## Designing Incentives for Sellers in a Unified Reward System

Creating a successful unified reward system requires well-structured incentives that motivate sellers to participate. Below are detailed incentive strategies tailored to encourage seller engagement, enhance customer experience, and drive sales.  
  
Description:

Sellers receive a percentage of the revenue generated from transactions where customers redeem points at their stores.

Incentives for Sellers.  
1. Access to data. (added )

2. Increased sales and revenue.

3. Customer retention.

4. Collaborative marketing.

5. Revenue Sharing Model (you earn when a customer uses ur point in other companies.)

// more important

(idea)

6. The value of customer points can vary for different companies. If a company has higher sales, it can increase the value of its customer points to make them more rewarding. On the other hand, a company with lower sales can reduce the value of its customer points.

Technical Challeges.

1. Validity in terms of incentives.
2. Where will information be stored.

Will there be a common db.  
 Who will maintain it.

Security issues.

1. WIll be easy like gpay.
2. Shops and brands can do marketing and notification.
3. Singel app for all ur points to keep
4. View all transaction history + (safe and secure)
5. View all rewards on all stores. (will be listed b stores).

Also write down any other technical challenges.

**Documentation**

**Working model:**

* Let's say for a product of price 100 rupees bought through our app, the user has to pay only 94 rupees and gets 5 points(keeping value of 1 point = 1 rupee for simplicity) and 1 rupee goes to NPCI [this ratio can be decided with respective companies and can be different for various companies].
* Now the user effectively has 5 points which are valued at 5 rupees which are in his wallet handled by NPCI, he cannot directly redeem them as cash but can use them to buy other products.
* These reward points come with an expiry date, and once the points are expired the money from their points wallet is taken by NPCI or can be shared with the company from where the user has earned these.
* Users can use points to extend the duration of their points. Say a user can use x points to increase the time period of y points by z days/months.
* Value of points is uniform always.
* As the user spends more money through our app, he/she unlocks more and more rewards and discount schemes.
* We can create a subscription model too.
* Need to store a database with the user to show where he has utilised his/her points and a database with each company to show what amount in each payment has been through points.
* If a user makes a payment through points and cancels or returns the product, the user gets back the same number of points how much the user has used in the payment and what is left is returned as it is.
* The company can choose to show better rewards and schemes only to those users who shop with them more frequently(threshold can be decided), thus retaining regular customers.
* Only for payments through UPI.
* Keeping a limit of usage of points on certain items in order to push the points towards the expiry date and let more points expire.
* We keep the data of distribution of points of the user from various companies and when a user uses points, the points are cut in the respective ratio of available points.

Example:- User has 100 points, 40 from company A, 40 from company B, 20 from company C. If a user uses 10 points, he will be left with points and the distribution will be, 36 - A, 36 - B, 18 - C.

Incentives for the users:

1.Users get exclusive access to reward points from companies listed on our app and they can use the points to whichever company listed on our app.

2.These rewards are only available on our app and will be accessible if you pay through our app only.

3.The more you spend through our app or spending frequency in our app , the more reward schemes you are eligible for.

Incentive for the sellers:

1.Get access to a large customer base.

2.Increase in sales and revenue.

3.Customer Retention

4.Get money back from the points if the user has not used your points.

**Enhanced Documentation:**

### **Working Model**

Consider a simple example when a user purchases a product priced at ₹100 through our app, they pay only ₹94. Here's how the distribution works:

1. **User Benefits:** The user gets 5 reward points (valued at ₹1 per point, for simplicity) added to their wallet.
2. **NPCI Fee:** ₹1 goes to NPCI as a service fee.
3. **Reward Point Usage:**
   * These reward points are stored in a wallet managed by NPCI.
   * Users cannot directly redeem points as cash but can use them for future purchases.

Reward points have an **expiry date**. Once expired, the unused money associated with those points is either:

1. Transferred back to NPCI.
2. Shared with the company where the points were earned (as per the agreed terms).

### **Features of the Points System**

1. **Extension of Point Expiry:**
   * Users can use a certain number of points (denoted as **x**) to extend the validity of other points (**y**) for an additional time period (**z days/months**).
   * This encourages users to stay engaged with the app.
2. **Uniform Value:**
   * The value of points remains consistent across the platform (1 point = ₹1).[can be changed]
3. **Increased Rewards for Higher Spending:**
   * As users spend more money or make more frequent transactions, they unlock additional rewards and discounts, motivating higher app usage.
4. **Subscription Model (Optional):**
   * Premium users can subscribe to special plans to unlock even better deals, higher reward points, and exclusive offers.
5. **Tracking Databases:**
   * **User Database:** Logs where and how users have utilized their reward points.
   * **Company Database:** Tracks the proportion of payments made via reward points for reconciliation.
6. **Cancellation/Return Policy:**
   * If a user cancels or returns a product purchased using points:
     + The points used for the purchase are returned to the user.
     + Any remaining amount paid in cash or UPI is refunded separately.
7. **Selective Reward Schemes:**
   * Companies can tailor their reward schemes to favor frequent customers. For example, users who shop more often with a specific seller can unlock exclusive benefits, fostering loyalty.
8. **Point Usage Limits:**
   * A cap can be set on how many points can be used for certain products.
   * This encourages the natural expiration of unused points, reducing liability for companies.
9. **Proportional Deduction System:**
   * When a user redeems points, they are deducted proportionally based on their origin.
     + **Example:**
       - A user has 100 points: 40 from Company A, 40 from Company B, and 20 from Company C.
       - If the user uses 10 points:
         * The deduction is proportional: 36 (A), 36 (B), and 18 (C) remaining.

### **Incentives for Users**

1. **Exclusive Rewards:**
   * Users gain access to reward points from participating companies. These points can be redeemed for purchases across any company listed on the app.
2. **App-Only Benefits:**
   * Reward points and exclusive deals are available only when users transact through the app.
3. **Spending Rewards:**
   * The more users spend or the more frequently they transact, the better the rewards and discounts they unlock.

### **Incentives for Sellers**

1. **Access to a Large Customer Base:**
   * Sellers on the platform gain exposure to a wide audience, increasing visibility and reach.
2. **Boost in Sales and Revenue:**
   * The reward system encourages customers to spend more, directly contributing to higher sales.
3. **Customer Retention:**
   * Companies can incentivize repeat purchases by offering better rewards and exclusive discounts to loyal customers.
4. **Financial Gains from Unused Points:**
   * If a user earns points from a company but does not utilize them before expiry:
     + The monetary value of those expired points is either retained by NPCI or shared with the company (depending on pre-agreed terms).
     + This ensures that companies are compensated for points issued but not redeemed, turning potential liabilities into revenue.

### **Collaborative Marketing Strategies for Sellers**

1. **Co-Branded Campaigns:**
   * Sellers can partner with other companies or brands within the platform to run joint marketing campaigns. These co-branded promotions can leverage the strengths of both brands to attract a wider audience and increase sales for all participants.
2. **Exclusive Offers for Frequent Buyers:**
   * Sellers can create targeted campaigns aimed at frequent users of the platform, offering exclusive discounts, limited-time deals, or bundled offers. This can drive repeat purchases and foster customer loyalty.
3. **Seasonal and Thematic Campaigns:**
   * Sellers can collaborate with the platform to create seasonal promotions (e.g., festive offers, end-of-season sales) or thematic campaigns (e.g., "Eco-Friendly Products" or "Tech Gadgets") that highlight their products while attracting users interested in specific categories.
4. **Cross-Promotional Discounts:**
   * Sellers can offer discounts or bonus points to customers who make purchases from multiple brands. For example, if a customer buys from Brand A, they could receive a discount on products from Brand B, promoting both companies simultaneously.
5. **Influencer and Social Media Collaborations:**
   * Sellers can work with influencers or the platform’s marketing channels to promote exclusive reward point deals and product offers. These collaborations can help increase brand visibility and engagement, particularly on social media.
6. **Event Sponsorships and Collaborations:**
   * Sellers can sponsor or participate in events organized by the platform (e.g., flash sales, product launches, app anniversary celebrations), allowing them to showcase their products to a large audience. This can drive both awareness and sales.
7. **Email and Push Notification Marketing:**
   * Sellers can collaborate with the app’s marketing team to send personalized promotional offers, discount codes, and reward point deals directly to users through email or app notifications, driving higher engagement and conversion rates.
8. **Referral Programs with Incentives:**
   * Sellers can create referral programs where users receive points or discounts for referring others to the app, generating organic growth. These referral bonuses can be shared between the referrer and the new customer to incentivize both parties.

### **Additional Features to Consider**

1. **Tier-Based Loyalty Program:**
   * Introduce user tiers (e.g., Silver, Gold, Platinum) based on spending patterns. Higher tiers offer better rewards and perks.
2. **Dynamic Point Earning Rates:**
   * Companies can offer higher points for specific products, seasonal sales, or during promotional campaigns.
3. **Gamification:**
   * Add interactive elements such as streaks, milestones, or challenges to make the reward system more engaging.
4. **Custom Expiry Extensions:**
   * Allow companies to set custom point expiry rules based on their business needs. For instance, points earned during festive sales might have shorter validity to drive quick redemptions.

### **Identified Flaws and Suggestions for Improvement**

1. **Potential Complexity for Users:**
   * The proportional deduction system might be confusing for some users. A simple visual breakdown of point usage in the app interface could address this.
2. **Risk of Point Hoarding:**
   * Users may accumulate points without spending them, leading to financial liability for companies. Setting reasonable expiry dates and caps on point usage can mitigate this risk.
3. **Limited Use Cases:**
   * Restricting point usage to UPI payments only may exclude users who prefer other payment methods. Expanding to other payment modes could widen adoption.
4. **Fraud Prevention:**
   * Reward systems can be vulnerable to misuse or fraud. Implementing robust fraud detection mechanisms is essential.
5. **Seller Participation:**
   * Smaller sellers might hesitate to join due to the perceived financial burden of offering points. Simplifying onboarding and offering tiered participation plans (e.g., basic, premium) could encourage adoption.

This refined model ensures user engagement, benefits sellers, and balances the financial implications of the reward system. Let me know if you need further enhancements or specific inputs!