



CASE STUDY

Revolutionizing Rewards & Loyalty Programs with Tokenization:

How Enigmatic Smile Gained a 25% Net Margin Boost and Increased LTV

enigmatic smile

AT A GLANCE

Industry

Rewards & Loyalty

Challenges

- Reward redemption variability created merchant cash flow challenges
- High reward redemption thresholds caused customer churn
- Supporting complicated cash flow cycles contributed to excess balance sheet liability and overhead costs

Results

- 25% increase in net margins
 - Boosted customer retention & LTV
 - Significant operational efficiencies & cost savings
- 80% reduction in balance sheet debt
- Tailor-fit solution that resolved liquidity issues, reduced consumer friction, and increased profitability

Enigmatic Smile is a global rewards network connecting over 12 million customers in 11 countries with a mission to decentralize and defragment the broken payment-linked rewards industry. Retailers leverage Enigmatic Smile's cashback incentives to drive sales, while customers enjoy a unified system that unlocks greater value. Their ecosystem includes brands & financial organizations that account for over 90% of point-of-sale transactions globally, including Visa Europe and Ecocash.

Overcoming Traditional Rewards Challenges

Prior to partnering with Aventus, Enigmatic Smile's initial global rewards network attracted a broad consumer base, offering participating retailers an opportunity to grow their customers and increase sales volume. The process was similar to many loyalty & rewards programs:

- Consumers registered with their debit card to receive cashback on purchases at participating retailers.
- Once a consumer's cash rebate balance reached \$60, (£50), they were eligible to withdraw the cash at any time.
- Enigmatic Smile would invoice participating retailers monthly for the cash rebates owed to registered consumers, in addition to a small commission.

While Enigmatic Smile's original model generated sizable revenue and seemed like a win-win-win for all parties, there were still challenges:

1. Cash Back Redemption Requirements Contributed to Consumer Churn

- The high \$60 (£50) cash back redemption threshold discouraged frequent spending. The average consumer spent just \$25, (£20) each month, but would need to spend over 25x that amount to redeem their rewards. This led to consumer churn after spending a mere \$12-25, (£10-20), significantly diminishing customer lifetime value.

2. Retailer Cash Flow Risk Mitigation Came at a High Cost

Consumers' ability to redeem their cash rebates at any time with the low threshold created a cash flow nightmare for retailers. They were required to keep sufficient funds on hand to honor all rewards or risk defaulting. To mitigate this massive balance sheet liability, Enigmatic Smile collected stock as collateral from retailers, an expensive operational process based on short-term bank financing at suboptimal terms.

3. Complicated & Costly Treasury Management Reconciling large volumes of transactions and payouts under the traditional fiat system significantly increased Enigmatic Smile's operational costs. Their reliance on a cash-based infrastructure resulted in complex cash flow cycles and costly treasury management.

A Tailor-Fit Solution that Accelerated Program Adoption & Profitability

The Enigmatic Smile and Aventus teams collaborated to tackle the limitations of the traditional rewards model. Aventus' innovative solution involved replacing fiat currency with tokens for consumer cashback rewards, unlocking a wave of benefits:

- **Increased Engagement:** Consumers no longer needed to reach a high spending threshold to earn or spend their cashback, eliminating churn and boosting lifetime value.
- **Eliminated Cash Flow Strain:** Retailer partners could now credit consumers with cashback tokens immediately, streamlining their process and freeing up cash flow. In addition, commission collection was not restricted to redemption schedules.
- **Streamlined Operations and Reduced Costs:** Enigmatic Smile eliminated expensive treasury management solutions and costly bank transfers, significantly reducing back-office costs. This, paired with the elimination of short-term financing, Enigmatic Smile's balance sheet liability was also reduced.

"It's incredible how the Aventus Protocol has improved Enigmatic Smile for every one of our stakeholders. It's helped make our business more effective than ever before, and now implemented will enable us to rapidly expand."

Bish Smeir
CEO Enigmatic Smile

Results

By partnering with Aventus on this innovative tokenized solution that provided real-time visibility on a digital ledger, Enigmatic Smile increased its operational efficiency, boosted consumer engagement & improved its financials, resulting in a staggering **net margin increase of 25%** and an **80% reduction in balance sheet debt**.



Connect with us today to learn how Aventus can achieve efficiency and growth at your brand

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