Fierce Loyalty Without Liabilities
The right to lower cost

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This paper provides an overview of the Sweetbridge loyalty system which is one of the ways to use the Sweetbridge tokenized Right to Lower Cost which is a built-in right on the Sweetbridge Synchronized Accounting platform. For information on the tokenization of rights, see our paper on Trusted Tokenized Rights.

Fierce loyalty without liabilities

Almost any company that has customers would like to ensure the loyalty of their customers. However, most loyalty systems use a claim on a future seat, product, service, etc. which must be recorded as a liability on balance sheets. Every time you give a reward you incur a liability as well. Loyalty systems are also notoriously cumbersome to manage or change.

The Sweetbridge loyalty system changes all of these problems by using a right to future cashback to reward customers, rather than a claim on a future seat, product, service, etc. Unlike current point based loyalty systems, these rights are not consumed and represent no future financial claim unless their owner buys something, which means they do not create liabilities on the company's balance sheets. Furthermore, these rights are actually assets that you and your customer own.

The system is built on a Synchronized Accounting platform that entirely automates everything related to the loyalty program and can be integrated into any accounting system simply. It provides real-time information so there is never a lag between events and the reporting.

The system is engineered to produce greater and greater rewards to everyone that buys something within a network. It gives everyone an increasing amount of cashback on purchases they make as the network grows. The amount of cashback per reward point grows yet the cost of the system does not change to the sellers at a transaction level—it stays flat. Let's look at how this works.

How the loyalty system works

Each seller contributes a fixed amount or a fixed percentage of each sale to the rewards program when a rewards participant makes a purchase. This is automatically handled via the Sweetbridge platform through the payment or credit card process. The fixed percent is taken out of payments as they are made by program participants. If the buyer is not a participant there is no fee or percentage.

As buyers make purchases, the amount committed to the loyalty program is collected into a pool. At the end of the month, all of the money in the pool is divided up across all the points. Because the rate of point growth is controlled, the cashback benefit available for each point goes up over time.

Points are given to buyers using a variety of methods: they can be given, sold, earned, or loaned. Since we create an asset, it can even be lent to the buyer in which case the seller keeps the asset on its books. The algorithms that manage the distribution of new points are designed so that new points are harder to earn as the network grows but the economic value generated by each new point stays the same. This makes the cashback value of each point already released increase. Here is a simple example of how this can work:

- At the start, $100 of cashback is divided across 100 points or $1 cashback per point
- As the network grows, $1,000 of cashback is divided across 500 points or $2 cashback per point

Perpetual loyalty is not just created through granting the right to cashback on purchases, but by wrapping the future stream of cashback into a financial asset via a contractual right which both the seller and the customers can own. Each point represents a share in this financial asset that is materialized as a token.

This asset is the mechanism which grants the right to the cashback, but it also increases in value as the network grows offering capital appreciation. Furthermore, as a customer utilizes their rights to cashback by making purchases, they receive more of the asset, allowing customers to share in the value they help create. Because the cashback value increases for each participant when more participants join, customers are encouraged to recruit more customers amongst friends and relatives which in turn drives network effect.

Benefits

Sweetbridge's loyalty system is designed to create network effect, not just loyalty. It does not create liabilities and, when properly designed, even creates assets. The points given to the customer also have a financial value because they can be sold. You can even sell them on secondary exchanges. Their value comes from the future lower cost they enable a buyer to receive. The whole system is automated and can be gradually implemented, keeping change management and operational cost low. Finally, the system is highly configurable so you can design loyalty to address your needs.