



aeroplan

Miles. Possibilities.

THE MARKET

The Canadian loyalty marketing industry provides loyal customers with collectible incentives that, when converted into rewards, form part of a compelling value proposition that encourages the purchase of products or services. Loyalty programs have consequently become prevalent in many sectors, including mass merchandising, retail, financial services and travel. Accordingly, loyalty marketing has become a key element in the marketing mix of many companies. Today, 80 percent of Canadian households — with incomes of over \$100,000 — have one or more Aeroplan Members, making Aeroplan one of Canada's loyalty market leaders.

ACHIEVEMENTS

In 2004, Aeroplan celebrated its 20th anniversary, a milestone that few other loyalty marketing companies can claim in Canada. Today, Aeroplan's leading market position and strong brand make it highly attractive to existing and potential commercial partners. According to a 2005 in-house survey, Aeroplan is also most often identified by its members as their "preferred loyalty program."

In early 2004, Aeroplan received an Industry Impact Award from *InsideFlyer* magazine to honour its introduction of personalized and expanded benefits to Air Canada's top-tier members. Moreover, the prestigious U.S.-based *Communication Arts* magazine also recognized the design quality of Aeroplan's new tangerine-coloured brand logo, which was in its 2004 Design Annual edition.

Since its inception, Aeroplan has joined forces with more than 60 commercial partners, representing over 100 leading brands, who have actively participated in the program — due mostly to the



sustained purchasing behaviour of Aeroplan Members. Over time, Aeroplan's brand has also become associated with a very appealing base of Canadian consumers — in terms of household income and spending habits. With a growing number of partners and, in turn, ever more opportunities to collect and redeem Aeroplan Miles (Aeroplan's highly valued currency), high value members have chosen to remain loyal to the program.

HISTORY

Aeroplan was founded by Air Canada in July 1984 as an incentive program for its frequent-flyer customers. By the end of its second year, over 100,000 frequent flyers had enrolled in Aeroplan.

By 1990, Aeroplan had grown to over 700,000 members. That year, Aeroplan began rewarding its

top-tier members with Air Canada Elite® and Air Canada Prestige® status — along with the accompanying premium benefits and privileges. Given the popularity of this initiative, Aeroplan introduced a third status level in 1999 — Air Canada Super Elite® — to reward members who earned over 100,000 Aeroplan Miles per year.

When Aeroplan first formed a co-branded financial card partnership with Canadian Imperial Bank of Commerce in 1991, its membership took off. That year, the CIBC Aerogold VISA card was launched, allowing cardholders to earn miles on every card purchase. Today, according to the Canadian Banking Association, it's Canada's most widely used premium credit card.

The period of Aeroplan's most profound transformation is recent. In January 2002, Air Canada spun off Aeroplan as a wholly owned subsidiary (now the world's first publicly traded loyalty program following a recent IPO). By the time Aeroplan marked its 20th anniversary in 2004, it had evolved into Canada's premier loyalty marketing company — and one of Canada's longest-standing loyalty programs. Aeroplan offers airline seats on the Star Alliance network and an ever wider selection of upscale lifestyle rewards. Its relationship with financial partners also expanded in early 2004 — when Amex Bank of Canada introduced American Express

AeroplanPlus cards, a family of co-branded charge cards for swift mileage accumulation. Aeroplan also signed multi-year partnership contracts with some of Canada's leading retailers, including Bell, Esso and Future Shop.

THE PRODUCT

Through its partnerships with Air Canada, Amex Bank of Canada, Bell Canada, Canadian Imperial Bank of Commerce, Future Shop, Esso, Star Alliance member airlines and numerous hotel chains and car rental companies, Aeroplan offers over 5 million active members the ability to accumulate Aeroplan Miles through the purchase of products and services. In 2004, members accumulated over 58 billion Aeroplan Miles, representing an equivalent of approximately \$40 billion in consumer spending.

Once members accumulate enough Aeroplan Miles for an Aeroplan Reward, they can redeem them by selecting from approximately 15,000 daily

flights to 795 destinations in 139 countries, stays at over 2,000 hotels across Canada, the U.S. and the Caribbean, car rentals worldwide, plus a wide choice of electronics and lifestyle rewards.

One of Canada's longest-standing rewards programs, Aeroplan is Canada's premier loyalty marketing company. Long recognized for its innovative programs to encourage mileage accumulation and redemption, Aeroplan provides its commercial partners with loyalty marketing services to attract and retain customers and stimulate demand for their products and services — through access to its members and marketing programs aimed at increasing revenue, market share and customer loyalty.

Aeroplan has also expanded its strategy beyond the consumer realm to encompass solutions designed specifically for the needs of Canadian businesses. Aeroplan's B2x strategy has been developed to leverage the appeal of Aeroplan Miles in non-traditional markets and applications. Together with its business partner, Elevate Incentives, Aeroplan offers Business-to-Employee and Business-to-Channel solutions to Canadian businesses, offering the ability to award Aeroplan Miles to their employees and distribution channels that meet or exceed performance goals. With the Aeronote™ program, Aeroplan has developed a Business-to-Customer solution that leverages the power of the Aeroplan Mile, offering businesses turnkey, certificate-based marketing tools (available in various denominations of Aeroplan Miles) to attract new customers or increase customer loyalty.

RECENT DEVELOPMENTS

In recent years, Aeroplan has initiated a number of significant changes aimed at improving customer service. Between 2001 and 2005, Aeroplan's customer satisfaction levels have climbed steadily. This is due to the ongoing development of its call centres. It can also be attributed to the dramatic growth of Aeroplan's Web



presence — via aeroplan.com. This has increased online bookings over time, which now approximately represent over 40 percent of air reward travel. In addition, Aeroplan recently introduced an interactive voice recognition system to facilitate member access to customer services, further improving its self-service aspect.

In 2003, Aeroplan made a strategic shift to expand its reward portfolio beyond airline seats,



introducing a flexible suite of experiential and merchandise rewards. It is now amongst the largest of its kind in Canada.

In 2004, Aeroplan marked another important change in direction: a new brand strategy and the



creation of a new brand identity. At the same time, Aeroplan introduced its new and distinctive, tangerine-coloured, "swipable" membership card, which has the potential for limitless mileage accumulation and redemption.

PROMOTION

Aeroplan maintains a broad range of mass advertising, promotional, direct mail, sponsorship and e-marketing activities.

Traditionally, Aeroplan's marketing activities have been focused on dedicated and coalition marketing promotions for commercial partners, which often take the form of multi-channel national campaigns, including point-of-sale promotions, national advertising, Web banner advertising and direct marketing.

Regular communication with members through newsletters, statements and periodic special mailings is a cornerstone of Aeroplan's marketing approach. Its communications were recently revised to offer members more choice in channels, more flexible tools and increased potential for highly targeted and relevant messages.

Nearly 2 million members receive statements and other targeted information from Aeroplan via e-mail. Now half of its content is targeted, member-centric content, and up to 100 percent more media space is available for partner offers.

Aeroplan's new newsletter, *Tangerine*, is another innovative tool that offers high quality, highly anticipated, targeted content. In the spirit of providing members with a value-added experience, Aeroplan recently launched its first rewards catalogue — also available in an electronic version.

BRAND VALUES

Aeroplan enjoys a solid relationship with its 5 million active members, who may very well consider Aeroplan Miles a precious commodity — currency for not only the cost of a reward, but also enriching the discretionary side of their lives, a way of making special experiences happen.

According to in-house research in 2003, "enriching life" and "personal fulfilment" were two phrases that were repeatedly mentioned by members. For them, Aeroplan is about unique, memorable experiences that represent a very emotional and precious dimension in their lives. As it enters the next phase of its evolution, Aeroplan intends to make the benefits of its program even more member-centric — and strengthen the familial bond with its membership.

THINGS YOU DIDN'T KNOW ABOUT AEROPLAN

- Aeroplan is Canada's premier loyalty marketing company — and among the top rewards programs in North America.
- Aeroplan has more than 5 million active members worldwide, almost 500,000 of whom reside outside Canada.
- Twenty-seven percent of Canadian households include an Aeroplan Member — and more than 80 percent of those households have incomes of over \$100,000.
- According to the Ipsos-Reid 2004 *Canadian Business Travel Study*, 92 percent of frequent Canadian business travellers are Aeroplan Members.
- In 2004, over 58 billion Aeroplan Miles were accumulated by members, representing an equivalent of approximately \$40 billion in consumer spending.
- Aeroplan issued 1.35 million reward tickets in 2005.
- Aeroplan is the world's largest issuer of Air Canada tickets.
- The prestigious U.S.-based *Communication Arts* magazine has recognized the design quality of Aeroplan's new brand logo, including it in its 2004 Design Annual.