propello



Should you build or buy your loyalty programme?

Use our 12 point analysis
to help you decide

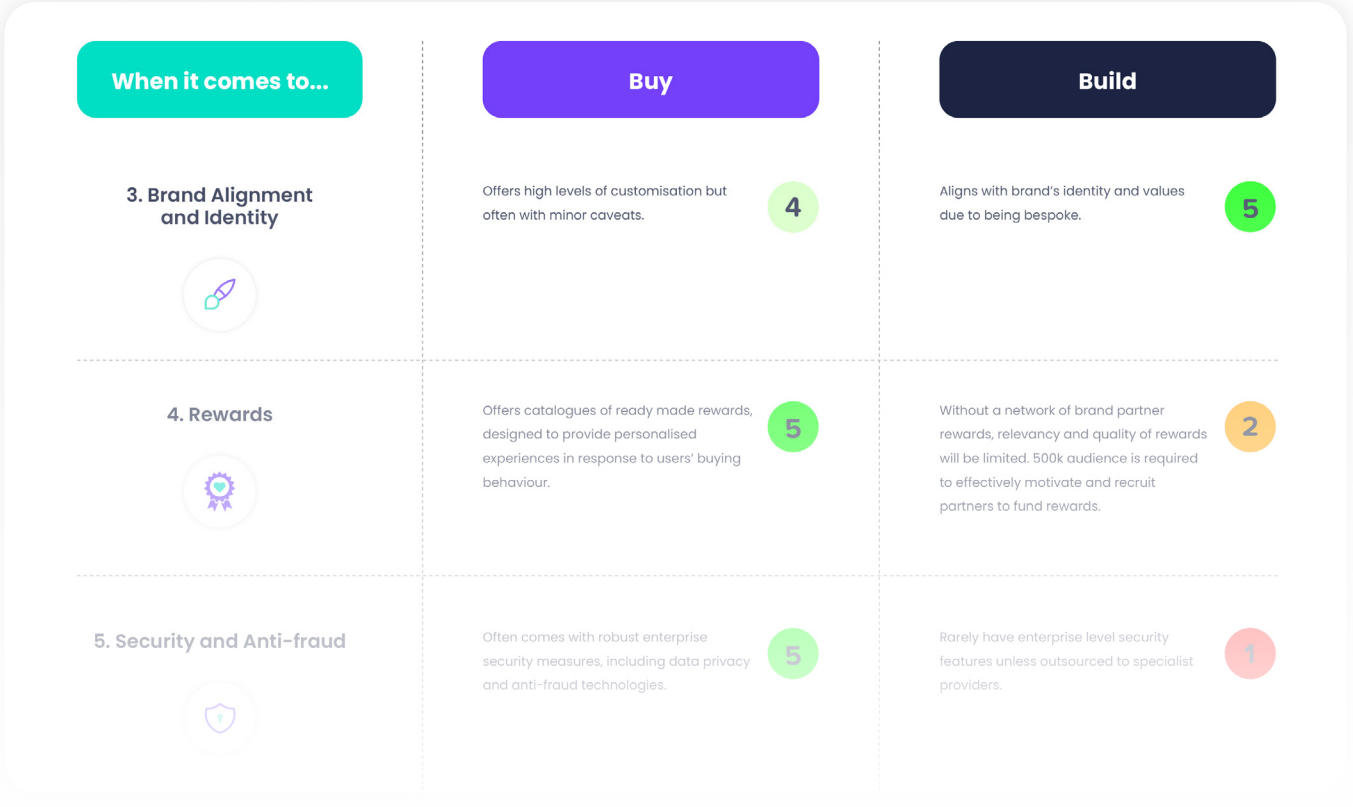
Contents Page

03 Introduction

04 What's the Score? Build v Buy - 12 Point Analysis

17 Cost Comparison Table: Build v Buy

19 Conclusion



When it comes to...	Buy	Build
3. Brand Alignment and Identity	Offers high levels of customisation but often with minor caveats. 4	Aligns with brand's identity and values due to being bespoke. 5
4. Rewards	Offers catalogues of ready made rewards, designed to provide personalised experiences in response to users' buying behaviour. 5	Without a network of brand partner rewards, relevancy and quality of rewards will be limited. 500k audience is required to effectively motivate and recruit partners to fund rewards. 2
5. Security and Anti-fraud	Often comes with robust enterprise security measures, including data privacy and anti-fraud technologies. 5	Rarely have enterprise level security features unless outsourced to specialist providers. 1

Introduction

Loyalty programmes benefit businesses and their customers in several ways. Firstly, rewards and benefits incentivise customers to continue patronising their favourite brands. In return, businesses experience increased sales, higher customer retention and brand advocacy - all of which are the result of a well structured loyalty programme collecting valuable data about customers.

Businesses use customer information such as their preferences, spending habits and behaviours to personalise offers, marketing efforts, and further improve their products and services. Together these culminate into highly competitive advantages for businesses and hyper-relevant experiences for customers.

As more brands implement loyalty programmes their mutual advantages have become increasingly clear.



Mark Camp

Founder & CEO
Propello Cloud

But a pivotal question remains for businesses without a loyalty programme;

Is it better to Build or Buy one?

Build

Loyalty solution built and managed by an internal team.

VS

Buy

Licensing a pre-built loyalty tech solution managed by the specialists who built it.

Lets find out...

In the table below, we've laid out a list of the most important factors that you should consider before deciding. The factors we'll look at are:

- **Business-specific needs and goals**
- **Budget considerations and resource allocation**
- **Brand identity and alignment**
- **Scalability and future growth plans**
- **Integration and adaptability**

The information should help you break down this decision, making you feel more informed about the option you choose.

So, whats the score?

12 point analysis - scores out of 60

1 Poor 2 Below Average 3 Average 4 Above Average 5 Excellent

When it comes to...	Buy	Build
1. Time to Market 	Outsourced loyalty platforms massively reduce time to market from months and years down to weeks or even days. Time to value is instantaneous. **5**	In-house systems require expertise, planning, development and testing, culminating in massive increases to time to market and delayed launches. **1**
2. Cost 	Low upfront costs and monthly fixed pricing models. Can scale cost effectively choosing higher tier options that offer advanced programmes with larger audiences. Also provides technical and marketing support as a standard part of the monthly fee. **5**	Requires substantial upfront cost in software development, technology, ongoing maintenance, customer support, marketing, product development and more. Refer to the table below for a full, comprehensive comparison of both options. **1**

When it comes to...	Buy	Build
3. Brand Alignment and Identity 	Offers high levels of customisation but often with minor caveats. **4**	Aligns with brand's identity and values due to being bespoke. **5**
4. Rewards 	Offers catalogues of ready made rewards, designed to provide personalised experiences in response to users' buying behaviour. **5**	Without a network of brand partner rewards, relevancy and quality of rewards will be limited. 500k audience is required to effectively motivate and recruit partners to fund rewards. **2**
5. Security and Anti-fraud 	Often comes with robust enterprise security measures, including data privacy and anti-fraud technologies. **5**	Rarely have enterprise level security features unless outsourced to specialist providers. **1**

When it comes to...	Buy	Build
6. End User Personalisation	Developed to provide hyper personalised rewards experiences. Out of the box functionality uses conditional rewards and gamification to encourage desirable behaviours e.g., renew or upgrade subscriptions; then automates reward issuance to users. **5**	Personalised rewards and loyalty experiences can be developed based on existing user data. Again, this however, will be time consuming to plan and very expensive to execute, especially if a catalogue of rewards is unavailable. **2**
7. Resource Management	Allows the company to focus on core activities while professionals handle the loyalty programme. **5**	Strains existing resources and takes internal specialists away from other critical business operations. **2**

When it comes to...	Buy	Build
8. Risk Mitigation and Dependency	Risk is greatly reduced using an outsourced platform due to a lower upfront cost investment, vendor expertise, purpose-built technology and security measures. Flexible pricing options avoid lengthy and costly contracts. **5**	Carries much higher risks due to substantial upfront development and launch costs, requirement to source a reliable development team, and internal capabilities to make the platform future-proof and sustainable. **1**
9. Control and Software Customisation	Purpose-built "feature rich" platforms incorporate all the functions to run a successful, fully customisable loyalty programme. **3**	Offers greater control and customisation to develop a bespoke platform that aligns directly with the company's needs. **5**

When it comes to...	Buy	Build
10. Technology Scalability 	Demonstrates higher scalability through the latest tech, pricing structures and tiers to scale. Tech designed to facilitate advanced levels of engagement and personalisation as the programme grows. **5**	Demands expertise in various areas e.g., data analysis, tech integration and customer engagement. Resource-constrained teams may struggle to keep up with platform developments that match outsourced proficiency. **2**
11. Expertise 	Brings specialised expertise in technology, trends in loyalty, customer retention and support. **5**	Might face challenges in acquiring and retaining top talent for loyalty programme management. **3**

When it comes to...	Buy	Build
12. Integration 	Prioritises compatibility and ease of integration as part of core offering. Assists businesses with connecting their loyalty programmes to their existing systems with integration tools, documentation and support. **4**	Developed from scratch or customised to fit specific business needs. The unique architecture of inhouse programmes allow for seamless integration with other systems. **5**

Total Score

Buy	Build
56	30

Time to Market

Outsourced solutions are intentionally designed to launch quickly, within a matter of days or weeks instead of months or even years. Should you be experiencing critical customer attrition or low levels of retention, a fast-to-market solution that quickly addresses and resolves poor KPIs will serve your interests best.

On the other hand, building a programme in-house demands massive investments in time. Tech teams and loyalty software managers need to plan, build, test, launch, monitor, test again, manage and optimise the programme. The time it takes to finally launch an in-house solution is saved by choosing an outsourced solution and helps you keep up or outpace your competitors.

Cost

Cost and resource management affect budget and resource allocation. Assessing whether in-house or outsourced programmes align better with your available budget and resources is crucial. Mismanagement of internal resources during implementation of loyalty programmes not only impacts productivity and performance in other areas of business. It could lead to budget overruns.

Outsourced programmes typically demonstrate higher cost-effectiveness compared to in-house solutions as they offer access to specialised services and expertise without the burden of heavy upfront costs. Therefore, if you are experiencing budget constraints, outsourcing is a suitable choice.

Outsourced solutions are

5-10X

less expensive than in-house options

"We see in-house propositions stalling or taking too long to bring to market, often because of cost or risk, and the cost of inaction or the delay is often much greater than the cost of taking the initial risk.

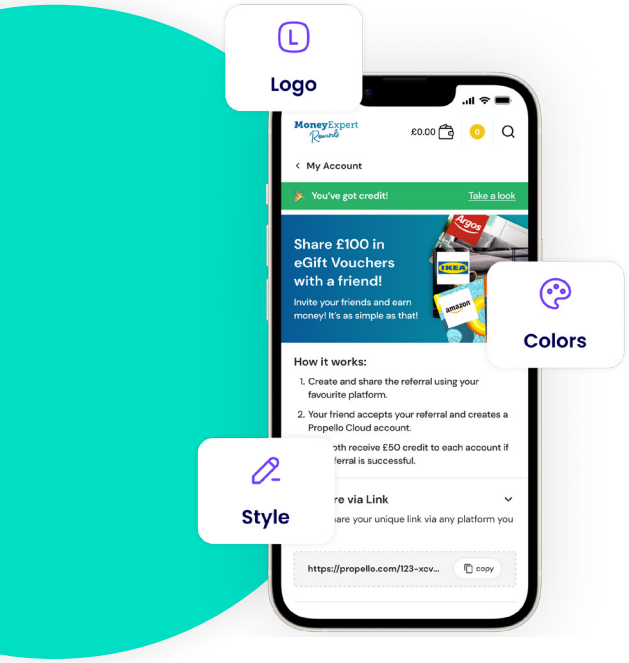
In comparison, using a specialist vendor will get you to market sometimes in as little as a few days with a very advanced programme"



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Founder & CEO
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Brand identity and alignment



Loyalty programmes should seamlessly integrate with your brand's identity. Aligning with your brand's values and messaging consolidates the programme and strengthens brand recognition. Ultimately your brand to your customers should become the epitome of how businesses reward loyalty. Yet, brand alignment goes so much further.

In-house programmes tend to align seamlessly with the brand's identity, fostering stronger connections with customers. Whereas outsourced programmes may face potential challenges of capturing your brand's unique essence.

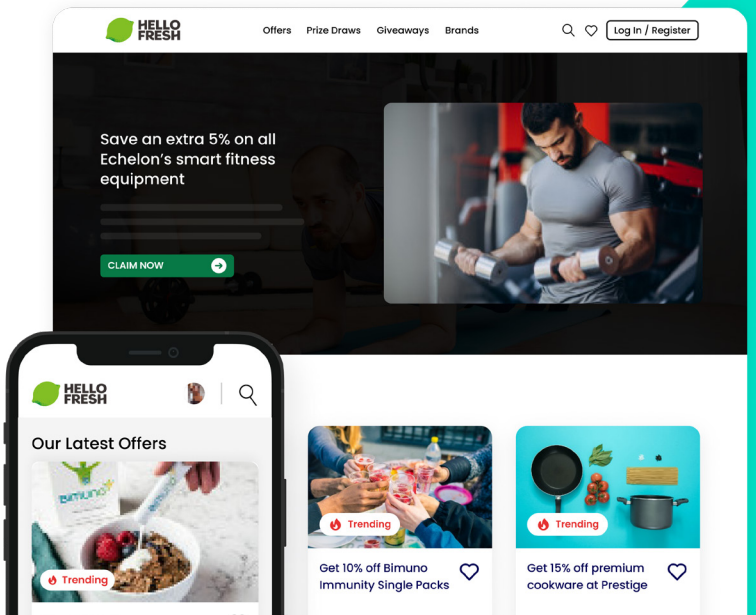
However, the ability of a third-party solution to align with your brand is circumstantial. Different platform providers offer varying degrees of options, branding, tech and expertise. Outsourced solutions may score lower here but some may offer avenues that ensure the loyalty programmes they provide align with your brand's identity.

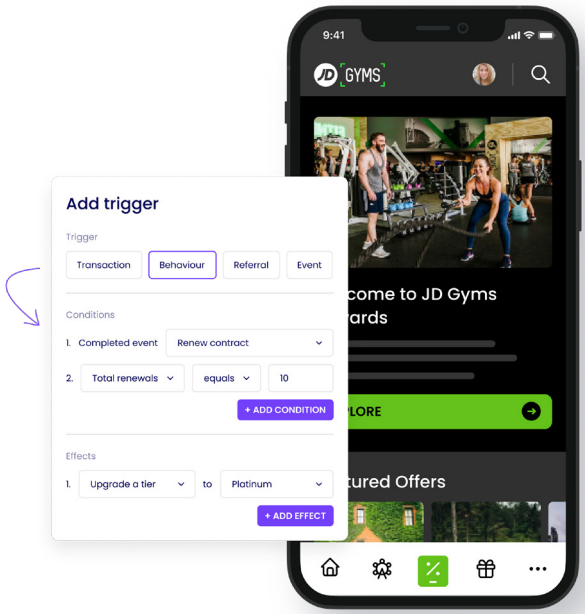
Rewards

Rewards are the beating heart of loyalty programmes. They need to incentivise long term customer participation by being relevant, perceived as valuable, and offer tangible benefits. Whether that's early access, special discounts, novel experiential rewards or truly unique content co-created in brand partnerships. Effective rewards call for creativity, collaboration and customisation.

Loyalty programmes collect data about customer preferences and behaviours. This information shapes rewards that resonate throughout the customer journey with your brand. Content ideation may not be a challenge for an in-house team, since they know the brand inside and out. However, when it comes to co-created rewards, tailored and personalised to customers in real time response to their preferences, the task may prove to be a lot more complex and challenging.

An outsourced loyalty programme therefore could come from a provider (like Propello) that offers access to crucial tools and resources for reward building. Namely, extensive partnership networks, a catalogue full of ready-to-go rewards, and personalisation tools that boost relevancy and perceived value.





End User Personalisation

Establishing strong customer relationships directly impacts business-specific needs and goals. You'll need a system that's capable of cultivating personalised connections within your existing customer base. One that offers greater control and customisation options that align with your specific needs and goals.

Security and anti-fraud

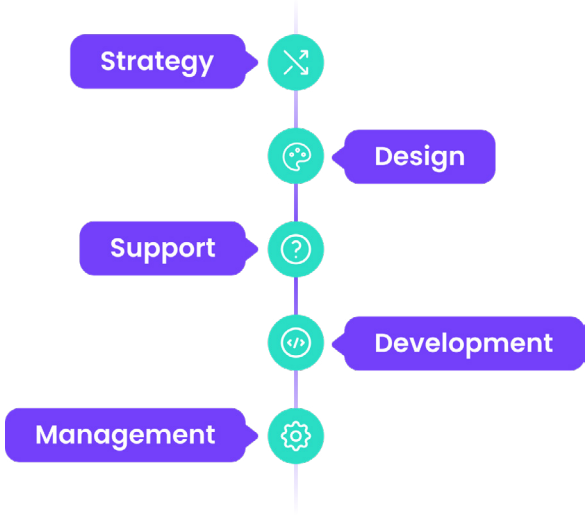


Outsourced solutions often provide robust security measures built by technical experts. Safeguarding customer data and maintaining trust could prove to be much harder with in-house systems. Given that vulnerabilities emerge as a result of poorly managed and uninformed security systems, a technical support team is essential to monitor security around the clock.

Security infrastructure and effective anti-fraud measures are just as important for ensuring your loyalty programme contributes to a positive brand perception. Trust stems from reassuring customers that their details and data are in safe hands. Therefore, a secure ecosystem is necessary for cultivating a dependable and trustworthy reputation.

Resource Management

Outsourced solutions score higher in resource management because they ease the burden on internal resources, preventing businesses from having to divert attention from their core operations. Instead, the experienced partner handles set up, maintenance and optimisation of your loyalty programme.



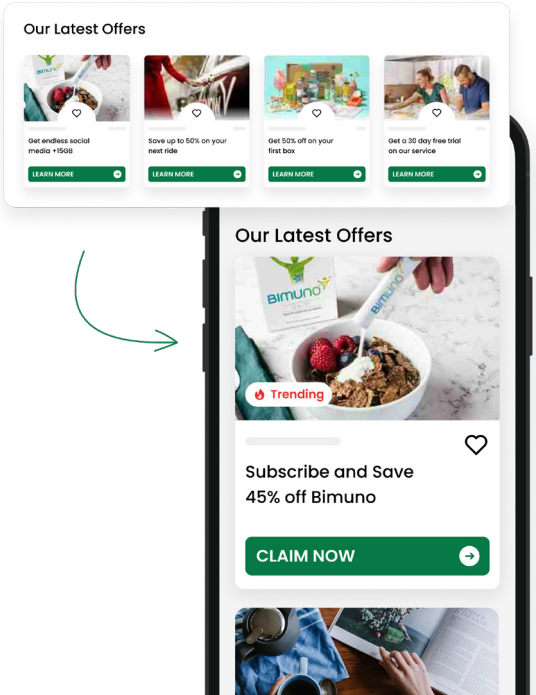


Risk Mitigation and Dependency

In-house programmes, reliant on internal systems, face higher risks that can impede scalability. Outsourced solutions, with reduced internal dependencies and external expertise, offer a low risk, scalable framework for future growth. Typically, this is the case because third party experts are experienced in handling loyalty programme projects.

Control and Customisation

In-house programmes offer you greater control and customisation options that align with your company's needs. Whilst outsourced solutions slightly lag behind in this aspect, they can still offer considerable flexibility. Businesses willing to compromise some level of control might find the broader expertise and standardised approaches of outsourced solutions beneficial.



Technology Scalability

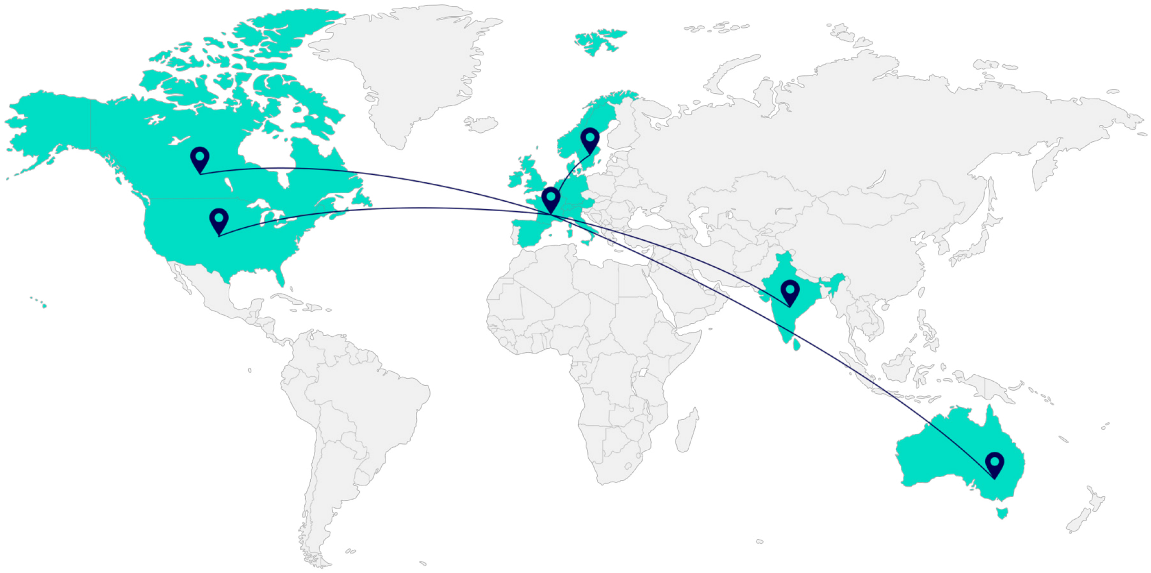
Outsourced programmes often leverage future-proof and cutting-edge technology. For businesses seeking advanced technological solutions but constrained by budget or expertise limitations, outsourcing becomes the easy choice. Particularly when the platform provider offers dedicated technical resources. Staying on top of cutting-edge technology no longer burdens your business.

Scaling loyalty programmes should never compromise its efficiency. But for many businesses, scalability is synonymous to increasing risk. Especially when they depend on existing systems and infrastructures to handle future growth.

Partnering with loyalty specialists also increases your scalability in areas other than technology e.g., commercially and geographically

Outsourced solutions demonstrate higher scalability through the latest tech innovations, pricing structures and tiers to progress through as your business grows and your loyalty programmes require advanced levels of engagement and personalisation. This is beneficial for businesses planning or experiencing rapid expansion in their customer bases or those requiring adaptable solutions in dynamic markets.

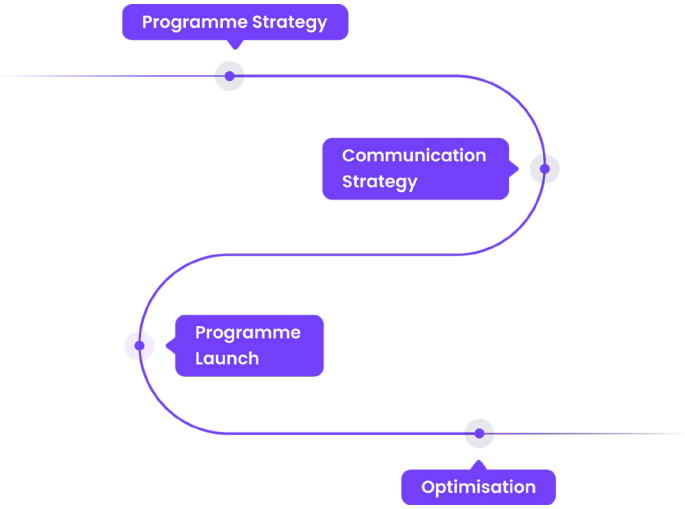
Inhouse programmes may face restrictive scalability through lack of innovation, high development, maintenance costs, limited expertise and resources.



Expertise

Outsourced programmes bring a specialised expertise that significantly benefits businesses that lack experience managing loyalty platforms in-house. Building and launching a customer rewards programme is just the beginning of nurturing customer loyalty.

The biggest challenges typically emerge post launch. Programmes that reach a certain degree of maturity may experience member engagement stagnating. Continuous marketing expertise (or support) is essential for driving member engagement to ensure your programme is a success.



Working with loyalty specialists also gives you the additional benefit of ongoing support and consultancy in partnerships, marketing, end user support and more.

API Integration

Although in-house options score slightly higher here, the choice of technology directly impacts how well your loyalty programme integrates within your existing systems. Not to mention how it adapts to new advancements in the future. It's certainly possible for businesses to develop cutting-edge technology with api architecture to ensure smoother integration, facilitate data synchronisation, and enable the programme to evolve with changing customer expectations.

However, the right platform provider also comes with specialised knowledge and skills. Both of which are critical for keeping programmes up to date with industry trends. Ensuring it remains competitive in your market and consistently relevant to your target audiences.

Cost Comparison Table - Build v Buy

	Inhouse		Outsourced
	Enterprise	**Basic**	
Initial Investment	500,000	100,000	Included
End Users	1,000,000	100,000	Included
End User Transactions	£1,000,000.00	£300,000.00	Included

Ongoing costs per month

Gateway transaction fees @ 1%	£10,000.00	£1,000.00	Included
Egift issuance fees on £70 avg transaction value	£3,333.33	£333.33	Included
CLO License P/M	£4,000.00	n/a	Included
Egift aggregator costs/pm	£2,000.00	£2,000.00	Included
Anti-fraud	£600.00	£300.00	Included
Software Licences	£2,000.00	£1,000.00	Included
Hosting	£2,000.00	£500.00	Included
Tech team p/m	£12,000.00	£6,000.00	Included
Support team	£2,000.00	£1,000.00	Included
Marketing/partner team	£8,000.00	£4,000.00	Included
UX/design	£3,000.00	£1,000.00	Included
Email Costs p/m	£5,000.00	£500.00	Included
TOTAL	**£54,933.33**	**£17,633.33**	**From £1,500 per month**

Cost of inactivity

This example shows the cost of not implementing a loyalty programme. A business with **200,000** customers with an average annual value of **£200** and a churn rate of **15%** will lose **£6m** in revenue.

Churn

Total customers	200000
Average annual value (£)	£200
Average customer lifetime (yrs)	1
Average lifetime value (£)	**£200.00**
Churn rate (%)	15%
Annual customer churn qty	**30,000**
Churn cost (£)	**£6,000,000**

Just a 2% decrease in churn via increased engagement and added value, reduces cost of churn by 800k.

Total customers	200000
Average annual value (£)	£200
Average customer lifetime (yrs)	1
Average lifetime value (£)	**£200.00**
Churn rate (%)	13%
Annual customer churn qty	**26,000**
Churn cost (£)	**£5,200,000**

Recommendation and Conclusion

Both approaches have distinct advantages and trade-offs. The decision ultimately hinges on your unique needs, resources and long term goals.

For businesses seeking rapid implementation, a robust outsourced solution is the optimal choice. Outsourcing provides:

- **Reduced time to market & barriers to entry**
- **Reduced technical burden**
- **Defence level data security & cutting edge tech**
- **A cost-effective alternative solution**
- **Sector-wide expertise**

Outsourced solutions are especially beneficial for companies with limited resources or those aiming for immediate customer engagement.

Businesses prioritising precise brand alignment and customisation may find the in-house approach more suitable. This method typically grants businesses greater control and flexibility, allowing seamless integration with your brand's identity.

Final Advice

Let's call out the elephant in the room – we're a loyalty platform provider. Of course we're going to say outsourced platform providers are the best way to go! But that comes from a place of experience, not bias. Regardless of your chosen approach you will still play a major part in monitoring the performance of your loyalty programme.

With solutions like Propello, you're not surrendering control of your loyalty programme by making it our responsibility. We work to your specific business needs with the additional advantages typically seen with an outsourced solution.

Equally we would not deter any business from trying to reward customer loyalty themselves! We've got plenty of free resources and advice to help you out should that be the route you choose.

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Contact us today for a quick 20 minute demo

Book a demo

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