



**United
Nations**

Department of
Economic and
Social Affairs

How to account for loyalty programmes and gift cards in macroeconomic statistics?

**26th Meeting of the Advisory Expert Group on National Accounts
9-10 July 2024**

**Benson Sim
United Nations Statistics Division**

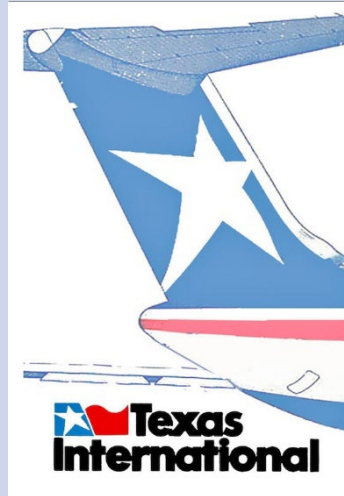
Outline

- **Why** look at loyalty programmes and gift cards?
- Existing material
- Questions, issues, options and recommendations
- Questions for the AEG

Why? – Long history

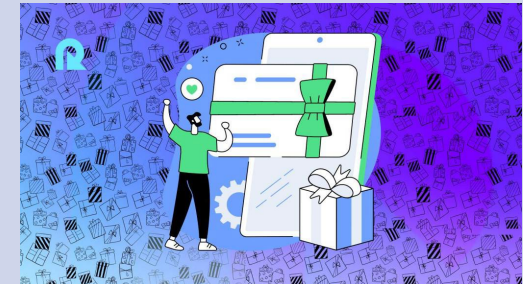
Loyalty programmes

- [Ancient Egyptians](#) already had one similar to modern frequent flyer programmes
- [First frequent flyer programme](#) was started in 1970s



Gift cards

- [Invented](#) in 1930s by large American department stores



Why? – Growing variety

Loyalty programmes

WORLD OF HYATT®

Hilton HONORS

MARRIOTT BONVOY™

CHASE ultimate rewards®

thankyou from citi®

extracare®

Kroger PLUS

★macy's

Introducing RBN REWARDS
Any Hotel, Any Airline, Any Destination

Dunkin' Donuts


Starbucks

Gift cards



Why? – Size

Loyalty programmes

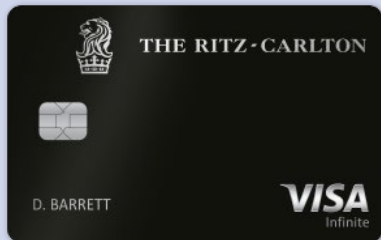
-  nearly 190 million members at of 31 March 2024
-  over 196 million members as of 31 December 2023
- **Any cross-border implications?**

Gift cards



Why? – Partnerships provide more opportunities to earn miles and points

Co-branded credit cards

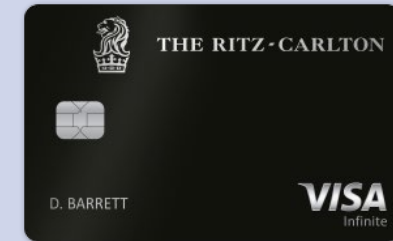


Attractive sign up bonuses



- Earn 175,000 Hilton Honors points if you spend US\$6,000 in purchases on the card within first six months of card membership

Double dip



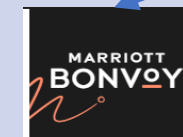
UNITED A STAR ALLIANCE MEMBER Confirmation: [Check-In >](#)

Issue Date: May 13, 2015

Traveler	eTicket Number	Frequent Flyer	Seats
[REDACTED]	[REDACTED]	UA- Premier Platinum / *G	7E/7A

FLIGHT INFORMATION

Day, Date	Flight	Class	Departure City and Time	Arrival City and Time	Aircraft/Meal
Sun,	UA894	S	SAN DIEGO, CA (SAN) 8:24 AM	HOUSTON, TX (IAH -BUSH INTL) 1:45 PM	A-319 Purchase
Sun,	UA1401S		HOUSTON, TX (IAH -BUSH INTL) 2:30 PM	MIAMI, FL (MIA) 6:05 PM	737-800 Purchase



Why? – Brokers have emerged

Frequent flyer miles and hotel rewards

The Points  King
THE
MILES  BROKER

Gift cards



Why? – Are redeemed products free of charge?

Are products that are acquired by redeeming rewards in loyalty programmes “free of charge”



UNITED A STAR ALLIANCE MEMBER

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Waldorf Astoria Maldives. Image Credit: Hilton

Why?

Other developments

Why? – 14th AEG meeting

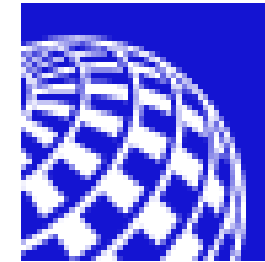
7. Agreed that – subject to available resources - the Digitalization Task Team (DZTT) also needs to consider issues on cloud computing; digital platforms and intermediaries; software subscriptions, rewards programmes, and the treatment of artificial intelligence in the SNA. The Globalization Task Team (GZTT) should also consider issues on the treatment of factoryless goods producers; merchanting; trade in value added and global value chains; and global production arrangements. In addition, individual issues such as non-bank financial intermediation (shadow banking); from-whom-to-whom tables; accounting for pension entitlements; provisions; and (revisiting) the treatment of intellectual property products are also considered very relevant for the update of the 2008 SNA.

Why? – Some loyalty programmes are worth more than parent corporations

UNITED 
MileagePlus[®]

US\$22 billion

>>



US\$10 billion

Why? – Lots of miles and points are being earned



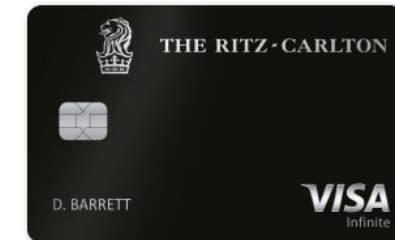
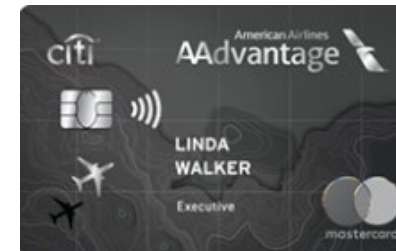
Delta's CEO



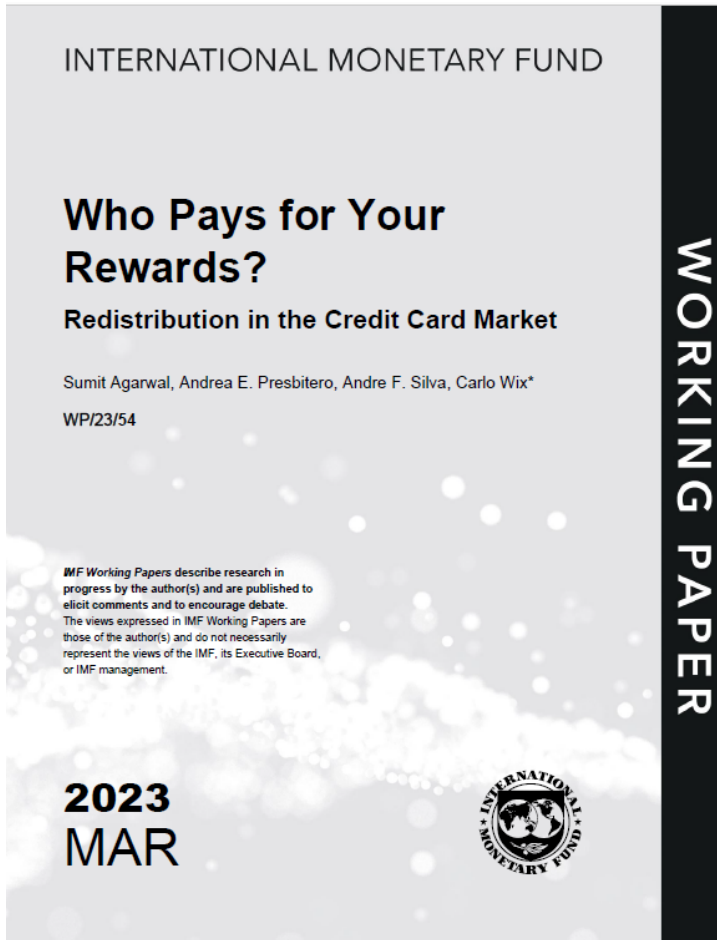
Consumers charge nearly 1 percent of US GDP to co-branded American Express credit cards **alone**

What will the figure look like if we add other co-branded credit cards?

How are the miles and points recorded in macroeconomic statistics?
Are they statistically homeless?



Why? – IMF working paper



share of Black residents. These results suggest that credit card rewards are a potential channel that can exacerbate existing socio-economic disparities across regions in the United States, as they imply a transfer from less to more educated, from poorer to richer, and from high- to low-minority areas, thereby widening existing spatial disparities.²⁴ Columns 2,4, and 6 illustrate that all coefficients become statistically insignificant and close to zero in magnitude when controlling for a ZIP code's average FICO score, indicating that differences in financial sophistication are the underlying mechanism driving our geographical results.

What does this imply for household distributional accounts?



Why? – Politicians are talking about them

Prime Minister of Japan



Mr. Akihiko Hoshide has flown to space three times and served as commander of the International Space Station for five months in 2021.

Next to him, is Mr. Daniel Tani. He is a retired Japanese American astronaut who has conducted six spacewalks and in his two missions logged over 50 million miles.

Which is a lot of frequent flyer points.

United States Transportation Secretary



Airline miles are "not just perks; they're increasingly something we think of as part of our savings," said Transportation Secretary Pete Buttigieg. (Kent Nishimura/Getty Images)

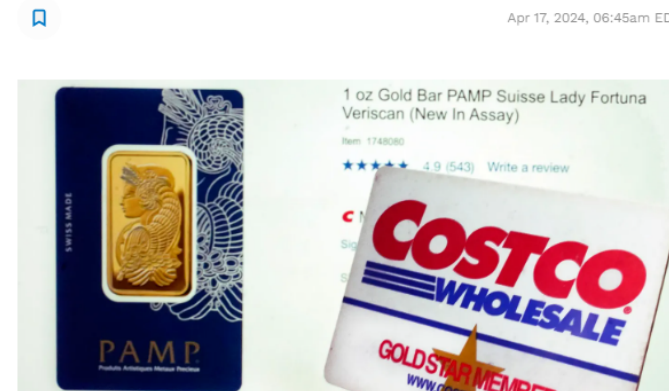
Why? – Buying assets also earn loyalty programme rewards



FORBES > BUSINESS > RETAIL

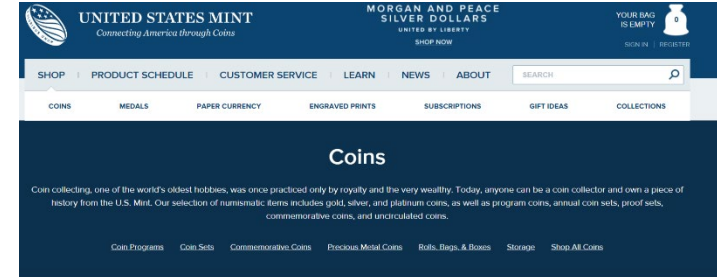
Costco Sells Gold Bars To Customers

Walter Loeb Former Contributor
I cover major developments in the retail industry.



(AP Photo/Richard Drew) COPYRIGHT 2023 THE ASSOCIATED PRESS. ALL RIGHTS RESERVED.

It is true! Costco now sells one ounce Gold Bars to customers. Sales of these one ounce gold bars have been very successful for the company. Supermarket News quotes Wells Fargo [WFC +2%](#) analysts that suggest sales “may be running at \$100 million to \$200 million a month”. Sales have accelerated since the warehouse club introduced the gold bars last Fall (2022).



Coin Programs

Coin programs include limited-edition circulating coins, uncirculated coins, proof sets, gold bullion, silver bullion, and platinum items.

Shop All



Luxurylaunches

NEWS / YACHTS / PEOPLE / CARS & JETS / FASHION / TRAVEL / TIME PIECES / HOMES / MORE

Celebrities | Published August 26, 2022

Meet the taxi driver turned billionaire who swiped his American Express credit card to buy a \$170 million painting. With the reward points alone, he and his family can travel first class free for their lives.

by Neha Tandon Sharma



Features of loyalty programmes and gift cards

Features of loyalty programmes

Direct purchases are possible

Can I buy Points?

You can buy up to 80,000 Points per year online. Once logged in, go to the 'Buy More Points' page and choose how many you'd like to buy. Points will take up to 48 hours to show in your account.

Hilton

Miles or points may expire



No matter how you earn your KrisFlyer miles (from revenue flights to credit card spend, from Kris+ earning to Quandoo restaurant bookings) they will expire on the last day of the month 36 months following the month in which they were first credited to your account.

KrisFlyer Miles Expiry

A member's KrisFlyer miles will expire after three years at the end of the equivalent month in which they were earned. For example, miles credited to a member's KrisFlyer account in July 2019 will expire on 31st July 2022.

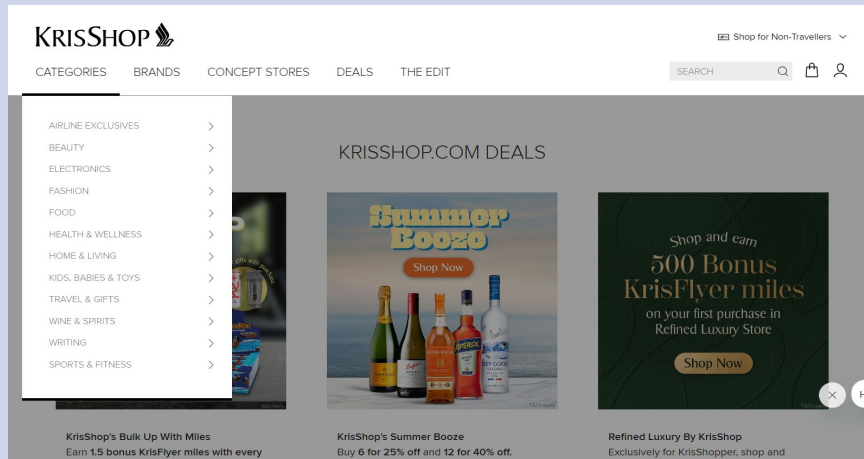
Extend validity of expiring miles (fee per 10,000 miles or part thereof)

Services	KrisFlyer	Elite Silver	Elite Gold
Extend for six months	1,200 miles or USD 12	Not applicable	Not applicable
Extend for 12 months	Not applicable	1,200 miles or USD 12	1,200 miles or USD 12

Features of loyalty programmes

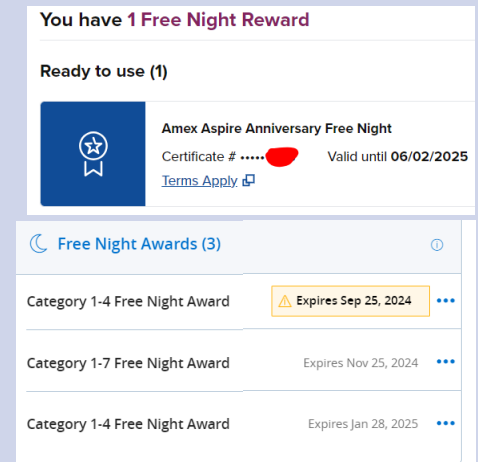
Flexibility in redemption

- Members can redeem rewards for products other than those produced by businesses operating the loyalty programmes
- Example: You can redeem frequent flyer miles for car rentals,, electronics, appliances, fashion, etc. in addition to flights



Reward certificates instead of points may be issued

- Issued for meeting certain requirements such as spending thresholds
- Can be redeemed for products produced by the business operating these programmes
- Typically expire one year from date of issue, which can be extended at the discretion of issuer (YMMV)



Features of gift cards – three groups

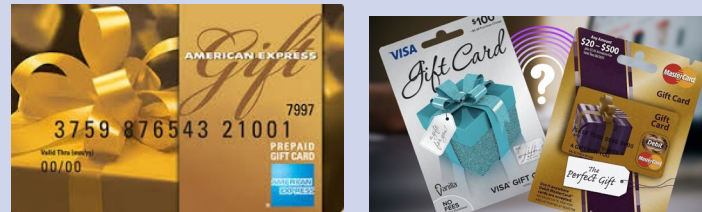
Closed loop (merchant) gift cards

- Can only be redeemed at merchant listed on the card
- No purchase fees
- May have expiration date, which cannot be extended



Open loop gift cards

- Can be redeemed almost everywhere
- Typically have activation and inactivity fees
- Have expiration date



Hybrid (multi-store) gift cards

- Can be redeemed at any of the stores associated with the card
- No purchase fees
- May have expiration date



Available in physical and digital formats

If we buy gift cards with, say, currency and deposits, what are we getting in return?

Existing material

Existing material – Statistical manuals

2025 System of National Accounts

Draft for Global Consultation

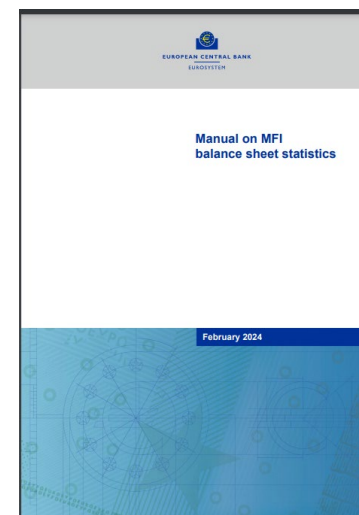
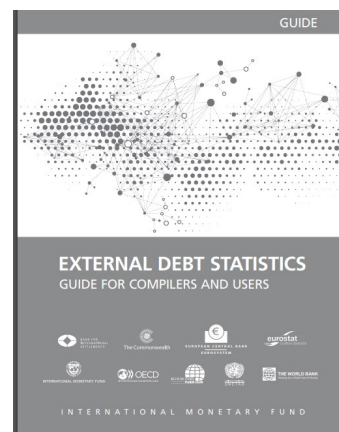
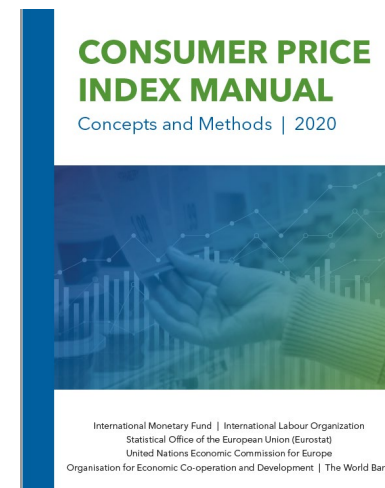
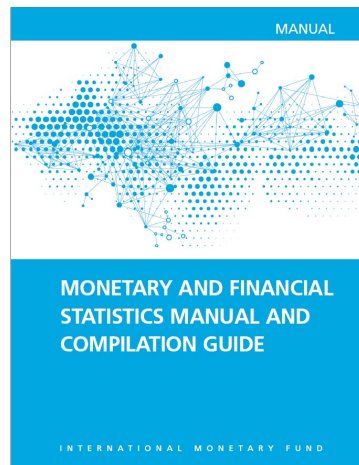
INTERNATIONAL MONETARY FUND

Statistics Department



*Balance of Payments and International Investment
Positions Manual, seventh edition (BPM7)*

Draft Annotated Outline



Existing material – Statistical manuals

Statistical manuals	Loyalty programmes	Gift cards
Draft 2025 SNA	Paragraph 7.162	x
CPI Manual	Paragraphs 2.184, 2.188 and 5.16	x
Draft BPM7	x	x
External Debt Statistics Guide	x	x
MFSMCG	x	Paragraph 4.39 (prepaid cards) Paragraph 4.40 (store cards)
Manual on MFI balance sheet statistics	x	Page 70 (prepaid cards)

No specific or comprehensive guidance on how to treat rewards and gift cards in macroeconomic statistics
Paradox? You can see miles, points and gift cards everywhere, but in macroeconomic statistics

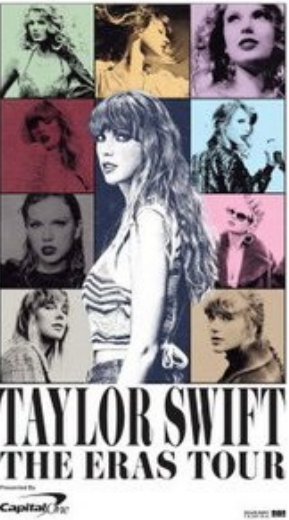
Existing material – paragraph 7.162 of draft 2025 SNA

Why only goods?

7.162 The following points should be noted:

- **Goods** sold are valued at the prices at which they are actually sold, even if the trader has to mark their prices down to get rid of surpluses or avoid wastage. Allowance should also be made for the effect of reductions in price due to loyalty programmes or other schemes to offer reduced prices to certain customers in certain circumstances.

Services



Fines

The City of New York
Notice of Parking Violation

YOU MUST ANSWER WITHIN 30 DAYS OF THE DATE OF THIS TICKET. IF YOU DO NOT RESPOND, FINES AND INTEREST WILL BE ADDED AND YOUR VEHICLE MAY BE BOOTED OR TOWED.

Permit Displayed	Permit Number	Type
N/A	N/A	N/A
Name of the Operator, if present. If not present, OWNER OF THE VEHICLE BEARING LICENSE		
Plate	City	Exp. Date
KHY2231	D	07/11/23
Make	Color	Year
BMW	BK	2016
Model	Body Type	
SUBN		
VIN #		
1WBX1HT3C93G5E51023		
THE OPERATOR AND OWNER OF THE ABOVE VEHICLE ARE CHARGED AS FOLLOWS:		
In Violation of NYC Traffic Rules: Section: 4.06(c)(3)(i)		
No Std Com Mtr Zone		
DAYS: MON-FRI: 9A-7P		
Place of Occurrence		
Front of 27 E 13th St		
VC	Meter # / Zone	Operational
34		
Date/Time of Offense	Date/Time 1st Observed	Plt.
08/01/22 05:37 PM		N/A
Complainant's Comments:		
FINE AMOUNT: \$ 115.00		
Agency	Command	Tax Rec #
TRAFFIC	1-102	370801
Complainant's Name		
HYDER, M		
Signature of Complainant		
X		
TURN OVER FOR IMPORTANT INFORMATION ON HOW TO PAY OR DISPUTE THIS TICKET		

Miles instead of interest

Maximize your return on adventure by earning miles.

Earn 2.5 American Airlines AAdvantage® miles for every \$1 saved annually with a Bask Mileage Savings Account.²

[OPEN ACCOUNT](#)

An advertisement for Bask Bank's Mileage Savings Account, featuring a teal airplane flying over a laptop displaying the account interface.

Existing material – International statistical classifications

ISIC Rev. 5

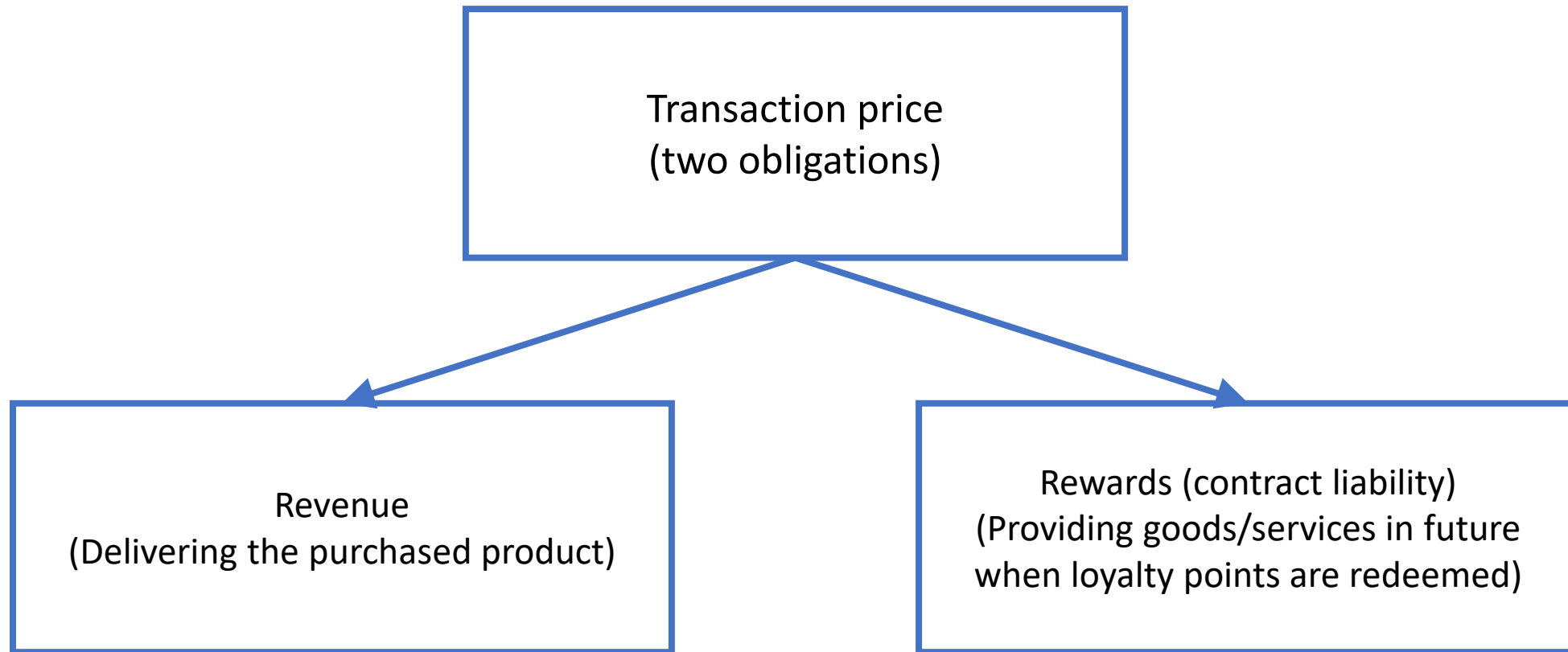
- Classifies the administration of loyalty programmes in “other business support services activities” (8299)
- Classifies operation of platforms that facilitate the sale of miles for a commission in “intermediation service activities for passenger transportation” (5232)
- Classifies operation of platforms that facilitate the sale of gift cards for a commission in “intermediation service activities for business support activities, n.e.c., except financial intermediation” (8240)

CPC Rev. 3

- Distinguishes between commissions and fees with respect to financial and non-financial services at the one-digit section level
- Explanatory notes do not specifically mention the fees and commissions paid for transactions in rewards and gift cards

Done before this issues note was prepared

Existing material – IFRS 15 (Revenue from Contracts with Customers)



Questions, issues, options and recommendations

Questions, issues, options and recommendations

Key questions

- Are the rewards and gift cards assets?
- If yes, are rewards and gift cards financial or non-financial assets?

If rewards and gift cards are financial assets

- Are the products acquired by redeeming rewards free of charge?
- In which category of financial instruments to classify rewards and gift cards?
- What is the sector classification of the units which operate loyalty programmes or issue gift cards?
- What is the sector classification of brokers in rewards and gift cards?
- How to classify the fees?
- How to record expired rewards and gift cards?
- How to assess the implications for macroeconomic statistical manuals if the recommendations for rewards and gift cards are adopted?

Rewards = frequent flyer miles, reward points or reward certificates

Key questions

Are the rewards and gift cards assets (issue 1.1)?

- Holders of rewards and gift cards derive clearly identifiable economic benefits from them
 - Frequent flyer miles can be redeemed for air tickets
 - Hotel loyalty points can be redeemed for stays in hotels
 - Gift cards can be used to make purchases at the stores listed on them
- Satisfy definition of assets as defined in paragraph 11.108 of the draft 2025 SNA
- **Recommendation:** Classify as assets

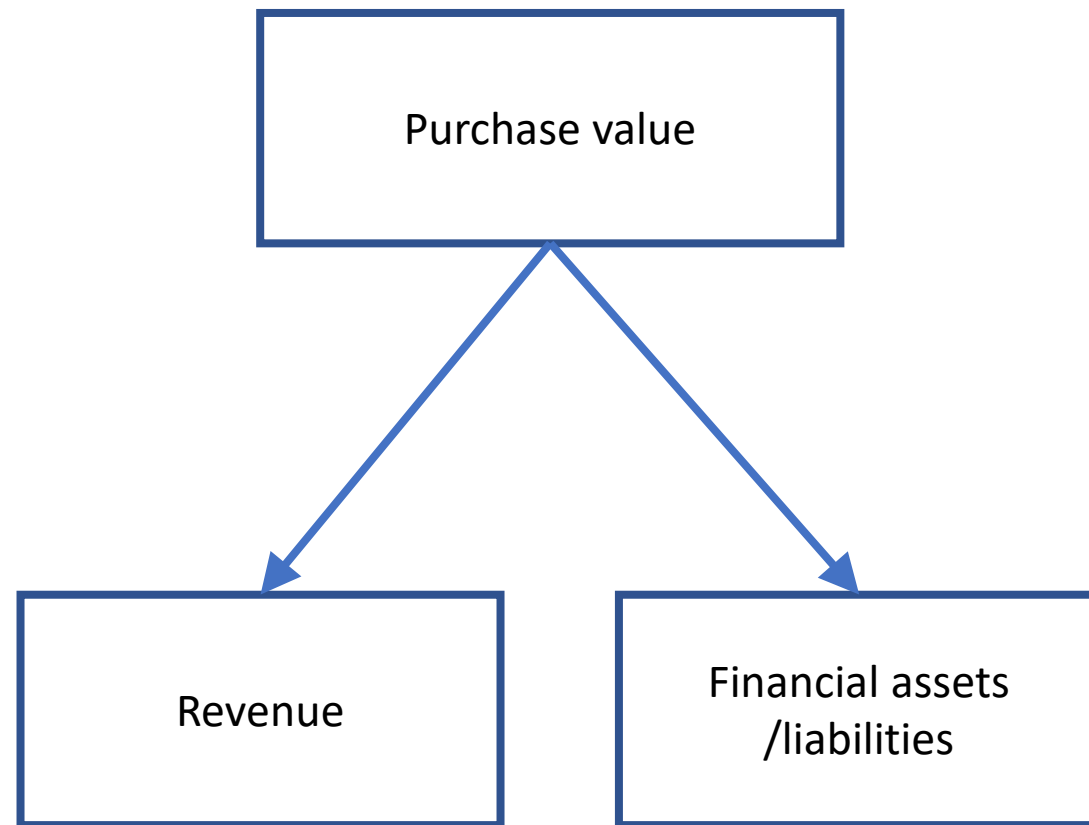
Are rewards and gift cards financial or non-financial assets (issue 2.1)?

- IFRS 15 recommends recording rewards and gift cards as liabilities in the balance sheet
- Suggests that they have characteristics of financial assets
- A financial claim appears to be established the moment units become holders of rewards and gift cards, which is reduced as the rewards and gift cards are redeemed
- **Recommendation:** Classify as financial assets

Key questions

Implications of classifying rewards and gift cards as financial assets (issue 2.1)

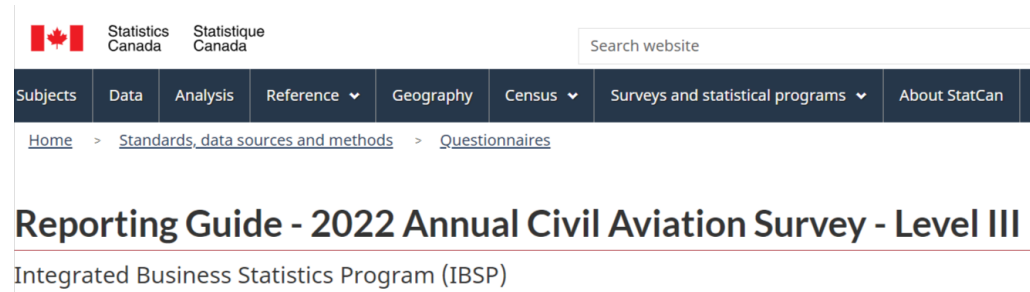
- Direct purchases of rewards and gift cards are purchases of financial assets
- If the purchase of a product earns rewards, the purchase value of the product should be reduced by the value of the earned rewards
- Value of these rewards be recorded as financial assets (liabilities) in the financial account of the purchasers (issuer of the rewards).
- Adopting this recommendation will have an impact on the draft 2025 SNA, draft BPM7, MFSMCG and CPI manual



Questions

Are the products acquired by redeeming rewards free of charge (issue 3.1)?

- Can be considered as means of payment as described in paragraphs 12.9-12.11 of the draft 2025 SNA
- Acquired products are not free
- **Recommendation:** 2025 SNA should explicitly say so
- The [Annual Civil Aviation Survey](#) conducted by Statistics Canada classifies passengers who travel with tickets purchased through the redemption of loyalty points or miles as revenue passengers



In which category of financial instruments to classify rewards and gift cards?

Classification of funds related to prepaid gift cards like Visa, Mastercard and American Express gift cards and hybrid gift cards (issue 4.1)

- Typically issued by financial corporations (for example, [Pathward Financial](#)) which classify funds associated with them as [deposits](#)
- Two options
 - Option 1 – transferable deposits (AF22) as they can be used to make third party payments
 - Option 2 – other deposits (AF29) due to restrictions (for example, cannot be used outside the issuing territory)

Classification of funds related to other types of gift cards such as merchant gift cards, and rewards (issue 4.2)

- Cannot typically be used to make third party payments
- Typically reported in accounts of issuers as accrued liability or deferred liability
- **Recommendation:** Classify as other accounts receivable/payable (AF89)

What is the sector classification of the units which operate loyalty programmes or issue gift cards?

Sector classification of institutional units which issue prepaid gift cards like Visa, Mastercard and American Express gift cards and hybrid gift cards (issue 5.1)

- Funds related to gift cards are deposits
- Units holding these deposits are classified in deposit-taking corporations, except the central bank subsector (S122)

Sector classification of units which issue other types of gift cards such as merchant gift cards (issue 5.2)

- Funds are other accounts receivable/payable (AF89) and these funds are held by the issuing corporation rather than separate institutional unit
- Classify issuing corporation as units are classified in the financial or non-financial corporations sector, depending on activity of issuing corporation

What is the sector classification of the units which operate loyalty programmes or issue gift cards?

Deciding if units which operate loyalty programmes are institutional units (issue 5.3)

- Option 1 - treat these units as artificial subsidiaries as they only provide services to their parent corporations. Thus, classify as establishments
- Option 2 - treat these units as institutional units as they have autonomy to manage the loyalty programme with their own governance and financials and complete set of accounts, including a balance sheet



Sector classification of units which operate loyalty programmes if they are institutional units (issue 5.4)

- Option 1 - Classify these units in the same institutional sector as their parent corporations because rewards can only be used to acquire the products of the parent corporations and activities are meant to support the activities of their parent corporations
- Option 2 - Nature of the transactions of these units with their members matters. Services provided (such as updates on rewards) appear similar to those provided by other financial corporations such as updates on bank accounts. Classify in the captive financial institutions and money lenders subsector (S127)

What is the sector classification of brokers in rewards and gift cards (issue 6.1)?

Option 1

- These units merely facilitate the transfer of the right to redeem rewards and gift cards, which happens to be represented by underlying financial instruments such as deposits and accounts receivable/payable
- Transfer of this right does not appear to be a financial activity.
- Classify them in the non-financial corporations sector

Option 2

- Characteristics of assets that they deal with should be taken into account
- Classify them
 - As financial corporations since they deal with rewards and merchant gift cards which are represented by financial assets
 - In the financial auxiliaries subsector (S126) as they merely facilitate transactions in these financial assets without taking economic ownership of them



How to classify the fees (issue 7.1)?

Option 1

- Sector classification of the institutional units which receive these fees should determine whether these fees are payments for non-financial or non-financial services.
- If a unit is classified as a non-financial (financial) corporations, classify the fees receivable as payments for non-financial (financial) services

Option 2

- All these fees are related to transactions in financial assets, they should be considered as payments for financial services, regardless of whether the units which receive these fees are classified as financial corporations or not

How to record expired rewards and gift cards (issue 8.1)?

Option 1

- Record any forfeiture of expired rewards and funds related to expired gift cards in the revaluation account
- Similar to guidance on expired financial derivatives in paragraph 13.46 of the draft 2025 SNA

Option 2

- Record forfeiture in other changes in volume of assets and liabilities account
- Similar to guidance on treatment of claims resulting from debt write-offs and write-downs because there is no mutual agreement between the parties in paragraph 13.43 of the draft 2025 SNA

How to assess the implications for macroeconomic statistical manuals if the recommendations are adopted?

Assessment

- Recommendations for gift cards seem straightforward
- Recommendations for rewards may have significant impact on SNA and
 - Balance of payments
 - International statistical classifications
 - Monetary and financial statistics and
 - Price statistics
- Note only discusses conceptual issues; practical implementation issues will have to be addressed in due course
- Topic is not formally on the list of issues for consideration in the update of the 2008 SNA

Assessment

- A good outcome? If an agreement with the key parties as to the appropriate way of treating loyalty programmes and gift cards can be reached
- Suggest to seek agreement from the balance of payments, international statistical classifications, monetary and financial statistics and prices communities
- Bring final proposal back to AEG for endorsement in the coming months, taking into account the AEG discussion and broader consultation proposed above



Questions for the AEG

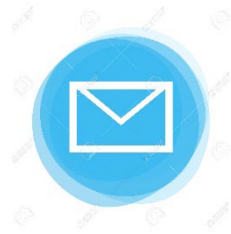


Questions for the AEG

Questions

- What are your views on the questions and issues in the note?
- What are the practical issues you are likely to encounter when implementing the recommendations in the note if they are endorsed?
- Do you agree that the note should be circulated to the other communities such as the balance of payments, international statistical classifications, monetary and financial statistics and price statistics communities for consultation so that a proposal on the appropriate approach to treat loyalty programmes and gift cards in macroeconomic statistics can be presented to the AEG for endorsement?

Thank you for your attention



sna@un.org