

**Canadian Club of Montreal – February 6, 2012**

**Final - The Rise of the Datarati: Turning Customer Data into Revenue**

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**SLIDE 1: TITLE SLIDE**

Merci M. Senécal et bon après-midi à tous!

Its really wonderful to have the opportunity to speak here today - I know that most speeches start like this but I really mean it when I say that it is great to be speaking here in Montreal. Firstly, because it has been a long time since I last had the opportunity to address the Montreal business community and most importantly because Montreal is the home of Aimia. And, we are a true Quebec success story! A story that begins with the successful launch of the groundbreaking frequent flyer program called Aeroplan in 1984 and evolves 28 years later into the global leader in loyalty management.

As you know, just over four months ago, we went through a global rebranding and Groupe Aeroplan became Aimia. Please allow me to give you a quick overview of Aimia and our full suite of loyalty management services, and then we'll move into the topic of today's customer data landscape. In truth, the two stories are intertwined, for the story of Aimia is also the story of the growth of the global loyalty management industry.

**SLIDE 2: OUR STORY SO FAR**

We have come a long way. As mentioned at the start, the history of Aimia begins in 1984, with the creation of the Aeroplan program by Air Canada as an incentive program for its frequent flyer customers.

In the late 1990s, Air Canada began to explore the possibility of creating a domestic coalition loyalty program by spinning off Aeroplan into a separate company. We all strongly believed that Aeroplan could become much more than a frequent flyer program.

The founding management team took the first step toward this vision in January 2002 by spinning off Aeroplan into an entity separate from Air Canada.

The company grew quickly and to fuel our global expansion, we completed an initial public offering in 2005.

The rapid traction and profitability that we gained in Canada with the coalition model provided the impetus for our international growth strategy beyond our domestic borders.

The acquisition of LMG in 2007 was a critically important component of our growth. The acquisition included Nectar, the largest coalition loyalty program in the United Kingdom today, as well as LMG's Insight and Communication (I&C) business, which has now become a world-class data analytics business and is a critical part of our Loyalty Analytics Services.

The acquisition of Carlson Marketing in 2009 was equally important. Carlson Marketing is one of the most storied brands in loyalty marketing, with a history that stretches back

to 1938 with Curt Carlson's launch of the Gold Bond Stamp Company. It gave Aimia geographic breadth, including access to the United States, the largest loyalty market in the world.

In addition, Carlson Marketing added proprietary loyalty expertise to our core competencies tool belt and empowered us to create a unique full suite of loyalty management services.

Aimia represents the new company that Groupe Aeroplan has become. It encompasses our straightforward passion to build long term, profitable relationships and our vision to become the recognized global leader in loyalty management.

It is important to note that our consumer facing brands like Aeroplan remain unchanged.

### **SLIDE 3: UNMATCHED GLOBAL SCALE AND SCOPE**

Today, we credibly claim to offer a truly global full suite of loyalty management services. This provides us with a clear competitive advantage in a rapidly changing marketplace. We deploy our full suite of services across all geographies and channels and vertical industries.

As competitors try to position themselves to take advantage of the burgeoning international market for loyalty management services, we are already well positioned as established experts.

And there are now more than 3,800 of us working in 30 offices in 20 different countries. In this pas year alone, we made huge strides in India and Mexico and we entered the burgeoning Brazil market.

### **Slide 4: AIMIA IS A SIGNIFICANT CONTRIBUTOR TO QUEBEC**

That said, we remain very loyal to our roots and Aimia is a significant contributor to Montreal and the province of Quebec. For the last 27 years, we have maintained our global headquarters in Montreal where 64 % of our Canadian management team is based. Since we went public, we have invested between \$35 and \$40 million in annual operating and capex IT spending in Quebec and we are committed to hiring local professional services in Quebec, many of whom are represented here today.

Aimia has also created tremendous value for all our stakeholders back home. We have more than doubled our top line since 2007, consistently generated growing free cash flow and shareholder return.

And last but certainly not least, Aimia is deeply committed to and involved in our Quebec Community. We are long time supporters of many wonderful organizations. Just to give you one example you might have recently heard of in the news. As part of our yearly employee gathering, our employees participated in activities geared around supporting kids on the street and raised an impressive 66,000\$ in the streets of Montreal for *Dans La Rue*.

### **SLIDE 5: WHO WE ARE TODAY**

Today, our collection of businesses is united under one name: Aimia. Aimia stands for precision, for finding unique patterns in customer data, and for seeing customer relationships differently. We believe that successful businesses must deliver real relevance based on deep consumer understanding in order to win.

Our ability to analyze customer data and turn that insight into highly relevant customer communications and offers provides us with a powerful platform to help our clients prepare for the future.

And our history and experience in the customer loyalty space leads us to strongly believe that everything marketers understand about customer loyalty is changing. And nowhere is that change more profoundly felt than in the collection and use of customer data for marketing.

Professor Hal Varian, Google's chief economist who coined a term for companies who have an edge in customer data insight: he calls them the Datarati. The challenge for these companies, Varian argues, is not in collecting data, as many companies are already awash in it. The challenge lies in making effective use of the data we've collected. Data is ubiquitous and cheap, but the analytic ability to utilize that data is scarce. This reality led Varian to quip that the sexiest job in the next decade will be statistician.

The rise of the Datarati holds a few key implications for marketers. First, if you don't use your data, others will. If you don't get the right offer to your own best customers, one of these new Datarati giants will be happy to turn their attention elsewhere.

Second, remaining on the sidelines is no longer an option. Every consumer-facing company in every industry must develop, execute and evolve a data-based customer loyalty strategy in order to maintain control of and build value into their customer relationships. Those companies who fail to evolve their loyalty strategy at the enterprise level will increasingly find themselves falling by the wayside.

## **SLIDE 6: CUSTOMER DATA: THE NEW OIL**

Some of you may have read the January 2011 report by Bain & Company and the World Economic Forum entitled "Personal Data: The Emergence of a New Asset Class." You can read the quote here from the European Consumer Commissioner that appears in the report and which describes personal data as "the new oil." I can't say that this is the first appearance of this metaphor in the literature, as the metaphor seems to have sprung up everywhere all at once. This perhaps is a testament to the usefulness of the metaphor, for certainly most of us in this room would agree that customer data is a valuable resource that, as the World Economic Forum report describes it, has become as important a foundation for modern business as capital or labour.

## **SLIDE 7: UBIQUITY OF CUSTOMER DATA**

On the slide you can see just a few stats we pulled from the report that speak to the sheer volume of digital data being created on a daily basis around the globe. In this environment, the data we might glean from a loyalty program may seem like mere droplets in the ocean of consumer data in which we all now swim.

But when you factor in the importance of consumer relationships built on a foundation of permission and trust, then loyalty marketers regain the edge.

The Googles and Facebooks of the world will increasingly offer behavioral targeting services that tread on consumer privacy, remain opaque and offer byzantine opt-out options for consumers. Loyalty marketers, by contrast, collect customer data through well-established models of recognition and reward that provide a safe haven for consumers to opt in. In fact some of the travel programs are so well anchored in the minds and heart of consumers, that changes can create a wave of customer reactions.

## **SLIDE 8: LOYALTY MANAGEMENT - TODAY**

Still, as loyalty marketers we cannot remain complacent in the security and sanctity of our customer relationships. On this slide we've illustrated the three basic components of the loyalty management process. At Aimia we follow this process to guide our best customers on their journey towards brand loyalty.

In Stage 1, we Identify our best customers. We're looking for the customers with high current or high potential value in order to build meaningful and reciprocal relationships with them. Paradoxically, sometimes we can't identify the best customers until we have sieved them from the wider customer or member base. Remember that there is no acquisition without identification—until we've encouraged those customers to raise their hands and agree to be identified so that we can track their behavior on an individual level within an environment of permission and trust, they are always vulnerable to competitive promotions.

In Stage 2, we Understand our customers by collecting and analyzing the data coming in from them—transactional data, survey data, data from touch points, data from mobile applications and social media—and we begin to segment them. Then we examine these customer segments more closely and look for value gaps. Are there customers within those segments who aren't behaving as profitably as we think they should? If so, do we have a chance to change their behavior with the right offer? These are the types of insights we're looking for.

In Stage 3, we Influence customer behaviour by leveraging the insight we've gained from our data analysis to uncover the obstacles to desired customer behavior. Then we overcome those obstacles with targeted offers, personalized communications and relevant rewards in order to shift their behaviour in profitable directions. And by profitable, I mean profitable for both our members and us—effective loyalty management results in a symbiotic relationship that adds value for both sides.

This process, as practiced by loyalty marketers around the world for the past 30 years, has seen loyalty management become the global endeavour it is today. But we cannot remain complacent, for technology, the global economy and customer demographics have profoundly shifted the loyalty landscape in ways that make the old methods increasingly untenable.

I want to share three developments with you that I believe are instrumental in how we evolve our loyalty programs into the future.

I will start with the first development which is the extension of the loyalty cycle.

### **SLIDE 9: EXTENDING THE LOYALTY CYCLE**

In the old models of loyalty management, customer value was determined in most programs by focusing on a single type of customer interaction. But the days when tracking behaviour at the level of the individual customer required only a plastic loyalty card swipe at the point of sale are fast ending.

As this slide demonstrates, consumers now create ever more brand interactions that are increasingly being tracked across multiple channels and systems and managed by multiple providers.

For many of us in this room, the opportunity centres on the expansion of the loyalty value chain. New developments are creating new interactions and new reasons for rewards. For example, Foursquare rewards you for being somewhere. Groupon rewards you for being part of a daily surge of customers to a vendor. Other companies reward you for word-of-mouth activities.

So as we consider the best strategy to adopt to exploit new developments, it's important to differentiate the two sides of the opportunity. First, there are 'Behind the scenes' opportunities that present new ways of gathering data and new tools for integrating and analysing that data to offer better insight to clients and more relevance to customers.

Second, there are customer facing opportunities that will provide new ways of interacting with customers, managing their data and needs, rewarding them and delivering communications directly to them.

In addition, marketers around the globe are engaged in an arms race of sorts to 'connect the dots' between these varying data touch points. All of us have pieces of the consumer puzzle, and loyalty marketers typically have more of those pieces than most. But the winners will be those marketers who can successfully unite disparate sources of data in order to paint a complete picture of the customer relationship. Connecting those dots has become the Holy Grail for marketers.

### **Slide 10: THE DATA PUZZLE (FOURSQUARE)**

Historically, however, making these connections has been difficult. At present few companies have managed to truly connect the many pieces of the data and communications jigsaw puzzle. Foursquare knows where you are, but not what you like.

**Slide 11: THE DATA PUZZLE (GOOGLE)**

Google knows what you want to do, but not what you have done.

**Slide 12: THE DATA PUZZLE (FACEBOOK)**

Facebook knows who your friends are, but not what you buy.

**Slide 13: THE DATA PUZZLE (TELEVISION)**

Cable TV knows what ads you see, but not what you buy.

The proliferation of reward programs will make it impossible for every program to enjoy a worthwhile engagement with the customer. The criteria for achieving the top spot in this loyalty hierarchy will be the relevance of your communications, the simplicity of use, the scale of benefits and the level of trust driven by sympathetic management of data privacy and preferences.

**SLIDE 14: RULES OF THE ROAD**

I would like to close with a few rules of the road designed to guide you on your journey to becoming one of the Datarati.

There is both huge opportunity and huge risk ahead for us as the relationship between customers and our companies evolves. A battle looms ahead for ownership of the relationship between consumers and brands. It's a battle fought for the right to manage and deliver relevance and rewards to loyal consumers.

The good news for many of us in this room is that a greater proportion of marketing spend will migrate to direct channels such as loyalty and CRM programs because of their better targeting capabilities, robust data sets and demonstrable ability to deliver ROI. The prize is available for those loyalty marketers who harness the power of these new channels and extend the loyalty cycle by connecting these data dots to deliver a full view of the customer.

Arguably the best way to join the ranks of the Datarati is to continually adopt the perspective of your customers, understand their needs, and work backwards, rather than starting with the technology and trying to force fit it into those customer's lives.

We at Aimia are very proud to be leading the charge in this exciting area of growth and very proud to be a successful leader in loyalty management on a global scale.

**Slide 15: MERCI**

Merci beaucoup pour votre temps aujourd'hui! A bientôt!