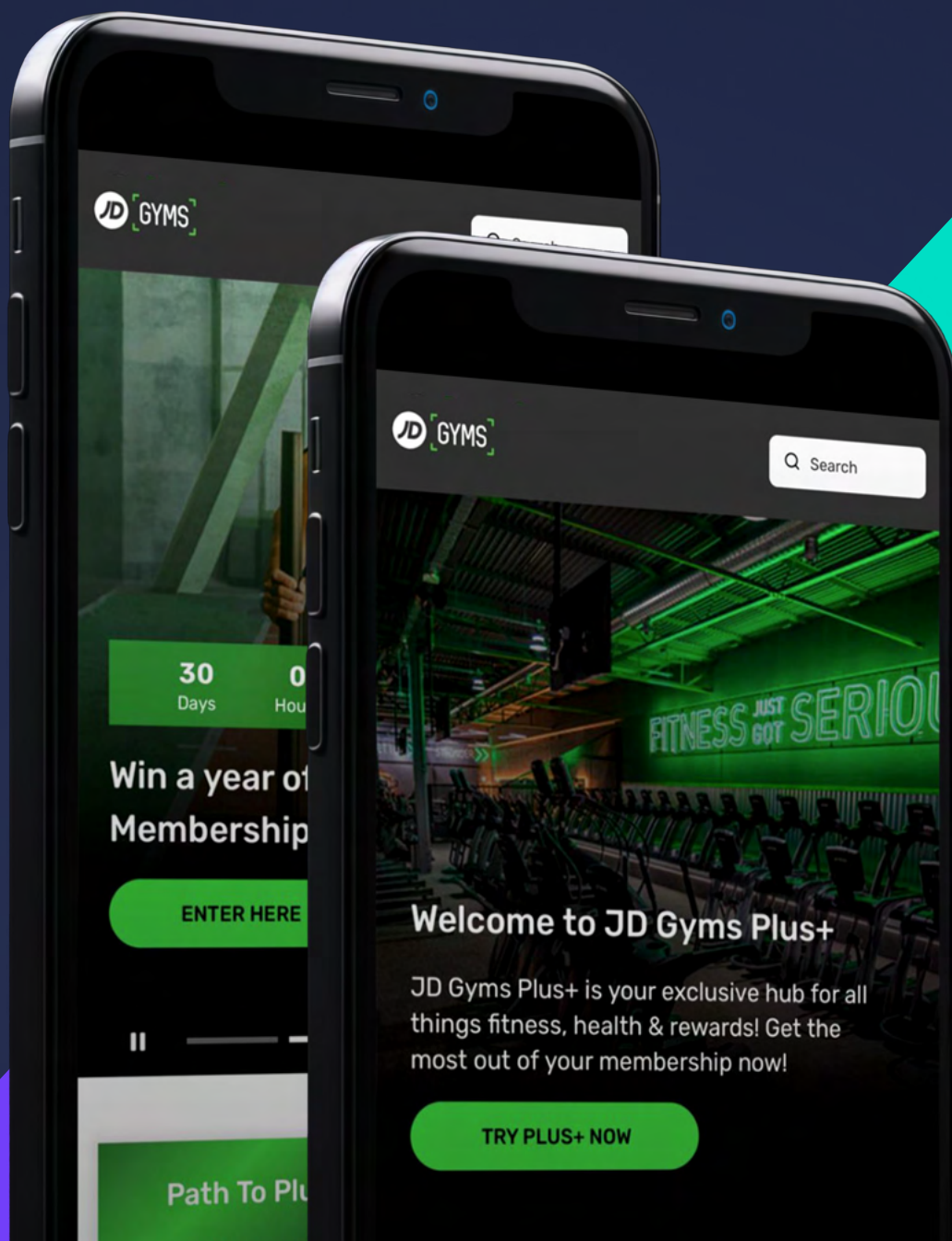




Building a Loyalty Programme Business Case



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Introduction

Before investing time and resources into developing a loyalty programme, it is crucial to build a compelling business case that demonstrates its potential value and return on investment (ROI). A strong business case will help you secure stakeholder buy-in, align the programme with your company's overall objectives, and establish a framework for measuring its success.

In this guide, we will explore the key elements of building a persuasive business case for a loyalty programme. We will explore the benefits of loyalty programmes, such as increased customer retention, higher customer lifetime value, and enhanced brand advocacy.



Mark Camp

Founder & CEO
Propello Cloud

Loyalty programmes have been shown to deliver some pretty impressive results when done right. We've found..



Get more customers

- Increase Brand Exposure
- Increase Conversion Rate
- Get More Referrals



Keep customers longer

- Increase Activation Rate
- Increase Retention Rate
- Decrease Churn Rate



Make more per customer

- Increase Up-Sells
- Increase Cross-Sells
- Increase Partner Revenue

1/3 Higher NPS

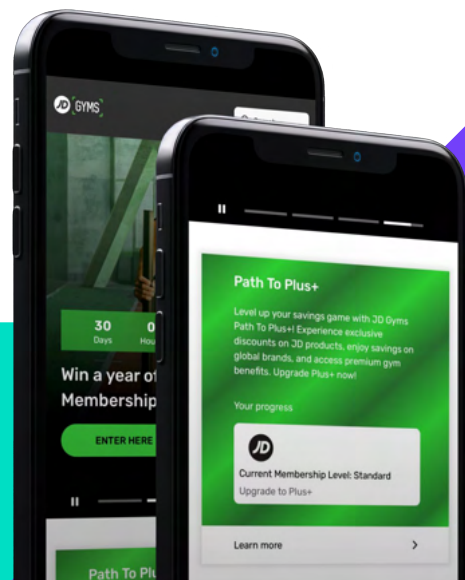
59% More likely to choose brand over competitor

20% Revenue Increase

2x Increased Retention

However, you can't just throw money at a new programme and hope it works.

You need a **rock-solid business** case to get **stakeholder buy-in** and a **budget**.



Why Launch a Loyalty Programme?

Benefits of a Loyalty Programme

Let's discuss some key points on how loyalty programme benefits can strengthen your business case:



Improves Customer Engagement

- A well-structured loyalty programme provides incentives for customers to engage more frequently with your brand. This increased engagement boosts transaction frequency and customer lifetime value.
- Loyalty programmes leverage features like gamification and personalised rewards to create positive experiences that drive customer engagement. Several studies have revealed that consumers value positive experiences over great advertising.
- Engaged, loyal customers are also more likely to redeem rewards and respond to marketing campaigns. This improves campaign ROI.



Increases Customer Referrals

- Loyalty programmes turn happy customers into brand advocates who refer friends.
- You can expect higher conversion rates (30%) and lifetime value (16%) from referred customers because they come from trusted sources.
- 60% of marketers agree that referral programmes reduce advertising costs by generating a high volume of qualified leads.
- Leads come from over 50% of consumers who will refer others to earn rewards, recognition, or exclusive loyalty programme membership.



Saves Money

- It's far cheaper to retain existing customers than acquire new ones. Successful loyalty programmes can boost profits by 25% to 95%, according to a Harvard Business Review benchmark study.
- Loyalty members have higher lifetime value. This is crucial since 65% of a company's revenue comes from repeat customers.
- By preventing lost revenue from churn, you're actively creating room—and resources—for future growth.

Building a Loyalty Programme Business Case

Step 1: Align with Business Goals

Let's lay the groundwork for your killer business case. Step one: think alignment. You want your pitch to resonate with your business's big goals. Why? Because that's how you get everyone nodding along in agreement.

Here are some tips for aligning a loyalty programme business case with key business goals:

Identify Company Goals

Start by identifying the company's main business objectives and strategies. These likely guide executive decisions and budget allocation. Illustrate how a loyalty programme supports and advances their top priorities.

For example, if a growth goal is to increase market share, show how loyalty drives higher purchase frequency and referrals to attract new customers. If the focus is on boosting average order value, highlight how loyalty members consistently spend more per order.

Emphasise the Right Success Metric

Identifying and emphasising the right success metric is crucial for getting stakeholder buy-in. Here are some recommendations for aligning metrics based on business goals:

-  If revenue growth is a key goal, the metrics to focus on are incremental revenue and ROI from the loyalty programme. Highlight how driving repeat purchases, increased order values, and decreased churn will directly grow overall revenues. Model out projected revenue increases from member purchase behaviour.
-  For goals around profitability and margins, highlight metrics that demonstrate the profitability of retained vs. new customers. For example, you could compare the customer acquisition cost of a new customer to the lower retention costs of an existing purchaser. Show how loyalty boosts profitability by keeping costs low through retention.
-  When the focus is on cutting costs, go beyond just programme costs and highlight how loyalty saves money in other areas. Show how higher retention means lower recruitment/marketing costs to replace lost customers. Demonstrate how loyalty members have higher lifetime value and customer equity.
-  If growth in market share or customers is key, emphasise enrollment rates and how a programme will help attract and retain customers to increase share. Model how many new members you expect to acquire.

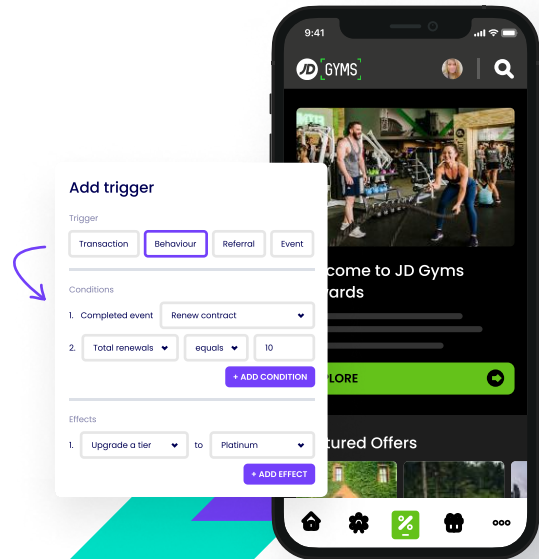
No matter the objective – growth, retention, or cost savings – shape your case around specific, measurable targets. Focus on the programme outcomes that align with and advance those goals. This shows loyalty as a strategic investment and a winning growth lever.

Step 2: Collecting Customer Insights

Now, onto the next critical step in crafting your business case: gathering customer insights and conducting competitor analysis. Here's why it's crucial and how it can strengthen your case:

★ Collecting Customer Insights

Loyalty programmes offer businesses invaluable insights into customer behaviour, such as purchase history. These insights are essential for tailoring loyalty programmes to resonate with your customer base while achieving business objectives.



Collecting data-driven insights ensures that proposed loyalty initiatives strategically align with shifting consumer expectations, reinforcing your business case with evidence of long-term competitiveness.

Here's how:

- ➔ Loyalty programmes are now an expectation - over 63% of consumers are members of at least one programme. Not having one can be a competitive disadvantage.
- ➔ Customers increasingly expect personalised offers and experiences tailored to their preferences and purchase history. A loyalty programme allows you to gather data and provide customised rewards.
- ➔ Today's customers prioritise convenience, flexibility, and instant gratification. Loyalty programmes deliver this through easy enrolment, omni-channel rewards, and instant digital rewards.

Step 3: Analysing Competitors

Thorough competitor analysis is vital for crafting a compelling case for your loyalty programme. By examining competitors' loyalty initiatives, you gain insights into the potential impact of implementing a programme.

When selling the business case to stakeholders, conducting a thorough competitor analysis helps achieve several key aims:

➔ Understanding Market Positioning:

By examining competitors' loyalty programmes, you gain insights into how rivals are positioning themselves in the market. This includes identifying your target audience, pricing strategies, and unique value propositions.

Understanding competitors' market positioning allows you to differentiate your own loyalty programme and prove its competitive advantage to stakeholders.

➔ Identifying Best Practices and Opportunities:

Analysing competitors' successful loyalty initiatives reveals best practices to add to your programme. It includes identifying effective reward structures, engagement strategies, and customer communication tactics.

This shows stakeholders your commitment to using industry insights to optimise the loyalty programme for maximum impact.

➔ Anticipating Challenges and Risks:

Examining competitors' experiences with loyalty programmes helps you anticipate potential implementation challenges and risks. This includes identifying common pitfalls, such as ineffective reward structures, and devising strategies to mitigate these risks proactively.

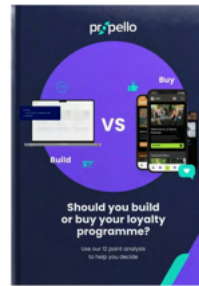
Doing this demonstrates thorough planning and risk management to stakeholders.

Step 4: Setting a Budget

Cost of implementation

It's natural for stakeholders to baulk at the upfront costs associated with implementing a new loyalty programme. The long-term benefits we've discussed, like brand advocacy, should outweigh these initial investments. However, you should still include financial projections when you craft your business case.

Find out more about the costs when planning and launching a loyalty and reward programme:



Should You Build or Buy Your Loyalty Programme?

Use our 12 point analysis to help you decide

propello

Read now 

It's natural for stakeholders to baulk at the upfront costs associated with implementing a new loyalty programme. The long-term benefits we've discussed, like brand advocacy, should outweigh these initial investments. However, you should still include financial projections when you craft your business case.

Here are some basic tips for calculating the potential costs of implementing a loyalty programme:

-  **Software licensing** – Research pricing models from companies like Propello Cloud. Consider tiered pricing based on the number of members or features needed and calculate multi-year costs.
-  **Integration** – Estimate costs for any systems integration (POS, e-commerce, CRM, etc.) Simple APIs may have minimal fees or be included.
-  **Programme design** – Allow for potential consulting fees if leveraging an agency or the software provider's services to help design the programme.
-  **Marketing** – Budget for marketing launches and ongoing promotions. Localised adaptations and translations will increase costs.
-  **Administration** – Account for any incremental HR costs if additional headcount is needed to administer the programme and manage procedures.
-  **Rewards** – Determine the average reward cost per member based on your specific offerings. Calculate overall liability.
-  **Technology** – Estimate costs for hardware like terminals or mobile devices to manage and redeem rewards.
-  **Customer support** – Assess costs to handle member inquiries about the programme, including call centre and chat support.

Build a comprehensive budget accounting for these elements over a multi-year period and compare the costs of licensing a platform vs. building it in-house.

Why an Outsourced Solution is Recommended

Rather than build and manage an entire loyalty programme in-house, partnering with a specialist provider like Propello Cloud offers a more affordable and low-risk model.

Licensing this platform eliminates major costs associated with:

-  Internal development, testing, and maintenance of software, apps, and integrations
-  Ongoing administration of programme rules, rewards, triggers, and communications
-  Building robust security protocols and infrastructure
-  Marketing new features or programme changes
-  Providing customer service for member inquiries and issues

With a licensed solution, you get a sophisticated, proven platform without all the overhead costs and risks of building it yourself. This allows reallocating resources towards high-impact initiatives that really move the needle - maximising engagement through marketing and member communications.

The tech solution helps you understand what your customers resonate with outside of your core offering. It does this with a suite of tools that can track demographic or behavioural preferences via API data, but also by learning what users respond to over time to create more personalised experiences that boost ROI.

It's the best of both worlds - an enterprise-grade programme without the enterprise-sized investment.

Step 5: ROI Projections

After making the strategic case for loyalty and aligning it to key business goals, it's crucial to include concrete ROI projections that make the case tangible. You can use this long-term financial analysis to back up your case with stakeholders. After all, it highlights the economic viability the programme offers.

[Get Your Free Programme ROI Template >](#)

Leverage any existing customer data and research benchmarks on metrics like:

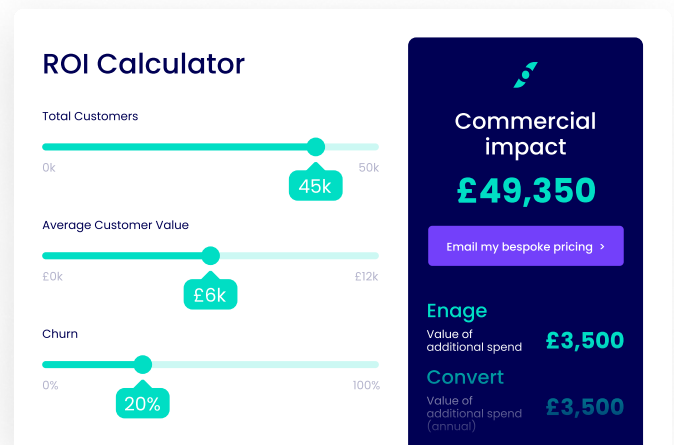
- ➔ Increased customer retention and lifetime value
- ➔ Higher purchase frequency and order sizes
- ➔ Referral rates and associated acquisition costs
- ➔ Projected enrollment rates
- ➔ Apply this data to model the potential ROI over a multi-year period as the programme matures. Illustrate increasing ROI over time as memberships and engagement ramp up.

To further quantify potential ROI, leverage Propello's interactive ROI calculator. Enter the size of your audience, average customer value, and programme type to generate projected cost savings, revenue increases, and ROI.

Experiment with the calculator using numbers relevant to your business. This allows you to develop customised projections based on your customers and industry.

While projections require estimates, the calculator provides an evidence-based tool to realistically assess loyalty programme ROI. You can incorporate the outputs into formal ROI forecasts within your business case.

Concrete ROI projections bring the business case full circle, demonstrating how loyalty can be a strategic, cost-effective investment in long-term growth and profitability.



[Try Calculator >](#)

Checklist

Project Management

- ☐ Project owner
- ☐ Internal resource – team
- ☐ Budget
- ☐ Timescales
- ☐ RFP required?

Customer Insights

- ☐ Demographic analysis
- ☐ Purchase behaviour
- ☐ Customer feedback and sentiment analysis
- ☐ Lifetime value calculations
- ☐ Segment-specific preferences

Market Analysis

- ☐ Competitive landscape
- ☐ Industry trends
- ☐ Market saturation
- ☐ Gap analysis in existing loyalty programs
- ☐ Potential market share growth

Revenue projections

- ☐ Cost of programme implementation
- ☐ Return on investment (ROI) calculations
- ☐ Break-even analysis
- ☐ Long-term financial sustainability

Technology Infrastructure

- ☐ Scalability and integration capabilities
- ☐ Data management and security
- ☐ Compatibility with existing platforms
- ☐ Technology upgrade or investment needs

Programme Design

- ☐ Programme objectives and goals
- ☐ Reward structure and tiers
- ☐ Redemption options
- ☐ Gamification elements
- ☐ Personalisation and customisation features

Communication and Marketing

- ☐ Target audience identification
- ☐ Messaging and branding strategy
- ☐ Promotion channels (email, social media, in-store)
- ☐ Launch timeline and rollout plan
- ☐ Budget allocation for marketing efforts

Legal and Compliance

- ☐ Data privacy regulations (GDPR)
- ☐ Loyalty program laws (e.g., disclosure requirements)
- ☐ Terms and conditions drafting
- ☐ Compliance monitoring and risk management
- ☐ Legal review and consultation

Measurement and Analytics

- ☐ Key performance indicators (KPIs)
- ☐ Metrics for success evaluation (customer retention rate, repeat purchase rate, etc.)
- ☐ Data analytics tools and capabilities
- ☐ Reporting frequency and format
- ☐ Continuous improvement and optimization strategies
- ☐ Stakeholder Engagement:

Internal alignment with key departments (marketing, IT, finance, legal)

- ☐ Executive sponsorship and support
- ☐ Employee training and buy-in
- ☐ External partnerships or collaborations (vendors, agencies)
- ☐ Change management strategies for organisational adoption



That's it for your business case! From our discussions in the sections above, you should have no problem building a solid business case to achieve stakeholder buy-in for a loyalty programme.

Contact us to discuss your projections in more detail, get help using the ROI calculator to model scenarios, or ask any other questions you might have. We're here to provide the actionable data you need to build an ironclad business case and make your loyalty programme a reality.

Let's connect to explore how we can drive value for your business.

[Get Your Free Programme ROI Template >](#)

Contact us today for a quick 20 minute demo

[Book a demo >](#)



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