



UNIVERSIDADE CATÓLICA PORTUGUESA

# **Shared Value Model: Carrots are better and cheaper than sticks**

## ***The Case of Air Miles for Social Change***

MSc. Candidate: Bernardo Henrique Monteiro Lacerda (152111018)

Academic Advisor: Susana Frazão Pinheiro

**A dissertation submitted in partial fulfillment of the requirements for the degree of MSc in  
Business Administration, at Universidade Católica Portuguesa June 2013**

## Abstract

### Abstract (English)

Thesis Title: Shared Value Model: Carrots are better and cheaper than sticks

Author: Bernardo Lacerda

The aim of this thesis is to provide a deep study about how the Shared Value Model (SVM), developed by Porter and Kramer, can be integrated in companies in a sustainable way. The focus of this study is to better understand the case of Air Miles for Social Change in Canada; to do so there is an important theoretical background that is particularly useful as it is the concept of SVM and how to measure its results.

In order to reach the final goal, that is to provide an analysis about how can a similar business model be applied to the Portuguese market, there is a rigorous analysis of this market and a solution about how to address the products and services offered is proposed and insights into what is necessary to make the business work.

### Abstract (Portuguese)

Título da Tese: Shared Value Model: Carrots are better and cheaper than sticks

Autor: Bernardo Lacerda

O objetivo desta tese é de fornecer um estudo profundo sobre como o Shared Value Model (SVM), desenvolvido por Porter e Kramer, pode ser integrado nas organizações de modo sustentável. O foco deste estudo é conhecer melhor o caso da Air Miles for Social Change no Canadá e, com o intuito de o fazer, há um importante complemento teórico particularmente focado no conceito de SVM e como medir os seus resultados.

Para atingir o objetivo final, que passa pela análise de como um modelo de negócio similar pode ser aplicado ao mercado Português, foi efectuada uma análise rigorosa deste mercado e criada uma solução sobre como é que isso poderia ser feito com os produtos e serviços oferecidos e necessários para o negócio funcionar.

## **Preface**

This is my final academic project, which represents my interest in social entrepreneurship and my desire to belong to this world in the future. If there is any way making the world better, this is it.

The idea of doing this project come forward last semester when Andreas Souvaliotis, the founder of Air Miles for Social Change, was the guest speaker of the course of Marketing Ethics I took at Queen's University (Canada). The moment he finished his speech, I knew I had something big in hands. From that moment to the one I decided this would be my topic for the thesis, it was just a small step. After that it was easy to match it to the Entrepreneurship and Development topic for the Dissertation Seminars as it is all about Social Entrepreneurship.

Before I start writing my thesis, I knew two things: the first was that I wanted to write about the Air Miles for Social Change and, the second, was that writing only a case study would be too narrow. The solution was to develop a business plan about how a similar initiative could be applied to the Portuguese market.

The following pages provide you with the insights from my research on the shared value model topic as well as its application to the 'real world'. The case study of Air Miles for Social Change is a relevant part of the project by describing how the program went from the scratch to the hedge. Finally, the major part of this project is the business plan that aims to answer the research question of how can a similar business model can be applied to a European market, in this case the Portuguese market.

I would like to thank to Andreas Souvaliotis for the stimulating speech that was the main source of inspiration for this project as well as Queen's University and its teacher Professor Monica LaBarge for providing me such an interesting opportunity. Additionally, I would like to thank Dr. Tiago Phillimore, Head of Strategic Marketing of TAP Portugal, for the helpful insights on the Portuguese market.

Special thanks to my academic advisor - Professor Susana Frazão Pinheiro - for the all the help and orientation during the past months, and to all those who supported me during this hard and intense but rewarding period.

# Table of Contents

Abstract .....	i
Preface .....	ii
Table of Contents.....	iii
Table of Figures.....	vi
1. Introduction .....	1
2. Literature Review .....	2
2.1. Defining “Shared Value” .....	2
2.2. Why “Shared Value” cannot fix Capitalism? .....	3
2.3. How to measure the impact? .....	5
2.3.1. “Anchoring Shared Value Measurement in Strategy” .....	5
2.3.2. “Existing Social Impact Measurement Approaches Serve Different Purposes” .....	7
2.3.3. “Shared Value Measurement and Investors” .....	8
2.3.4. “Future of Shared Value Measurement” .....	9
2.4. Creating Shared Value (CSV) vs. Corporate Social Responsibility (CSR) .....	9
2.4.1. Differences between CSV and CSR.....	9
2.5. Loyalty programs .....	10
2.5.1. What is a loyalty marketing program? .....	10
2.5.2. What is a coalition loyalty program? .....	11
3. Case Study .....	12
3.1. AIR MILES for Social Change: Carrots are better and cheaper than sticks .....	12
3.1.1. “LoyaltyOne completes integration of AIR MILES for Social Change” .....	12
3.1.2. From the scratch to the hedge .....	13
3.1.3. Canadians Love Points.....	14
3.1.4. AIR MILES Canada .....	17
3.1.5. Reward Program before Green Rewards acquisition.....	18
3.1.6. Canadians Love AIR MILES.....	18
3.2. AIR MILES for Social Change.....	19
3.2.1. Green Rewards comes in.....	20
3.2.2. What changed in the program?.....	20
3.2.3. AIR MILES for Social Change Projects.....	21
3.2.1. What gets measured gets managed .....	24

3.3.	Where does the Shared Value Model fits? .....	25
3.3.1.	Challenges & Solutions.....	26
3.3.2.	Key Lessons.....	26
3.3.3.	Challenges .....	28
4.	Teaching Notes .....	30
4.1.	Case Summary .....	30
4.2.	Learning Objectives .....	31
4.3.	Teaching Questions (TQ's) .....	31
4.4.	Analysis and Discussion .....	32
5.	Business Plan .....	34
5.1.	Organizational Structure.....	35
5.2.	Products and Services.....	36
5.2.1.	Environment .....	37
5.2.2.	Healthcare .....	39
5.2.3.	Restaurants.....	40
5.3.	Reward Program.....	41
5.4.	Pricing Strategy.....	42
5.5.	The Market.....	44
5.5.1.	Market Overview .....	44
5.5.2.	Key Characteristics.....	45
5.5.3.	Main competitors .....	45
5.5.4.	International Benchmarking.....	49
5.6.	Competitive Business Strategy.....	51
5.6.1.	Analysis of Industry Structure (Porter's Five Forces) .....	51
5.6.2.	SWOT Analysis .....	56
5.7.	Marketing Plan .....	57
5.7.1.	Core Strategy for Marketing.....	57
5.7.2.	How target will be aware? .....	58
5.7.3.	Marketing for intermediates .....	58
5.7.4.	Public Relations (PR) Activities .....	59
5.7.5.	What to achieve and how to measure? .....	60
5.8.	Sales and Distribution .....	61
5.8.1.	Sales Force.....	61
5.9.	Exit Strategies.....	63

6.	Main conclusions and future research .....	64
6.1.	Conclusions .....	64
6.2.	Limitations of the Study and Future research.....	65
7.	Bibliography.....	66

## Table of Figures

Figure 1 - Business and Social Results by Level of Shared Value (source: FSG).....	5
Figure 2 - Integrating Shared Value Strategy and Measurement (source: FSG).....	6
Figure 3 - Understanding the Purpose of Measurement (source: FSG) .....	7
Figure 4 – Key Market Segments in Loyalty Programs’ Market (source: COLLOQUY 2011).....	14
Figure 5 - Percentage of population that belong to a loyalty program (source: COLLOQUY 2011) .....	15
Figure 6 - Most popular loyalty programs used in Canada (2011) (source: COLLOQUY 2011)....	16
Figure 7 - The Mobile Wallet - What Canadians would like to store on their smartphone (2011) (source: COLLOQUY).....	16
Figure 8 – What Canadians do with their loyalty program rewards (source: COLLOQUY 2011) .	16
Figure 9 – Organizational Structure .....	35
Figure 10 – Reward Program’s areas of action .....	42
Figure 11 – Program operations and correspondent fees .....	43
Figure 12 – Porter’s Five Forces of the Portuguese Loyalty Programs’ Market .....	54
Figure 13 – Industry of Loyalty Programs’ Life Cycle .....	55
Figure 14 – SWOT Analysis of the proposed reward .....	56
Figure 15 – Flow of joining the reward program .....	61
Figure 16 – Flow of redeeming the points for rewards.....	61
Figure 17 – Program’s flow of operations .....	62

## 1. Introduction

The aim of this research is to evaluate how a business model like the one from Air Miles for Social Change (Canada) could work in the Portuguese market in order to influence consumer behaviour to make responsible choices.

Besides the case study developed about Air Miles that includes a study of the Canadian loyalty programs' market, there is also the important relation of the Air Miles program with the Shared Value Model developed by Porter and Kramer.

**Research question 1:** What is the influence of rewarding consumers in the buying process?

**Research question 2:** How does a reward program benefits from incentivizing responsible choices?

**Research question 3:** What is the role of cultural differences between Canadian and Portuguese markets regarding the buying incentives?

The research starts with the case study developed, particularly focused on how an initial idea of creating an environmental friendly program ends up being integrated in one of the world's most successful loyalty programs. The literature review is mainly centered in the shared value model that is beyond the creation of this "new way of doing business".

The business plan is where the Portuguese market is deeply analyzed and a solution is proposed to create a similar business model in Portugal and then the teaching notes in which is the preparation of a lesson about this case. It includes not only the discussion about of the case study but also about the Portuguese market and how it can actually works in a whole new reality.

Finally, the thesis' Conclusion where the valid conclusions obtained from this research are presented as well as the questions for further research and the limitations of this project.

## **2. Literature Review**

### **2.1. Defining “Shared Value”**

In the beginning of 2011, Porter and Kramer released an article with the aim of providing a solution to fix Capitalism – it was when the concept of “Creating Shared Value” emerged. This concept involves creating economic value in a way that also creates value for society by addressing its needs and challenges (Porter and Kramer, 2011).

As stated in the paper, shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. This is a completely different approach to address social issues by looking at them as a whole new market of opportunities. This model implies that the model to follow is not to give out some of the company’s profit at the end of the year, but to instead make a profit by solving social problems. This means making profit by doing good instead of the current making good by making profit.

After understanding the concept itself, it is important to understand how it can be applied to business. It should not be seen as an isolated measure but as an integrated strategy common to the whole value chain of the company.

In the Porter and Kramer article (2011), shared value is defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between social and economic progress.

According to the authors, there are three main sources of creating shared value – reconceiving products and markets, redefining productivity in the value chain and enabling cluster development. Reconceiving products and markets involves creating products and services to address particular social issues in a given moment as environmental impact or health improvement.

The second way to create shared value is by redefining productivity in the value chain which means that this is clearly a win-win situation for the company and the society by

cutting costs and saving the environment, respectively. In order to accomplish this goal, the company should manage effectively the following issues:

- Energy use and logistics and resource use - Innovate value chain processes in order to reduce energy and resource consumption through a mechanism capable to generate economic benefits.
- Procurement – Investing in small suppliers and buying locally allowing for better access to inputs, sharing technology and resources that quality and productivity in the supply chain while simultaneously improve skill development and life conditions for the local communities.
- Distribution – Creating new distribution models would reduce environmental harm and sustain long-run economic benefits.
- Employee productivity – Promoting quality of life, training, access to health and education that would enhance employee productivity.
- Location - Establishing close partnerships with local communities in order to enhance competitiveness.

Finally, the company should enable cluster development by identifying gaps in the cluster and addressing them through the creation of a favorable environment to support companies, as well as universities or trade organizations, in order to set productivity, innovation and competitiveness as the main drivers in the community.

## **2.2. Why “Shared Value” cannot fix Capitalism?**

According to Denning (2011), shared value is not as revolutionary as it might seem at the first sight. The basic assumption is that what is good for the society is good for business, which is actually true however; companies have been looking at this from the wrong side. The main purpose here is to provide good for the society and then make a business out of it and not the other way around.

The same author defends that the “beauty of Porter’s solution is that capitalism can go operating as it always has with just a minor tweak of the value chain and suddenly a whole new set of profit opportunities open up”. This means that in practice the purpose of this model would be to turn the value chain more socially responsible and

at the same time more efficient which would allow the enterprises to cut costs and take advantage of the new market opportunities that open up.

Denning named the shared value model as a “pseudo-fix of capitalism” as it is not more than a more responsible way of capitalism. Taking General Electric (GE) as an example, the company did an extensive program promoting more ecological practices however, it was only applied to a small percentage of their business (11.5%), which means that the remaining 88.5% is still “business as usual”. Does this make sense? Or the companies are misunderstanding the real concept of shared value?

The author starts to state that the shared value model is still stuck in the “shareholder capitalism” but what would be a real fix to capitalism entails a profound revolution in management thinking focused on “delighting customers” and make sure that everyone and everything in the firm is oriented towards that goal. The article ends up assuming that shared value is in fact closer to customer capitalism.

The common point here is that both are focused on the customer but the diverging point is that this new era that the author believes would fix the capitalism, is focused on the customer delights and the shared value model is focused on the customer needs. With the World as we have it today, it is an important step to first focus on society’s needs and only then think about satisfying their delights, which does not mean necessarily that both strategies cannot be used in the same “era of capitalism” by different companies.

Besides recognizing that shared value approach is indeed an improvement on this caricature of CSR and the idea of looking for profit opportunities that offer good for society is in itself not a bad idea, Denning defends that there is still a big leap from there to suggest that shared value can actually fix the capitalism.

The main conclusion to extract from this article stating that shared value won’t fix the capitalism is that shared value might not totally fix the capitalism, however it is an important and necessary steps towards the fix of the capitalism. It simply can’t be fixed just like that but this is a necessary step towards it.

### 2.3. How to measure the impact?

Companies are creating shared value by developing profitable business strategies that deliver tangible social benefits. This leads to the creation of new opportunities for profit and competitive advantage at the same time as it benefits society by unleashing the power of business to help solve fundamental global problems. Despite the huge number of companies that are adoption this new concept of shared value, the ‘tools’ to put it in practice are still in the early stage (based on various authors, 2011)

This wide-spread embrace of shared value leads to two major issues concerning the measurement of shared value results, both for the company and for the society, and the reasons why it is so important for the companies to track the results in this field.

#### 2.3.1. “Anchoring Shared Value Measurement in Strategy”

##### 2.3.1.1. Business and Social Results by Level of Shared Value

According to what was previously explained regarding the three different levels in which companies can pursue shared value – reconceiving products and markets, redefining productivity in the value chain, and enabling cluster development – the following table (Figure 1) shows the performance indicators concerning the business and the social results. These are divided by level of shared value since each level has a different impact in the business and society, nevertheless, there is some overlapping points in the results which is totally understandable as they all pursue the same objective (Various authors, 2011)

LEVELS OF SHARED VALUE	BUSINESS RESULTS	SOCIAL RESULTS	TABLE 1: Illustrative Business and Social Results by Level of Shared Value
<b>Reconceiving product and markets:</b> How targeting unmet needs drives incremental revenue and profits	<ul style="list-style-type: none"> <li>Increased revenue</li> <li>Increased market share</li> <li>Increased market growth</li> <li>Improved profitability</li> </ul>	<ul style="list-style-type: none"> <li>Improved patient care</li> <li>Reduced carbon footprint</li> <li>Improved nutrition</li> <li>Improved education</li> </ul>	
<b>Redefining productivity in the value chain:</b> How better management of internal operations increases productivity and reduces risks	<ul style="list-style-type: none"> <li>Improved productivity</li> <li>Reduced logistical and operating costs</li> <li>Secured supply</li> <li>Improved quality</li> <li>Improved profitability</li> </ul>	<ul style="list-style-type: none"> <li>Reduced energy use</li> <li>Reduced water use</li> <li>Reduced raw materials</li> <li>Improved job skills</li> <li>Improved employee incomes</li> </ul>	
<b>Enabling cluster development:</b> How changing societal conditions outside the company unleashes new growth and productivity gains	<ul style="list-style-type: none"> <li>Reduced costs</li> <li>Secured supply</li> <li>Improved distribution infrastructure</li> <li>Improved workforce access</li> <li>Improved profitability</li> </ul>	<ul style="list-style-type: none"> <li>Improved education</li> <li>Increased job creation</li> <li>Improved health</li> <li>Improved incomes</li> </ul>	

Figure 1 - Business and Social Results by Level of Shared Value (source: FSG)

### 2.3.1.2. The Shared Value Measurement Process

Shared value measurement requires an iterative process integrated with the business strategy of the company, it does not make sense to do it only once or even once in a while, it has to be an ongoing process. An integrated shared value strategy and measurement process includes four steps as presented in the following graph (Figure 2).

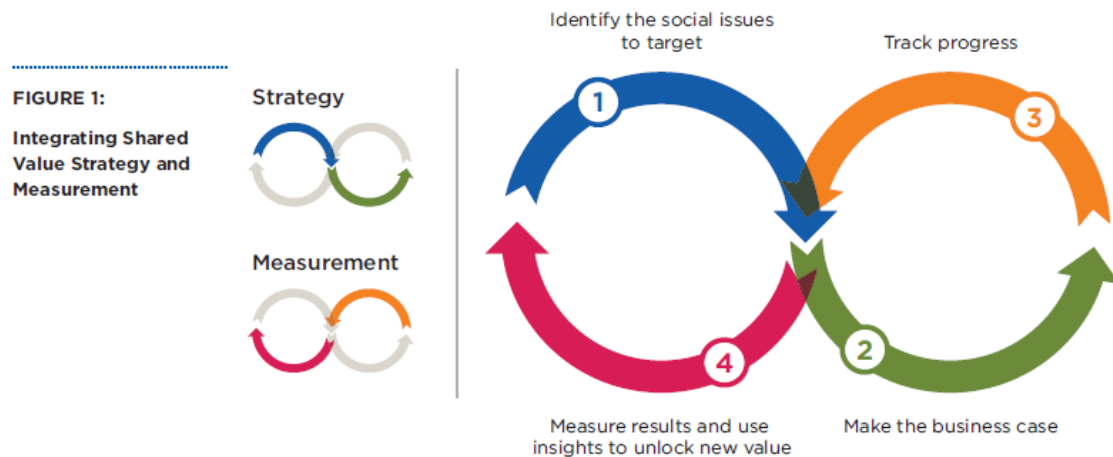


Figure 2 - Integrating Shared Value Strategy and Measurement (source: FSG)

The first step is to **identify the social issues to target** that consists in identifying and prioritizing specific social issues that represent opportunities to increase revenue or reduces costs. The output from this step should be a list of prioritized social issues that a shared value strategy can target.

The second step is to **make the business case** that means developing a solid business case based on research and analysis of how social improvement will directly improve business performance. This step involves includes identifying the targets and specifying the activities and costs involved for each shared value opportunity, modeling the potential results and making a decision.

The third step is to **track progress** by tracking inputs and business activities, outputs, and financial performance relative to projections. The fourth, and final, step is to **measure the results and use insights to unlock new value** which involves validation the anticipated link between social and business results and determining whether the outlay of corporate resources and efforts produced a good joint return.

While some companies track progress on social and business results separately, few companies yet understand how the linkage of social and business results can create new opportunities for value creation. Unlocking shared value through measurement requires understanding the social results from business investments and analyzing and improving the business result from social outcomes.

### 2.3.2. “Existing Social Impact Measurement Approaches Serve Different Purposes”

Many companies have begun to measure their social and environmental performance without regard for the business benefits and continue to measure their financial results without regard for social impact. Shared value builds upon these existing measurement systems and approaches but focuses on the intersection of the business and social value creation.

Existing social performance measurement practices cover sustainability, social and economic development impact reputation, and compliance. The following table (Figure 3) shows up for each measurement focus, that were just presented, what is important to measure, the reasons why is it important to measure and for whom are the results relevant.

<b>MEASUREMENT FOCUS</b>	<b>WHAT TO MEASURE?</b>	<b>WHY MEASURE?</b>	<b>FOR WHOM?</b>
<b>Shared Value</b>	Joint business and social value creation	<ul style="list-style-type: none"> <li>• Grow the total shared value created</li> </ul>	<ul style="list-style-type: none"> <li>• Primarily for management</li> <li>• Targeted communication to external stakeholders</li> </ul>
<b>Sustainability</b>	Efficiency in the use of input factors (e.g., natural resources and labor) and improved product and community impacts	<ul style="list-style-type: none"> <li>• Minimize negative externalities and augment positive impacts</li> <li>• Maintain a license to operate</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Communication to external stakeholders</li> </ul>
<b>Impact Assessment</b>	The long term social and economic development impacts of operations and/or philanthropy	<ul style="list-style-type: none"> <li>• Track progress on social and economic development impact</li> <li>• Maintain a license to operate</li> </ul>	<ul style="list-style-type: none"> <li>• Communication to external stakeholders</li> </ul>
<b>Reputation</b>	How societal impacts contribute to company reputation	<ul style="list-style-type: none"> <li>• Manage reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Primarily for management</li> </ul>
<b>Compliance</b>	Compliance with laws and voluntary policies, standards, and codes	<ul style="list-style-type: none"> <li>• Ensure adoption and compliance</li> <li>• Maintain a license to operate</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Communication to external stakeholders</li> </ul>

Figure 3 - Understanding the Purpose of Measurement (source: FSG)

Companies are hesitant about adding yet another measurement system; current measurement is insufficient to inform shared value strategies. The current emphasis on comparability across companies, comprehensiveness across issues, and corporate social responsibility will not replace the need for tailored measurement of the connection between business and social value that promises to shift the fundamental connection between business and social progress.

### **2.3.3. “Shared Value Measurement and Investors”**

Investors remain skeptical about the connection between a company’s performance on social issues and the creation of economic values. So far, the attempts to prove such linkage were not successful in reaching any conclusive evidence. In general, recent debate and activity reveal three different approaches to integrating social and business results.

The **first approach** seeks a correlation between good performance on ESG (Environmental, Social, and Governance) indicators and company value. As an example, Bloomberg has captured sustainability indicators reported from thousands of companies together with their financials, allowing analysts to explore the correlations between both.

The **second approach** seeks to monetize the positive or negative social and environmental impacts of companies and to incorporate these impacts into notional company financials.

The **third approach** does not rely on statistical correlations or estimated monetary values of environmental and social outcomes. Instead, the aim is to establish a direct linkage between social outcomes and actual financial results – instead of company value that refers to a longer period of time.

These are the three existing approaches that, besides still being in an early stage, allow the analysts to extract the correlation between the social and financial results. This is a very important for the investors they are investing their money in the company and such a strategic decision has to be made, there is a need of showing up real data – numbers – in order to persuade them to be in favor of this strategy.

### **2.3.4. “Future of Shared Value Measurement”**

Measuring shared value yields data and insights that offer significant opportunities across each level of shared value. Yet a lot of companies around the world remain unaware of shared value improvement opportunities. By ignoring them, it limits a company’s shortchanges society of much needed innovation to solve social problems.

Despite its complexities, the pathway to shared value measurement in shared value strategy is very clear. First, companies must anchor shared value measurement in shared value strategy. Second, shared value measurement must establish a direct link between meeting social needs and improving the business. Third, measurement must assess the extent of value creation by tracking social and business results relative to the costs. Fourth, companies must clearly distinguish shared value measurement from other important forms of measurement. Fifth, companies must adopt pragmatic approaches to navigate shared value measurement challenges.

By following this pathway, these concepts will reveal new and material data to investment analysts and leading investors. Isolating the business strategies that drive social results will help create a new level of dialogue with investors. They will finally have evidence of direct economic value created from companies’ investments in social issues and thus better capital allocations decisions across companies.

## **2.4. Creating Shared Value (CSV) vs. Corporate Social Responsibility (CSR)**

### **2.4.1. Differences between CSV and CSR**

It is not possible to talk about CSV without stating the differences between this and CSR that is the traditional way that companies use trying to fix the social issues. Despite sharing the same principle of “doing well by doing good”, these are concepts with a lot of differences. According to Kramer (2011), the major difference is that CSR is mostly about responsibility and CSV is about creating value. It is not possible to say if it is a new form of CSR, or not, it is fundamentally different from the CSR practices.

This new concept of CSV is both a transition and an expansion of the previous concept of CSR (Visser, 2011). The development of the definition of CSR has laid theoretical foundations for companies and society to sustainably and communally overcome societal issues. As capitalism matures, the companies have been trying to identify the

limitations of the traditional CSR and try to restructure in order to pursue new market strategies that provide development both for the economy and the society.

The concept of CSV is way deeper than CSR as it is a way for corporations to sustain in the capitalist market driven by competitiveness. On the one hand, CSR focuses on the brand reputation with placing value in doing good as a consequence of the societal pressure, it generates both economic and societal benefits relative to cost in real competition of maximizing the profits. On the other hand, CSV is internally generated and not confined to any financial budget as CSR is. With the advent of CSV and following strong worldwide advocacy for it, companies started to over think about their vision for the sustainable growth. (Porter, 2011)

Additionally, and according to Denning (2011), shared value is presented as the antidote to CSR programs. These are two different strategies that pursue a similar end goal – doing good. The main point of difference is that CSR typically involves making random donations to charity (Porter, 2011) and CSV consists in a sustainable way of continuously generating benefits for the society.

## **2.5. Loyalty programs**

### **2.5.1. What is a loyalty marketing program?**

A loyalty marketing program is designed to enhance brand loyalty by cultivating an ongoing relationship between a marketer and his customer. Successful loyalty program create a constant incentive for the customer to buy frequently, to increase the amount spent each time, and to concentrate the majority of their purchases on the brand. Most loyalty programs offer perks for membership in a club or program and reward purchases.

Rewards may be based on the value of the purchase, the frequency of purchases or even both. The most well-known loyalty programs are airlines frequent-flyer programs that offer discounts against future travel called miles. Most of the large supermarket chains also have the frequent-buyer clubs that offer no-coupon discounts as well as newsletters and affiliate discounts.

Loyalty program strategies often include regular communication with customers via reminder mailings, private credit cards, cross-sell and up-sell offers, satisfaction and opinion surveys are also usually asked to the customers and the very important collection of information for member databases (Imber and Toffler, 2008).

### **2.5.2. What is a coalition loyalty program?**

A coalition loyalty program is a loyalty card system that offers incentives to customers of two or more business in return for allowing those businesses to collect user data. Such a program agglomerates customer benefits into a single customer loyalty program.

Coalition loyalty program are often used by small and medium-sized businesses because it allows a cost-effective way to offer customers a variety of attractive benefits that they would not be able to provide without the support of other business.

From a business perspective, coalition program offer a number of benefits such as funding requirements split between multiple companies, business can share data, the increased value of multiple incentives may attract new customers and partners can benefit from cross-promotion and combined deals. From the customer perspective, a coalition loyalty program offers a wide range of incentives associated with a single card (Rouse, 2010).

### **3. Case Study**

#### **3.1. AIR MILES for Social Change: Carrots are better and cheaper than sticks**

##### **3.1.1. “LoyaltyOne completes integration of AIR MILES for Social Change”**

TORONTO, Oct. 23, 2012 - LoyaltyOne, Inc. today announced that it has executed all elements of its purchase agreement of Green Rewards, which was originally acquired in 2008 and was then re-named and launched as AIR MILES for Social Change. The successful and rapidly growing entrepreneurial social venture has now been fully integrated into LoyaltyOne's AIR MILES Reward Program and consequently Green Rewards original founder and President, Andreas Souvaliotis, is leaving the business.

"Mission accomplished", said Souvaliotis. "In just a few short years we built one of the most effective, broad-reaching and celebrated national social ventures in Canada by relying on the immense power and relevance of this country's most popular loyalty rewards program. We helped create some truly revolutionary initiatives among many government agencies from coast to coast and together we discovered better, more effective and far more efficient ways to trigger behavior change on a mass scale. Our Canadian success story now serves as a model for the rest of the world."

"The accomplishments of the social venture that Andreas founded some years ago are best measured through the direct impact on the lives of our fellow citizens from coast to coast" said Bryan Pearson, President and CEO of LoyaltyOne, Inc. "We are helping Canadians find and make healthier and greener everyday lifestyle choices - and, along the way, we are also generating very significant cost savings for our mission partners and government clients. We are all grateful for Andreas' visionary leadership through the formative years of this social venture and we are committed to maintaining the authenticity, mission and passionate culture that fuelled the success of AIR MILES for Social Change."

With a roster of over 25 prominent public and private sector as well as NGO partners, AIR MILES for Social Change leverages the value of AIR MILES reward miles and the

program's reach into more than 10 million Canadian households to reward and inspire healthier and more environmentally sustainable everyday lifestyle choice. (source: *NewsWire Canada*)

### **3.1.2. From the scratch to the hedge**

Andreas Souvaliotis, one of Canada's most successful social entrepreneurs was the founder of Green Rewards, the world's first national environmental and healthy lifestyle incentive programs.

This all started with the idea that it is not possible to solve the world's social challenges by using the same thinking that helped create them. There is a need of changing the language of communication to engage the masses. People would not respond in the same way to an "environmental issue" than they do to the still actual financial crisis. To build a massive solution, it is necessary to harness humans' natural instinct for profit and growth instead of trying to fight it.

Andreas used his knowledge about human behavior regarding the incentives and points the majority is remarkable chaser of loyalty points, particularly in Canada. To transfer this project from the scratch to the real life, it was crucial the help of a sharp and uniquely aggressive investor. Souvaliotis started to build the world's first eco-points program based on the simple idea of giving people extra points when they do the right thing. The next step was to make the points redeemable for the right things as transit passes; bikes, gym memberships or even music downloads. The goal here as to make sure people were redeeming points for rewards that were not harming the environment but things that were actually good for your health instead of the traditional ultimate goal of redeeming points for flights around the worlds which create more environmental pollution.

This initiative soon caught the media attention and more investors followed. Within a year and a half and even before launching the program for the public, the eco-points program was bought out by LoyaltyOne, the company that operate the most famous points based program in Canada – AIR MILES.

### 3.1.3. Canadians Love Points

Canadian market is one of the most developed concerning the loyalty marketing programs. Canadians think “whether we are shopping or buying gas, coffee, a light bulb or cosmetics, cashiers ask if we have a loyalty card or offer to sign us up to a loyalty program”. This means that loyalty programs are part of Canadians life; not having one loyalty program can be perceived as a competitive disadvantage by the consumers.

The market is usually segmented into five key segments: Affluent, Core Women, Seniors, General Adults (control group) and Young Adults.

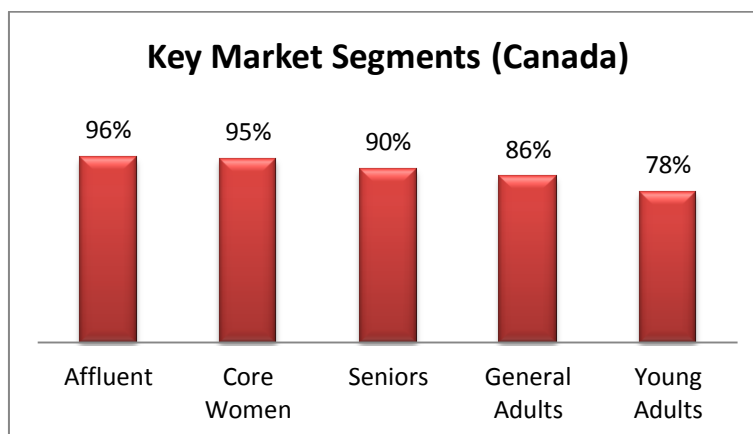


Figure 4 – Key Market Segments in Loyalty Programs’ Market (source: COLLOQUY 2011)

The loyalty marketing programs sector is continuously growing year after year as the statistics show. According to the finding of Colloquy Loyalty Census in 2011, there were almost 121 million active loyalty program members in the country across different programs, up six per cent from the census taken two years earlier. The “retail is driving the loyalty bus in Canada” as it is the one that seems more relevant and appealing to consumers.

Clients look at their plastic cards and what they think is if they actually are extracting some benefit out of the program or not. If not, probably it will be one less card that they will be carrying in their wallets, and that means that the loyalty program is not as close as it should be to the customer. The main goals are to have “simplicity and flexibility that rewards their efforts”.

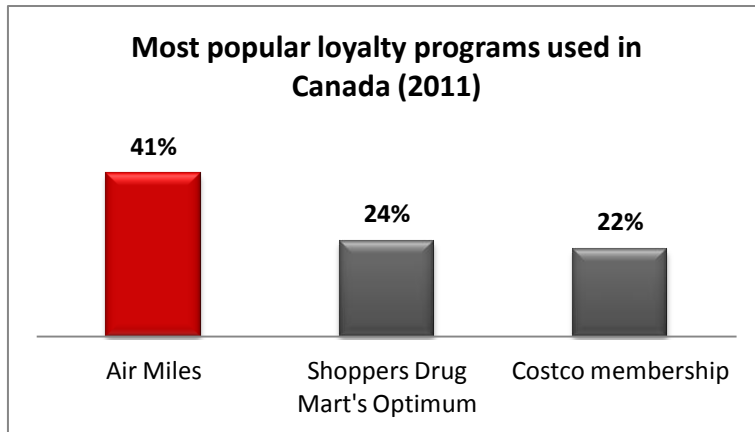
When describing the Canadian loyalty programs, it is crucial to point out the three words that best characterize the programs' members: active, patient and generous. Approximately, 75% of Canadian consumers actively participate in loyalty programs and by active participation; it means use the program at least once in the past year. Patient as they usually prefer to accumulate more miles and then spending them in a "better" reward instead of spending them quickly and in products with less value. Finally, they are also generous because Canadians are more likely to share rewards with friends and family.

There is a recent trend on the market of starting to use social media as a channel to reach people more personally; it means that instead of reaching a general public, it is possible to reach a specific audience with segmented social and demographic conditions.



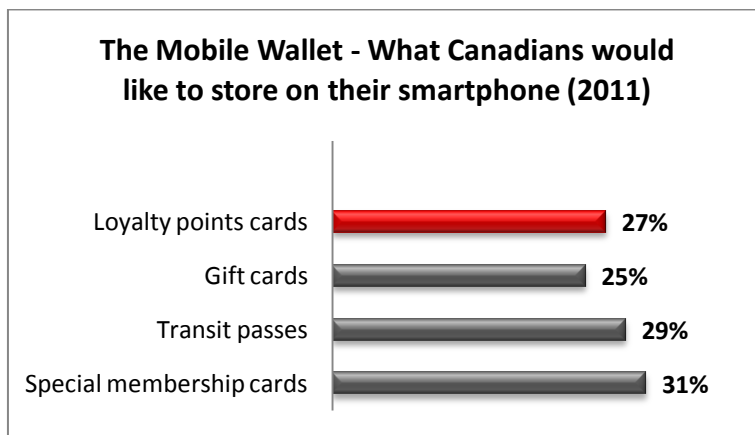
**Figure 5** - Percentage of population that belong to a loyalty program (source: COLLOQUY 2011)

According to Colloquy, the loyalty marketing industry Canada is one of the top ranking countries that inspire the loyalty programs.



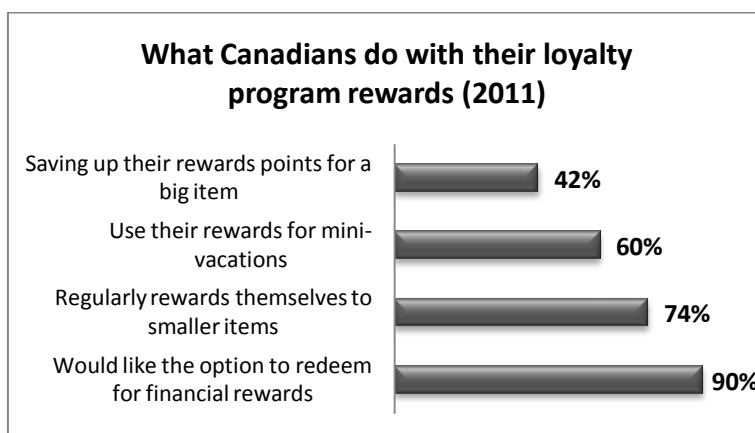
**Figure 6** - Most popular loyalty programs used in Canada (2011) (source: COLLOQUY 2011)

From the looks of it members of Air Miles put more usage on their card than the Optimum and Costco loyalty cards during the month of August 2011.



**Figure 7** - The Mobile Wallet - What Canadians would like to store on their smartphone (2011) (source: COLLOQUY)

Convenience is what most consumers look for in today's society. With mobile access loyalty members like to be able to view their information about points and reward offers.



**Figure 8** – What Canadians do with their loyalty program rewards (source: COLLOQUY 2011)

Reaping the benefits is what consumers look for in loyalty cards. Earning those points and getting the gift card shows in 2011 Canadians would rather that then to save for bigger things like going on vacation. To me I would rather the vacation but using Air Miles you would have to spend more to accumulate a lot of miles in order to gain the travel rewards.

“Coalition loyalty marketing in Canada is the difference maker” as the market is not so fragmented; these alliances between companies and brands are usual in order to obtain a bigger scale in the program. The wider the program is, more value is created to the member of the program that will create a positive economic cycle to the companies that belong to the program.

There are two key points regarding the loyalty programs in Canada. “Canada is arguably one of the most mature, most penetrated and most sophisticated loyalty markets in the world” and also concerning the consumers, “Canadians are some of the most astute loyalty-conscious consumers”, which means that due to the market conditions, Canada is probably the most developed and attractive countries for loyalty programs. It might be even offensive if you brand does not create any kind of loyalty program.

#### **3.1.4. AIR MILES Canada**

AIR MILES is Canada’s unofficial second currency. We can swipe our AIR MILES card with virtually any purchase, accumulating points towards prizes. It’s the oldest game-based marketing tactic in the book. And it works. (Stoiber, 2012)

##### **3.1.4.1. What is it?**

Launched in Canada in 1992, AIR MILES Canada is the largest combined loyalty program in North America. Until 1998, the program was run independently and then Alliance Data Systems, which became known as LoyaltyOne in 2008, bought it.

AIR MILES Canada has more than 100 partners in a plenty variety of areas and services, including Bank of Montreal, American Express, Shell Canada or Canada Safeway. In the western provinces of the country, Metro and PharmaPlus pharmacies in Ontario, and Sobeys and Lawtons in provinces east of Ontario are also partners of this program. Consumers collect AIR MILES reward miles from the different sponsors that can be redeemed for over 1200 reward choices as travel, entertainment, home electronics and gift cards.

Currently, the number of active collector (at least one activity on its account within the last year) accounts across Canada is over ten million, which represent approximately two-thirds of Canadian households.

In April 2009, after Loyalty One bought Green Rewards, there was a process of integration of that program into the AIR MILES existing one. That is why AIR MILES Canada launched *My Planet*, an initiative with the aim to promote the trade of Air Miles for environmentally conscious, products and services. At first, this section of the reward choices, offered about 140 “green” redemption items as public transit passes, organic cotton linens, and electronic scooters. In September 2009, the program was extended to stores and points of purchase.

AIR MILES Canada has been rewarded over the years in different areas as marketing, customer care, human resources, training and leadership.

#### **3.1.5. Reward Program before Green Rewards acquisition**

From 1992 until 1998, when the program was run independently, it was very basic. The miles collection was essentially done when people bought flights, or later when people were also getting miles from using their credit cards. The rewards were nothing but flights and to get them a huge number of miles was necessary which means that to get something out of this program either you “fly” very frequently or you spend a lot of money with your credit cards.

From 1998, after being bought by Alliance Data Systems, which later turned LoyaltyOne, the program suffered a big expansion with the number of partners increasing significantly as well as the rewards choice. From this point, the members of the program start having more out of this reward program as it was easier to get miles and there was also a more diverse reward choice.

#### **3.1.6. Canadians Love AIR MILES**

More than two thirds of Canadian households collect AIR MILES. The program essentially appeals to all of ‘middle income Canada’ – the only abstainers are in one hand the wealthy, who don’t value the gains of swiping or prefer collecting frequent flyer points, and in the other hand, the poor who simply don’t shop enough.

After buying Souvaliotis' company, Green Rewards, AIR MILES had developed the world's first points program aimed at driving a more sustainable behavior. Points were collected by purchasing products as fair trade coffee or organic cotton t-shirts, and rewards were products with a green pedigree. The AIR MILES platform provided to this program two major advantages: the instant access to the majority of Canadians, and the aura of a mainstream program.

This change had a huge impact on the customers who were very responsive this new "green" face of the program and the results "talk by themselves". The project launched with a transit authority to motivate consumers to buy annual passes instead of monthlies, resulted in a 57% shift in one single month. The campaign to engage consumers in a utility's energy efficiency program achieved an impressive 600% lift with costs per acquisition dropping by 70%.

Long story short: engage consumers with rewards they appreciate, and they'll adopt green behavior in a heartbeat.

### **3.2. AIR MILES for Social Change**

Over the course of almost two decades, the AIR MILES program has helped many of Canada's leading brands driving large-scale shifts in consumer behavior. In light of that sustained success, it wasn't a huge leap to realize that the cost-effective power of Reward Miles could also be used as an incentive for people to make more socially conscious choices for themselves and their communities.

That is the reason beyond the creation of AIR MILES for Social Change, one of the most innovative social change incentive providers in worldwide. The power of Canada's most popular loyalty currency can be leveraged for the public good through the incredible reach and popularity of AIR MILES Reward Program.

The acquisition of Green Rewards by LoyaltyOne, that was running the AIR MILES program, was definitely a turning a point for the program. From a traditional air miles program, it was transformed into a green and consciously reward program.

### **3.2.1. Green Rewards comes in**

From acquiring Green Rewards until the integration into the existing program there was a hard word “behind scenes”, in order, to make the whole company’s strategy consistent with this new “green face”.

“There’s something big in it for us: brand authenticity” – this phrase from Souvaliotis defined the process that AIR MILES passed through before the launch of the renewed program.

The first steps were to align this new green face the whole company in order to transform the operations coherent with the new brand values. The operations turned more environmental friendly and it was created a whole new section in the company’s website giving tips about ways to “save the planet”.

The whole range of products offered as rewards of the program were judged by independent organizations in order to separate “green” from “not that green” rewards. The ones that were prejudicial for the health, or environment, were excluded and a section of the reward program called “My Planet” with the most responsible rewards was even created.

Additionally, some measures were taken inside the company operations to help the workers to have a more responsible lifestyle. It was noticed that a lot of workers usually took the car to work every day even when they live in the urban area where the metro and bus connections are excellent. In order to find the reason why this happened, a survey was conducted and the reason was found – they took the car to work because they might need it during the day even without knowing it in advanced.

The solution proposed was to have permanently company cars in the garage that the workers could use for free and without having to answer any questions. They just have to book the time they need the car and the “keys are in their hands”.

### **3.2.2. What changed in the program?**

This renewed program partners with organizations nationwide, from energy utilities and transit authorities to waste diversion and health awareness agencies, with the goal of inspiring people to make better choices not only for themselves but also for the

communities they belong. By enabling governments and other public sector organization to access the program on special commercial terms and use the so popular Reward Miles instead of regular cash, the program's ROI improved dramatically while accelerating the adoption.

The success of AIR MILES for Social Change is built on a proven loyalty model that earned the trust of millions of Canadians. Together it is possible to use the program's marketing strength and unrivalled reach to promote and sustain positive social change. People are ready to make healthier and more sustainable choices, you just have to give them the right incentive to do it.

### **3.2.3. AIR MILES for Social Change Projects**

The AIR MILES Reward Program leadership team recognized they had their hands on the biggest steering wheel in the country and the opportunity to help impact and influence hundreds of thousands of consumer decisions everyday – not to mention the opportunity to truly become a world first in rewarding consumers for making better decisions. To act on that opportunity, we decided two years ago to create the AIR MILES for Social Change program.

Working with transit authorities, energy conservation bodies, health organizations, and NGO's, AIR MILES for Social Change brings the cost effectiveness of incentive driven behavior change and data-driven campaigns to help move the needle on positive social change.

AIR MILES for Social Change has grown from just one organizational partner at launch in 2010 to over 25 private and public-sector partner in 2012, and has increased revenue five-fold between years one and two. The business has expanded its focus to five areas: healthy lifestyles, clean energy, conservation, waste diversion, and transit adoption – with successful case studies in each area.

#### **3.2.3.1. Driving Public Transit Use**

When it comes to motivating transit riders, the AIR MILES currency offers an economical alternative to fare discounts and rebates. Reward miles can be offered as an incentive for switching to transit passes, adopting or reloading electronic smart cards, or optimizing patterns outside of peak times.

The strategy has already proven itself. A recent Toronto Transit Commission program that rewarded riders with Air Miles for purchasing annual passes rather than monthly passes lifted annual pass sales by 57 per cent.

#### **3.2.3.2. Promoting Health and Fitness**

Whether you are encouraging people to become more physically active, improve their eating habits or participate in preventive care programs, reward miles provide a low cost and highly valued incentive. As more and more people are motivated to do the right thing, the entire community ends up benefiting from that. (Air Miles for Social Change, 2012)

There was a health-oriented reward program in New Brunswick, where people earned Air Miles after joining a smoking cessation program; another in St. John's, where those taking the bus earn points (and double the amount when taking it on Friday and Saturday nights); and future plans to reward Canadians who get flu shots or work out at their local gym.

It is also possible to collect miles by doing the right choices at groceries shop as Metro (groceries). By doing the right choices, it means that you will get rewarded by buying products that are good for your health such as cabbages. This has a different policy from the past where the miles you get would depend exclusively on the total amount you spend at the supermarket. This one you will only get miles if you buy the "right stuff" to avoid being rewarded for buying fat products, as chips for example.

#### **3.2.3.3. Encouraging Energy Conservation**

Taking advantage of AIR MILES communication channels, fulfillment infrastructure and consumer analytics expertise, it is possible to create campaigns that reward utility customers for conserving energy. There is a wide range of initiatives that can be launched, from smart metering to e-billing, more cost efficiently than ever before. (Air Miles for Social Change, 2012)

One of Air Miles' projects in the sector was an energy efficiency program that used Air Miles to increase sales of compact fluorescent light (CFL) bulbs at Sobeys. The results were an annual growth of CFL sales by 200.

#### **3.2.3.4. Rewarding Waste Reduction and Recycling**

Municipalities with ambitious waste diversions targets need to raise awareness and reward compliance while keeping the budget balanced. Reward miles are an economical way to drive participation in reduction pledges, recycling protocols or participate in special disposal campaigns. (Air Miles for Social Change, 2012)

As an example, the City of Toronto had been operating a mobile service to help city residents dispose household hazardous and electronic waste. However, despite the convenience of having specially-outfitted vehicles available for home-pickups, residents' use of the well-publicized service was below the desired targets. There was a huge concern that far too much electronic waste and toxic substances were making their way into the regular garbage stream, posing an environmental hazard at already overburdened landfill sites.

To solve this societal problem, besides keeping two vehicles picking up the different types of waste (*HazMobile* and *ElectroVan*), AIR MILES reward miles were given to those who participate in the initiative. The results were incredible with locations where residents received an AIR MILES Bonus Card having up to a four times higher response rate than in locations where this was not offered.

#### **3.2.3.5. Other interesting facts**

AIR MILES is the possible answer for one of the toughest problems researchers face – getting people to answer **surveys** by giving the consumers points just as they get by shopping for pet food, gasoline or wine. As an example, an Ontario Health Study rewarded 35 Air Miles for answering questions to its ongoing survey on common risk factors for disease, including cancer, diabetes and heart disease. This new reward drew 89,000, out of some 200,000 who have filled out the survey so far. (Air Miles for Social Change, 2012)

In the case of the St. John's Metrobus program, the provincial liquor commission has also jumped on board, offering double Air Miles to residents who use public transit on Friday and Saturday evenings, which Souvaliotis predicts will be a "clear behavior modifier."

This entire taps into that “whole idea of getting something for nothing”. While the Air Miles are not necessarily an inducement to purchase something people otherwise wouldn’t buy, but “an inducement to act quickly”.

### **3.2.1. What gets measured gets managed**

AIR MILES for Social Change uses its power and reach to get our social change partners’ messages out more effectively. We help to accelerate awareness of social change issues and drive action.

This can be viewed as a triple win for three stakeholders. Social change partners benefit from increased participation rates in their programs, significantly reduced costs, increased sales, brand enhancement and greater customer loyalty. The AIR MILES Reward Program deepens its engagement with Collectors, enhances brand loyalty and increases revenue. Canadians are the big winners, achieving a healthier and greener society.

By connecting Canadians to programs with positive social benefits, AIR MILES for Social Change has helped the public sector save millions of dollars that would have otherwise been spent on expensive mass marketing, while increasing program participation significantly.

Here are two prime examples of successful case studies with measurable benefits:

AIR MILES for Social Change partnered with Ontario Power to cost-effectively reach more than two-thirds of Ontario provincial households with a pledge campaign that rewards utility customers for conserving energy. The Power Pledge increased participation levels 7-fold – for half the cost of the organization’s previous pledge program.

AIR MILES for Social Change worked with the Toronto Transit Commission to create the Metro Discount Plan, rewarding riders who purchased annual transit passes – and driving sales up 57 percent. The program has demonstrated how a rewards currency can be offered as an incentive for switching to long-term passes, for adopting

electronic smart cards or even for shifting daily commutes outside of peak times. Toronto is the fifth largest city in North America.

### **3.3. Where does the Shared Value Model fits?**

There is a new way of doing businesses. So far, we had on one side the profit at all cost, the so-called Capitalism that aims to maximize the profits and returns. On the other side, there is the “doing good at all cost” usually represented in the society by non-profit organizations with the goal of fixing the “wrong stuff” as environmental, health or economic problems. (Porter, 2011)

The big enterprises that have the goal of maximizing the profits thought “why not give back some?” That is one of the reasons beyond the concept of Corporate Social Responsibility (CSR). However, what is the real impact of writing a check at the end of the year by sacrificing some of the company profits? Not mentioning the tax benefits that companies get by doing it and the positive brand image to the market.

The solution proposed by Porter and Kramer is a new way of doing business. Instead of generating good out of your profit, why not generate profit out of your good? Consumers will love you and buy more from you. By doing this, the more profit you achieve, the more (positive) difference you will make in the world.

Based on this model, Andreas Souvaliotis thought “why not create a program in which people would be rewarded by doing responsible choices?” It actually started focused only on the idea of solving the climate change problems but rapidly expanded to a whole new range of areas of action. This program gives points every time they shop responsible that then can be redeemed by responsible rewards.

The relation between this program and the Shared Value Model is evident from the way the business model was conceived until its proven results. The companies have more profit if the consumers buy “the right stuff” and by doing this, the customers are at the same time satisfying the desire of contributing to a better world. This is the “triple bottom line” advantage where the company wins by having profits, the consumers win by “getting something out of nothing” and the planet thanks both.

### 3.3.1. Challenges & Solutions

LoyaltyOne, owner of the AIR MILES Reward Program, has over 200 partners communicating regularly with over 10 MM Collectors. Numerous processes must be employed to manage this incredible volume and the innovative and entrepreneurial nature of AIR MILES for Social Change posed a healthy challenge to some of these processes. We overcame these early growing pains with collaboration and frequent communication updates to all stakeholders.

Success depended on significant buy-in from all associates, especially the senior leadership team and subject-matter-experts on whom we lean. Strong supportive leadership from our CEO Bryan Pearson has been the key to our success with internal support. Keeping everyone up to date on our many successes, helping them see the role they personally played and celebrating the successes have all been equally important in AMSCs success.

As well it was decided the best way to give AIR MILES for Social Change the space needed to grow in its own way was to make it a separate business unit. This worked well – AMSC could run at a very fast pace with great freedom. The business soared as a result.

### 3.3.2. Key Lessons

When doing such a big transformation, there is a real chance of it doesn't work as expected. It could be a bad definition of the goals, the control of the results or the way to communicate with people. That's why the following five key lessons are very important to take into account when developing such a big change in an existing program.

---

#### **Set a Big Hairy Audacious Goal (BHAG)**

A strategic business statement which is created to focus an organization on a single medium-long term goal which is audacious, likely to be externally questionable, but not internally regarded as impossible. A BHAG encourages companies to define visionary

---

---

	goals that are more strategic and emotionally compelling.
<b>“Triple Bottom Line”</b>	Everyone benefits. Your management team may already be talking about the triple bottom line, otherwise known as "people, planet and profit." But does it recognize the power that loyalty has to invite customers into the social responsibility initiative?
<b>What gets measured gets managed</b>	AIR MILES for Social Change embraced Peter Drucker’s famous quote because only when companies measure their social and environmental impact will we have socially and environmentally responsible organizations.
<b>Carrots are better and cheaper than sticks</b>	Using rewards and positive reinforcement to motivate behavior change is more effective and cost efficient than punishment or negative consequences. AIR MILES for Social Change is encouraging Canadians to live healthier, greener lives.
<b>Address consumer skepticism with authenticity</b>	There is a risk that jumping into any type of social change can look insincere. The critical definer is whether your initiative is a good fit with your brand, core business and customer. Companies must align themselves with social causes in which they can show a track record of commitment. Otherwise, the effort can look opportunistic.

---

All this was taken into account by Souvaliotis when launching Air Miles for Social Change. When selecting partnerships, the company relies heavily on the judgment of two non-governmental organizations – the World Wildlife Foundation for environmental programs, and the Heart and Stroke Foundation for health-related initiatives.

“We truly move hand-in-hand with them, and they act as our filters. They give us the confidence that we’re making the right decision,” he said. “Nobody could ever call us fakers”.

### **3.3.3. Challenges**

In Canada, Air Miles find a very convenient environment to develop the reward program as Canadians are deeply addicted to points’ collection and have a high level of education that makes it easier to share with them the societal problems that the world is facing. The reward program is a success; however there is a question that remains without answer: Would it be possible to replicate this business model in an European market where the population is not that sensitive to the societal problems and the addiction to collect points is not a reality?

Additionally, it is important to clarify in the future what is the influence of the economic environment in the success of the program. Considering a period of economic downturn, as the one most of the European countries are passing by currently, if on the one hand, there is a higher desire of “getting something out of nothing”; on the other hand there is a lower purchasing power which means less money spent and potentially to get less rewards that would make the program less powerful.

Other potential threat that the program is facing is the association with consumerism since it is not possible to dissociate the points’ collection with spending money, or time in something. The threat is real and it is up to Air Miles to manage this situation as there is a risk of considering this a “new way of Capitalism” instead of something that is actually replacing the Capitalism.

Also interesting to see what would be the role of Corporate Social Responsibility in this “new way of doing businesses” as it is suggested before, there is room only for one of them in a company; the question is which of them will prevail?

Finally, it is constantly defended that “what gets measured, gets managed”. The lack of measurement is a reality of many companies and it is important that this changes in the future. How would it be possible to know if what we are doing is right or wrong if there is no way to track the results?

## **4. Teaching Notes**

### **Air Miles for Social Change: Carrots are better and cheaper than sticks**

#### **4.1. Case Summary**

The “Air Miles for Social Change” case describes how an idea of a points’ program with the goal of helping to save the planet by fighting the climate change ends up transforming completely the most popular loyalty program in Canada.

The initial idea was from Andreas Souvaliotis, a well-know social entrepreneur that had the idea of creating a points’ program, called “Green Rewards”, in order to influence the consumers to having more conscious actions concerning the environment, particularly the climate change. With a unique and aggressive investor, the program caught so many attentions from the media that was even bought even before it was launched by LoyaltyOne that was also running the Air Miles program.

By analyzing the Canadian market, it was possible to conclude that it is probably the most developed market in this area and the characteristics of the Canadians “play” very well with this kind of initiatives. There is a big adherence to the loyalty program with each person belonging to an average of 8.5 loyalty programs.

The integration of “Green Rewards” in the Air Miles program was gradual as the values of the program were not totally aligned with the current operations of the company. It was a long process but the goal was accomplished and the company ended up being a more responsible company in its operations.

This new face of the company brought with it new key areas of action concerning the responsible actions and the potential rewards. Healthy lifestyles, clean energy, conservations, waste diversion, and transit adoption become the major focus of the program and the successful cases in an early stage were synonymous of success. The initial results were great but, the challenges are coming with questions being asked more frequently about this business model and how green it really is.

## **4.2. Learning Objectives**

The “Air Miles for Social Change” case has a great theory component of the application of the Shared Value Model by Porter and Kramer to the real life. The idea of generating profit out of your good is relatively recent and the companies that are applying it are still in an early stage of adoption.

The measurement of the Shared Value Model results is another key issue when studying this concept. “What gets measured gets managed” and that is the reason beyond the importance of understanding what are the measurement models and the one that best fits our initiative.

Other interesting topic of study is what really means to be green and to understand the relevance of being green in the actual economic and social environment. A company such as Air Miles for Social Change is exposed to a lot of threats and how to manage the brand close to the members, partners and the society is one of the keys for the success.

### **Additional Relevant Material**

**To supplement the discussion on the context of the concept of Shared Value and whether it is able to fix the capitalism or not these two articles are advised.**

- “Creating Shared Value: How to reinvent capitalism – and unleash a wave of innovation and growth” by Michael E. Porter and Mark R. Kramer (Harvard Business Review)
- “Why Shared Value can’t fix Capitalism?” by Steve Denning (Forbes)

## **4.3. Teaching Questions (TQ’s)**

Regarding this topic, there are some questions that are worth to discuss in order to have a better understanding of the topic itself and the related issues. The identified teaching questions are the following:

**TQ1:** Is this a real new way of doing business or just another way of capitalism?

**TQ2:** What is the difference between Shared Value Model and Corporate Social Responsibility?

**TQ3:** What is the influence of the economic environment in the success of a coalition program?

**TQ4:** How can this business model be applied to a European Market (Portugal)?

#### **4.4. Analysis and Discussion**

In order to provide the students a good understanding of the topics discussed in this case study; it is suggested that after briefly presenting the case study, bring some relevant questions to the class. These questions may not be directly related with the case study but, most likely they are related with the concepts that are present in the case.

**TQ1: Is this a real new way of doing business or just another way of capitalism?**

This question emerges by reasoning that after all this “new way of doing business” may be just a prettier way of capitalism. There is a basic need that is being satisfied but the company is actually profiting out of it. Would it be reasonable to profit out of doing good when you actually could provide the same product or service for a lower price without profiting?

My understanding of this “new way of doing business” is that it is actually fair to compensate those who profit out of doing good. When compared how it worked before (CSR), the companies basically give out some of their profit which is not sustainable and most of the times they actually do it to extract some tax benefit out of it. So this is really a new way of doing business – more fair – which everybody involved benefits from.

There is also another important topic to address within this same question related to the incentive created to consumerism and how green it actually is. This question is particularly relevant due to the nature of the reward program Air Miles for Social Change in which most of the miles you are able to collect are out of the money you

spend. There is a dangerous incentive here of rewarding people by purchasing more things and spending more money.

In first place, the incentives from the program are not only when spending money. There are a plenty variety of actions that are able to provide the members with points for actions besides spending money. Additionally, this should be seen from a slightly different perspective. The incentive here is not to spend more but to spend it in the right way. The goal is to practice the right actions and choosing the right products in order to create sustainability and even getting something out of it.

As Denning (2011) defends, shared value is not as revolutionary as it might seem at the first sight. Besides recognizing that shared value approach is indeed an improvement on this caricature of CSR and the idea of looking for profit opportunities that offer good for society is in itself not a bad idea, the author defends that there is still a big leap from there to suggest that shared value can actually fix the capitalism.

## **TQ2: What is the difference between Shared Value Model and Corporate Social Responsibility?**

The difference between SVM and CSR is the stage of the process where the “doing good” is. In the SVM, the profit comes out of doing good, so the primarily goal is to do the right things and out of it, the company profits.

The CSR, the company operates normally and at the end of the year just passes a check offering that to some project from the company or independent. This will get them tax benefits and a stronger brand image, so it is not certain what is the real reason beyond these actions.

As defended by Porter (2011), the concept of CSV is way deeper than CSR as it is a way for corporations to sustain in the capitalist market driven by competitiveness. On the one hand, CSR focuses on the brand reputation with placing value in doing good as a consequence of the societal pressure, it generates both economic and societal benefits relative to cost in real competition of maximizing the profits. On the other hand, CSV is internally generated and not confined to any financial budget as CSR is. With the

advent of CSV and following strong worldwide advocacy for it, companies started to over think about their vision for the sustainable growth.

**TQ3: What is the influence of the economic environment in the success of a coalition program?**

The influence of the economic environment in the success of a coalition program is a very interesting field of study as there is not a clear answer about if it has a positive or negative impact due to the influence in the consumer behaviour.

On the one hand, there is a higher desire of getting something out of nothing so, in this case, it would be very positive for the program as it would generate a positive engagement with the program and the partner companies. On the other hand, there is a lower purchasing power which would have represent less money spent and in some cases fewer miles earned and a lower impact from the program.

The question remains unanswered and only the future can provide a concrete answer about which one of these options is correct. Maybe both and the coalition programs continue to grow at the same pace as they compensate each other?

The last question of the teaching notes about “**TQ4: How can this business model be applied to a European Market (Portugal)?**” will be deeply analyzed in the next chapter of this project in the format of a Business Plan.

## **5. Business Plan**

This part of the thesis will be a briefly business plan with the goal of providing a potential solution for the previously presented research question about how can a company with a similar business model could enter in the Portuguese market. It includes the description of the products and services as well as an analysis of the Portuguese loyalty programs’ market.

### 5.1. Organizational Structure

The structure of the organization has two major areas of action internally and one external. The internal areas are the incentives program and sales force. The external one refers to the consultant services that the company also provides.

The reward program is focused in improving the reward program by bringing new relevant problems that the program can help solving in the health and environmental areas mainly and also to provide the analysis of the data collected through the membership cards that will allow to study the consumer behavior and consequently to have a better understanding of what would or work regarding the incentive's program.

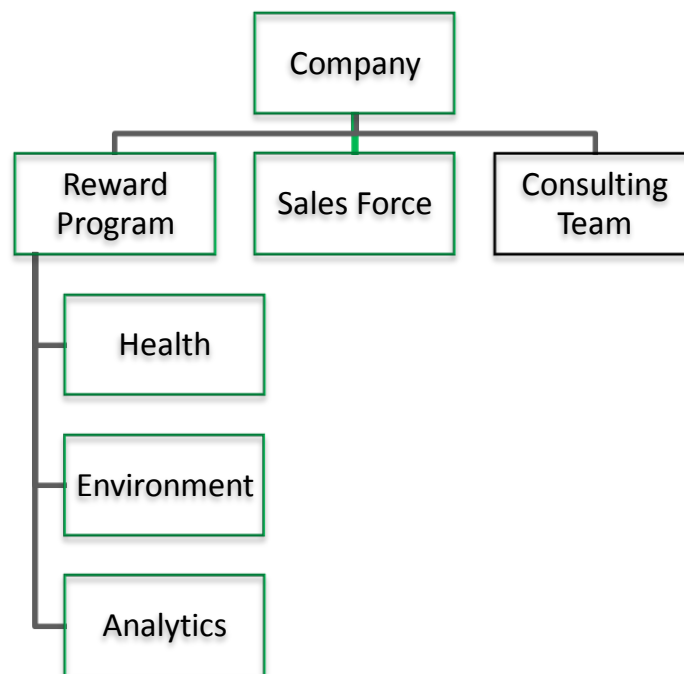


Figure 9 – Organizational Structure

The Sales Force area is basically the area that is responsible for establishing partnership and develops a close relationship with the partners so they would feel more engaged with the program. There is also an important component regarding the network events that represents something important for the partners.

Finally, the Consulting Team is an independent team that works jointly with the members from the Reward Program department in order to analyze if the company fits the program's values and, if not, what it has to do in order to be aligned with the program and join them.

## **5.2. Products and Services**

The coalition program has the aim of rewarding the responsible choices with responsible rewards. The main areas of action are the environment and healthcare. Within each area there several partners that either consists in responsible actions that are rewarded with points or responsible rewards which members can redeem their points for.

There are two key points when judging the relevance of the program for the society. First, there is a need from people to “get something out of nothing”. Technically, the only things they have to do are carrying the program’s card in their wallets and use it whenever they are shopping in a program’s partner. By using it, they are automatically getting advantages out of it by collecting points that can be redeemed for a wide range of rewards.

Then there is the desire from people of “saving the planet”. This is almost an ideal however there are a lot of small actions that we can do to help the environment. Some do not do it simply because there have not enough information about it, some do not do it because it is lacking the incentive to do it. This program has precisely the goal of giving an extra incentive for people to think twice before their actions and doing the right thing to do.

Additionally, there is a mix of need and desire concerning the health care. Obviously, there is a need of having a healthy lifestyle by choosing the right food to eat or to exercise often, however while some have that need for medical conditions, others have the desire to be in shape and to prevent eventual cardio vascular diseases. For both, this program will offer them the push to satisfy their needs or to go further on their desires.

The competitive advantage of this program comparatively with the existing one in the market is the responsible side of it that essentially is the genesis of the program. While the existing programs are built with the goal of attaching people to the brands, this one aims to attach people to the world in a positive way. The conscious of this need of saving the planet have been spread into people’s mind for the past decades and it is

time to get from the conscious to the actions and actually do something for a better world.

As stated before, there are two main areas of action of the program: the environment and healthcare. The following projects will be presented for each area and some of them even overlap in some points. The structure of the projects will be presenting the theme itself, the partners of the project, the reasons why it is relevant for the partner, for the program and for the members of the program and finally how it is integration in the program concerning the collection or the redemption of points.

### **5.2.1. Environment**

#### **5.2.1.1. Public Transportation**

In the public transportation sector in Lisbon there are two main companies operating: *Carris* (Bus Company) and *Metro*. The idea here is to get more people to use the public transports instead of using their own car on a daily basis.

The main advantage for the partners (*Carris* and *Metro*) is to increase the number of users in general and the particular goal would be to increase the number of monthly passes sold. The environmental friendly approach that allows to save a lot of carbon emissions to the atmosphere and also helps people to have a better lifestyle by walking more and having less stressful moments in the traffic which contributes to a health improvement.

For the users, there is the advantage of having in one hand a reward (points) for buying a monthly pass and on the other hand the points they earn can be redeemed for public transportation cards, trips or even monthly passes. All this has very straight forward procedures and can be done through the program's website.

#### **5.2.1.2. E-Bills (Electronic Bills)**

Every day we open our mail box and we have a lot of brochures that in most of the cases we don't care as it is not targeted to us and a lot of bills to pay. Finally, there is a solution for both problems concerning the waste of paper that it represents and the personalized advertising.

What if instead of receiving brochures and more brochures every day, we would receive personalized emails? Even better, we would be the ones that register for receiving the new about a certain brand or product? This would save the companies a lot of time and money, and the environment would appreciate that. The idea here is that each company interest in this project – it has to be approved as an environmental friendly company – would give points to the program members that register to receive their newsletter.

Concerning the bills, it would be offer a certain number of points for those who choose to receive the electronic bill instead of the paper bill. In the same sense, this would allow the company to save, the people to win and the program to save the planet. The targeted companies concerning the electronic bills are in six different areas: gas, light, water, condominium, bank and telecommunications.

#### **5.2.1.3. Gas Stations**

This idea aims to award those who had environmental concerns when choosing which vehicle to buy, in this particular case, the ones that will have some benefit out of it are the owners of hybrid cars. The partners for this project are BP and Galp.

The relevance for the gas stations is to increase the number of clients within the “hybrid car owners’ planet”. This way the program will create an extra incentive for people to choose a hybrid car instead of a regular one. The points will be given to the members whenever they are filling in their gas tanks and have in consideration the number of gallons (it will be a percentage of the gallons).

#### **5.2.1.4. Recycling**

There is a serious societal problem in Portugal called recycling. Besides the huge investment that has been done in the past decade to inform people about how to recycle and to give conditions for everyone to recycle, there is only a small slice of the population that actually does it.

The question here is that is not physically possible to track if each individual recycles or not and so far most of the initiatives concerning recycling are focused on punish who doesn’t recycle than to reward the ones that do it. There is no magic trick here and the project here is basically to deliver at home for free basic recycling trashes when the

member joins the program in order to create the incentive to do it. It's much easier to do it if you already have the tools to do it and the environment thanks.

## **5.2.2. Healthcare**

### **5.2.2.1. Retailers**

Concerning the retailers, the idea is to promote the consumption of healthy food instead of the current programs in which a customer gets rewarded for buying junk food. The main retailers in Portugal that account for a significant part of the market are *Continente* and *Pingo Doce*.

The advantages for the retailers are the power of influencing the consumer behavior in a positive way by giving an extra incentive to buy healthy products, also the incentive to keep going to their stores as they get rewards out of the responsible shopping. For the program this is one of the key partners as this is the most effective way of influencing the eating habits of the population at home.

In the retailers, the program will work by giving consumers points for the selected products according to how healthy they are and to their value. The first condition is exclusive which means that if the product does not pass in the healthy condition, it won't even be considered for being rewarded by the program.

Additionally to the retailers, there will be additional partners to 'judge' whether the products can be included in the program (by giving points for buying it) or not and also to keep tracking the most common health diseases the population suffers from bad eating habits and change them. The assistance commission with the responsibility of approving the products for the program is composed by "*Direcção Geral de Saúde*" and "*Associação Portuguesa dos Nutricionistas*".

The societal problem that this initiatives aims to solve is the bad eating habits of the population that provoke diseases as diabetes, hypertension and obesity. If managed effectively, rewarding responsible choices is a very powerful tool for influencing the consumer behavior. This extra incentive might be what people need to turn their desire of eating healthy into a reality.

### **5.2.3. Restaurants**

Following up the same idea of the retailers, this project has the goal of influencing the eating habits out of home as a significant part of the population has a relevant number of meals out of home, particularly lunch.

The partners for this initiative will be *Vitaminas*, *Go Natural* and *Casa das Sopas*. These are the three most popular healthy food chains in Portugal and the goal is to have people to eat in one of these places instead of going to McDonald's or Pizza Hut. This will help the partner restaurants to increase the number of clients and, at the same time, people will be eating healthier by responding to this extra incentive.

This is a sensitive topic as some of these restaurants have menus that are not that healthy so, the solution is to use the same assistance commission, which approves the products from the retailers, to approve or not the menus from these restaurants. This means that you won't get the same number of points for every menu, the healthier the menu is, the higher the number of points you get.

#### **5.2.3.1. Gyms**

The goal here is to promote the regular exercise to avoid the sedentary – one of the bad lifestyle habits of the population. The partners are the Virgin Active and the Holmes Place as these are the most well-known brands in Lisbon and having the opportunity of being a member of one of these gyms encourages even more people to join a healthier lifestyle.

The project will work on both sides of getting points out of it and getting points from that. So, people will be able to redeem their points for a monthly free-pass in one of these gyms (with restrictions of a maximum of one monthly free-pass per semester). The idea here is to encourage people to go to the gym and then it is up to the gyms to persuade them to register in the gym and keep exercising. For the registration, it will be given points as an extra incentive for being active.

#### **5.2.3.2. Health Centers**

The idea here is to promote the preventive medicine that, besides saving money to the Government, can save a lot of lives. The partners will be the health centers and the public-private hospitals (HPP).

This initiative is focused in rewarding people for going there with points and does not suppose any reward that you can redeem your points for here. The points will be obtained when doing preventive medicine, which includes regular blood analysis and cancer screenings. Additionally, who ever register as organ or bone marrow donor, receives points for that and for each blood donor there is also a number of points associated as a reward.

#### **5.2.3.3. Night Out**

This is an innovative idea with the goal of preventing drinking and driving. The partners will be *Carris* (Bus Company) and Taxis on Thursday, Fridays and Saturdays' night – the most popular nights in Lisbon.

The goal is to reward those who catch a bus or a taxi to go home instead of driving their own vehicles drunk. Potentially, this will save not only their lives but also will avoid putting in risk others. Hopefully, this will represent an increase of customers for both buses and taxis and that is the partners' main advantage.

#### **5.2.3.4. Smoking**

Unfortunately, smoking is one terrible habit that a significant part of the population has and it damages not only their own health but also the one from the ones around them. In partnership with the "*Associação de Prevenção e Tratamento do Tabagismo*" (Smoking Prevention and Treatment Association), this project's goal is to encourage people either to fight or to prevent start smoking.

The rewards would be divided into two rounds. The first one would be in the moment of the registration for the prevention sessions or treatment and the second moment would be when they finalize the "course" or the treatment. The last round would be much more rewarding as the goal here is not only to register and then never show up, the goal is to keep people informed and healthy.

### **5.3. Reward Program**

The reward program has different categories of rewards aligned with the two main areas of action of the company – environment and health. The categories of rewards are transportation, inside the home, outside the home, energy alternatives, personal care, charity donations and others.



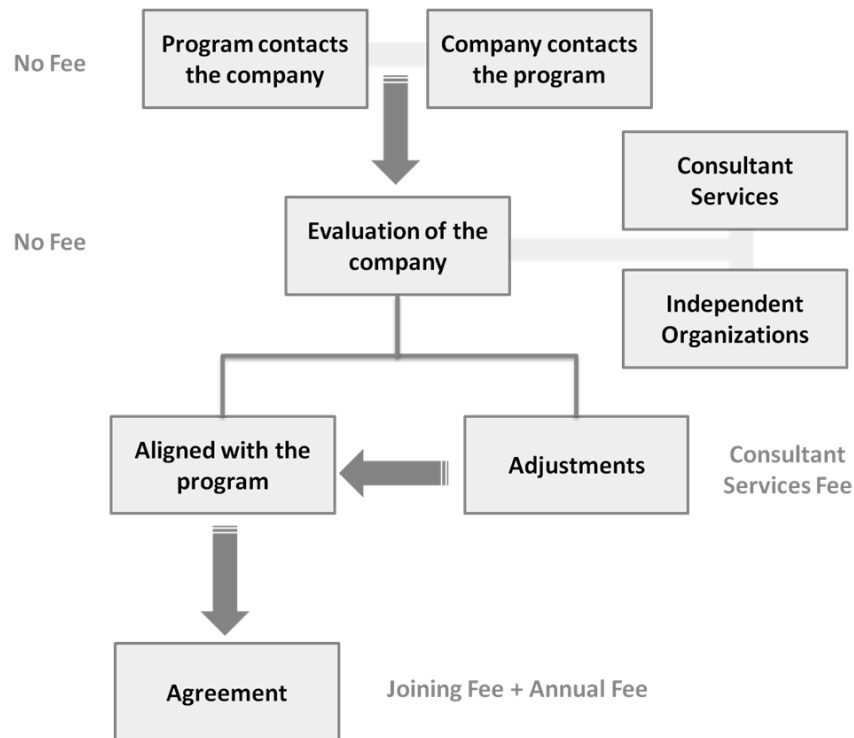
**Figure 10** – Reward Program’s areas of action

#### **5.4. Pricing Strategy**

This business model is a not a traditional one however is not that far from a company that produces its own products and sells them to intermediates. The difference is that instead of manufacturing physical products, the points are what make it sold supported by an essential marketing service to choose the right intermediates – partners – and create the most valuable products.

There are two different kinds of partners depending on the value that the partners bring to the company – regular and premium. The decision of which type of partner a company belongs to is exclusively from the program and supporting organizations and not depending on the fee that the partner pays. The decision is based on an analysis of the company and its loyalty program in order to extract whether the potential partners will bring new members to the program or if the program is the one that will bring more customers to the partner.

The following chart is important to have a better understanding about how the all flow works and which operations require a fee payment:



**Figure 11** – Program operations and correspondent fees

The first stage of the process does not involve the payment of any fee until the evaluation of the company. After the evaluation either the company is aligned with the program and is ready to join it or it might need our consultant services in order to become more environmental friendly and promoting the health of their associates.

It is crucial to understand that the consultant services provided will give a range of suggestions regard the mentioned areas however the goal here is essentially to overcome the risk of letting a company join the program that ends up the having operations that strongly affect the environment, for example by having a carbon footprint over the limit.

There is also the possibility of charging for a project instead of the payment of an annual fee as there is not obligation of being partner of the program with no term. Even in some projects it does not make sense to do so as it might only have relevance for a specific season of the year. In this case it will be applied a project fee dependent on the duration of the project and the volume of promotion needed to achieve the set objectives.

In addition to these extra payments, there is the payment of the points. This is will the main source of revenue for the program. After having the agreement set with the partners, there is a price deal of the points which means that for each point that the partner rewards the member of the program; the partner pays a predefined price.

This is the aspect where there is a difference between the premium and the regular partners. The premium are bringing new members to the program so they will pay less for each points as it should also be considered the impact it has on the value of the program and the powerful advertising that it represents. The regular partners will pay a higher price as they should consider belonging to the program as a marketing investment according to the promotion that will be done for the partner and the increase of new customers.

Summarizing, there are three main sources of revenues: the consultant services, the program's fees (joining and annual) and the program's points. The consultant services are the most volatile activity as it will depend on the partners that are joining the program and their needs. The program's fees are regular as it represents the fees the partners pay every year, or by project. Finally, the program's points are the most important source of revenue and will depend on the number of members of the program and the volume of transactions they do using the membership card.

## **5.5. The Market**

### **5.5.1. Market Overview**

The Loyalty Programs market in Portugal is still in an early stage of development. The program with the most number of members has less than half of the market. The market in size is still considerably big however, is a very fragmented market which means that there are a lot of small loyalty programs and only a small slice aggregate more than one company.

There are not many studies about the Portuguese loyalty market and the segments are not uniformed which means that each company adopts the most convenient market segmentation according to the type of business and customers' profile.

The market is continuously growing at a steady pace. As an example, TAP Victoria – the air miles program from TAP Portugal – grew at an average rate of 3% in the last two years and it is a program that has a more restricted target segment. The Continente Card has been able to reach about half of the market in five years and it is supposed to keep growing at a slower rate.

The current economic environment helped a lot the growth in this area since the Portuguese have been struggling with financial difficulties and this card allows them to save a considerable amount of money plus having discounts in partners or getting rewards from redeeming the miles in case of TAP Victoria. This was also conducted by the chance of “getting something out of nothing” that allows the customers to get discounts or points only by giving out some of their personal data.

### **5.5.2. Key Characteristics**

The members of loyalty programs in Portugal are characterized for being **patient**. This means that they prefer to collect more points which will allow them to redeem them for a better reward than to redeem them as soon as they have enough points to do it. As an example, the members of TAP Victoria have to wait (collect miles) for about 15 months on average to get their first reward from the program which means it a big period since joining the program until getting something out of it.

### **5.5.3. Main competitors**

The loyalty programs market is divided into four core groups and then the others are very small as they have not a relevant role in the market analysis. The four major groups are Air Miles, Retail, Gas and Telecommunications, the last one with less relevance but still present in the market with a big number of members.

#### **5.5.3.1. Air Miles**

By talking about air miles programs in Portugal, we have necessarily to talk about TAP Victoria, the air miles program from TAP Portugal. The program is probably the most relevant and engaging in the country. Every air company has its own loyalty program as it is “more expensive” to have it than not to have it since it is an important criteria in the decision making process. Apart from TAP Victoria, the Lufthansa Miles & More program is the most popular in the country but still with a long distance between them.

The programs in this area work generally in the same way. They are associated with a credit card and the more you shop, the more miles you get. Additionally, you can earn more miles than usual if buying from the air company or one of their partners. The number of miles needed to get the major reward is very high which means that the average member should not be able to travel more than once a year with a free flight that represent around 90% of the redemptions.

#### **5.5.3.2. TAP Victoria**

Since this is the most relevant loyalty program in the Portuguese market and also because of the evident similarity with the Air Miles program from Air Canada before the integration of Green Rewards, this program is worth to be deeply analyzed.

Since this is the most relevant loyalty program in the Portuguese market and also because of the evident similarity with the Air Miles program from Air Canada before the integration of Green Rewards, this program is worth to be deeply analyzed.

There are two different types of miles: reward miles and level miles. The reward miles can be obtained via TAP, air partners and non-air partners. The level miles can only be obtained by the first two and aim to involve the members in the value chain by “rewarding” the frequency of travel. Depending on the number of level miles the member can be have the level miles, silver and gold. The higher the member is the most benefits have such as access to TAP lounge and other benefits.

The miles can be redeemed online, call center and branches. The redemption online is the preferred way to redeem the miles representing 60% of the total. The number of miles redeemed represents 70% of the total miles earned. The number of miles earned concerning TAP and the air partners depends both on the distance and the value of the purchase.

The rewards from the program cover a wide range of products from flights TAP, Star Alliance upgrades, and cheaper tickets for the cinema, or Lacoste’s shirts. Beside this variety, 90% of the miles are redeemed in air partners. There is also an interesting possibility of giving miles to make up for the emission of carbon. Imagining that someone travels a lot and what to compensate the environment for the emission of

carbon that indirectly is creating, in the TAP Victoria program that possibility is real however, there is still only a small percentage of members joining this initiative.

The communication channels with the members are essentially online, mobile (text messaging) and soon it will also be possible via mobile app. The only communication that involves sending a letter is precisely when the member joins the program and it is necessary to send the membership card.

#### **5.5.3.3. Retail**

The retail sector has two major players – Continente and Pingo Doce however they have different approaches to the market concerning the customer relationship.

##### **Continente Card**

The target of the Continente card is all the Portuguese families. With over 3.2 million of active users, this card allows the clients to earn and use discounts by shopping in the grocery. There are not real points involved or rewards to redeem points, the discounts are accumulated in the card and you can use them in your next visit to the store.

The loyalty card is considered by Continente as an extremely relevant tool to maintain a close and personalized relationship with their clients. This relevance is validated by the increasing number of members of the program, and by the increasing use of the available discounts. The estimated cost savings from the customers since the beginning of the program in 2007, are about 1.3€ billion.

##### **Pingo Doce**

There is not a loyalty program from Pingo Doce however, since they are such an important player in the retail sector (no. 2) and have an interesting approach to the customer relationship. The target is the same as Continente – all Portuguese families – however instead of creating a loyalty program with points and discounts, they have two different tools to engage the clients: “always low prices” and “Poupa Mais” (which means “Save More”) initiatives.

The “always low prices” is the strategy the company follows by competing aggressively in the market with lower prices when compared to the competitors and that is the

main incentive for customers to “come back” to the store. “Poupa Mais” is the recent card created jointly with BP (gas stations) that gives 2€ of discount in gas for each 30€ spend in Pingo Doce’s stores.

Since this not really a loyalty program but more a pricing strategy and an isolated initiative, Pingo Doce should not be considered as a direct competitor. However, since it actually “steals” clients from Continente (and their loyalty program) with these tools, it should be considered as an indirect competitor.

#### **5.5.3.4. Gas Stations**

The gas stations sector can be analyze as a whole once besides obviously having the same target, they also have similar approaches to the market. The two main players in this sector are Galp and BP. Both have programs of points that you accumulate each time you fill your gas tank, and afterward you can redeem for products in the gas stations stores, services or other discounts. The range of rewards varies from discounts to music festivals to frying pans.

This sector of the market is underestimated by the gas companies as they see no potential in growing a more complex and engaging loyalty programs. The strategy has been to partner with the big retailers and provide the customers with discounts in gas.

#### **5.5.3.5. Telecommunications**

The two major telecommunications companies – concerning only mobile networks – both have points programs with a small impact on the clients. The program is based on accumulating points each time either you charge your mobile account with money or you buy something from their store.

The points can be redeemed by products in the store as mobile phones or accessories. Usually, the points by themselves are not enough to get a reward, it often implies to use points plus money in order to get something out of the collected points.

#### **5.5.3.6. Others**

In Portugal, there is a particular case of a successful loyalty program in an area that is not that common to see. The ACP (“Automóvel Clube Português”) is an established brand that basically provides you with car assistance 24/7 anywhere you need – this is

the basic need that is being satisfied. However, the program has a wider range of advantage as it a lot of strong partnership with well-known brands.

The program has so many advantages that even people that don't even own a vehicle actually are member of the programs. The partnerships of the program include discounts in health insurance, legal advisory, car assistance, driving school, gas stations and a total of over 5.000 partners. The program is not points-based as an annual fee is pay (from 39€ to 84€) which gives you access to all of these advantages.

#### **5.5.4. International Benchmarking**

In addition the analysis to the Portuguese market, it is also important to analyze the existent and successful coalition programs existent in other markets. Besides the AIR MILES in Canada – probably the most successful worldwide – there are some that would be interesting to take a look at as Aeroplan (Canada), Multiplus (Brazil) and Nectar (UK).

### **Aeroplan (Canada)**

Aeroplan is a Canadian loyalty program based in Quebec owned by Aimia, a global loyalty management company. The program was created in 1984 by Air Canada as an incentive program for its frequent flyers. Currently, it has approximately 4.5 million active members in the program. Recently, Aeroplan evolved into a loyalty marketing program by start doing partnerships with retailers as Sobeys or Nestle Canada.

This program is also used by other companies as Air Creebec, Canada North, Calm Air, and First Air. The strongest point of this program is the importance given to the data collection and analysis that allows the company to have a better understanding of the members' preferences and expectations. The points' collection is associated via credit cards from AMEX Bank of Canada and the flight rewards are available on Air Canada and Star Alliance carriers.

### **Multiplus (Brazil)**

Multiplus is the largest loyalty program and frequent flyer company in Brazil and Latin America. It is a coalition program with about 370 partners and 11 million active members. Currently the main partners are TAM, Accor, Oi, BM&F Bovespa, Droga Raia and Groupon. The company is owned by TAM – the Brazilian unit of the Chilean airline conglomerate LATAM Airlines, but it has no control over Multiplus.

### **Nectar (UK)**

Nectar is the UK's largest loyalty program. Over 19 million collectors earn Nectar points when shopping for groceries, doing DIY, booking a holiday, paying household bills, buying petrol and even getting their car serviced. Collectors also earn Nectar points every time they shop online via nectar.com at over 500 leading online retailers.

Since Nectar's launch in 2002, over £1.5 billion of rewards have been spent by our collectors. Rewards include money off shopping, travel, eating out, and general merchandise. Nectar is currently owned by Aimia, a global leader in loyalty management that also owns the Aeroplan program in Canada.

From this overview of the international markets, it is possible to extract that it is not essential to be associated with an airlines company however it seems to help a lot. The presented markets are in an advanced stage when compared to the Portuguese but the principals for reaching the success will remain basically the same – to create value for the customers in order for them to join the program and feel engaged.

Other interesting fact is that none of them is “green” as the Air Miles for Social Change program is. This is a big opportunity to explore as the acceptance of the population is much higher once you convince them that you are actually doing the right thing and they can do it so and even “profit” out of it. In practice, let’s say that Air Miles for Social Change is the only one that is applying the Shared Value Model in the sense that it is generating profits out of their good – and that’s a big difference.

## **5.6. Competitive Business Strategy**

After having an overview of the market, it is important to deeply analyze the competitiveness of the market in order to obtain a better insight about the conditions of the market the company is entering. This analysis has two elements, the analysis of the industry structure and the SWOT Analysis.

### **5.6.1. Analysis of Industry Structure (Porter’s Five Forces)**

The analysis of the loyalty programs market was computed based on the Porter’s Five Forces Model which aimed to extract the market conditions and the overall attractiveness of the market. In order to extract some conclusions from this analysis, the dimensions analyzed are the power of suppliers, threat of new entrants, power of buyers, threat of substitute products and rivalry amongst existing firms.

**Power of suppliers:** The power of suppliers is **medium**. The suppliers in this industry are different from the majority of the sectors. The partners of the program should be considered the suppliers as they are the ones that provide what the company is going to “sell”.

There are a lot of available partners in the market however the ones that actually create value for the customer and for the program are only a small part of them. Due to the importance of having the right partners in order to create more relevant value to the customer increases the bargaining power of the suppliers.

**Threat of new entrants:** The threat of new entrants is **very high**. The risk is real as every single company can create a loyalty program in order to engage the relationship with their clients. The entry barriers do not exist and with even a small investment it is possible to create a loyalty program, which obviously does not guarantee that it would be a good one.

The economies of scale are real – the more members a loyalty program has, the more value is enabled to be provided to each member. The switching costs to the buyers are inexistent as there is no cost associated in being member of a loyalty program. Additionally, the market is in an early stage of developing which means that it is expected a continuous growth over the next years.

**Power of buyers:** The power of buyers is **low**. If on the one hand, the loyalty programs needs the members to gain scale, on the other hand, a coalition program with have a wide range of advantages that the 'buyers' (members) will not want to lose – accordingly to the idea of "getting something out of nothing".

This will be the first coalition program in the market which means that there is one big and unique loyalty program in the market which every customer wants to be a member of. The advantages offered by this program are different from the existing programs as there is no program reward responsible choices as well as there is no program that involves such a wide range of relevant partners

There are no switching costs as there are no actual costs for the member. The only 'cost' of not being part of a loyalty program is not having access to the advantages and rewards that it offers. The members always win as they don't have costs and they only get advantages out of this membership. The more points they earn the most advantage they are extracting out of this program.

**Threat of substitute products:** The threat of substitute products is **medium**. As there is no price in belonging to a loyalty program, the customers can belong to a plenty variety of them and have advantages in each of them however, there is no program that enables you to have one single card that allows you to collect points almost everywhere you go, or everything you do. The substitute programs are very limited

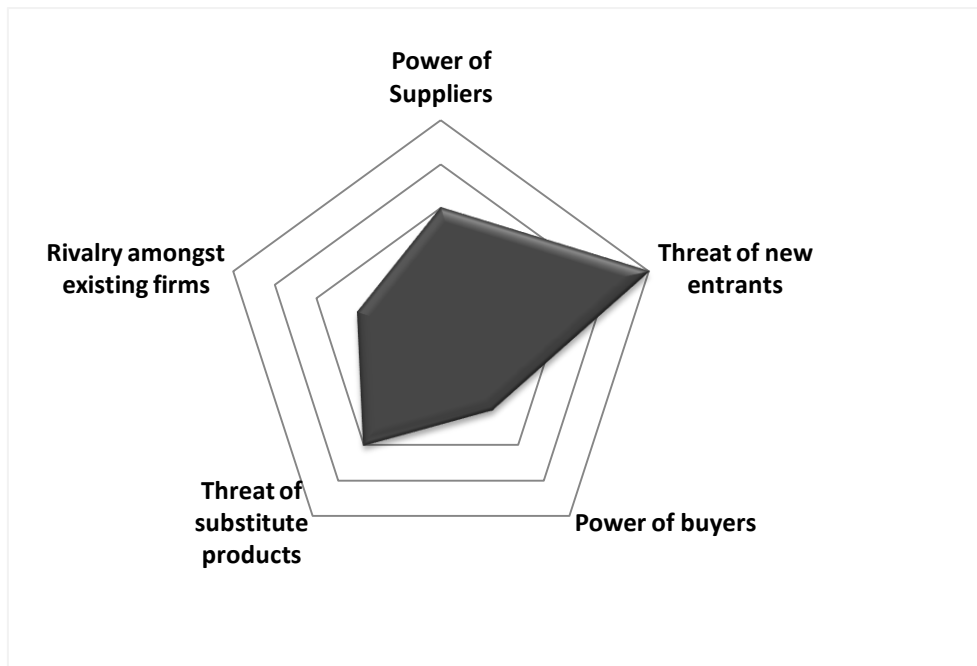
which mean that the risk of switching from one coalition program to a lot of “single” programs is very low; the opposite is the common way.

The real threat comes not from the other loyalty programs but, from the competing companies regarding the value offered to the client. The companies that compete in price, which means that instead of creating the incentive to the customer to earn points and then redeem them for rewards, these companies offered immediate discounts to the client. This is something that should be taken into consideration particularly due to the present economic environment of the country, in which customer privilege paying the less immediately, and also the perceived value for customer as “there is less money going out of their wallets”.

**Rivalry amongst existing firms:** The rivalry amongst existing firms is **low**. The number of players in the market is very high but the number of what can be called competitors is relatively low as the market is heavily composed by small programs.

The size of the market is relatively stable with a natural trend to growth. The programs are become more sophisticated but very slowly. Besides the leading three programs that show a moderate innovation, there is not a big difference between the remaining ones.

The rivalry is not intense as the market is characterized by having one leading program – travel (miles) and retail – in each sector. The competition is diverse as there are companies in a lot of different areas that are investing in loyalty program with the goal of retaining their customers in competitive markets. There no really exit barriers, however after having such an engaging program, it’s not likely that the program just shut down – it might have changes over time but, the main goal will always remain the same – to keep your best customers.



**Figure 12** – Porter’s Five Forces of the Portuguese Loyalty Programs’ Market

From the analysis of the industry, it is possible to extract some relevant conclusions about the market attractiveness. In first place, the power of the suppliers and buyers are relatively low as on the one hand there are a lot of partners that are willing to join the program only the brands that already have a relevant existing program have some extra power, on the other hand, the buyers will not have that much choice since it is actually free for them and the advantages are so many in such a plenty diversity of areas that sooner or later they will become members.

The threat of new entrants is very high since every brand might create a loyalty program. If considering only the coalition programs, it would be low as the market is not that big to support more than two programs with this dimension. The threat of substitutes refers to the other market approaches as Pingo Doce does in the retail sector by competing with aggressive discounts instead of developing a customer relationship and concerning the economic environment, it might be a substitute hard to compete against.

Finally, the rivalry amongst existing firms is low since the companies are focused on their own brands and there is not an aggressive competition by trying to steal members from one program to another. The customers can belong to both program so

the point here is the competition to check which program has the most value to deliver to the customers.

### 5.6.1.1. Industry Life Cycle

As stated before, the Portuguese market is still in an early stage of development. The following graph show the stage in which the countries where the most successful loyalty program exists are when compared to Portugal.

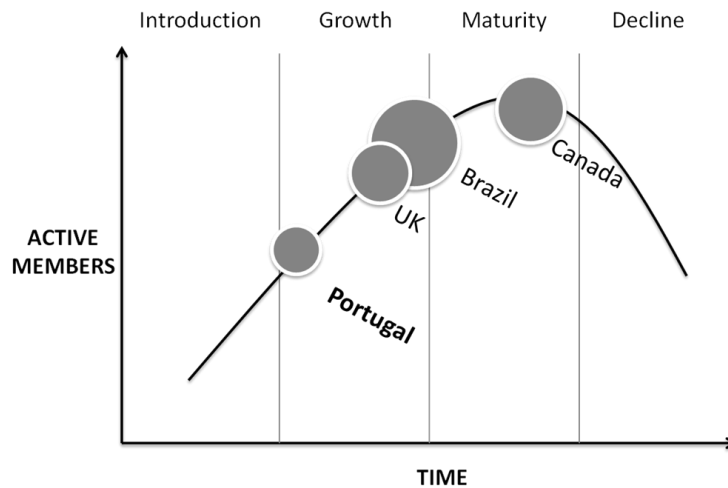


Figure 13 – Industry of Loyalty Programs’ Life Cycle

This graph represents the industry life cycle in which is possible to see that Portugal still has a lot to grow to reach the scale of the other countries concerning the number of active members of the programs. There is something that it will never be possible to compete against that is the size of the potential market. Just to have an idea, the number of active members of Multiplus, from Brazil, is higher than the whole population of Portugal.

### 5.6.1.2. Market Trends

Currently, the main market trend is the diversification of the existing programs by settling partnership with other companies. The most common are the retailers with the gas stations. This has been evolving over the years and is expected than in the near future this trend will keep expanding with the agglomeration of existing loyalty programs.

The “green” trend is not a trend yet but it might be in the near future. The knowledge about what is wrong and right is in each of us conscious and we just need a little push

to do what is right. This is a great market opportunity that so far was only explored in Canada with a great success.

The internalization is not common in this sector however it makes sense to be in the future as a consequence of the globalization. Imagine that I am an executive that travels very often and sometimes I have to spend a couple of months out of my country developing project. Why can't I be able to collect all my points into the same account? There is still a long road to travel to reach this point because the associated costs with this possibility might not compensate the relevance for the customers.

### 5.6.2. SWOT Analysis

After getting to know the market conditions, it is relevant what are the strengths and weaknesses of the company and how can the company on the one hand, can take advantage of the market opportunities and on the other hand, to mitigate the risk of the market threats. To provide this analysis, it was used the SWOT analysis as following presented.

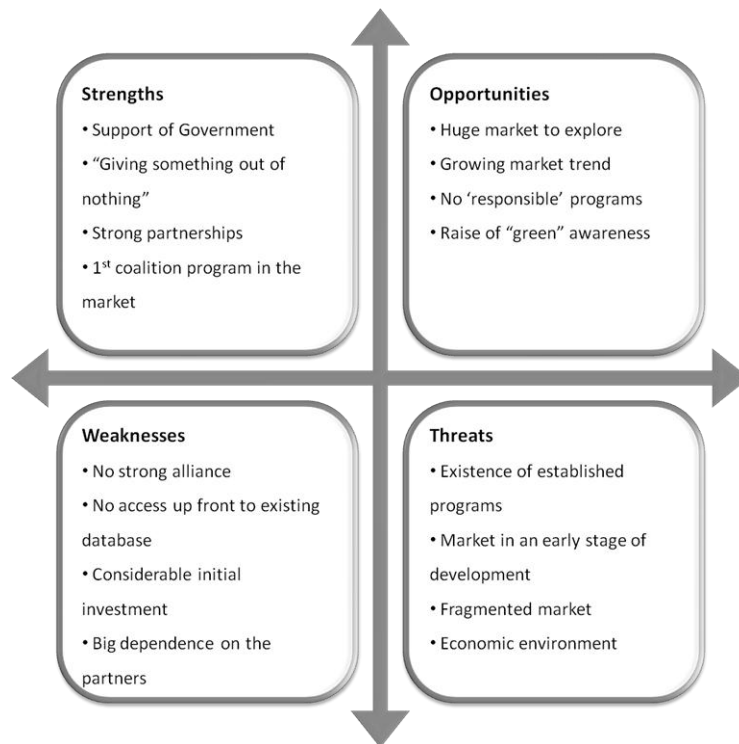


Figure 14 – SWOT Analysis of the proposed reward

## **5.7. Marketing Plan**

### **5.7.1. Core Strategy for Marketing**

The marketing strategy focus in three major points: environment, health and rewards. The first two are concerning the responsible actions that people can do to save the environment and their own health. The rewards regarding what the extra advantages they have in doing so.

The environment was actually the initial idea from Andreas when developing the Green Rewards program and this is the best way to contribute to “save the planet”. The focus within this point will be to share our concerns about the current environmental situation of the world and where the path we are taking is leaving us. Most of the people have no idea what is the real impact of their actions on the environment and the aim of this program is precisely to inform them the consequences of their actions and what they can do to fix it.

The health issue is very sensitive and is basically centered in promoting a healthier lifestyle to the population. The bad eating habits and not exercising enough are two main concerns of the society nowadays and they have to be fight. The goal is to inform people how their bad habits are damaging their own health and what consequences can they have in the future. Also, it will have a big emphasis in what can they do to fix them.

Finally, the rewards are way to engage people to join the program and incentive them to change their consumer behavior in a more sustainable approach. There is a lot of information about the environmental and health issues however it is not enough to make people to act responsible. The problem is, either the inefficient communication, or the incentives are not enough. Both problems are taking into consideration in this program, the communication by providing more information about the small actions people can do to help the environment and their own health, and the rewards is what makes everything moves – the response is much higher when there is an incentive associated with the action.

### **5.7.2. How target will be aware?**

To reach the target, there are two different stages: the moment when the program is launched and the continuous contact with the members. When launching the program, the main sources of communication with the target will be the media by releasing press releases informing about the program and the word-of-mouth that will be generated by the alliance of the major loyalty programs in the country.

Additionally, there will be a "TV Ad" that is still one of the most powerful tools to reach this target and the most important will be the promotion that partners will have in their own stores. Asking the customers to join the program when they are paying is the moment when most of the members actually join the program as they usually have an immediate discount.

After the launch stage, the following communications will be done by direct mail (newsletters) and mobile app. The direct mail will regularly inform about the program's new partners and new offers and there is also the possibility of contacting the members in a special offer if requested by a partner's company that aims to have a higher impact.

There will also be the mobile app, that besides giving the advantage of having the possibility of giving rewards for example for those who visit a certain grocery shop more often, it will also have the possibility to have notifications when the location of the member is close to one of the partners' location.

### **5.7.3. Marketing for intermediates**

The partners are the intermediates and promoting the program for them is the key activity that will allow the program to actually create real value for the members. There are three main advantages for joining the program.

The first is the fact that it is the first coalition program in the country which means that the companies might lose more for not being there than the potential costs of being there. Having small loyalty programs when there is a huge program that will work with the most influential brand in the country will just leave them isolated and with a bigger problem concerning the customer engagement as the programs are much more limited.

The prime advertising is one of the biggest advantages of being a partner of this program. Besides the regular communication in the program website, there is also a permanent contact with the member via direct mail and mobile application that will allow the members to know the new partners of the program and the more recent initiatives that will allow them to earn points.

The last, but not the least, main advantage is the improvement of brand image, and brand awareness, for being a partner of a program that has major environmental and health concerns. In such a modern society, the population has conscious what is right and wrong to do and promoting what is good is always a positive point for the brand. This can never be negative for the brand and in practice the majority of the money they will spend by joining the program is when they make money, so the risk is lower and the potential benefit is good for all.

#### **5.7.4. Public Relations (PR) Activities**

In this business, it is very important to have an active public relations department as it is crucial to keep the partners engaged with the program and also to promote the network between the partners of the program.

There is also an important activity crucial to support the credibility of the program – the consultant services. This area of the company has the important role of analyzing a company that demonstrates interest in joining the program to proceed to an evaluation of how environmental and health responsible the company is. The company might fit the desired profile and join rapidly the program or might need some adjustments in order to be aligned with the program values. The degree of involvement in the partners depends on the project itself, there might be an isolated project in which does not make sense to change anything in the company and a bigger project might presuppose a higher level of adjustment.

The direct mail and the mobile app pop-ups will be the way the program will be reaching the members more often. The information on these contacts will be mainly the new partners, new offers, the current numbers of points and what they can change their points for. This is very important activity as the communication with the population has been one of the major obstacles for people changing their behaviors.

The communication has to be effective and permanent, there is no chance of leaving the members a lot of time without hearing from us and there is also the concern of not being considered spam for reaching them too many times – so the perfect balance has to be found.

#### **5.7.5. What to achieve and how to measure?**

The objectives for the program are:

- To be the leading loyalty program in Portugal considering the number of active members in 2 years
- To reach 80% of the Portuguese household in 5 years

The first objective is essential to guarantee the scale of the program otherwise the program will not have the desired impact in the society. With the expected alliances with the leading loyalty programs in the country, this might be achieved faster than the two years, however it is important to understand that it takes time to get people to get engaged with the program and the two years is precisely to measure if there is a regular use of the program or if that was just an one-time use for an immediate advantage and that was it.

Reaching 80% of the Portuguese households in 5 years is an ambitious goal however it is achievable. After the first two years where most of the members start to feel engaged, there is an important contribution of the “word-of-mouth” communication channel as there is no better advertising than your friend telling you that he or she has these or those benefits by using the program’s card.

Additionally, the measure of the projects will be done isolated as these are objectives of the program itself and the projects will have their own objective that will have to be set jointly with the partner company.

The measurement of the results will be done on a weekly basis concerning the total numbers of the programs and each project will have an isolated measurement to check whether the incentives given are being effective to change behaviors or not. The goal here is to keep tracking the evolution of the program and in the beginning it has to be tighter. As soon as the program starts running, the control will be monthly

instead of weekly regarding the global numbers of the program. The isolated projects will keep being measured weekly as they have a smaller duration and there is less time to act if necessary.

## 5.8. Sales and Distribution

As this is not a conventional business model where the products are manufactured and sold to the customers via intermediates, it is important to understand that there are two main channels of communication with the final customer (members of the program). The first one is via intermediates (partners) where the customers have the chance in first place to join the program and then to collect points by using it. The second channel of communication is the one that comes from the customer directly to the program in order to exchange their points for rewards.

To join the program and collect points:

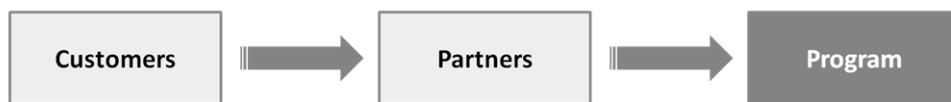


Figure 15 – Flow of joining the reward program

To redeem the points for rewards:



Figure 16 – Flow of redeeming the points for rewards

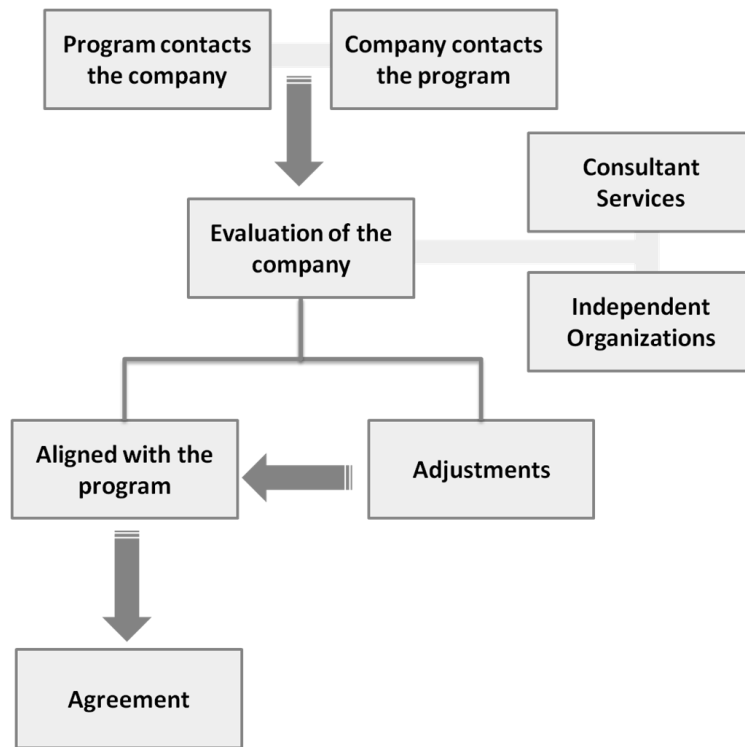
### 5.8.1. Sales Force

The sales force is one of the key activities in this company's business model. There is a basic need of having valuable partners with interesting offers that would be attractive for the customers to join the program. Once they are members of the program, there is a constant need of presenting them with new partners, new offers and new rewards. The program cannot be static as the members will lose the interest for the program and the engagement with the client would not be effective anymore.

#### 5.8.1.1. Terms of the Agreement

The terms of the agreement with the partners are similar for the majority of the partners however, the big players ("premium partners") in the market have more advantages concerning the cost of the points as they are the ones that are actually

bringing new members to join the program and leverage that to promote the regular partners.



**Figure 17** – Program’s flow of operations

The process of reaching an agreement can follow one of two paths. Can be the program contacting a company to join the program if there is value in it, or can be the company showing interest in joining the program. The following steps have no distinction between these two.

There is a mandatory evaluation of the operations and products of the company in order to conclude if the company is aligned with the goals of the program or if it just doesn’t fit at all. In case of adjustments needed, the consultant services of the firm will make the suggestions of what the company needs to do to be “greener” and be able to join the program.

After this first stage, the terms of the agreement are discussed and it is set up an agreement where all the details become real and the partner officially joins the program. The cost per point depends on the value of the company for the program – the bigger the value, the less expensive it will be for the company, the products and services offered – more relevance less expensive, and the duration of the project – a

smaller project might require a bigger investment from the company that is requesting it.

### **5.9. Exit Strategies**

Regarding the exit strategies there are two main possibilities – to run the program independently, or to integrate it into an existing program. Within this last option, the existing programs identified as potential partners are TAP Victoria and Continente. The reasons beyond the choice of these two are the structure of the program, the scale, and the recognition of the brand as an established brand in the market.

The possibility of running the program independently should not be considered as worst than the other but there is an important difference between both – the scale and the brand recognition. It would take more time to reach the majority of the population as it is the goal of the program and to gain the society trust as the program is dealing with sensitive problems and a potential slip might be ‘fatal’ for the authenticity of the program.

There is also another possibility – the integration into an existing program in another country. It would be worthy in the sense that the brand recognition would be easier to get. Concerning the scale it would not have a big impact as it is not that common that a person lives in more than one country and if it occurs, it is probably a target that is not that much worried about getting rewards.

## **6. Main conclusions and future research**

### **6.1. Conclusions**

The main conclusions that are possible to extract from this analysis are in first place the low maturity of the market when compared to the Canadian market – probably one of the most developed worldwide. The Portuguese market is still in an early stage of development and it is predictable that the growth will still take some time until we have coalition programs dominating the market.

There is another difference that was not possible to extract from the quantitative data but from the qualitative – the cultural differences between Europeans and North Americas. The North Americans – Canadians in particular – love to collect points and get rewards out of it while the Europeans are not that crazy about it and mainly prefer to get immediate discounts that properly points to trade afterwards for rewards.

There is also another cultural difference – in this case between Canada and Portugal – that is the conscious that the society has regarding the environmental and health problems. Canadians are much more educated about these problems and that is why they are more willing to help fixing these problems. The Portuguese society is still too lazy to see the benefits in medium and long term of protecting the environment and their own health. The best example that exists from that is the low education that the Portuguese population has about recycling that is a totally established practice in Canada.

The conclusions to extract from the potential solution to implement in the Portuguese market is that firstly there is a need of educating the population and letting them aware of how these problems are affecting the society in general and them in particular and only then it is possible to reward them for responsible actions as they will intent to do the right thing and besides that have the right incentive to do it.

Another important conclusion is that it would be much easier the penetration in the market if associated with a big brand already established in the market. The alternatives suggested were TAP or Continente as they are actually the most well-know loyalty programs in the country and at the same time brand that transmit confidence to the customers.

## **6.2. Limitations of the Study and Future research**

While this study was conducted, there were some limitations that were not possible to pass through and somehow conditioned the potential of this project. The main limitation was the lack of data about the Portuguese loyalty programs' market, which gives reason to the conclusion previously presented that the market is still in an early stage of development.

The other was the limited access to the existent information. From the companies selected as interesting to study for this study, only one accepted to share their insights about the market and the program itself, even though with some restrictions. The others simply denied as anything they could share besides the information on their website is classified as confidential by the company.

The other crucial limitation that would make the presented business plan much stronger was the financials as the only company that accepted to collaborate with this study, do not want to reveal the numbers involved in terms of revenues and costs. This would make the project stronger however there is no point in making out numbers if they were not provided by a trustworthy source.

From these limitations, it is possible to identify that the questions for future research would be mainly the consumer behavior of the Portuguese market in terms of how they react to incentives and also what are the financials involved in a reward program like the one presented.

## 7. Bibliography

### Articles and Books

Argandoña, A. and H. von Weltzien Hoivik, 2009. Corporate Social Responsibility: one size does not fit all. Collecting Evidence from Europe, *Journal of Business Ethics* 89, pp. 221-234

Bildfell, Derek and Cadman, Rick, 2012. Putting Shared Value into Practice. *Stanford Social Innovation Review*.

Bonini, S.M.J., Mendonca, L.T. and Oppenheim, J.M., 2006. When Social Issues become Strategic, *The McKinsey Quarterly*, 2, pp. 19-31

Cameron, Blair, 2011. The Recession Hangover: How the Inflation Is Changing Canadian Retail. *LoyaltyOne and Retail Council of Canada*.

Campbell, J.L., 2007. Why Would Corporations Behave in Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility

Denning, Steve, 2011. Why Shared Value Can't Fix Capitalism?. *Forbes*.

Devinney, T.M., 2009. Is the Socially Responsible Corporation a Myth? The Good, the Bad, and the Ugly of Corporate Social Responsibility, *Academy of Management Perspectives* 23(2), pp. 44-56

Edlund, Björn, 2013. Shared Value – The Thing With Growth vs. Development. *PageTurner*.

Epstein-Reeves, James, 2012. What is 'Creating Shared Value?'. *Forbes*.

Friedman, M., 1970. The Social Responsibility of Business is to Increase its Profits, *New York Times Magazine*, September 13th, 32-33, 122, 126

Hise, Phaedra, 2011. Amazing Race – Retailer Edition. *Colloquy*, Volume 19, Issue 5.

Kramer, Mark R., 2012. Shared Value: how corporations profit from solving social problems, *The Guardian*.

Maas, K. and Liket, K., 2011. Talk the Walk: Measuring the Impact of Strategic Philanthropy, *Journal of Business Ethics* 100, pp. 445-464

Marktest, 2006. Portugueses visitam mais a loja desde que possuem o seu cartão de cliente.

Martin, R.L., 2002. The Virtue Matrix: Calculating the Return on Corporate Social Responsibility, *Harvard Business Review*, 80(3), pp. 69-75

Nestlé, 2008. The Nestlé Creating Shared Value Report.

Porter, M.E. and Kramer, M.R., 2002. The Competitive Advantage of Corporate Philanthropy, *Harvard Business Review* 80(12), pp. 56-69

Porter, Michael E. (2009), “*Strategy and Society: From CSR to Creating Shared Value*”, Harvard Business School.

Porter, Michael E. and Kramer, Mark R., 2006. Strategy and society: the link between competitive advantage and corporate social responsibility, *Harvard Business Review* 84(12), pp. 78-92

Porter, Michael E. and Kramer, Mark R., 2011. Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth, *Harvard Business Review* 89(1/2), pp. 62-77

Porter, Michael E., et al, 2007. Redefining Corporate Social Responsibility (HBR Article Collection), *Harvard Business Review*, *Harvard Business Review*, 85(2) pp. 1-45

Porter, Michael E.; Hills, Greg; Pfitzer, Marc; Patscheke, Sonja and Hawkins, Elizabeth, 2011; “Measuring Shared Value: How to Unlock Value by Linking Social and Business Results”, *FSG*.

Priest, Lisa, 2012. Offering Air Miles to participants brings unexpected success for surveys. *The Globe and Mail*.

Singh, Aman, 2011. The Rise of Shared Value and Four Other Trends in CSR, *Forbes*

Souto, B.F.F., 2009. Crisis and Corporate Social Responsibility: Threat or Opportunity? *International Journal of Science and Applied Research*, 2(1), pp. 36-50.

Souvaliotis, Andreas, 2011. Marketing Beyond Materialism. *The Huffington Post*.

Souvaliotis, Andreas, 2012. The Call to Cause Marketing. *Air Miles for Social Change*.

USA Today, 2011. How to have fun, do good deeds, stay healthy and earn rewards.

Zadek, S., 2004. The Path to Corporate Responsibility, *Harvard Business Review*, 82(12), pp. 125 – 132

## **Meetings**

Dr. Tiago Phillimore, Head of Strategic Marketing – in 30.03.2013