



Web3 for Membership & Loyalty Rewards Programs



Executive Summary

1 Loyalty Rewards

2 Pain Points

3 Why Blockchain? Why Polygon?

4 How this works and what it looks like in the wild

5 Future Predictions



What are loyalty rewards?

A loyalty program is a marketing tool used to encourage customers to increase consumption of a service or product while building brand loyalty.

Why loyalty? According to Nielsen's research, 84% of customers are more willing to choose a retailer that runs a loyalty program. According to Comarch/Forrester research, running a loyalty program can result in *3.5x more transactions per member*.

It's also not a new thing: Betty Crocker's loyalty points program was introduced as early as 1929.



What's Changed?



What's still the same:

Loyalty programs work well when the incremental cost of giving away value to the customer doesn't eat into the company's margins. An empty first class seat on a flight has a high perceived value to the customer and low cost to the program operators.



What's changed:

Loyalty program operators aim to make programs that are experiential, instead of purely transactional. Experiential programs improve all aspects of the customer experience through a sense of exclusivity, elevated support model and highly tailored rewards.

Pain Points Faced by Loyalty Program Operators

- 1 Customer Acquisition Costs (CAC) are up; ROAS is down
- 2 Lack of program engagement: less than 20% redeem rewards
- 3 Giving Away Free Products Eats into Margins
- 4 Partnerships Are Manual & Tech Lift is Heavy with multiple APIs
- 5 How to measure ROI from Creator Marketing

1 Customer Acquisition Costs (CAC) are up; ROAS is down

It's harder to Personalize Ads: browser cookies are being deprecated & iOS policy changes are increasing the cost of prospecting customers into a loyalty program. It's difficult to balance gathering customer data to personalize an experience with the need for customer privacy



2 Lack of program engagement

People don't redeem their rewards: redemption rates for rewards are below 20% ([smile.io research](#)). The average consumer belongs to 14.8 loyalty programs but is only active in 6.7 of them.



3

Giving Away Free Products Eats Into Margins

Giving away free products creates more value for customers but it can also eat into margins.

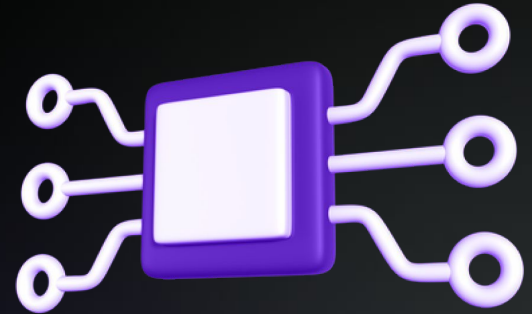
Brands need to find ways to deliver customer value without losing money on the loyalty program. Margins matter!



4 Partnerships Are Manual & Tech Lift is Heavy with multiple APIs

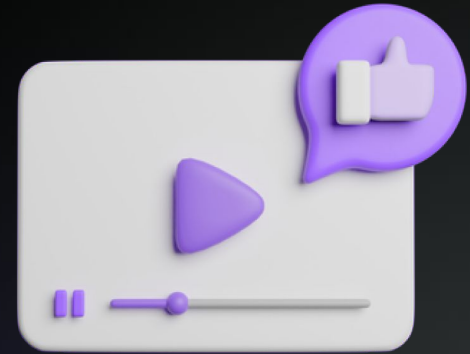
It's hard for partner brands to “stack value” on top of a loyalty program (custom tech lift required)

Multiple tech stacks, APIs, point of sale systems, commerce platforms and data structures make brand partnerships painful and expensive.



5 How to measure ROI from Creator Marketing

Difficult to do proper attribution for Creator marketing and offers across multiple channels - for example, how does Heineken calculate YouTube ads ROAS for products sold at Costco? How does Heineken calculate ROAS for a video created by a TikTok creator when someone orders a Heineken at a bar?



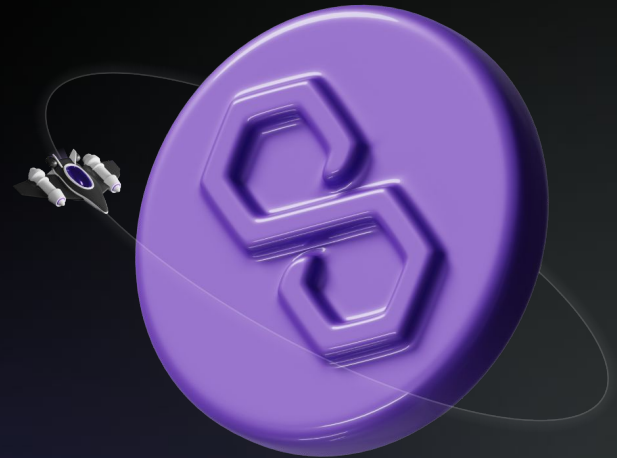
Solutions

Partnerships Are Simple and Limitless:

Open Standards for Stacking Rewards

Shared data layer for multi-company rewards! With the Ethereum/Polygon API standards, other brands can easily accept your loyalty reward status and points via token gated commerce. This unlocks the ability for other brands to stack value on your rewards program.

EXAMPLE: Luggage company can provide a 20% discount by accepting a Delta Gold Medallion NFT in a token gated Shopify store, without manually having to partner with Delta.
Permissionless partnerships = more valuable loyalty program



Add Value Without Eating Into Margins:

Secondary Market for Loyalty

Secondary market with blockchain, you can buy, sell stake and rent out your loyalty status and points. A brand can program royalties into the smart contract of a NFT and create a new revenue stream. This increases the value to customers without eating into company margins.



Prospect Customer, Lower CAC: Earned Media NFT Utility

The Crypto wallet is a channel to generate outsized earned media by adding utility to existing NFT projects. With the deprecation of web cookies and changing iOS policies, personalized advertising is extremely difficult.

Adding utility to a PfP project is a powerful way to engage an audience and generate earned media

EXAMPLE: Give a free burrito for Reddit Cryptosnoos holders to enter Chipotle loyalty program - you can prospect into engaged communities at low cost and drive significant earned media via token gated rewards. <https://nft.reddit.com/>



Token Gating for unified customer experiences and attribution

Unify customer touch points when customer data is siloed. Many brands have siloed customer data for their physical store, online e-commerce presence and social media, resulting in a lack of personalization. By accepting NFTs at each touchpoint in token gated commerce, you can personalize each customer touch point and have a unified experience across the entire customer journey.



Examples

NFTs Create A Secondary Market for Loyalty Which Allows Customers to Transfer, Rent and Sell Status

- Today, you can't sell, transfer or rent out your loyalty status
- Blockchain based NFTs enable a legitimate secondary market which empowers consumers and drives additional revenue through a percentage of secondary sales
- Ownership of status is a powerful opportunity for brands to deliver value to customers without eating into margins
- A percentage of secondary sales can be programmed into the smart contract to go to the brand, creating a new revenue stream

Example: NBA Season Tickets VIP Status you can rent that out via NFT



Cookies are going away: Futureproof the User Journey

- Browser cookies are being deprecated
- With the advent of limited tracking possibilities from iOS14 it's becoming more difficult to personalize ads
- Brands who build a crypto wallet and enable customers to have an account on chain will have a resilient channel to engage with their customers

Example: You get airdropped a free night at the Four Seasons via NFT in your Delta Airlines Wallet



Why Polygon



Inherit the security
and decentralization
of Ethereum



Robust partner
ecosystem



Faster, lower
gas fees



Expertise from
developers at
Polygon Labs

Polygon Suite for your Loyalty Rewards



Polygon POS

Build your Loyalty Program on the Polygon PoS Chain

Polygon
Supernets

Dedicated Sovereign Chain for your Loyalty Program or Permissioned Loyalty network

Polygon ID

Identity Tooling for your Loyalty Program

Partnership

Access to Ecosystem Partners

White Glove

Solutions Engineering | Cope Studios | Developer Relations



Future Predictions

1. **Your phone will be your crypto wallet** - Instead of a separate hard wallet or memorizing private keys - people will have either MPC or private keys on their phone, allowing them to seamlessly transact on chain. This will make onboarding billions of people to web3 much easier
2. **More people will work on behalf of the brands they love** - Loyalty and membership NFTs will give the most loyal customers the ability to govern a DAO, vote on the direction a brand takes, allocate funds via governance of the treasury and potentially earn income. More Creators will generate affiliate sales for brands they love via promoting relevant loyalty NFTs
3. **Digital Identity will go on chain** - digital identity built on blockchain persist across multiple applications, instead of the fragmented digital identity we have today. This trend will start in nations that aim to “leapfrog” developed countries where governments where make it easier to access government services. This transition in the way consumers access government services will also have a profound impact on the way consumers engage with brands.



Thank You

