

Canadian Tire Financial Services



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Chris Mindorff

Director of Marketing Operations for Canadian Tire Financial Services worldwide



The Opportunity

To further develop cards as a strategic revenue driver for the Canadian Tire enterprise, while enhancing customer loyalty to the stores.

The Solution

Leverage TS2® and TSYS® proprietary tools to manage the card needs of the company's loyal customers; work with TSYS to create a customized card program that would increase Canadian Tire's cardholder accounts on file, while building customer loyalty across all business units as well as convert more than two million private-label cardholders to a co-branded MasterCard with an integrated, real-time, loyalty program.

The Benefits

- Successful conversion of private-label cards to one of the largest co-branded bankcard portfolios in North America.
- Introduced new gift-card program, further leveraging relationship with TSYS to avoid costly technology builds and business complexity.
- Improved speed-to-market and less customization for new products and promotions.
- Greater leverage of revamped loyalty program.
- Strong partnership with common commitment to the retail customer. Notes Chris Mindorff, director of marketing operations for Canadian Tire Financial Services, “Both CTFS and TSYS are committed to the success of the Canadian Tire enterprise and providing value to our customers.”

The Case

Canadian Tire Co. has the kind of everyday relationship with its customers that most retailers can only dream about. More than half of customers do business in its stores every month.

At the center of that customer relationship is one of North America's most progressive retail-card strategies. “Financial services has always been viewed as a way to enhance loyalty to the Canadian Tire enterprise,” said Chris Mindorff, director of marketing operations for Canadian Tire Financial Services (CTFS), the retailer's card services unit. “For all that we've done, we still have some great opportunities to enhance customer loyalty and grow retail sales at Canadian Tire.”

To help deliver on their card growth strategy, Canadian Tire counts on TSYS, whose credentials include being the No. 1 processor for retail-card programs in the United States and the leading outsourcer in Canada. “We looked for someone with whom we could sit down and develop a plan for how we wanted to grow our business,” said Mindorff. “That has always been the case with TSYS. They are our strategic partner.”

Canadian Tire has long been on many short lists of progressive issuers. In fact, in the early 1990s, CTFS was one of the early innovators to pilot a store card in combination with a loyalty program. CTFS continued this innovation in the late-1990s by migrating its store cards to co-branded MasterCards. Like other TSYS clients who pioneered the co-brand strategy — such as Sears and Nordstrom — Canadian Tire sees the opportunity to extend their relationship with clients beyond their own stores and petroleum outlets. Today, it is one of the largest non-bank, MasterCard issuers in Canada.



A few years ago, an analysis showed that less than 25 percent of the retailer's sales were on its private-label cards, however CTFS still accounted for a sizeable share of the company's profits. Expanding the card business was seen as a way to build more loyal customers, while also increasing profitability to the enterprise. To date, Canadian Tire has converted more than two million of its private-label cardholders to the co-branded MasterCard with an integrated loyalty program that is bringing customers back to its stores and giving them greater value.

The success of the program has produced tangible results. In 2003, the company reported a 21.6 percent profit increase over 2002. Today, CTFS generates more than one-third of the company's bottom-line, and the business is still growing.

The push toward co-branded cards follows a strategic plan to consolidate and build a single, company-wide loyalty scheme that would be closely tied to the card business. Until the change, Canadian Tire had separately managed programs for their retail stores, the petroleum outlets and for the card business. "We have one customer with multiple shopping needs, so we wanted one loyalty program, with the goal of enhancing the customer's relationship with Canadian Tire," Mindorff said.

The result has been a stronger link between the cards and the store, which has generated crossover purchases and encouraged the customers' use of a preferred payment method, which is profitable for CTFS. Because the program is now managed on a single platform, Canadian Tire has also generated significant cost savings.

Canadian Tire's relationship with TSYS continues to grow. The company uses the TSYS Retail Gift Platform to distribute gift cards in their stores. The result is lower fraud costs and efficiencies gained by migrating from a manual, paper-based gift certificate process to an electronic, automated one.

By leveraging its relationship with TSYS, Canadian Tire minimized development costs by using the existing infrastructure like authorization links, and the back-end settlement and reporting that existed with its retail card program. "This is one of the benefits of a true relationship," says Mindorff. "By partnering with TSYS, Canadian Tire quickly implemented the gift card system, while avoiding costly system builds and business complexity. TSYS also demonstrated continued innovation by delivering a new solution, which will bring increased revenue to Canadian Tire," says Mindorff.

"Canadian Tire is a very progressive retailer, and they recognize the dual benefits of using the industry's most innovative retail gift platform, while reducing their program expenses," said Cliff Mason, group executive at TSYS. TSYS provides Canadian Tire with consolidated payment processing services through a single system, which displays both cardholder data and merchant or store activity data.

Mindorff said the relationship with TSYS — which started in 1998 — has been an asset for the financial services group. Canadian Tire was seeking a technology platform that was flexible and allowed the company to move quickly. CTFS uses a variety of TSYS' products and services, including TSYS CardGuardSM, an industry-recognized fraud management system; ACEadvantageSM for credit evaluation; and E-Business Services for Web-enabled applications. For its merchant settlement services, CTFS uses TSYS Acquiring SolutionsSM. At the core of the relationship is TS2, the most innovative and advanced processing system in the industry today.

"There was a lot of customization required in our old system, which made it costly and slow when we needed to make any changes," Mindorff stated. "In the past, changes could take months, but with TSYS' flexible option-driven system, we can move quickly to leverage TS2 to meet our business needs."

Canadian Tire is also anxious to further leverage the power of TS2 to drive product development and pricing strategies. "The platform allows us to integrate so many of our processing needs in one solution, so we can see and act on opportunities much faster than ever before," he said.

Beyond technology, Canadian Tire chose TSYS because it was committed to Canada, and today, TSYS processes more accounts in Canada than any competitor. The two companies also share a common culture. "At every level of the company, we share a common commitment to enhance the value to our customers and grow the value to the enterprise." Mindorff said. "There are many things that you cannot specify in a contract, because things change over time — but this has never been an issue with TSYS. We truly feel TSYS approaches the relationship as our strategic partner."

TO LEARN MORE

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