

You are here: Home > Promotions & Incentives > Features > Vouchers: Why it pays to look Stateside

# PROMOTIONS & INCENTIVES

- HOME
- NEWS
- LETTERS
- FEATURES
- ANALYSIS
- PEOPLE AND PROFILE
- FEATURES LIST
- SALES PROMOTION JOBS
- BLOGS
- EVENTS
- SUPPLIER DIRECTORY
- SUBSCRIBE
- ABOUT US
- CONTACT US

## Vouchers: Why it pays to look Stateside

by Clive Walker , Promotions & Incentives 05-Jan-09, 09:00

In the US, gift cards have overtaken vouchers, with retailers offering consumers the chance to interact with them in innovative ways. Clive Walker reports on the terrific speed of change.

Customer take-up, retailer backing and increasing competition are just three reasons why the US gift card market has become the sector's most sophisticated. And it is this that UK companies would do well to regard when devising their own schemes. Moving beyond open and closed loop, the American retailers - which, like their British counterparts, currently operate amid difficult trading conditions - are resorting to highly innovative add-on gimmicks and imaginative sales devices to capture market share.



### JOBS

Web Editors  
Excellent rates

Find over 3000 jobs

### DIRECTORY

What are you looking for?

- Product/Service
- Company

blueboomerang.com Search

### TOOLS

- Email this article
- Clip & save
- Print this page
- Share this article on Digg
- Del.icio.us
- Stumble It!
- Share on Facebook
- reddit
- Jobs by email

### ADVERTISEMENT

## Make sense of your marketing job search

Brand Republic Jobs is the leading specialist jobs board for the marketing industry

BRANDREPUBLICJOBS

### ADVERTISEMENT

Visit the world of ECOM →



BRANDREPUBLIC JOBS

## Make sense of your marketing job search

Brand Republic Jobs is the leading specialist jobs board for the marketing industry

BRANDREPUBLIC JOBS

US gift cards have become more than just a polite alternative to birthday and Christmas cash handouts - they are now highly desirable, collectible and thoughtful presents in their own right. According to the US National Retail Federation, gift cards are one of the hottest Christmas gifts. Almost 55 per cent of consumers want to find a gift card in their stocking, up from 54 per cent last year.

A quick surf on auction site eBay reveals a slew of 2007 holiday gift cards selling at inflated prices despite the credit crunch. Gift cards from out-of-town retailer Target, in particular, are sought-after collectors' items. The store is building in everything from wind-up flash lights to MP3 players, but its biggest sellers have been peppermint- and coffee-scented scratch 'n' sniff cards.

Gift cards are also getting three-dimensional. Toys R Us has launched a series of 3-D action gift cards, known as Pop Upz, which come in 48 designs.

It is this type of innovation which is reworking the US market, and it is not just mass-market products that are proving popular. This Christmas, upmarket department store Bloomingdale's devised the Tony Bennett gift card featuring a download of Jingle Bells recorded by the famous crooner exclusively for the retailer (see box, right). Customers are directed to a microsite where they enter a serial number and PIN printed on the back of the card. Then they can download the track onto an MP3 player or computer.

At Macy's, shoppers can now graft photos, text messages and clip-art onto gift cards. The retailer's director of issue management and special projects, Beth Charlton, explains: "Customers can make their gifts truly unique by designing their own card on Macys.com. The card can be delivered inside a custom letter carrier or greeting card."

### Real interaction

A similar service is offered by sandwich chain Subway, where customers can add pictures of pets, kids and landmarks to cards on [mysubwaycard.com](http://mysubwaycard.com). The service is popular with both consumers and firms seeking quirky staff incentive gifts. Ned Daley, marketing programs specialist at Subway, reveals that the card's reach has been a surprise.

"We've heard from people who want to use the Subway card as a business tool by including their business information for distribution," he says.

There is even an emerging peripheral market for accessorising gift cards. Debra Valencia runs California-based Vida Valencia, supplying stylish paper purses and pop-up gift card holders. "Plastic gift card presentation has become a



## Real interaction

A similar service is offered by sandwich chain Subway, where customers can add pictures of pets, kids and landmarks to cards on [mysubwaycard.com](http://mysubwaycard.com). The service is popular with both consumers and firms seeking quirky staff incentive gifts. Ned Daley, marketing programs specialist at Subway, reveals that the card's reach has been a surprise.

"We've heard from people who want to use the Subway card as a business tool by including their business information for distribution," he says.

There is even an emerging peripheral market for accessorising gift cards. Debra Valencia runs California-based Vida Valencia, supplying stylish paper purses and pop-up gift card holders. "Plastic gift card presentation has become a competitive business," she says. "And we plan to roll out more creative ways to personalise packaging."

At face value, this activity would suggest that the US gift card industry is robust. But appearances can be deceiving. The sector is accelerating at breakneck speed into hyper-competition, and retailers are being forced to create more and more artificial opportunities outside the traditional birthday and festive markets. Books and CD chain Barnes & Noble, for example, has a gift card for just about every conceivable holiday and special occasion, including end-of-term thank you cards for teachers. And last year it introduced a Halloween design based on the musical *Wicked*.

This kind of micro-segmenting may be a step too far, warns Giftex Prepay's director of research, Dan Horne. "It means trying to create gift-giving imperatives where they really don't exist, such as Halloween and Thanksgiving. This may work for only a few specialised retailers. For most, it would not pay for the campaign and the plastic," he says.

In a move to differentiate itself from the raft of gimmick-based products across the States, coffee mammoth Starbucks has upgraded its US gift card into a premium loyalty programme. Membership benefits include store discounts, free drinks and free wi-fi access. Cards can be loaded online and automatically topped up by direct debit whenever the balance falls below a minimum value.

"The loyalty aspect is the future," claims Woolworths development manager Alan Kellock, speaking prior to the retailer's collapse. Kellock joined a US fact-finding mission to see how gift card sales are driven through innovative point-of-sale, packaging and design. He discovered even the way Americans buy gift cards is evolving. Malls remain the primary channel in virtually every US pharmacy, supermarket and convenience store - around 20 per cent are sold through third-party distributors. But it is possible to buy through ATMs, the web and SMS.

convenience stores - brands 20 per cent are sold through third party distributors. But it is possible to buy through ATMs, the web and SMS.

Barnes & Noble is selling gift cards and certificates online, as well as in-store. "Online is especially convenient for last-minute gifts because it delivers instantly in an email," says a spokeswoman for the chain. Amazon.com gift cards are being dispensed at cash points across the US. The pilot programme includes a free \$25 Restaurant.com promotional card available from ATM services.

Textable gift cards are another trend across the pond. This brandable platform, offered by Green Commerce, reduces handling costs and is a greener alternative to traditional plastic gift cards. "As mobile commerce catches on, the new generation is expecting to give and receive gifts on their cell phone," explains Green Commerce's chief executive, Saurabh Vaish.

A willingness among retailers to share technological know-how has fuelled the growth of open-loop cards. In some cases, the benefit of giving consumers wide choice is seen as more valuable than the premium price paid for open-loop technology, explains Horne. "I see good growth in open-loop gift cards for employee rewards and incentives, where their strengths - better memory trace and control - make them superior to cash," he adds.

#### Open-loop progress

On the other hand, the future of closed loop looks increasingly doubtful. "The growth of closed loop is slowing for individual brands as the level of competition has increased so dramatically. Now every brand, restaurant, petrol station and hair salon has a gift card option. When coupled with the rise of open loop, it means business for many individual retail cards is stagnating," says Horne.

Not every aspect of the sector is steaming ahead at full speed, as Kellock testifies. Compliance still has a long way to go before it comes up to UK standards. "We expected US compliance to be much better than it was," explains Kellock. "In fact, there was a great similarity between the US and the UK. Some stores, such as (pharmacy chain) CVS, were very impressive. But we also found - in some cases - empty gift card malls," he adds.

US sales are powered by positive experiences of gift cards. Recipients hope to recreate the same experience for others when it's their turn to give. Poor compliance, however, could slow the gift card juggernaut unless tackled through adequate staff training - something Kellock had been addressing through Woolworths' revised training manual.

But for the time being, US retailers are focused on winning market share through novelty, and that means getting cards dressed up, scented, and highly interactive.

market share through novelty, and that means getting cards dressed up, scented, and highly interactive.

#### MP3 PLAYER GIFT CARDS

Paul O'Brien, managing director of Acorne, which runs Virgin Experience Days and Virgin Vouchers, examines whether MP3 gift cards could be a success in the UK

I really like Bloomingdale's Tony Bennett MP3 gift card. For product launches or to raise awareness of a specific sector, the interactive opportunity to download audio tracks adds a fun element to the promotion. It's a perfect link to experience vouchers, which are all about creating memories. Fleetwood Mac is the perfect fit for our driving experience target market, while Je t'aime by Jane Birkin and Serge Gainsbourg will set the mood for our His and Her Massage experience or For Your Eyes Only modelling session. Linking to popular trends and cultures opens up a host of creative opportunities to promote gift cards on different platforms, reinforcing the creative element on packaging design and promotional literature.

The associated costs involved in offering downloadable soundtracks would have to be shouldered by the gift card provider. This could prove an unfeasible expense, particularly with exclusive recordings such as Bennett's version of Jingle Bells, so I don't see it becoming a widely adopted concept in the UK. Saying that, it's a novel idea and a perfect marketing tool to raise awareness, particularly in gift card malls where competition is fierce.

#### SCRATCH 'N' SNIFF GIFT CARDS

Tony Craddock is CEO of Giftex Prepay

Multi-sensory gifting is where it's at in the US, but what about stimulating the olfactory nerve to create a lasting impression? I've always hated the term scratch 'n' sniff, but loved the effect the device creates.

The reputation of US retailer Target was built around a much talked-about bubble-gum card, while Home Depot's 'earthy' gift card adds a new dimension to gifting for budding gardeners. As retailers seek to differentiate their gift cards in the UK, infusing them with a scent that relates to the purpose or design of the card - flowers on Valentine's Day from Interflora or fresh bread on a baking card from Sainsbury's, for example - is a novel and neat way of doing so.

But don't get too carried away. There may be more than 120 different fragrances available from one card manufacturer, with names like Hazelnut, Cappuccino, Cinnamon Crunch, Spearmint and Orange Spice. But the synthetic smell of coffee is never quite the same as the real thing. And sending these in the post or positioning them alongside other cards with conflicting odours creates problems - either for the overall ambiance of your gift card merchandising unit, or for the rest of the post bag.

But don't get too carried away. There may be more than 120 different fragrances available from one card manufacturer, with names like Hazelnut, Cappuccino, Cinnamon Crunch, Spearmint and Orange Spice. But the synthetic smell of coffee is never quite the same as the real thing. And sending these in the post or positioning them alongside other cards with conflicting odours creates problems - either for the overall ambiance of your gift card merchandising unit, or for the rest of the post bag.

Get the pong wrong, and your cards will be differentiated for all the wrong reasons.

#### PERSONALISED GIFT CARDS

Yvonne West is manager of Sainsbury's Business Direct

Gift cards have been criticised for being an anonymous, impersonal present, so anything that adds life and relevance will greatly enhance them. We should also look at the packaging, as this can be tailored to offer a personalised card.

The possibilities are endless and to be able to offer personalised cards is an exciting prospect. I hear more frequently that buying gifts for teachers is much more formal these days, with parents clubbing together to buy gift vouchers. Along with other retailers, Sainsbury's 'Thank you Teacher' offering has become an established seasonal event with dedicated gifts in our promotional aisles. So I do think that this will be one of the next big growth areas for gift cards, and we are certainly not too far behind the US with this.

It's such a great idea and I would love to see this work in the UK, but the logistics must be a nightmare. I would also be interested to see what the take up is, as I could see this appealing to a relatively small number of customers.

#### COMMENTS

##### Have your say

Only registered users may comment. Log in now or [register](#) for a free account.

\* This information is required.

Email:

Password:

[Forgotten password?](#)

Remember Me?

Login