

THE TORONTO STAR AND THE AIR MILES® REWARD PROGRAM

by Andrew Kendall



Consumers today are being inundated with loyalty programs from just about every conceivable business: coffee shops, airlines, greeting card stores, supermarket chains, gas retailers, and the list goes on.

But there is a limit to one's wallet size.

Can a newspaper develop a loyalty program good enough to have a "share of wallet"? And can a newspaper's loyalty program actually pay for itself? At the [Toronto Star](#) (Toronto, ON), we believe the answer to both questions is yes.

The AIR MILES Reward Program

In Canada, the Loyalty Management Group (LMG) successfully addressed the "share of wallet" issue by developing a coalition loyalty program called the AIR MILES Reward Program. The program launched in 1992 and now over 50% of Canadian households are AIR MILES Collectors. There are over 100 Sponsor businesses from virtually every major retail category that give their customers AIR MILES reward miles for purchasing their goods or services.



Reward miles are automatically applied when the membership card is scanned on purchase, or alternatively Collectors earn even more reward miles when they use one of two Sponsor Credit cards for their everyday purchases. Collectors can redeem their reward miles for flights, travel, merchandise or services (see www.airmiles.ca for more information). Suffice it to say, the AIR MILES Reward Program is the most recognized and successful loyalty program in Canada by a country mile (excuse the pun).

The Toronto Star

The Toronto Star is Canada's largest newspaper. Retention is a challenge, as it is at any daily. The Star had tried to encourage loyalty in the past through dining programs, with limited success and questionable ROI.

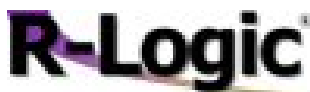
But in 1999, the Star became the first newspaper partner in the AIR MILES Program (several other newspapers are now involved in the program in other markets in Canada). As a program Sponsor, the Star issues AIR MILES reward miles to its subscribers in varying amounts, depending on their payment method and service level. The highest amounts of reward miles are given to seven-day, auto-debit subscribers. Carrier-collect customers cannot receive reward miles. Obviously this was a strategic choice to encourage customers to be seven-day, auto-debit subscribers.

THE TORONTO STAR AND THE AIR MILES® REWARD PROGRAM

Since launching the program, the number of subscribers who have voluntarily registered their AIR MILES Collector number with the Star has steadily grown. Subscribers must let the Star know their Collector number; registration is not automatic. In April 2004, five years after launching the AIR MILES Program at the paper, 53% of active subscribers had registered their Collector number. This is a testament to the popularity and awareness of the overall program, and also to the significant promotional effort to get active subscribers to register. This effort has included ROP advertising, contests ([see PDF sample](#)) with AIR MILES giveaways automatically entering those who have registered, and registration solicitation in incoming customer service and outbound start verification calls.

Benefits

So lots of subscribers are collecting reward miles. That's nice, but what did it do for the business? As it turns out, there were a couple of measurable benefits that have more than paid for the program (obviously, there is a cost to purchasing reward miles for subscribers, as well as promoting it).



First, R-Logic was used to analyze the retention impact that the program caused. Specifically, what was the retention of new subscribers that registered their AIR MILES Collector number with the Star versus new subscribers that did not? Registered subscribers, on average, lasted six weeks longer. Now, some might argue that the registered group was more likely to last longer anyway, based on their demographics. To determine if that was indeed the case, we drilled the analysis down postal code by postal code. We found that even within the same postal code, the variance in retention between registered and non-registered subscribers was significant.

Second, the lift in auto-debit subscribers was analyzed over a two-year period for registered versus non-registered subscribers. There was a 16% lift in auto-debit for registered subscribers, but in non-registered subscribers, auto-debit was flat. There was no "noise" in this analysis, and the lift was entirely attributable to the structure of the program encouraging auto-debit by rewarding more reward miles.

Of course, our friends south of the border may not be able to participate in a mature coalition loyalty program like the AIR MILES Program. However, with an attractive enough program with significant brand recognition (e.g., a major airline loyalty program), I believe US newspapers could have similar results.

[Andrew Kendall](#) is the subscriber services manager for [The Toronto Star](#) in Toronto, ON and a director on the Retention Marketing Advisory Board. He can be reached at (416) 869-4796. This article was written exclusively for ASTECH and may not be reproduced in any form without the express permission of [ASTECH InterMedia](#).



® Trademarks of AIR MILES International Trading B.V. Used under license by Loyalty Management Group Canada, Inc. and the Toronto Star.