



LITEPAPER

How Web3 Elevates Co-Branding to Enable Composable Customer Experiences



Introduction

The integration of web3 technologies like NFTs is revolutionizing traditional co-branding and co-marketing strategies. Brands now have the unprecedented opportunity to develop interoperable loyalty programs, allowing consumers to earn and exchange tokenized loyalty points in the form of NFT rewards across different brand platforms. This is a significant shift from traditional loyalty programs where points or rewards are confined to a single brand or a limited network.

In this article we explore the challenges and opportunities of these collaborations, offering a deep dive into how interoperability can revolutionize loyalty programs for brand leaders and consumers alike.

Challenges & Opportunities with Traditional Co-Branding Strategies

Opportunities

- Consumer Demand: [71%](#) of Consumers Enjoy Co-Branding Partnerships, especially when brands come together to offer a unique product
- Familiarity Benefits: 43% of consumers would try a co-branded product from a company they already liked.
- Strategic Prioritization: In 2018, [33%](#) of CEOs said they planned to prioritize strategic partnerships, which could involve co-marketing partnerships, in the following year.
- Finding More Partners: The top brand leader priorities include finding more partners ([27%](#)) and strengthening relationships with existing partners (23%).

Challenges and Risks

- Co-Marketing Complexity: Although co-marketing can be incredibly beneficial, it still takes time, planning, and coordination when it comes to finding a co-marketing partner and launching mutually beneficial campaigns.
- Reputation Risks: More than half of consumers ([61%](#)) avoid buying from brands with negative reputations. Even if one company maintains a positive reputation, a partner's negative reputation can damage them.
- Alignment on Core Values: Companies must align on core values to avoid the consequences of associating themselves with bad reputations.

Use interoperability to create new markets

Interoperability is one of the most underrated aspects of web3. It is also a core aspect of what gives tokens utility and therefore value. In the decentralized finance (DeFi) ecosystem, tokens

that can be staked, used as collateral or traded for a greater number of digital assets tend to have more value due to their extended utility. Brands should look to engage in cross-promotional opportunities with other brands to extend the utility of their reward tokens by giving holders access to a variety of complimentary offerings.

For example, we could imagine a scenario where Starbucks and Spotify work together to enable Starbucks [reward tokens](#) to unlock access to Spotify's exclusive playlists, while [Spotify NFTs](#) could be used to access Starbucks special experiences. Introducing interoperability between these loyalty programs would increase the value of both brands' NFTs due to their cross-platform utility.

Examining HubSpot's compilation of [21 successful co-branding partnerships](#), we can see many examples of where these collaborations could be further improved by implementing web3 initiatives. By using the interoperability that is inherent to web3, customers could exchange their reward tokens across these partnering brands. This would allow them to access complimentary services or products, enhancing the overall brand experience.

Ultimately, It's about converting your existing loyalty program into one that is interoperable to enable plug and play co branding strategies, or in other words, composable loyalty programs.

Benefits for Consumers:

- **Flexibility:** Consumers have the flexibility to redeem their NFT rewards across a broader range of brands, enhancing the overall value proposition. For example, a consumer could earn an NFT from a coffee shop and later redeem it for a discount at a bookstore, or even for digital goods in an online game.
- **Engagement:** The novelty of NFT rewards can increase user engagement and participation in loyalty programs. In addition, brands can collaborate on incorporating unique gamification elements into their co-branded NFT-based loyalty programs, such as challenges or quests that reward exclusive products from both companies.

Benefits for Brands:

- **Cross-Promotion:** Brands can leverage each other's customer bases for increased exposure and new customer acquisition.
- **Strengthened Partnerships:** Joint loyalty programs can enhance business relationships and encourage long-term collaborations.
- **Diversified Revenue Streams:**
 - **NFT Sales:** Create and sell limited edition NFTs to loyal customers for exclusive merchandise or experiences.
 - **Secondary Market:** Earn ongoing revenue from NFT trades on secondary markets through built-in royalty features.
- **Reduced Time-to-Market and Costs:**
 - **Streamlined Co-Marketing:** Web3 simplifies co-marketing by offering ready-to-use interfaces for seamless NFT exchanges between brands.

- Unified Customer Experience: Web3 enables a single platform for managing and exchanging loyalty rewards, enhancing customer satisfaction.
- Instant Transactions: Web3's decentralized nature ensures immediate transactions, offering instant gratification to customers.
- **Cost-Efficiency:**
 - Automated Rewards: Use smart contracts to automate reward distribution, reducing manual errors.
 - Transparent Auditing: Blockchain's transparency ensures easy verification of transactions, reducing audit costs.
- **Rapid Deployment:**
 - Plug-and-Play: Integrate modular Web3 solutions quickly into existing systems.
 - Scalability: As your loyalty program grows, Web3 technology can scale to meet the demand without major changes.

Co-Branded NFT Loyalty Program Example

The following is a hypothetical example of a co-branded NFT loyalty program that leverages token-gating to offer a seamless experience for customers to exchange NFT rewards between two distinct brands (e.g Brand A, a high-end fashion retailer, and Brand B, a luxury hotel chain). The ultimate goals are to enhance customer loyalty, increase sales, and provide an unparalleled customer experience. This example serves as a blueprint for brands looking to leverage web3 technologies in their co-branding campaigns.

The strategy is built on several key components.

- **Token Design & Interoperability:** Create NFTs that can be used interchangeably between both brands. This is achieved through blockchain technology, which allows for the easy transfer and redemption of tokens across both brand platforms.
- **Token-Gated Platform Development:** brands will need to create a secure, user-friendly interface. A web-based platform will be developed that is accessible only to NFT holders from either brand.
- **Conversion Rate & Milestones:** Both brands will agree on a fair conversion rate for exchanging tokens and will set product purchase milestones that customers must reach to earn tokens.
- **User Experience & Interface:** Offer a seamless and intuitive user experience, with clear guidelines on how to exchange tokens and access benefits.
- **Cross-Promotion & Marketing:** leverage the customer base of each brand to increase overall engagement through cross-promotional campaigns, special events, and exclusive previews.
- **Customer Support & Education:** Focus on educating customers on how to use the token-gated platform through FAQs, video tutorials, and customer service support.
- **Legal & Compliance:** Ensure that the program adheres to all financial regulations and data protection laws, achieved through consultation with legal teams.

- **Analytics & Feedback Loop:** make continuous improvement based on key performance indicators and customer feedback.

By implementing this co-branded NFT loyalty program with a token-gated exchange platform, both Brand A and Brand B can offer a unique, seamless experience that not only enhances customer loyalty but also opens up new avenues for revenue generation and customer engagement.

Conclusion

In summary, Web3 technologies are revolutionizing brand partnerships and loyalty programs. By using NFTs and blockchain, brands can offer more flexible, engaging, and profitable loyalty schemes. These Web3-enabled programs streamline co-marketing, enhance customer experience, and open new revenue streams, making them a strategic necessity for brands looking to stay competitive.

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