Pool One-Pager

Description: Collect and exchange loyalty rewards.

(1) Describe the market problem / opportunity in a solution-agnostic way.

Problem: When it comes to loyalty programs, small businesses are uniquely disadvantaged. They cannot leverage the ubiquity, brand power, and marketing spend that large firms have to promote loyalty rewards programs and drive customer sign ups. Thus, consumers struggle to discover small business loyalty programs and do not see enough return for joining these programs.

(2) What is our solution in two sentences?

Solution: Pool will provide a platform for small business owners to cultivate joint loyalty communities (called "Pools") with other businesses. Within "Pools," customers will be able to earn and trade unified loyalty rewards between all businesses in the group, and businesses will be able to glean customer analytics insights, communicate with loyal customers, and reach new customers in adjacent businesses.

(3) Describe the value and benefits it brings to the customer.

After speaking with a number of Santa Barbara-based small business owners, we identified several key problems they face:

1. Small business owners in Santa Barbara do not have the marketing dollars to compete with larger businesses (especially e-commerce businesses)
2. Most small business owners in Santa Barbara do not formally track customer loyalty or retention
3. Businesses that do track customer loyalty and retention report that they don't know what to do with that data
4. Most small businesses in Santa Barbara do not know what value they can add to customers by having loyalty rewards programs
5. Santa Barbara-based entrepreneurs who own multiple businesses have trouble integrating sales and customer data from multiple businesses and have no way to track customer loyalty between their businesses

Pool will bring value to business owners by helping them track and grow customer retention/loyalty and enabling them to gain further customers from adjacent businesses in the same Pool.

After speaking with consumers about their loyalty rewards programs, we identified several key problems they face:

1. Many consumers do not know about all the loyalty rewards points and programs they are a part of, nor how to use them
2. Sometimes consumers earn loyalty points for businesses they do not plan to return to.
3. Loyalty rewards do not often create a lot of dollar value to consumers, so they feel like it is a hassle to sign up for and manage.

4. Loyalty rewards are not available for businesses that foster the most loyalty, such as small and local businesses.

Pool will bring value to consumers by bringing the convenience of centralizing many of their loyalty points in one place and allowing them to better utilize their points by trading loyalty rewards between businesses.

(4) Summarize a mock customer case study, and describe the quantifiable impacts that your solution can bring to them.

Consider the following mock case study: Katie is a small business owner in Santa Barbara who runs a boutique hotel. Before using Pool, Katie did not track customer loyalty and did not offer any loyalty rewards to her customers. She struggled to compete with large chain hotels that operated in Santa Barbara – many of them have robust loyalty rewards programs that allow customers to trade loyalty points between hotel brands (and even between other businesses like airlines). Now, through Pool, Katie has partnered with **four** other locally owned small businesses: a restaurant, a boutique, a coffee shop, and a wine-tasting room. Katie and the other businesses in her Pool have all seen an average **20%** increase in new customers. In fact, **30%** of customers who come to Santa Barbara to do a wine tasting stay at Katie's hotel. **25%** of customers who stay at Katie's hotel trade some hotel rewards points for restaurant points and eat dinner at Katie's partner restaurant. Katie is able to track these metrics for customer retention, manage and market promotions and loyalty rewards, and communicate with her loyal customer base all through the Pool dashboard.

(5) What are the top THREE areas of uncertainty we will need to overcome to prove our value proposition, ranked by most to least important to de-risk?

1. Convincing multiple businesses to **switch from existing loyalty programs** and form a unified pool. Businesses with existing loyalty management software might have a switching cost, so our product integration should be seamless.

2. Proving Pool's **ability to drive more customer engagement** with subscribing businesses. We would need to have clear case studies that prove that businesses in the same pool enjoy more customer engagement compared to working alone.

3. **Ability to bring convenience to end users** through an all-in-one loyalty points app..

(6) What is our strategy to address these areas of uncertainty?

- We will rely on our personal connections to get our first handful of businesses to integrate Pool into their workflow.

- We will curate specific businesses at first, for which we have a high degree of belief that customers will engage with all businesses in the Pool. We have strong interview data that shows this could be the case for wine clubs and boutique hotels.

- We will do multiple A/B tests with end users such that we collect critical user feedback during app development. This process will allow us to have clear signals along the way that our app is a convenient add-on for loyalty program subscribers.

(7) What prior research related to this opportunity has been done?

There are three notable areas of research in loyalty program innovation:

1. **Making blockchain real for customer loyalty programs | Deloitte US**: This report summarizes issues that loyalty programs currently face: no user ownership of loyalty points, limited interoperability between businesses. It describes the benefits that a blockchain-enabled platform would provide: ability for users to sell or trade points between businesses, better utilization of existing loyalty points.

2. **Introducing Hang, the future of membership for brands**: This press release introduces Hang, a platform for "creating and managing Web3-powered membership programs". Brands use Hang to tokenize their loyalty points on the blockchain, enabling interoperability of loyalty rewards and getting access to Hang's platform for partnerships and tracking customer engagement.

3. **Delta Air Lines and Starbucks launch loyalty partnership**: Delta SkyMiles and Starbucks Rewards are two of the largest loyalty programs in the world. They have recently announced that users will be able to trade points between both programs. This is one of the largest tradable loyalty programs, signaling that tradeability brings value to both users and businesses.

(8) What are the leading signals we might observe to determine success?

- For Small Businesses: 5%+ of customers from other businesses within the same pool visit a given business
- For End Users: 1000+ monthly active users with at least one active "Pool" in their account

(9) What other options did we consider to address our core problem?

To address our core problem we considered two other options:

- A single marketplace where every loyalty reward could be traded for any other loyalty reward (i.e. one giant Pool with all small businesses). We found that this model could be exploitative towards smaller businesses– people could earn loyalty points and trade them away, never returning to these businesses.
- Introduce a native currency for each Pool community. Each pool would have a native currency for which each loyalty point would have an exchange rate. We found this idea to be too complicated for the average user to understand, so we instead only allow points within pools to be traded for other business points, and not cashed out.

(10) Why now?

There are three primary reasons why right now is the time to launch Pool:

1. Small businesses, especially those that rely on e-commerce, are increasingly being crushed by competitors with large marketing budgets. Pool help small businesses compete with larger businesses' marketing budgets by facilitating partnerships with other local businesses, enabling them to take advantage of each others' customer bases.

2. Small businesses are trying to re-establish in-person communities of loyal customers as they recover from the pandemic. Pool will help businesses re-establish those in-person communities of loyal customers by helping businesses easily manage their loyal customers and reach new customer bases.

3. Many larger businesses are currently in the process of creating blockchain-based loyalty rewards programs. Pool can take advantage of this momentum and encourage small businesses to also create blockchain-based loyalty rewards programs so they can compete. In the future perhaps large businesses will make their loyalty rewards programs interoperable with Pool.

(11) Brief summary of technologies involved?

There are two aspects to the technology involved:

- Web and mobile application. The frontend for both will be done in React / React Native. The backend for both will be a Serverless setup using AWS Lambda microservices. Our database will be a SQL database on Amazon RDS. These are standard technologies used in almost all web and mobile applications.
- Tokenization of loyalty points. We will tokenize each loyalty point on the Ethereum blockchain. Each loyalty point will be represented as an NFT that is minted from a smart contract deployed on chain. We will retain the right to upgrade this smart contract using contract migration.

(12) What is our rough time frame for development?

Months 1-3	Product Discovery and User Tests
Months 3-6	Engineer MVP
Months 6-8	Customer Beta with select businesses
July 1st, 2023	MVP Launch
Months 8-12	Track signals for early growth to determine next steps