

News monitored for: ISB

Economic Times - Wealth

Rewardz of persistence

After reviving a defunct firm through VC funding, Jayaraj has finally profited from loyalty programmes.

ASHWANI NAGPAL



Bijaei Jayaraj

38 years

Company

Loylty Rewardz

Headquarters

Mumbai

Seed capital

₹8 crore

Source of funds

Venture capital

Current turnover

₹14 crore

Expected turnover

₹25 crore



I consider the venture capital funding of ₹8 crore my lucky break because without it I couldn't have breathed new life into Loylty Rewardz.



Infrastructural and technological issues were our biggest challenge and affected execution. So, we focused on hiring techies to overcome this hurdle.



Next on the cards are centres in Hyderabad and Chandigarh. Our expansion plans expect us to earn ₹25 crore in the next fiscal year.

Thirty seven seconds. That's the time it took to make a business pitch for venture funding to help resurrect my dream and dead company, Loylty Rewardz. Set up in mid-2006, the one-man venture operating from my home at Powai, Mumbai, aimed to be a one-stop shop for all activities related to the development and management of loyalty programmes for corporates. This was done by analysing consumer behavioural patterns and installing appropriate rewards. However, I realised I couldn't run it alone and execution was a problem. So, the company didn't take off as expected and I was forced to shut shop within a couple of months. I realised that cash is the life blood of any start-up and 90% of the companies fail for this reason, not because the ideas aren't good or they aren't profitable.

So, in October 2006, I was forced to take up a job, joining MasterCard as head of relationship building with the State Bank of India group. This was my second run at the corporate carousel. After completing my MBA from the Indian School of Business (ISB), Hyderabad, in June 2002, I was picked up by Jet Airways. A year later, I was heading their loyalty programme, Jet Privilege, in Mumbai. At the time, this was the largest customer loyalty programme in India and, recognising the potential this presented for an entrepreneur, I registered Loylty Rewardz in June 2006, quitting my job a month later.

However, I refused to accept failure, believing that I had bought myself time to put things in place. In February 2008, while serving the notice period at MasterCard, I happened to return to my alma mater to participate in an initiative, where aspiring

entrepreneurs could meet venture capitalists to gather funds for their businesses. Here, I met the managing director of VentureEast and got a chance to outline my idea while walking with him from the atrium to the auditorium. Thirty seven seconds later, he was interested enough to schedule a meeting the same evening, and the next thing I knew, I was signing the official papers to receive my first round of funding to the tune of about \$1.5 million (₹8 crore). I consider this my lucky break because without it I would not have been able to breathe new life into Loylty Rewardz.

After quitting MasterCard in March 2008, I focused on my business, setting up office in a rented space at Andheri (east). To begin with, I invested half the funding in infrastructure and technology for large programmes. Of the remaining funds, about 20% went into operational costs and 30% on employee salaries—I hired my first batch of employees in July-August 2008, and by the end of the year, we were a team of 18-19. Our first customer, Deutsche Bank, signed on with us for their customer loyalty programme, Frequent Flier Airline Agnostic, in October-November 2008. Three months later, the State Bank of India came calling for a debit card loyalty programme, but this one went live first (in April 2009). In the first year of operations, we earned just ₹5 lakh, but there has been no looking back.

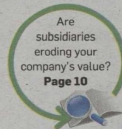
Of course, there were several challenges. For a bank's loyalty programme that was supposed to reach a consumer base of 55 million people, infrastructural and technological issues were our biggest challenge, which affected execution. So, we focused

on hiring techies to overcome this hurdle. We also consistently ploughed back every spare paisa into the business in the initial years. This steamlining helped us break even and generate revenues of ₹5.5 crore in 2010-11, and ₹14 crore in the last fiscal. To grow aggressively, we raised another round of funding worth ₹17.5 crore through Cain and Partners, in September 2011.

Today, we have associated ourselves with 11 leading banks, including Punjab National Bank, Central Bank, Union Bank, Bank of India, Federal Bank and Citibank. Our 127-strong team cumulatively manages loyalty programmes for close to 175 million debit and credit card users in India. We have offices in Mumbai, Delhi, Chennai, Kolkata, Bangalore, and have recently opened one in Kochi. Another new development is the accelerated accrual platform we've created, Max Get More, which is offered through 1,500 outlets across India.

Next on the cards are centres in Hyderabad and Chandigarh before the year ends. We expect to earn ₹25 crore in the next fiscal through these expansion plans. We also intend to reach out internationally to countries like Malaysia, Singapore, Thailand, Hong Kong and Philippines. In fact, we have already acquired a subsidiary in Singapore. While we continue to dream big, I believe that execution is the key to a successful business and many things need to be integrated for the best-laid plans to become a success.

(As told to Milan Sharma)



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