



The Opportunity for Canadian Business on the Global Stage

By Rupert Duchesne, Group Chief Executive, Aimia

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Bonjour tout le monde et merci de m'avoir invité à parler à ce groupe ci impressionnant.

I've been to the Mount Royal Club many, many times since coming to live in Montreal in 1996, and I've been a member since 2009. Some of you are familiar with our company's story, but for those of you that aren't, I will give you a brief overview of where we've come from and where Aimia is going, my thoughts on the opportunities we as leaders of Montreal success stories have on the international stage, and how I think we can better work with government to help others reach similar success.

And I hope you don't mind, I'm going to break with tradition a bit and give my remarks in English rather than torture you with my Belgian French, which I learned as a teenager, growing up in Brussels.

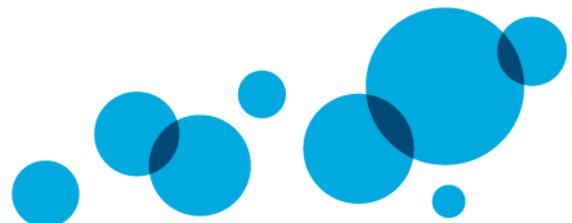
Given the company in the room, I expect many of you will have an Aeroplan card in your wallet. Aimia's most significant asset, Aeroplan was created in 1984 as a frequent flyer program for Air Canada passengers. It was spun off in 2002, and since then has evolved from a frequent flyer program into a coalition loyalty management program with 5 million active members - one out of every seven men, women and children in Canada, including, I suspect, virtually everyone in this room. In 2014, about 2.7 million rewards were issued to members including 1.9 million flights on Air Canada and Star Alliance carriers, which offer travel to more than 1,300 destinations worldwide.

That's the story that will sound at least familiar to most of you in the room, even if you were a bit foggy on the details.

What I suspect that most of you don't know is that Aimia has grown from the six Aeroplan Canadian employees in 1984 to more than 4,000 employees in 20 countries around the world today, about half of those in Canada. And our annual sales were almost \$2.7 billion last year.

Despite our global expansion, Aimia is fiercely proud to be a company based in Montreal, with deep roots in the community and unique culture.

When we set out to choose a location for our new head office, there was never any question that we would remain both in Canada and in Montreal in particular. A year ago,



Aimia opened its new headquarter in downtown Montreal and decorated it with Quebecois art through our partnership with the Musée national des beaux-arts du Québec.

Over the years we have achieved great success in Canada, and created a global industry that did not exist before Aeroplan. And we continue to evolve, now towards data-driven marketing and analytics, to capitalize on the valuable data that our loyalty programs create. We see that opportunity as global. A pillar of our growth strategy is taking the models that we have finessed in Canada and the UK and replicating them around the world.

We own the Nectar loyalty program in the UK, with 19 million active members, Nectar Italia, co-own and operate Air Miles Middle East, and have built partnerships in Mexico, Malaysia, Spain, and China, to name a few.

In some countries, such as the UK and Mexico, our efforts are focused on coalition loyalty – programs like Aeroplan where you earn points in many places and can redeem those points for large rewards. But we also run independent in-house loyalty programs for global companies such as Standard Chartered Bank in Asia, and Kellogg's in the US and Telus here in Canada.

No matter the type of the program, the goal of our work is to help our clients make business personal. We use the data that we collect from loyalty programs and other sources to help our clients understand their customers, provide personalized offers to those customers and thereby build long-term relationships with them that are not based on price. The measure of our success is our clients' ability to build these real relationships.

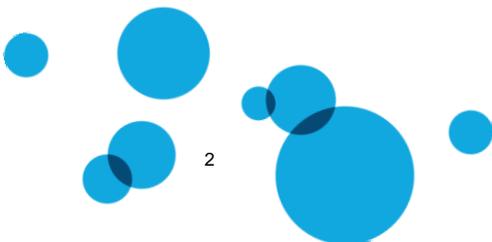
Our vision is to be the best in the world at what we do – data-driven marketing and loyalty analytics – based right here in Montreal. It's our vision for Aimia, yes, but I would like Aimia to be just one example, among a country of global champions.

You may actually be looking across your table at the head of a global champion, so don't misunderstand me; I'm not suggesting there are NO such companies. And in fact, the Montreal business community has what I suspect is a disproportionate number.

But in my mind, we need 100 such companies. 100 companies that are amongst the global leaders in their respective industries. So not just the world's leading mining company, and the best forestry company, or auto-parts manufacturer but a global leader in solar technologies, robotics, or biomechanics, and in industries we haven't yet imagined.

100 global champions might be a lofty aspiration. But at Aimia we talk about audacious goals. And I think we should have audacious goals for our country's business, as well.

Stronger companies mean better jobs, higher incomes and higher corporate tax revenue. A recent survey by the Canadian Council of Chief Executives and PwC found that just 80



of the CCCE's members were responsible for nearly 20 per cent of all federal corporate tax revenue collected in 2013, a total contribution of just over \$58 billion.

Furthermore, they found that "for every \$1 of corporate income tax paid, participating businesses paid an additional dollar in other business taxes and 53 cents in other payments to government."¹ This is the halo effect of successful home grown business.

So imagine what an impact we could make on Canadian's lives with 100 global champions, not just filling government coffers, but also directly investing in the communities in which we operate.

But to get there, both business and government need to think differently and aim higher.

Aimia, in my opinion, is well on the path towards our vision of being the global leader in loyalty and thus have raised the bar to be the leader in data-driven marketing and analytics as well.

But we need more Canadian business leaders with global ambitions. This opinion is never more apparent to me than when I attend the annual general meeting of the World Economic Forum in Davos, Switzerland. For those of you that aren't aware, Davos brings together leaders from business, government, and not-for-profits to tackle some of the world's global challenges together. Beyond the formal agenda, it's also a beehive for business relationship development. The best of the best are there. And for the last couple of years, me.

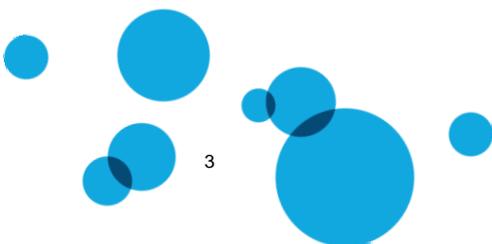
Canadians on the whole, though, have a paltry showing. Just 41 of the 2,800 participants at Davos were Canadian last year. Let me do the math for you: that's just shy of one and a half percent. For the 11th largest economy by GDP, and one that is not in recession.

Now I raise this with a bit of hesitation, because it's not intended as a rebuke, but as an example of the kinds of opportunities that we have as Canadians to both engage in the global community but also build the relationships that companies need to be internationally successful.

Building real relationships is both at the heart of what Aimia helps its clients do with their customers, and what we as a company focus on to expand our business internationally.

Let me give you one example. As part of our expansion into the Asia Pacific region, last year we formed a partnership with AirAsia to further develop their loyalty program. I met AirAsia CEO Tony Fernandes several years ago through former Air Canada ex-CEO Robert Milton, whom I'd worked with for many years. While Tony and I of course had our interest in airlines in common, it was our mutual interest in Formula One that brought us closer. (He has a Formula One team. And before I came to my senses, I used to race ex-F1 cars...Now I have a minivan...)

But my point is that personal relationships underpin the best business relationships.



As a firm we are constantly looking to make new connections that will help us evaluate new markets, forge partnerships with people and companies that are more familiar and experienced with growth markets than we are, and gain insights into the economies of the countries we are both operating in and evaluating.

For some of that work, such as with our first acquisition of Loyalty Management Group almost eight years ago, we have enlisted the support of our federal government's Canadian Trade Commissioner Service: for high-level introductions to clients we were pursuing, to expedite paperwork, and to build just-in-case relationships. And what we have learned is that our success – or lack thereof – was directly related to the level of intimate connections that the embassy and consular staff had developed on the ground in their respective countries – their own real relationships. That success varies significantly from culture to culture and with the individual backgrounds of consular staff.

A surprise to no one, Canada's international trade and foreign direct investment are both heavily weighted in natural resources and manufacturing. And the TCS is, I suspect, thus very good at supporting those kinds of companies. For companies like Aimia, however, that operate in the knowledge economy, it's a little trickier. In our experience, Canadian staff on the ground around the world have a difficult time wrapping their minds around how to help a company like ours.

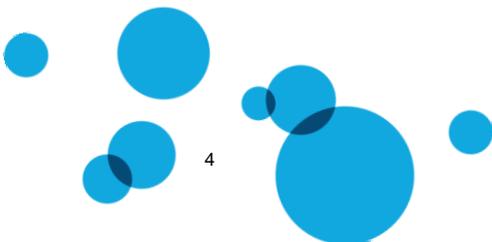
We don't sell "things," and many people are not aware of how the loyalty industry operates or what Aimia specifically does....Yet.

And we're not alone – there are many more companies like us, in new and emerging or niche fields. But commercial services – or companies from the knowledge economy – provide an opportunity for Canada to diversify its connection to the international marketplace, away from natural resources and manufacturing.

Regardless of the industry, initiating business with, or expanding into a new country, requires an immense amount of intelligence – information on the country's needs, competitors, infrastructure, office space, workforce skills, taxation, government, political risk...the list goes on. For big companies, this is a lot of work, and even the best companies sometimes miscalculate. But for small and medium-sized companies, this information-gathering process can seem near impossible, and simply navigating the government agencies specifically created to help us do this can be daunting.

As Canadians, we have refined and perfected our services for *attracting* foreign investment. Take, for example, Investissement Quebec which markets itself as the go-to partner for international businesses thinking of locating in Quebec. Its comprehensive services include in-depth knowledge of Quebec, organizing visits, financing, strategic alliances, and assistance in operating foreign subsidiaries in Quebec.

It's unrealistic to think that we could provide as much expertise about countries around the world as we can about ourselves. But certainly our priority has been attracting other



country's money rather than supporting our investment abroad, although EDC does a good job of facilitating outbound investment.

Now it's not all doom and gloom. Canadians *are* investing abroad. In 2013 the stock of Canada's outward direct investment as a proportion of the national GDP was 40%, or almost \$800 billion. But more than 40% of that was invested in the United States, one of the most competitive and expensive markets in the world.ⁱⁱ It's not that the US is not an opportunity, nor that I am suggesting companies shouldn't invest in the US, but is it the place to invest *first*? The right place? Or is it just the closest?

In the federal budget released last month, the Prime Minister said that an additional \$42 million in funding to the Trade Commissioner Service would be provided, including the hiring of 20 new trade commissioners. We see this as a tremendous opportunity to both widen the scope of expertise among the trade commissioners and to instil a stronger consultant mentality among them.

Here's what I mean by that.

We have significant operations in the UK, including our Nectar coalition program. We have hundreds of staff and a major office there and thus are considered by the UK government to be a UK company. Therefore, the British equivalent of Canada's Trade Commissioner Service makes their services available to us.

What does that mean in practice? It means that we can access country reports to help us assess political and economic risk and opportunity. They offer a single point of contact – a customer relationship manager, if you will – who is responsible for understanding what we do, what our needs are, and how the UK government can be more successful through Aimia's success. It means that if Aimia is interested in hosting a reception in the knowledge economy in Singapore, for example, where our Asia Pacific regional head office is, not only can we use the UK government's space there, but staff will also help invite locally relevant contacts – they will use their wider range of relationships to help us build ours.

Not all of what the UK government does for us comes for free. Nor should it. Their representatives actually have financial targets to meet, and their success is linked to our success as a client. This is a powerful model, and one that Canada could emulate.

Now, Aimia is fortunate that when we don't get the help that we need abroad from the Canadian government, we have the opportunity to work with the UK government, and wherewithal to turn to consultants and others. But the Aeroplan of 15 years ago didn't have those resources, and the thousands of businesses across Canada that are on the cusp of international success often don't have those needed resources or contacts. Certainly, there are many companies that have thrived on the international stage, and a number of those are based here in Montreal, like CAE, CGI, BRP, and Cirque du Soleil. But for every success story you can tell, there are hundreds of other companies that are

unable to navigate the complexities of international expansion or trade, but do have great products and services that would be very competitive in international markets.

My dream of a 100 Global Champions is going to depend on the global success of hundreds of currently unknown companies, and our federal government is in the unique position of being able to help, with perhaps some additional help from provincial governments.

I am not alone in the view that government can work differently. You may have seen Jim Balsillie's piece in the *Globe* last week in which he called for a Canadian innovation lobby, focused *Canadian* companies selling *Canadian* ideas globally, with a full commitment of federal politicians and policy-makers to act in ways that support their profitable growth."ⁱⁱⁱ

To be clear, neither Balsillie nor I are calling on the government for subsidies of any kind. What we *are* calling for is for the government to recognize that the knowledge economy of today requires government to innovate as fast as do its companies.

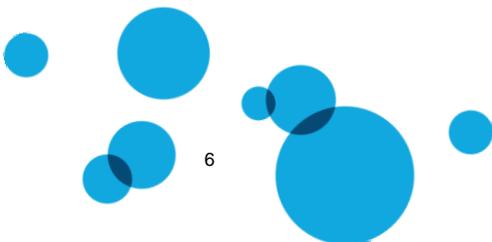
Michael Sabia, in a piece over the weekend for the *Globe*, also had an ask for the federal government: "(move) away from a manager's obsession with doing things better to a leader's focus on doing better things. Think of fostering innovation, being open to new ideas, encouraging experimentation, rewarding risk-taking. And, frankly, accepting failure as a condition precedent to success."^{iv}

Successful international companies mean higher incomes, more taxes paid, higher stock valuations in retirement funds, and a spinoff effect for other Canadian businesses. In short, a more competitive Canada in the global market we now operate within.

But lest you think that I believe this is all in the hands of the federal government, let me be quite clear. While the government can help, success rests in the hands of the people in this room, and similar rooms across the country. It requires us to think globally, plan for the long term, and to have audacious goals.

According to the Conference Board of Canada, Asia is now the top destination in the world for investment, accounting for 30 per cent of all global foreign direct investment. Many of Canada's competitors (and yes, this is a competition) have fared better in Asian markets by shifting to service exports or by focusing on niche and high value-added products. However, Canada has continued to focus on supplying Asian markets with mostly raw and semi-processed natural resources, and according to the Conference Board's research, "Asia accounts for less than 5 per cent of Canada's outward foreign direct investment – and this small share continues to shrink."^v

Aimia sees the Asia Pacific region as one of our most promising growth opportunities. Not just because of the well-known demographics trends – particularly the rising middle class – but also because there are many economies in which it is still affordable for companies



of Aimia's size to make investments. We currently have investments in China, Indonesia, India, New Zealand and Malaysia. And as we mentioned, they are small today, and we know will take time before they rival Nectar or Aeroplan in size.

As a public company, it is harder for us to do this, because not all shareholders agree with investments that will take years to build. But we believe that long-term vision and strategy are absolutely critical for our company's – and our country's – success.

We Canadians have the capacity to make a meaningful impact on an international stage. My vision for 100 Global Champions may be audacious, but it is in no way impossible. As a nation, we have a wealth of intellectual capital at our disposal. Our culturally diverse population gives us a comparative advantage; our own employees often have intimate knowledge about the countries where we want to invest. But a change of mindset by both government and business leaders is needed, to build real relationships and reshape the future of Canada as a global powerhouse that supports a vibrant and thriving country at home.

And with that, I'd love to take some questions.

ⁱ PricewaterhouseCoopers LLC. *Total Tax Contribution: Surveying Canada's Leading Enterprises*. 2015. Print.

ⁱⁱ Canada. Library of Parliament. Economics, Resources and International affairs Division. *Direct Investment Between Canada and the World* by Pascal Tremblay. Ottawa: Parliamentary Information and Research Service, 2014. (Publication No. 2014-26-E).

ⁱⁱⁱ Balsillie, Jim. "Canadians Can Innovate, but We're Not Equipped to Win." *Globe and Mail* (Toronto), May 08, 2015, Commentary sec.

^{iv} Sabia, Michael. "In business and government, think differently" *Globe and Mail* (Toronto), May 16, 2015, Commentary sec.

^v Palladini, Jacqueline. *Raising Our Game Across the Pacific: The Changing Nature of Canada's Trade with Asia*. Ottawa: The Conference Board of Canada, 2015.

