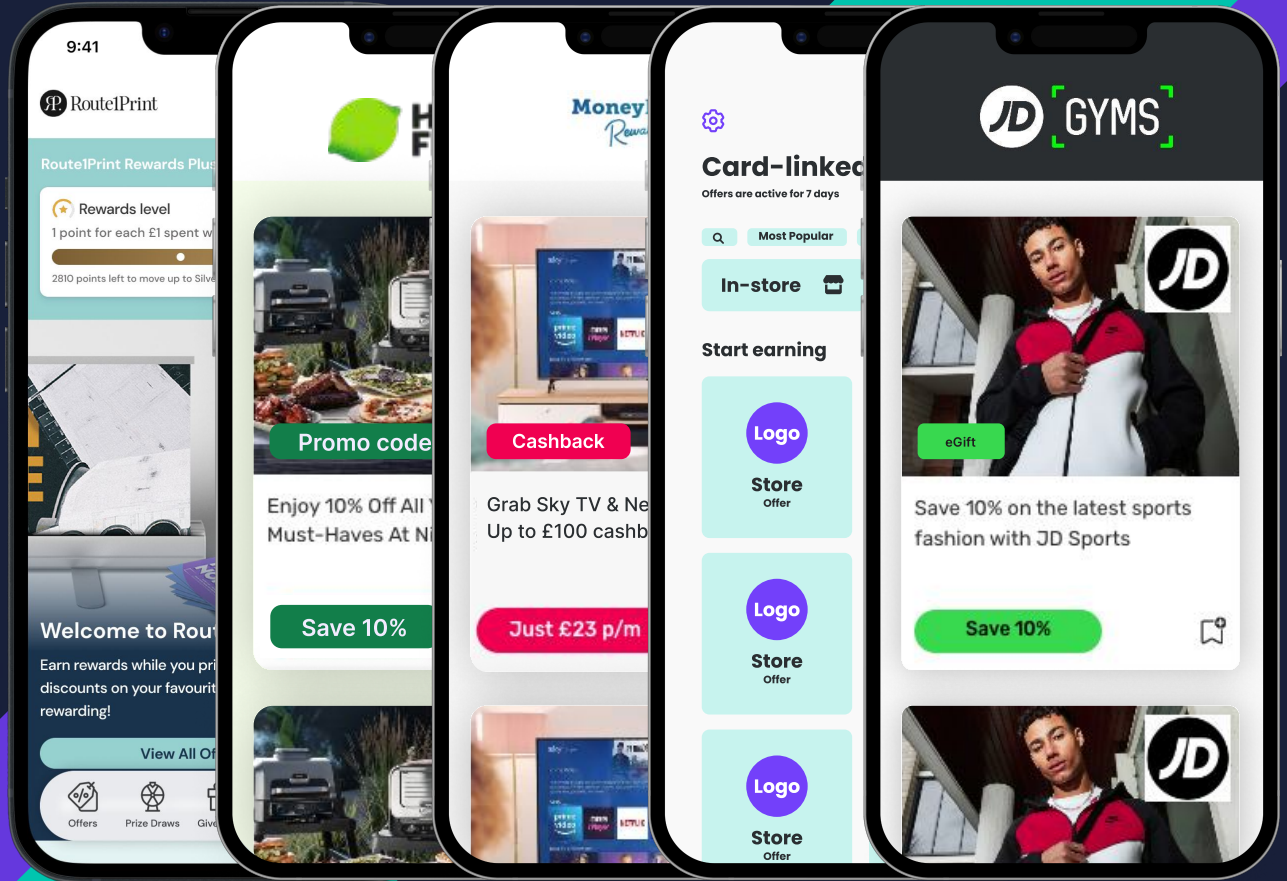




Digital Reward Mechanisms Explained

How Cashback, Card-Linked Offers, Codes, and E-gifts Impact Your Business

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Simplify Access to Rewards for Customers

Hello and welcome to the next step in your journey towards transformative customer loyalty. This guide is in collaboration with our friends at Awin. Our aim is to explain the impact of various reward mechanisms on your business. When we say redemption mechanism, we mean the method in which loyal customers gain and redeem rewards. For example, e-Gift cards, card linked offers (CLOs) and cashback. We'll look at the use cases of each one specifically for various industries and study their potential outcomes for businesses.

Speaking of which, the desired outcome of a redemption mechanism for any business should be seamless accessibility. **If customers experience friction when they try to redeem rewards, satisfaction and delight give way to frustration and churn. The last thing you want is a redemption mechanism that gets between your customers and their rewards. Instead of a barrier you want a bridge.**

Connecting positive and seamless customer experiences with your brand is the goal here. There's no need to delve deep into the ins and outs of everything to do with redemption mechanisms (like the techy side of stuff or how they actually function). It's more of a look at how they may impact your business.

To help you understand the use case of different redemption options, we'll also be looking at the pros and cons of each reward redemption mechanism in relation to different types of rewards.



Mark Camp

Founder & CEO, Propello Cloud

We'll be analysing the suitability of redemption options in the following sectors:



Retail & Shopping



Health & Fitness



Travel



Finance & Insurance



Telco & Services



**Lee
Metters**

Client Partner
Brand Partnerships
Awin

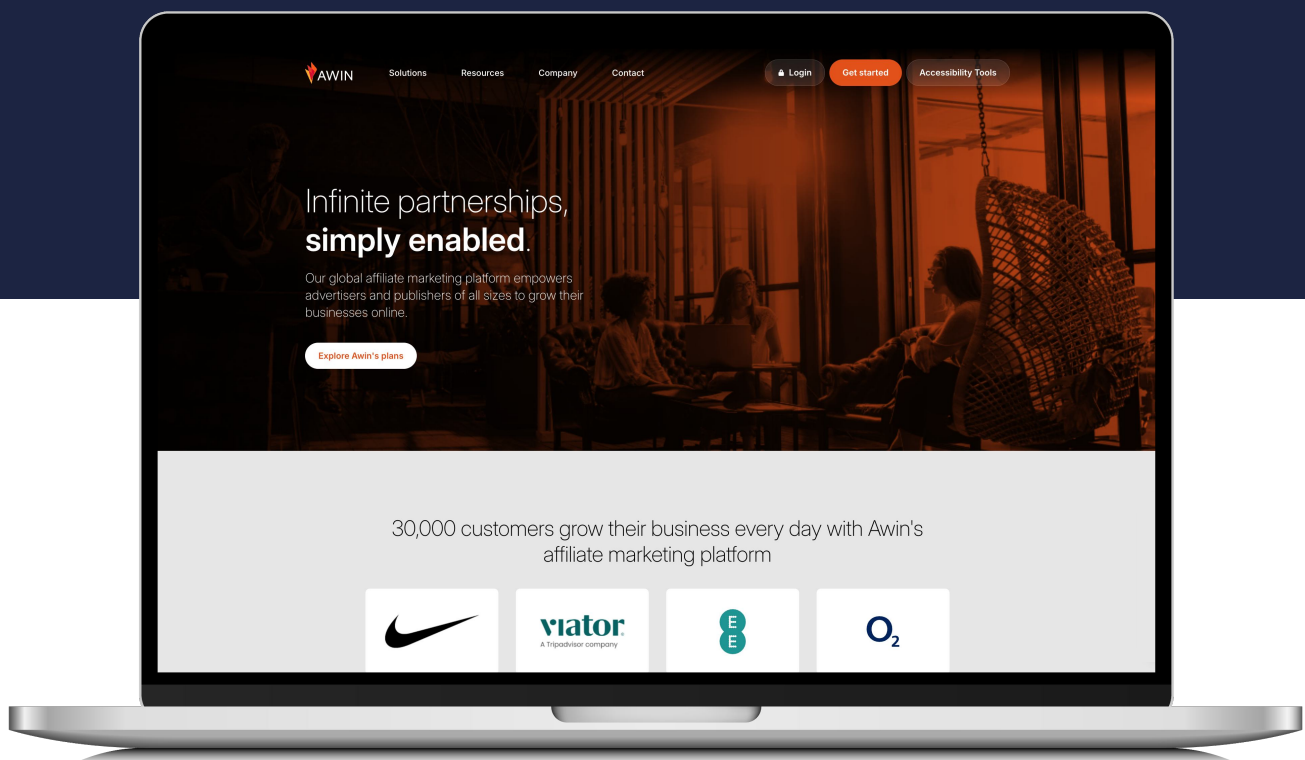
Foreword by Lee Metters, Client Partner – Brand Partnerships, Awin

Awin's preferred partnership with the Propello reward platform allows brands to leverage a variety of redemption methods, each catering to different customer preferences and behaviours.

Our data shows that programmes offering multiple redemption methods and offer types tend to see higher engagement rates and customer satisfaction scores.

The partnership that we have with Propello makes it easier than ever for brands to implement and manage these diverse reward options. Whether it's the immediate appeal of eGifts, the flexibility of cashback, or the seamless experience of card-link offers, brands can now create more dynamic and engaging loyalty programmes that truly resonate with their customer base.

As our partnership continues to innovate customer loyalty, we're excited to see how brands will leverage these options to create unique, valuable experiences for their customers.

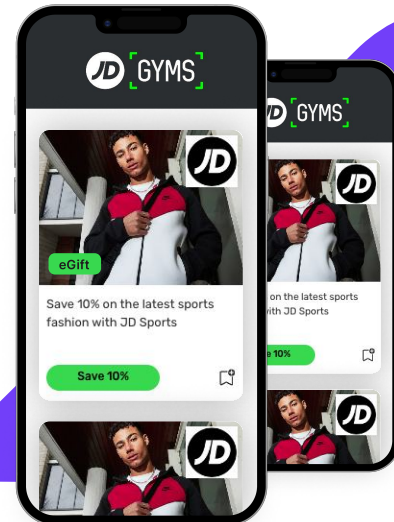


1. e-Gift

The success of the tried and tested e-gift is owed to its simplicity. Most of us have gifted and received gift cards. In fact it's become the norm, with many preferring vouchers because they give us the freedom to choose our own gifts. Brands like yours can leverage their simplicity and flexibility for thanking customers, not just for repeat purchases. With an e-gift incentive, you could also boost survey response rates and encourage subscriptions to a loyalty programme. And that's not all.

Use Case for e-Gifts

Depending on your business type and sector, you could use e-gift cards in a number of ways. Let's look at where e-gifts shine:



Sector: Retail & Shopping		
Strategy	Use Case	Result
Seasonal Sale Promotions	A large retail chain launches a holiday sales promotion. E-gift cards are part of the promotional campaign. Customers need to spend over a certain amount to receive a £10.00 e-gift card in their email. They can spend the monetary value of the reward on their next purchase.	- Increased sales during the promotional period. - Higher average transaction value during the promotion period. - Enhanced customer loyalty as shoppers return to redeem their e-gift cards.

Sector: Fashion		
Strategy	Use Case	Result
Enhancing Loyalty Programme	A high-end fashion retailer aims to enhance the value proposition of its loyalty programme. The redemption mechanism allows members to earn points on every purchase. Customers qualify for an e-gift card after accumulating a specified amount of points. The gift card can be redeemed for various rewards or sent to friends, boosting acquisition.	- Repeat purchases encouraged as customers must accumulate points. - Injected a sense of exclusivity and status in the redemption process and the e-gift card itself. - Expanded the customer base through referrals, making acquisition cost-effective.

Sector: Travel

Strategy	Use Case	Result
Travel Incentive Programme	A travel agency partners with an airline to offer e-gift cards. Customers booking a holiday through the agency receive an e-gift card. This can be used for future travel bookings, upgrades, additional luggage or priority boarding. Customers can redeem their rewards directly through the airline's website or at partnering hotels.	- Enhanced customer satisfaction and loyalty via rewards that directly address pain points. - Increased booking through the travel agency and uplift in traffic to the agency's website. - Added revenue through the airline's ancillary services and value to customer experience.

Sector: Fashion

Strategy	Use Case	Result
Seasonal Sale Promotions	A large retail chain launches a holiday sales promotion. E-gift cards are part of the promotional campaign. Customers need to spend over a certain amount to receive a £10.00 e-gift card in their email. They can spend the monetary value of the reward on their next purchase.	- Increased sales during the promotional period. - Higher average transaction value during the promotion period. - Enhanced customer loyalty as shoppers return to redeem their e-gift cards.

Pros

Immediate Delivery & Usability: The redemption mechanism is easy to send. Customers gain instant access to it across multiple channels such as email or text. This instant delivery makes them convenient and gratifying for your customers.

Versatile: Can be used across various platforms and stores. Flexibility offers more options for your customers. Versatility increases the appeal of e-gift cards increasing the appeal of the redemption mechanism to a broad audience.

Cost-Effective: The digital nature of e-gift cards removes the need for production of physical cards and shipping costs.

Easy to Track & Manage: E-gift cards can be digitally tracked and managed. Therefore, you can reissue any lost cards and monitor usage to gather insights on your customers' preferences and spending patterns.

Environmental Impact: E-gift cards are also environmentally friendly, appealing to eco-conscious consumers.

Cons

Security Concerns: An over-reliance on digitalisation has coincided with jumps in bot attacks on e-gift cards. Hackers use tactics like credential stuffing attacks to gain access to customers' email accounts. However, more companies have bolstered their security infrastructures to reduce hacks and leaks.

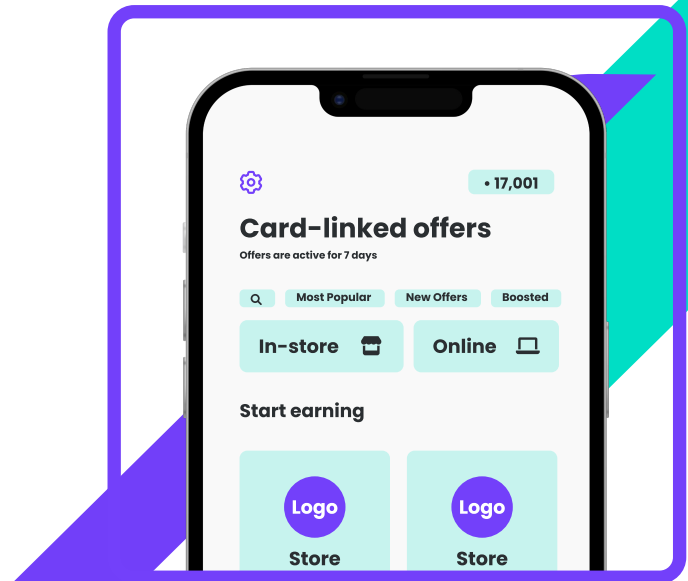
Perceived Value: Some recipients may see e-gift cards as less personal or thoughtful. However, the perceived value of an e-gift card is enhanced when integrated thoughtfully into the customer journey. For example, as seen in our fashion scenario above, offering e-gift cards as part of an exclusive loyalty programme.

Technical Issues: An e-gift card email may end up in spam and is subject to possible technical issues e.g., service downtime, incorrect email addresses and email filters.

Limited Acceptance: While many e-gift cards can be used broadly, some may be limited to specific stores or online platforms.

2. Card Linked Offers (CLO)

Card-linked offers are a modern spin on traditional reward promotions. Directly linked to a customer's credit or debit card, CLOs are tailored to individual customer behaviours such as purchase history. The redemption mechanism ensures highly relevant and personalised offers are automatically applied to the linked card at the point of purchase. The seamless process makes it easy for customers to enjoy their rewards, without the hassle sometimes associated with coupons. Brands like yours can tap into this convenience. And let's not forget, a high level of personalisation drives repeat business and customer loyalty.



Use Case for CLOs

CLOs work well with all the sectors discussed in this guide. In this instance we'll focus on three sectors in particular that work well with CLOs:

Sector: Finance & Insurance

Strategy	Use Case	Result
Increasing Credit Card Usage	A credit card company facilitates linking of customer credit cards to participating merchants (offering CLOs and rewards) to increase engagement and credit card usage. Customers spend more on their card responsibly while redeeming rewards relevant to their needs. Customers pay full price for the goods but discount is applied on a future statement	• Drives revenue due to increased use of credit cards. • Increased volume of transactional data to help deliver further personalised rewards. • Automatic application of the discounts makes the redemption process simple. • Enhanced retention as policyholders appreciate savings.

Sector: Retail & Shopping

Strategy	Use Case	Result
Driving Online Sales with Cashback Rewards	An online marketplace partners with a variety of merchants to offer card-linked cashback rewards. Any customer that has linked their card to the marketplace's platform, receives cashback on purchases made at participating online stores.	• Automated redemption mechanism was simple for customers to use. • Redemption mechanism was integral to partnership that appealed to a wider customer base.

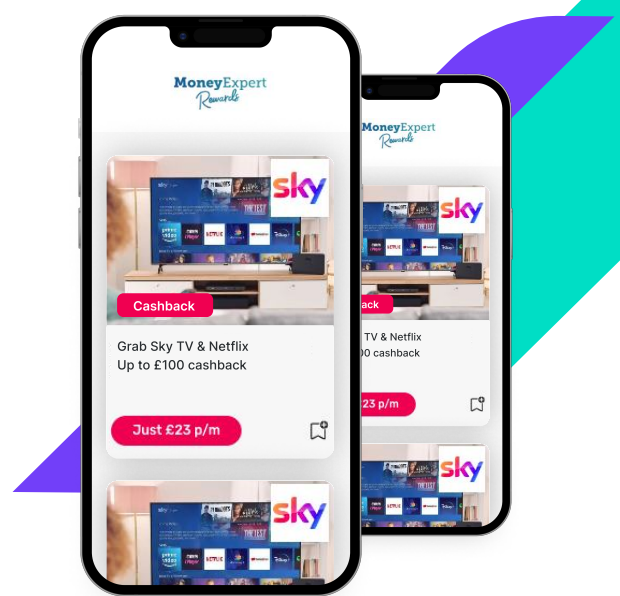
Sector: Telco & Services

Strategy	Use Case	Result
Promoting Mobile Payments with Discount Offers	A mobile payment service provider partners with telcos to promote mobile payment through CLOs. Customers with credit or debit cards linked to their preferred mobile payment app, get the option to one of several rewards. For example, exclusive discounts on monthly bills or additional data packages.	• Gained valuable insights into customer spending behaviour, enabling targeted marketing strategies. • Redemption mechanism strengthened loyalty as it worked to preferences and personal habits of customers using their favourite apps.

Pros	Cons
Seamless User Experience: CLOs as a redemption mechanism provide seamless experiences for customers. They negate the need for manual coupon codes or redemption processes. As a result, CLOs are one of the most seamless formats of rewards redemption. High Engagement: Lowering usage hurdles also encourages higher customer engagement. Your customers are more likely to participate in promotions when it's integrated with how they typically use their bank cards. Personalised Offers: Can tailor highly personalised offers based on first-party data. Enhanced relevance of rewards also boosts conversion rates.	Security Concerns with Linking Cards: There are inherent security concerns associated with CLOs as a redemption mechanism. Robust security measures are a must to prevent data breaches and unauthorised transactions. This redemption mechanism requires unwavering customer trust. Without it, there will be little participation in redeeming rewards. Tracking & Data Management Systems Require Higher Costs: CLOs also call for sophisticated tracking and data management systems. Otherwise, your business will not be able to accurately monitor transactions, apply rewards, and analyse customer behaviour. Therefore implementing this redemption mechanism – whilst beneficial in terms of personalisation, convenience and data – is resource-intensive, needs ongoing maintenance and for those reasons, can sometimes be expensive. Delay in Cashback Transactions: Customers do not receive their cashback until their next purchase. This means CLOs are not the right redemption mechanism if you want to instantly delight your customers. The discounts, issued via cashback, are applied to future statements.

3. Cashback

Cashback actually serves dual roles, one as a seamless redemption mechanism, the other as a compelling reward. Cashback rewards offer freedom of choice (just like e-gift cards). The redemption mechanism can be designed to activate when customers complete certain actions. Whether that's completing surveys or joining a loyalty programme. A cashback redemption mechanism acknowledges customers for their loyalty and motivates actions that you want them to make. It's important to note that while cashback facilitates easy redemptions of earned rewards, it also stands as a direct reward for customer engagement and spending behaviours.



Use Case for Cashback

Here's some ways cashback as a redemption mechanism can work in the following sectors:

Sector: Fashion		
Strategy	Use Case	Result
Enhancing Customer Loyalty through Fashion-Focused Cashback Rewards	A major fashion retail brand introduces a cashback programme that encourages repeat purchases and brand loyalty. Customers earn 5% cashback on all in-store and online purchases. The redemption mechanic automatically credits the customer's account with cashback points at the end of each month, usable for their next purchase. Cashback rewards are tiered based on customer spending, encouraging higher purchase volumes. Special promotions offer bonus cashback on new season collections or during fashion events.	- Automated mechanism was tied to customer habits and everyday behaviours. - Attracted new customers looking for value-added credit card features. - Encouraged higher spending limits among cardholders to maximise cashback benefits.

Sector: Retail & Shopping

Strategy	Use Case	Result
Driving In-Store Sales with Cashback Incentives	A retail chain introduces a cashback programme to drive in-store sales and customer retention. Shoppers earn cashback rewards based on their total spending at the retail stores. The cashback mechanism activates on future payments. The retailer also offers increased cashback rates during peak shopping seasons.	• Cashback incentives attracted more customers to visit retail stores, increasing foot traffic. • Redemption mechanism scaled to AOV motivated shoppers to spend more for higher cashback rewards. • Incentivised repeat visits and improved customer loyalty during promotional periods.

Sector: Travel

Strategy	Use Case	Result
Increasing Travel Bookings with Cashback Offers	A travel agency partners with airlines and hotels to offer cashback rewards on bookings made through their platform. Customers earn cashback based on the total amount spent on flights, accommodation, and additional travel services. The redemption mechanism triggers when customers book future bookings or buy in-flight upgrades.	• Increased booking volume as a result of customers taking advantage of cashback on accommodation and flights. • Financial benefits led to higher satisfaction with the booking process. • Partners benefited from increased bookings, thereby strengthening relationships.

Pros

Tangible Financial Benefits: Monetary rewards translate as tangible financial benefits, often resulting in an uplift in customer satisfaction.

Easy to Understand and Highly Appealing:

Straightforward concepts appeal to wider audiences. Customers prefer easy-to-use redemption mechanisms and simple reward concepts.

Drives Higher Spending to Achieve More Cashback: The promise of higher returns incentivises customers to increase their spending.

Cons

Costly for Businesses if not Managed Properly: Setting up cashback redemption mechanisms in your loyalty programme involves extra costs. In addition, there's higher operational expenses for managing the programme. Without proper management and analysis, costs may outweigh benefits of increased customer loyalty and spending.

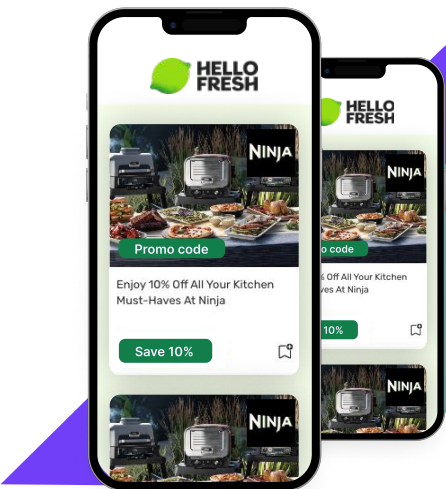
Lack of Personalisation: Cashback applies to all purchases, instead of targeted towards specific products, brands, or customer preferences. CLOs and promo codes leverage customer data to influence specific behaviours, whereas cashback simply encourages overall spending.

4. Promo Code

Promo or alphanumeric codes unlock exclusive savings and incentives for customers that fulfil certain criterias. Just as e-gifts and cashback provide tangible benefits, promo codes also offer special offers on purchases, subscriptions and services. Most of us as consumers have redeemed promo codes before. But as a redemption mechanism, what do they do for brands?

Use Case for Promo Codes

Here's how promo codes empower brands that reward customer loyalty, attract new customers, and boost sales through targeted marketing campaigns:



Sector: Fashion		
Strategy	Use Case	Result
Exclusive Promo Codes for New Collection Launch	A high-end retailer aims to generate buzz for a new collection launch. Loyal customers receive an exclusive promo code, offering a 20% discount on new arrivals. Deliverables include email and SMS for maximum reach, engagement, and for customers to share codes.	• Exclusive promo codes increased sales and incentivised immediate purchases. • Customers shared promo codes with friends and expanded the exposure of the promotions.

Sector: Retail & Shopping		
Strategy	Use Case	Result
Seasonal Sale Promotions with Promo Codes	A large retail chain launches a seasonal sale campaign. They want to clear out inventory and make room for new stock. They use promo codes, giving customers an additional 15% off already discounted items. Codes are promoted across socials, email newsletters, and in-store signage.	• Customers spent more to maximise the benefit of an extra discount. • The seasonal sale helped the retailer efficiently manage and clear out old inventory. • Customers used the codes across channels, boosting awareness of promo codes.

Sector: Telco & Services

Strategy	Use Case	Result
Promoting New Services Plans with Promo Codes	A telco rolls out new service plans and wants to encourage upgrades. They offer promo codes for a 10% discount on the first three months of any new plan. The promo codes are sent via email, included on billing statements, and promoted on the company's website and app.	• Discounts incentivised customers to explore and switch to new service plans. • Versatility of redemption mechanism tested via telco bills advertisements. • Tapped cross-sell and upsell opportunities.

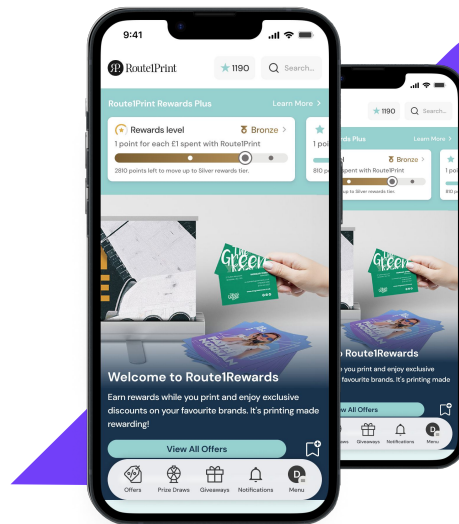
Pros	Cons
Easy to Distribute & Track: Easily traceable, making promo codes the perfect redemption mechanism for collecting customer data. Can be Tuned to Specific Promotions or Products: Highly customisable for specific promotions, products or customer segments. Effectively paves the way for targeted marketing and maximises the impact of your campaigns. Creates a Sense of Urgency with Time-Limited Offers: Time-limited promo codes create a sense of urgency. Implementing a redemption mechanism that encourages customers to make quick purchase decisions, drives immediate sales and conversion rates.	Unauthorised Sharing: Promo codes are susceptible to unauthorised sharing. Customers can easily distribute the discount to individuals unqualified for rewards. May Attract Bad Actors: Promo codes may also attract bad actors or opportunists to create multiple accounts in order to redeem the same code multiple times. Overuse May Lead to Discount Fatigue: If promo codes are used too frequently, customers may become accustomed to waiting for discounts. Over time this may ebb their willingness to purchase at full price. This effectively harms the brand's perceived value.

5. Points Burn

Next up, is the classic yet powerful (and proven) points and burn redemption mechanism. Most, if not all shoppers, are at least familiar with a points-based reward system. Customers earn points on every purchase or other actions specified by the brand. Once customers accumulate enough points, they spend or “burn” them in order to redeem rewards. Usually, the value of the reward scales with the amount of points the customer has accumulated.

Use Case for Promo Codes

Here’s how promo codes empower brands that reward customer loyalty, attract new customers, and boost sales through targeted marketing campaigns:



Sector: Retail & Shopping		
Strategy	Use Case	Result
Encouraging Repeat Purchases & Increasing Average Order Value	A major retail chain implements a points-based loyalty programme where customers earn points for every pound spent. Accumulated points are redeemed for discounts on future purchases, exclusive products, or special sales events. The redemption mechanism tracks the amount of points a customer has accumulated. It tracks accounts with lots of points and automatically qualifies them for higher value rewards.	• The ability to redeem points for rewards encouraged customers to make frequent purchases to earn and spend points. • Customers felt valued as accumulating a certain amount of points unlocked increasingly valuable rewards. • Customers spent more in single transactions to earn additional points, boosting average transaction value.

Sector: Retail & Shopping		
Strategy	Use Case	Result
Driving Engagement with Points-Based Rewards	A high-end fashion retailer offers a points-based loyalty programme. Customers earn points on every purchase, redeemable for discounts on new collections, early access to seasonal sales, or invitations to exclusive fashion events. The programme is integrated with the retailer’s mobile app and online store.	• Redemption mechanism integrated with app and online store to simplify reward redemption process. • Exclusive nature of the rewards enhanced the brand’s prestige. • Versatility of the redemption mechanism encouraged frequent interactions.

Sector: Travel

Strategy	Use Case	Result
Rewarding Frequent Travellers with Points Redemptions	An airline company introduces a frequent flyer programme. Customers earn mile points for each flight. Miles are redeemed for free flights, seat upgrades, access to airport lounges, and discounts at partner hotels. The programme is promoted through the airline's website, mobile app, and in-flight announcements.	- The mechanism incentivised the loyalty of frequent travellers by tracking and rewarding their miles for points. - The mechanism tracked miles and accurately rewarded qualified accounts with tangible flight benefits and attractive partner rewards.

Pros	Cons
Automatic Reward Accumulation: Points-based redemption mechanisms automatically reward customers with points for their actions, such as purchases or engagement. This seamless accumulation process enhances the customer experience – providing immediate recognition and incentivises consistent interaction with your brand. Versatile Redemption Options: Points can be redeemed for a wide variety of rewards, including discounts, free products, exclusive experiences, or special services. Versatility allows customers to choose rewards that best match their preferences, increasing overall satisfaction and engagement. Encourages Higher Spending: The ability to accumulate points motivates customers to spend more on each transaction to reach reward thresholds faster. This leads to an increase in average order value and overall sales volume. Enhances Brand Loyalty: By offering points as a reward for purchases and engagements, brands create a sense of loyalty and long term commitment. Customers are more likely to remain loyal to a brand they've accumulated points with.	Complex Management Requirements: Managing a points-based redemption mechanism requires continuous updates and maintenance of the rewards catalogue. Potential for Points Devaluation: If not carefully managed, the value of points become diluted, leading to customer dissatisfaction. It's crucial to maintain a balanced earning and redemption structure to keep the perceived value of points high. Delayed Gratification: Points-based systems often involve delayed gratification, as customers need to accumulate points over time before redeeming them for rewards. Liability and Financial Management: Unredeemed points represent a liability on the company's balance sheet. Effective financial management is necessary to account for these liabilities and ensure the system remains sustainable and profitable. Customer Frustration with Redemption: If the redemption process is overly complex or if rewards are perceived as unattainable, customers may become frustrated. Simplifying the redemption process and ensuring rewards are within reach resolve this issue.

Reward Ideas for Each Redemption Mechanism

The table below lists several suitable rewards for each redemption mechanism.

Redemption Mechanism	Suitable Rewards
E-Gift Cards	Retail Gift Cards: eGifts for popular retail stores like Amazon, Walmart, or local boutique shops.
	Fashion Brand Gift Cards: eGifts for fashion brands such as Zara, H&M, or high-end designers.
	Travel Vouchers: eGifts for airlines, hotel bookings, or travel agencies to be used towards flights, accommodations, or travel experiences.
	Dining and Entertainment: eGifts for restaurants, movie theatres, or streaming services.
CLOs	Cashback on purchases.
	Discounts on monthly bills or services.
	Points for future purchases.
Cashback	Cashback on travel bookings.
	Percentage back on shopping expenses.
	Cashback on purchases made with fashion brands.
Promo Codes	Discount on next purchase.
	Free shipping.
	Exclusive access to sales or new product launches.
Points Burn / Redemption	Products from the catalogue for points.
	Discounts on future purchases.
	Travel experiences or service upgrades.

The Comparison Chart

The chart below compares the effectiveness of each redemption mechanism in the sectors we've discussed. These are not hardlined rules that you need to follow. They are recommendations based on our experiences from working with various clients. We've found that all these redemption mechanisms can work for businesses in most sectors. However, some come with potential disadvantages that far outweigh advantages. Which is why we wouldn't recommend them.

Key:


Not Recommended / Potential Disadvantage



Recommended / Advantageous

*Card Linked Offers (CLOs) can be suitable for all businesses with a large number of active reward programme users.

Criteria	e-Gift Cards	Card Linked Offers (CLO)*	Cashback	Promo Codes	Points/Burn Redemption
Sector Suitability					
Retail & Shopping	✓	✓	✓	✓	✓
Fashion	✓	✓	✓	✓	✓
Travel	✓	✓	✓	✗	✓
Finance & Insurance	✗	✓	✗	✗	✗
Telco & Service	✗	✓	✗	✓	✗
User Experience					
Seamless User Experience	✓	✓	✓	✓	✗
Instant Gratification for Customers	✓	✗	✓	✓	✗
Customisation & Flexibility					
Highly Personalised Offers	✗	✓	✗	✓	✗
Time-Limited Offers	✗	✗	✓	✓	✗
Financial Implications					
Cost-Effective	✓	✗	✗	✓	✗
Management & Implementation					
Easy to Track & Manage	✓	✓	✓	✓	✗
Data Privacy	✓	✗	✓	✓	✓
Customer Engagement & Retention					
Encourages Repeat Purchases (if managed correctly)	✓	✓	✓	✓	✓
Encourages Long Term Customer Loyalty (if managed correctly)	✓	✓	✓	✓	✓
Creates Sense of Urgency	✗	✓	✓	✓	✗



Choose Your Most Promising Redemption Mechanism and Supercharge Customer Loyalty

First and foremost, your chosen redemption mechanism should enhance the customer experience. The best way to reach that outcome is ticking all the right boxes above. The comparison chart is a great visualiser for helping to identify the best redemption mechanism. Especially alongside the reward ideas for each one, and the use cases and outcomes explored. All of which set you up for a winning combination. One that resonates with customers and puts you far ahead of competitors.

Contact us today for a quick 20 minute demo

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propellocloud.com/contact



0333 202 88 33



sales@propellocloud.com