Coinbase Wallet Loyalty Rewards Program

Team:
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Goal:

This PRD aims to outline a blockchain-leveraged loyalty rewards program for Coinbase Wallet, keeping in mind goals of customer growth, both in terms of 'Web2' and 'Web3' users.

Background:

Traditional Loyalty Programs are very common across industries (Credit Card Rewards, Starbucks rewards, etc.) and do a great job of maintaining "sticky ecosystems" with their users within the product/service. Therefore, keeping above goals in mind, Coinbase should look to adopt a loyalty program to boost its Wallet usage. With the help of this loyalty program, Coinbase can aim to onboard new 'web2' users while also encouraging 'web3' users to use its wallet as compared to other competitors.

Problem Statement:
Both Web2 and Web3 users are interested in passive, simple loyalty programs with real-world utility (e.g., cash back, discounts, or travel perks), but are deterred by unclear point values, complicated redemption processes, and the intimidating or unfamiliar nature of crypto-based rewards[1]. Current crypto reward systems lack the simplicity, trust, and transparency needed to appeal to mainstream Web2 users who are used to seamless, low-effort experiences with traditional loyalty programs. For more crypto-native individuals, a consolidated Web3 rewards experience doesn't exist, which leads to dealing with unclear reward mechanics and a lack of tangible on-chain benefits.

Key Features:

1. *User Sign-up Bonus*
    - Users can get rewarded in USDC or Crypto on first swap
2. *Loyalty Point Network*
    - *Users can **earn** points on the following tasks:*
        - Swaps
            - Portion of swap fees redistributed to users as loyalty rewards

        - Active users earn discounted swap fees
    - Referrals
        - Welcome rewards for new users through referrals
        - Bonuses for users who swap or stake within the wallet
    - Staking (Time-limited)
        - Designed to include DeFi Integration
    - Buying Crypto
- *Users can **redeem** points for the following*:
    1. Points can be converted to **cash or crypto** of choice.
    2. The loyalty program would include **partnerships** with familiar brands to offer rewards for redeemable gift cards/rewards in spaces such as:
        a. Entertainment (Sports, Streaming, Concert Tickets, etc.)
        b. Food/Dining
        c. Travel
        d. Retail
    3. **Reduced fees** for a limited amount of time (Ex. 1.5% reduced fees up to $1,000 within a 3 day time period)
    4. Users can use reward points as a **substitute** for transaction fees. To encourage this behavior, the value of using points should outweigh the benefit of simply paying fees with cash or crypto.
    5. Users can redeem points for special/limited edition **NFTs/Tokens**.
        a. Can unlock access to exclusive merch, events, or experiences (e.g., with Coinbase)
        b. Scarcity & tradability add perceived value — beyond typical points
        c. Serve as status symbols or dynamic badges tied to user engagement
    6. Users can exchange points for a **free Base name**.

Success Metrics:

1. Coinbase Wallet User Growth[3]

- 10% active user growth per month in the first 4 months, reflecting Metamask's recent surge in users after announcing a product upgrade.
- Aim for 15% CAGR (or ~1.5% per month user growth), following the trend of the global loyalty program market.

2. Referral Rate (Sign-ups by referral / Total sign-ups)[4]

- We recommend aiming for 5% of all users, or 1 / 20 users signing up through a referral.
- The global range for referral programs is 2-10%, but rewards programs with financial incentives typically have higher rates.
- The referral rate would start high, at 20% (conservative number since it is a crypto rewards program), and in the long run, level off to about 5% (average in the software/tech industry)

3. Average Wallet Activity[5]

- How frequently do users participate in Coinbase Wallet compared to before the program release?
- Compute frequency of swaps, crypto staking, and crypto bought (i.e, any concrete interaction on Coinbase).
- Compare Monthly Transacting Users
    - Ex. Base's monthly active addresses' month-over-month increase from May to June 2024 was 2.2 million—massive compared to an 18,000 jump from April to May.

4. Average Points Redeemed Per User

- Track how many points users are spending on average on a daily, monthly, and annual basis
- Would help Coinbase track how many users are actively using the rewards program, as well as which rewards are being redeemed more often than not
- Convert total points spent into USD for standard comparisons

5. User Churn Rate

- Track the percentage of users who stop using the loyalty program over time (e.g., monthly, quarter-yearly).
    - Achieve a 5% reduction in monthly churn rate within 12 months of program launch[6]
- Helps identify drop-off trends and at-risk segments based on user activity or wallet age.
- Mitigate churn with timely notifications about expiring rewards, new offers and new redemption options.

FAQ

Q: Why and how did you choose these success metrics?

We believe these metrics align with Coinbase's business objectives to increase crypto adoption by incentivising wallet interactions. These metrics were chosen from in-depth competitive analysis and key assumptions, which can be found **here**.

Given the total number of users on competing wallets (Ex. Phantom at 15M) and the number of monthly transacting users on Coinbase Exchange (Ex. 7M in Q4 2024), we are estimating that Coinbase Wallet has 2-3 million users. Our metrics take this assumption into account.

Q: How did you come up with the features for a Coinbase Wallet Loyalty Rewards Program?

The features for our Loyalty Rewards Program were directly shaped by insights from in-depth user interviews with both Web2 and Web3 users. Through these conversations, we identified key pain points, motivations, and behaviors across the two segments.

For Web2 users, a common frustration was the lack of tangible, everyday benefits from loyalty programs. This led to the feature of allowing points to be redeemed for rewards with familiar brands and services. For Web3 users, many preferred competitor wallets due to better integrations and incentives. To address this, we designed rewards specifically for crypto-native users, such as fee discounts and free Base Names.

We also heard consistent feedback across both groups about confusing and opaque reward systems. In response, we settled on the Loyalty Points Network, which is a clear, flexible points model inspired by credit card points, making it simple for users to understand how to earn and redeem rewards. Overall, every feature was developed to directly reflect user needs and ensure the program feels intuitive and valuable to both audiences.

Q: What is unique about crypto rewards programs compared to traditional loyalty rewards programs?

A: Crypto loyalty programs, like the one we're building for Coinbase Wallet, offer real ownership by issuing onchain tokens (e.g., USDC and NFTs) instead of locked points. Tokens can be held, traded, staked, or cashed out, giving users full control. Smart contracts automate earning, tracking, and redemption instantly, removing delays. Users can also earn passive income by staking rewards or receiving a share of swap fees. Rewards are interoperable across a wide partner network, redeemable for gift cards, entertainment, retail, NFTs, and more. Storing rewards onchain improves security, transparency, and global access. With features like referral bonuses and the ability to use rewards for transaction fees, Coinbase Wallet delivers a more flexible, valuable loyalty experience than traditional programs.

Q: Will users be able to track their rewards progress?

Yes! Users can track their progress in the dedicated Rewards Tab on Coinbase Wallet that will show total earnings, tiers unlocked, upcoming milestones and redemption options.

Q: How will Coinbase prevent referral fraud or abuse?

Coinbase will track duplicate sign-ups based on IP addresses helping to quickly identify and block referral farming and multi-account abuse. In addition, Coinbase can leverage proven anti-Sybil mechanisms used across Web3, such as third-party Sybil detection (as seen with Tensor and Parcl), incentivized Sybil reporting campaigns (like LayerZero), and a combination of rules-based filtering and data analysis (similar to Arbitrum). This multi-layered approach helps ensure fairness and integrity across the referral program.

Appendix

User Segments:

1. ***Crypto Novice***
    - Profile: New to crypto, casual investor with limited experience beyond basic Bitcoin purchases
    - Goals: Earn rewards easily, gain passive income, use crypto in daily life
    - Needs: Simple programs, stablecoin rewards, easy interfaces, familiar brands

Additional Insights:

i. They are intimidated by the complexity of crypto and feel overwhelmed navigating it alone.[1]
ii. They want rewards to feel as reliable and valuable as traditional credit card programs.
iii. They need clear ways to redeem rewards without worrying about volatility or limited options.
iv. They are motivated by real-world benefits they can easily see and use.

Quotes:

> *"What would get me to use Coinbase Wallet is if it offered something better than a credit card. Can I use it in stores? Will it be stable? Can I transfer money easily?"*
>
> *"I'd maybe consider using Coinbase Wallet if the loyalty points could actually be used on things I need. I don't need loyalty points to use on some random web3 dApp."*

2. ***Crypto & Web3 Enthusiast***
   - Profile: Active crypto user, participates in DeFi, NFTs, and crypto clubs
   - Goals: Maximize passive rewards, retain full custody, access flexible loyalty options
   - Needs: Liquid rewards, seamless dApp integration, low-friction claiming, transparent mechanics

Additional Insights:

i. They get frustrated when unclear lockups, high fees, or complicated claims reduce their earnings.
ii. They prefer loyalty programs that are fast, automated, and easily fit into existing crypto usage.
iii. They value control, transparency, and the ability to reinvest rewards without friction.
iv. They are motivated by maximizing returns while keeping full control over their assets.

Quotes:

> *"I use crypto regularly, but most loyalty programs don't feel worth the effort. I'd rather get rewards that I can actually use, not just random tokens with no actual value."*
>
> *"You kind of have to be aware of all the conversions and the ideal way to transfer the points. So the fungibility between point ecosystems is hard."*

Coinbase Wallet User Growth[3]

- Metamask User Surge
- Growth of Gamification & Engagement-based Loyalty Programs
- Coinbase Exchange's increased 24%

Referral Rate (Sign ups by referral / Total sign ups)[4]

- Loyalty Program Referral Rate Statistics (2024)
- Creating Referral Programs
- Referral Rate Benchmarks
- The average global referral rate is 2.35%.

Average Wallet Activity[5]

- Coinbase Active Addresses

User Churn Rate[6]

- ROI of Loyalty Programs
- Fintech Loyalty Programs

Design References:

- Figma mockups for all features

User Research:

- Figma Interview Snapshots
- Figma User Journey Maps

Open Issues for Further Discussion:

1. *USDC Rewards Distribution Mechanics*

How can we balance reward frequency (real-time vs. periodic) to maintain user engagement without overwhelming users with transaction notifications or insignificant reward amounts?

What reward distribution approach (automatic vs. user-initiated claims) provides the best user experience while managing Coinbase costs?

2. *Tiered Rewards Structure*
    a. Determining structure of tiers

How should tiers be structured (activity-based, cumulative-earned, or hybrid) to communicate value and motivate both crypto-native and non-native users?

What combination of swap rebates, staking returns, and referral incentives creates the most appealing rewards ladder without confusing or overwhelming users unfamiliar with Web3 concepts?

What values are at the cut-offs for each tier, and do the rewards change as a customer moves up a tier (kind of reward changes/accessibility to rewards changes)?

- We suggest, assuming 1 point per dollar spent on Wallet interactions
    - 10,000 points for Silver Tier
    - 50,000 points for Gold Tier
    - 150,000 points for Platinum Tier
    - Must earn 80% of tier's points year after year to remain in tier
    - Points expire if you don't use or earn any in a 12 month span

https://www.openloyalty.io/insider/effective-tiered-loyalty-programs

https://www.gameball.co/blog/examples-of-tiered-loyalty-programs-guide

https://www.sephora.com/beauty/terms-conditions-beauty-insider

Market Research:

Blockchain-Based Loyalty Programs

Core Advantages

- Interoperability: Tokenized rewards (fungible/NFTs) enable cross-platform utility (e.g., Solana's Moonwalk allows rewards in SOL, USDC, or BONK).
- Security: Blockchain's immutable ledger prevents fraud and ensures transparent tracking of rewards.
- Passive Income: DeFi integrations (staking, lending) let users grow rewards (e.g., DePlan's DPLN tokens for subscription sharing).
- Community Governance: Decentralized voting empowers users to shape reward structures (e.g., Chain.com's Web3 models).

Innovative Blockchain Loyalty Program Models

1. Tokenized Rewards
    - *Starbucks Odyssey*: NFTs grant access to exclusive experiences.
    - *MonkeDAO's Banana Shop*: $BANANA tokens redeemable for NFTs/merchandise.
2. Gamification
    - Tiered challenges (e.g., Blockasset's prediction games with BLOCK tokens).
    - Progress tracking via dashboards (e.g., Buddy Link's analytics).
3. DeFi Integration
    - Staking rewards (e.g., Cafe DeFi, Celsius).
    - Shared revenue models (e.g., DePlan's passive income from unused subscriptions).

Challenges

- Low redemption rates ($100B in unused rewards industry-wide).
- Complexity in program design discourages participation.

Traditional Loyalty Programs

Key Features

- Simplicity: Straightforward points/discounts (e.g., AMEX points for travel).
- Personalization: Tailored rewards (e.g., Amazon Prime's cashback deals).
- Multichannel Access: Seamless engagement across apps/websites (e.g., Nando's Rewards).

Limitations

- Fragmented rewards (limited to single brands).
- Lack of ownership (points cannot be traded/staked).