

**No. 3060**

## **One Size Fits All: How to Use Gift Certificates**

How to use gift certificates in incentive and promotion programs and how to find the right supplier for you. Includes a comprehensive list of gift certificate suppliers.

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### **CRITICAL ISSUES**

Gift certificates have become an increasingly popular option for all types of incentive programs: as add-ons to incentive awards, as premiums, and as corporate gifts. Companies that sell gift certificates for business purposes have experienced double-digit growth in recent years. For corporate managers charged with designing an incentive program, gift certificates have been available for years. So why the recent surge in popularity? What types of programs benefit most by choosing gift certificates instead of travel, merchandise, or cash? How does one go about setting up an effective program using gift certificates?

### **BACKGROUND**

One factor in the increased popularity of gift certificates is the changing retail climate: there are more suppliers and more retail options. Gift certificate suppliers include some of the nation's retailing giants, including catalogue merchants, department stores, and specialty stores. There are also incentive companies offering certificates from various suppliers. The growth of catalogue shopping has led to an explosion in retail programs that are tailor-made to incentive programs. All these options beg the question: why create your own merchandise catalogue when there are so many better ones available?

Another trend fueling the growth of gift certificates is the changing nature of the workplace. Take a quick look at corporate America in the 1990s, and one word that stands out prominently is downsizing. Corporations are cutting back across the board, producing a Catch-22: a greater need for incentive programs and fewer resources to administer them. Downsizing often results in flagging morale among employees, which leads to decreased productivity. Budget-cutting can mean reduced raises and bonuses or none at all. Incentive programs can be a solution, both as an alternative to increased compensation and as a means of stimulating productivity. Yet, downsized companies often don't have the resources to run a program effectively. These days, you may find the task in the hands of a single manager who may have little or no experience running an incentive program.

You must also consider the need to continually change the mix of incentive awards so that employees, agents, or customers do not become bored or jaded. Remember, though, that the most alluring awards do not compensate for poorly structured programs or fundamental morale problems caused by mismanagement. (See [Article 3020](#), Premiums Incentives-Strategies for Success.)

## **ADVANTAGES OF GIFT CERTIFICATES**

For the vast majority of program managers, the biggest factor in selecting an award is the preference of the recipient. There are a number of reasons why recipients increasingly prefer gift certificate awards, but first let's look at the advantages for the awarding company:

1. **Time-saving simplicity and low administrative costs.** From an administrative standpoint, the advantages of gift certificates over merchandise boil down to a savings of time and money. Beleaguered corporate managers appreciate the turnkey aspect of gift certificates. The medium of the award is a simple piece of paper, so there's no merchandise to specify, order, and stock. You also enjoy fewer accounting and tax issues. Often, the entire program occupies a single file folder.
2. **Flexibility.** Awards can be given in denominations of as little as \$1 or as much as \$100,000. That makes them great for programs with many award levels.
3. **Greater perceived value.** Because of the wide range of options available and the ability of recipients to redeem their points at competitive prices, gift certificates have great trophy value.
4. **Fast, low-risk turnaround.** Suppliers typically process gift certificate orders in 24 to 48 hours. Anyone who has sweated the wait for a premium to be allocated and shipped can appreciate this.
5. **More options for targeting the award to the recipient.** Even within a program, there can be many types of recipients, and they may not all be pining for a new toaster oven. It's important to know as much as you can about your potential award recipients, and give them the right incentive. With all the different gift certificate suppliers to choose from, matching the award to the recipient is hassle-free. Specialty retailers have gotten into the act, creating an array of opportunities for targeting a program to a specific demographic group.

## **HOW RECIPIENTS CAN BENEFIT**

From the recipient's standpoint, the advantages of gift certificates are easily understood: From the recipient's standpoint, the advantages of gift certificates are easily understood:

1. **Self-selection.** People like to choose their own award, so the more choices you give them the better.
2. **Ease of redemption.** In most cases, a catalogue accompanies the certificates, and the ordering process is the same one familiar to most consumers. Store chains offering certificates either have their own catalogues or offer convenient shopping at multiple locations.
3. **Recreation.** For many people, half the fun of receiving an award is shopping for their prize.

## GIFT CERTIFICATE CAVEATS

There are negatives to gift certificates that your program should address.

1. **There is the possibility that the certificate will go unredeemed.** Make sure you match the award offerings to the recipients' demographics, and match the supplier to the award level (who would bother going to a high-priced retailer to redeem a \$10 certificate?).
2. **They may cost more than other types of incentives.** In some categories of merchandise, you can buy in bulk at prices well below retail and perhaps give the recipient an award that has enormous perceived value.
3. **Distinction from cash compensation.** Because it's so easy to deliver gift certificates to winners, there's a risk of skimping on the presentation. If you can't present the certificates in person, make sure the mail package is accompanied by a personal letter so that the program doesn't look like disguised compensation.

## USES OF GIFT CERTIFICATES

Here are frequent applications:

- **Sales incentives.** Certificates are often used in plateau programs rewarding salespeople for achieving specific increments in sales performance. They are great for short-term sprint campaigns focusing on a goal or for on-the-spot presentations for a job well done. They also come in handy at holiday time.
- **Consumer programs.** Gift certificates show up in contests, sweepstakes, gift-with-purchase offers, traffic builders, and continuity programs that reward customer loyalty. They also make for great traffic-builders as giveaways at retail or trade shows.
- **Nonsales employee awards.** Ongoing point or plateau programs like those that boost attendance, quality, or team performance are excellent vehicles for gift certificates. Safety programs are a big growth area, especially among manufacturing companies, utilities and municipalities. Incentive programs are also excellent vehicles for cutting down the learning curve when you implement new procedures and technologies.
- **Fund raising.** Nonprofit organizations, such as The American Diabetes Association, use gift certificates in fund raising drives both as rewards for contributions and as incentives for fund-raisers.
- **Add-ons to other awards.** Gift certificates can be used to enhance the value of other types of awards, particularly travel awards. They also make good corporate gifts.

## HOW TO USE GIFT CERTIFICATES

Just because gift certificates are easy to use does not mean you can skimp on the details. Make sure your sales or dealer program adheres to the principles outlined in [Article 3020, Premium/Incentives-Strategies for Success](#). Here's a review of the key elements that have to go into any program:

1. **Set clear goals.** The first issue in designing your program is to determine what you want to get out of it. Sometimes, as with sales incentive programs, that can be put into dollars and cents easily. But when you get into such nuances of employee behavior as improved morale or a creative approach to problem solving, the path to nirvana can be more complicated. Use the company's goals as a guide, and brainstorm with department

managers and other personnel.

2. **Keep it simple.** Break down overall objectives into simple, achievable goals. If the program seems complicated to you, just imagine how your participants will react to it? A lot of what you're doing with an incentive program is getting people to appreciate how their individual efforts contribute to the health of the enterprise. Incentives are good attitude-builders but not when you muddy the water with complicated rules.
3. **Make goals achievable.** Imagine what a downer your program will be if only a few people out of hundreds reach the award level. Participants should be stimulated into doing their best, not intimidated by the loftiness of the goal.
4. **Get the support of management.** You can't run a successful program in a vacuum. Get everyone who will have to support the program signed on early and maintain contact throughout the program. Make sure your program fits in with company policy.
5. **Plan how you'll track the results.** Using gift certificates is a great way to reduce administrative costs, but you still have to keep track of the program as it advances. This can be daunting, especially when you use several factors to evaluate performance (a good reason to keep things simple). If you can, plan your program to use existing systems like sales reports, your company's standard spreadsheet program, or reports from human resources.
6. **Budget realistically.** To arrive at an overall budget, first consider the interrelationship of such factors as the demographics of potential recipients (the higher level they are, the more expensive the award), length of the program, number of participants, and program objectives. For sales programs, plan on budgeting 10-20 percent of the expected increase in revenue, depending on your company's profit margins. Award levels for sales-related programs should be pegged at 2-5 percent of the participant's gross compensation.

In most cases, your budget will break down as follows: awards (70 percent of budget); promoting the program (20 percent); administration, including tracking and fulfillment (5 percent); everything else, which may include significant expenditures for such things as demographic research, follow-up reports, and training (5 percent).

7. **Identify specific areas of improvement.** Involve the target audience, if possible, in the process of detecting specific opportunities for performance improvement. Your incentive program should focus attention on the steps people can take to improve performance and root out problems that stand in the way of success.
8. **Communicate the benefits.** The success of any incentive program depends on getting participants excited and keeping them involved. You can't rely on a single announcement piece at the time of implementation. Instead, follow a four-step process: 1. Develop a theme for the program that reflects both your goals and the interests of your participants. 2. Produce an initial teaser piece that focuses on benefits. You can use some pictures from a retailer's catalogue or talk about the rewards side of the program. 3. An announcement piece should reinforce the benefits and spell out the program in detail, including any special rules. 4. Ongoing communication should take place throughout the program. This includes letting the participants know how well they're doing and providing tips on ways to achieve even more.

## HOW TO PICK A SUPPLIER

As you refine your plans, get as much information as possible about supplier options. A good place to start is the Incentive Gift Certificate Council, whose membership roster includes some of

the biggest players in the business. They can recommend options based on your specific criteria. Some of the issues to consider are:

- **Retailer vs. incentive company.** This decision is based largely on whether you want multiple retailer options, the degree of specialized services you need, and your budget. While most retailers who offer gift certificates can give some degree of assistance with such things as tracking, promotion and administration, these things are usually not their specialty. Such companies as Maritz Inc. and Western Incentives, along with premium and promotion agencies, specialize in providing turnkey programs.
- **Redemption.** Most companies offer catalogues along with their certificates, and most issue a free catalogue to each recipient. Since most people are familiar with catalogue shopping, there are few problems. When certificates are redeemable at stores, keep in mind that there may not be outlets in the recipient's area. Also, if the chain is not well known where the recipient lives, you face diminished interest in the program.
- **Customization.** All of the major gift certificate suppliers offer some form of customization. The simplest includes a certificate made out to the individual, and a lot of companies will do a custom mailing of the award for you. Some suppliers will put your logo on the certificate.
- **Tracking.** Major suppliers will either have an in-house capability for tracking award levels (often called "point banks"), or as is most common, they can offer the service through a third party supplier. However, some suppliers are better versed in this aspect of the incentive game than others. Ask about customers similar to your company, for whom they have performed such services.
- **Promotion.** Most suppliers offer transparencies of catalogue shots, logos, and other artwork for use in building your own promotions. Some go the extra step, offering interest-generating mailers, preview catalogues, and other useful materials.
- **Billing policy.** The typical policy is to charge you when the awards are issued and to return money for any awards not redeemed. Since your program might be ongoing (and thus not issue all the awards at the same time), you may want to establish credit with the supplier prior to implementing your program. A few suppliers charge when the awards are redeemed.
- **Discounting.** Most companies offer volume discounts of from 5 to 30 percent for a straight sale of gift certificates. Generally, the higher the merchant's retail markup, the higher the level of discounting. As you might expect, high-end retailers and certain specialty stores typically give the biggest discounts; off-price retailers, discounters and mass merchants the lowest. Caution: appeal is more important than price to the success of your program.
- **Shipping.** Certificates can be shipped in bulk to you or sent directly to recipients, often with personalized statements or letters.

## **SOURCES/SUPPLIERS**

The new **Incentive Gift Certificate Council** (formerly the Association of Incentive Gift Certificate Suppliers) is a Strategic Industry Group within the new Incentive Marketing Association (IMA). IGCC is currently the only trade group exclusively dedicated to the promotion and sales of incentive gift certificates. Contact: Roger Bensinger, president, at 800-269-7790 or go to <http://www.igcc-info.org>.

To find a supplier, go to [#9520, Supplier Finder](#).

## TRADE SHOWS

For a list of Industry Events, go to [#9510, Calendar of Industry Events](#).

## PUBLISHING SERVICES

*Incentive* is a monthly magazine dedicated to the use of incentives. Ask for supplements on Gift Certificates. Free to qualified subscribers. Call 212-592-6200 and ask for the editorial department.

*Potentials* highlights merchandise and promotional products, including gift certificates. It also has articles on marketing techniques and trends. Call 612-333-0471 for information or 800-707-7749 to subscribe.

## HELPFUL ARTICLES

The following articles are available from CompuServe's Business Database Plus (Call 800-848-8990 to sign up for CompuServe), or contact the publications.

**"Premium/Incentive: Strategies for Success"** (SMN Article [3020](#)) explains in detail the key steps to construct an effective incentive program.

**"Premium/Incentive: Overview and Statistics"** (SMN Article [3010](#)) provides a concise overview of the field.

**"Budgeting and Evaluating Awards and Incentives"** includes sample budgets and a list of trade associations, trade shows, and publications that can provide information about the incentive industry. By Ann LaForge, Bruce Bolger, and Todd Englander. Personnel Journal, June 1992. CompuServe Reference: A12538070 .

**"Freedom of Choice: Gift Certificates Allow Recipients to Select Their Just Rewards"** includes a series of questions to ask gift certificate suppliers. *Potentials in Marketing*, March 1995. CompuServe Reference: A16986734.

**"Gift Certificates as Awards"** includes results of research done on gift certificates. By Daniel Horne and Patrick Kelly. *Potentials in Marketing*, March 1994. CompuServe Reference: A15271358.

## LEADING SUPPLIERS OF GIFT CERTIFICATES

**American Express Gift Cheques.** Redeemable wherever American Express credit cards are accepted. Noted features: unique promotional materials, no expiration. 800-777-7337.

**AT&T Long Distance Gift Certificates.** Gift certificates in denominations of \$1, \$2, \$3, \$5, \$10, \$25, or \$100, which the recipient can apply towards and enclose with their long-distance phone bill. Noted features: good customizing options, no expiration. Paulette Shortridge, 800-443-8288 or 800-GIFTATT.

**Bass Pro Shops Gift Certificates.** Multiple programs offer everything from fly reels to boats. Noted features: point programs, congratulatory letters, no expiration. Beverly Mabe, national sales manager, 800-951-1000.

**Card Express, Inc.** CardEx is a full-service incentive company and a pioneer in the field of incentive debit cards. Noted features: universally accepted MasterCard IncentiveCards and GiftCards. Gina Lorenz, national accounts manager, 949-955-2121 ext. 249.

**Consolidated Incentives Corp.** Certificates for major retailers including Toys "R" Us ("Geoffrey Dollars"), Sears, Burger King; Shell prepaid card. 800-626-9304.

**Eddie Bauer, Inc.** Specializing in outdoor clothing and equipment, Eddie Bauer Award Certificates are redeemable at over 500 North American retail stores, through their catalogues, and via the Eddie Bauer Web site. Noted features: customized certificates, minimum of \$5, two-year expiration date, toll-free customer service. Tony Dore, manager, corporate sales, 800-233-4174, ext. 3354.

**Dayton Hudson/Marshall Field's Gift Certificates.** These leading midwest retailers have combined. Redemption in over 60 department stores in the Midwest. Noted features: no expiration, some stores offer discounts on large-volume orders. Darcy Conran, national sales manager, 800-292-8884.

**GiftCertificates.com™** features original gift certificates from over 700 stores, airlines, hotels, spas, and premier restaurants, as well as its own SuperCertificate™ for use in corporate incentive, promotion and reward programs. Valuable features include customization with a personal message and company logo, and delivery by mail or email. For more information or to place an order, go to <http://www.GiftCertificates.com/business> or call 1-877-737-0200.

**Gift Certificate Center Co.** Provider of the Premiere Choice Award®, a unique incentive that is redeemed for a gift certificate from more than 400 retail, entertainment, restaurant, and travel options. The award can be personalized with the recipient's name and company logo. Customer Service 1-800-765-GIFT.

**Hammacher Schlemmer.** Tons of original items skewed toward the high end of the market. Catalogues mailed 12 times a year. Noted features: extensive experience marketing to "have-everythings"; customization options. Howard R. Schnuer, 800-892-1063.

**Incentive Gift Cheque /Incentive Gift Card.** Extremely flexible service issues MasterCard redeemable at 12 million retail locations and gift checks redeemable at leading retailers. Noted features: travel planning services. Ayala Karsh, president, 310-457-5976.

**JCPenney Incentive Sales.** Leading retailer with over 2,000 outlets and 50 catalogues. Noted features: No restrictions on certificate redemption, no expiration, customization available, represented by an incentive company that can provide full administrative services. Brant Dolan, 800-832-GIFT (4438).

**Kmart Corporation.** Offers the Kmart Cash card, available in any dollar denomination. Can be used just like a gift certificate at over 2,100 Kmart stores nationwide. Noted features: reloadable card, toll-free customer service. Jennifer Gamble, Sales & Marketing Coordinator, 800-345-2497.

**Land's End Gift Certificates.** Leading catalogue retailer of clothing, shoes, luggage, and accessories. Noted features: any denomination starting at \$25, no expiration date, electronic data transfer of recipient information, specialty catalogues geared to children. Nancy Bieber, Gift Certificate Coordinator, 800-338-2000.

**Lillian Vernon.** Gift catalogue giant offering unique items. Noted features: personalization available free of charge on many items, good selection under \$20. Regina Smith, business coordinator, 914-925-1593.

**Marketing Innovators International, Inc.** a leader in the incentive and recognition industry, offers gift certificates from over 200 regional and national merchants. Marketing Innovators is the exclusive distributor of JCPenney and Freedom To Choose gift certificate programs. Please contact Brant Dolan, Director of Sales Development at 800-547-7373.

**Maritz Performance Improvement Company.** Established leader in incentive field, offering merchandise, travel, and market research services in addition to gift certificates. Noted features: "Exclusively Yours" card redeemable at retailers and Maritz catalogue, no expiration date. Kevin Foley, vice president, 314-827-2382.

**Service Merchandise Co. Inc.** Redemption at any of the 350 stores in 37 states offering more than 9,000 brand-name items, or through the mail-order sales division or on their Web site. Noted features: no expiration, travel planning, good experience with safety programs. Cary M. Kuykendall, director, incentive sales, 800-367-7375.

**The Sharper Image.** A leader in introducing products that provide quality, innovation, and entertainment. Certificates can be redeemed in over 90 Sharper Image stores nationwide or through two mail-order catalogues or online at their Web site. Roger Bensinger, vice president, business development, 800-269-7790.

**Spiegel Inc.** Spiegel® Award Certificates and Cards offer the choice, flexibility, and convenience that distinguishes top recognition programs—all redeemable for more than 12,000 items in the Spiegel catalog or a Spiegel.com 24-hours, 7-day toll-free redemption or by mail and Internet. For more information contact us at 800-982-5664 or visit <http://www.spiegelincentives.com>.

**Stored Value Marketing (SVM).** Various prepaid cards and gift certificates from major oil companies, national retailers, hotel and restaurant chains, and more. Specializing in sales, marketing, distribution, and fulfillment of stored-value products, including the business-to-business arena. Having successfully launched the first prepaid fuel card, SVM is considered a pioneer in the marketing of stored-value products. Call 800-972-7481.

**TJX Corporate Incentives.** Offers gift certificates good at over 1000 T.J. Maxx and Marshall's locations nationwide. Noted features: customization, tracking, no expiration date. Lauren Merloni, account executive, 800-333-1387.

**Victoria's Secret Catalogue.** The catalogue leader in lingerie, offering both boutique and catalogue shopping. Noted features: no expiration date. 800-889-2755.

**Western Motivational Incentives Group.** Offers retail, travel, and entertainment gift certificates from a variety of establishments, including all Sportsmart, Six Flags, Universal Studios, Barnes & Noble, Red Lobster, Toys R Us, Home Depot, American Airlines, and others. Noted features: many turnkey programs. Fred Law, 800-232-2711.