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U.S. Market Destined to be Next Coalition Loyalty Battleground

The Lure of Coalition Loyalty - Faster Rewards

Sign Up for Free Transcript of DMA Panel Discussion on Coalition Loyalty

TORONTO (November 18, 2009) - There's no such thing as a new idea in marketing, but an experts panel at the U.S. Direct Marketing Association's (DMA) annual meeting revealed the fast-growing phenomena of Coalition Loyalty Marketing to be "the next big thing."

Unlike the single-operator loyalty rewards programs familiar to Americans, coalition (or universal) loyalty programs popular in Canada, Brazil, Germany, Australia and elsewhere allow a consumer to use one card to earn points on travel, gas, grocery, pharma, department store and credit card purchases, and to redeem those consolidated points for hundreds of different rewards from a multitude of merchants. A hypothetical U.S. coalition "dream team" program would allow a consumer to pool all points on purchases from companies such as Shell, Kroger, Macy's, Delta and a Visa card.

The DMA provided attendees at its recent annual meeting in San Diego a glimpse of what's possible in coalition loyalty by assembling the representatives of successful programs worldwide for a panel titled "Loyalty Leaders Tell All: Coalition Programs from Around the Globe."

Panelists included Canada's Bryan Pearson, president of LoyaltyOne, operator of the over 10-million-member AIR MILES Reward Program; Germany's Alexander Rittweger, CEO of Payback-Loyalty Partner Group, operator of the country's leading loyalty program; Australia's Phil Hawkins, general manager of FlyBuys Australia, the largest loyalty program "down under"; and David Rochon, president of Newton MA-based Upromise, a program that helps families save for college.

The panel experts agreed that the coalition model's differentiator is leveraging consumers' everyday spend in high-frequency categories to offer attainable rewards that can't be earned as easily in U.S.-style sole-proprietor programs. Given access to a program comparable to AIR MILES, for example, a U.S. family spending the national average on groceries, gas, credit cards and



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other basics could earn merchandise rewards such as a new iPod in just four months and travel rewards like a free flight in only nine months.

Some other highlights from the DMA panel discussion are as follows:

- The AIR MILES Reward Program’s market penetration far exceeds any U.S. rewards program, reaching two-thirds of Canadian households;
- A coalition loyalty program that German operator Payback recently introduced in Poland attracted two million participants in just two weeks time;
- A coalition loyalty “arms race” is underway globally among highly competitive program operators, and the major prize is the U.S. marketplace;
 - Canada’s LoyaltyOne purchased a 29% stake in Dotz, of Brazil, Latin America’s leading coalition loyalty program;
 - Canada’s Aeroplan acquired Nectar, the United Kingdom’s largest customer reward program;
 - After nine years of operating in Germany, Payback expanded to Poland, Eastern Europe’s strongest market;
- According to LoyaltyOne’s Pearson, the introduction in the United States of a nationwide coalition loyalty program consisting of some combination of gas, grocery, credit card, travel and department store sponsors is not a matter of “if,” but simply a question of “when;”
- Upromise is an example, in the education niche, of the power of the coalition model. More than 10 million participants in the Upromise program aspire to improve on this compelling statistic - just 28% of Americans graduate from a 4-year university;
- When FlyBuys launched in Australia 15 years ago, the only rewards were flights -- there are now over 800 choices in the rewards mix.

To sign up now for a complete transcript of the DMA panel discussion on coalition loyalty marketing, free of charge, visit www.colloquy.com/loyaltyleaders. Transcript to be distributed December 2009.

“Grim as it has been, the U.S. recession may ironically open a launch window that allows a U.S. coalition program to take flight. Lack of liquidity and low consumer confidence may lead to a short-term weakening in company investment in sole-proprietor loyalty offerings,” said COLLOQUY Partner Kelly Hlavinka, who chaired the DMA panel discussion. “That same





environment could fuel a need for U.S. companies to share marketing costs and control program liability, which would drive demand for coalition loyalty models.”

About COLLOQUY

COLLOQUY* comprises a collection of publishing, education and research resources devoted to the global loyalty-marketing industry. Owned by LoyaltyOne, COLLOQUY has served the loyalty-marketing industry since 1990 with over 30,000 global subscribers to its magazine and www.colloquy.com the most comprehensive loyalty web site in the world. COLLOQUY’s research division develops research studies and white papers including industry-specific reports, sizing studies and insights into the drivers of consumer behavior. COLLOQUY also provides educational services through workshops, webinars and speeches at events throughout the world and is the official loyalty-marketing partner of both the Direct Marketing Association and the Canadian Marketing Association and a content provider to the American Marketing Association. COLLOQUY also operates the COLLOQUY Network, a global consortium of practitioners. COLLOQUY magazine subscriptions are available at no cost to qualified persons at www.colloquy.com or by calling 513.248.9184



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