



## THE MARKET

The Canadian loyalty marketing industry uses rewards to motivate customers to purchase a company's products or services. Unlike other forms of marketing, loyalty marketing creates a direct link between individuals, their specific demographics and their unique interests. As a result, such programs have become a major aspect of doing business for many industries.

Aeroplan makes loyalty marketing make good business sense. Aeroplan has more than 70 partners, representing over 150 leading brands, making Aeroplan Canada's premier loyalty marketing company and ranking it among the top loyalty programs in North America.

## ACHIEVEMENTS

Aeroplan's leadership extends across multiple disciplines and has been recognized and rewarded by industry peers.

In 2005, Aeroplan was awarded with the Industry Impact Award for leading the way as the first frequent flyer program to transform itself into a successful loyalty management business at the prestigious frequent flyer industry Freddie Awards.

That same year, the company was recognized with the Best Investor Relations for an IPO by *IR Magazine Canada*.

In November 2006, Aeroplan's interactive voice recognition system, designed to facilitate member access to customer services, received honourable mention at the Usability Professionals' Association Awards (UPA).

In 2007, the company was presented with the Frequent Flyer Program Innovation Silver Award for the development and launch of Aeroplan's innovative ClassicPlus Flight Rewards product.



## HISTORY

Aeroplan was founded by Air Canada in July 1984 as an incentive program for the airline's frequent-flyer customers. By the end of its second year, there were more than 100,000 Aeroplan members. Today, Aeroplan has more than 4.5 million active members worldwide.

In the 1990s, Aeroplan began rewarding its top-tier members with Air Canada Prestige®, Air Canada Elite®, and Air Canada Super Elite® status — along with the accompanying premium benefits and privileges to reward Air Canada frequent flyers.

The formation of co-branded financial card partnerships with Canadian Imperial Bank of Commerce, in 1991, and with Amex Bank of Canada, in 2004, accelerated Aeroplan's membership rates. Allowing members to earn miles on every credit and charge card purchase quickly made these cards some of the most widely used premium credit cards in Canada.

In January 2002, Aeroplan was spun off by Air Canada. The company underwent a marketing and branding overhaul in 2004, allowing Aeroplan to distinguish itself as an innovative and inspiring leader within the loyalty market.

The company's initial public offering in 2005 made Aeroplan the world's first publicly traded loyalty program. Aeroplan is now growing worldwide

with the acquisition of LMG in the UK in December 2007. LMG is the leading loyalty marketing and customer-driven insight and analysis company that owns and operates the Nectar program in the United Kingdom, and also owns the Air Miles trademark worldwide, including in Canada. With LMG's recent acquisition of 40% of Air Miles in the Middle East, this joint venture has allowed Aeroplan to grow internationally.

## THE PRODUCT

Aeroplan offers rewards with Air Canada, Star Alliance network partners, as well as an ever-wider selection of upscale experiential and merchandise rewards.

In fact, Aeroplan members redeemed 65.9 billion Aeroplan miles in 2007, compared to 57.8 billion Aeroplan miles in 2006, representing a 14% increase. In that year, Aeroplan issued a staggering 1.57 million round-trip reward tickets, or one ticket about every 20 seconds.

Activities and merchandise rewards have proven to be exceptionally popular as well with Aeroplan members: in 2007, 17.3% of Aeroplan members who redeemed chose specialty rewards, electronics and other merchandise, up from 12.0% in 2006.

Aeroplan Miles may be earned with many of Canada's leading retailers, such as Esso, Uniprix and Home Hardware. The company has also





expanded mile-earning possibilities within various industries, including insurance, consumer packaged goods, drug stores, satellite radio and telecommunications nationwide with its new partnership with Primus. Aeroplan gives the customers of these partners the opportunity to earn Aeroplan Miles, and also provides its partners with valuable loyalty marketing services.

Aeroplan relies on sophisticated technical systems in order to operate its contact centres, manage and analyze its member database, and offer online reward redemption. These systems have helped increase operational efficiency, facilitate reward redemption experiences for its members and offer value-added services to its commercial partners.

The company's programs also cater to the needs of Canadian businesses. Together with business partner Elevate Incentives, Aeroplan offers Business-to-Employee and Business-to-Channel solutions, giving companies the ability to award Aeroplan Miles to their employees and to those distribution channels that meet or exceed performance goals.

With the Aeronote™ program, Aeroplan has developed a Business-to-Customer solution that showcases the value 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

Aeroplan remains on the cutting edge of innovation in the loyalty rewards industry.

The launch of Aeroplan's ClassicPlus Flight Rewards was one of the company's most successful initiatives in 2006. With ClassicPlus, Aeroplan responded to customer demand for more flight availability and now offers the highest proportion of seats available of any leading North American airline reward program.



Additionally, in 2006, Aeroplan further expanded its activities and merchandise reward offering by introducing flexible prepaid reward cards that can be used towards dining, spa, sports, entertainment, getaways, home, sommelier and fashion purchases — a first of its kind in the loyalty industry.

Another Aeroplan first came with the launch of the Aeroplan music store in 2007. For 6,000 Aeroplan Miles, customers can download 50 digital songs on-line.

The introduction of non-personalized membership cards, designed for use at sponsored



events and at a partner's point of sale location, has been extremely successful at securing future business for Aeroplan partners. These cards allow Aeroplan to expand its presence in the retail sector, acquire new members, and demonstrate how easily Aeroplan Miles can be accumulated as part of daily life. And by increasing its penetration into the retail sector, Aeroplan created a whole new segment of membership.

Aeroplan never stops listening to its members. Using member feedback, Aeroplan completely redesigned its website to enable innovative, user-friendly and secure ways to book travel. The website was named one of the top online travel booking sites by *Backbone* magazine in early 2008. It also enhanced the activity and merchandise rewards platform to enable easy redemption from an extensive online catalogue.

Members help Aeroplan design new programs, as was the case with Aeromove, Aeroplan's home moving program. Aeromove ([www.aeromove.ca](http://www.aeromove.ca)) is a service that allows members to earn miles when selling or purchasing a home.

Giving back to communities at home and abroad remains a priority for Aeroplan members. In 2006, Aeroplan expanded its mileage donation program, Beyond Miles. This program, linking members to seven outstanding non-profit organizations, enables Aeroplan members to donate miles that are used to offset the travel expenses these organizations incur to undertake their important work. As of December 31, 2007, more than 89 million miles had been donated to the Beyond Miles program.

## PROMOTION

Through a broad range of advertising, promotions, direct mail, sponsorships and e-marketing activities, Aeroplan continues to enhance its marketing mix to partners and ensure a valuable member experience.

Regular communication with members through targeted email, newsletters, statements and periodic special mailings is a cornerstone of Aeroplan's marketing approach.

Aeroplan's newly redesigned *Tangerine* newsletter uses demographic and geographic data to increase personalization and segmentation, thereby sending the right message to the right member and improving the value of the Aeroplan experience.



In 2006 and 2007, test promotions with retail partners such as Cadillac Fairview, Costco, Chrysler and Mercedes all succeeded in allowing Aeroplan to further enter key retail sectors. Aeroplan's campaign with Mercedes won a prestigious Web Marketing Association award for the best automobile email message campaign.

## BRAND VALUES

Aeroplan enjoys a solid relationship with its more than four million active members. Bringing the voice of the member back to the program has deepened Aeroplan's relationship with its members and its partners, both of whom benefit from Aeroplan's focused strategy of bringing exceptional value to the membership experience.

Aeroplan is about unique, memorable experiences that represent an emotional and rewarding dimension in members' lives. The launches of ClassicPlus Flight Rewards autumn 2006 We've Got Every Seat campaign, the spring 2007 Miles to the Max partner coalition and the winter 2007 partner coalition campaign, Connect and Collect, highlighted Aeroplan as a company that provides more meaning, more value and more choice to its members. The company strives to continually enhance the brand experience by exploring new and innovative ways to engage and be relevant to members.

Acclaimed as one of Canada's 50 Most Valuable Brands (Brand Finance Canada brands index, 2007), Aeroplan is rated among the top ten brands in Canada. As it enters the next phase of its evolution, Aeroplan intends to further enhance its community investment programs, expand its reach through sponsorships and events in Canada and Europe, continue to bring increased value to our partners and above all, further strengthen its bond with its membership.

## THINGS YOU DIDN'T KNOW ABOUT AEROPLAN

*In 2007:*

- If all Aeroplan flight reward redemptions were added up, members would have traveled around the world 2,361,531 times.
- Canadian Aeroplan members accumulated 2,276 Aeroplan miles every second — enough to bring a family of four from Canada to Florida on a ClassicFlight Reward every 34 seconds.
- Every minute, almost 2 people registered to become an Aeroplan member.
- 76 billion Aeroplan miles were accumulated, representing 413 returns between the earth and the moon.
- Aeroplan was rated one of the top ten brands in Canada by Brand Finance.