

WILL FAREPAK DENT

The high-profile demise of Farepak and Choice could have hit the Christmas voucher sector hard. But Gemma O'Reilly finds much of the industry in buoyant mood, with data to back its confidence

With most of us still waiting for summer proper to kick in, the festive season is unlikely to be top of anyone's current priority list, especially when it comes to gifts. But now is traditionally the time for the voucher sector to start gearing up for this key trading period, especially when it comes to corporate business.

The run-up to Christmas is a buoyant time for suppliers: the premium represents a risk-free gift option both at corporate and consumer level, and for most providers, sales tend to peak.

But the run-up to December 2007 could present a unique set of challenges for the sector. Given the consumer shudder caused by two very public collapses – first that of Choice Vouchers, and then Christmas savings club Farepak just before December last year – the sector could be forgiven for starting to break out in an anticipatory cold sweat.

Emotional fallout

Seven months and nearly £40million in claims from the point at which Farepak went into administration, more than 150,000 consumers are still substantially out of pocket, with most savers having lost in the region of £400 each.

Perhaps more than the monetary loss, it will be the emotional fallout of the collapse of Choice and Farepak that causes this industry the most problems.

Coverage of families for whom Christmas 2006 was "cancelled" because of Farepak's demise was prolific, and could well be recalled in the run-up to this Christmas. Even if the situation had dimmed in the public memory, the Office of Fair Trading last month brought the sorry tale right back into the spotlight by launching a national campaign to help consumers decide how best to save for Christmas this year, despite the fact that



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the Government has already taken action to stop a similar situation recurring (see box, overleaf).

The OFT's chief executive John Fingleton says: "The bulk of our activity for this campaign will involve working with community groups on the ground in order to increase people's knowledge and skills [and help them make informed] choices."

Clearly, then, the debacle has not been forgotten. So, what is the fallout for the voucher business, both from the consumer and corporate perspectives? Will the recollection of the collapse of Choice and Farepak affect a public appetite for vouchers that fuels their desirability as corporate rewards and incentives? Or will any dent in confidence be limited solely to consumer sales?

Park Group, owner of the Love-2Reward voucher and the country's largest savings company, admits its consumer savings sales post-Farepak are down year-on-year.

"The adverse publicity surrounding Farepak has created a loss in customer confidence and our orders are down on last year," says Chris Hartley, Park Group's business development director.

"Given that around 90 per cent of our savings funds are

spent on vouchers, this will obviously have an impact on voucher sales. But I'm confident that trust in these sorts of schemes will return," he predicts.

Yet if outfits such as Hartley's are smarting, high-street retailers appear to be cashing in, with Woolworths, Argos and Sainsbury's all reporting buoyant business from consumers relying on their big-brand credentials for reassurance and stability in the run-up to Christmas.



