

# *Overview of Gift Cards & Certificates*

Overview of gift cards and gift certificates as award options.

*By Rodger Stotz, CPIM, Maritz Inc., and Bruce Bolger, CPIM, Selling Communications, Inc.*

## *Extensive Growth*

Gift cards and certificates have become an increasingly popular option for all types of incentive programs: as add-ons to incentive awards, as premiums, and as corporate gifts. Companies that sell gift cards and certificates for business purposes have experienced double-digit growth in recent years. For corporate managers charged with designing an incentive program, gift certificates and gift cards have been available for years. So why the recent surge in popularity? What types of programs benefit most by choosing gift certificates or gift cards instead of travel, merchandise or cash? How does one go about setting up an effective program using gift certificates or gift cards?

## *More Options Every Day*

One factor in the increased popularity of gift cards and certificates is the changing retail climate; there are more suppliers and more retail options. Gift card certificate suppliers include some of the nation's retailing giants, including catalog merchants, department stores and specialty stores. There are also incentive companies offering certificates from various suppliers. The growth of catalog shopping has led to an explosion in retail programs that are tailor-made to incentive programs. Adding to the opportunities is the availability to obtain gift card certificates from major hotel chains, airlines and cruise lines and from resellers who bundle offerings from multiple suppliers.

Further fueling growth are gift cards, some of which can be "reloaded" with new value as needed for long-term programs, and can be logoed.

## *Advantages*

For the vast majority of program managers, the biggest factor in selecting an award is the preference of the recipient. There are a number of reasons recipients increasingly prefer gift-certificate awards, but first let's look at the advantages for the awarding company:

*Time-Saving Simplicity And Low Administrative Costs.* From an administrative standpoint, the advantages of gift certificates or cards over merchandise boil down to a savings of time and money. Beleaguered corporate managers appreciate the turnkey aspect of gift certificates and cards. The medium of the award is a simple piece of paper or card, so there's no merchandise to specify, order and stock. You also enjoy fewer accounting and tax issues. Often, the entire program occupies a single file folder.

*Flexibility.* Awards can be given in denominations of as little as \$1 or as much as \$100,000. That makes them great for programs with many award levels.

*Perceived Value.* Because of the wide range of options available and the ability of recipients to redeem their points at competitive prices, gift certificates and gift cards have great trophy value.

*Fast, Low-Risk Turnaround.* Suppliers typically process gift certificate orders in 24 to 48 hours. Anyone who has sweated the wait for a premium to be allocated and shipped can appreciate this.

*More Options For Targeting The Award To The Recipient.* Even within a program, there can be many types of recipients, and they may not all be pining for a new toaster oven. It's important to know as much as you can about your potential award recipients and give them the right incentive.

With all the different gift-certificate suppliers to choose from, matching the award to the recipient is hassle free. Specialty retailers have gotten into the act, creating an array of opportunities for targeting a program to a specific demographic group.

*Wallet Power.* Gift cards can be customized with the giver's logo and remain in the recipient's wallet for months or even years, offering a continual opportunity for branding and customer bonding.

## ***Disadvantages***

There are disadvantages as well. These include the following.

***Confusion With Cash.*** If the goal is to completely distinguish the award program from cash, it's hard to get around it with cards or certificates denominated in dollars.

***Escheat Laws.*** Different states have different regulations regarding expiration dates, with more states considering restrictions on expiration dates and fees imposed on cardholders who fail to use the card after a certain time.

***Is It Personal Enough?*** Gift cards and certificates make great sense when rewarding large numbers of people or running an internal or external promotion, but may fall short when the goal is to provide a truly personal award based on the recipient.

## ***Benefits To Recipients***

***Self-Selection.*** People like to choose their own award, so the more choices you give them the better.

***Ease of Redemption.*** In most cases, a catalog accompanies the cards and certificates, and the ordering process is the same one familiar to most consumers. Store chains offering certificates either have their own catalogs or offer convenient shopping at multiple locations.

***Recreation.*** For many people, half the fun of receiving an award is shopping for their prize.

## ***Key Considerations***

When considering a gift certificate or gift card program, keep the following in mind.

***Redemption Level.*** There is the possibility that the card certificate will go unredeemed. Make sure you match the award offerings to the recipients' demographics and match the supplier to the award level (who would bother going to a high-priced retailer to redeem a \$10 certificate?). Corporate buyers can get discounts on bulk purchases because of the likely breakage factor, although as states impose more and more restrictions on card/certificate expirations, some of these discounts may go away.

**Cost.** They may cost more than other types of incentives. In some categories of merchandise, you can buy in bulk at prices well below retail and perhaps give the recipient an award that has enormous perceived value. So make sure you buy gift cards and certificates from corporate specialists who build in discounts for bulk buyers.

**Confusion With Compensation.** Distinction from cash compensation. Because it's so easy to deliver gift certificates or cards to winners, there's a risk of skimping on the presentation. If you can't present the cards and certificates in person, make sure a personal letter accompanies the mail package, so that the program doesn't look like disguised compensation.

## ***Applications***

The applications for gift cards and gift certificates include:

**Sales Incentives.** Gift certificates and cards are often used in plateau programs rewarding salespeople for achieving specific increments in sales performance. They are great for short-term sprint campaigns focusing on a goal or for on-the-spot presentations.

**Consumer Programs.** Gift certificates and gift cards show up in contests, sweepstakes, gift-with-purchase offers, traffic builders and continuity programs that reward customer loyalty. They also make for great traffic-builders as giveaways at retail or trade shows.

**Non-Sales Employee Awards.** Ongoing point or plateau programs like those that boost attendance, quality or team performance are excellent vehicles for gift certificates and gift cards. Safety programs are a big growth area, especially among manufacturing companies, utilities and municipalities. Incentive programs are also excellent vehicles for cutting down the learning curve when you implement new procedures and technologies.

**Fund-Raising.** Nonprofit organizations, such as the American Diabetes Association, use gift certificates and cards in fund-raising drives both as rewards for contributions and as incentives for fund-raisers. They sell the cards to donors and receive a small percentage of the face value.

**Add-Ons To Other Awards.** Gift certificates and gift cards can be used to enhance the value of other types of awards, particularly travel awards. They also make good corporate gifts.