

Turning paper into plastic

Use of paper vouchers and their replacement with plastic cards has been as obvious a prediction over the past five years as the emergence of the paperless office. However, like the real workplace, reality has proved to be a little different. Sales of vouchers by members of industry body the Giftcard Association amounted to £1.47bn in 2005; the major portion generated by paper products, even though stored-value cards have been available for some years. But there are signs that the incentivisation industry is finally moving on; a report by Giftex, which represents the giftcard industry, says giftcards will account for £2.1bn of sales by 2007, replacing paper vouchers for the first time.

Craddock, chief executive of Giftex, says more than 50 retailers already sell giftcards, albeit often in conjunction with other products. Giftex research also established that 60% of retailers plan to introduce a giftcard platform. 'Retailers have been reticent by having to install chip-and-PIN technology over the last couple of years but, now it is installed, it makes the use of giftcards easier,' he says. 'They can be easily implemented by installing plug-ins to the electronic point of sale.' Retailers that convert include Boots, WH Smith, Laura Ashley, HMV, Debenhams and Asda, while Marriott is introducing a plastic product in November along with a range of other incentives. Sainsbury's is also due to supplement its existing paper product with plastic next year. 'We are just about to launch a redesign of our paper vouchers,' says Yvonne West, director of Sainsbury's Business Direct. 'Many of our corporate customers do still need and want a paper voucher.' Giftcard supporters cite several factors for its growth. One is improved security. Paper vouchers' main strength –

Giftcards are slowly taking over from paper vouchers, though the process is taking far longer in B2B than on the high street, reports Stuart Derrick

that they are effectively cash – is also their greatest weakness: if lost, they cannot be replaced. Cards, however, have no value until charged up and, as they can be assigned a PIN, allow for online incentive schemes and data-collection opportunities.

Greg Sheppard, marketing manager at Valuelink, whose technology is used in giftcards for Habitat, Borders, Asda and Esprit, says the storage and distribution costs for a card-based campaign are lower. 'The cost of sending out vouchers to a nationwide sales force under secure cover is considerable. With cards, you can send them out by standard post and have one person updating the value every week,' he says.

However, Andrea Born, House of Fraser's head of business incentives, claims cards will accrue costs, too. 'Paper vouchers cost between 1p and 2p to produce, giftcards about 10p. And a giftcard scheme requires substantial resources in terms of software, administration, training, design and marketing. In addition, personalisation of giftcards costs extra, plus the database company charges for every transaction.'

A principal selling point for giftcards is that they allow for greater personalisation within incentive programmes. Also, while paper vouchers' branding is transient, giftcards offer potential for building brand equity, as they are a permanent fixture in consumers' wallets. But the greatest driver cited by proponents is consumer choice. With so many giftcards available, consumers' familiarity with them is growing, as is their preference for them over paper, and the planned launch of 'giftcard malls' – areas in stores that sell a selection of suppliers' cards – will significantly increase their market penetration.

Although many retailers are likely to sell both cards and vouchers, Craddock expects cards to get the greater push. 'Staff

Case study British Gas

British Gas has issued 2000 pre-paid debit cards as a tool for incentive programmes, bonus and commission payments. The product, called Spree, was first devised by P&MM, which says it is the first pre-paid reward card to be up and running in the UK using the Visa pre-paid platform. The personalised card, branded Qdos, is part of an internal rewards programme for British Gas. Within the first week of its launch more than 3700 transactions were successfully processed. Users can spend

their reward credit at any Visa card-accepting merchant. P&MM set up a call centre and an online card-management system, allowing users to load credit on their card, as well as check their balance.

Nicola Mayling, incentive and rewards manager at British Gas, says: 'We are looking at ways to improve the benefits we offer. Our research pointed strongly to a pre-paid card as the next step. Our staff have asked us to be innovative.'

P&MM director John Sylvester expects to have up to 10,000 Spree

Cards active across UK companies within the next six months.

'We expect to see 75% of traditional incentive-voucher business switching to plastic in the next five years.

While we have thought of a number of uses for the card, we are coming across a whole range of new requirements almost daily as we speak to our clients,' he says.

'Of particular interest is the potential to provide "branded cash" to support any type of cashback mechanism.'



