

Why Travel Loyalty Programs Belong on The Blockchain

March 8, 2016



Analysis By: [Luke Bujarski](#)

Imagine paying for your morning Starbucks with the American Airlines miles you earned from last night's flight. Or paying for your Panera bagel with your Starwood points. Or how about a free Uber ride with your dinner tonight?

This was the vision co-founder Sean Dennis and team set out to realize with the launch of [ribbit.me](#), the world's first universal loyalty platform built on blockchain technology. Now that vision is coming into view, partially thanks to a recent 1.5 million dollar seed round lead by Hayaat Group, an investment company out of Dubai.

We talked to Sean and some other blockchain innovators about the technical details and practical applications of a “frictionless” loyalty ecosystem, where brands can easily design programs and build alliances without incurring the heavy costs of custom applications on legacy systems.

Main takeaway, today's loyalty programs pretty much suck for network operators, merchants, and customers, compared to what is now possible with blockchain tech.

Here's why:

1) The current loyalty paradigm is costly, fragmented, and slow when it comes to program creation, cross-agent alliance building, and value redemption. This severely limits what companies and customers can do with loyalty.

2) Building and maintaining loyalty programs is too expensive for most merchants. A lot of that cost comes with developing expensive custom applications. It's easier to build in a shared, secure environment.

3) Most loyalty schemes are exclusive to one brand. Alliance programs like One World alleviate some of this "friction" through aggregation, but costs limit the cross-transfer of rewards between airlines and non-airline agents.

4) Redeeming points remains a puzzle and a pain for the average consumer. Advancements in mobile payment tech will give the loyalty industry a new lease on life, and a much needed break for travelers.

Loyalty to the Masses

The game changing innovation currently being realized at ribbit.me is in its digital infrastructure. Blockchain is the nascent (and revolutionary) technology behind bitcoin. Now ribbit.me is using similar distributed digital ledger networking and smart contract protocols to essentially bring loyalty programs to the masses.

Blockchain technology has the potential to reduce costs anywhere that "value" transfer occurs. The very basics involve creating efficient, secure, automated digital records in a

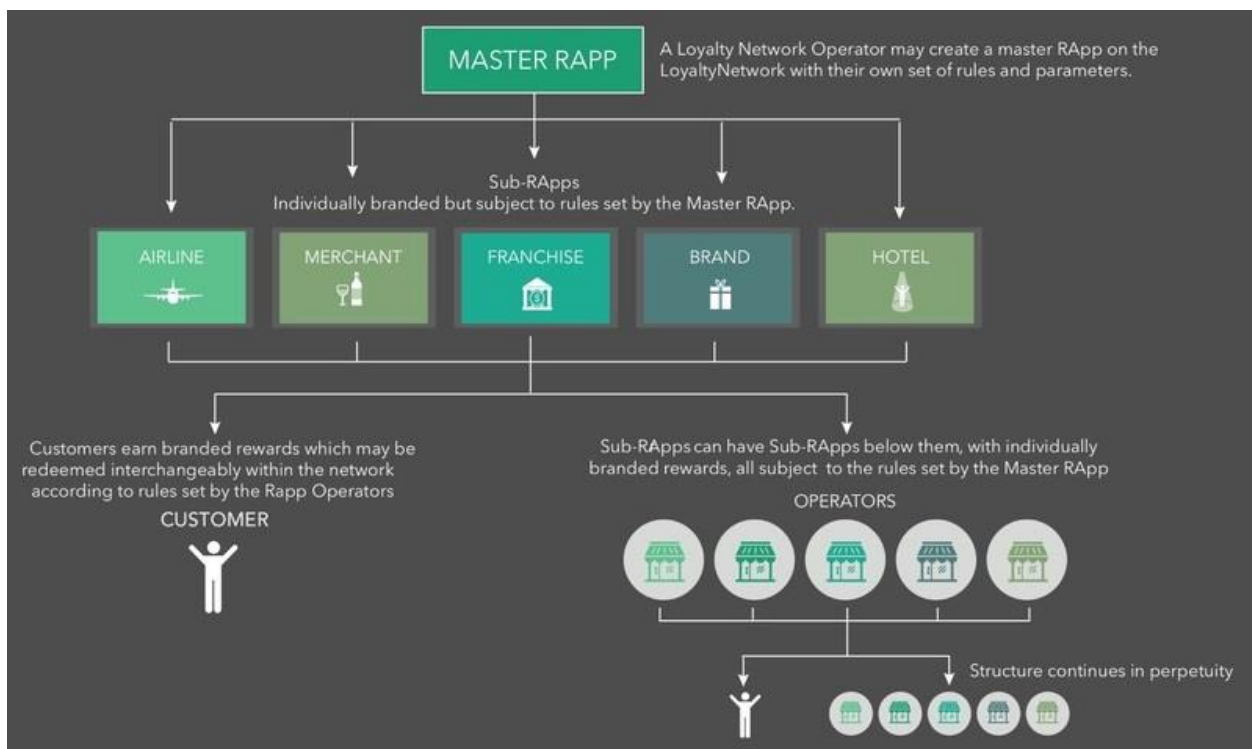
shared environment that grows in size, as more agents participate. In this environment, value can be shared effortlessly.

Think of it as "the Internet of value", in Sean's words.

What does this mean for brands interested in loyalty? Cheaper, faster, highly customizable and shareable programs that can be implemented in days not months. What does this mean for consumers? A point system that is easy to use and transferable between brands, with zero lag in reward redemption.

Need a loyalty network? There's a RApp for that

With the ribbit.me blockchain based Loyalty Network, the underlying digital infrastructure or ecosystem is already in place, automated and secure. From there, it's up to the merchant to create unique rewards applications or RApps, similar to the Apple App Store.



From Ribbit.me

Building loyalty RApps is akin to building smartphone apps. Program operators can create and manage complex multi-agent redemption networks in this "frictionless" environment. Here's a video explaining the ribbit application:

<https://www.youtube.com/watch?v=bu3bHYSWkrM>

An incentive economy?

Universal loyalty could redefine how travel brands engage with their customers and other merchants. Programs could expand far beyond the big travel brands to include boutiques and local businesses. Cross-pollination between sectors would offer new marketing opportunities. Through incentives, travel brands could tap into and interact with consumers loyal to food & beverage or automotive verticals, for instance.

"Frictionless" exchange of reward value could profoundly alter how and why we pay for things. Innovations in digital currencies and mobile payments also fit into what could become a reward points based **incentive economy**, where the "real" cost of goods and services is augmented through loyal shopping behavior, but also through other value-generating activities.

For consumer products brands, this could include rewards for customer feedback and participation in surveys. For health insurance companies, this could include rewards every time you step on a treadmill. For manufacturing companies, this could include rewards to suppliers that shorten lead times. For media brands, this could mean rewards to editors that get lots of likes on their posts.

The size of the current U.S. loyalty industry has been estimated at producing **USD 65 billion** in "loyalty capital" - i.e the value of total issued liabilities. Expect this figure to balloon in size as more merchants pump value into loyalty programs. Just as blockchain automates and eliminates processes on the back-end, a new breed of loyalty program tools, strategists, analysts, and managers will be needed to squeeze maximum value out of their loyalty networks.

Travel industry roadmap to universal loyalty

The type of universal loyalty platform proposed by ribbit.me has many clear cost, operational, and user advantages. This will help sell the concept to program managers. Expect adoption to follow pace with advancements in mobile payment tech such as Google Wallet and Apple Pay. Expect these groups to enter the universal loyalty space.

Early adoption of blockchain based programs will likely come from the ground-up, from portions of the travel sector that hadn't considered cross-partner loyalty programs as realistic options. These might include independent hotel brands partnering with local businesses; ecommerce brands partnering with ridesharing apps; vacation rental apps partnering with clothing and lifestyle brands.

Airlines and big hotel chains might be less willing to step away from their existing schemes and partnerships with credit cards issuers. As complex and costly as these programs are, frequent fliers, business travelers, and traditional banks love them. Collecting and redeeming miles through credit card programs has become something of a contact sport, popularized by blogs like The Points Guy.

Traditional lending institutions are starting to feel the pressure from new payments players. Travel loyalty partnerships with the big hotel groups and airlines are important to their customer retention strategies. Expect resistance here as banks sweeten the deal for their travel partners.

Over time, the advantages of more flexible, blockchain based platforms will outweigh any disadvantages. Seamless integration with existing loyalty programs will become a priority.

Working with blockchain technology? Get in touch, let's talk travel.