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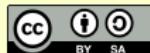
# Blockchain and Loyalty programs

*for George Brown College students*

By Marc Lijour

November 6, 2019

*The Art and Science of Eternal Blossom*



# The good features of a Blockchain

- Trust
- Transparency
- Tamper-resistant
- Third-parties involved: Consensus
- Transfer of money/valuable commodities
- Tied to identity and yet capable of preserving privacy and anonymity
- Treasures ownership at the edge (decentralized)



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# Loyalty programs

## Definition

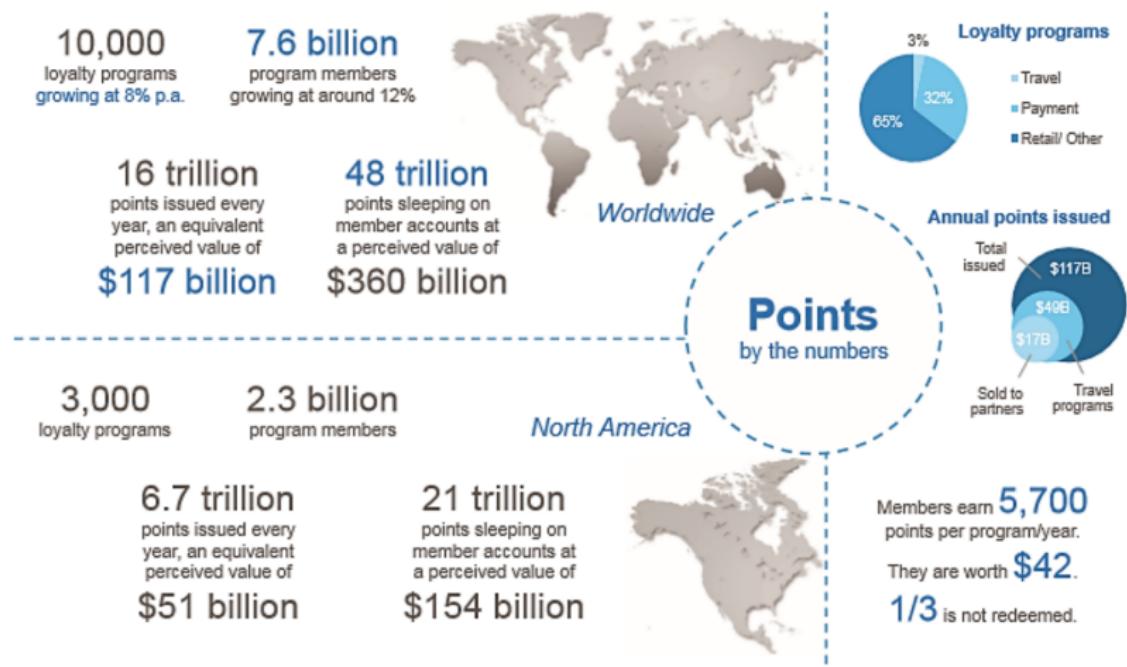
Loyalty programs are marketing devices to ensure a greater degree of repeat business.

## Examples

Frequent flyer miles (e.g. Aeroplan), points cards (e.g. Air miles, Optimum), rewards for credit cards, coffee, hotels, car rentals...



# Market size



Sources: Colloquy, The Economist, Loylogic desk research

Figure: Colloquy numbers cited in TokenAsia, 2019



# How it works

The customer acquires points

- get a welcome bonus amount of points
- buy a service online or through an app to accumulate points
- swap a card in-store
- in some other forms, a subscription and level service such as Costco or Amazon prime (the more you pay, the better the deal)



# How it works

The customer redeems points

- customer goes to a website to exchange points for a concrete reward of their choice
- customer exchange points for a discount pool (e.g. ESSO)
- customer can forfeit points in-store for a service (e.g. a "free" bottle of water, a "free" car wash)
- sometimes a free coffee (birthday or every x purchases)



# What really happens

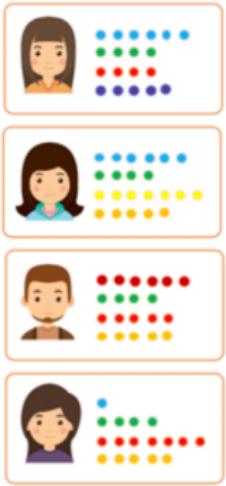
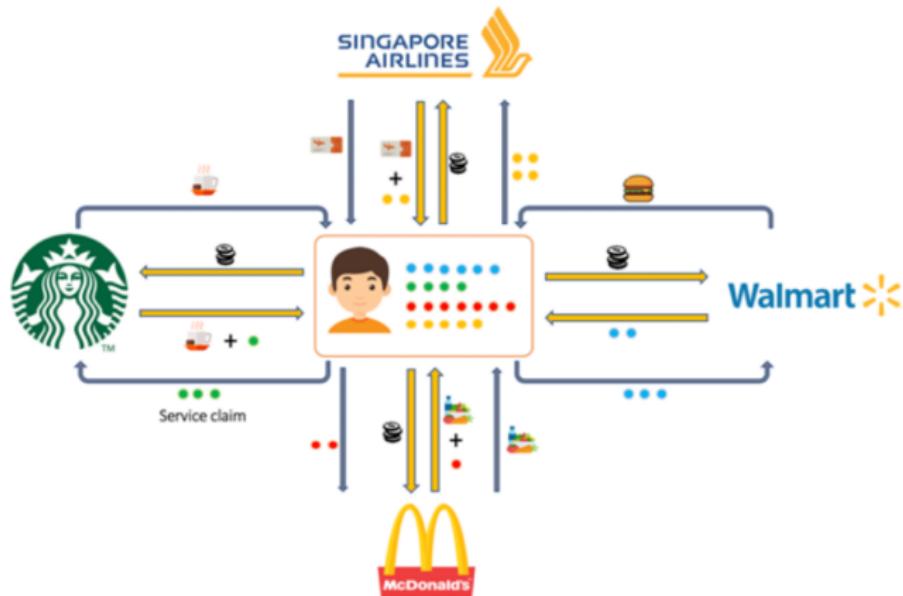


Figure: TomoChain, 2019



## Problem

- it's a hassle to redeem (go online, etc)
- there is no easy connection with partner loyalty programs that would facilitate the exchange of points
- the programs can be expensive to administer (especially when not digitized)
- programs can go away (e.g. Aeroplan)
- dubious economic deal for the customer considering net present value and limited options to cash out

As a result, most people don't redeem their points...

However, enrollment in loyalty programs across various industries in the US grew by 20 percent to 3.32 billion in 2015, and 80 to 90% of people are more likely to choose a bank that offered rewards, according to Deloitte (2016).



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# A better way to run loyalty programs

Improvements such as

- interconnection between several programs
- full digitization capabilities, including payments
- possibility for secondary markets

Lead to

a happier customer

- more choice to redeem points
- faster, almost instantaneous "can pay with points" experience, in-store or online
- better deals in secondary markets
- possibility to gift points to family and friends

(and more cost-efficient programs at the same time)



# An example from the Deloitte paper

## 1 Alice buys airline tickets from Los Angeles to Miami using her credit card

- › Alice gets her tickets
- › Her credit card transfers loyalty tokens to Alice's loyalty rewards programs digital wallet
- › The airline transfers loyalty tokens to her wallet



- › Alice gains current asset

- › The airline and credit card company have current liabilities

## 2 Alice checks into a major hotel (a national chain) in Miami and realizes she can use points accumulated earlier

- › Alice checks into a chain hotel and uses her credit card points to upgrade to a suite
- › She also uses her airline points to hire a hotel limousine and posts pictures on social media



- › Alice has a fantastic experience

- › The airline's and credit card company's liabilities are partly cleared while the hotel gets free advertising and a brand advocate

## 3 Alice meets Bob who wants to hop onto the last flight of the day to LA after missing a flight with another airline

- › Alice transfers her airline points to Bob in exchange for his points earned from the hotel chain
- › She uses them to extend her holiday while Bob gets a discounted ticket back to LA
- › Liability is cleared from the airline's books as the points have been completely used



- › Alice gets an extended holiday while Bob gets a timely, discounted flight

- › Liabilities cleared from the airline's books while the hotel and airline get a happier and new customer, respectively



# A smart token

## Extra token features

vesting schedule to unlock capabilities, space and time constraints, varying degrees of uniqueness (scarcity can command higher value for those items)



# User control

## Features

The user collects the points on his/her own wallets (vs. logging to multiple websites).

**Privacy:** the merchant can technically accept points as value on the sole basis of the token, without the need to verify the identity of the customer, by trusting the verification has been made earlier.

**Transparency** and **persistence**: the rules are committed on the blockchain for everyone to read (in a tamper-resistant way). The points remain tradeable even after the issuer (possibly) goes out of business.



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## Amex is reinventing rewards using blockchain

10 months ago • by Nicky Morris



Figure:

<https://www.ledgerinsights.com/amex-blockchain-rewards-american-express/>



## BUNZ GIVING USERS DIGITAL CURRENCY FOR VIEWING ADVERTISEMENTS, SHARING DATA



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Figure: <https://betakit.com/bunz-giving-users-digital-currency-for-viewing-advertisements-sharing-data/>



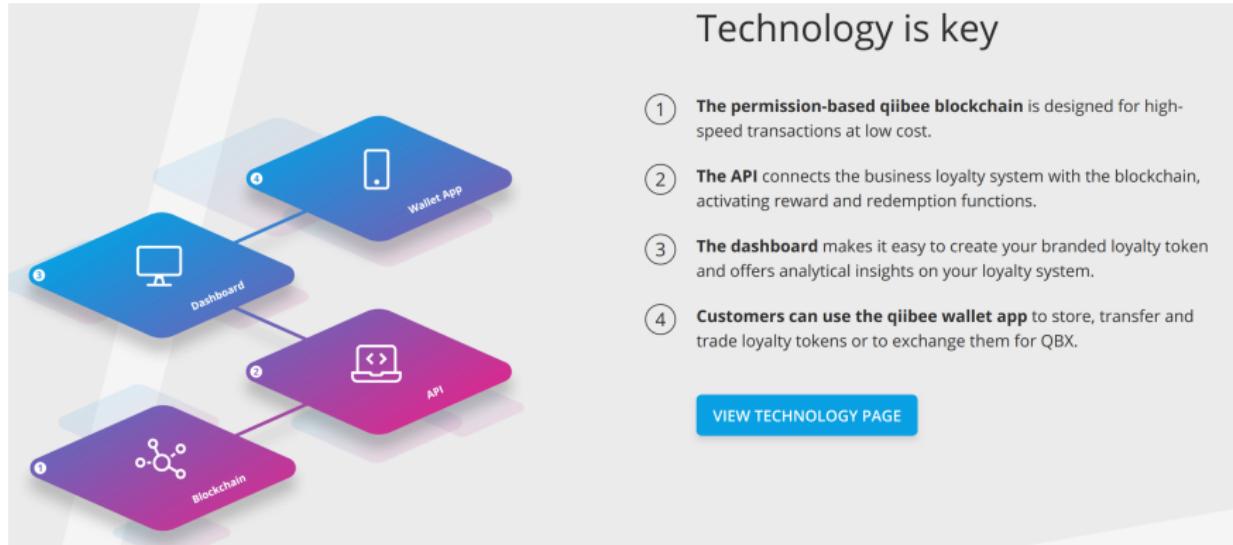


Figure: <https://qiibee.com/technology>



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## Linking Loyalty: Blockchain Principles and Loyalty Potential

September 04, 2018

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Figure: LoyaltyOne, 2018



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