LOTZ Loyalty Platform Whitepaper

Overview

Since the year 2000 memberships of loyalty rewards programs have increased dramatically. Physical wallets are stuffed with cards and coupons with different deals and offers.

In the USA alone Loyalty rewards program memberships exceeded 3.2 billion at the end of 2015, a threefold increase since the beginning of this century. For the Retail sub sector in the US memberships totalled 433 million at the end of 2014.

"An average US household holds memberships in 29 loyalty programs, and actively uses 12 of them, according to a biennial report from loyalty marketing company Colloquy."

Despite the high number of memberships there are some statistics that would indicate Loyalty programs have their problems when trying to maintain their credibility with consumers.

Only 50% of Loyalty memberships are considered to be active. Of these 50% active users, 20% fail to redeem their loyalty. It could be reasoned then that loyalty is only considered to work for 40% of memberships.

On the plus side however companies report that up to 20% of their revenues are generated via loyalty programs.

Traditional loyalty programmes have been costly to maintain and some rely on an element of non redemption for sustainability. Loyalty is considered a liability on a businesses balance sheet and therefore loyalty expiration is required to prevent the liability from expanding significantly to the detriment of a company's balance sheet.

Globally loyalty is affected by cultural differences as well as regional economic activity.

In Japan, there is strong brand loyalty but less loyalty to where the brand is purchased - coalition loyalty programs are popular.

In Spain where economic activity is under pressure, rewards points are a valuable source of extra income.

In Germany preserving anonymity of the users profile is a dominant factor affecting loyalty membership numbers.

Traditional loyalty programs can however be cumbersome with ever changing rules and conditions; they are many restraints on how rewards can be used; they can work in reverse with points expiration creating disenchanted shoppers turning from retailers that did so much to earn their loyalty.

Mobile apps will play a significant role in Loyalty rewards programs moving forwards - and away from traditional card based loyalty.

Figure 2. Mobile Wallet Activities of Smartphone Users Worldwide, by Region: as of October 2014

Legend: ■ Finding or Redeeming Coupons ■ Loyalty Cards

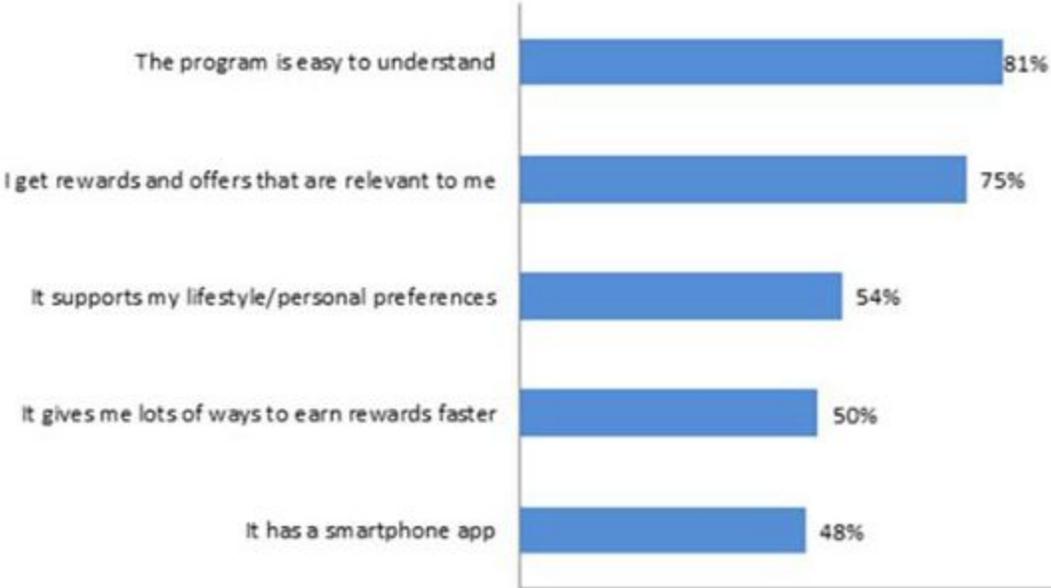| Region	Finding or Redeeming Coupons	Loyalty Cards
Asia	42%	29%
Europe	19%	16%
Brazil	33%	33%
Mexico	34%	28%
US	29%	30%

Source: Statista

"There can be little doubt that smartphone apps are set to become more prominent in loyalty programs, with many members likely to use their smartphones in place of plastic membership cards in the years ahead."
- Coresight Research

Key reasons for joining Loyalty programs highlight use of a smartphone app; ability to earn rewards faster; receiving offers that are relevant to the member; and the loyalty program being easy to understand.

Figure 3. Reasons Members Continue to Participate in a Loyalty Program, US and Canada: 2015

Reason	Percentage
The program is easy to understand	81%
I get rewards and offers that are relevant to me	75%
It supports my lifestyle/personal preferences	54%
It gives me lots of ways to earn rewards faster	50%
It has a smartphone app	48%

Source: Colloquy

Loyalty that is driven by traditional retailer-led organisations is an industry ready for reset.

It's time for a new type of loyalty - one where the consumer is given true value and placed in charge of their loyalty.

Loyalty remains valid - but rather than loyalty to a retailer, loyalty to the category of products a consumer buys or the brand they prefer has a greater level of validity to the majority of consumers.

> *Example 1.*
> *I bought Nike shoes today and my loyalty is to where I can buy Nike at the best price*
>
> *Example 2.*
> *I buy baby's nappies and therefore I am a new parent and my temporary loyalty is to the baby products category/industry*

Shifting the focus of loyalty to the customer and their purchases rather than the store or website where they make those purchases provides an opportunity for manufacturers and brand owners to establish closer links with their consumers whilst maintaining their relationship with their channel partners.

Loyalty where the consumer is in control is appealing. Loyalty that can be traded on an exchange, or sold and then converted to cash or another digital asset is even more appealing.

As a consumer who spends money and receives loyalty points as part of their transaction why shouldn't they be able to determine what they do with their acquired loyalty?

If loyalty can also be a store of value that can be retained for future usage as well as a utility/currency and doesn't expire at the whim of a retailer, then loyalty can have longevity. True loyalty requires longevity for it to mature.

It's time for the consumer to be the star of loyalty

Making the consumer the star of loyalty places them in control of a system that can be used to create community driven opportunities at times that the customer wants them.

Retailers currently accept the discount coupons of competing vendors and they use the competitors coupons as a customer or sale acquisition tool, and also as a tool to negate a sale to a competitor as well as utilise the competitors marketing dollars.

It is but a small step for Retailers to take to begin accepting loyalty as a tool for customer acquisition. Acquiring new customers is a much more expensive exercise than customer retention, and for many retailers especially online retailers, growth in subscribers is a key metric for future revenue growth. Acquiring new customers also remains an important goal for existing offline retailers as they compete with mega online stores.

The cost of acquiring a new customer using Google Adwords, across all industries, is $59 per customer

Utilising loyalty tokens for new customer acquisition can be viewed by retailers as a cost effective alternative or addition to services such as Adwords and affiliate marketing.

This new form of customer-owned loyalty will comprise a platform for holding loyalty in a digital wallet.

The consumer will collect loyalty by providing their shopping receipt data anonymously, in exchange for a loyalty token (LOTZ), in effect exchanging their transaction data for a store of value. The shopper receipt data confirms spend, the type of goods purchased, store from where they were purchased, time and date of purchase, and method of payment.

Each dollars worth of receipts shared gets translated into an equivalent number of LOTZ that will be deposited to the consumers digital wallet.

The wallet is part of a mobile phone app that has the ability to scan standard receipts; connect to digital receipt repositories to upload digital receipts; upload emailed receipts.

As the user adds more shopping receipts to confirm their purchases, their total LOTZ grows accordingly.

Users can choose to use an alias rather than a verified profile, providing them with anonymity and protection from requiring personal data to be shared.

LOTZ can be held indefinitely, they can also be bought and sold on an exchange, anonymously.

LOTZ will be able to be redeemed at the stores - online and offline - of participating sellers/marketers and updated via an API interface that eventuates with the ownership of the redeemed LOTZ being transferred from the shopper to the retailer/seller.

The loyalty then can be recirculated - the seller can airdrop tokens to new potential customers, trade them on the exchange or use them as incentives to buy more from their store.

> *Example 3.*
> *Limited offer - Buy our latest release and receive 20 LOTZ as a bonus.*

LOTZ are tradable tokens just like other digital assets.

Brands can make targeted offers to the network of LOTZ holders utilising purchase history data to make relevant offers albeit anonymously.

Retailers do not need to know who you are as individuals to be able to present you with a targeted offer. What's important for them to know is whether or not a wallet holder has an interest in theirs or their competitors products.

Online stores using common shopping applications such as Magento, Shopify, WooCommerce will be able to provide a means of payment for goods using LOTZ.

Example 4.
A brand is launching a new range - it makes an offer to the network where there is discount that is achieved by redeeming tokens at nominated stores/retailers. Consumer goes to an online reseller that accepts the loyalty token and uses it to receive a discount. Tokens then leave the wallet in order to pay for these items. The loyalty tokens are then transferred to the Store or the Brand holder for recirculation.

Being able to hold loyalty indefinitely or use it across multiple platforms reflects the changing purchasing cycles of consumers. It encourages them to retain their loyalty because it has indefinite life and loyalty therefore becomes more valuable in the eyes of the consumer. It becomes more valuable to accumulate.

The ability to easily earn and freely trade LOTZ will lead to a dynamic network of users together with a token whose value is definable, stable and sustainable.

Earning LOTZ by way of uploading recent transactional receipt data via a mobile app satisfies two of the requirements of Loyalty memberships - being able to easily acquire more rewards, and being able to do so via a mobile app.

Enabling LOTZ to be earned mimics the acquiring of a digital asset in a mining process - albeit without the mining equipment and the costs of electricity. It means a greater spread of tokens and more opportunities for marketers.

Demand from marketers for purchasing of LOTZ tokens for promotional airdrops to targeted wallets will provide steady buy side demand for LOTZ tokens. Whilst also satisfying a requirement of Loyalty memberships that they receive offers that are relevant to their needs.

Marketers will be required to buy LOTZ to be able to participate in marketing promotions that use smart contracts for delivering Airdrops to wallet holders

Each transaction involving the issuing of LOTZ tokens to wallet holders, together with subsequent trades, swaps, redemptions and any change of ownership will be recorded on the Waves public blockchain and is verified by 3rd party validation nodes.

Uploading of receipt data

The LOTZ Loyalty platform will accept all types of receipts including: Digital Receipts; Email receipts; Paper-based receipts; RetailPOS receipts via API.

The LOTZ system will be compatible with multiple digital receipting services and digital-receipt-ready Retail Point of Sale (RPoS) systems for automatic upload of the digital receipt information to the LOTZ platform. These services are in existence and we will reward Shoppers with LOTZ for sharing the receipts from these digital receipt services.

Example of micro receipt

Digital receipts are growing in popularity with their paper saving attributes and the ability to store the receipt in the cloud. However till this point in time the stored digital receipts do not have anything other than a perceived ecological and convenience value to the consumer. We aim to change that by making the receipt data a commodity that has a declared value.

With 100 plus POS vendors marketing systems that are digital-receipt-ready and tens of thousands of digital-receipt-ready POS systems currently in stores and outlets, LOTZ will have an existing ecosystem in place where we can provide added value in terms of directing customers to their stores, and receiving the digital receipts in return.

When new receipt data is captured and verified, the uploader will be rewarded with LOTZ.

Standard paper-based shopping receipts will also earn LOTZ tokens. Users will take an image of a paper receipt, upload to our servers where they will be converted to text and then stored for future analysis.

Nodes will be used to validate data and forge blocks on the blockchain ensuring data authenticity for marketers, while earning fees for their work.

Shoppers will have the option to earn fees on their wallet balance by "loaning", or leasing, their LOTZ balance to masternodes to assist in the blockchain forging process.

Shoppers will receive LOTZ tokens for all authenticated and validated uploads of receipts.

Email receipts from online stores will also be uploaded to LOTZ platform, scanned and stored with rewards being paid for the transaction data.

LOTZ will work with the vendors of Retail POS equipment to include webhooks in their software to enable a shopper to permission their data to be uploaded directly to LOTZ to earn rewards. In this scenario the store will also be rewarded for offering this service.

Use of Retail Receipt Data

Retail receipt data will be used to provide data researchers and marketers with detailed, real-time statistical information relating to demographically linked retail sales activity - authenticated and verifiable via its recording on blockchain.

This will assist marketers and brands with preparation of marketing promotions targeted at the geographic location of the user as well as the cultural background and interests of the user.

Promotional activity will be directed to a user based on their LOTZ Wallet Address - no personal data is required to be shared with marketing companies and we do not seek to compile or collect personal data.

Targeted data mining will assist Brands by providing them with the opportunity to target the Wallets of users with interests in their products.

Example 5
Brand A decides to do a promotion to past buyers of product X. Brand A purchases LOTZ tokens and airdrops them to identified wallets along with a promotional message. Unused airdropped tokens can be returned to Brand A after a set time period reducing their marketing costs.

The capture of retail receipt data will also assist Brands by providing them with the big data they need for creation of marketing related machine learning opportunities such as the creation of shopping software that will predict purchasing activity and match that with promotional opportunities to earn discounts.

Example 6
Brands wishe to make promotion of their products to wallet holders. Analytical software utilising data history will provide accurate predictions of a wallet holders likely interest in various promotions together with readiness to make a purchase, then search for and submit relevant promotions to the wallet holder.

No personal data needs to be collected. Receipt data is anonymously linked to a user by way of their internal wallet ID only. Offers from brands and manufacturers can only be made to a Wallet address by way of a DM message or airdrop of tokens.

Key Points

→ LOTZ loyalty tokens are issued to the original data sharer at time of uploading verifiable shopper receipts, and can be traded amongst other members, sold on an exchange, or redeemed for discounts

→ The uploaded retail sales data retains its information as to the origins and demographics of the original transaction independently of loyalty points being bought and sold

→ Typically businesses will accept and match offers using coupons of competing businesses as an example of how loyalty can be shared

→ Loyalty points can be viewed as the trigger for initiating an interaction with a new customer - a customer acquisition tool

→ Acquiring customers is many times more costly than repeat selling to existing customers, using loyalty points to acquire customers is more cost effective than other methods of acquisition

→ LOTZ loyalty tokens are a utility/currency and a store of value that never expires and can be recirculated within the network

→ No cost to the retailer to participate as a redemption point for LOTZ loyalty tokens - no fees paid to become a participant

→ No cost to the buyer as their LOTZ can be redeemed for goods or resold, they have a stored value

→ Marketers can airdrop tokens to wallets for customer acquisition, cross-selling, rewards, utilising a smart token

→ AI developers can utilise the big data captured to test advanced machine learning applications for marketers and improve on targeting offers to interested shoppers

→ LOTZ token holders can participate in the network activity by staking LOTZ and operating nodes, earning fees in the process

→ Shoppers can lease/loan their LOTZ balance to Masternode owners and earn fees on their LOTZ balance.

The LOTZ Team

Graeme McLennan, IT and Web entrepreneur - 33 years experience with startup and international business in Australia, NZ, Hong Kong, Russia, India and Indonesia. Experience includes POS hardware and systems distribution and marketing; SAAS product development; Enterprise application project management; Crypto Asset Mining and Investment; New Business development; Sales and Marketing

Tarik Klair, Network Management and Security specialist - With over 13 years of IT experience Tarik brings a wealth of knowledge to LOTZ.io from working with many Fortune 5000 companies including IBM and HCL; Project management; Business startup.

Kunwar Jhamat "AJ", **Lead Developer** - AJ has more than 15 years software development experience with major projects as Lead developer and project manager. He has a reputation for delivering on time and meeting the expectations of non IT management. He has strong capability to interpret the vision and recreate it in code. AJ leads a team of developers with multiple skill sets including Java, C++, PHP, .NET, Oracle, NoSQL, and RDBMS.

Mark Maliwauki, International Marketing - 28 years experience launching, developing and growing International sales markets globally for US based corporations; Mergers & Acquisition experience identifying and buying emerging tech startups and working with VC companies. Mark has immense business development experience at the front-end, going into new markets, building teams and systematically converting them into revenue and profit.

Included in our advisor team are the following personnel:

➔ Retail Receipt advisor and visionary - D. Salisbury
➔ Legal Advisor - R. McLennan
➔ Community Managers - we are steadily building our team of community managers with current team members handling China; Japan; UK; Germany; Netherlands; India; Australia/NZ; Brazil/South America; USA/Canada

We are in the process of expanding our team to include additional advisors and specialists.

This document is the original work of Graeme McLennan, CEO, LOTZ.io,
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