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## Q&A with François Fortier, CEO of KLF Group Inc. Building, Funding and Scaling Companies in the Reward and Recognition Industry providing Loyalty Programs and an Employee Recognition Software for Small and Medium Sized Businesses

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**CEOCFO: *Mr. Fortier, what is the concept behind KLF Group Inc, today?***

**Mr. Fortier:** The KLF Group specializes in building, funding and scaling companies in the Reward and Recognition industry. Our portfolio of assets includes two major companies. One is specialized in reward program fulfillment called Loyalty Source, which owns distribution rights to over 300 retail brands and handles the full cycle logistics of all the rewards that are services through employee engagement and customer loyalty programs. Loyalty Source stocks and ships the rewards, redeemed in these programs, directly to the participants all over Canada. The second company is Applauz Recognition, which is an employee recognition software for small and medium sized businesses that answers a real world problem that SMBs have, which is being just as great as large corps on employee recognition, retention and engagement, but on a small tap budget.

**CEOCFO: *Why are recognitions and/or rewards so important? What might people not realize about the concept?***

**Mr. Fortier:** Recognition and rewards play on both the participant cognitive level as well as on the business output. Recognition program participants' behaviors can be modified using recognition practices, which is used to achieve corporate objectives such as increased performance, retention and attracting new candidates. Companies are realizing that in order to attract star employees, salaries are no longer the number 1 criteria, company culture is. So we help small and medium sized businesses build amazing places to work by implementing a culture of recognition. Once their recognition maturity level is high enough and they want to start grabbing the higher fruits on the tree, that is when rewards are added to the mix. We have noticed a true shift in mentality towards Employee Engagement over the last few years, where forward thinking companies no longer see it as a cost center and are now accurately measuring their ROI on their programs.

**CEOCFO: *How do you help a company craft a program, both perhaps in the ease of your technology, but in figuring out what they should offer or how they should work the program?***

**Mr. Fortier:** Applauz starts by looking at the client's company culture and asking what the corporate objectives are, because if you don't have targets, how can you measure your success? Once we define what metrics or behaviors we are working towards we help our clients understand how Applauz can achieve these objectives. We sometimes recommend recognition practices that live completely outside of our software and that can help mold the desired culture our client is working towards. As we like to say, Applauz is not the full solution, but Applauz is definitely part of the solution.

Once our engagement specialist has demoed the software clients are ready to upload their employees and start recognizing them! You see Applauz was built for SMB's, we know the limited financial and technical resources they have, and this is why everything is extremely intuitive and self-serving. Our fastest client launch (from signup to first badge awarded) is 9:36 minutes!

**CEOCFO: *Would you tell us about the logistics piece and why that is important for you?***

**Mr. Fortier:** When Loyalty Source walked into the rewards fulfillment industry in 2005 we realized that it was completely underserved and that the consumer experience was not reflective of a modern online shopping experience. All the current reward providers were simply acting as brokers, meaning no one was warehousing any inventory. Even today, most of our competitors work on a sell to buy model; meaning they wait to receive redemptions in order to send a purchase order to the manufacturer or third party distributor and have them handle the shipping. The result is a huge disparity in service levels, long wait times, expensive pricing and complex return policies. Loyalty Source being experts in distribution and logistics, we decided to disrupt the established model and bring back the emphasis on the participant journey. Using a modern e-commerce shopping experience, amazing customer service, fast order delivery and competitive pricing, we rapidly became the largest reward fulfillment provider to the Canadian industry. Today, Loyalty Source stocks over 4,000 bestselling products from over 300 world-class brands and ships out orders within 24 hours of reception.

**“All the companies under the KLF Group roster are small enough to care, but big enough to deliver!” - François Fortier**

**CEOCFO: *Would you tell us about Applauz and why this is the time to enter the market?***

**Mr. Fortier:** Employee engagement is a word that is on everyone's lips now-a-days. There are multiple reasons for companies to pay attention to their human capital, but the greatest accelerator has to be the full employment. Companies are having a harder time retaining their star employees and attracting new talent. Based on numerous independent studies, a strong company culture is the number 1 requirement on candidates list when picking their next company. Unfortunately, not all companies have invested in their culture and are now starting to feel the burn. Luckily for the large corporations, they can throw money at the problem, but small and medium sized business don't all have the same budget. This is why we built Applauz, we wanted to help SMBs be just as good as the Fortune 500 when it came to employee engagement. We are creating an environment where, no matter your budget, no matter your size, you can build amazing work cultured where employees are recognized, rewarded and retained.

**CEOCFO: *How are you reaching potential clients in the different arenas that you are serving? How would people find you if they are looking? How do they know to find KLF Group as opposed to one of the other organizations that work in this area?***

**Mr. Fortier:** Our number 1 value is exceptional customer service. This value is reflected in all our partnerships, features, and communications. As a result, our reputation on the market has started to precede us and we are now hitting the tipping point where companies are coming towards us through recommendations, referral or simple word of mouth. Obviously we have a strong content marketing strategy to help position ourselves as thought leaders, but there is nothing like receiving industry validation, such as the recent awards Applauz received from the prestigious CV Magazine and HR Awards for Best Employee Engagement Solution.

**CEOCFO: *How do you choose products that are available? How often do you change the mix? How do you tap into what people really want?***

**Mr. Fortier:** Loyalty Source has been focused on merchandising for almost thirteen years now. We have procurement teams that are specialized in consumer habits and seasonal trends. We attend all the major consumer trade shows and also use data from the ecommerce space. Many ecommerce websites, such as Amazon, offer web services that you can consume their data and extract trends, patterns and build predictive models using AI. Our merchandise offer is fully dynamic and changes daily to reflect customer shopping habits. In 2108 a reward programs should no longer be about toasters and vacuum cleaners, they should reflect modern e-commerce shopping experience.

**CEOCFO: *What is your strategy for growth for the next year or two?***

**Mr. Fortier:** On both front, Loyalty Source is doing amazing things by signing new exclusive distribution deals and investing massively on its logistics capacities. The landscape is changing a lot on the customer loyalty side and I think there is really a true awareness towards creating a very appealing personalized customer loyalty program. Gone are the days of coalition programs, companies now want to build loyalty programs that reflect their values and where they can create true engagement with their participants on a one-to-one basis. These companies are turning to Loyalty Source to

help them manage their reward marketplace and fulfill their orders with a personal touch. On the Applauz front the market is one hundred percent ready. Small and medium sized businesses are fully aware of employee engagement as an issue that they need to address. We are also signing strategic partnerships with HR software providers to help them complete their offer and create additional value for their clients.

**CEOCFO: *What, if anything, might people miss when they first look at KLF Group?***

**Mr. Fortier:** All the companies under the KLF Group roster are small enough to care, but big enough to deliver!