

Marketing

by James Quilter, 11 March 2011, 9:00am

Vouchers and gift cards: Corporate incentives

Salary freezes, redundancies and continued concerns over the strength of the economic recovery have led to many companies making incentives a key way to motivate a lacklustre workforce, writes James Quilter.

Whether it is the bankers' bonuses, heavy snowfall hitting UK growth or the latest round of job cuts, there is not a lot of good news on the economy at the moment. Despite the bad headlines, though, one industry that appears to be in good health is corporate incentives.

It is perhaps not surprising that companies are paying such attention to motivating employees in this way. If handled correctly, an incentive scheme can easily outstrip the outlay in terms of increased productivity and a happy workforce.

However, this is becoming harder to achieve amid rising inflation, job cuts and the pay freezes across both the public and private sectors.

Last month, quarterly research from the Chartered Institute of Personnel and Development (CIPD) found employer expectations of being able to hand out pay increases fell to 1.3% from 1.5% against the previous quarter. Despite this, employers are still concerned about keeping their workforce happy, as the CIPD also found that about a third of companies had a reward scheme in place in 2010, while 10% were thinking about launching one.

There are several options open to employers. Incentive schemes fit a variety of guises in terms of both structure and reward. Near the top end of the scale are weekends in New York, offered by Volvo, while at the other end is Cotswold County Council's offer of chocolates to employees who turn off their computers before leaving at night.

Range of options

How reward schemes are structured is largely dependent upon the sector and type of company. Blue-chip companies such as Procter & Gamble tend to take a long-term strategic approach to their schemes, whereas retail and sales staff are targeted tactically.

Within this, schemes slot into four different types: quota-based programmes (rewarding employees for meeting a goal); rewarding for improved performance; tournament programmes where teams or individuals compete; and fixed-rate incentives based on salary compensation.

Quota-based rewards are the most successful in terms of raising performance, according to Steve Baker, head of reward at Projectlink Motivation. Research by his company reveals that long-term schemes work best. 'Short-term programmes of one week or less yielded a 20% performance increase, while programmes extending beyond a year produced an average 44% gain,' explains Baker.

The schemes are varied. P&G awards shares as part of its incentives package, while retailers tend to use their own consumer reward programme. Boots achieved an increase in staff attendance rates by offering Advantage Cards with £50 cash to employees with the best records, while Harrods recently launched a staff reward card offering savings of up to 33%.

Since the 2009 credit crunch, changes have taken place across the incentives sector. Although the budget for most schemes has remained stable or increased, the focus of the programmes has slowly switched from offering big prizes such as cars to top performers to spreading rewards more evenly across the workforce. The main reason for this shift is that in today's climate of austerity, many companies believe that this is not the time to be handing out ostentatious rewards.

Paul McRae, business development manager at The Voucher Shop, reiterates how vital it is to handle the choice of rewards and their distribution with care.

'It is important to make sure employees understand why there have been no pay rises, and to then ensure that the "gift" given is appropriate,' he says. 'For example, giving a sports car away in a prize draw would send the wrong message, as the cost is far too high and it suggests that the company has spare money lying around.'

Inclusivity is one of the most important elements of a successful incentive set-up.

'The objective of any scheme should be to encourage improved performance from as much of the target audience as possible,' adds Baker. "'Winner takes all" campaigns rarely produce the hoped-for overall improvement in performance because they are often won by the same people and the majority of the target audience fail to participate, as they feel there is little chance of succeeding.'

David Pearson, director of marketing at cinema voucher specialist Filmology, concurs. 'While salaries are predominantly being frozen until the economy improves, managers need to boost the morale of staff more frequently,' he says.

'In line with this, I have noticed an increasing number of companies opting to motivate staff using blanket rewarding: offering a high number of staff lower-value rewards on a regular basis rather than a low amount of unsustainably high-value rewards to the lucky few.'

Vouchers have undoubtedly become essential to this 'little and often' reward strategy with business-to-business (B2B) voucher sales continuing to rise year on year. According to research conducted by the UK Gift Card & Voucher Association (UKGCVA), sales of gift vouchers to the B2B sector last year rose by 8.75%.

Like-for-like voucher sales made steady gains of 5.2% year on year in the fourth quarter of 2010, underpinned by consumer vouchers, sales of which were up 6.7% year on year.

Within the corporate sector, direct sales growth slowed to 3% in the fourth quarter, while internal sales remained flat and online sales experienced a dip. Third-party sales bucked their long-term downward trend in the quarter, making gains of 8%.

Putting it on a card

This is a continuing trend, due largely to bulk-buying by the incentive agencies, according to Andrew Johnson, director-general of UKGCVA. He adds that another change to appear over the past year is the decline of paper vouchers, with B2B sales falling by 4.23%.

The B2B market has traditionally favoured paper vouchers, despite their relative lack of flexibility and security and the prevalence of gift cards on the high street. For many agencies and companies, paper vouchers' similarity to cash and the ability to send them straight to employees made them a staple of the rewards sector.

Johnson says the shift toward gift cards is being driven by consumers' growing familiarity with them. Additionally, agencies are better able to deal with the task of loading gift cards with cash. However, despite their popularity, there are plenty of alternatives to vouchers. The view of many companies is that a tangible gift, such as a television, is likely to create a longer-lasting positive effect than the equivalent sum in vouchers.

Ethical incentives are also coming to the fore. Last year, for example, B&Q launched a staff programme offering energy-saving incentives such as low-energy light bulbs, insulation and energy-efficient thermostats.

Specialist agencies have accordingly bolstered their ethical offer. For instance, motivation specialist Edenred has launched Simply Green, a range of reward options including clothing, organic wine, scooters and garden hammocks.

The programme uses an e-voucher and online account and operates on a points-based system.

Once participants have accrued sufficient points, they choose an environmentally friendly prize at Green Rewards, an online store that specialises in ethical products and services.

Experiences such as spa days or sports car test-drives also have a part to play. 'Experiences are an important element in the reward mix as they are an aspirational choice for many participants,' says Projectlink Motivation's Baker. 'The ability to choose the reward that motivates each person is the most effective way of ensuring your incentive scheme engages with your whole audience.'

Experiences are often used as examples of rewards to communicate incentive schemes because they are highly visual and aspirational, but a mix of reward choices is still important.'

Virgin recently used experiences as part of its Virgin Tribe rewards scheme, which is available to its UK employees. The programme offers savings on a range of products and services, from Virgin as well as other brands.

Lisa Equi, marketing commercial manager at Virgin Management, highlights a recent campaign using Virgin Experience Days and Tribe partner Cottages4U, which came about after Virgin noticed employees were increasingly holidaying in the UK.

'We looked at Virgin Experience Days activities on offer throughout the UK and matched them to

popular holiday regions like surfing in Cornwall, flying lessons, sailing, quad biking in Wales, cookery courses, white water rafting and a host of pamper and relaxation experiences in the Cotswolds,' she says.

Members receive an email reminding them of the discounts available with the scheme as well as highlighting individual cottages available. This activity is designed to point out the savings staff can make by participating in the rewards scheme.

Click to win

Some developments in the industry have not been brought on by the recession; the use of web-based schemes, for example.

Comparatively, online incentive schemes have taken a long time to get off the ground, mainly due to the user experience failing to deliver. However, after several recent breakthroughs, they are now fast becoming the norm in terms of allowing staff to bank points or choose a reward. Furthermore, other elements have been introduced to keep staff interested. Schemes have grown in sophistication and may now use games such as roulette, scratchcards and a 'wheel of fortune' when distributing gifts.

Keeping workforces interested is the main aim. Undoubtedly, many workers would prefer a pay rise or even some job security to a performance-based rewards programme. However, with economists predicting a difficult global financial recovery ahead, the incentives sector looks set to play an ever-more important role in keeping the nation's employees motivated.

EXPERT COMMENT - Can you motivate your way out of the recession?

JOHN DOVE, Manager, House of Fraser Business Incentives

Employees now recognise and appreciate the realities of the economy - they experience the increased cost of living with every purchase they make. Equally, they need to understand the difficulties faced by their employer, so it is important that they are given an honest appraisal of how their employer's business is affected, too.

With that process in place, employees then need to understand what contribution they are personally making to the success of the business which, in turn will help them direct their efforts in the most effective pursuit of corporate goals. With an equal opportunity given to everyone to perform and contribute, it is imperative that recognition is given to those who excel, and gift cards are a very visible and effective way to deliver the reward.

Choosing a premium-brand retail card can add significant value and weight to that reward, being perceived as a real 'treat for me', and one that will not simply be absorbed into everyday living expenditure. Rewards have to be inspirational, memorable and relevant if a motivational programme is to influence behaviour.

OUR VIEW - Top 10 rewards

- Virgin Experience Days

Virgin Experience Days offer one-off activities, including spa days, flying lessons, afternoon teas, comedy nights, football stadium tours and dinner and theatre packages.

- Compliments Green

Compliments Green is an ethical incentive programme developed by motivation specialist Edenred. The scheme works by awarding employees points as an incentive reward, which can be exchanged for a range of ethical products such as water-powered calculators, electric bikes and a grow-your-own strawberries kit.

- Open Loop Cards

These usually take the form of MasterCard or Visa-affiliated cards that can be used in the same way as a debit card.

With gift cards only now beginning to gain acceptance as a reward in business-to-business, these have some way to go before becoming mainstream. They can also be branded, topped up and re-used, giving the employee a continual reminder of the scheme.

- Gifts

Be it chocolates or a new television, people like to treat themselves. A high number of reward schemes allow staff to collect a number of points before choosing a gift online. One line of thought suggests this scheme works better than those using cash or vouchers as it keeps the programme in the employee's mind.

- Shares

According to the Chartered Institute of Personnel Development, almost 50% of private-sector

companies offer some sort of share deal as a staff incentive. Offering shares gives the employee a greater sense of involvement in the company. Exponents of this approach include Procter & Gamble.

- Trips

When Volvo put together its incentives campaign to push sales of its SE Lux executive car, the top prize on offer was a weekend for two in New York. Big-ticket items such as these are becoming less prevalent, but nothing beats them for providing a headline for the scheme.

- Multi-store paper vouchers

Not for nothing have paper vouchers been described as the next best thing to cash. They continue to be popular gifts in the reward sector as not only are they easier to process, but, arguably, leave a better memory than gift cards. An example of this is the Love2Shop voucher, which can be used in Debenhams, River Island, Boots, HMV and House of Fraser.

- New Look staff reward card

Fashion retailer New Look revamped its reward scheme last year. In addition to offering staff discounts, the store has been able to build its incentive programme around its own gift card. The New Look card can be topped up in-store, offering flexibility to store managers looking to hand out ad hoc rewards.

- Filmology voucher

Filmology offers cinema vouchers that can be redeemed at independent cinemas around the country. Mars Bitesize used the reward as a consumer promotion for four consecutive years, while at the other end of the spectrum Cambridgeshire NHS has handed them out as an incentive to improve levels of chlamydia screening.

- Boots Advantage Card

In 2009, Boots turned to its own consumer reward scheme when looking at rewarding performance among its staff. To reduce absenteeism, Boots handed out Advantage Cards loaded with £50 to workers with a 100% attendance record over the previous year. The next month, absence levels fell from 3.84% to 3.42%, dropping to 3.13% the following year.

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