
Customer loyalty schemes

Submission in response to ACCC draft report

Virgin Australia on behalf of Velocity Frequent Flyer

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1 Executive summary: Velocity's response to the Draft Report

Velocity welcomes the opportunity to respond to the ACCC's Draft Report, published as part of its Consumer Loyalty Schemes Inquiry.

Modern loyalty programs like Velocity are an evolving concept. Technological advancements have been motivated by and contribute to shifting consumer expectations, leading to a rate of change in the industry that is unprecedented. This has created both challenges and opportunities for Velocity. Velocity's members expect their interactions with the program to be digital, to be seamless and to be personalised. To remain successful and competitive, Velocity needs to meet these expectations, which requires collecting and using data to create these experiences. It is no longer an option for a loyalty program, or arguably any consumer-facing business, to refrain from collecting and using data to create a personalised and frictionless experience for its customers. At the same time, members rightly expect that in delivering this experience, Velocity will treat their user data, including personal information, with respect, and in accordance with law.

Velocity is very focused on getting this balance right and is committed to adopting practices that are in line with members' expectations in this area. Velocity knows that if it fails to meet members' expectations, member trust will be eroded with real consequences for the relevance of Velocity's business. Velocity is always looking at ways to improve and has taken on-board many of the ACCC's observations in the Draft Report. Velocity has updated the Velocity Member Terms and Conditions and the layout of its website in order to communicate more clearly with members. Velocity is undertaking a complete review of its Privacy Policy, including updates to the marketing sections, to improve readability and transparency and welcomes the ACCC's feedback on these proposed updates. Velocity also plans to enhance its Preference Centre to allow members to more easily control the marketing communications they receive and the way their data is used.

However, Velocity has concerns about the way some of the ACCC's draft conclusions are presented. The Draft Report does not make it clear that many practices that concern the ACCC are not engaged in by Velocity. For example, Velocity does not sell member data. Similarly, the Draft Report does not make it clear that Velocity complies with its existing legal obligations. Velocity considers this to be an important point for the ACCC to clarify in its final report.

Velocity appreciates that, in line with the findings of the Digital Platforms Inquiry, the ACCC considers that law reform is required to better deal with the use of data and consumers' expectations about that use. Velocity considers it is in the interests of both consumers and businesses that regulators make it clear when businesses are compliant with the existing legal framework, while establishing clear regulatory parameters going forward.

In this submission in response to the Draft Report, Velocity outlines:

- Why Velocity's award-winning loyalty program is important for ensuring a strong and competitive Virgin Australia and, with it, a competitive airline market.
- How Velocity delivers valuable and personalised experiences for its members, while dealing fairly with member data and protecting member privacy in accordance with the law.
- Positive improvements to the Velocity program and policies to address concerns raised in the Draft Report and better reflect its established practice of giving members fair notice of all major changes to the program.

- The importance of maintaining flexibility within loyalty programs to enable them to adapt to changing market conditions, consumer expectations and to evolve to add and change products, for the benefit of both partners and members.
- Concerns that Velocity has with the presentation of the ACCC's concerns in the Draft Report, which should be addressed in the Final Report.

2 Velocity's commercial priorities and values

2.1 Velocity's value to members

Velocity Frequent Flyer (**Velocity**) is the multi award-winning loyalty program of Virgin Australia. It is a growing program, with 9.8 million members as at 30 June 2019.

Velocity presents a leading customer value proposition, offering members the opportunity to redeem flights to approximately 600 global destinations, and representing almost 90 partners and around 300 brands in categories spanning retail, financial services, lifestyle and travel. Velocity is continually seeking ways to deliver value to its members, who have access to international earn and redemption benefits through Virgin Australia's global network, which includes partners such as Singapore Airlines, Delta and Etihad, as well as financial, retail and lifestyle partners such as Flybuys, Westpac, American Express and Ola.

Velocity's consumer-led ethos has been consistently recognised at the Freddie Awards, the most prestigious member-generated awards in the travel loyalty industry. In 2019, in the Middle East & Asia/Oceania region airline category, Velocity received the following awards:

- Program of the Year
- Best Elite Program
- Best Promotion
- Best Customer Service
- Best Redemption Ability

Velocity is continuously looking for ways to expand its loyalty offering and deliver more value to both its members and its partners.

2.2 Velocity's value to Virgin Australia in a challenging airline market

Velocity and Virgin Australia have a long-standing synergistic relationship, which has benefitted both parties, Velocity members and the Australian travelling public.

Velocity was first launched in November 2005 by Virgin Blue, starting its life as a domestic air travel focused rewards program. It was relaunched in August 2011 as Velocity Frequent Flyer, the coalition loyalty program, partnering with Virgin Australia and an expanded domestic network. Virgin Australia and Velocity are challenger brands that have been vigorously competing in the markets in which they operate since their entry. Separately, and together, they have introduced competitive and quality products and services into Australia with resulting benefits to competition and consumers. Consumers now benefit from greater choice and better quality products and services offered by

competitors in response to Virgin Australia and Velocity's compelling value propositions and award-winning products and services.

While Velocity has gone from strength to strength and has achieved significant growth since its inception, it is still significantly smaller than Qantas Frequent Flyer, which has around 12.5 million members. Qantas Loyalty reported underlying segment EBIT of \$374 million for FY19, compared to Velocity's EBIT of \$122.2 million over the same period.

Velocity fosters loyalty to the Virgin brand, which has been crucial in Virgin Australia's push to establish itself as a viable full-service alternative to Australia's dominant carrier, Qantas. By providing desirable benefits, including offering members the opportunity to earn and redeem points through a range of partners, Velocity provides its partners, including Virgin Australia, opportunities to obtain new customers and increase customer loyalty. This is especially important for attracting business and corporate customers who greatly value the ability to earn points when travelling for work, with the opportunity to then redeem them when travelling for leisure.

Velocity has therefore been a significant source of passengers to Virgin Australia, as members look to earn and redeem points and use their member benefits. The demand by Velocity members for seat redemption also provides an important distribution network for Virgin Australia because Velocity members can redeem their points for seats and utilise excess seat capacity.

Without a compelling loyalty program, Virgin Australia would be limited in its ability to successfully compete against Qantas for a larger share of corporate and business travellers, and other high value frequent flyers. Further, the ability for Velocity to more effectively use information about its members' preferences and behaviours, and in turn improve its range of partners and offers to more closely match those preferences is crucial to Velocity's success as a loyalty program, and the strength of Virgin Australia as a competitor. Velocity's ability to better understand its members and Virgin Australia's customers enables delivery of a stronger product, promotes choice for consumers and will continue to drive competitive responses, especially from its closest rival Qantas.

Virgin Australia recently announced that it has entered into a term sheet to buy back Connectivity Pte Ltd's 35% investment in Velocity. If completion of the transaction is successful, Virgin Australia will receive a greater share of the profits from a division of its business that consistently generates positive cashflow, at a time where the challenging airline market has seen Virgin Australia deliver a FY19 loss. By contributing both cash flow and a loyal customer base, Velocity is integral to both Virgin Australia's success, and to competition in the Australian aviation market.

As has been reported in the media, Virgin Australia is currently embarking on a review of its business. This involves making very difficult decisions such as reducing its workforce by 750 employees, reviewing its network and fleet, seeking better terms from suppliers and reviewing its products and services, including loyalty.

In doing so, both Virgin Australia and Velocity will continue to focus on delivering excellent value for members and consumers generally and continuously innovating to deliver a superior product to its competitors. As part of this process, it is expected that some changes to the Velocity program will be reasonably necessary. Velocity and Virgin Australia will ensure that these changes are clearly communicated in advance to members.

3 Current trends in loyalty programs

3.1 Technological development has driven consumer expectations for personalised experiences

The Velocity program has evolved dramatically from the simple airline loyalty program it began as nearly 14 years ago. Over that period, technological developments have led to significant changes in the loyalty market which have also driven changes in consumer expectations.

Velocity's members expect their interactions with the program to be digital, seamless, and personalised, all of which necessitate the collection and use of data. Through the collection and use of data about member habits and preferences, Velocity is able to deliver targeted communications and offers to its members, driving a cycle of engagement which benefits both members and partners.

Velocity's membership base gives Velocity access to data, based on the behaviour of members who engage directly with the Velocity program. This allows Velocity to personalise its messaging, ensuring the relevance of offers to the people who receive them. The richness of Velocity's data also ensures that members receive offers at the right times and through appropriate channels, so that members can extract meaningful value from their membership.

3.2 Velocity's approach to compliance

Velocity's approach to compliance is to ensure that the company implements and maintains practices and procedures that continue to meet legal and regulatory compliance obligations. Velocity knows that its members expect that, in delivering a personalised and frictionless experience, Velocity will treat their personal information with respect. This includes compliance with applicable privacy laws. Velocity works hard to get this balance right and is committed to adopting practices that are in line with member expectations in this area.

This, in part, means clearly informing members about Velocity's data practices, to ensure the right balance between delivering personalised targeted offers and services that are valuable to members, while ensuring that members understand how their data is used to deliver those offers and services. Velocity appreciates that failing to meet member expectations as to how their personal information will be handled by Velocity will erode trust in the program, which will have real consequences for its relevance as a business.

The regulatory landscape in which Velocity operates is adapting to keep up with new capabilities in data collection and analysis. Most notably, this has been reflected in the ACCC's Final Report on the Digital Platforms Inquiry, in which the ACCC has proposed reforms to consumer, privacy and competition laws in line with the global trend towards interrogating the business of large digital platforms and their impact on society and industry.

Despite the degree of regulatory uncertainty in the context of proposed law reforms, Velocity considers that it complies with its current regulatory obligations. Velocity wishes to emphasise the importance of striking a regulatory balance which will allow the pro-competitive effects and consumer benefits associated with loyalty programs to be delivered while enabling companies to achieve certainty about compliance.

4 Velocity has taken positive steps to address concerns raised in report

Velocity agrees with the ACCC that loyalty programs must clearly inform their members about data practices and provide a fair value exchange for the collection of members' personal information.

For this reason, Velocity welcomes many of the ACCC's recommendations for improving the transparency of its terms and conditions and is taking steps to ensure that members are even better informed about the terms and conditions of their Velocity membership, how their data is used to benefit them, and the offers available through their membership, including via partners. Velocity appreciates that members want to better understand how their data is used and when changes can be made to the program that may affect membership benefits. Indeed, Velocity would welcome more specific guidance from the ACCC on best practice for keeping members informed in a way that does not result in information overload.

Velocity is constantly monitoring its compliance and reviewing its practices in order to meet these expectations. As part of ongoing reviews, and in response to the Draft Report, Velocity is implementing a number of changes to its program, with target dates for implementation. These changes are outlined below and are described in further detail in sections 6 and 7 of this submission.

Change	Project timeline and targeted implementation date
1. Links to Member Terms & Conditions, Privacy Statement and Privacy Policy available on every page of the Velocity join form on the Velocity website, making it easier for prospective members to review terms as they join the program.	3 October 2019, completed
2. Making it easier for members to access the Privacy Policy and Privacy Statement, by updating links on the Velocity website to take members directly to the Privacy Policy and Privacy Statement (rather than to a privacy landing page).	3 October 2019, completed
3. Sharing proposed updates to the marketing sections of the Privacy Policy with the ACCC (included with this submission) for consultation prior to publication. These proposed updates are designed to improve readability and give members a better understanding of how data (including personal information) is used for marketing purposes. The updates also set out more clearly how members can control their marketing preferences.	3 October 2019 (see Attachment A)
4. Update the Member Terms & Conditions, Privacy Statement and Privacy Policy to specify date documents were last updated.	3 October 2019, completed
5. Links to Member Terms & Conditions, Privacy Statement and Privacy Policy clearly displayed within the "two-step	Commenced, expected to complete by 31 December 2019

Change	Project timeline and targeted implementation date
join” process (available through Velocity partners) for members joining the program through partner channels.	
6. Updates to the Member Terms & Conditions to improve readability, with a view to substantially shortening them and looking at various ways to present the Terms & Conditions that achieve the balance between informing members without overwhelming them with information. Velocity is investigating testing various options for readability with its members.	Commenced, expected to complete by 31 January 2020
7. Complete comprehensive review and update of the Velocity Privacy Policy to address the ACCC’s observations about the length and readability. Velocity is implementing a re-write of its Privacy Policy to maximise transparency for members while minimising information overload. It is considering innovative ways of presenting this information, together with experts in this area. To better inform members about the ways in which Velocity collects member data, Velocity is also considering implementing a cookie policy.	Commenced, expected to complete by 1 March 2020
8. Velocity is making important updates to the current Preference Centre, as well as creating a new Preference Centre, to increase level of control for members. This is a two-phase project: Phase 1: Enhance current Preference Centre to increase level of control for members over marketing communications, including targeted online advertising on third party websites. Phase 2: Develop and launch new Preference Centre to allow greater control for members over how they use Velocity products and services. This phase of the project will include scoping technological solutions to best support a new Preference Centre that is as efficient and seamless as possible for members, program partners and the Velocity business.	Commenced, with target implementation by 31 December 2019 Commence January 2020 with target implementation in 2021
9. Launch a communication campaign to members informing them of changes to the Member Terms & Conditions, Privacy Policy and Preference Centre.	Throughout the project, as required

5 Concerns about presentation of conclusions in Draft Report

Velocity has some concerns about the way in which the ACCC presents its conclusions in the Draft Report, which it considers should be addressed in the Final Report of the Inquiry.

Velocity requests that the ACCC clarifies and confirms the points identified below in its Final Report. In Velocity's view, these are necessary to prevent members (and consumers more generally) from misunderstanding Velocity's practices and its level of legal compliance.

5.1 Problem of Regulatory Uncertainty

In some instances, the Draft Report does not clearly distinguish between what the law currently requires and what the ACCC considers to be appropriate reform.

A clear example of regulatory uncertainty created by the Draft Report can be found in the conclusions drawn from the ACCC's assessment of the privacy policies of loyalty programs. The Draft Report sets a clear expectation that a privacy policy should include very specific details about loyalty programs' data practices. It suggests that privacy policies should cover all data, not just personal information and that the content to be included should be broader than what is required under Australian privacy laws.

Velocity understands that this apparent difference in stance between the Office of the Australian Information Commissioner (**OAIC**) and the ACCC stems from the ACCC's view as to how the data practices of businesses should be regulated, and privacy laws reformed, going forward. Velocity respects the ACCC's view that significant privacy reforms are required in order for the current regulatory framework in Australia to keep pace with data practices, both in Australia and overseas.

However, the criteria against which Velocity's privacy policy and current practices for handling personal information are assessed in the Draft Report are not reflective of current privacy laws applicable to Velocity. A Draft Report that assesses business' current practices against a potential future regulatory environment, rather than the current environment, creates regulatory uncertainty and can provide consumers with an incorrect impression that loyalty programs, including Velocity, are acting contrary to the law.

Velocity appreciates that the Draft Report is part of an inquiry, rather than an investigation. However, this distinction is unlikely to be understood by members of the public. Velocity is concerned that the ACCC's press release and surrounding media coverage may mislead consumers by not clearly distinguishing the ACCC's concerns that give rise to its view that law reform is required, as distinct from concerns about breaches of the current law.

Velocity considers that it complies with current regulatory requirements.

5.2 Presentation of draft conclusions and consumer complaints

At times, the Draft Report presents the ACCC's general concerns about loyalty programs without indicating whether these apply to Velocity. Velocity is concerned that this may mislead members into thinking that Velocity engages in certain practices when it does not.

For example, the Draft Report¹, refers to loyalty schemes directly generating revenue from the consumer data they hold by engaging in activities such as:

- (a) selling customer insight reports to third parties; and
- (b) creating separate digital marketing agencies to generate revenue.

¹ Box 4.3 at pages 42 to 43.

Velocity does not engage in these practices. Velocity provides its program partners with a range of analytics and insight reports on a de-identified basis. However, Velocity does not sell these reports, nor does it sell its member data, to third parties unrelated to the Velocity loyalty program.

The data commercialisation activities undertaken by other loyalty program operators mentioned in the Draft Report would not be in line with our loyalty members' current expectations. Velocity is concerned that the Draft Report creates the impression that all the loyalty programs discussed in the Draft Report engage in the described practices, which may concern its members. Velocity asks that the ACCC makes it clear in the Final Report that Velocity does not engage in these practices.

Velocity is also concerned with the uncritical reproduction of consumer complaints in the Draft Report without an assessment of whether these are reasonable or give rise to a concern on the part of the ACCC regarding Velocity's conduct. Velocity has a practice of monitoring customer complaints and considers that they provide valuable insights into what Velocity is doing well and areas for improvement. However, Velocity is concerned that highlighting these complaints in the Draft Report may give the impression that these complaints give rise to compliance concerns with Velocity's practices.

5.3 Importance of flexibility to change loyalty program offers

Many of the complaints set out in Chapter 3 of the Draft Report relate to the fact that elements of airline loyalty programs change over time. Velocity considers it is important that members are made aware of the circumstances in which changes will take place, that changes should be fair and reasonable, taking into consideration the needs of the business, and that members should be given clear notice of any material changes. Velocity considers that it delivers on these considerations and has now made positive changes to its Member Terms & Conditions and its policies to ensure that communications with members are even better.

However, it is not possible to freeze in time the benefits of a loyalty program. Over time, the benefits of the Velocity program do need to be adjusted. Adjustments are necessary to allow Velocity to respond to changes in third party commercial terms, fluctuating costs and demand, and market forces, and to ensure that the cost of maintaining the Velocity program does not unreasonably increase out of step with the value that it delivers to the business and engaged members. Given the long-term nature of many members' involvement with loyalty programs, changes over the life of their membership are inevitable and necessary. Over the life of the Velocity program, members have benefited from many positive changes to the program, including the addition of new partners, a broader Virgin Australia and partner airline network on which to earn and redeem points, the introduction of the rewards store, better status recognition, and personalised offers. At the same time, Velocity must retain the ability to alter the terms on which points can be earned and redeemed to meet the changing market.

This is particularly pertinent given Virgin Australia's current financial performance. Virgin Australia reported a significant financial loss in FY19, compelling it to review operating costs and supplier arrangements across the entire Group. This involves hard decisions, like the anticipated redundancy of 750 staff members and review of Virgin Australia's fleet and network. As part of this review changes were announced today to the Velocity program to increase carrier charges that apply when redeeming points for Virgin Australia flights. Notice of the change was communicated to members today, but the increase to carrier charges will not come into effect until 8 January 2020.

To ensure that Velocity remains sustainable and competitive in a saturated loyalty market, it will be necessary to continue to evaluate Velocity's business and operating

costs on an ongoing basis, and to make adjustments to the Velocity program accordingly. These decisions are not taken lightly but are necessary for the sustainable operation of Virgin Australia and Velocity.

Velocity's focus in making any changes is to ensure that its members are fully informed of how the program works and are given notice of these changes to ensure that they are dealt with fairly and reasonably. As outlined above, Velocity is committed to continuously improving the transparency and notice with which these changes are communicated and has made positive steps to do so.

6 Consumer issues and loyalty schemes

6.1 Keeping members informed of changes to the program that are outside Velocity's control

In the Draft Report, the ACCC refers to complaints from consumers about unilateral reductions in the earn rate and redemptive rate of loyalty points. While Velocity considers that it is essential that it maintains the ability to make such changes to its program, for the reasons discussed above, Velocity would like to provide further information in relation to some of the observations made in the Draft Report.

As a coalition loyalty program, Velocity has control over some, but not all of the changes to its program, and it is not uncommon for Velocity partners to seek to adjust points propositions over time. Partners may seek to make changes to earn propositions for a variety of reasons, including changes in the industries in which they operate, consumer behaviour and for other legitimate business reasons. However, even when Velocity does not have control over the changes made to earn rates, Velocity seeks to ensure members are treated reasonably and that they are given as much notice as possible of changes to the program.

(a) Unilateral reduction in earn rate and credit card schemes

On 15 April 2019, a financial services partner implemented changes to its rewards program which also impacted several affiliate programs. Broadly, the changes resulted in reductions to the earn rate of Qantas and Velocity Frequent Flyer 'direct earn' credit cards by approximately 0.25 points per dollar and reductions in the conversion rate of 'indirect earn' credit cards from 1:1 to 2:1 for consumers converting the financial services partner's reward points to airline frequent flyer miles.

While Velocity did not have control over these changes, the changes directly impacted Velocity's partnership with its partner and in turn resulted in reduced earn for Velocity members. Despite this, Velocity worked closely with its partner to provide Velocity members with notice of the changes coming into effect. In February 2019, Velocity launched a points bonus transfer campaign for Velocity members with its partner's 'indirect earn' cards. This allowed members to earn a bonus of between 15-25% when they transferred rewards points to Velocity.

Communications to members specifically referenced the upcoming changes and encouraged members to transfer their reward points to Velocity before the changes took effect. This demonstrates Velocity's commitment to delivering value to members even when faced with unilateral charges by program partners.

(b) Changes to available rewards through partners

Over time, partners join and leave the Velocity program for a range of commercial reasons. This necessarily involves changes to the earn and redemption options available for members and is inevitable over the life of a program. Velocity takes steps to ensure that these changes are clearly communicated to members, in the interests of fairness and transparency.

For example, when Velocity and one of its retail partners announced in early 2019 that the partnership between the parties would end, Velocity and its partner:

- gave members/customers advance notice of the proposed end date of the partnership; and
- agreed to continue to issue those members who had elected to participate in the offer anniversary points for more than two years after the announcement of the end of the partnership.

6.2 Impact of 'booking class' on points earn

Velocity considers that members understand that they will earn more points if they book fares in a higher booking class, which are generally more expensive – reflecting an appropriate loyalty reward for the member. Velocity considers that consumers are provided with clear information that sets out how the choice of 'booking class' and partner airline impacts the number of points a member will earn.

Velocity's website contains dedicated partner pages for its program partners which detail the ways in which members can earn points with program partners and the applicable points earn rate (and status credit earn rate, where applicable). This information is accessible under easily navigable headings (e.g. 'The basics' – 'Earning Points' – 'In the Air / Discover our Airline Partners'). Key information is presented in simple table format which summarises the booking class and the rate at which points can be earned on a fare class. For example, the dedicated partner page for Delta Airlines details the rate at which members can earn points when travelling with Delta Air Lines. This information is clearly included under heading 'How Many Velocity Points Will I Earn?' and members are directed that: "The number of Velocity Points you earn with Delta is based on the fare class and the number of miles you are travelling, so the higher your fare type, the more Points you earn."²

Velocity members can also refer to simplified tables which summarise the booking class and the rate at which Velocity Points can be earned on a fare class.

That said, as described in section 4 above, Velocity is in the process of reviewing its Member Terms & Conditions and will consider specifically highlighting that earn rates may differ depending on which partner is operating the flight, and if applicable at the time of the update, the destination of the flight. While details regarding the impact that the booking class may have on points earned are readily available on Velocity's website, Velocity is considering whether there is a better way to communicate the impact that booking class may have on points earn to its members.

6.3 Notifying members of points expiry period

The ACCC has stated that loyalty scheme operators should prioritise informing consumers about expiry periods and consider when and how they communicate with consumers about any approaching expiry period.

² See: <https://experience.velocityfrequentflyer.com/partners-offers/airlines/delta-air-lines>

Velocity considers that it has strong policies and practices in relation to points expiration which compare favourably to its partners. Velocity points expire after two years of inactivity. To date, Velocity has only changed the points expiry period once in the history of the program. When Velocity reduced the points expiration period from 3 years to 2 years in June 2016, members were notified of this in February 2016. Velocity also ensured that the new expiration period applied prospectively only so any points that had already been earned by members were not impacted and they could make forward booking decisions with the knowledge of the change to the life of the points earned.

As indicated in the Loyalty & Reward Co Report,³ engagement by members in a loyalty program is critical to the success of the program⁴ and that is why Velocity seeks innovative ways to reengage members, including by offering members personalised earn and redemption opportunities that Velocity thinks will be of interest to them. There are numerous reasons why a member may become 'disengaged' from the program and Velocity is continually exploring ways to reconnect with its disengaged member base. The long term commercial benefits associated with positive member engagement (e.g. through earn and redemption activity with partners) are well understood by loyalty operators and are a key focus of the program. Velocity monitors engagement data of its member base and, depending on the program lifecycle stage of a member, sends members personalised communications encouraging engagement in program activity.

In addition, Velocity also provides its members with a dedicated email message 60 days prior to a member's points expiry date. This message proactively reminds members that their points will expire unless they engage in an eligible earn or redemption activity.

Velocity is also planning to expand its communication so that notice of expiry would be provided at both 60 days and 30 days prior to points balance expiry. It is anticipated these changes will take effect before 31 December 2019.

Finally, when considering requests to reinstate expired points, Velocity also takes into consideration a member's personal circumstances (for example, hardship, illness, family responsibilities or other extenuating circumstances that have impacted their travel and other earn patterns). For these reasons, Velocity does not consider that the complaints summarised in box 3.3 of the Draft Report reflect the practices of Velocity.

7 Data practices of loyalty schemes

7.1 Overview

The Velocity program is operated for the primary purpose of delivering useful and valued benefits to its members to reward their loyalty for use of services and products offered by Virgin Australia and partners. By its very nature and business model, Velocity is a data-driven business. To identify, offer and deliver these benefits to members, Velocity requires reliable data, including personal information, about members' use of services and products, their interests, preferences and requirements.

Velocity acknowledges that the two overarching themes to emerge in Chapter 4 of the Draft Report centre around providing consumers with increased transparency about data practices (being a broader concept than "personal information practices"), as well as providing them with more control and ultimately more choice over the purposes for which their data (including personal information) is used. To this end, Velocity notes that Recommendation 4 of the Draft Report reflects the recommendations made by the ACCC

³ Loyalty & Reward Co, *Australian loyalty schemes: a Loyalty & Reward Co report for the ACCC*, June 2019.

⁴ Draft Report, p 24

in the Digital Platforms Inquiry Final Report in respect of general reform to the Australian privacy regime.

Ultimately, these recommendations reflect the ACCC's desired future-state, and are not the existing legal position in Australia by which Velocity's current practices should be assessed.

Nevertheless, Velocity agrees that, in exchange for its use of personal information and other data about its members, Velocity's members are entitled to fair, useful and valued benefits through the Velocity program. Velocity also recognises the trust that its members place in it to handle their personal information in the course of operating the program.

7.2 Improve clarity, accessibility, navigability and readability of privacy policies

Velocity's approach to personal information handling is governed by its obligations under the *Privacy Act 1988* (Cth) (**Privacy Act**). Velocity has a robust and effective data management and privacy framework and associated operational and technical controls and safeguards to meet its obligations under the Privacy Act, as well as its obligations under the *Spam Act 2003* (Cth) and the *Do Not Call Register Act 2006* (Cth). It also ensures that these practices constantly evolve to reflect general consumer expectations as to fairness, openness and transparency.

Velocity maintains a team of experienced privacy professionals and implements privacy by design (where applicable). It conducts privacy impact assessments for new projects and vendor security assessments in relation to third party providers that handle members' personal information. Velocity also conducts extensive internal training across all business units and roles that handle members' personal information. Velocity has well-developed and accessible processes for external and internal feedback and for handling of privacy concerns or complaints from individuals.

Following an assessment by the OAIC conducted in July 2017, which examined Velocity's privacy management practices in the context of Australian Privacy Principles (**APPs**) 1 and 5, the OAIC found, in its assessment report published on 3 October 2019⁵ (**Assessment Report**), that Velocity has:

- *"...taken steps to foster a culture of privacy awareness that treats personal information as a valuable business asset..."*; and
- *"robust and effective privacy practices, procedures and systems"*.

It is important to note that such practices, procedures and systems extend beyond Velocity's Privacy Policy, and include governance structures, staff training, internal policies and a privacy management plan. The OAIC did not identify any medium or high-level risks associated with Velocity's privacy practices or with its privacy governance measures and consequently did not make any recommendations.

Velocity has drafted its privacy policy with regard to its obligations under APP 1 and in light of the APP guidelines published by the OAIC (**APP Guidelines**). The APP Guidelines (in paragraphs 1.17 – 1.21) require entities to describe the kinds of personal information they handle *"in general terms"*, explain the *"usual approach"* to collecting personal information, and describe the purposes for which personal information is *"usually"* collected, held, used and disclosed.

⁵ Published at <https://www.oaic.gov.au/privacy/privacy-assessments/management-of-personal-information-velocity-frequent-flyer/> (3 October 2019)

In its Assessment Report, the OAIC concluded that Velocity's privacy policy meets the requirements of APP 1.4. Although the OAIC also suggested that there was room for improvement in the readability of the policy and that the language of the policy could be simplified (which Velocity had taken measures to rectify), its conclusions were more positive than those drawn by the Draft Report, which concluded that "*the privacy policies of the customer loyalty schemes examined are opaque*"⁶. Velocity's privacy policy was found particularly to be 'very difficult to read' according to the Flesch Readability Score used to draw the Draft Report's conclusions. Velocity would like to clarify that it by no means intentionally set out to adopt an opaque approach, but when describing fairly complex data flows and practices, there is an inherent tension between being open, transparent and non-exhaustive, whilst simultaneously being succinct and simplifying language.

Velocity understands that this apparent difference in stance between the OAIC and the ACCC stems from the ACCC's view (as also outlined in its Final Report on the Digital Platforms Inquiry) of how the data practices of businesses should be reformed going forward. Velocity respects the ACCC's view that significant privacy reforms are required in order for the current regulatory framework in Australia to keep pace with data practices, both in Australia and overseas. However, the Draft Report sets a clear expectation that privacy policies should include very specific details about the collection, use and disclosure of both personal information (which is governed by the Privacy Act), and other member data which is anonymous or de-identified (and not capable of re-identification) and which is currently not governed by the Privacy Act or any other regulatory regime. Velocity views this as being a regulatory step-change from current requirements.

Velocity considers that its data practices and procedures should not be assessed based on the requirements of a proposed future regime unless or until that regime is in place. Velocity understands that regulation needs to evolve to ensure that it does not become ineffectual and in its role as the consumer protection authority, the ACCC has a role reviewing how new areas of data practices impact consumers. However, at this stage, it is the Privacy Act (and to a certain extent the OAIC's interpretation of the APPs, as set out in the APP Guidelines) which govern what is to be included in a privacy policy. Velocity requests that this point is clarified by the ACCC in its Final Report.

7.3 Review of Velocity Privacy Policy

Despite the above concerns with elements of the ACCC's approach to privacy policies and some of the conclusions drawn in the Draft Report, Velocity acknowledges some of the concerns that the ACCC has expressed about the content and readability of Velocity's privacy policy. Velocity is taking steps to make improvements in this area in line with the ACCC's comments and will make further changes to provide greater transparency, clarity and readability of both the privacy policy and privacy statement.

In relation to the transparency of Velocity's privacy policy, Velocity has conducted a preliminary review of the privacy policy following the release of the Draft Report. At this stage, Velocity has particularly focussed on the marketing sections of the policy.

(a) Marketing practices

Velocity has included in **Attachment A** to this submission a proposed update to the marketing sections of the Velocity privacy policy. Velocity has assessed the updated sections using the Flesch Readability Score used by the ACCC for the Draft Report, which returned a much-improved readability level. Velocity is further reviewing this section of the privacy policy but has included it within its submission for feedback and

⁶ Draft Report, page vii.

comments from the ACCC, given the focus on this aspect of privacy policies of loyalty programs within the Draft Report.

(b) Complete review of privacy policy

Velocity plans to conduct a more fulsome review of the privacy policy to further improve readability and clarity, to simplify the structure of the policy, and to consider more engaging ways of presenting the information to its members. Velocity intends to consider, amongst other options, whether to take a layered approach to the policy,⁷ whether to use pop-up boxes explaining key terms, or whether to include other aids such as video. To assist with this process, Velocity proposes to engage a copywriter and a creative agency to assist with copy and presentation. Velocity will also conduct member research to understand the concerns of members. This will assist Velocity to evaluate the policy's effectiveness and identify areas where further simplification or accessibility may be required. In conjunction with this comprehensive review of the privacy policy following this submission, Velocity will also review the content, structure and readability of its privacy statement.

In the meantime, in response to the comment in the Draft Report that Velocity's membership terms and conditions, privacy statement and privacy policy are undated, Velocity has updated these documents to include the date the relevant document was last amended. Velocity wishes to clarify that the Velocity privacy policy has always included the month and year of its last update. This was not made clear in the Draft Report.

(c) Definition of 'personal information'

The ACCC observed that Velocity's privacy policy (amongst a majority of the other loyalty schemes assessed in the Draft Report) does not define 'personal information'. Velocity notes that under the APPs and APP Guidelines, there is no requirement or recommendation that entities define personal information in their privacy policies (and Velocity also understands that this is not common practice for privacy policies of other APP entities).

Velocity considers that the ACCC's comment that the types of information described as being collected under the various loyalty schemes' privacy policies "*may or may not fall within the Privacy Act's definition*"⁸, is a consequence of the inherent difficulties associated with applying the definition of 'personal information' in the Privacy Act with developing uses of data (which may not be 'personal information' under the current definition in section 6(1) of the Privacy Act), and not as a result of entities applying different 'non-standard' versions of the definition. In drafting its privacy policy, Velocity applies the definition of 'personal information' in the Privacy Act (as further explained in the APP Guidelines and applicable case law).

Nevertheless, Velocity acknowledges that there may be room for improvement in how it provides clarity to its members about its data practices, both for data that is 'personal information' as that term is defined in the Privacy Act and other data that is not 'personal information'. For this reason, Velocity will be reviewing this section carefully as part of the more fulsome review of the privacy policy that will follow this submission.

⁷ That is, providing a condensed version of the full policy to outline key information, with direct links to the more detailed information in the full policy, as is suggested in the APP Guidelines,

⁸ Draft Report, p. 52.

7.4 Minimising information overload for consumers by prominently presenting terms and privacy policy

(a) Membership join process

Velocity notes the ACCC's concerns that Velocity's approach to presenting its privacy statement upon a consumer applying to join the Velocity scheme and its privacy policy is opaque and does not feature prominently enough during the join process. In particular, the ACCC has drawn attention to Velocity's practice of presenting the privacy statement to prospective members at the end of the membership join form (which comprises a series of five screens). Velocity understands this concern and has made changes to the screens that comprise its membership join form process. Links to Velocity's terms and conditions, privacy statement and privacy policy are now available to prospective members on each of the five screens that form part of the join process. Screenshots of the new join process and the accompanying links have been provided in **Attachment B**.

Velocity members may also join through a number of 'two-step Join' channels, where new members enter more limited data fields as part of another transaction (for example, purchasing a Virgin Australia flight) to become a Velocity member. There are a number of two-step Join channels and Velocity will be making changes in the coming months to each of the respective forms for these channels to ensure the key documents are also prominently presented to members joining through these channels.

(b) Presentation of privacy policy

To provide additional clarity to members, prior to the date of this submission, Velocity has conducted an audit of locations on its website where links are provided to the 'Privacy' landing page, which contains links to the privacy policy and privacy statement. To provide a more streamlined member experience, Velocity has now changed these links so that they go directly through to the relevant document – either the privacy policy or the privacy statement as appropriate.

While Velocity has made changes to how it presents its privacy policy and privacy statement during the membership join, Velocity considers that it is important to clarify that it does not collect any personal information from a prospective member until the 'join' button is clicked on the last page of the join form. This is in line with Velocity's obligations under APP 5, which requires it to take reasonable steps to present its privacy statement at or before the time that personal information is collected. The ACCC's statement in the Draft Report that Velocity "*requires a consumer to start providing personal information before a link to the terms and conditions and privacy policy is present*",⁹ suggests that Velocity is not meeting its Privacy Act obligations, which is inaccurate.

7.5 Outlining the sharing of consumer data

In section 4.5.5 of the Draft Report, the ACCC has identified concerns about how loyalty programs communicate to their members the data-sharing relationships which exist with third parties, and particularly how loyalty programs communicate the involvement of third parties as part of marketing programs.

As disclosed in its privacy policy, Velocity collects personal information from, and discloses personal information to its related companies, Airline Partners, Program Partners, service providers and other third parties for purpose of operating and enriching the loyalty program, including for marketing purposes. The related companies and the Airline Partners and Program Partners with whom Velocity shares member data are

⁹ Draft Report, page 48.

defined in the glossary section of the Velocity privacy policy, with links to current lists of Airline Partners and Program Partners. Velocity also describes the third parties with whom it shares personal information in general terms in the privacy policy, consistently with the requirements of APP 1.4 and the APP Guidelines.

Velocity is of the view that these data sharing relationships are reasonably clear in its privacy policy and Velocity is certainly not intending to be opaque.

Moreover, by the very nature of a loyalty program, and by virtue of the products and services that Velocity offers its members, member data is required to be shared with third parties as part of marketing the Velocity program. This includes sharing personal information with its related companies, Airline and Program Partners in order to allocate points to a member and for points to be redeemed by a member. Velocity also shares personal information with other third parties, including its service providers and advertising agencies in order to operate the loyalty program, including for customer support, payment fulfillment, and marketing and analytics purposes.

Velocity is of the view that this data sharing with third parties is within the reasonable expectations of its members.

However, in order to provide more clarity to members as to whom Velocity has a data-sharing relationship with as part of its marketing programs, Velocity proposes to update the marketing sections of the privacy policy (see **Attachment A**) to:

- make the identity of third parties more apparent when reading the marketing section of the Velocity privacy policy (rather than needing to refer to the Glossary section of the privacy policy);
- provide greater clarity about how Velocity identifies relevant products and services for its members using data sharing arrangements;
- provide some examples of where Velocity shares data (which may include personal information) with third parties for targeted and behavioural advertising purposes, including the use by Velocity of digital platforms for advertising purposes; and
- increase the level of information for members as to how members can control their marketing preferences.

Velocity proposes the above described changes to its privacy policy to address the ACCC's key concerns in respect of how Velocity communicates in its privacy policy the involvement of third parties as part of its marketing programs. Velocity welcomes the opportunity to consult with the ACCC on these proposed changes prior to publication.

However, Velocity acknowledges that the proposed changes to its privacy policy do not address all of the concerns expressed by the ACCC in section 4.5.5 of the Draft Report. This is because the proposed scope and level of detail to be included in a loyalty program's privacy policy as proposed by the ACCC in the Draft Report raises a number of concerns for Velocity:

- APP 1 and the APP Guidelines do not require an exhaustive list of third parties to be identified in a privacy policy. In fact, APP 1 does not specifically require that third parties are identified at all, but rather that the purposes for which information is disclosed is described. The APP Guidelines state that "*the description of*

purposes could indicate the range of people...to which personal information is usually disclosed".¹⁰

- Providing a definitive list of third parties (other than program partners and related companies) to whom information is collected or disclosed in the privacy policy, together with the associated purposes of collection or disclosure, will increase the length of the policy and impact readability.
- Publicly providing a definitive list of providers that receive members' personal information poses a security risk and would present potential malicious attackers with a comprehensive list of where to find Velocity members' personal information. This is particularly concerning in an environment where airlines are an attractive target for malicious attackers, as evidenced by recent significant data breaches.
- Providing a definitive list with associated descriptions of the related data practice may also disclose commercially sensitive information to Velocity's competitors about the types of systems and processes that it uses to perform its activities.

These issues are also relevant to the concerns regarding targeted online advertising, as described in the section below.

Velocity is continually providing its members with as much transparency as is possible whilst balancing Velocity's other regulatory requirements and business objectives. Velocity believes that providing more detail about its use of digital platforms such as Google and Facebook will go some way to achieving this. However, Velocity would appreciate further guidance from the ACCC about how it envisions businesses such as Velocity should reconcile the concerns Velocity has raised here with respect to the ACCC's desire for a definitive list of relevant third parties.

7.6 Disclosures about targeted and behavioural advertising

In relation to targeted and behavioural advertising, the version of Velocity's privacy policy provided to the ACCC earlier this year stated that:

- *"...[w]e use cookies, pixels and similar technologies to help us present targeted and personalised advertising and other content about us, our related companies, Airline Partners and Program Partners, on our website and third party websites"; and*
- *"[w]e use personal information that we hold about Velocity members to...deliver personalised and targeted content, marketing and advertising via email, our website and our mobile applications, or via third party websites including social media platforms. This may include information about products, services and membership benefits and those of our related companies, Airline Partners and Program Partners."*

The Velocity privacy policy also provides information to its members and consumers about how to control the amount and types of targeted advertising. However, these clear disclosures in the Velocity privacy policy were not presented in the extract provided by the ACCC in Table 4.5 of the Draft Report.

Velocity acknowledges the ACCC's general view that there is room for improvement in the transparency provided to members about the use of their personal information in relation to targeted and behavioural advertising. As highlighted above, the proposed

¹⁰ APP Guidelines, paragraph 1.21.

changes to the privacy policy focus on the marketing sections of the policy, including providing increased clarity and information around the use of targeted and behavioural advertising on third party websites and apps, including social media.

As part of the more comprehensive review of the Velocity privacy policy that will occur following this submission, Velocity will look for further ways to improve transparency to its members about the ways in which Velocity may use personal information to push out targeted and behavioural advertising. Velocity will also consider more engaging ways to present this information to Velocity members so that they may better understand the relative complexities of this practice. In turn, and in conjunction with the changes to the Velocity 'Preference Centre'¹¹ detail in section 7.7 below, Velocity anticipates that this will assist members to make clearer choices about the use and disclosure of their information. The changes to the Preference Centre will include an ability to opt-out of targeted online advertising on third party sites.

In addition to the above issues, Velocity notes that the ACCC specifically identified concerns with the use of transaction marketing companies, such as Rokt, which display targeted advertising through a pop-up to consumers during online interactions with another company. Velocity acknowledges that the data practices of Rokt are of concern to the ACCC. Velocity last acquired a member through Rokt on 9 April 2018. Steps are currently underway to formally terminate Velocity's contractual relationship with Rokt, and Rokt has already taken down Velocity's case study from its website.

Velocity confirms that it does not use any other transaction marketing companies to acquire new members.

7.7 Consumer control over data

Velocity notes that it is the ACCC's view that consumers, who wish to continue to participate in a loyalty scheme, may benefit from being given the choice to meaningfully opt out of certain data practices in a way that suits their own privacy preferences.¹² Velocity generally supports this principle.

Currently, Velocity members are able to control their communications preferences by logging in to the 'Preference Centre' via their Velocity account and opting-out of a range of communications categories of their choosing. Members can also specifically opt-out of receiving text messages.

To provide an improved member experience, Velocity has also identified a number of actions that it will take to increase the transparency and control for members in relation to its data practices. Velocity will amend the wording used in the current Preference Centre to provide clearer descriptions of the communications categories available. Velocity also has a number of other changes planned, which are set below. For technical and operational reasons, these actions will take some time to implement.

As a first stage, Velocity will be able to provide members the ability to opt-out of telemarketing and online targeted advertising on third party sites, including social media sites. Currently, members can subscribe separately to Velocity's eStore emails, and they must visit the eStore site separately if they wish to manage their eStore communications preferences. To provide members with a more seamless experience, Velocity will also provide a direct link within the Preference Centre for members to access their Velocity

¹¹ The functionality attached to a member's account that allows a member to opt-out of certain categories of marketing communications

¹² Draft Report, para. 4.6, p. 60

eStore subscription preferences. At this time, Velocity's anticipated date for delivery of these changes is 31 December 2019.

To better inform members about the ways in which Velocity collects member data, Velocity is also considering implementing a cookie policy (despite this not currently being a legal requirement in Australia).

In the longer-term, Velocity will conduct a wholesale review of the Preference Centre to ensure members have the ability to control their communication preferences by individual category and by channel. This project is still being scoped to determine the most effective technical solution and the most effective user experience. At this time, Velocity estimates that the proposed project will be able to be completed in 2021.

8 The impact of loyalty schemes on competition

8.1 Loyalty schemes are generally pro-competitive

Velocity welcomes the ACCC's consideration of the competition effects of loyalty schemes as part of its Inquiry.

As discussed above, Velocity and Virgin Australia are both challenger brands that have worked hard to contest the dominance of their rivals in order to bring competition to their respective markets. Velocity's success is crucial to support Virgin Australia as an effective competitor in the domestic and international air travel markets, providing consumers with more choice, and promoting competitive responses from rivals. As the ACCC has noted, loyalty programs bring many benefits to consumers and promote price and service competition.

Velocity also competes in a broader loyalty market which is highly competitive, fragmented and dynamic. There is a vast and growing number of competitors within this market with diverse offers spanning banking and credit card programs, supermarket loyalty schemes, fuel rewards schemes, retail loyalty offers from major department stores and scores of individual retail brands, in addition to other frequent flyer programs which are made available to Australian residents. While the ultimate goal of loyalty programs is to achieve brand loyalty and drive increased custom, the reality is that Australian consumers can be, and are, members of multiple loyalty programs simultaneously and make decisions to maximise the value they get from individual programs.

The growth of the loyalty market has led to significant innovations in terms of services and products made available to customers, the channels through which customers can purchase products and be rewarded for those purchases, and the degree of personalisation of offered to customers. Velocity anticipates that as the market continues to develop and grow, it will see further new entry and expansion of existing loyalty programs, continued innovation and use of technology, and increased participation by consumers.

However, it is also important to consider the competition effects of loyalty programs in the primary markets in which they seek to create customer loyalty, such as airline markets, supermarkets, retail fuel, and financial services.

8.2 Case by case assessment required to assess potential competitive effects where firms have market power

Velocity agrees with the ACCC's view that the competition effects of loyalty programs within these primary markets should be considered on a case by case basis and must take account of the level of market power of participants within these markets.

The ACCC has observed that there is the potential, where a loyalty program is linked to a dominant player in a market – as is the case with Qantas and Qantas Frequent Flyer which had more than 10 years as the sole loyalty program in the loyalty market – the perceived value and entrenched position of the program may have the effect of 'locking in' customers in primary markets. For example, some members choose to fly exclusively with Qantas in order to maintain or improve their loyalty status, even at the cost of foregoing better value flights or experiencing service innovations available with a competitor. This is particularly the case for corporate travel.

The effect of Qantas' Frequent Flyer Program (as the largest and most established program in Australia) is to create a high level of customer stickiness, increasing barriers to Virgin Australia's successful expansion into the business and corporate travel segments, reducing competition within the market and entrenching Qantas' dominant position.

There is nothing inherently wrong with Qantas being the incumbent airline and loyalty program and consumers are free to choose which airline and which loyalty program they use, and often choose to use both. However, Virgin Australia is concerned that the combined effect of Qantas' position in these markets and some commercial arrangements with partners is to further entrench its market position. In particular, its position is enhanced through a series of exclusive arrangements with cornerstone partners in industries such as supermarkets and retail fuel, providing members with opportunities to earn Qantas points across all of their everyday spending and influencing their purchasing patterns. This has the effect of reducing consumer choice and preventing access to new loyalty partners for rivals like Virgin Australia. This has a detrimental effect on the competitive process and, ultimately, consumer welfare across a range of markets, including the airline market.

9 Conclusion and next steps

Velocity would appreciate the opportunity to engage further with the ACCC on the matters addressed in this submission. Velocity is committed to ensuring that it delivers value for its members and that it deals fairly and clearly with them at all times. With this commitment in mind, Velocity is implementing the immediate positive changes that have been outlined in this submission.

However, Velocity acknowledges it is difficult to get the balance right, ensuring that it delivers personalised and valuable benefits for members and partners, using member data, while also giving members the opportunity to understand and better control how that data is used. Velocity considers that it has a strong compliance culture and that its proposed changes improve the way it communicates with members. However, it would welcome further guidance from the ACCC given the changing regulatory environment. Velocity is especially interested in more guidance on balancing the competing priorities of achieving clarity and comprehensiveness but avoiding information overload for members.

Velocity is using this Inquiry as a positive opportunity to review and revitalise its member communications and proactively engage with the matters raised in consumer complaints. However, Velocity would also like to see the ACCC's Final Report better deal with

differences in the approach of loyalty programs and make it clear to consumers which concerns do and do not apply to Velocity's conduct, avoiding member confusion about Velocity's practices and compliance.

Attachment A Proposed updates to the marketing sections of Velocity Privacy Policy

MARKETING COMMUNICATIONS AND ADVERTISING

We use your **personal information** to send you marketing communications and so that you can see more relevant targeted online advertising. The ways in which we do this are described in this section of our Privacy Policy.

In this section of the Privacy Policy, we talk about our **related companies** and our **Partners**.

Our **related companies** are Virgin Australia Airlines Pty Ltd, Virgin Australia International Airlines Pty Ltd, Virgin Australia Airlines (SE Asia) Pty Ltd, Virgin Australia Regional Airlines Pty Ltd and Virgin Australia Cargo Pty Ltd.

Our **Partners** are those companies that participate in the Velocity Frequent Flyer and Velocity Rewards programs to offer you benefits. The list of our current **Partners** is on our website at <https://experience.velocityfrequentflyer.com/partners-offers/all-partners>.

How we market to you

We may contact you to let you know about membership benefits, offers and promotions. We may also contact you about the services, products and promotions offered by our **related companies** and **Partners**.

We may market to you by:

- email;
- SMS text messages;
- postal mail;
- telephone call;
- push notifications on a mobile device; or
- showing you online advertising, using your personal information, through digital platforms like Facebook and Google. We refer to this as **targeted online advertising**.

Your account and profile

When you join Velocity, we collect personal information from you to manage your membership account. Throughout your membership, we combine your personal information with other information. This includes demographic data (like your household composition or a prediction of your life stage) and socioeconomic data (like a prediction of your household income). All of this information is attached to your membership account and forms your member profile. We use your profile to present you with offers or other content that you might find interesting and useful.

We keep your profile updated using information that you provide to us. We also build your profile when you interact with us. This includes when you provide your Velocity membership number and:

- book a flight;
- link your membership with a Partner;
- transfer points from a Partner; and
- earn or redeem Points with a Partner.

Other interactions we use to build your profile include when you:

- click a link in an email from us;
- log in and use our website or mobile app; and
- log in and use the Virgin Australia website, the Virgin Australia app, the Velocity Rewards Store or Velocity E-Store.

Data we collect using Tracking Tools

When you use our website or mobile apps, or receive a marketing email, SMS text messages, or push notification from us, we collect data using pixels, cookies, tracking hyperlinks, and web beacons (**Tracking Tools**). We may also place Tracking Tools on the websites of selected Partners.

Tracking Tools help us to improve how our websites and mobile apps work. They also help us to make sure that the content you see on our websites and mobile apps from us, our **related companies** or **Partners** is interesting and useful to you.

Cookies are small amounts of data generated by a website and saved by your web browser or device. They allow us to recognise if you are using a specific device or browser. Pixels and web beacons (also known as pixel tags or clear GIFs) are tiny graphic images placed in a digital touchpoint, for example, a website or email that is used to monitor your behaviour. For example, when we send you emails, web beacons allow us to track if you opened the emails and clicked a link. Your browser may tell you how to be notified when you receive cookies and how to remove cookies.

Sometimes, the data collected by the Tracking Tools is anonymous data. This means we cannot identify the person whose data has been collected. Sometimes, the data will include personal information, which means we can link the data to your membership number. It will depend on whether you have logged in.

Logged in or not?	What do we collect?
<p>You are not a member.</p> <p>If you are a member, but you have not logged in, or it's been some time since you last logged in, then we will not be able to link the data to your Velocity membership number or member profile.</p>	<p>Anonymous data about:</p> <ul style="list-style-type: none"> • clicks on our websites • how users interact with content on our websites • how users interact with our advertising on third party websites
<p>If you are logged in to our website, or have previously logged in using the same device, we'll be able to link the data collected by the Tracking Tools back to your member profile.</p>	<p>Data, including personal information about:</p> <ul style="list-style-type: none"> • your visit to our websites; • how you interact with content on our websites; • how you interact with our advertising on third party websites; • how you interact with our emails; • your browsing activity; and • purchases you make.
<p>To use our mobile app, you will need to be logged in. Any data collected by the Tracking Tools when you're using our mobile app will be linked back to your member profile.</p>	<p>Data, including personal information about:</p> <ul style="list-style-type: none"> • how you interact with content on our app; • your browsing activity; and • purchases you make.

Advertising to you online

Unless you have opted out, we may use the data in your membership profile to show you online targeted advertising. You may see targeted online advertising from Velocity or our Partners on digital platforms such as Facebook, Google and Adobe, or on third party websites and mobile apps where we

have purchased advertising space. To help target this advertising to you, we may share data collected using Tracking Tools with those digital platforms. We send this data securely.

You may still see Velocity advertising once you have opted out. You may see this advertising simply because we are generally advertising on a website that you visit

Personalising your visit to our website and mobile app

If you log in to our website or mobile apps, we may show you personalised offers and other content, which we think you will find interesting and useful. After you log out of the website, you may continue to see personalised offers and content when you return to our website from a device that you had previously logged in on, unless you clear your cookies from that device. Unless you log out of the mobile app, you will remain logged in and may receive personalised offers and content, including push notifications (where these are enabled on your device).

HOW TO CONTROL YOUR MARKETING PREFERENCES

We always work to ensure that you see promotional offers and content that will be relevant for you. In addition, we offer you choice about what marketing communications you receive from us.

Marketing communications from Velocity	How you can opt out
All content	Log into your Velocity Account and update the options under <u>"My Preferences"</u> .
Promotional and marketing emails	Click on the "unsubscribe" link in the email we send you to opt out of that email content category.
Promotional and marketing SMS text messages	Reply to the text message with the word UNSUB. You can also opt-out of text messages in the <u>"My Preferences"</u> section of your Velocity Account.
Velocity app notifications on your mobile device	You can change your push notification settings on your mobile device or in the "settings" section of the Velocity mobile app.
Targeted online advertising shown on digital platforms and third party websites, paid for by Velocity	<i>(Note: current state)</i> To stop seeing advertising about the communication categories that you're not interested in, update the "My Preferences" section of your Velocity Account. You will stop seeing targeted online advertising for the communication categories that you opt out of. You may still see non-targeted advertising from us after taking this step. You can choose to stop seeing all content from us by notifying the digital platform directly. For Google, refer to https://support.google.com/ads/answer/2662922?hl=en-AU For Facebook, refer to https://www.facebook.com/help/146952742043748?helpref=related
Targeted online advertising shown on digital platforms and	<i>(Note: following the preference centre updates facilitating opt-out from targeted online advertising– targeted implementation 31 Dec 2019)</i>

Marketing communications from Velocity	How you can opt out
third party websites, paid for by Velocity	<p>Update your Velocity preferences by unchecking the 'Digital marketing' option.</p> <p>You may still see non-targeted advertising from us after taking these steps. You can choose to stop seeing all content from us by notifying the digital platform directly.</p>
Telephone marketing	<p>Tell the call centre agent that you no longer wish to receive telephone marketing.</p> <p>You can also register your phone numbers with the Australian Government's Do Not Call Register by accessing https://www.donotcall.gov.au</p>
Promotional and marketing postal mail	Write to us at Velocity, PO Box 1034, Spring Hill QLD 4004, or call us on 13 18 75.
Membership card packs by postal mail	Call us on your preferred phone number – Australia: 13 18 75, New Zealand: 0800 230 875, other locations: +612 8667 5924.

Even if you opt-out of all Velocity promotional emails and SMS text messages, we will still contact you about important matters. Examples of this include changes to your membership terms, password reset requests, and when your membership status is upgrade or downgraded.

