Podcast

Customer first thinking.

Loyalty 2.0

An Interview with Matthew Seagrim, Senior Vice President, Scene+

Matthew Seagrim:

Matthew Seagrim played the lead role in revamping the Scene loyalty program, now called Scene+.

For thirty years the AIR MILES Reward Program has ruled the skies in Canada. Its familiar blue membership card can be found in the wallets of roughly 10 million Canadians. But in recent years AIR MILES has lost altitude. Several high profile sponsors have exited the program, most notably Sobeys, the second largest supermarket chain in Canada, which this past summer switched over to the newly revamped Scene program, now called Scene Plus. The switchover followed the move by Sobeys owner, the Empire Company, to team up with Cineplex and Scotiabank as a joint owner of the coalition loyalty program.

The Scene program was launched in 2007 as a way for Cineplex and Scotiabank customers to earn rewards going to the movies and buying popcorn. But exactly one year ago Scene merged with the Scotia Rewards program to offer members many more ways to earn rewards. Now members can not only rack up points on their moviegoing and credit card purchases, but they can also take advantage of earning opportunities through the online cashback company Rakuten and by booking travel through Scene Plus Travel powered by Expedia. And that's just the start. Next summer Home Hardware stores will be joining the program, making Scene+ a formidable contender for front-of-the-wallet status.

Historically coalition programs have floundered everywhere in the world but Canada. Thanks in part to urban density, the existence of strong national brands in high volume earning categories like groceries, banking, fuel and retail, and an affinity amongst Canadians for loyalty programs (the average household has 13 memberships), the loyalty market in Canada is thriving. It's estimated to be worth $4.4 billion and is expected to grow at a compound annual growth rate of 11% over the next four years. No wonder Scene has elected to transform itself into a full fledged coalition loyalty program, determined to grow its 10 million member base.

The argument in favour of a coalition versus a proprietary program has always been strength in numbers, giving members greater "earning velocity". But a careful balance has to be struck between the perceived value of those rewards and the effort required to obtain them. Attempts to devalue that currency – or make it harder to redeem points – or rely on "breakage" (that is, unredeemed points) to inflate the bottom line - can backfire (as AIR MILES discovered when it tried to put a 5-year expiry on points, igniting a fierce consumer backlash that forced the company to backpedal). Plus, the various category sponsors have to be deftly managed as well. Category exclusivity promises have to be honoured – conflicting strategic priorities resolved - proof supplied that members are buying more, more often. Not to mention the technical complexity of converting purchases across many different payment systems into variable points currency and then personalizing member offers based on their particular affinities.

Podcast

Matthew Seagrim, the strategic architect behind the transformation of Scene, is intimately familiar with all of those challenges. For seven years he worked at former Aeroplan owner AIMIA in charge of product strategy. And for the past seven years he's been in charge of program development at Scene. His efforts are being rewarded – a staggering 65% growth in membership over that time, and recognition as one of the top-ranked programs in the country. But he's on a mission to create a next generation program – one that goes beyond discounts to offer members even more of a rewarding experience.

I began by asking Matthew, who earned his degree in mechanical engineering, whether he ever imagined he'd be running one of the largest loyalty programs in the country.

MS **Matthew Seagrim:** I certainly never did. You know, I grew up in Montreal and made a decision to go study engineering with the intention of using that to build spaceships. That was really the plan, and I kind of steered my course selection through undergraduate to allow that to happen. And I had the good fortune to do really neat projects like a fourth-year inter-university project, working on designs for the Mars Pathfinder Rover. And at the end of undergrad, I came to Toronto largely because there was an opportunity to do some management consulting, and it struck me as, like, a really interesting field. But it was one that I thought I would do temporarily and then, you know, go back to the initial path.

But opportunity has a way of arriving at the most inopportune of moments, and as it happens, you know, there's a move afoot at that point in time with Canada Trust to bring their head office from London, Ontario, to Toronto. And one of my colleagues at the consulting firm approached me one afternoon and said, "Look, they're trying to build a team. They're trying to scale this business. They're trying to relocate it. They've launched a really interesting partnership with Capital One," where, you know, Capital One was entering the country, but did not have any back-office operations, and so there was an exchange of value between the two organizations, you know, Canada Trust to provide Capital One with some back-office support, and Capital One to bring to the table their world-class thinking around analytics and data-driven marketing and predictive modeling, all things that were in a leading edge in that market at that time.

And it just seemed like a really interesting opportunity. So I joined this very small team that was in startup mode, trying to scale the leadership of that business in the Toronto office, and it was fascinating. We learned an enormous amount over a short period of time about how to leverage data, to personalize offers, drive adjudication, make smarter banking decisions, and as a team, we were able to kinda leapfrog our learning based on the expertise of this group we were working with out of the U.S. So, it was one of those opportunities that you jump on in the moment because it seems like a really interesting thing to do, and 25 years later, you realize that you stepped off the path that you were going to be on and onto something new and interesting.

SS **Stephen Shaw (SS):** Yeah, interesting. And beginning to evolve rapidly around that time period.

MS Yeah. Yeah, it was an industry that was really in transformation, and there were some leaders in that space who were using math and analytics to drive personalization and marketing in a way that organizations hadn't historically had to, and it was a period of real growth. And for me and that team, because we were so small, everyone was wearing many hats. And I don't think there were many other places in the country where you could be responsible for a credit card acquisition and also helping to set the adjudication policy and the line assignment policy and the income verification policy. Usually, those duties are quite separated. So, it was a really interesting place to be, and it really kinda set me on a path for the next 10 years working in product development, in one-to-one marketing, in product management, in financial services. And kind of throughout it, there was always this thread because, you know, it was the next chapter in cards of loyalty.

So, you know, I had the opportunity at Canada Trust to work on a number of new co-branded loyalty products, was doing loyalty co-brand design when I moved over to Citibank for a few years, and then ultimately, moved to PC Financial when they were still really in their growth mode, and again, found myself in this extraordinary team of people, small, really committed, passionate about what they were doing, the feeling like you were changing the world through creating something fundamentally new in this position where we were just on a rocket ship, just driving incredible growth and disrupting the industry.

SS So, lots of learning and an amazing foundation in data-driven marketing is really what you were learning at the time, building upon?

MS Yeah, absolutely, and that led me into moving from credit cards into Carlson Marketing, which was then later acquired by AIMIA, you know, gave me an opportunity to broaden into kind of other areas of consumer-focused marketing. So, doing a tremendous amount of product development with most of the major banks across the country, getting exposure to card-linked loyalty through work that Aimia was doing in that space, and then also, you know, quite interestingly, an opportunity to work internationally as well, building out product concepts in Mexico with Club Premier, launching a product in Thailand with Thanachart Bank. So, like, really interesting work and really interesting opportunities in a number of different fields.

SS So, you don't miss not building rocket ships?

MS Well, I think we've been building one for the last number of years, and, you know...

SS True.

MS ...its velocity has been accelerating as we've been building. (10.09)

SS Well, we're gonna obviously get into that conversation quite deeply today. I do wanna go back to your AIMIA experience, though, because you were at AIMIA just prior to joining Scene. Now it's an investment holding company of all things. And I think you left there before Canada decided it wanted to reclaim Aeroplan. Did you kinda see the writing on the wall at that point that that was an inevitability that Aeroplan would come back and repatriate the program?

MS By the time I left, that wasn't inevitable, but one could see that there were lots of reasons that would make sense, for Air Canada, for that partnership. You know, the airline was really looking at the program and, you know, looking for ways that they could better engage directly with their customers. And, you know, the structure that they had with Aeroplan operated by AIMIA created a lot of limitations around their ability to maximize the value that they were getting from the program, to maximize the flexibility in the economics, and a host of other challenges, you know, kind of around the relationship as well. So, when it was finally announced that that was the outcome, it felt like the right thing to do. In many ways, it was the end of an era with AIMIA because that was really the centerpiece of the AIMIA growth story as they went from being a one-program business to an international expert in customer loyalty. So, it felt very much like the end of an era, but, you know, from a... strictly, from an Aeroplan perspective and an Air Canada perspective, it felt like the best outcome for the organizations and also for their members.

SS Of course. Now, you went to join Scene, I'm gonna call it 1.0, as Managing Director, and at the time, it was really, you know, a way to collect points by going to movies and buying popcorn. At what point did it start to shift in an evolution toward, I think you describe it today as a broader lifestyle program, if I may, an entertainment program indeed? You've been there, what, six years? Where along this path did that realization occur that you really needed to go beyond, extend the amount of earn and burn opportunities? At what point did that occur to the organization strategically?

MS Yeah. So, that was really part of the conversation when I joined in 2015. So, when I arrived at the business, you know, it was already a well-loved program. It had expanded far beyond what its founders had expected. And for those who aren't familiar with it, like, Scene was created as a joint venture between Cineplex and Scotiabank, and it was really a bringing together of expertise from both of those organizations to create something really fundamentally new. Cineplex was looking to, you know, have additional information on who their customers were and find ways of learning about their guests and driving behavior, as Scotiabank in 2006 was in a position where they were looking for new opportunities for growth and, you know, new opportunities to attract a younger demographic.

So, when they started the program in 2007, I think, you know, everyone knew that this was something really new in the market. It was a new structure in loyalty that didn't exist anywhere else, but it also didn't exist anywhere else in the same way. And, you know, as it took off and grew from, you know, 2007 through to when I arrived in 2015, everyone was thrilled with how it had expanded. You know, by the time I arrived, it was already, you know, well regarded as a program, even though it was quite niche. But it was in 38% of households across the country. So it had already kind of gotten a really solid foothold. But even when I was interviewing with Cineplex, you know, there was a recognition that it had grown quickly and it was very likely to have momentum that was gonna allow it to continue to grow, but the challenge was going to be how do you carry forward and amplify that momentum, and how do you take it to the next level? And there was a recognition that something was going to have to shift in order to, you know, give it that extra boost. And there were a few things that happened.

You know, I'd say for me, when I arrived, you know, there were a lot of things that we needed to build. There was a lot of kind of architecture that needed to get constructed around marketing and automation and building intelligence into our analytics. But we also recognized we needed to do some work around how we were presenting ourselves to the market. You know, there were some nascent partnerships that were already in place that they kind of just...they felt awkward. You know, it was, like, do one activity to get a free movie ticket. It was hard to kind of make the story make sense. And that led us to do some really profound branding work on the business and spend some time really understanding what the program's role was in the lives of its members.

And as we started talking to our members around, you know, how they were using Scene, you know, for many, it was, you know, "Get a free movie ticket," but we also got all these stories from our members around really powerful ways that it was helping them in their lives. Like, we had, you know, people who told us that, you know, the program was how they went on the first date with the person they later married. We had grandparents who told us that this was the way they could have a dinner out every month with their grandkids. You know, we had families of, well, this is the only way they could afford to do some of the things that they wanted to do in their lives. And the more we dug into it, the more it became clear that the reason that Scene had such a strong member attachment was about more than the reward, it was about more than the transaction, it was that we were acting as an instigator to encourage people to make plans to spend time with their friends and family.

And once we kinda hooked into that insight about the role that the program actually played in people's lives, it allowed us to really rebrand and reposition the program. So, we shifted it from being all about movies in 2015 to becoming an entertainment program, all about encouraging togetherness by 2016. And that was kind of the spark that ignited things for the next few years and helped us to expand our partnerships in dining, it allowed us to partner with the NBA, it allowed us to build out a music brand, it allowed us to really take the program into a place where we could credibly be more than we had been before. And that allowed us...you know, by late 2019, you know, we had gone past 10 million members, and at that point, we were in 53% of houses across the country. So, really meaningful growth out of kind of this one key insight into our members and the role that we played. (17.23)

SS That's fascinating. So, the spark was this aha moment where you look at the reason people are responding emotionally to the program based on the fact that it facilitated, if you will, closer family connections and so on. Is that basically what the stimulus was?

MS That's exactly right. And, you know, I feel like it was not only important for the program in allowing us to do more and to partner with more organizations, it really gave the team a sense of profound meaning, right, about what we were doing. It kind of ignited the imagination with our marketing teams and with our agencies to, you know, build out some really compelling ways of bringing the program to the market. And quite importantly, through COVID, because we had shifted to a position of encouraging togetherness as the core purpose of the program, you know, when movie theaters were closed and restaurants were closed, we still had this meaningful message that we could communicate on this platform around, you know, better together even when we're apart that was equally meaningful all the way through the pandemic as it had been before, and allowed us to kind of, you know, not only to survive through the pandemic but to maintain a level of engagement and relevance all the way through, that I don't think would've been possible if we had kind of stayed with the status quo.

SS Yeah, fascinating. Actually, really interesting, because the knock on, of course, most points programs is they're very transactional in nature and don't really affect people's emotional attachment to the brand, whereas what you're saying is, in fact, there was an emotional attachment to the brand, and that carried us through the period when theaters and restaurants were being emptied out. So, that's fascinating. Now, you've relaunched...not relaunched, you've announced an extension of the program - Scene 2.0, can I call it? You've set down, you know, a more ambitious path, if I may say, to extend the earn and burn opportunities. Can you sort of take me through your thinking around the various strategic partnerships that you've established? And certainly, you've now moved way beyond the range of purely entertainment, Sobeys, of course, and Expedia, and Rakuten, and so on. Can you just take me through your thinking around that?

MS Yeah, absolutely. And this is a story that has chapters to it, and, you know, like most stories, you can't have one chapter without the one before. And, you know, the most recent manifestation is that we've expanded into grocery and, you know, we will soon be expanding into home improvement with Home Hardware coming into the program next summer. But you have to kind of take a step backwards to see how this could've made sense and come together. You know, I think the first chapter was, you know, broadening our value proposition and expanding the scope of the membership and, you know, building out the capabilities and credibility as a program that we had kind of up until 2019. But Chapter 2 was really to the credit of Scotiabank.

So, Scotia, you know, prior to this summer, was a 50% owner of Scene. We've now welcomed Empire as a one-third owner. So the three owners each have a third. But in 2019, Scotia was looking at not only their ownership in Scene but also at their own proprietary program, Scotia Rewards, and trying to, you know, lay out the path that would allow them to be more successful in the market and that would allow them to be most competitive in the face of some pretty strong competitors. If you look across, you know, RBC and TD and others, you know, these are organizations that have got, you know, very well-developed engagement strategies and loyalty strategies. And Scotia, you know, made the strategic decision that it was going to be better in the long run for their organization by going all in on Scene. And so, what we ended up doing at the end of last year was merge the two programs together, and that's what allowed us to launch Scene+.

And so, you know, the Scotia Rewards program and its members effectively were absorbed into Scene and launching Scene+, and that was really kind of the first major expansion late last year when, you know, Scene moved from being entertainment to becoming a broader lifestyle program with the addition of a relationship with Expedia, For Travel, we expanded our e-commerce relationship with Rakuten, we added more ways to earn and redeem points with a series of partnerships, and carved out really a new territory for us from a brand perspective and built a huge amount of incremental value for our members. (22.18)

SS Is the positioning still around togetherness, or has that had to evolve as a result of this?

MS Yeah, it's had to evolve. We now have a range of rewards, and we have a lot more excitement that has been coming to market, with the addition of new partners over the last few months and going forward. So, you know, we've focused principally at this point in time on looking forward to what's next, around, you know, bringing the story of transformation and evolution to the table, but we're trying to do it in such a way that we don't lose a lot of that equity that we've built in the brand position. You know, as we've expanded the program, there's so much of what we're doing that's still about doing the things that you love with the people that you love, and, you know, there's an element of that that kind of cuts through all of the ways that we bring the program to market, even as we've changed kind of the primary leading message.

SS You have Scotiabank, you have Empire, you obviously have Cineplex. At some level, is it tough to get strategic alignment around the goals of the program, or has that been, you know, fairly straightforward for you?

MS So, we welcomed Empire as a one-third owner in the last few months, but leading up to that process, there's been a lot of work with the Empire leadership team and with our board of directors around everyone's aspirations for the program. And, you know, I'd say what's been wonderful is how committed everyone is to the same things. Everyone's interested in building a program that they can be proud of. Everyone's interested in building a program that builds real value for their customers and their guests. Everyone is fully committed to creating something that allows them to unlock the power of insights across this ecosystem that we're building. And so, even as there will be...in any given day, there could be micro elements where we need to kinda sort out the relative priority, I'd say at the macro scale, that we've got tremendous alignment. And it was really important kind of early...in the early days of building out this strategy to make sure that we clearly understood the strategic priorities of each organization independently, and then that we could bring them together and make sure that we could bring them together in such a way that the Scene team would have one job, and we could have one North Star that we could focus on as we were building something greater together.

SS I do wanna just ask you a couple of questions. One is, Sobeys obviously ditched its partnership with AIR MILES, joined up with you guys. Did Sobeys see this as a way to gain advantage against what is a colossal Optimum machine in a way to scale its loyalty program in a way it couldn't have done on its own?

MS Well, I'd hate to answer for Sobeys, and I think the answer should be best delivered by one of the leaders at Sobeys around how they came to that decision. So, I can give you my view on it for what it's worth. You know, I articulated kind of the second chapter around the decision that Scotiabank made to go all in on Scene because I think it was really important to the story with Sobeys. You know, I think it's fair to say that if Scene had been the Scene that it was in 2015, you know, Scotia would not have made that decision to go all in on that program as it stood at that time, and nor would Sobeys.

Scotia made a decision to go all in with Scene as it was and as it could become in the last year, and equally, I think Sobeys saw the commitment from Cineplex and Scotia to build something great together. They saw a level of momentum in the program and a level of engagement with the brand that was really strong. We also had a really strong commitment as an organization to creating value for our owners and our partners, which, like, goes right to this way that the organization itself is structured, which we can spend a bit of time on. But, you know, that was a meaningful part of the discussion, that, you know, Scene as an organization exists to create value for its members, its owners, and its partners. You know, I think that combination of things really was an appealing picture for Sobeys.

But I also don't think it should be understated that this is a big decision. You know, this is, you know, a very strategic move by a very large and powerful organization in a highly competitive market. All of us at Scene are, you know, humbled by the fact that they've made this decision, but we also keenly feel the responsibility that it creates, you know, for all three owners. We've got, Sobeys, it's in a highly competitive market, Scotia in a highly competitive market, Cineplex is coming out of COVID and trying to make sure that their business is going to thrive going forward. You know, while we don't kind of own all of those responsibilities, we have a part to play, and I really feel that it's important that we, you know, set ourselves up well to enable their success. (28.03)

SS Well, hence my question earlier about strategic priorities. Rakuten is a multi-retailer cashback program, huge. It's an interesting partnership there. I mean, in some ways you can almost consider them a kind of indirect competitor. What was your thinking doing a partnership with those guys?

MS You know, we felt it was a really important partnership to help us, you know, broaden the appeal of the program, and also to bring in an e-commerce play to Scene that allowed people to have more opportunities to engage in the program and more opportunities to find value in the currency. And it was a conversation that, you know, became particularly acute through COVID when, you know, there were few other opportunities for people to engage as meaningfully, but strategically, we felt it just made a lot of sense. You know, as an organization, Rakuten has done an exemplary job of building, you know, strong relationships with their customers. You know, the feedback that they get from their customers is overwhelmingly positive, consistently, and we felt like we had a lot of alignment between our brands in the way that we were coming to market, and a lot of alignment in the objectives we were trying to pursue. So, it really did feel like a win-win in striking a partnership with them.

SS Let's talk about coalition programs generally.

MS Sure.

SS They've floundered pretty much everywhere in the world. Like in the U.S., it's, you know, for the most part they haven't gained any traction whatsoever. There are examples in Brazil and elsewhere, yes, but for the most part, Canada's been one of the exceptions. Are Canadians just different in their attitude toward point programs? Are they more point mavens? Or is it our peculiar geography that accounts for this affinity for coalition programs, the fact that we have national brands in almost all of the key categories? How do you explain the success of coalition programs in this country?

MS I mean, you know, I think what we've seen globally as Canadians are hyper-engaged in loyalty. You know, we've got, you know, not only more programs per person than many countries in the world but more engaged participation per person than many countries in the world. And, you know, I think we've seen, you know, real willingness to explore a partnership across organizations in different categories. And, you know, perhaps that's one of the key differences, is, you know, we've seen organizations that have not only been innovative in their approach to the market and in building these partnership strategies, but then receptivity to playing part of something bigger instead of going it alone among leaders.

As I've been in conversation with leaders in different organizations we partnered with, or that have been in conversations with us to partner, I have the same conversation in different flavors often, and I tend to have a discussion with loyalty leaders and with marketing leaders in companies where they look at a coalition strategy and they recognize that there are benefits, that there's instantaneous scale, that there's brand awareness, that there's opportunity to tap into network effects, that there's potentially an opportunity to kinda shift brand preference from their next nearest competitor to themselves. But equally, we've heard organizations say, well, I'm conscious of some of the things that joining a coalition could also...where it could be a drawback, where I could have less control or less access to information or data, or where it's more challenging for me to build scale in my own marketing. And certainly, for Scene+, like, that has been a fundamental part of our strategy, going into some of these partnership discussions. I think it's why we've been successful at crafting some really successful and long-term relationships.

You know, we've very deliberately gone into these conversations with a view to maximizing the data that we can make available to our partners, to maximizing the access to marketing, to helping our partners build their own ability to market to their customers, you know, in an effort to try to break compromises that they would otherwise face. So, I think, as a market, we've had a willingness to participate, but I also think that there's a next horizon in these loyalty ecosystems that will allow participants to really be more successful by joining some of these evolving businesses. (32.48)

SS The economic model is interesting here, too. You know, certainly, AIR MILES made a lot of money on breakage and then, I think, counted on it. In your case, though, it's a little different because you're actually trying...as a tripartite partnership, actually trying to achieve financial goals that align with those three organizations as opposed to operating as an independent unit trying to maximize your bottom line. Is there a trade-off here, or are you very much driven by your own set of enterprise metrics for your organization?

MS Yeah, our structure, in my view, has been a key part of our success. We do not have an outside shareholder extracting value from the ecosystem. And so, you know, as we've built our business, it has entirely been about creating value for our members, about creating value for our owners and for our partners. You know, we haven't had to make the choices that some other organizations have had to either, you know, reduce the dividend to a member or reduce the value of a reward, or to intentionally drive-up breakage. You know, we take quite the opposite approach. We're quite proud of having very low breakage rates and of delivering really high value to our customers in the market. Personally, I think that that's a key to long-term success, that, you know, as an ecosystem, we're built fundamentally to create value levers for the owners and partners in play.

You know, we've long considered ourselves to be more of a customer engagement platform than a loyalty program, per se. A loyalty program, like, of course, that's what we do, right? Like, we issue points, we redeem points, but, you know, at the end of the day, what we're trying to do is facilitate deeper relationships between our members and our owners and partners. And, you know, the best way we can do that is to maximize the value exchange between the two and to reduce friction in the middle.

SS So, you have the direct competition with obviously coalition programs, etc., but there's also a growth in proprietary programs. There's a recognition, I think, with first-party data now, obviously, whether you're a package goods company or a retailer, in the value of the data, and that's been, I think, the big change, personally, I've seen in the arc of my career is the recognition, the importance of data, in fact, and how that can shape a relationship. Is there a threat there coming from retailers, for example, who wanna say, "Now I think I can do this on my own now"? You know, we gave the example Sobeys earlier not going that route, but then you get look at Loblaws and, of course, in their program has become a Goliath in the industry. How do you feel about that potential for basically cannibalization by proprietary programs?

MS You know, I think in our case, you know, what we're trying to do is maximize the value of the information that is available, and this has been a pretty important strategic thrust for us. When I go back to 2018 and the way we were architected at the time, we had three entities in the mix, we had, you know, Scotiabank, and Cineplex, and Scene, and three versions of the database, different ways of calculating points and recognizing points and incomplete views of customers in all three organizations. And over the last few years, we've made a very deliberate strategy of bringing that information together so that we could create a much more holistic and valuable view of a member's behavior and their participation in the program, that encompasses, you know, how they interact with Scene in its many forms between the grocery purchases and nights out with the family and banking behavior and so on. And that combination of kind of on-us proprietary information combined with insights that you can get from all of the off-us data that's Scene can amalgamate, I think creates...I mean, it's not an overwhelming advantage relative to a proprietary-only program, but we certainly do craft a very compelling picture of, you know, who a customer is and, you know, what value they could bring to an organization.

SS I'm gonna come back to the whole insight question momentarily. I just wanna get you to draw a picture for me, though, of that technology backroom. Currently, is Bond Loyalty managing that loyalty platform for you, or are you doing that yourself? How does that work exactly?

MS Yeah, Bond has been a partner with Scene since 2007 since launch, and they've been fundamental to a lot of our technology. And they work with us to bring together a lot of our data and to make sure that we are well-positioned to build those insights. You know, over time, of course, we've also built, you know, a lot of our own analytics bench strength and data engineering and analytics. So, it's no longer kind of the, you know, fully outsourced model that it once was, but they are nevertheless very important in the management of the business. (38.17)

SS At this point, largely, the earn and burn opportunities are, as I said, transactional in nature, it's basically discounts of some sort or another, rewards. Are you looking at some point down the road of looking at other forms of rewards? I'm thinking experiential rewards as an example where you're catering to specific segments of your base. You know, do you shift away from transactions as being the pure form of reward, or would you consider down the road something else as an add-on or extension of those rewards? What's your thinking there?

MS Yeah. Well, I don't wanna give away too much about where our heads are going in this space, but I would say that, you know, as an organization, we are pretty uniquely positioned, you know, not only in our structure, but also with the assets we can bring to the table. If you think about the presence of Cineplex as an owner of the program and the access to experiences and "Money can't buy opportunities" that they bring to the table, combined with recipe, combined with the types of experiences that you could manufacture with Sobeys and with some of our other partners in the market, there's a world of opportunity out there for us to take a much stronger position. You know, I think it's worth noting, you know, the Scene+ as a program, we're not yet a year old. We are still very much in launch. We are still very much in transformation mode. There's a lot more building to come.

SS Yeah, I would imagine. And let's go back to the question of analytics. We started the conversation today around that foundation that you developed very early on with Canada Trust. How are you structured to support your requirements there in terms of not just simply doing the transaction analysis necessary, that supports a program of this kind, but going beyond that to develop those kinds of insights that lead to innovation and transformation? How are you set up to support that?

MS Yeah, I mean, we are very much in build mode right now, and, you know, the kinds of things that you're building and looking at when you are in a kind of business-as-usual mode are very different than when you're in the middle of either a pandemic, the recovery from a pandemic, or in the midst of a transformation. You know, over the last two years, we've been significantly investing in our analytics team, in our engineering team, in our analytics capabilities, and in building out, you know, new dashboards and new reporting and so on so that we can meet the needs of the expanded program. Now that we are playing such a significant role for the bank and such a significant role for Sobeys, in addition to the role that we've played historically for Cineplex, you really have to start creating net-new analytics capabilities that create different forms of insight.

At the moment, you know, there's a need for us to focus on the things that are important through transformation, you know, and as I say, those are quite different than business as usual. Like, business as usual, you might be very focused on overall program metrics, engagement in the program, satisfaction, NPS, the typical growth metrics. When you're coming out of a pandemic, you know, you have to shift your focus very strongly to reactivation, to ensuring that you're being relevant in your communications based on the circumstances in the community, making sure that we're building out satisfaction with the rewards, and being really clearly focused on the questions like, you know, is the program going to make you more likely to continue to do business with the brands it's associated with? You know, the pandemic wasn't interruption, and we're trying to bring people back to a different place than they were in beforehand.

But, you know, now that we're in the midst of this transformation, like, we... As I say, this program is not yet a year old, Scene+, and Sobeys has been part of the program since August the 11th in Atlantic, since September 22nd in the West. We've been in market in Ontario for a month, and we're not yet launched in Quebec. So, you know, this is still very new, and so, you know, the focus has to change accordingly. Like, you know, we wanna make sure that our members are aware of the benefits, that they understand the program, that they're having a clean and smooth enrollment experience, trying to track things like how long does it take before your first transaction with the program, whether that's an earn or a burn, you know, are you happy with customer service? Are you migrating across the ecosystem so you're not just participating in one place? Are you happier now than you were before, either with the old Scene program or with the program that Sobeys was in before? You know, these are the things you've gotta measure very closely at this point in our transformation, and, you know, in a few months, we'll be in a very different place again, and, you know, get very focused on some other metrics to make sure we're maximizing value. (43.38)

SS I wanna talk about program design a little bit, and then I'm gonna move into a few more exotic possibilities, but just to probe your thinking. But just in terms of the program, and forgive me if this is a mischaracterization, but you kind of have a one-size-fits-all program design right now, right? You know, it treats everybody basically as one big, large audience. A natural evolution here is to be looking at different segments within your base, particularly with the rich amount of data that you're describing from different categories, oh my God, the possibilities are endless. Again, is that something, appreciating, in fact, you haven't left this orbit yet, of actually moving at some point toward tailoring the benefits, the reward opportunities, even the construct, to different niche segments within the base? Is that part of your vision? Let me ask it that way.

MS So, and the answer is emphatically, yes, but I also think it's really important for us to stay focused on one of the things that has made Scene strong over time. You know, we have had almost a manic focus on simplicity, and that's been really important for us over the last 15 years to make sure that the program was easy to understand, that when someone signs up, they're not trying to, you know, comb through terms and conditions and reward grids and trying to figure out like what they would get by making the decision to sign up. So, you know, it's critically important to us that the program be understandable, that it be clear, that the value prop be understood in seconds. You know, we want it to be easy to join, we want it to be easy to create value, we want it to be easy to participate, and so there's been a tremendous amount of focus as we've gone through, you know, the design of the current state on trying to achieve that. And I'd say we're not all the way done. We've got some things still that we want to, you know, make even simpler and even more consistent across the board, but I think, you know, we're pointed in the right direction.

The next piece is making sure that people understand the program as it exists and driving up that awareness of the breadth of the program and making sure that people understand how they can best use the program, and simultaneously, it's really driving that personalization. And so, you know, in answer to your question, while it may look like it's one size fits all, there's a tremendous amount of work underway in the different parts of this ecosystem between the bank and Sobeys and Cineplex and ourselves and our partners to make sure that what we're delivering are highly personalized, highly relevant pieces of content and offers and value that really speak to an individual and their needs. And that may not manifest itself kind of at the mass level, but it will definitely manifest itself at the individual level.

SS Yeah, I can see obviously the potential individualization of offers. Given the complexity, though, is that something that would be AI-driven, you know, or certainly requires some sophisticated analytics?

MS Yeah, it certainly requires some sophisticated analytics and a level of orchestration to make sure that we're being customer-centric in our delivery. And, you know, as each part of this ecosystem, you know, like, fully manifests itself, we're very focused on trying to make sure that we are delivering the right message to the right person. You know, there's always going to be a demand to communicate through all of the channels that exceeds a member's patience to absorb the message, and so we're just trying to make sure that we're very focused on kinda tailoring that content and being able to kind of simultaneously balance, you know, the scale of the need to communicate and the complexity of the communications with a member's interest in receiving the message. (47.58)

SS I'm gonna lay on some technical terms in the time remaining here and get your response to some of this. I realize that, again, you're building a bridge here, you're not across the river yet, just to mix up metaphors. Gamification, that appears to be a bit of a trend around reward programs to create engagement, to go back to your word earlier; blockchain as a delivery mechanism for currency, and, you know, I'm gonna say the word, metaverse, given AIR MILES's announcement of their Web3 and metaverse partnerships, which seems to be a bit of a Hail Mary pass. Your perspectives on each of those things as part of a loyalty program.

MS Yeah, I mean, I think, you know, there are going to be waves of evolution in this space to be sure over the next little while. It kinda started beginning on gamification. Gamification has been a pretty central part of our conversation for a number of years, and one of the models is the Octalysis model that is widely used in a lot of digital properties and, like, in actual games around mechanics that drive gamification. As we've evolved our digital channels over time, we've made great use of some of the elements of gamification that are part of that model, around recognizing early progress towards the goal, around goal setting, around kinda recognition of progress, and there's a whole bunch of other levers. You know, in the launch of Scene+, we rebuilt everything, you know, our core technology stack, our data environment, our app, our website, was all built over again. And so there's a lot of those elements that, you know, exist within our channels today, but more that we've got to build again as we evolve some of those properties going forward. These are powerful tools.

You know, we've seen many organizations in this space be very successful at leveraging game mechanics to drive behaviors. I think Starbucks Rewards is, you know, one of the best-in-class examples of that. You know, we've blatantly stolen from some of their thinking over the years and leveraged some of the tools that they've deployed, and you can be sure that we'll be bringing more of that to market.

SS I bet.

MS Yeah, and some of the other pieces.

SS Blockchain as an example, have you looked at that?

MS Yeah, we've certainly looked at it, and, you know, I think that there's one of the pieces that we're all a little bit curious about around kind of Blockchain and Web3 is, you know, what Starbucks is gonna be doing with the Odyssey Program that they've announced, and where that's gonna go and how it's gonna manifest itself. You know, Blockchain, you know, different organizations have come to the table with different ideas around the use of Blockchain. You know, we've had many organizations that have put forward proposals to, you know, do redemptions for cryptocurrencies and so on, and we've seen a few organizations that have gone to market with crypto rewards. I've seen, from our members' perspective, interest in that has waxed and waned depending on the value of cryptocurrencies at the moment, and people's appetite for risk. So, you know, I think that's out there, but I think it's a little bit more tactical.

Where I'm more interested is where the industry is gonna go on on leveraging Blockchain as a tool, and from my point of view, like, that starts to become really interesting when you start talking about member-to-member points transfer or points pooling or cross currency exchange, you know, as ways of enabling some of those types of mechanics and use cases that are a little bit more complicated today. I'd say the thinking, like, it's not baked at this point. There's lots more still to be learned in this space and how it can best be utilized. And metaverse, I think it's a big, "We're not sure at this moment." (52.22)

SS You and everybody else. Let me just ask you one final question in the few minutes we have remaining here. And we've covered a lot of territory in this. I've settled on this metaphor of a rocket ship heading out to explore brand new worlds, brave new worlds. But what do you see as mainly barriers to growth, the friction that you might face in achieving some of, you know, the very visionary, ambitious things you have set out for yourself in what has been a fascinating conversation today? And what are the things you need to actually get right to succeed here on this journey that you're on?

MS So, a few things we need to get right. Scene has moved to Scene+ and moved from one competitive space into several more competitive spaces, and for us to be successful in delivering the promise that we need to deliver in those spaces, we need to be able to deliver world-class capabilities. And that encompasses analytics, it encompasses data science, it encompasses our ability to maximize our level of insight out of member behavior, and then being able to bring that to life across what's a very complicated ecosystem in a way that is logical and consistent. And so, there's a tremendous amount of capability to be, you know, enhanced and still to be built to make sure that we can deliver against that vision. You know, we're on a journey right now. We've been in construction for the last two and a half years. We'll continue to be in construction as we, you know, ensure that we are well positioned to deliver, you know, the scale and the complexity to achieve the outcomes.

In terms of, you know, barriers to growth, right now, we're feeling like we've got a great path ahead. The growth with Sobeys has been extraordinary. You know, we've brought in, you know, 150% more members in the last two months than our best year ever, and Scene has always been a program that has grown quickly and with relative ease. So, you know, this growth is unprecedented and awe-inspiring. And we're not done with the rollout. So, you know, we're really in the early weeks. And then, you know, next summer we're gonna be adding Home Hardware to the business, you know, with a thousand locations coast to coast to coast. And when they join the program, you know, we will have a meaningful presence in communities of every size across the country. So, you know, those factors combined with, you know, like, a strong starting point and a strong level of engagement, we're not feeling like there are real barriers immediately ahead of us, we just need to make sure that we're laying the track out sufficiently ahead of ourselves so that we can maintain the speed and the momentum to achieve it without going off the rails.

SS Well, then we've got a train metaphor, a rocket ship metaphor, and a bridge metaphor all rolled into one conversation.

MS All rolled into one.

SS Yeah. This has been fantastic conversation. I've learned a lot today, and just tremendous, and I wanna thank you very, very much for agreeing to be a guest on the show today, and good luck. It's gonna be interesting watching you continue in the rocket ship as you head out toward Jupiter or whatever your destination may be. So, thank you very much, Matthew. Really appreciate it.

MS Thank you. Really appreciate the opportunity to join you.

That concludes my interview with Matthew Seagrim. As we learned, Canadians are points mavens, using loyalty rewards as a parallel national currency, whether its Air Miles, PC Optimum, Canadian Tire Triangle, Scene+ or any number of proprietary programs. The goal of all those programs is to earn front-of-the wallet status. But where Scene has a distinct advantage is its unique business model, designed to maximize the value of the program for members versus worrying about the bottom line. And that opens up all kinds of new possibilities in a world where brand loyalty is more fragile than ever.

Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at sshaw@kenna.ca.