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# **Business Case**

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***for Partnering with acQyr eXchange***

April 2021

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## Overview

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Problem: The financial results of mobile and video game publishers are driven by extended play time by gamers. In-app purchases, paid ad viewing, and tournament play increase through player engagement and retention. Other than exciting game play, publishers have few tools to keep players engaged. Targeted offers and rewards, proven effective in the retail industry, are a traditional way to increase customer engagement, retention, and Lifetime Value (LTV).

acQyr eXchange (QX) is designed as a solution to this problem. It is the first cash back rewards platform that works across all games for the mobile and video gaming industry. acQyr eXchange:

- Helps game publishers and developers increase retention and grow revenue through personalized offers and loyalty rewards.
- Works like classic retail loyalty programs that reward purchasing behavior and are proven to increase revenues by up to 2.5 times.
- Offers an end-to-end solution with customizable rewards that is easily connected to a publisher's/developer's game.
- Allows players to easily monitor, manage, and redeem their QX-issued rewards from multiple games on the exchange using their QX mobile app.

acQyr eXchange is being brought to market in three key phases:

- *Phase One* – Exchange existing reward value in games that issue monetary rewards. That's the phase we're in now and is described on our website [acqyrexchange.com](http://acqyrexchange.com).
- *Phase Two* – Adds rewards issuance to the platform as well as other upgrades. We're rolling out this functionality in mid-2021.
- *Phase Three* – We will be enhancing our current exchange-to-cash redemption to include moving rewards between games, using rewards for in-app purchases (IAP), downloading rewards to a branded QX prepaid card, and donations.

We're currently accepting applications for publishers to join Phase 1 of acQyr eXchange for those already issuing in-game rewards. We're offering attractive financial incentives for Charter Publishers to sign up now.

We are also looking for publishers who want to be early adopters of QX Phase 2. By committing now to implementing Phase 2 later in 2021, you will not only receive financial incentives, but you will also become a QX advisor to help define and refine our platform.

## Reasons to Partner with QX

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Do you belong to any retail loyalty programs? On average, a consumer belongs to 14.8 loyalty programs, and are actively engaged in 6.7 of them. Why do the retailers you frequent offer a loyalty program? Because loyalty programs have been proven to increase sales, increase profits, reduce churn, and reduce the cost of acquiring new customers for 70 years. That's why more than 90% of companies have some sort of loyalty program ([Accenture](#)).

Businesses grow by customer acquisition and/or by getting more business from their existing customers. Customer acquisition is invariably expensive. It is much cheaper, then, to get more business from existing customers. Retailers do this in two ways: Getting customers to buy more when they buy, or by getting them to buy more frequently. The second way, getting existing customers to buy more often, is where customer loyalty programs are most successful.

A loyalty program is essentially an internal marketing program aimed at existing players to increase engagement and retention and maximize LTV. The QX platform enables you to create a loyalty program to reward and keep your best gamers, and convert good gamers into more of your best gamers.

We partner with you to promote personalized offers and loyalty rewards to gamers, thereby reducing acquisition costs and increasing LTV. Here's how it works:

- Publishers/developers partner with QX to introduce a loyalty rewards program among single or multiple games in their portfolio to reward monetization activities, e.g., number of IAP in a month, number of ads viewed, etc. We will have reward offer templates in the publisher portal on our website where you can create rewards based on the recency, frequency, and amount of monetization actions you want to encourage.
- QX will set up and administer your program and issue earned rewards as QX Points in the acQyr eXchange as players attain monetization events. You define player rewards on the QX portal and monitor results on your QX dashboard. Rewarding players for engagement and in-game monetization events increases retention and ultimately LTV. The goal is to turn dolphins into whales and get whales to spend more.

- Partnering with QX avoids the time and expense of creating your own rewards program. All we need from you is the ability to link a player to a game and report their monetization activities that you already capture.
- Rewards will be based on monetization events. Your cost of issuing rewards will typically be funded from increased revenues generated by player actions, in other words, pay as you go.
- QX will issue QX Points to players as they earn rewards. Having a third-party issue rewards eliminates redemption liability on your books, and you can expense the rewards as a “direct cost of sales.”
- QX provides you an SDK to easily integrate into your game server for linking the game and game player to QX. SDK integration and testing typically will take two to five days.
- Monetization and other rewardable events are shared with QX via standard sharing methods (e.g., well-defined APIs, protocols, shared data stores).
- QX reports the performance of offers so you can determine ROI and adjust your rewards program. Each publisher will have an offers dashboard to review program activity. Performance metrics from multiple games and multiple publishers will also be anonymously shared among the coalition for greater offer insights.
- Publishers with multiple games can offer common rewards across all their games, creating a great opportunity to encourage players to try other games in their portfolio. Shared rewards are a great incentive to cross sell your games to existing players. CPI will be next to zero.
- There is no cost to partner with the acQyr eXchange platform. In fact, you’ll make money. QX shares its revenues as your gamers upgrade to our Premium Membership.

A Google study showed that 38% of app users will come back if they’re offered a discount on a certain service, and 25% of app users will return if you offer exclusive or personalized content. According to the study, offering rewards can increase engagement and retention.

A study performed by Versus showed a 34% increase in League of Legends playtime after the introduction of rewards. In addition, about 10% of the players signed up to play the game for the first time in order to earn these rewards. By setting aside a portion of revenues to reward game players with cash, game publishers can attract new players, increase revenues, and drive profits to 25-95% of current results.

We made it easy for players to join and participate in your loyalty rewards program:

- QX members link the participating games they play into their QX mobile app, then all the rewards they collect will be displayed in one place.
- QX will issue QX Points to players as they earn rewards. Within the QX mobile app, members can view all the QX Points they've earned from multiple participating games and the total of earned rewards in their acQyr Cash Account.
- QX will track member progress toward attaining offered rewards and send notifications as they near achieving the reward to encourage further monetization activities.
- At any time, members can exchange QX Points in their acQyr Cash Account into USD and deposit it into their linked bank accounts or download it onto the optional QX prepaid card among other options (Phase 3).

## Other Options

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If you're interested in or considering a rewards program for your game, what are the alternatives to joining acQyr eXchange? There are basically two: Do it yourself or evaluate competing programs.

### **Do it yourself**

As we pointed out previously, partnering with QX avoids the time and expense of creating your own rewards program. All we need from you is the ability to link a player to your game and report their monetization activities that you already capture.

If you decided to do it on your own, however, you would need to design and develop a rewards issuance and redemption capability not unlike QX. It would probably take you a couple of years and could cost millions of dollars. We know, we did it, and we've invested over \$8 million in the QX infrastructure, testing, piloting, etc. over the last decade.

### **Competing programs**

Several gaming industry competitors have single-game loyalty-type rewards programs, including Lootcakes, Koomalooma, and Monetizer. The major drawback of these competitors is they are all standalone programs. QX incorporates a coalition effect by providing personalized offers and shared rewards across multiple games. To our knowledge, there are no other coalition loyalty platforms in the gaming industry that match the benefits of the acQyr eXchange.

According to a white paper ("Coalition Loyalty: A Model with Sustainable Advantages for Retailers") by SLI, the leading market researcher and promoter of Coalition Loyalty Programs, these programs have three major advantages over a standalone retail loyalty program:

1. *"Greater selection of merchants + faster attainability of rewards = higher value for consumers.* Members of a coalition program can earn rewards much more quickly from many merchants. Consumers really like the ability to earn rewards from purchasing products and services from many merchants and then redeem these rewards from a greater selection of merchants. Consumers get it: *faster is better.*
2. *"Lower cost to participate.* Administrative costs are shared among all program participants, and the program operator covers the upfront investment in systems and other initial administrative costs to develop and launch a program.



3. *“Better customer data and targeting abilities.* Coalition programs collect customer data across merchant categories, which provides merchants the opportunity to provide highly targeted, relevant offers to current shoppers and those who only shop at other merchants.”

acQyr eXchange also acts like a currency exchange for rewards issued from multiple games. It's just like someone having \$100 in six different foreign currencies and needs a currency exchange to get the full value of their \$100. Gamers need QX to redeem their rewards across multiple games to cash. The result is that the gamers perceive each of the games linked to the QX as more valuable, leading to longer retention and increased revenues within each of those games.

## Benefits

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There is no such metric as “loyalty,” therefore measuring it can be quite challenging. So, let’s define loyalty through activities of loyal users in the retail industry:

- Loyal users remain in the product for some time.
- Loyal users pay. If they pay and stay in the product, it is very likely that they will pay again.
- Loyal users share information about the product and recommend it to their friends.
- Loyal users give feedback and openly share what they like and dislike about the product.

acQyr eXchange is introducing the benefits of classic loyalty programs into the gaming market by enabling publishers/developers to reward players for their monetization activities (purchases) based on recency, frequency, and amount to increase retention and LTV. The retail and travel industries have had about 70 years to study the benefits of their loyalty programs. Here are some examples of their positive results:

- Industry studies show loyalty leaders in retail grow revenues roughly 2.5x as fast as other companies in their industries. ([Harvard Business Review](#))
- [According to Bain & Company](#), a five percent boost in customer retention rate translates into a 25 percent increase in profits.
- 79% of consumers say loyalty programs make them more likely to continue doing business with brands. (Bond, link no longer active)
- 75% of consumers say they are likely to make another purchase after receiving an incentive. (Wirecard, link no longer active)
- 67.8% of shoppers define brand loyalty as repeat purchases. ([Yotpo](#))
- 75% of consumers said receiving an incentive increases the likelihood of making another purchase ([CodeBroker](#)).
- [According to a recent study from Experian](#), 75 percent of U.S. companies with loyalty programs generate a return on investment. This clearly shows a benefit for most companies who spend the money on loyalty programs.

## Financial Considerations

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When considering adopting a platform like QX and creating a loyalty program, a cost/benefit analysis is essential. There are both costs and revenues involved in joining QX.

### Costs

- Unlike a typical SaaS platform, there is no licensing fee or maintenance costs to join. You can join the exchange at no charge.
- There will be development costs to integrate our platform into a game. A developer will need to implement our SDK to insert our APIs into game code. Also, you will need to update your game to display an “Add to QX” link to register the game on the platform so your gamers can link the game to their QX accounts.
- We charge you a small fee to issue your rewards to players who attain the monetization goals you set, but only when the rewards are issued.
- You may incur some (optional) promotion costs to promote your loyalty program to gamers outside the game. But, remember, we are promoting for you, too.

### Revenues

- Incremental revenues should be assumed as the result of introducing a loyalty program to your gamers. These will need to be captured and analyzed to determine ROI (see below) using data from your QX dashboard.
- Joining QX will also introduce a new revenue stream for the game. We share a portion of monthly subscription fee revenues when your gamers upgrade to our Premium Membership.

## Risks

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What are the risks of joining acQyr eXchange? Here are three you might want to consider:

- *You are not eligible to join QX.* If your game rewards players based on gambling or other games of chance, you would be ineligible. Also, your game must meet our content community standards.
- *You incur unforeseen development costs.* We've done our best to create a simple process to connect your game to QX (SDK and APIs) that will incur modest developer time and cost. However, every situation will be unique and there's a chance connection problems could incur unforeseen development costs.
- *ROI may take a while for you to measure.* LTV is a slow metric, which requires some time to pass since a user's registration. However, if you measure LTV regularly (once a month), you will get an idea of how things are going in your game and how its quality changes over time. You need to determine LTV to calculate ROI (see below).

LTV has been called “the King of metrics” because of its impact on a publisher's bottom line. LTV is actually a prediction of the profit that's attributed to an ongoing relationship between a customer and a product, uncovering how much a user is worth over time. By providing an estimate on how much a user is likely to spend, LTV can be used to set marketing budgets and ensure that companies focus their efforts on consumers that provide more value as time goes on.

According to Adepto, LTV can be calculated as follows:

$$LTV = \frac{\text{User value (average purchase frequency X average purchase value)}}{\text{Average user lifespan}}$$

Once you determine LTV, calculating ROI can be estimated by dividing LTV by CPI (cost per install).

## Timetable for Implementation

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Here are the steps to partner with acQyr eXchange and set up your loyalty program:

- Apply to join the acQyr eXchange by submitting the QX Partner Application.
- Choose a game or games to be on the exchange.
- Implement the QX SDK to add our APIs to your game to link the game to QX and report monetization events.
- Update your game to display an “Add to QX” link to register the game on the platform so your gamers can link the game to their QX accounts.
- Submit your game for testing.
- Once approved, go to your QX portal and set up your loyalty rewards program using the rewards template.
- Connect your corporate bank account to QX for ACH transactions to fund rewards and receive QX revenue sharing deposits.
- Announce to your gamers they can now link your game to their QX account and participate in your new loyalty rewards program.
- Promote QX membership and your new rewards program with notifications, emails, and in-game ads.
- QX issues rewards for completed monetization events and enables gamers to track progress toward rewards, monitor issued rewards, convert game rewards into their acQyr Cash Accounts, and redeem acQyr Cash into USD to deposit in their linked bank accounts.

## Conclusion

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Did you identify with the problem cited at the beginning of this business case—looking for a solution to increase your game revenues through more player retention and greater LTV? If you did and you've evaluated all the available options and are still seeking a solution, we invite you to look further into acQyr eXchange.

QX offers a unique solution to publishers and developers wanting to grow your game's revenues. To summarize, acQyr eXchange provides you with...

- A platform that supports introducing a loyalty rewards program into your game— a proven business model to grow profits for nearly 70 years.
- A loyalty rewards business model that isn't just a standalone program, but rather introduces a coalition effect with multiple games to make your rewards more valuable.
- An end-to-end SaaS solution that doesn't cost anything to join; you just connect your game to it with minimal startup costs.
- A complete reward issuance and redemption infrastructure that we execute and manage for you.
- A robust reporting capability that supports your program management requirements and ROI measurement needs.
- An easy-to-use mobile app for your gamers to track, monitor, manage, and redeem your rewards, as well as rewards from the other games they play on the exchange.

Please let us know if you have any questions about this business case or would like to learn more about partnering with us. We thank you for your interest in acQyr eXchange and look forward to hearing from you.