

the **loyalty** guide 4

... the whole of customer loyalty, engagement and profitability

Volume 4

A short sample from Chapter 3:

Coalition Loyalty Programmes

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What's in this sampler?

This sample is intended simply to show you the level of detail and kind of materials covered in *The Loyalty Guide 4*.


This sample is **not** a complete chapter, and it does **not** start at the beginning of the chapter. It is merely a randomly selected example of the contents of the full report.

To help you see what else is covered in the report, we have also included the report's complete **Table of Contents** at the end of this document.

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the **loyalty** guide

... the whole of customer loyalty, engagement & profitability

Volume 4

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From Chapter 3 - Coalition loyalty...

3.2.4 Challenges of a coalition programme

3.2.4.1 What about the grocer?

One of the main challenges that a new coalition in the emerging markets would face is the significant and rapid encroachment of grocery retailing into broad-based non-foods, specialist financial services and other sectors. This is creating a block to new coalitions since the grocery player is a 'must have' partner for the frequency of customer contact and yet many grocery retailers internationally are now much less willing to give ground to other sectors and are also viewed as 'predators' by other sectors.

3.2.4.2 Who owns the data?

Ownership of the data is something that is contractually agreed on entering the programme. It varies from programme to programme. In a typical coalition data model, basket-level data is not kept by coalition programme operators. Partners wishing to analyse data to this level would have to maintain their own POS-driven databases. They would clearly own that data.

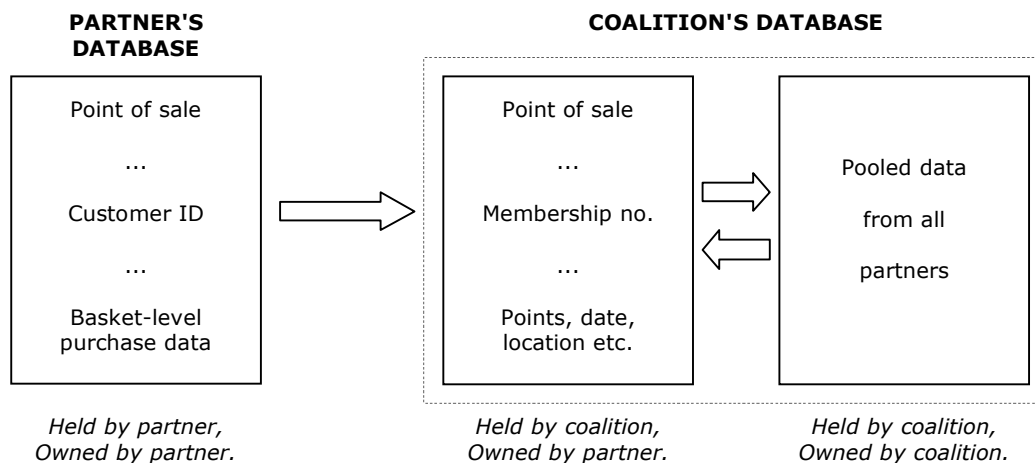


Figure 3-B: Typical coalition programme data storage and ownership

Source: The Loyalty Guide 4

The coalition operator would collect data including the customer's ID, the location and date, and the points earned. This would be stored in the central database, along with data from the other partners. Partners would still own their own data in this database but not that of any other partners.

This aggregated pool of data would be augmented by bought-in demographic data, and the whole pool containing all the partner's data would be owned by the coalition operator. This would be used to facilitate coalition marketing on behalf of partners.

The operator never passes consumers' names and addresses to partners - the record is attached to a number. Any mailings that a partner requires would be made by the operator. Requests for mailings can be scrutinised by all partners, who can object to any that an individual partner believes is detrimental. The operator controls and allocates all communications.

3.2.4.3 Loyal to programme or partner?

Is the loyalty generated by the programme loyalty to the partner, or loyalty to the programme? This clearly depends on individual circumstances. It seems quite likely that any partner dropping out of a coalition programme will lose some of its customers, particularly if the partner is replaced by another partner in the same sector. When Air Miles and Sainsbury's ended their partnership in the UK, and Sainsbury's rival, Tesco, signed up for Air Miles, Tesco anticipated a huge migration of Sainsbury's best customers. In *'Scoring Points'*, an excellent book written by Clive Humby and Terry Hunt about Tesco's *Clubcard*, it is claimed that Sainsbury's "credited the divorce from Air Miles with a loss of 1% of sales volume - equal to losing 60,000 of its most valuable customers to Tesco" (from the book *Scoring Points*, p221).

3.2.4.4 Reputation

As mentioned earlier, partners' customers will tend to regard the programme as if it were owned by the partner, so any disappointments or frustrations will reflect on the partner.

3.2.4.5 Difficult to pilot

It is difficult, if not impossible, to pilot a coalition programme on a small scale before the launch. Because coalition programmes depend on their size, impact and broad cover of the customer's monthly spend, if even one major partner is missing from the programme the results of a pilot would be meaningless.

3.2.5 Typical application areas

Coalition programmes are often nationwide; they can however be on a smaller scale and be limited to a single town or to a single shopping centre. Online coalition programmes are in effect global.

3.2.6 Expanding a single programme into a coalition

Almost any stand-alone loyalty programme has the potential to grow into a sector-wide coalition of like-minded and product-compatible partners. According to *Ernex* [www.ernex.com] loyalty expert Malcolm Fowler, loyalty programmes have become so popular that consumers seem happy to make good use of any innovative scheme that crosses their everyday shopping path.

A 2005 survey of nearly 4,000 cardholders by *Synergistics Research Corp.* [www.synergisticsresearch.com] found that credit cards with a rewards programme more than double card usage to an average of 12.6 times per month versus 5.2 times per month for a card without a rewards programme. Add in the fact that today's consumers are accustomed to handing over plastic instead of cash at the point-of-sale, and those behaviours become too tempting to resist when a business is considering creating its own loyalty programme.

3.2.6.1 Taking it to the next level

But what do you do if your business already has a strong loyalty programme? How do you take it to the next level and capitalise on its untapped growth potential? The answer is quite simple: you form a 'growalition'. Growalition is a term that Fowler uses to describe a partnership between a company with an existing, successful loyalty programme (the foundation programme), and non-competing, complementary businesses. Take an airline loyalty programme for example. The airline programme might bring a car rental business on board as a partner company - so if a member of the foundation programme rents a car through that partner company, they get extra points. This makes perfect sense, since many travellers may need to rent a car when they get to their destination.

In the growalition, a partner company rewards foundation programme members with points in the foundation currency. This partnership creates benefits for everyone involved: the foundation programme gets increased exposure as partner companies help spread the word; it becomes more relevant for existing

and new members who now have more avenues to collect rewards points; and it creates an environment where the new partners help fund and grow the foundation programme.

The partner companies (e.g. a car rental business) benefit because the growalition drives new customer traffic through the door. And it allows some companies to participate in a loyalty programme that would not be able to carry a programme on their own. A mattress retailer, for example, doesn't exactly have enough repeat customers to warrant its own loyalty programme. But joining a growalition that can help drive its mattress sales may make perfect sense.

Finally, consumers - the end-users - have more options to earn and redeem rewards.

3.2.6.2 Prerequisites of expanding the programme

Overall, creating a growalition is a great idea but there are things to think about before you decide to build one. To begin with, your existing loyalty programme requires the following three items:

- *Loyalty currency*
If you establish a strong loyalty programme, the rewards points that members earn over time eventually turn into a form of loyalty currency. Extending this currency beyond the boundaries for which it was initially intended increases the relevance of the programme to its members, enhancing members' opportunity to earn points through more locations.
- *Members*
You must have a targeted, well-defined group of members who have similar values and interests.
- *Marketing*
You need a vehicle to communicate your programme enhancements to members and announce the new companies you've brought on board. And remember, using a combination of advertising, direct mail and online channels to reach existing and prospective members is not free, so be prepared to make that necessary investment.

Finding an appropriate group of merchants that complement your programme is obviously also a critical step. Partner companies shouldn't be competitors to your business and must appeal to your target customers. Building your growalition by adding one merchant partner at a time is also a key. Don't add 20 partners at once as you won't be able to market them equally, and managing the new partners' expectations will be difficult.

Here are some practical steps to finding the right partner companies that make sense for your business:

1. Mine your programme's member data to learn as much as you can about their spending habits, tastes and interests.
2. Research businesses whose customers you think have similar qualities to those of your members, or who may have an affinity for the products and services you offer.
3. Determine if there's a logical connection to the company/companies you want to bring on board: will it be by geography? Should it be the stores next to you, in your mall or in your neighbourhood? Or do you target types of companies: restaurants, clothing stores or hotels?
4. Ensure your programme is attractive and visible to the right potential partner companies. If the merchant partners that you select don't jump at the opportunity to join your programme or even approach you to come on-board, move on to your next potential partner. Hesitation to participate in your growalition is often a sign that the partner might not be as good a fit as you thought.
5. Only once you have established a healthy group of partner businesses, will your original loyalty programme evolve into a growalition. Remember, the core valuation of the your foundation loyalty programme does not change - your members see value in this programme, and by forming a growalition you've given them additional avenues to build their loyalty programme wealth.

In the end a growalition can extend the value of a company's foundation loyalty programme and gives other businesses a chance to participate in a loyalty programme without having to create one of their own.

3.3 Coalition programme case studies

Below we present case studies of popular coalition loyalty programmes in simple alphabetical order:

3.3.1 Case study: Air Miles (worldwide)

The relationship between the companies running the *Air Miles* [www.airmiles.co.uk] programme around the world is not as straightforward as it may at first seem. The idea for the Air Miles programme was developed by Sir Keith Mills while travelling with a business associate on a train to a business meeting in 1987. They developed the idea and presented it to British Airways. A 51/49 partnership was set up in 1988 and Air Miles Travel Promotions (AMTP) was launched. In May 1994, BA bought out the Miles Cowdray management's 49% and AMTP became a wholly-owned subsidiary of British Airways.

In the meantime, Mills and partner formed *The Air Miles International Group BV* and *Loyalty Management International Ltd*, in order to develop Air Miles in Europe, North America and the rest of the world. The Canadian Air Miles programme was launched in 1992 by *Loyalty Management Group Canada* in conjunction with *The Loyalty Group*, which still manages *Air Miles Canada* [www.airmiles.ca]. Air Miles was launched in the Netherlands by *Loyalty Management Netherlands* [www.airmiles.nl] in December 1994, and in Spain by *Air Miles Espana* [www.travel-club.com] in September 1996, and in the Middle East in 2001 by *Rewards Management Middle East FZ, LLC* [www.airmilesme.com]. In January 2008, Aeroplan's then newly acquired subsidiary Loyalty Management Group (LMG) - the owner and operator of the UK's Nectar coalition loyalty programme - increased its stake in the Air Miles Middle East operator, Rewards Management Middle East Limited (RMMEL). LMG already owned 20% of RMMEL, but this purchase added another 40% in RMMEL to make 60% of RMMEL - a controlling interest. The detailed history and structure of the companies can be found in section 3.3.14.4.

In most countries the business model for Air Miles is straightforward: members collect Air Miles Awards from participating partners and then redeem these awards for various rewards that include free or reduced price flights, leisure-related activities like visits to theme parks, or hotel accommodation. Partners (in other words, points issuers) are non-competing within sectors.

The partners buy the awards from Air Miles, and Air Miles negotiates and pays for the rewards. Partners pay for the points when they issue them to customers. However, in November 2003, Air Miles (UK) announced a total restructure of its business, and became a full-service travel company, open to everyone.

Air Miles, which is 60% owned by *Groupe Aeroplan* [www.groupeaeroplan.com], has grown its membership to over 2 million members across seven countries and has in excess of 150 participating partner companies, including HSBC, across the Middle East region (in the United Arab Emirates, Qatar and Bahrain). Groupe Aeroplan owns the Canadian loyalty coalition, Aeroplan, as well as the Nectar coalition programme in the UK. Groupe Aeroplan also operates LMG Insight & Communication, a customer-driven insight and data analytics business offering international services to retailers and their suppliers.

3.3.1.1 Air Miles (UK)

Air Miles UK is operated by *The Mileage Company* [www.themileagecompany.com].

The *Air Miles* [www.airmiles.co.uk] programme (which had some 8 million members in 2007) markets a range of travel products including flights, hotels, city breaks, cruises, travel insurance, car hire and brochure holidays. Partners include Tesco, Shell, Southern Electric, John Lewis, Avis and Lloyds/TSB. Online partners include BCP Airport Parking, Hilton HHonors and Homebase. Members can pay for travel with Air Miles only, a combination of miles and cash, or cash only (in which case they receive *MilesBack* towards their next trip, at the rate of up to 1 Air Mile per £5 spent).

The early history

Initially, consumers joined an Air Miles programme by registering with a specific partner programme and supplying demographic data and other data relevant to that partner (for instance, motoring information to

Shell). They were issued with a card which they produced when making purchases, and were given paper vouchers by the partner.

In 1994, Air Miles took a huge step forward by changing over to a central database capable of handling five million accounts, and started using mag-stripe cards. This shifted the emphasis from vertical individual partner programmes to a bigger, more comprehensive, horizontal approach. This in fact was the point at which true coalition marketing began for Air Miles. Partners shared the cost of administering the programme, but they also shared the benefits. Although the data was held by Air Miles, and individual partners did not have direct access to the data that Air Miles held on behalf of other partners, they could nevertheless ask Air Miles to send mailings to various selected groups of people who were customers of another partner in a specific area. The change also meant that, from the consumer's point of view, the data was compactly held and the points total easy to obtain and there was one central point from which they could collect and redeem.

In 1993, some two billion Air Miles were issued by 150-200 partners, and half a million free flights were taken. In 1994, there were some 3.75 million collectors. By the end of that year, turnover reached £90 million, some three billion Air Miles were in circulation and earnings were 50% higher than for 1993/4.

In 1999, Air Miles opened a £7 million call centre in Warrington, designed to accommodate some 700 staff.

In 2000, British Airways' new Executive Club loyalty programme, BA Miles, was created, and an extra option for payment was introduced - customers could use miles, cash, or a mixture of the two. Aer Lingus, British European and bmi signed up as partners.

In 2001 Air Miles opened its web site to non-members, and launched a £10 million advertising campaign. American Airlines signed up. In October 2001, the programme saw a 273% increase in the number of telephone calls and a 186% increase in web site hits following the successful online launch of its first ever '2 for 1' deal. The promotion was initially sent to half of the online members via e-mail one evening, with a further e-mail sent out to the other half of the online members the next evening. The response was massive as collectors rang to take advantage of the promotion. The promotion offered customers a free ticket anywhere in Europe on British Airways. The customer booked one ticket using Air Miles or paying part miles and part cash and received another ticket to the same destination free, paying just the airport tax and charges. The online campaign was followed by a direct mail campaign.

In 2002, the contract with Sainsbury's supermarket, which had offered Air Miles as an option to members of its Reward Card loyalty programme for some six years since the programme's launch in 1996, was not renewed, and Air Miles moved to Tesco. At that stage, Air Miles had over 6 million members and Tesco's Clubcard had some 10 million. Tesco gave customers 40 Air Miles for each £2.50 worth of Clubcard points (customers earned one point for each £1.00 spent). Clubcard holders who qualified for Premium Deals (most Air Miles collectors probably would have) received double that - 80 Air Miles. Customers automatically qualified for Premium Deals if they spent an average of £60 a week in-store (excluding Express & Fuel). A customer spending £60 a week for 52 weeks could earn more than 900 Air Miles, enough for 2 flights to Paris.

The *Royal Bank of Scotland Group* [www.rbs.co.uk], Tesco's partner in its Personal Finance arm, was pleased: the bank was already the largest originator of Air Miles in the UK through its credit card business. At the time, Fred Goodwin, group executive of The Royal Bank of Scotland Group, said: "We were founder members of Air Miles and have a close and successful working relationship with both Tesco and Air Miles and we will now be exploring broader based three-way opportunities."

Sainsbury's retaliated by launching a new loyalty programme that included flight deals and money off holidays from partners including bmi, Virgin Atlantic and Lunn Poly, and cinema tickets from Odeon. During its introductory phase some 40,000 half price (or two for the price of one) bmi flights were offered on a first-come-first-served basis.

Tesco hoped for a surge of business as it expected Air Miles customers to swap from rival chain Sainsbury's. It claimed that its "exchange rate" of vouchers for Air Miles would enable its higher spending

customers to build their rewards at twice the speed they could at Sainsbury's. In anticipation an extra one million Clubcards were sent out to stores to cater for the influx of Air Miles collectors. A customer spending £100 per week in a Tesco store and paying with a Tesco credit card would earn 2,480 Air Miles after 52 weeks, enough for five return trips to Paris.

Tesco.com saw a 450% surge in searches for store maps as customers looked online for their nearest store, while enquiries about home shopping rose 300% and Air Miles announced an increase of some 140% in the number of miles issued to Sainsbury's customers compared with the same period the previous year. Almost two million Sainsbury's Reward Vouchers were cashed in for Air Miles before the move. Members of the British Airways Executive Club could also earn BA Miles at Tesco.

In September 2002, coinciding with the launch of the Nectar programme, Air Miles launched 'The Great Air Miles Giveaway' campaign, in which the number of miles needed for free flights was cut dramatically for many routes. Offering its members up to 75% off standard mileage, the campaign was a pre-emptive measure to encourage Air Miles members to stay loyal during Nectar's nationwide launch.

The 'giveaway' campaign covered flight departures from October 2002 until the end of June 2003, although the prices for US and long haul destinations increased for departures from the beginning of April 2003. Flights to New York were cut to 2,000 miles plus £64 - a saving of 4,800 miles. Flights to Rome were cut to 1,000 miles plus £24, saving members 800 miles. At the same time, Air Miles signed up some new retail partners: UK department store House of Fraser, Air Miles Energy gas & electricity, BT, mobile telecoms provider O2 (previously known as BT Cellnet), and Lloyds TSB insurances, Quip!, Freeserve, Direct Line, Petplan and the National Lottery.

During 2002 some one billion Air Miles were redeemed, enough for 2.2 million round trips to Paris. Half a million new members joined, and £14 million of discounts were claimed by members booking holidays through Air Miles Travel Agency. Some 400,000 vouchers were issued for leisure days out.

In November 2003 Air Miles announced a total restructure of its business, designed to create a full-service travel company - open to everyone - and adding to its portfolio many more airlines, new destinations, 350 routes, 50 times more availability and 20,000 hotels worldwide. It also moved away from fixed prices to a dynamic pricing structure. One of the fundamental changes is that the company began offering as broad a service as any other UK travel agent, instead of its previous reliance on using restricted availability or distressed inventory. The customer could pay with miles or miles and money and, for the first time ever, could pay with only cash and receive MilesBack. MilesBack offered customers a new collection opportunity that would help them collect miles quicker as well as collecting with Air Miles' existing partners. This restructure into The Air Miles Travel Company was designed to turn a once ailing British Airways subsidiary into a top-five UK travel company, trebling the size of the business in the coming five years. The company did not rule out acquisitions or a move into high street retail for the £200 million business.

In July 2004, following the re-launch in November 2003 as a full service travel company, The Air Miles Travel Company developed a new web site to offer flights, hotels and packaged holidays to its customers allowing transactions to be paid for with Air Miles alone, any combination of Air Miles and cash, or cash alone. The web site supported 35% of travel product sales, a significant improvement over the previous version. Part of this success was due to The Air Miles Travel Company's use of BroadVision's commerce and e-marketing solutions. According to Peter Simpson, technology architect for Air Miles, before using BroadVision, the marketing department had to rely on monthly updates to the web site by the IT department. This development allowed the marketing department to create, edit and maintain content directly on the web site whenever they want to and have complete control over content, workflow, segmentation and publishing.

In March 2005, the Air Miles Travel Company brought together four major brands to create a new marketing campaign aimed at increasing consumers' desire to collect Air Miles through Tesco, NatWest, Shell, and Southern Electric. The two-month air travel promotional campaign was the first major campaign the loyalty programme provider had spear-headed for some three years. The new 'Everyday to Everywhere' campaign aimed to demonstrate to consumers how easy it could be to collect Air Miles through their everyday spending, and how the points could then be redeemed for travel products. The

campaign, with a spend in excess of £5.5 million, was a combination of national television advertisements, along with spots on radio stations such as Virgin Radio and XFM.

A series of interactive radio promotions were supported by a media relations programme targeting both national and regional newspaper travel desks. The television and radio advertisements were also supported by below-the-line activity including direct mail, online promotional activity, the airmiles.co.uk web site, and public relations activity. The focus of the mailings was to provide personalised information to the (then) 6 million existing customers by updating them on their Air Miles account balance, and by showing them how to redeem their miles for flights, city breaks and holidays around the world. At the time, the Air Miles programme offered consumers a choice of over 100 airlines, stays in more than 25,000 hotels world-wide, various city breaks, cruises, and travel insurance, car hire and other pre-planned holidays.

In July 2005, Air Miles Travel Company teamed up with European provider of online marketing solutions, TradeDoubler, and Canadian partner marketing company, Plan B, to launch an online mall that features a number of retail partners, including Dixons.co.uk, Currys.co.uk, HMV.com, John Lewis Direct and Carphone Warehouse. Consumers were able to collect Air Miles while shopping online at rates of up to 1 Air Mile for every £2 spent.

Recent developments

In February 2007, Air Miles launched a new offer allowing its members to book two flights to British Airways destinations worldwide for the price of one. The campaign offer was valid until 17th December 2007, and flights booked could be paid for either entirely with miles or with part miles and part cash. Flights had to be economy class, and applicable airport taxes, fees and charges were levied on all flight bookings. This meant that a couple travelling to Hong Kong for a holiday could fly for as little 4,500 Air Miles (a saving of 4,500 miles), or a couple could travel to Amsterdam for as little as 100 Air Miles for both flights. Similarly, a family of four (two adults and two children) could book a holiday where one adult and one child in the party travel for free. In support of the Comic Relief and Red Nose Day charity campaigns, Air Miles donated £1 of its own money to Comic Relief 2007 for every customer booking through the '2 for 1' campaign.

In March 2007, Air Miles helped to raise a total of £20,000 in the national Comic Relief fundraising effort. The company's staff, at its Travel Centre in Birchwood, Warrington, and at its offices in Crawley, West Sussex, contributed a total of £6,300 by washing cars, shoe shining, holding a sale and auction, cake baking, and by organising various quizzes and competitions. The rest of the £20,000 donation was raised through the company's '2 for 1' offer.

In May 2007, Air Miles signed a deal with the UK arm of the online marketplace eBay to reward members with points based on the amount they spend on eBay.co.uk auctions and 'buy it now' purchases. To launch the new partnership, which followed a successful three-month trial, Air Miles rewarded members with Double Miles (that is, 2 Air Miles for every £10 spent on eBay.co.uk's Buy-It-Now and auction items) until 7th June 2007. After that date, members earn 1 Air Mile for every £10 spent. Air Miles collected are automatically credited to the member's account within 35 days. The deal with eBay one of a series of partnerships that Air Miles signed up on its "virtual high street" to reward programme members for online purchases. Other household names (among the programme's 120 retailers) at which members can earn miles online include JohnLewis.com, [HMV](http://HMV.com), [Interflora](http://Interflora.com), Play.com, [Boden](http://Boden.com), Tesco.com, [Comet](http://Comet.com), and [Waterstones](http://Waterstones.com). The Air Miles Online Shopping programme initially launched with 25 retailers in September 2005, and had by May 2007 grown to 120 online partnerships, using the affiliate marketing model in conjunction with [Affiliate Window](http://AffiliateWindow.com), [TradeDoubler](http://TradeDoubler.com) and [Commission Junction](http://CommissionJunction.com). Some 768,000 miles were issued to the programme's members for shopping online via the Air Miles UK web site in the run up to Christmas 2006 (enough for 1,280 return flights to Venice).

In May 2007, a new 'warm lead alert' system produced a 20% sales conversion rate for Air Miles (UK) following the introduction of [Confirmit's](http://Confirmit.com) enterprise feedback management system to its members. The programme's research agency, [Aurora Market Research](http://AuroraMarketResearch.com), devised an online survey including the [Confirmit](http://Confirmit.com) tools to measure members' attitudes and behaviours immediately after each interaction with Air Miles, whether via the telephone or web site. From the consumer's point of view, the approach shortened the

survey by reducing the number of questions that needed to be asked, allowing Air Miles to add questions to build more detailed insights into why each customer visited the web site, made a call, or even failed to complete a transaction. The higher level of personalisation improved the survey response rate to 35%. Because individuals consented to further contact following the survey, Air Miles was able to directly address the problems of dissatisfied customers by having the sales team contact them to find a solution.

In June 2007 NatWest Bank launched a new travel reward programme called 'YourPoints' in conjunction with online travel agent eBookers. As a result the bank's 19 year relationship with Air Miles ended and Air Miles moved its banking partnership to Lloyds TSB. The first Lloyds TSB product offering Air Miles was the Duo Card Account, a 'two in one' payment card facility that offers one interest rate, one monthly statement, one PIN and two credit cards (an American Express card and a MasterCard) to allow customers greater shopping flexibility. Lloyds TSB also doubled the Air Miles earning rate for Duo Card Account holders compared to the rate previously offered by NatWest. The increased earning rate is 1 Air Mile for every £10 in qualifying spend. In addition, *Coutts & Co.* [www.coutts.com] (NatWest's private banking arm) also withdrew from the Air Miles programme and replaced the programme with its own loyalty rewards scheme called Courtesy of Coutts. The programme allows Coutts cardholders to earn points when making purchases with their credit card, and to redeem those points to pay for EasyJet flights, travel booked through eBookers.com, airport taxes and other travel charges, or charity donations.

From January 2008, Air Miles introduced all-inclusive fares that include taxes, fees and charges on flights with British Airways and some other scheduled airlines. In addition, Air Miles divided the world into seven geographical zones with specific fares to all destinations within each one. The all inclusive fares and zones were introduced following research among tens of thousands of Air Miles customers who said that genuinely free flights and simple fares topped their wish list. Independent research conducted by YouGov supports this, revealing that many consumers find loyalty schemes confusing, with less than one-quarter (22%) believing they offer good value, mainly due to hidden costs and extra charges.

Corporate structure changes

In April 2009, Air Miles announced the launch of a new business unit, *The Mileage Company* [www.themileagecompany.com], to help other companies to develop and manage new or existing loyalty programmes. As a wholly owned subsidiary of British Airways, The Mileage Company now runs the Air Miles programme and takes responsibility for the commercial success of British Airways' own reward currency, BA Miles (which frequent flyers collect as members of BA's Executive Club programme).

The Mileage Company also aims to run other frequent flyer and leisure reward programmes for UK-based and other airlines and brands around the world. Led by Air Miles' managing director, Andrew Swaffield, the company says that it can develop every aspect of a loyalty programme, including set-up, management of rewards, engaging customers by rewarding loyalty, and driving profit and growth. The expertise offered by the company includes research and loyalty analytics, customer relationship management (CRM), loyalty marketing, and the necessary accounting skills associated with loyalty schemes. The company also has a large UK customer contact centre as well as IT development expertise.

During 2009, some 4 million people collected or redeemed miles with one of The Mileage Company's various loyalty schemes, which include the global BA Miles currency and the UK-based Air Miles programme. And, of course, being owned by British Airways gives The Mileage Company a useful differentiator in the loyalty market: unique access to BA's stock of unsold airline seats.

In May 2009, *The Times* and *The Sunday Times* launched a twelve month partnership with The Mileage Company to promote annual seven-day subscriptions to the two newspapers. Those who subscribe for all seven days of the week earned 750 Air Miles (which is enough for a free return flight or a Eurostar return ticket to a range of European cities such as Paris, Brussels and Amsterdam). When redeeming miles for tickets, there are no taxes, fees or other surcharges to pay.

By July 2009, the recession was leading more and more British consumers to collect points and miles with various frequent flyer and travel loyalty schemes, and then cash them in to continue travelling, according to research by The Mileage Company. The survey found that 19% of Air Miles collectors (19%) had used their miles in the past 12 months, and 28% said they were more likely to redeem their miles for a free

flight than they were one year before, due to the economic downturn. Indeed, Air Miles also reported a 17% increase in members booking award flights in 2009, and a 41% increase in the number of miles actually being earned.

In August 2009, Air Miles launched a mobile phone recycling scheme that allows members to collect reward miles by disposing of their mobile phones in an eco-friendly way. The average British consumer replaces or upgrades their mobile phone every 18 months, and recent research suggests that each person has at least one spare handset. Through the new programme, Air Miles hopes to encourage consumers to help the environment by recycling unwanted handsets (whether working or broken). Members can calculate the number of reward miles they will collect through a new section of the Air Miles web site (up to a maximum of 750 miles). The recycling programme is managed in partnership with e-waste recycling firm ShP Limited. All handsets received are safely and securely reconditioned, to be reintroduced into developing markets or recycled for their components.

In October 2009 Air Miles celebrated its 21st year of operation, and announced a £1 million television and digital advertising campaign with a bonanza Air Miles giveaway promotion. The new campaign, featuring the brand's familiar animated characters, ran for five weeks from 12th October 2009 using terrestrial, digital and satellite channels to communicate the simplicity of the Air Miles scheme and its free flights offer, while digital adverts highlighted the programme's other leisure activity-based reward options (such as Eurostar journeys and recreational days out). Air Miles' members also had the chance to win 21,000 Air Miles (enough for two free return flights from London to Australia including airline taxes, fees and surcharges). Every member who collected at least 1 Air Mile from any qualifying purchase was automatically entered into the prize draw, and members could also enter by making any booking with Air Miles, either online or by calling the contact centre. The programme's 21st year saw memberships increase by some 300% over a 12-month period.

Currently, Air Miles claims membership of some 2 million active collectors, and members can collect miles from more than 200 shopping partners via the programme's online store. Members can redeem their Air Miles for thousands of travel and leisure rewards, including free flights that include all airline taxes, fees and surcharges, as well as hotel nights, Eurostar journeys, family days out, and English Heritage annual membership passes.

3.3.1.2 Air Miles (Canada)

Air Miles Canada was launched with 13 sponsors in 1992 by *Loyalty Management International* (LMI) and The Loyalty Group. The Loyalty Group's founder, Craig Underwood, sold the company to Alliance Data Systems, but it continues to manage Air Miles Canada. Alliance Data Systems, based in Dallas, provides transaction services, credit services and marketing services. After launching Air Miles, The Loyalty Group added Air Miles for Business, Air Miles Incentives and loyalty consulting to the stable. Air Miles Canada is now operated by...

... continued in the full report - see www.theloyaltyguide.com

Authors' note:

This report's numerous case studies are carefully constructed to provide full background, history, and current-day detail, along with partnership developments, points structures, redemption options, and the latest facts and figures concerning each programme.

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19.2.3	Robert Passikoff, Brand Keys <i>Only a consumer-centric view reveals loyalty</i>
19.2.4	Luc Bondar, Carlson Marketing Worldwide <i>The evolution of customer loyalty marketing</i>
19.2.5	Terry Vavra & Douglas Pruden, C.E.P. <i>Loyalty is often poorly targeted and conceived</i>
19.2.6	Linus Gregoriadis, E-Consultancy <i>Build a customer-friendly culture</i>
19.2.7	Phil Hawkins, FlyBuys <i>Loyalty rewards: let the member decide</i>
19.2.8	Jill Griffin, Griffin Group <i>The search-and-switch threat to loyalty</i>
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23.2.19	Qatar Airways (Qmiles)
23.2.20	South African Airways (Voyager)
23.2.21	Southwest Airlines (Rapid Rewards)
23.2.22	United Airlines (Mileage Plus)
23.2.23	US Airways (Dividend Miles)
23.2.24	Virgin Atlantic (Flying Club)
23.2.25	Virgin Blue (Velocity Rewards)
23.3	Other airlines & FFP developments
23.3.1	Aeromexico (Club Premier)
23.3.2	Air China (Companion)
23.3.3	AirTran (A+ Rewards)
23.3.4	bmi (Diamond Club)
23.3.5	EgyptAir (Aeroplan)
23.3.6	Flybe (no loyalty scheme)
23.3.7	Kulula (Jetsetter Club)
23.3.8	Porter Airlines (VIPorter)
23.3.9	Qantas (Frequent Flyer)
23.3.10	Scandinavian Airlines (EuroBonus)
23.3.11	Spirit Airlines (Free Spirit)
23.3.12	TAM Brazil (Multiplus Fidelidade)
23.3.13	Turkish Airlines (Aeroplan)
23.3.14	Virgin America (Elevate)
23.3.15	WestJet (Air Miles Canada)

24 Hotel & resort loyalty

24.1	Introduction
24.1.1	Frequent guest programmes & membership figures
24.2	Frequent guest programme case studies
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24.2.2	Best Western (Best Western Rewards)
24.2.3	Carlson Hotels (Goldpoints Plus)
24.2.4	Cendant Hotels (TripRewards)
24.2.5	Choice Hotels (Choice Privileges)
24.2.6	Hilton (Hilton HHonors)
24.2.7	Hyatt (Gold Passport)
24.2.8	InterContinental Hotels (Priority Club Rewards)
24.2.9	Marriott (Marriott Rewards)
24.2.10	Starwood Hotels (Preferred Guest)
24.2.11	Wyndham (Wyndham Rewards)

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25.2.2	Budget Rent A Car (RapidRez)
25.2.3	Dollar Rent A Car (Dollar Express)
25.2.4	Enterprise (Enterprise Plus)
25.2.5	Europcar (Privilege)
25.2.6	Hertz (#1 Club)
25.2.7	National Car Rental (Emerald Club)
25.2.8	Thrifty (Blue Chip Rewards)
25.3	Cruise passenger loyalty
25.3.1	Carnival Cruise Lines (cruise operator)

25.3.2	CruisesOnly (cruise booking agent)
25.3.3	Celebrity Cruises (cruise operator)
25.3.4	CruiseShipCenters (cruise operator)
25.3.5	Holland America Line (cruise operator)
25.3.6	MSC Cruises (cruise operator)
25.3.7	SeaMiles (cruise loyalty programme)
25.4	Travel and tourism loyalty
25.4.1	Travel and tourism loyalty insights
25.4.1.1	Consumers rely on loyalty points for holiday travel
25.4.1.2	Participation in travel loyalty schemes drops
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26.2.3.2	General Mills' snack loyalty scheme
26.2.3.3	Red Mango launches Club Mango loyalty scheme
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26.3.3.2	Budweiser's loyalty credit card
26.3.3.3	TheDrinkShop offers iPoints rewards
26.3.3.4	Customer-driven marketing aids wine clubs
26.3.3.5	Jordan Vineyard's wine loyalty scheme
26.3.3.6	Using soft drink bottle caps as loyalty tokens
26.4	Recreational loyalty
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26.4.1.1	GolfingCard (rewards programme)
26.4.1.2	GolfingCard members rewarded via mobile phones
26.4.1.3	My Golf Rewards expands into North America
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26.4.4.4	UK loyalty scheme angles for free fish

27 Telecoms loyalty

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- 27.2.1 Mobile loyalty insights
 - 27.2.1.1 Loyalty to mobile providers
 - 27.2.1.1.1 Relationships rule the wireless roost
 - 27.2.1.1.2 Unlimited messaging aids mobile network loyalty
 - 27.2.1.1.3 Mobile service providers risking their loyalty
 - 27.2.1.1.4 Mobile operators lose 25% of retail sales
 - 27.2.1.1.5 Poor CRM systems inhibit mobile relationships
 - 27.2.1.2 Mobile consumer loyalty
 - 27.2.1.2.1 Drivers of mobile network loyalty and churn
 - 27.2.1.2.2 Who's not loyal to their mobile service, and why
 - 27.2.1.2.3 Mobile networks' rewards drive satisfaction
 - 27.2.1.2.4 Loyalty to European mobile operators is high
- 27.2.2 Mobile loyalty developments
 - 27.2.2.1 Etisalat launches cellphone rewards scheme
 - 27.2.2.2 Sprint's SME loyalty offering
 - 27.2.2.3 Nashua Mobile joins the eBucks coalition
 - 27.2.2.4 Primus Cellular offers bonus Air Miles
 - 27.2.2.5 Hawk customers donate 10% to the USO
 - 27.2.2.6 Sprint expands Referral Rewards programme
 - 27.2.2.7 Vodafone UK's pay-as-you-go loyalty scheme
- 27.3 Fixed line telecoms loyalty
 - 27.3.1 Billing makes 10% of telecom customers defect
 - 27.3.2 Fixed line loyalty developments
 - 27.3.2.1 VoIP-PAL offers AirIncentives
 - 27.3.2.2 AT&T's small business rewards card
 - 27.3.2.3 Oman telco's loyalty club for the elite

28 Automotive & fuel loyalty

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- 28.2 Automotive loyalty and rewards
 - 28.2.1 Automotive loyalty insights
 - 28.2.1.1 Factors that drive car owner loyalty
 - 28.2.1.2 Automotive loyalty still dropping after 10 years
 - 28.2.1.3 Discontinued models damage car-buyer loyalty
 - 28.2.1.4 Engine trouble damages loyalty to car brands
 - 28.2.1.5 'Cash for Clunkers' damaged US car owner loyalty
 - 28.2.1.6 Behavioural science is a key to luxury car loyalty
 - 28.2.1.7 Americans happier with imported vehicle brands
 - 28.2.1.8 Car customers more satisfied with dealer service
 - 28.2.2 Automotive loyalty marketing case studies
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 - 28.2.3 Automotive loyalty marketing developments
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 - 28.2.3.3 Experian Automotive's new loyalty unit
 - 28.2.3.4 Auto dealer loyalty memberships reach 5 million
 - 28.2.3.5 Ford renews Nectar partnership
 - 28.2.3.6 Active Green+Ross joins two loyalty coalitions
 - 28.2.3.7 Highway 407's updated reward offering
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 - 28.3.2.1 BP, UK
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 - 28.3.2.5 FuelPerks! & Fuel Rewards, USA
 - 28.3.2.6 Indian Oil, India
 - 28.3.2.7 Petro-Canada
 - 28.3.2.8 Shell, UK
 - 28.3.2.9 Texaco, UK
 - 28.3.3 Fuel retailer loyalty developments
 - 28.3.3.1 Fuel retailer developments in the US
 - 28.3.3.2 Fuel retailer developments in Canada
 - 28.3.3.3 Fuel retailer developments in South Africa

29 Non-profit loyalty

- 29.1 Introduction
- 29.2 Loyalty initiatives supporting charity
 - 29.2.1 Charitable loyalty coalition aids local businesses
 - 29.2.2 Fly Buys cards support cancer charity
 - 29.2.3 E-shopping loyalty scheme supports UNICEF
 - 29.2.4 Payback doubles points for children in need
 - 29.2.5 Aeroplan reports increasing charity donations
 - 29.2.6 Payback & BetterPlace offer charity donations
- 29.3 Recycling reward initiatives
 - 29.3.1 Rewards programme increases recycling by 90%
 - 29.3.2 Reward programme diverts material from landfill
 - 29.3.3 Atlanta's loyalty programme for recyclers
- 29.4 Other non-profit loyalty initiatives
 - 29.4.1 The Broccoli Project (helping the poor)
 - 29.4.2 LoyaltyMatch's non-profit online fundraiser
 - 29.4.3 Small non-profits turn to affinity credit cards
 - 29.4.4 UK offers retail loyalty points as health incentive

30 Loyalty in other sectors

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- 30.2 Loyalty to print & broadcast media
 - 30.2.1 Book store loyalty
 - 30.2.1.1 Angus & Robertson's book loyalty scheme
 - 30.2.1.2 Newspaper & magazine loyalty
 - 30.2.2.1 Parenting Group's new subscriber loyalty scheme
 - 30.2.2.2 UK daily papers' cashback shopping scheme
 - 30.2.2.3 Conde Nast's revamped e-shopping rewards
 - 30.2.2 Radio loyalty
 - 30.2.3 Loyalty to technology suppliers
 - 30.2.3.1 Packard Bell's relationship strategy
 - 30.2.3.2 Charter's subscriber rewards programme
- 30.4 Loyalty to healthcare providers
 - 30.4.1 Virgin HealthMiles' e-shopping rewards mall
 - 30.4.2 Health provider's rewards scheme
- 30.5 Eco-loyalty initiatives
 - 30.5.1 UK-based green loyalty scheme reaches America
 - 30.5.2 UK's Green Rewards programme
- 30.6 Other loyalty initiatives
 - 30.6.1 PetSmart's rewards credit card
 - 30.6.2 Oak Creek Homes' rewards programme
 - 30.6.3 Dream Rewards and Disney offer kids rewards
 - 30.6.4 Pentagon Pets joins Octopus Rewards
 - 30.6.5 City payment card's instant rewards
 - 30.6.6 Retirement planners' new loyalty scheme
 - 30.6.7 UK cash-back network grows 300% in one year
 - 30.6.8 BSP Rewards powers DubLi's online mall
 - 30.6.9 Play.com's rewards-based credit card
 - 30.6.10 Doc Popcorn launches mobile loyalty scheme
 - 30.6.11 Just Energy extends TruCash rewards to Ontario

Appendix A - Loyalty supplier directory

- A.1 Suppliers listed by category & country

Customer loyalty systems	CRM/BI systems
Customer experience management	Call centres
Developers & integrators	Application hosting
Loyalty scheme operators	POS technology
Data warehousing & data mining	Consultancy
Coupons/gift certificates/incentives	Internet marketing
Direct marketing	Research and analysis
Public relations/media/events	Industry associations
- A.2 Supplier details (190 companies)

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