

PREPARED FOR PLASTIC?

Gift cards have become a high street hit, but corporates continue to be wary about switching from vouchers, finds Gemma O'Reilly

While scrambling for presents in the run-up to last Christmas, you may have been one of the millions who bought a gift card for hard-to-please friends and family. You may even have bought them from your local Sainsbury's or WH Smith where gift card malls, launched in December, displayed an array of other retailers' cards in one location.

Both companies say the malls were a big festive hit and predict all major retailers will switch from paper vouchers to plastic cards. But will the corporate market follow their lead?

In the public interest

Coinstar UK, which launched the malls for WH Smith in 542 stores nationwide, is happy with the first-year performance. Chris Grace, sales and marketing director for the coin counting and pre-paid products outfit, says sales so far have been "great", though he refuses to provide any figures. However, he stresses the importance of maintaining interest – and revenue – into the new year and beyond.

While post-Christmas figures are not yet available, Grace believes the majority of retailers will eventually switch from vouchers to gift cards for the simple reason that plastic gives them a presence on the shelves of other retailers, rather than limiting the opportunity for sales to just their own outlets. "And it doesn't have a negative effect on WH Smith's own card, because that's incorporated into the mall," he claims.

Sainsbury's enjoyed bumper sales of gift cards worth £2million in the run-up to Christmas. "The numbers show how consumers have received cards and are preferring them to vouchers," says Russell Morris, general manager, customer business development at Sainsbury's. "Supermarket shoppers are open to buying gift cards because of the



“Shoppers like the convenience of gift cards, having so many brands in one location”

Russell Morris, customer business development, Sainsbury's

convenience of having so many brands in one location," he says.

The supermarket is launching its own consumer gift card this year and Morris believes it will have to work hard to achieve standout. "We will need to optimise our own sales but we are exploring opportunities to develop a Taste the Difference card and one for our clothing brand. It is essential to keep interest levels up."

It seems Morris's optimism is catching. Virgin and HMV both switched to gift cards last year because of perceived consumer demand.

Virgin Megastores took the plunge in December and says the switch from vouchers to plastic was a hit with the entertainment retailer's customers. "The performance of the cards exceeded expectations. Our limited edition licensed cards were particularly successful and flew out of the stores," says Stephen

Lynn, marketing and relationship manager at Virgin Megastores, though he too will not supply any sales figures.

Woolworths' character gift cards continue to prove popular with consumers. The high street retailer launched its card, which is managed by Kingfisher Gift Vouchers (KGV), in 2004. "Gift cards suit our target market of mums and dads buying for their children, because the cards provide kids with a grown-up way of spending," says Kim Dinan, general manager at KGV.

"We have seen real interest in our character cards, including Scooby Doo, Star Wars and Harry Potter, because they give people who are buying presents something much more exciting, and new properties are coming up all the time," she adds. "We are looking at gift card malls and whether to include our cards in malls at other retailers. But we are currently sitting on the fence."

Dinan is not the only one showing caution. Despite the incentive adage that

where consumers go, corporates usually follow, uptake of the gift card as a reward mechanic has been slow. P&MM, which



