

Designing or Upgrading Your Loyalty Program: Should You Build, Buy or Partner?

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When implementing or upgrading a customer loyalty or engagement program, there are many factors to think about - which type of program is the best fit for your organization being one of the major questions needing consideration. In our whitepaper, “Coalition or Proprietary: Which Program is Best for My Business?” we address the pros and cons of creating a proprietary program versus participating in a coalition partnership such as Plenti, Air Miles® or Aeroplan®.

If you’re past this initial step, and know that a proprietary program is best for you, the next step is to consider how the program should be designed, built and operated. When it comes to designing or upgrading a proprietary customer loyalty program, there are three options available:

1. Building the program internally
2. Buying a subscription to a SaaS loyalty platform
3. Partnering with a managed services provider for a customized program

Each has its unique advantages and disadvantages, and the “right” fit will depend on your business objectives and the resources you have available to you to help meet those goals. Some initial questions for consideration include:

- Is the solution fully scalable and customizable? Will it be able to meet the growing and changing needs of your organization and the market well into the future?
- Does your organization have the staff and expertise needed to run and continually optimize the program?
- How easily will the solution integrate into your existing systems without additional “hidden” resource or capital costs from IT, analytics and marketing?
- What type of support is required to ensure the program meets the specific objectives of your organization?
- What is the product implementation roadmap?
- How will you measure your return on investment?

To help you navigate through the myriad of considerations, we’ve created this quick summary of pros and cons for each approach.

Building a Program In-house

For organizations looking to design, build and operate their own program internally, some of the pros and cons to consider are:

Pros	Cons
<ul style="list-style-type: none"> • The business has complete control over the program, with the flexibility to customize it to meet the organization’s specific objectives and customers’ needs. • Knowledge is built internally with the ability to acquire insights from customer data and interactions. • A deep investment in loyalty likely means these efforts will not be viewed just as a project, but as a corporate strategy with the appropriate emphasis placed on acquiring new members and/or retaining existing ones. 	<ul style="list-style-type: none"> • Requires a great deal of time and resources to hire or develop an in-house loyalty competency. It requires creating a loyalty program strategy including defining program features, developing, testing and deploying the platform, piloting the program, scaling it, and providing ongoing campaign management and sourcing and fulfillment of incentives. • Requires ongoing investment and development in marketing, analytics and IT to be effective and to ensure the program keeps up with market, consumer and organizational changes. • The time required to build and launch a program can be a year (or more), and funding is estimated to be \$1+ million.

PERFECT FOR: Large organizations that are interested in owning a totally customized solution and have the resources and internal expertise to undertake and manage a large project on an ongoing basis (e.g. Amazon Prime, Sephora, Shoppers Drug Mart’s Optimum program).

Buying a Proprietary Solution

Organizations looking to license a solution using a SaaS “plug and play” platform gain access to the tools to create customized incentive programs, manage campaigns and broad segments of customers. To determine if this option best meets your needs, consider the following pros and cons:

Pros	Cons
<ul style="list-style-type: none"> • Requires a low overhead expense, usually in the form of a monthly subscription that often comes at a lower cost than equivalent enterprise software. • Usually built with Application Program Interfaces that can plug right into existing e-commerce solutions such as Magento or Websphere. • Most platforms are user-friendly and designed to be run by marketers. • Quick to market, as the solution is already built and comes ready to implement. • Built by loyalty experts with experience creating solutions. • Theoretically, ongoing iterations and upgrades will keep the program features current and up-to-date. • The business has control over the execution of the loyalty program – branding, marketing, and operations. 	<ul style="list-style-type: none"> • May require upfront investment in IT and analytics in order to be properly integrated into business operations. • In-house loyalty experience will still be required to determine the structure of offers, what incentives to provide, how to source incentives and present them to customers, how to segment customers, and how to read and act on the analytics to continually optimize the program. • The program is delivered within the “box,” which is defined by the SaaS capabilities. Additional fees may be required for customization, which may cost more than originally budgeted. • Need to recruit and rely on a third party for support if program updates or fixes are needed. • Companies are restricted to working within the SaaS company’s roadmap. What is important to the business and its customers may not be included in the SaaS’ program’s capabilities. • Investing in an out-of-the-box program comes with an inherent risk. Trying to save money by purchasing an out-of-the-box solution may result in a disappointing product that does not meet the objectives of the organization and/or the needs of its customers.

PERFECT FOR: Organizations looking for a simple, low-cost, earn and burn program with fairly basic customer segmentation and analytics needs (eg. retailers looking for simple discount programs with segmented tiers, such as the Build.com loyalty program).

Partnering With a Managed Service Provider

A managed service provider can provide a full end-to-end solution for implementing or enhancing an existing loyalty program - designing, building and operating a program specific to the needs of an organization in the immediate, short and long term.

Pros	Cons
<ul style="list-style-type: none"> • A partnership that provides a fully flexible and scalable solution to meet the specific business' goals and its customer needs now and into the future. • Doesn't require in-house loyalty expertise. Businesses can "leave it to the experts" and focus on other key areas of their business. • Can be quick to market, particularly if delivered via a platform. • The business can decide how the partnership works – analytics could be kept in-house or managed by the service provider, supplementing the program with insights that can be further strategic assets to the business. • Managed service providers' depth of expertise offers more options. For example, a managed service provider can help companies that already have programs (e.g. coalition programs), to "bolt on" additional capabilities to super-charge that existing program. 	<ul style="list-style-type: none"> • Comparatively, this option costs more than an out-of-the-box solution, but requires less internal resources than an in-house program. • The long-term partnership that goes along with committing to a managed service provider may mean it isn't easy to switch. Looking for a service provider that offers a pilot program can help mitigate this risk.

PERFECT FOR: Large or small organizations looking to create deep one-to-one customer engagement with a completely customized solution, and gain additional insights with which to enhance their overall business strategy, such as the AngieCash program from Angie's List.

Summary

The decision to build, buy or partner needs to be put in context of the overarching goals of the loyalty or customer engagement program. One of the key goals of any marketing initiative should be how to achieve a return on investment for your valuable marketing dollars. Concrete measurement of the results of your loyalty marketing efforts is critical to ensure the long-term viability of your program. When considering your options, be sure to keep in mind that, whatever your choice, performance measurement, and optimization, are key factors to success.

The Next Step

There is no question that the investment made in a loyalty program is a critical one for many companies and can be costly in terms of time, money and resources. Exchange Solutions, a leader in designing, delivering and operating customer engagement and loyalty solutions, is ready to help guide you through this decision making process, to ensure the type of program selected will be the right one for your customers and for your business. With the experience we have accumulated in almost 2 decades of managing leading loyalty programs for national retailers, we are your trusted partner in customer engagement.

About Exchange Solutions

Exchange Solutions offers innovative customer engagement and loyalty products that maximize customer lifetime value, customer satisfaction, and profitability.

ES Engage is our cloud-based, individualized offers customer engagement product focused on driving incremental customer behavior and optimizing promotional spend, using 1:1, real-time technology, machine learning analytics and compelling customer experience.

ES Loyalty is our comprehensive, cloud-based loyalty solution that delivers robust functionality and services to operate a loyalty program.

Built on a proprietary platform, our approach is unique and delivers quicker results, better ROI, and deeper customer engagement than traditional programs.