

Would you offer debit reward cards to your staff? David Rowley reports.

A QUIET revolution has been happening over the last six months with employees making over 100,000 transactions on reward Visa debit cards.

It is believed that only six employers have the cards at present, with British Gas being the first. The low numbers are due to many employers and some providers being cautious until the cards are fully tested.

The cards promise to be a more convenient version of gift vouchers and can be swiped at any UK retailer that accepts Visa payments. The cards run as an extension of points/rewards schemes that allocate a value to an employee account that can be viewed and spent online, the difference being that the value is transferred online to a card that can be presented in a shop.

At present, P&MM, the first provider to go live, offers what it terms a 'Spree' card, which was launched with British Gas in

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John Sylvester
P&MM

June 2006.

Grass Roots offers its GRG card (backed by Alliance & Leicester), but will not disclose how many clients it has yet, while another player in the market, Capital and Incentives, offers its Incentive Awards Card.

The potential attractions of these cards are their speed, reliability and convenience, but they also provide some interesting feedback on employee behaviour, as already revealed at early adopter British Gas. The utility company issued 5,000 of its Spree cards, which were branded 'qdos' to fit with the utility company's original reward programme. One of the unusual features of this scheme was that it allowed people to not only have vouchers, merchandise and travel, but also allowed them to take cash.

P&MM director John Sylvester says: "This has given us a very good benchmark for the popularity of the card. Firstly, about half of the active audience are using cards with no great promotion, and secondly, we have seen over 40pc of the redemption move from cash to the card, which suggests that it is perceived as better than cash — or else why move?"

"Participants like to separate it because they view the reward money as luxury money, fun money, holiday money, while their salary is there to pay the gas bill and do the shopping, etc. If you can separate their remuneration from their reward programme and from their salary, you create a much stronger link between behaviour and rewards."

A fully computerised operation allows for quick and easy access to information where employees are spending their awards.

Grass Roots' product manager Jackie Barker says: "Reporting is one of the key objectives.

Finding out where employees spend their reward helps them market the scheme better to employees and in communicating the scheme internally."

Another attraction of the cards is that they appeal to employees that do not have access to bank accounts or credit cards. Figures from the Family Resources Survey show that as many as 5pc of households in the UK lack anyone with a bank or building society account, while as many as 40pc of

Plastic fantastic?



people are refused credit cards.

COSTS AND DISAGREEMENTS

One of the features of the market at the moment is the close rivalry between reward-card providers P&MM and Grass Roots. P&MM is sceptical that Grass Roots actually has a proposition that is up and running, while Grass Roots claims that it had two cards (Pure and GRG) running before

Chip-and-pin problems

Reward cards are strictly debit cards. If one is stolen, the only financial risk would be the value accrued to the card, unlike a stolen credit card with a potentially larger £3,000 spending limit. Similarly, an employee is unable to build up debts with the card and, indeed, where retailers have wrongly accepted payments for a greater value than what has appeared on the card, the provider P&MM has, under the rules of its scheme, pushed the payment back to the retailer. Nevertheless, reward cards have been refused by security-conscious store staff who insist they require a chip and pin.

One such dissatisfied employee wrote into ERB to explain that: "I have become increasingly frustrated at the amount of refusals we have come up against when trying to redeem my reward card." The employee explained how, at Toys-R-Us, they had spent over an hour choosing gifts, only to be told at the counter that they needed photographic evidence of who they were, as they did not have a chip and pin with their card. They also complained that other shops no longer had 'swipe' facilities for cards.

P&MM admits these problems, but points to the fact that there have been 100,000 successful transactions. However, this spring, it will be bringing in the first chip-and-pin cards. P&MM director John Sylvester explains that chip-and-pin technology for pre-pay debit cards did not exist last year. He also points out that retailers are breaking their agreements with Visa if they refuse these cards.

Grass Roots product manager Jackie Barker adds: "Staff training can be an issue at retailers, and is more of an issue at this stage because they are not seeing the volume coming through yet. However, there is no reason why they could not have taken the card because stripe and signature cards are the Visa standard."

One of the biggest voucher providers in the market, Sodexo Pass, is adopting a wait-and-see approach to reward cards, as it believes that problems like the advent of chip and pin for pre-pay cards need to be ironed out first.

Sodexo incentive and motivation director Alexandre Meerson says: "Before offering a reward card, there are a number of inherent problems that need to be overcome. Cards can be financially less attractive, more costly to run and administer, and problematic at point of sale. Users can be disappointed to find their cards declined when they do not know the remaining balance, or when they cannot do a part payment in card and in cash (which they can do with vouchers). It is also true to say that cards have less of a trophy value for employees who do not perceive a real value in them. Vouchers look and feel like cash, and are accepted as such. There is also scope for card technology to mature and to be more efficient and convenient for clients and consumers."

credit act and it needs underwriting."

Another source of disagreement is the cost of these cards. P&MM believes that they can work out cheaper than offering vouchers — its cards cost £12 per employee, per year.

"To buy, pick and pack paper vouchers is undoubtedly more expensive than loading on to a card. The costs of issuing and managing a card for a year are designed to be less than running a voucher programme."

Grass Roots' Jackie Barker disagrees though, saying it is not as cheap as providing vouchers, but that the cost will depend on

the requirements of individual clients.

THE FUTURE

After offering a UK-based reward card, the goal for all providers is to offer a card that can be used globally without suffering currency conversion fees. P&MM is in the planning stage for versions of its card in US dollars and euros.

It has also created a facility for its Spree reward card that allows it to replace retail vouchers within a flexible benefits scheme. This works by downloading a value onto the card each month, employees spending this and then the discounts being credited back on to their card. At present, P&MM is going live with its first client for this scheme. ■



P&MM brought out its Spree card. P&MM is also sceptical of the merits of the Capital Incentives pre-paid Maestro card.

P&MM's Sylvester said: "I do not believe there is another pre-paid reward card in the UK other than ours. The Capital Incentive reward card looks like ours but is a zero-rated credit card. There is a whole range of issues that this raises, not the least that it exists as a product under the consumer