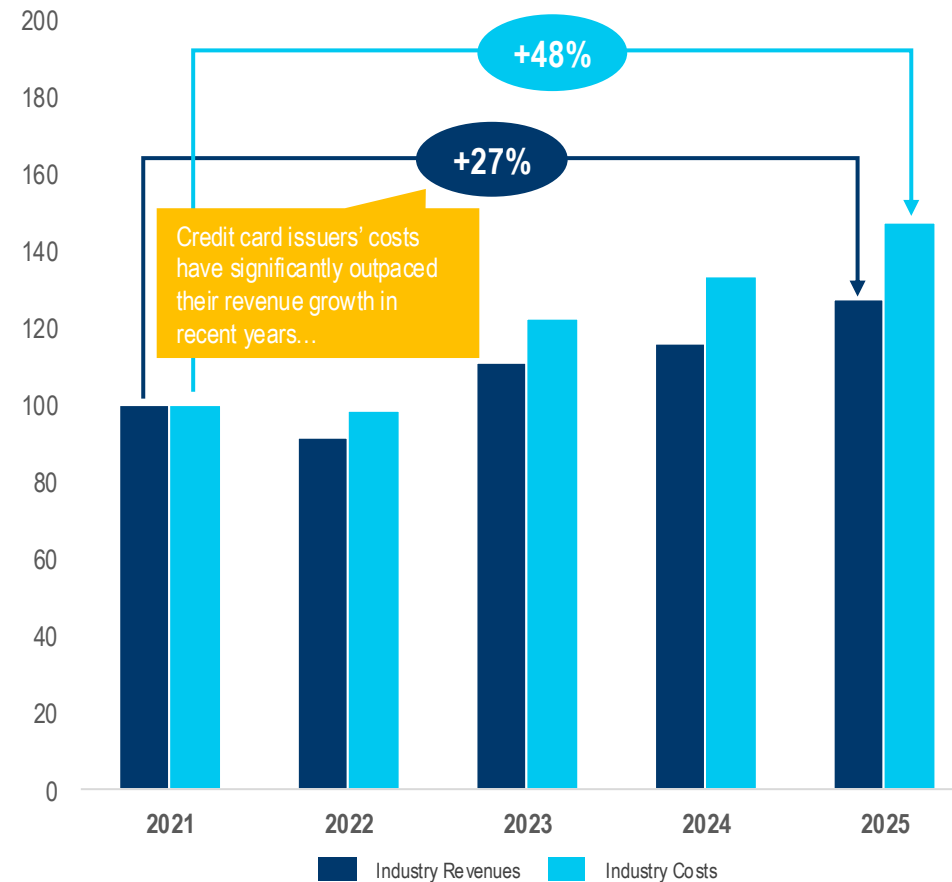
As a result, cost-to-income ratios have worsened for many credit card issuers, with the gap between best-in-class and worst-in-class widening considerably.

It goes without saying that the costs associated with setting up, funding, and operating issuer loyalty programmes have been a major contributing factor to their worsening unit economics, and a more sustainable loyalty rewards model is urgently needed.

The sizeable cost of running travel-based rewards programmes is a major drag on the profitability of Hong Kong issuers' credit card business, with many operating at unsustainable cost-to-income ratios

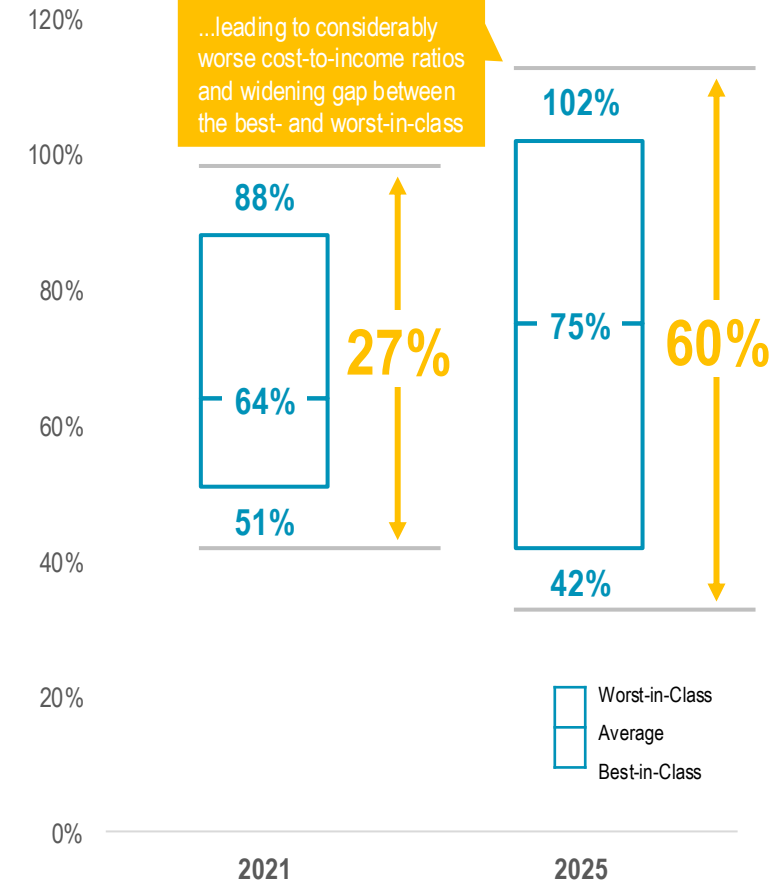
Revenues & Costs¹

2021-25, Indexed (2021 Value = 100)



Cost-to-Income Ratio

%, 2021 vs. 2025



SECTION 3

NATIVE OPEN LOYALTY AS THE SOLUTION

NATIVE OPEN LOYALTY

KEY TAKEAWAYS

Loyalty reward models can be assessed based on their level of embeddedness (i.e., how native the user journey is to the issuer) and openness (i.e., how open the platform is to various partners).

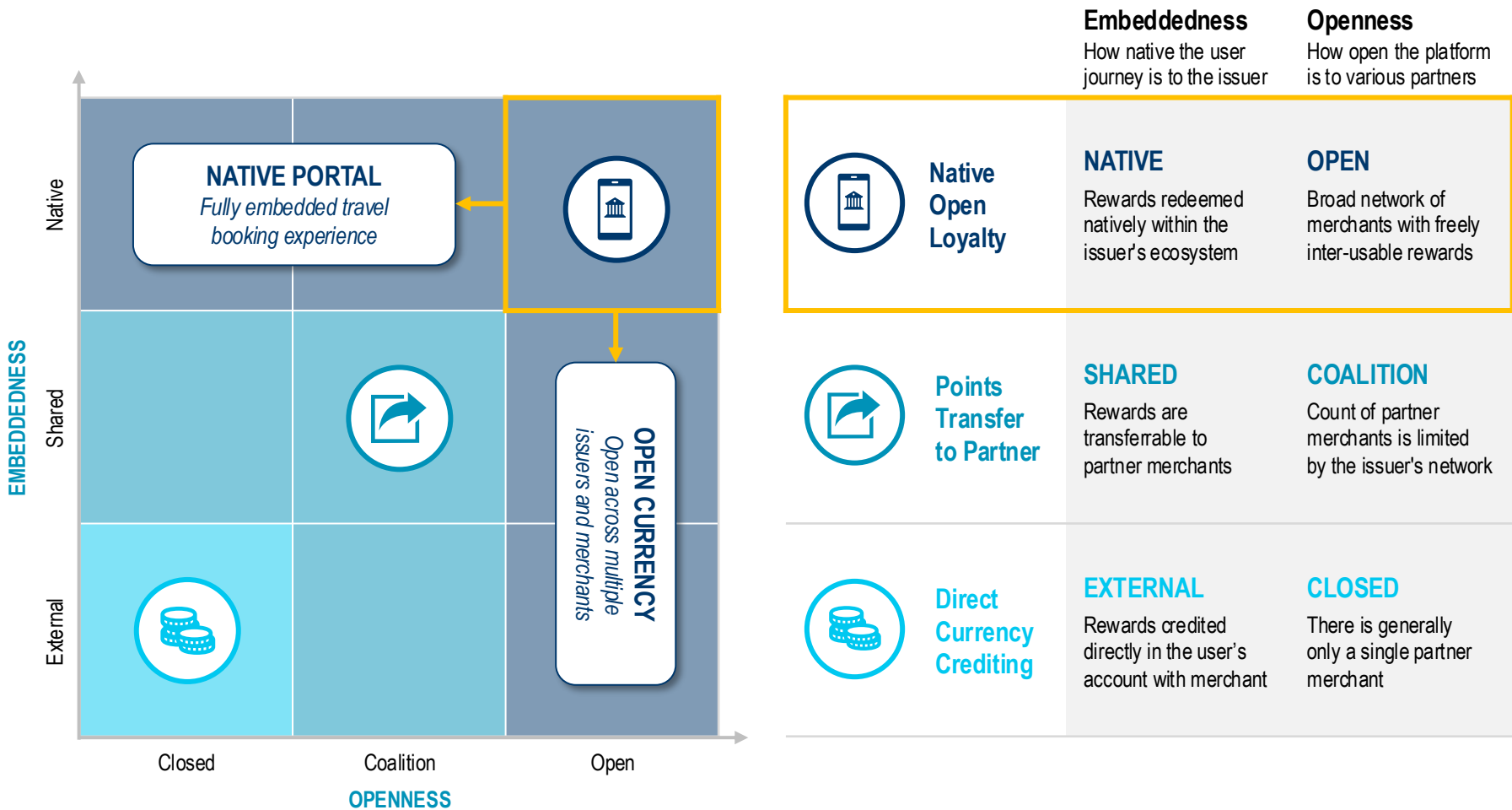
Based on these parameters, the solution lies in a reward points model that is:

- **Open:** Inter-usable rewards accepted across a critical mass of merchant partners; and
- **Native:** End-to-end native customer journey within the issuer's own ecosystem.

The future of the industry lies in a native open loyalty model that is both “open” to a critical mass of partner merchant brands for redemptions and yet “native” to the issuer's customer ecosystem

Categorisation Framework

Embeddedness (y-axis) vs. Openness (x-axis)



NATIVE PORTAL CASE STUDY – CAPITAL ONE

KEY TAKEAWAYS

In just its first full year, Capital One Travel received 8.5 million visitors, helping facilitate their travel booking, with features such as price predictions, proactive alert notifications, price match guarantee, protection against price drops, and easy flight re-booking / refund applications.

The innovative nature of Capital One's travel portal has helped it unlock the following benefits:

- Improved credit card differentiation;
- Customer data capture; and
- Opening-up of cross-selling avenues.

Capital One developed a native travel portal to enhance its loyalty offering and is now seeing millions of platform visits from customers who are being retained within its own ecosystem

Case Study

Capital One Travel



Capital One, a leading consumer financial services provider in the US launched "Capital One Travel", a travel booking portal made accessible to its cardholders for reserving flights and hotels natively, with an extensive network of its partners, via its own platform.

8.5 Million

of Visitors in First Full Year of Operations (2022)

Value Proposition for Capital One

Three Key Benefits



IMPROVED CREDIT CARD DIFFERENTIATION

The portal acts as an additional service provided for all applicable credit cards



CUSTOMER DATA CAPTURE

Capital One captures a treasure trove of travel data for personalisation



OPENING-UP OF CROSS-SELLING AVENUES

Various financial services and products relevant to travel can be cross-sold

Value Proposition for Customers

Six Key Step-wise Benefits

PRICE ALERT	Capital One Travel predicts flight prices and alerts customers when they should book
BOOK TRAVEL	Customers can book flights, hotel accommodation, and/or car rental, etc.
PRICE MATCH	Customers receive credit if they can find better price on another site within 24 hours of booking
PRICE DROP GUARD	If prices drops within 10 days of flight booking after recommendation, customers receive credit
STATUS ALERT	Customers receive updates on any flight delays or cancellations
DISRUPTION ASSISTANCE	Customers can easily rebook flight with any airline at no additional cost or receive a refund

OPEN CURRENCY CASE STUDY – STAR ALLIANCE

KEY TAKEAWAYS

By banding together to form a shared ecosystem, 26 airlines have made their loyalty reward points seamlessly inter-usable. A customer can earn points with one airline and redeem them with another.

As customers earn points with member airlines, they also gain a shared status that unlocks benefits for customers of all member airlines.

Furthermore, the airlines can collectively offer their customers access to 1,000+ lounges and other airport services across a broad geographical scale.

Star Alliance members can access a shared pool of benefits with an open currency that is fully fungible and inter-changeable across 26 member airlines

Case Study

Star Alliance



Shared Ecosystem

Six Key Advantages

Tiered Status

Status with one airline gives status with Star Alliance as a whole

Infrastructure

Provision of access to over 1,000 airport lounges worldwide

Priority Benefits

Superior travel experiences are unlocked for customers of all member airlines

Geographic Scale

Access flights from 26 airlines spread across the globe

Points Earning

Every trip adds points that are usable across the whole network of airlines

Points Burning

Book tickets with one airline using points earned with another

Priority Benefits by Tier

Eight Key Benefits Across Two Tiers

	SILVER	GOLD
 Priority Stand-by	✓	✓
 Priority Waitlist	✓	✓
 Priority Check-in	✗	✓
 Extra Baggage	✗	✓
 Priority Bag Handling	✗	✓
 Priority Boarding	✗	✓
 Lounge Access	✗	✓
 Fast-track Lanes	✗	✓

✓ Applicable ✗ Not Applicable

REIMAGINING THE CUSTOMER JOURNEY

KEY TAKEAWAYS

Under issuers' current travel rewards programmes, customers are receiving non-fungible rewards primarily for credit card transactions, and to redeem them are having to transfer those reward points to a third-party platform, taking issuers out-of-the picture at a crucial stage of the customer journey.

A native open loyalty model can enable issuers to reward customers for more than just credit card transactions in a reward currency that is fungible across a critical mass of partners and does not require transfer out to a third-party, allowing customers to natively redeem points while giving issuers total control over the customer journey and experience.

Thus, adopting native open loyalty can ensure that customers stay within the issuer's ecosystem.

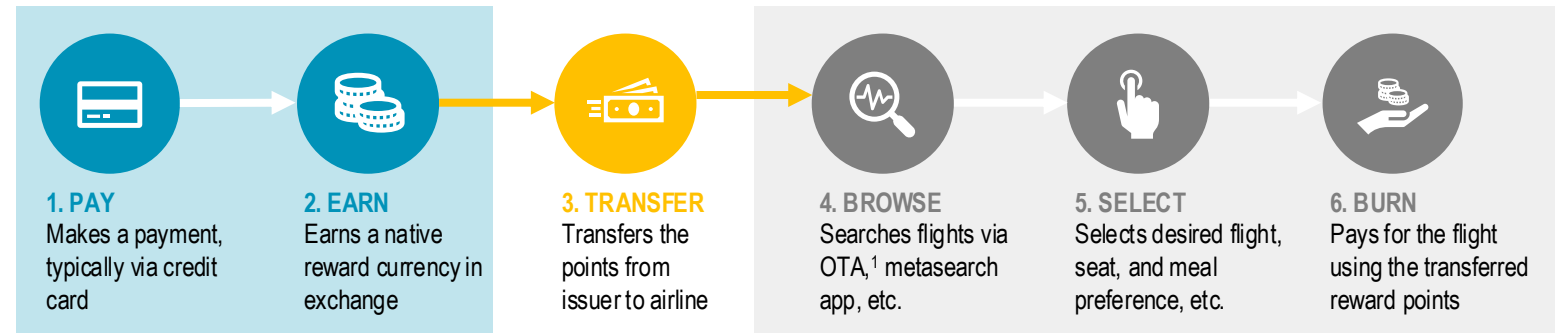
A native open loyalty model allows issuers to fulfil the end-to-end customer travel booking journey, from earning of reward points to redeeming them against their travel expenses

Process Flow

Step-wise Customer Flight Booking Process

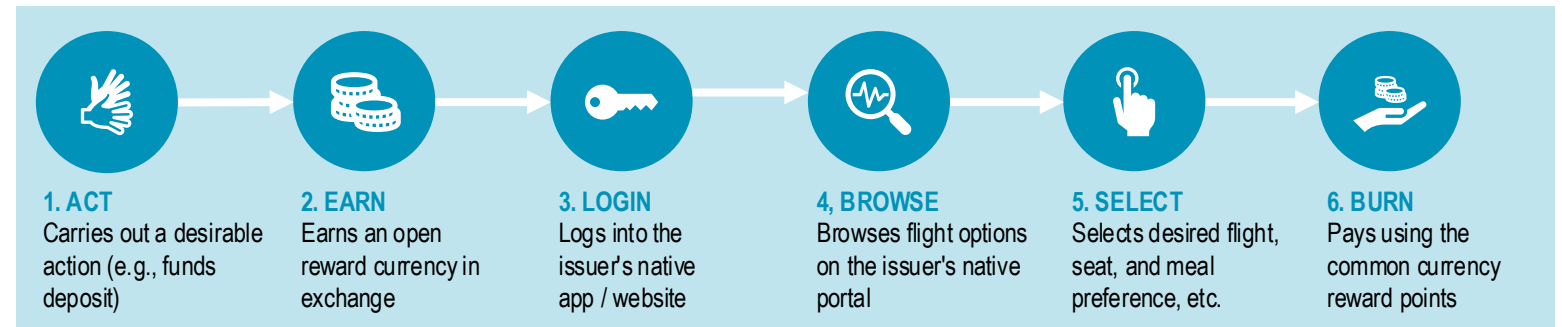
- Within Issuer's Ecosystem
- Bridge Across Ecosystems
- Outside Issuer's Ecosystem

Status Quo



VS.

Native Open Loyalty



Loyalty points can be earned from a wider variety of activities

Loyalty currency is fungible across multiple partners

Points can be transferred exactly at the time of redemption

Travel search and airline bookings can be managed within the issuer's own app

SALIENT BENEFITS UNLOCKED

KEY TAKEAWAYS

A native open loyalty model solves many of the pain points associated with issuers' current travel reward loyalty models.

With a broader network of partners accepting the open currency, issuers can immediately scale their partner count and boost customer engagement by providing their customers with a larger set of redemption options. This in-turn helps address issuers' high concentration and de-valuation risk with their limited ecosystem of existing merchant travel partners.

In addition, issuers gain end-to-end ownership of customer journey, from earning to burning of rewards. This enhances merchant connectivity, including giving them access to rich lifestyle data, while also boosting customers' point utility.

The resulting access to rich data on customer preferences can enable issuers to improve cross-selling while outsourcing many of their existing operational costs.

Adopting native open loyalty offers a multitude of benefits that directly address the various pain points currently being experienced with current models with respect to control, value capture, and costs

Benefits

Three Over-arching Pain Points Resolved



1 Lack of Control

Instant Access to Network

Ability to tap into an expansive pre-existing merchant partner base, instantly scaling-up their network

Reduced Partner Concentration Risk

Access to a much broader network of partners reduces issuers' single partner concentration risk

Improved Bargaining Power

Potential for an open currency operator to better bargain with individual merchants

More Partners, Faster, and Lower Risk



2 Poor Value Capture

More Avenues for Points Utilisation

With more partners becoming available, customers are likely to find more utility for their points

End-to-End Ownership

Customers no longer move out of the issuer's ecosystem to redeem their points

Treasure Trove of Accessible Data

Issuers gain access to invaluable data on how customers are intending to travel and redeeming

More Utility, Ownership, and Data



3 High Costs

No Minimum Purchase Requirement

No minimum open currency purchase requirement for individual programmes, buying only what is needed

Cost Outsourcing

Many operating costs shift to open currency network operator and more rewards get funded by merchants

Cross-selling of Value-added Services

Issuers can apply a mark-up to travel inventory being booked via their portal, better engage, and cross-sell

More Revenues, Lower Costs, Better Margins

SECTION 4

HOW WE CAN HELP

WHERE WE CAN SUPPORT YOU

Together with HeyMax, Quinlan & Associates can support your organisation in boosting client engagement and retention across the following pillars:

1. Loyalty Strategy Development

- Customer Analysis
- Proposition Review
- Strategy Development
- Operating Model Development

2. Native Open Loyalty Enabling

- Creative Ideation
- Commercial Optimisation
- Integration Support
- Risk Management

Quinlan & Associates and HeyMax can support financial institutions in developing strategic roadmaps and delivering loyalty solutions tailored to their specific needs

LOYALTY STRATEGY DEVELOPMENT

QUINLAN & ASSOCIATES

CUSTOMER ANALYSIS

Conduct surveys, focus group interviews, and in-depth one-on-one interviews with current, former, and prospective customers to grasp retention and engagement drivers

PROPOSITION REVIEW

Review your current customer loyalty proposition and benchmark it against local and global peers / best practices, to identify strengths and areas of improvement

STRATEGY DEVELOPMENT

Develop a bespoke customer loyalty strategy, backed by a robust business case, to boost long-term engagement, retention, and customer lifetime value ("CLV")

OPERATING MODEL DEVELOPMENT

Recommend an operating model based on internal capability gaps, with guidance around governance, technology, talent, and regulatory compliance

NATIVE OPEN LOYALTY ENABLING

HeyMax

CREATIVE IDEATION

Ideate a brand new, fit-for-purpose native open loyalty proposition that is tailored to as per the intended goals and target customer

COMMERCIAL OPTIMISATION

Optimise commercial arrangement to deliver an improved return on loyalty programme investments to get the best bang for buck

INTEGRATION SUPPORT

Facilitate seamless integration of the new native open loyalty platform with a rapid turnaround time and easy uptake process

RISK MANAGEMENT

Outline notable risk management considerations and mitigation measures to suitably address the same, proactively



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