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Aimia: Submission to the House of Commons Standing Committee on Finance's 2017 Pre-Budget Consultations

Introduction

Aimia is grateful for the opportunity to contribute to the House of Commons Standing Committee on Finance's 2017 Pre-Budget Consultations. With this submission, we hope to contribute to the Committee's important deliberations on a number of important questions, but specifically:

What federal actions would assist Canada's businesses – in all regions and sectors – meet their expansion, innovation and prosperity goals, and thereby contribute to economic growth in the country?¹

Our recommendations are drawn heavily from Aimia's experience as a Montreal-based company that has grown to have a worldwide presence.

About Aimia

Aimia is best known in Canada for its flagship Aeroplan program, which provides loyalty rewards for its 5 million-plus active members across Canada. Over the past 30 years, from its head office in Montreal, Aimia has orchestrated a successful international growth strategy that has seen the company establish a significant presence in the majority of G20 countries.

Under its various brands, Aimia's presence (and reach) now extends into the United States, the Asia-Pacific region, Europe and the Middle East. For example, Aimia operates the Nectar program in the United Kingdom – a program that represents 19 million active members with premier retail partners such as Sainsbury's, eBay and British Gas. Aimia also owns Air Miles Middle East, a loyalty program that has issued more than 110 billion miles over its history and today represents 1.5 million members and includes merchant partners such as HSBC, Damas and Sharaf DG. Aimia is also working with Air Asia in its loyalty program, as well as Club Premier, the first frequent flyer program established in Latin America.

Based in Montreal's Aimia Tower (completed in 2014), our company employs 1,100 people in Canada, and 3,200 worldwide. Aimia's tremendous growth as a knowledge-based business has been a notable Canadian business success story.

About the Aeroplan program and loyalty adoption in Canada

Aeroplan celebrated its 30th anniversary in July 2014. As Canada's premier coalition loyalty program, Aeroplan members earn miles with its growing network of over 75 world-class partners, representing more than 150 brands in the financial, retail, and travel sectors. In 2015, 2.6 million rewards were issued to members including 1.9 million flights on Air Canada and Star Alliance. In 2015, Aeroplan issued an average of 7,159 rewards daily, or about one reward every 12 seconds. The popularity of our rewards reflects the value members derive.

¹ House of Commons Standing Committee on Finance. 2016. "Canadians are Invited to Share their Priorities for the 2017 Federal Budget", News release, June 3. <http://www.parl.gc.ca/HousePublications/Publication.aspx?Mode=1&Parl=0&Ses=0&DocId=8324415&Language=E>

Based on a comparison last year of Aeroplan Flight Reward bookings against actual market base fares, and other financial institutions' travel rewards programs, Aeroplan members needed fewer miles to fly than with any other loyalty program in Canada. In addition to flights, members also have access to more than a thousand exciting specialty, merchandise, hotel, car rental and experiential rewards.

In Canada, participation in rewards programs is high, with nine out of 10 people holding at least one loyalty membership. The average household belongs to just over eight programs. It is important to note that Aeroplan membership is overwhelmingly dominated by middle-class Canadians, who represent about 3.5 million of its active members.² The majority of Aeroplan members count on their rewards as a part of their regular lives (56%), whereas only one third (34%) view them as being about obtaining luxury items.³

Aimia's 100 Global Champions

Aeroplan has grown rapidly from its roots. What began as an airline frequent flier program run by just six people in Montreal, has become a significant Canadian-based company that has succeeded in 'going global.'

Guided by this experience, we believe there is a need to support other Canadian companies' growth by initiating a conversation that can encourage more companies to realize their business ambitions beyond our borders. Aimia's goal is to work with others to inspire and support the next generation of leading Canadian global companies - 100 Global Champions - that are the very best in the world at what they do.

To inform this conversation, Aimia commissioned research surveying almost 350 companies with at least 50 employees to understand how companies perceive the major motivations and deterrents to going global, and assess the major obstacles and pain points that both global and non-global companies have encountered along their journey.⁴

- Global expansion has paid off for nine in 10 Canadian global companies surveyed. They expanded their range of clients, accessed new partners, insulated themselves from economic slowdowns in Canada and achieved higher returns on investment. Therefore, if Aimia can help more Canadian companies take the step of global expansion, their prospects of success are strong – benefiting both the company and the Canadian economy as a whole.
- The majority of Canadian companies that are not considering going global have not identified the benefits of global expansion or simply lack the desire to do so. Given the success that many other Canadian companies have had going global, there is a clear need to create a culture that will encourage Canada's business community to embrace a more ambitious, outward-looking global mindset. To do so, we must collectively support and encourage Canadian companies with the potential to go global to recognize and realize the benefits of international growth and expansion.

² Middle class is defined as having a household income between \$50,000-\$150,000 per year. This range is consistent with that used by the Government of Canada in its definition of "middle class" in respect of a recent income tax cut, and the benefits under the new Canada Child Benefit included in Budget 2016.

³ Nanos Survey, November 2013, n=2000, accurate (+/- 2.2%), 19 times out of 20 Q19. "Some people say that rewards programs associated with credit cards are a luxury while others say Canadians use rewards as part of their regular lives. Which of these two views, if any, best reflects the situation today?"

⁴ To consult the full results of this study, please view: http://aimia.com/content/dam/aimiawebsite/landing_pages/100-Global-Champions/Aimia-Report-100-Global-Champions.PDF

- Throughout the research, it also became apparent that diversity is a factor in global success. There is a direct correlation between the diversity of a company's workforce and the likelihood of a company venturing into the global marketplace. Eight out of ten (80%) Canadian companies that have gone global have team members with origins outside North America. Half of those companies not considering expansion do not have team members with origins outside North America. With Canada's diverse, well-educated workforce, global growth is an opportunity waiting to happen.

The process of setting up an international business can be long and intensive, and – even if they have the vision and enthusiasm – many Canadian companies do not have the time or resources. Even though Canadian businesses are aware that support is available from established government agencies and consultancy services, they are unsure of their relevance in addressing the rapidly changing needs of modern business.

Aimia regards this as an area worthy of attention and an opportunity for governments and the private sector to collaborate to set the stage for the next 100 Global Champions to attain international success. With that in mind, Aimia offers the following proposals to the House of Commons Standing Committee on Finance as part of its 2017 Pre-Budget Consultations:

Recommendation 1: Aimia recommends that the Government of Canada develop a “government concierge” service. For businesses of a certain size, such a capability could serve as a central point of contact to navigate government support services relevant to expansion into the global marketplace. In addition to assisting with assessment of market opportunities, it should also act as a conduit to on-the-ground support to facilitate discussions in other jurisdictions. Such a service would be tailored for the needs of companies that are larger than what are typically referred to as SMEs, but smaller than established global organizations (e.g. about \$400-500 million in revenue). This focus would align with programs announced in Budget 2016 designed to assist “high-impact” firms that have untapped growth potential.⁵ The Canadian Trade Commissioner Service can make a vital contribution to such an effort. In this context, there would be merit in government examining whether a “fee to service” model (which has been employed elsewhere) would be appropriate for such a service.

Recommendation 2: Global success depends on people. In some cases, the people who understand global markets can be drawn from Canada's diverse population. In others, the right people originate from beyond Canada's borders. These employees are important resources since they can provide local companies with the insight, experience and networks outside of Canada that is indispensable to successful global expansion. Too often the process of bringing human resources to Canada is difficult and unreasonably lengthy. To address this issue, the Government of Canada should consider investing additional resources to reduce waiting times for processing immigration applications, and work visas for inbound, qualified workers, enabling Canadian companies to tap into the experience of the global workforce. Specifically, we believe that there would be value in establishing programs tailored to the needs of employers who regularly rely on specialized international workers and who would benefit from expedited service for situations that meet certain criteria. Finally, the Government of Canada should seek to make it easier for foreign students to stay in Canada upon their graduation and find employment in their respective fields of education, especially in sectors experiencing skilled labour shortages.

⁵ See: Canada. 2016. “Growing the Middle Class: Budget 2016”, p. 120. <http://www.budget.gc.ca/2016/docs/plan/budget2016-en.pdf>

Conclusion

Aimia is grateful for the opportunity to contribute its thoughts to the House of Commons Standing Committee on Finance's consultation process. We welcome any feedback on our recommendations and would be happy to discuss them as well as the 100 Global Champions initiative with members of the Committee.

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