

Playing the Incentive Card

Using Gift Cards
& Certificates in
your incentive and
award programs

The Present and Future Incentive Award Gift Cards

To keep their appeal to consumers and incentive buyers alike, gift cards are evolving. They're not just pieces of plastic anymore.

A walk through any store or a glance at any Web site will confirm that gift cards are big business these days. So, too, does the 2005 Incentive Federation Survey of Motivation and Incentive Applications. Across all categories of incentives, gift cards were the number-one choice in the merchandise category, taking the lead with 58 percent of consumer/user promotions, 49 percent of dealer incentives, 59 percent of sales incentives, and 62 percent of non-sales employee awards. Even for travel awards, gift cards and certificates had a strong showing, coming in as the first or second choice for all kinds of travel incentives except dealer promotions.

While the gift card market is strong, it's far from saturated when it comes to both consumer initiatives and incentive uses. Retailers and incentive houses continue to create new categories of gift cards, new ways of packaging and presenting them, and even new technologies that make them stand out from the pack.

Experiential-type cards, for instance, have been around for a while, but are growing in popularity with this expansion. "Carlson has been issuing branded prepaid cards for over 10 years now," says Patty Saari, director of prepaid card services for Minneapolis-based Carlson Marketing, "so we've seen a lot of evolution in this market. There's a constant push to stay ahead of the market by introducing exceptional products." Rather than a standard branded prepaid card—such as a Visa or

MasterCard gift card—corporations can now opt for a more targeted card like the Visa Broadway Gift Card. "It allows for the gift of Broadway and is the perfect marrying of the gift of the tickets with branding," says Saari. "Corporations can purchase in denominations larger than just one ticket, encouraging repeat use and a recurring experience at the ticket counter."

Unlike a selected authorization or filtered card—a card that can be used only at one specific location or category of locations—a branded prepaid card like the Broadway Gift Card is designed to be used for one purpose, but it *can* be used for other purposes. "Basically, the message is 'Here's where we suggest you use the card, but it can be used anywhere a Visa debit card is accepted,'" says Saari. "Unlike with cash, when you can't track the usage, our data shows an extremely high rate of intended use for this kind of card, at around 85 percent to 90 percent. If a corporate sponsor only wants the recipient to use a card at a selected location, they

Top Five Incentive Programs for Gift Card Usage

Performance	67%
Sales incentives	48%
Business gifts	44%
Service awards	39%
Non-sales recognition	38%

Source: 2005 Gift Certificate FACTS Report

Using Gift Cards & Certificates

68% of incentive gift cards purchased in the past year were for dining establishments, while retail stores came in a very close second at 67%.

—2005 Gift Certificate FACTS Report

Back to Basics

An incentive award doesn't have to be exotic to have appeal. As Safeway has proven, there's a place in the market for gift cards that can buy everyday items. "Grocery store gift cards are an untapped market right now," says Nancy Serrato, director of corporate gift cards for Safeway and president of the Incentive Gift Card Council. "It certainly isn't appropriate for every application, but we've found that we're a particularly good fit for safety programs and other blue-collar incentives." Likewise, certain consumer promotions and corporate incentives have had good luck with awards for such staples as McDonald's, Dunkin' Donuts, Starbucks, Subway, and others. And with the jump in gasoline prices last summer, demand for prepaid gas cards has never been higher, with such cards being used as an employee reward and consumer promotion. —IK

might view the 10 to 15 percent non-intended use as a negative, but most feel that it's an appropriate level of risk."

"The branded cards—Visa, MasterCard, American Express—have already invested a lot to demonstrate these cards can go anywhere and be used for anything," says Nancy Serrato, current president of the Incentive Gift Card Council and director of corporate gift cards for Safeway. "But now they're also taking it a step further to make them even more appealing and appropriate to certain groups. These cards are a way to further differentiate the award from cash and to associate it with one particular experience."

Have Card, Will Travel

Another area of growth these days involves travel gift cards and certificates. In the past, there have been essentially two forms of travel gift certificates and cards—those from a particular brand, such as Marriott or Hyatt, which a winner could use for stays at various hotels and resorts within that brand; and those from suppliers that allow a broader range of options. With an iExplore certificate, for example, a winner could choose experiences like a hiking/biking tour, a safari, or a culinary trip. Airlines have gotten into the act with carriers Southwest, American Airlines, and others offering gift cards.

Gift cards can also complement incentive travel awards, whether individual or group. "We're seeing a growing trend of using branded prepaid cards to cover per-diem expenses for attendees on incentive trips," says Saari. "It's a very compelling story and really rounds out the incentive travel market." For instance, take an auto-

motive company that is sending its top performers to the Caribbean for an incentive trip. "Within the individual's pre-trip materials can be included a personalized branded prepaid card with dollars already loaded onto it," she says. "It's easy for the company to track, simple for the participant to use, and continues to reinforce the corporate message each time they use it."

Along the same lines, gift cards are available from several hotel and resort companies in dollar amounts starting at around \$25 and usable for golf, spa, dining, and so on. "As the gift card market matures, everyone wants a piece of it," says Safeway's Serrato. "Travel was relatively late to the market, but is now booming, as is dining and

amusement parks, and other experiential cards." This spring, for example, Safeway intends to introduce sports-related gift cards into the incentive market. "This entire category of sports-related cards has been virtually non-existent," Serrato says, "so it's a very exciting introduction." Winners can use the cards to buy game tickets, team-related merchandise, or concession items.

Virtual Delivery

The technology associated with gift cards is poised for big change. Serrato sees the virtual gift card, for example, as a mode of delivery that is beginning to "come on strong." Rather than presenting the recipient with a physical gift card or certificate, the award is sent directly to the recipient via e-mail. Such a delivery mode is particularly appropriate for quick-hit recognition programs, where someone is rewarded immediately in response to performing a specific action.

Virtual cards are also a common mode of delivery for programs administered through Web-based gift card resellers, such as IncentOne and GiftCertificates.com. In such cases, the whole program can be set up electronically, with managers requesting certificates via e-mail and receiving online tracking in addition to virtual delivery. Some individual retailers also offer a virtual delivery mode. "A manager can order gift cards through our Web site, and within 24 hours, the recipient is e-mailed that a virtual card has been awarded to them," says Jeffrey Netzer, vice president of customer programs for Dallas-based retailer Neiman Marcus.

Serrato says that virtual gift cards can be particularly appropriate for international company-wide incentives. "A virtual card completely bypasses all the issues of shipping and sending," she notes. On the other hand, such programs would not work if all employees don't have access to corporate e-mail or for consumer incentives where the targeted demographics aren't likely to have e-mail.

Beyond Plastic

Bells and whistles spiced up some gift cards for the retail market last year. This past holiday season, consumers at Target could buy gift cards with a Christmas tree that twinkled or puppies that barked "Jingle Bells" at the touch of a button, and even bioplastic gift cards made of corn. Wal-Mart shoppers could personalize gift cards with their own photos and a message. Borders was selling a pop-up snowman gift card. According to predictions, consumers will soon be able to store music or videos of their choice on gift cards and download gift cards from the Internet onto their cell phones. It's only a matter of time before these options find their way into gift cards for the B-to-B arena.

Another advance could revolutionize the way gift cards work and look. Today's gift cards feature a magnetic stripe in which the information is embedded. The card of tomorrow will likely have a computer chip with radio frequency identification (RFID) that can be waved in front of a special reader.

Why does the technology matter? Because once cards are rid of that magnetic stripe, they're free to take on new forms. Already, ExxonMobil's Speed Pass system for paying at the gas pump uses a plastic key fob rather than an actual card. A gift card soon will have the potential to take on different shapes, in keeping with an incentive program theme, company business, or nature of the award itself—i.e., a hamburger-shaped card for a fast food outlet or a popcorn bag shape for a movie chain. These chips can also be embedded into other items, such as a watch or a phone, so that the items themselves become the gift card. Not only will that enhance presentation but also winners are likely to continue to use these items on a regular basis, providing an ongoing reinforcement of the award's message. —Irene Korn

Using Gift Cards & Certificates

Make It Special

Like any incentive award, gift cards and certificates, too, need to be presented in such a way that their trophy value is maximized for recipients. The Naperville, Ill.-based Incentive Gift Card Council (IGCC) recommends a few ways to get the most out of your gift card incentive or promotional program:

- Partner with a leading and/or high-end brand. Be sure the brand is aligned with your demographics and program objectives, and award denominations accordingly. A gift card worth \$10 for a store brand where the average product cost \$100 is an incentive bust.
- Customize the cards. Many suppliers can offer personalization including cards made out to individuals with congratulatory statements, company or incentive program logos imprinted on the card or carrier, letters from the awarding company's top executive, and special mailings.
- Plan an awards ceremony. It needn't be elaborate, but recognize top achievers in front of their peers while presenting them with their gift cards.
- Send out a company-wide letter. Announce the winners and express appreciation for the efforts of those who didn't meet objectives.
- Spread the word about participants' reward choices. Ask what they purchased for themselves or their family members with their gift cards. Publicize it in a company newsletter and get other people motivated to earn a gift card of their own or redeem the one they have.

Source: IGCC Executive White Paper

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