BLOCK

REWARDS

Providing the Building Blocks for your Loyalty Program.

HARNESSING TRANSFORMATIVE POWER THROUGH PERMISSIONLESS INNOVATION.

How Blockchain Will Change Loyalty

The breadth of projects that have come to light due to blockchain technology are substantial and revolutionary. From an immutable database to a distributed, trustless network, this nascent protocol will bring about disruption in a variety of industries. Block Rewards looks to explore the possibilities that blockchain technology and its associated digital currencies can bring to traditional loyalty reward programs. By focusing on the problems that are inherently present in the loyalty programs of today, Block Rewards has created a platform that will utilize cryptocurrencies and the blockchain to provide solutions. Today's loyalty market sees year over year increases in memberships, and there is no shortage of demand for a highly usable, consumer friendly, and fundamentally secure system. However, the following document will bring to light many historical problems with traditional loyalty programs that are causing adoption rates to increase at a decelerated rate over time. Block Rewards presents a model that could reverse the slowing adoption rate of programs evident over the last several years.

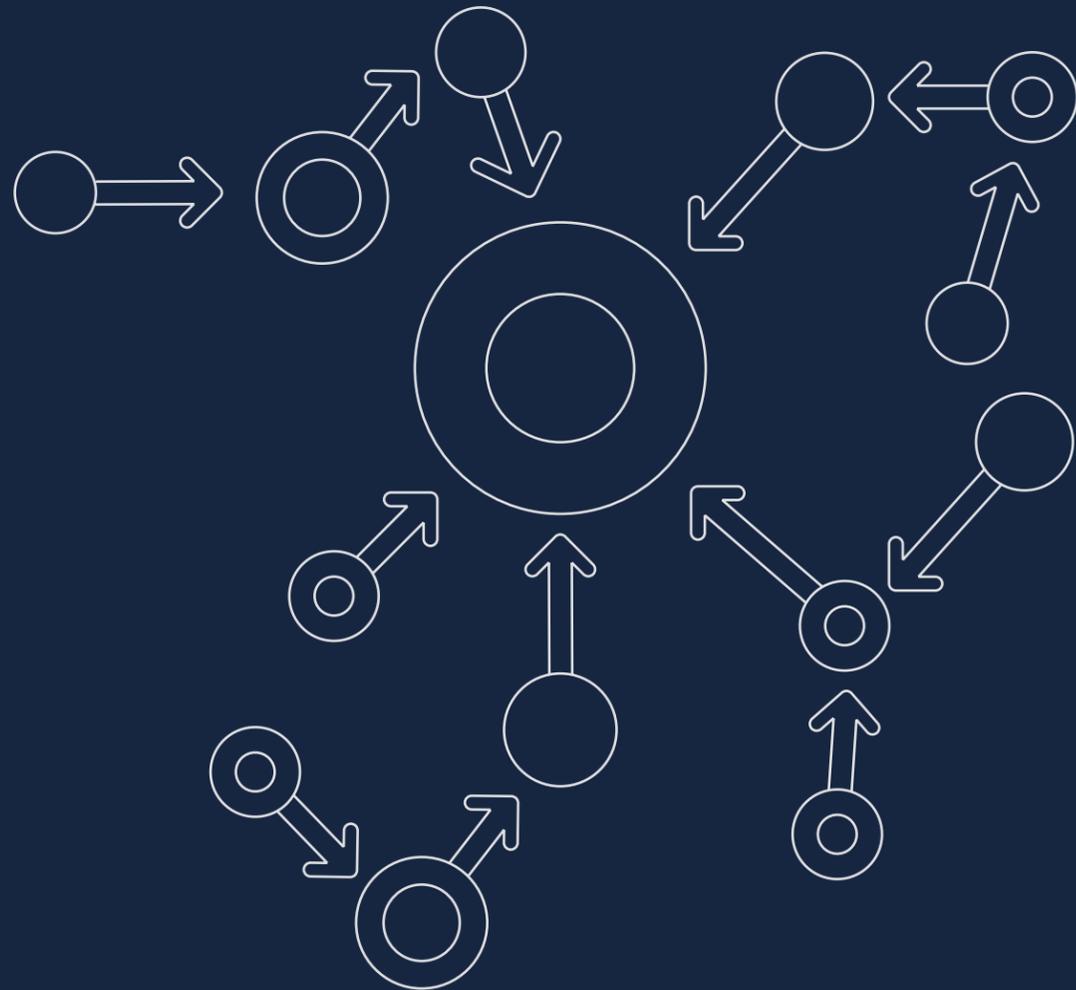| 2012	2014	2016
2.5 Billion	3.3 Billion	3.8 Billion

Loyalty Program Memberships are Increasing, Yet Less Than Half are Actually Active.

BLOCKCHAIN IS AN IDEAL REMEDY FOR WHAT AILS LOYALTY REWARD PROGAMS.

- DELOITTE CENTER FOR FINANCIAL SERVICES

The Problem with
Traditional Loyalty Programs

Loyalty in North America is an ever-growing industry, membership enrollments are increasing year over year and customers are seeking out businesses that offer loyalty programs for their shopping needs.[1] However, an interesting hypocrisy arises when looking at how many memberships exist versus how many of them are active. Of the almost 4 billion loyalty program memberships in North America, around 54% of them are inactive.[2] Perhaps even more interestingly, 60% of users will modify their spending in order to maximize the potential of their reward program, yet almost the same percentage is unaware of how many points they even have or their value.[1]

Bond Brand's 2017[2] report on loyalty shows many disconnects between consumer involvement and eventual redemption of reward points. There is no shortage of weaknesses in the current loyalty ecosystem, and in the following report, Coinaccord will breakdown seven pain points customers experience in their reward programs and illustrate how Block Rewards and blockchain technology can relieve consumers of these common issues.

1 LIMITED USABILITY VS NETWORK WIDE BENEFITS

Stated as the most important driver for customer satisfaction in a loyalty program was the ability of the program to meet their consumer needs.[1] Programs of today provide a new level of customization and interaction, however, the usability of their program is mostly limited to one need. With the exception of some credit card programs that offer exchangeable rewards, businesses are generally offering a one to one product or service redemption offer, for example, buying coffee to get free coffee. Blockchain technology, with the use of cryptocurrencies, offers extended usability for customers as they would be able to earn rewards at any vendor in a loyalty network and then spend and redeem in the same way.

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STORE  --EARN-->  CUSTOMER
CUSTOMER  --SPEND-->  STORE

STORES  --EARN-->  CUSTOMER
CUSTOMER  --SPEND-->  STORES
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Imagine earning rewards as you shop at a book store, and then using your loyalty rewards to buy pet food at the next store you visit. Without limits as to where you can spend your rewards, the range of products and services offered by a loyalty program would meet a much broader spectrum of consumer's needs.

2 MULTIPLE PROGRAM MANAGEMENT VS SINGLE

The average consumer is registered in 14 loyalty programs, and they want to be able to manage them from their mobile device.[1] Mobile applications are a standard feature of loyalty programs in today's technology dependant society, but the number of apps that consumers need to download in order to track their programs is cumbersome. Every program a customer is registered in has their own points, each with differing values, redemption periods, reward limitations, program offers, and earning processes. Registering in one program that requires a single mobile application, yet provides loyalty rewards from an entire network of businesses through the use of a single reward currency is much more appealing. It's also possible when companies implement blockchain technology. A single digital wallet would work as the mobile application where every reward currency is stored, along with any additional stipulations and regulations pertaining to the network's program.

3 WAITING PERIODS VS REAL TIME EXECUTION

A major pain point experienced by loyalty program members deals with timelines for earning, being credited, and spending reward points. Members indicated that 57% of them had left a reward program because it took too long to earn anything worthwhile.[2] Various reward programs will have different structures for their redemption process, some offer milestone rewards, where a consumer has a to earn a certain amount of points before redeeming, others engage in a point system where particular rewards have a point value tied to them. In each of these cases it can take customers a very long time to reach the predetermined level of points necessary to cash in their earnings. Another cause for concern is that 80% of members are not satisfied with the amount of effort necessary to earn loyalty points.[1]

Executing A Smart Contract on the Blockchain

An event triggers the execution of the Smart Contract code which checks the stipulations of the contract.

The code is verified, meaning the stipulations of the contract have been met by all parties.

Upon verification, the Smart Contract distributes the goods according to instructions.

Besides waiting to earn their rewards, consumers also have to wait for transaction verification from third party vendors before their points are processed, this results in customers not seeing their rewards for days. Loyalty on the blockchain would operate in real time with rewards being credited to a member's digital wallet almost instantaneously. Verification on the blockchain is not dependent on third party vendors, but instead takes place directly on the blockchain through the system's inherent, decentralized nature. The earning of a loyalty currency can still be stipulated by the program's owners, but setting parameters for rewards can be automated through the use of smart contracts and IoT devices. Consumers can be rewarded for micro-transactions such as sharing content, entering a store, or engaging with your brand.

4 LOW VALUE VS FUNGIBLE REWARDS

Satisfaction among loyalty program members doubles for those who take advantage of their rewards and redeem them, yet only 1 in 5 members are doing so. [1] An interesting insight into redemption arises when it's realized that 53% left a program because it did not offer rewards they were interested in, and 28% of members left their program before cashing in even a single point worth of rewards.[1] The common problem is the value provided by the reward platform, but not all members of your program will find value in the same products or services. The easiest solution is to give them the choice to turn their rewards into what they contrive the most value from. This could be as simple as the benefit offered by network loyalty programs that allow consumers to spend their reward points at the business of their choice, or as unique as a cryptocurrency reward that can be exchanged into fiat. A blockchain based loyalty program can take advantage of cryptocurrency's fungibility and give members the option to cash out their rewards using exchanges. Those who find value in other cryptocurrencies could also use exchanges to trade their loyalty crypto for a different coin or token.

5 AMBIGUITY VS TRANSPARENCY

Traditional loyalty programs often leave consumers confused and unaware of how much value is derived from their membership. Loyalty points can be created out of nothing, and devalued at the discretion of the issuing company. Rules for expiration and redemption limitations also vary on a program to program basis. A key advantage to blockchain technology is the localized transparency it provides to its users. Starting with the valuation of a point in a blockchain loyalty system, a cryptocurrency reward would have a clear valuation based on demand and supply. Demand for the coin through program adoption will drive the price of the coin upward, and holders of the currency can see the value of their rewards rise without having to act. The value of a cryptocurrency cannot be decided upon by a business or network and the currency itself has no encoded expiry. An immutable blockchain record provides transparency regarding points in circulation, as well as transaction history. Smart contracts could even be used, depending on the formulation used in the contract, to keep a predetermined amount of tokens in supply, burning and minting tokens as the contract executes. The decision would be based upon the redemption method a network wants to implement, but either way, the blockchain provides transparency for point valuation, creation, and supply in an unalterable infrastructure.

MORE THAN HALF OF NORTH AMERICAN MEMBERSHIPS ARE INACTIVE.

- 2017 COLLOQUY LOYALTY CENSUS

6 HIGH LIABILITY VS NO REVENUE REDUCTION

Traditional reward points are a debit to the issuing company through a member's ability to redeem them for goods or services. This equates to a negative effect on the business' revenue. With an estimated $116 billion dollars outstanding in North American loyalty points, there is a lot of expense hanging above merchant's heads.[1] The difference with a cryptocurrency reward is that it does not have to be reported against the earnings of a business. Not only is the liability of the redemption diversified among the network, since every point earned at your establishment doesn't necessarily have to be redeemed there, but marketing efforts are also shared.[3] A larger company marketing their loyalty program, which can include a network of smaller companies, is now promoting other network affiliates and increasing their visibility in markets they are not even operating in.

7 CUSTODIAL RISK VS DECENTRALIZED LEDGERS

Lastly, consumers today are much more aware of their security, personal data usage, and information accountability than ever before. Currently, loyalty programs may depend on a third party vendor to store the information they collect on their members. For some programs, this may only be a name and email, others may require an address, phone number, or other information members do not want shared publicly. A fundamental problem with this system is the single point of failure. There is one central database that can be hacked, shared, and sold. Beyond hacking, it also enables a localized problem to take out an entire system. First, a blockchain loyalty program would not require any information, but is still able to retrieve buying and spending habits of consumers. Members can choose to provide any information they would like, but setting up a digital wallet requires no personal information and is secured by a private key. Some members will view the anonymity as a plus, for others, it could be the increased security provided by blockchain technology. It's important to note that the system is much more sovereign for individuals and therefore requires more responsibility than traditional models. Regarding system failure, the information stored on the blockchain is stored across a decentralized network, meaning if one of the systems in the network fails, there is still a backup across all of the other systems, allowing the system to continue operating without losing any information.
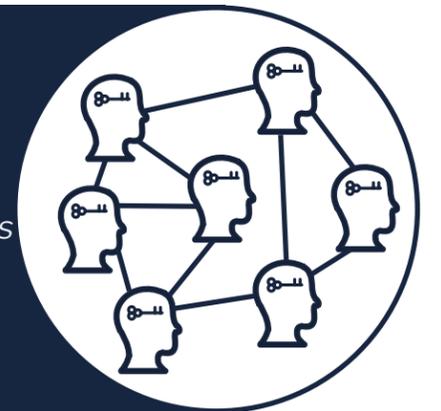
"Blockchain-based loyalty programs are not only inherently tougher to hack, but also have the ability to provide security on multiple levels that were not possible previously"

- Deloitte

The examples provided above outline just a few of the major changes that can be accomplished through the implementation of blockchain technology for loyalty programs. One of the strongest features of the technology is the amount of customization available. Unlike buying an existing program and paying for expensive customization, blockchain systems can be built exactly how you want from the beginning. Throughout the remainder of this report, we will touch upon several use cases, additional benefits, and important factors to consider when looking at blockchain as a solution for rewards programs.

Situation Analysis

KNOW YOUR BUSINESS AND INDUSTRY
BETTER THAN ANYONE ELSE IN THE WORLD.

– MARK CUBAN

Social Drivers

In 2017, Canadians fell into the "distrusters" for the first time in 17 years. This means that Canadians are losing faith in their government, businesses, media and NGOs. CEO credibility is at an all-time low as the population loses trusts in businesses. Consumers are more conscious than ever and increasingly concerned with security, transparency and owning their own data. Corporate transparency has now become an expectation of both customers and stakeholders.

Political & Regulatory Drivers

Changes in regulations, such as Bill 47 passed in Ontario, ban the expiry of loyalty program points and can lead to expensive data management programs. Needing to be able to keep a record of points indefinitely could put a lot of strain on software and their ability to pull information quickly. Blockchain, since its formation, is built upon an immutable history of data that is publicly available. There would be no need for a third party data center or integrating new software that can handle the load. Although in general, regulations regarding cryptocurrency in this sector are introductory and will face many changes as a more legitimate understanding of the technology is reached. For now, some countries choose to ban involvement with cryptocurrencies, others are known to be lax, and the rest are actively discussing blockchain technology to implement laws that allow for the technology to be explored while mitigating risks to the general population.

Economic Drivers

Issuing tokens as opposed to loyalty points have two major benefits. The first being that companies can remove the cost of outstanding points from their bottom line, essentially increasing yearly profit. Secondly, the reward token will have an intrinsinic value tied to its demand. As more users seek reward tokens for redemption, the token holders can see an increase in the value of their holdings. Additionally, the recent popularity of blockchain has led investors to seek out these ventures for investment. As companies announce blockchain programs and services, their stock prices can sometimes see an unexpected boom.

Technological Drivers

Considered to be the web 3.0, the blockchain is a disruptive technology that will revolutionalize current processes in various industries. By allowing the removal of intermediaries, companies can potentially save millions of dollars through the use of programmatically coded and executable smart contracts. These contracts ensure that the stipulations of a contract are met and then execute the steps of the contract while creating an immutable history on a decentralized ledger. This removes costly errors due to human entry, and potentially even the need for lawyers, notaries, and bankers.

Market Dynamics & Competition

From 2017 to 2018, Google search traffic for blockchain technology increased by a factor of nearly 6 times. Fortune 500 companies worldwide are adopting the technology for their own businesses and reaping the benefit. In terms of loyalty programs, people have been dissatisfied with the amount of value provided for years. Although a customer will sign up to 29 programs on average, they are not even active in half. Successful loyalty programs now go beyond just a discount and add in an element of lifestyle benefits (placing orders through apps, pay using apps, gain access to other features like storage or music, quicker turn around for redemption). The easier it is for customer to do business with you, the more likely they are to stay. Start ups taking advantage of blockchain technology specifically in the loyalty space include Loyyal, Qiibee, and Simple Token.

Benefits of Blockchain

SAVE MONEY

- Automate system management through Smart Contracts.
- Remove manual data entry errors.
- Reduce custodial risk inherent in centralized networks.
- Issue tokens instead of credit to remove pressure on your bottom line.
- Store data on a secure, immutable ledger.

REACH NEW MARKETS

- Less information from customers means a faster and easier onboarding process.
- Draw in cryptocurrency users and investors by offering a unique blockchain service.
- Merchants can reach markets they do not even compete in by being part of a loyalty network.
- Remove intermediaries for an easier and less expensive merchant onboarding process.

PROVIDE A BETTER SERVICE

- Offer a real time rewards service with easier redemption, no expiry, clear valuation, limited supply, and the opportunity to convert rewards to cash.
- Bundle services and rewards across industries and businesses in one simple to use, digital wallet.
- Create a more secure service by removing the single point of faiure and decentralizing customer information.
- Increase probability of customer engagement through a greater available options for redemption or exchange.

Use Cases

Use blockchain technology to improve upon the use cases that you already implement, or explore new and exciting ways to deliver unique products to your customers. Through the implementation of new technology, your company can stay on the leading edge of product development and continue to meet the ever changing demands of your industry.

Transferable Rewards

Creating a multi-business reward program just got a lot less expensive. Blockchain technology removes costly intermediaries who make it difficult to add new merchants to your network. Now your clients can earn and redeem at multiple vendors, increasing the value provided by your program and reducing your costs of expansion. Offering a cryptocurrency as a reward point expands redemption offers beyond anything currently available in loyalty programs. A crypto reward would be interchangeable between any vendor in the network, is transferable into any fiat, and can even be exchanged for other cryptocurrencies available on exchanges. As the popularity of cryptocurrencies grow, many large retailers are even beginning to accept them as a regular form of payment.

Transactional Rewards

Provide your customers with even more opportunities to earn by enabling transactional rewards. Micropayments are an added benefit of blockchain that can work in conjuction with IoT devices and smart contracts. Automatically reward your customers for engaging with your brand, testing your product, or providing feedback.

Employee Rewards

Rewards aren't just for customers, businesses can incentivize their employees using the same fundamental systems that work for clients. Automatically reward employees for years of service or exceptional work. Your employees will appreciate the opportunity to earn real time rewards that can be spent at a variety of businesses or even cashed out.

53% OF USERS HAVE LEFT A PROGRAM BECAUSE IT DID NOT OFFER REWARDS THEY WERE INTERESTED IN.

- 2017 COLLOQUY LOYALTY CENSUS

SWOT Analysis

Our SWOT analysis shows the areas of our project that would be best fulfilled by a party who is already operating in the loyalty industry. The matrix below will outline the strengths of our team and the ways in which a complimentary business partnership can create a comprehensive product and service.

Internal Weaknesses

Loyalty Marketing

Subject Matter Experience

Vendor/Merchant Network

Internal Strengths

Technical Experience

Innovation and Design

Blockchain Loyalty Experience

External Threats

Rapid Technological Change

Government Regulation

Traditional Competitors

Partnering with an existing loyalty program provider would provide us with the experience we are lacking regarding our internal weaknesses. Cryptocurrency adoption rates are growing, but offering them as a reward provides a similar currency that consumers are familiar with. A single wallet could be made to reflect a familiar loyalty app while traditional competitors program becomes more cumbersome and lack transferable, high value rewards.

Our technical experience and blockchain knowledge allows us to create a unique and innovative program that will help users to easily transition from existing programs. A single platform that provides multiple vendor rewards with a single form of currency will be more managable than current loyalty programs. The Canadian government also allows for leniance towards companies working with innovative technologies, giving us leeway in our development.

External Opportunities

New Markets

Exchange into Currency

New Service for Multi-Business Rewards

Taking advantage of an existing network supplied by a program provider opens up major possibilities for multi-business rewards. By including existing vendors in a reward network, merchants will be able to reach previously unattainable markets. Program providers will be able to attract new members by offering them the ability to transfer their rewards into cash if they are not satisfied by their rewards. However, multi-business rewards intrinsically add value.

Our previous experience marketing a blockchain loyalty program showed us the potential of these platforms while providing us with customer feedback. Additional use case opportunities include the use of preloaded debit and credit cards as well as whitelabel services. The platform becomes a revenue generator for the provider not only through vendor adoption but also the ability to sell the product to other loyalty program providers.

Blockchain Solutions

Problem	Solution	Use-Case
Limited ability to earn and redeem points at a multiple business.	Provide users with the ability to earn and redeem points at multiple locations. Offer bundled deals for more engagement. Gain customers by becoming a part of other markets through a loyalty network instead of needing to provide that product/service.	Create a loyalty network that combines companies across the Ackroo network. There can be one cryptocurrency (ERC20 Token) that is earned at various businesses in the network and can be redeemed in a similar way.
Long processing timelines for redemption	Use a system that allows for real time reward generation so that consumers can earn and then spend quickly. In some situations, you could earn a point on your gas and then redeem it inside the gas station for a coffee within minutes.	Create a cryptocurrency wallet (IoS/Android app) that would allow for a deposit into your account in almost real time (an Ethereum transaction takes around 20 seconds to process).
Management of several apps for different businesses, points and profiles are in all different places (10 separate apps made my Ackroo on play store)	Remove usage barriers that are created by needed to keep several different accounts. Users have one place where they can see all the deals for their favourite business and become more likely to take part in them.	A single cryptocurrency wallet can house all of the promotions, rewards, and currency that has been earned from all the businesses in the network. It can also offer an exchange service, allowing users to exchange their crypto for fiat, adding even more value to the system.
Loyalty points have a negative effect on a company's bottom line	Remove the traditional loyalty system that debits a company's revenue through the issuance of redeemable points that represent a dollar value.	Create a cryptocurrency on the ethereum network that offers no share or value in a specific company, but is generated digitally and gains value through usage and demand. It has no effect on company earnings and has many more uses than just loyalty.

Block Rewards

USE YOUR NETWORK

multi-business rewards

Build your loyalty network with existing program members.

PROVIDE UNIQUE SERVICES

exchange into crypto

exchange into fiat

micro transactions

crypto debit & credit cards

Beat the competition with unmatched product and services.

INCREASE ENGAGEMENT

discounts and promotions

target return customers

high value rewards

Use high value incentives to keep your customers coming back.

The application will run on Ethereum and will be composed of multisignature wallets. A series of dApps executing smart contracts, and the use of off-chain ledgers for storing private member databases. With the ERC20 Block Rewards token it provides a platform for a completely fungible medium for the exchange and co/multi branding of loyalty rewards points.

- Decentralized Exchange (DEX) of white labeled points for fungibility

- Decentralized Autonomous Organization (DAO) Voting for combined offers

- Decentralized Autonomous Organization (DAO) Voting for platform changes

- Point pooling for larger offers

- Unique and tradable cryptocollectibles

- Pseudonymous or user data market

- Alternative wallet interfaces

About Us

Ronald Chan
Co-Founder

Ronald Chan is a hands-on entrepreneur and born leader who has spent his entire career immersed in technology and its revolutionary effects. Ron's ambition to adapt and advance as an early adopter of incipient technology has lead him to blockchain technology and its disruptive nature. While applying his more than 25 years of change management, Ron is creating new business models and developing solutions for the web 3.0.

Alex Sheluchin
Co-Founder

Alex Sheluchin is an experienced software developer with an unwavering interest and belief in the efficiencies of emerging blockchain technology. With over 6 years of specialized software development as a Senior Developer at Netquity, a commercial aviation enterprise software firm, Alex has honed his programming skills and gained experience in high pressure, time sensitive projects.

Conveniently available by phone, email, or appointment.

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