

Alliance Data helps retailers guide you to the 'buy' button

August 7 2013, by Cheryl Hall

Chances are you've never heard of Alliance Data Systems Corp. But it's probably heard about you. Every time you swipe a credit card, your purchase is captured by a database somewhere. The question is: Who's holding that information hostage, and what do they do with it?

Meet Alliance, one of your Big Brothers.

"We're probably the largest company that nobody's heard of," said Ed Heffernan, Alliance's chief executive. "Our job is to be invisible."

The Plano-based [credit card](#) issuer and loyalty program and data marketing company is a giant of "big data," along with Experian, Google, Amazon and Equifax.

Big data brings together demographics, psychographics and transactions - who you are, what makes you tick, and what you actually buy.

If you're a Hilton Honors member, have a J. Crew credit card or visit Kraft's website for recipes, you've connected with Alliance and its 11,000-plus employees.

Alliance turns millions upon millions of data points into targeted [marketing campaigns](#) and [loyalty programs](#) for global corporations. Its customers include a third of the Fortune 1000 companies, Heffernan said.

"The chief marketing officers around the world are saying 'Help!' because things are so complex," the 50-year-old said in his headquarters office.

Alliance keeps tabs on the [buying habits](#) of 26 million American households through 122 private-label credit cards that it administers. It takes in data for 220 million people in the U.S. and Canada through other loyalty programs it runs.

Seventy percent of all Canadians are members of Air Miles, a division of LoyaltyOne that is owned and operated by Alliance.

Alliance expects to post \$4.3 billion in revenue this year.

Its Epsilon division, based in Irving, Texas, sends out billions of emails every year offering deals or rewards specifically tailored to its customers' customers.

"The person who only comes in when there's a sale will get one message while the person who comes in when the latest fashion arrives will get a different one," Heffernan said.

Email isn't the best way to reach some buyers.

"If you think you're going to communicate with my dad through Facebook or email, good luck. You need a direct mail piece," Heffernan said. For younger customers, it's usually mobile, social, targeted display or point-of-sale.

Epsilon, which was purchased by Alliance in 2004, has been the technology engine for La Quinta Inns & Suites' loyalty program for 20 years.

Julie Cary, chief marketing officer of the hotel chain, said Epsilon helps La Quinta better understand its customers.

"They brought us a technology that helped us send (our message) to the right people at the right time in the right way," she said.

Last month, Zale Corp. hired Alliance to run its private-label credit cards starting in 2015, beating out five contenders, including Zale's current provider, Citibank.

Zale spokeswoman Roxane Barry said Alliance's marketing and database tools will allow the Irving-based jewelry retailer to better target the wide range of customers at its Zales, Gordon's and Piercing Pagoda stores.

"And this agreement will save us money compared to the merchant fees we're paying to our current provider," she said.

Heffernan realizes that the Big Brother aspect of big data is worrisome to many consumers - even him.

"The information that we collect at Alliance is opt-in," he said. "We're not collecting and packaging data to sell to a third party. That's a safe way to keep people comfortable that their data are not being used the wrong way."

Alliance was formed in late 1996 through a merger of J.C. Penney's credit card processing unit and The Limited's credit card bank operations.

Heffernan, who had been doing mergers and acquisitions on Wall Street and the Silicon Valley, joined Alliance in early 1998 to orchestrate the \$200 million purchase of LoyaltyOne.

As chief financial officer, Heffernan took the company public in 2001 at \$12 a share for an initial market value of \$168 million.

Last month, Alliance delighted Wall Street with better-than-expected second-quarter earnings. Its stock surged past \$200, leaving it up about \$50 since the beginning of the year and giving it a market capitalization of \$10 billion.

Heffernan took over as chief executive "right in the teeth of the Great Recession" and played contrarian during the downturn.

"Rather than gut and shrink our credit card division, we said, 'Let it rip,' " Heffernan said. "We also borrowed money and bought back a couple of billion dollars in company stock at the absolute bottom of 45 to 50 bucks."

Those two things launched the rocket ship once things turned around, he said.

What keeps the company in business is staying on top of trends.

Everything old turns new again. Take catalogs and watches.

Catalogs have found rebirth as powerful vehicles driving people to buy online, he said. And watches, once shunned by cellphone-carting youths, are now Gen Y fashion statements.

"It used to be a trigger for us that if you wear a watch, you weren't going to be communicated through social media. You were more of the permission-based email grouping," Heffernan said. "Now we have to factor in that you may actually be the most fashion-forward person out there."

The seemingly incongruous is often totally logical.

For example, don't try to sell a Barnes & Noble Nook or an Amazon Kindle e-reader to ultra-high-techsters, he said.

"One of the data points we look at is, 'Do you prefer to read using a tablet or do you actually like a book?' Overwhelmingly, 85 to 90 percent of these people who live and breathe tech say, 'Give me a book. I can't stand reading on a tablet.' It cuts across all age groups and income brackets."

That used to mystify Heffernan.

"Someone finally said to me, 'Well, Ed, we're looking at computer screens all day. The last thing we want to think about is work. We want to go into total leisure mode and open up a book.' "

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