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# Uncertainty in Canada's rewards coalition has customers holding back

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By Robin Arnfield

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Canadian cardholders are holding back from applying for travel rewards-linked credit cards while they wait for the fallout from Air Canada's decision to withdraw from the Aeroplan coalition loyalty scheme.

The future of the three credit card programs linked to Aeroplan is uncertain, especially as Air Canada has yet to announce its new issuing partner.

TD, CIBC and Amex Canada, issue Aeroplan-linked credit cards, enabling cardholders to earn miles with Air Canada, the country's flagship carrier. Aeroplan points can also be earned and redeemed at a wide range of Canadian retailers. According to MarketSense, a Canadian cards industry market research firm, 7 percent of Canadian credit cardholders have an Aeroplan-linked credit card with one of the program's three Canadian issuers. "Also, 44 percent of all Canadian credit cardholders belong to the Aeroplan program," said Lynda Lovett, principal at MarketSense.

Air Canada originally owned Aeroplan, and in 2002 spun the loyalty scheme off to a separate company, Groupe Aeroplan, which changed its name to Aimia in 2011. The airline plans to withdraw from Aeroplan in June 2020, and will set up its own loyalty scheme.

Air Canada said on its website that it expects to continue to making Air Canada flights available for Aeroplan redemption after June 2020, although Aeroplan members won't be able to use their miles for travel with Air Canada's Star Alliance partners.

In 2017, Aeroplan's 5 million members redeemed their miles for 2 million flights on Air Canada and airlines belonging to the Star Alliance, including Air Canada.

In September 2017, Air Canada told Bloomberg it will seek to partner with a Canadian credit card issuer for a co-branded credit card. Air Canada reportedly said that Aeroplan is expected to have a net present value of at least C\$2 billion over 15 years.

"There will be a lot of competition among credit card issuers to woo Aeroplan-linked credit cardholders away from TD, CIBC and Amex, especially if the new version of

Aeroplan doesn't include Air Canada as a redemption option," said Mary-Anne Mahuestis, principal at MarketSense.

"Most people who travel in Canada have used Air Canada for at least one of their last five flights, and Air Canada accounts for a very high share of overall air volume in Canada," Mahuestis said. "Also, Aeroplan-linked credit cardholders have higher education and higher levels of income than other credit cardholders, and are professionals or senior managers. So they are an attractive demographic."

Amex's partnership with Aeroplan expires in 2020, while CIBC and TD's partnerships with the loyalty scheme expire in 2024. As yet, none of the parties involved have stated whether they will renew their relationships with Aeroplan.

Originally, CIBC was the primary Visa credit card issuer for Aeroplan, but its two-decade partnership ended in 2013, when TD became the primary Visa card issuer. A deal between TD and CIBC ensured that CIBC can offer Aeroplan-linked Visa cards to cardholders who have other accounts with it until 2024.

"All the big Canadian banks offer their own-brand travel rewards credit cards," says MarketSense's Lovett. "We find that the bank-run travel reward programs receive stronger loyalty ratings and they have better service, offering greater flexibility and more options for redemption than Aeroplan does. Aeroplan's program relies on inventory from Air Canada, so people have trouble getting the flight they want. But with the banks' loyalty programs, you redeem points against the flight you want to book."

#### Crowded airspace

TD's travel cards include the First Class Travel Visa Infinite card. Royal Bank of Canada, the country's biggest bank, has the Visa Infinite Avion card; and Scotiabank has the Passport Visa Infinite card. Since 2014, CIBC has offered its own travel rewards credit card, Aventura, in which it has invested significantly.

Amex and Bank of Montreal, one of Canada's big five banks, offer co-branded credit cards with rival Canadian loyalty scheme Air Miles.

Because of CIBC and TD's relationship with Aeroplan, that would preclude them from a deal with Air Canada.

RBC has offered a co-branded credit card with Canadian airline WestJet since 2010. Last month, RBC announced plans to launch the Ampli loyalty scheme with WestJet.

Although smaller than Air Canada, WestJet plans to expand its domestic and international network.

One possible partner for Air Canada might be Scotiabank, which doesn't have a partnership with a travel rewards scheme.

"It's really a big unknown as to which credit card issuer will partner with Air Canada," said Mahuestis. "The market is waiting to see what will happen, and consumers don't have enough detailed information to decide which direction to opt for."

MarketSense research shows a 4 percent drop in the number of people getting new credit cards over the last year, due to cardholders awaiting new offers.

"People know there will be offers on the table, but they don't know what these offers will be," Mahuestis said. "We have seen significant consumer interest in joining the new Air Canada reward program."

#### Ampli and Aeroplan

The Ampli loyalty program will operate via a mobile app that gives users access to updates about their balance and merchant offers.

Launching by the end of 2018, Ampli will be open to any resident of Canada with a debit or credit card, not just RBC customers, said RBC spokesperson Jennifer Leach.

"Ampli members who pay using an RBC card will amplify their rewards, earning more rewards than those who pay with another FI's card," she said.

More details will be announced closer to the program's launch, Leach said.

WestJet Chief Executive Ed Sims told the Canadian Press newswire that Ampli is an opportunity for the airline to take advantage of uncertainty about Air Canada's decision to drop Aeroplan and attract discontented Aeroplan members.

Aeroplan is giving little information on its plans for its post-Air Canada future.

"We've committed to transforming Aeroplan to provide our members with more value through faster access to rewards, increased flexibility when booking travel rewards, and an unparalleled customer experience," said Christa Poole, senior manager of communications at Aeroplan. "In the next few months, we'll share more details about the transformed program and the benefits for our members."

On its website, Aeroplan says that from July 2020, members won't be limited to seat inventory from one airline or one network when they want to redeem miles.

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In April 2018, Aeroplan added Amazon.ca to its list of merchant partners where members can earn Aeroplan points, CBC reported. However, Aeroplan members can earn points from Amazon.ca only when shopping at the online retailer via Aeroplan's web portal, not from shopping directly at Amazon.ca.

In a blow to Aeroplan, Esso said it would no longer award Aeroplan points at its Canadian gas stations from June 2018, CBC said. Instead, Esso, which is owned by Imperial Oil Ltd, has signed up with PC Optimum, a loyalty scheme owned by Canadian supermarket chain Loblaws. The PC Optimum program launched earlier this year when Loblaw merged the PC Plus and Shoppers Optimum schemes.

However, when Aeroplan-linked credit cardholders use their TD, CIBC and Amex cards at Esso gas stations, they will still earn Aeroplan points, as they do for purchases at any retailer, Aeroplan said.

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Robin Arnfield is a freelance banking and payments industry journalist. He began his journalism career in the U.K. writing for a daily business news service in 1983 and began covering payments in 1986. He has been based in Canada since 2003.