

The Role of Gift Certificates and Gift Cards in Corporate Recognition and Incentive Programs

An overview of gift certificates and card applications within recognition and incentive programs.

This Executive White Paper was commissioned by the Incentive Gift Card Council (IGCC) of the Incentive Marketing Association. Copyright 2004.

Uses of Gift Certificates and Cards

Gift certificates are familiar to most American consumers as an easy, convenient way to give the gift of choice. But their usage reaches far beyond department store checks at holiday time. Businesses use gift certificates and cards to recruit, recognize, and motivate employees; reward workplace safety; forge relationships with dealers and distributors; build trade show traffic; and spur consumers to buy their products. Numerous studies point to the efficacy of gift certificates and cards in achieving business results. Gift certificates and cards have been shown to increase sales, improve employee performance and build loyalty, foster teamwork, and create new markets, among others.

Overview of Advantages Vs. Monetary Incentives

Gift certificates and cards offer several advantages over monetary incentives:

- They can be branded, personalized, and customized.
- They offer administrative benefits such as usage tracking and a variety of redemption options.

Industry Growth

The gift certificate and card industry continues to grow, both in consumer and business-to-business markets. Between \$42 billion and \$45 billion in gift certificates and cards will be issued in 2003, according to the Boston consulting firm Bain & Co. Use of cards and certificates to help build incremental sales in particular is expected to expand. According to the *2003 Incentive Federation Study of Merchandise and Travel Incentive Users*, buyers of incentives say gift certificates and cards will be their number one choice for sales incentives in the future.

Definitions

Despite the simplicity of gift certificates and gift cards, the variety of options requires an understanding of a few basic terms.

Gift Certificates. These are vouchers with dollar or point values embossed on them. They can be personalized with the recipient's name and giver's logo and, depending on the vendor, can be replaced in case of loss or theft.

Gift Checks. Sometimes synonymous with gift certificates, gift checks usually refer to money orders issued by banks or credit card firms.

Gift Cards. These plastic cards come with a magnetic strip and/or bar code preloaded with a dollar or point amount. Some are reloadable (in which case they are sometimes called debit cards); others are not. They are generally available in two types: (1) those that carry a major credit card brand and are redeemable at any merchant accepting the brand; and (2) merchant-specific cards, such as those issued by well-known retailers. These are redeemable only at the issuing merchant.

Debit Cards. These are redeemable only at participating merchant outlets.

Virtual Certificates. Many gift certificates can be delivered via e-mail directly to the recipient's mailbox, saving time and the expenses of printing and delivery. The "virtual certificate" can contain a link to a Web site where recipients can select and claim their rewards.

Applications

Gift certificates and cards play a wide variety of roles in many types of incentive programs that include the following.

In Recognition Programs

Gift certificates and cards have both “trophy” and “halo” value. They’re marks of accomplishment that can be given at an awards ceremony or included in a congratulatory note or e-mail. And they produce a halo effect: Employees are reminded of their accomplishments as they plan how to redeem the card or certificates, or when they receive and use the merchandise or travel. There is also opportunity to share the experience with family by having them partake in rewards such as restaurants and travel. Unlike cash, employees are unlikely to consider gift certificates and cards as compensation and thus do not begin to expect them.

In Safety Programs

Gift certificates and cards are used to recognize individual or team milestones: months without injury or accident, reduced days off for illness or injury, following and documenting safety procedures, or demonstrating knowledge of preventative practices and emergency preparedness.

In Sales Incentive Programs

Gift certificates and cards work especially well for sales incentives. They’re scalable—that is, available in many denominations—and thus flexible enough to reward for any volume of incremental sales. And unlike cash, which is a common and expected form of variable compensation in this field, certificates and cards are seen as a one-time reward for a job well done.

In Dealer Incentive Programs

Monetary incentives such as discounts and rebates are common and expected in most distribution channels, but gift certificates and cards can make a motivation program more targeted and memorable without raising sensitive pricing issues. They can be used to spur channel partners to participate in new product training, increase overall sales/purchase volume, or to push a particular product or line.

As Trade Show Traffic Builders

Branded cards can be sent to trade show points or dollar value once they visit the sponsor’s booth.

In Consumer Promotions

Because consumer populations are so diverse, makers of goods from cereal to long-distance phone service have tapped the versatility of gift certificates and cards. They're used to entice a consumer to try a product, switch from a competitor's product, buy large quantities of a single product, or try related products sold by the same company or retailer. Certificates and cards are also popular in cross-promotions: A brokerage house can offer certificates or cards for a software store or a popcorn manufacturer can tie in with a movie theater chain.

In Loyalty Programs

Gift certificates and cards are popular rewards for repeat purchases. Retailers offer gift certificates or cards to consumers who spend minimum amounts, such as a \$10 certificate for every \$100 in purchases.