

NEWS

New Canadian Tire loyalty program may challenge iconic paper tender

Hollie Shaw Feb 15, 2012 – 9:00 AM ET | Last Updated: Feb 15, 2012 8:41 AM ET



TORONTO • Canadian Tire Corp. says it will not get rid of its iconic Canadian Tire money when it rolls out a new loyalty program next week on a pilot basis at 21 Nova Scotia stores.

But even the most hard-core lover of the coupon tender, which after 51 years still features tam-wearing Scotsman Sandy McTire as the cartoon symbol of consumer frugality, may find it hard to resist the lure of a better deal.

The new Canadian Tire Advantage card offers 1% back, or one point per dollar on the value of purchases, whereas the rate for Canadian Tire paper money is 0.4%.

“For those that sit down and do the math, they’ll come to that conclusion,” said Rob Shields, senior vice-president of marketing and customer, noting that while many customers are still attached to using the “money” coupons, they want more convenient options and to collect rewards through different platforms. Those using the new card in conjunction with the company’s proprietary credit card, the Options MasterCard, will accrue three points for every dollar spent.

“This program really compliments the credit card more than the paper base,” he said. “From a customer standpoint, the value creation for them is very good.”

The pilot launch begins Feb. 24 at the retailer’s Nova Scotia stores and gas bars and allows members to accrue points on a loyalty card or key chain fob.

Mr. Shields said Canadian Tire’s customer research indicated that if the retailer provided more value with a new loyalty card program than Canadian Tire money does to customers currently, that it would be better received.

“But as you know the paper-based program is highly emotional, it has terrific brand presence and brand link and the tangible nature of it some people just love,” he added, insisting that the new loyalty program is not aimed at phasing the paper coupons out, but that “It’s very much in keeping with what they know and love about other loyalty programs.”

Another incentive: Canadian Tire paper money, which can be applied towards money off purchases at the till, is currently dispensed to customers who pay with cash and debit or on the retailer’s Options MasterCard. The new loyalty card will tally points on all purchases, including other credit cards. Like the paper money, members can also donate their points electronically to Canadian Tire’s Jumpstart charity and other eligible community groups. As with the paper program, there are no spending thresholds and no expiry dates in Canadian Tire Advantage.

Rumours that Canadian Tire has tried to phase out the paper money over the years are merely speculation, Mr. Shields said, and in the years since its inception many more sophisticated programs have come into the market.

Canadians nevertheless have proven to collect and use the retailer’s coupons tenaciously over time. Of the \$100-million doled out annually to customers in Canadian Tire money through both paper and credit card points, virtually all of it is redeemed each year, Mr. Shields said.

Loyalty is a big business in Canada. Maritz Canada Inc.’s 2011 loyalty report said 94% of Canadians belong to at least one loyalty program. As loyalty programs go, the country’s oldest one is in need of a revamp, experts say.

If they want to compete, the fact of the matter is their program is not only old but ancient,” said Ed Strapagiel, executive vice-president at KubasPrimedia, a Toronto market research firm. While a decade ago Canadian Tire money was at the top of the pack, the most recent Major Markets Retail survey from KubasPrimedia in 2011 found that Air Miles has now usurped the retailer as the top loyalty program in Canada, with 79% of survey respondents enrolled in it. Canadian Tire Money was tied in second place with HBC Rewards, at 56%, followed by Shoppers Optimum at 54% and Aeroplan at 44%.

“I don’t think there is a household in Canada without some Canadian Tire money in it,” Mr. Strapagiel said.

“What [consumers] do not like about Canadian Tire money is that the accumulation [involves] more work than a card and it slows you down at the cash register. The people who love it are typically older and are very loyal Canadian Tire shoppers anyway.”

A new group of consumers is looking for something different, he added. “Canadian Tire’s takeover of Forzani [sporting goods chain], for example, can bring them in contact with younger consumers ... and they don’t care about Canadian Tire money.”

A more complex loyalty program would also better position Canadian Tire against existing competitors and the threat of Target, which will launch its Red Card loyalty program immediately when it enters Canada next year. Kubas Primedia research notes 8% of Canadians already have a Target Red Card.

More important, it will offer Canadian Tire some much needed data that other companies, such as Shoppers Drug Mart and its Optimum program, have been mining for years. “This is all about [chief executive Stephen Wetmore’s] vision of being a customer-centered organization,” Mr. Shields said.

“Being customer centered would lead you to, who are our customers? Who are our best customers? What do they do? Where do they live? How do they shop? What do they love and not love?”

“Loyalty programs are the most ubiquitous way that a retailer can actually start to understand who their customers are, how different they are and [to] segment them ... As a universal loyalty program across all tenders, we are going to be capturing upwards of 70% of our transactions on a known customer basis. Today we know about our credit card customers only — everybody else is anonymous to us.”

The new program will also offer exclusive bonus points on products in its weekly flyer and in the store. There are no current plans to offer other redeemable rewards on a website for the loyalty program, like the Air Miles program does, said Mr. Shields, and no current plans to include the Forzani sports stores such as Sport Chek in the program, but that could be considered in the future.

The pilot test will eventually roll out to other regions of Canada once the company determines its business objectives have been met, Mr. Shields said.

“We have got a whole set of metrics to look at. We are going to run it [as a pilot program] until we have a very solid view on its success across all those metrics. Typically these pilots are in market at least for a year to ensure that [the program] works over the course of time.”