

NI voucher blow looms large

The Voucher Industry Forum is reeling over plans by the Government to collect Class 1 National Insurance contributions from employees receiving motivational vouchers. A consultation document, issued by the NIC office, says it plans to levy the tax on the £700 million corporate incentive and consumer gift voucher market from April 1999, to enforce liability on non-cash vouchers. Cash-vouchers given to staff are already subject to the tax at point of issue.

While some exemptions will apply to encourage employers to provide childcare and vouchers exchangeable for use of sports and recreational facilities, those issued for meals will become taxable over a ceiling of 15 pence per day.

Paul Hunter, marketing manager of Kingfisher Vouchers told *Incentive Today*: 'I think the Government has over-reacted. They think the voucher industry is a bigger source of revenue than it is. About 70% of revenue comes from retail.

'Then consider the number of different ways vouchers are used - staff motivation is only a small percentage of that. If the Government is going to get 10% of what's left, you still have to add the cost of administration.

If it's just as easy to give cash as vouchers, that will send wage inflation through the roof. It makes a nonsense of the Government's attitude towards motivation. It will simply stifle everything.'

The VIF said it is currently consulting with its members but is strongly opposed to the proposed ending of the current exemption for incentive vouchers. 'Naturally it would mean that many companies would lose their pricing advantage, and this would particularly affect those whose sole business is vouchers.'

The VIF has also enlisted the help of Westminster Strategy, ?, to formulate its response to the consultation paper, which is due this month.

Shell smacked over libel action

The legal wrangle between John Donovan and Shell UK continues with Donovan claiming victory in the first round. Shell had tried to have a libel writ struck off and the high court ruled that Don Marketing indeed had a case following a Shell press statement which inferred that previous claims Donovan made against Shell were without merit, and the current claim is bogus.

Donovan alleges that Shell's Smart loyalty scheme is based on proposals put forward by his company Don Marketing, and issued a High Court writ for misuse of confidential information and breach of contract in April. In

response to the writ Shell issued the press statement to *Incentive Today* which was printed in the May edition. Donovan immediately issued a writ for libel on the grounds that the statement implies that previous claims that he has made against Shell were without merit and that the Smart claim is bogus. Shell attempted to have the writ struck off in a High Court hearing in July but failed and was ordered to pay costs. Shell has since issued its Defence and Counterclaim to the Smart writ and a response from Donovan is imminent. High Court hearings on either matter, however, are unlikely until next year.

Clarks dares bootleg promotion

A 'Dare to Wear' promotion by Clarks coupling a watch to its children's fashion shoe brand, Bootleg, has been designed to drive sales during the back-to-school period. The Oldeani designed watch in a silver Bootleg tin is available at £4 with any Bootleg purchase worth £15. The promotion is the brainchild of marketing consultancy Tequila London which also brought *Smash Hits* into the promotion. During the promotional period, all children visiting participating Bootleg stockists will also receive free poster magazines developed by *Smash Hits* magazine.



Points of view

Standing out from the crowd



So, IBM has been slapped for wanting more than its pound of flesh. The Big Blue's long-standing contract with the International Olympic Committee is to end after the Sydney Olympics 2000. Looking for a number of smaller IT companies to sponsor the

games, the IOC hopes to avoid the 'excessive demands' from one main sponsor.

IBM, for its part, believes that the return on its investment in the Olympic Games is no longer justified, but, from my experience, Swatch, official timekeeper of the Goodwill Games in New York, has just shown the world how to get the most out of a sponsorship deal.

There, sponsors such as Canon, Sony and Snapple provided millions of US\$ in cash and value in kind, and received a pre-determined amount of advertising spots, sponsor tags and associated rites from us. But Swatch used the event as a PR springboard, showcasing everything from its Access electronic ticket in a watch, to the new Swatch Smart Car.

The company also added new dimensions to the Games by holding In-line skating, skateboarding and BMX competitions over its 'time zone extreme' course in the Goodwill Games global pavilion. In addition, Swatch supported specific musical performances by providing hip-hop talent Jon Forte and the Pharcyde, which in turn brought the Games closer to their natural demographic.

The payback for Swatch, against a comparatively small entry level of \$1m, entirely in value in kind for timing services, came through the relentless spinning of its urban philanthropy to the US media. Half of Swatch's pro team of skateboarders, surfers, BMX riders and assorted maniacs were summoned to Manhattan to demonstrate their skills, lifestyles, and varying good looks during the Games.

Swatch not only received all the benefits of a regular sponsor of the Games but generated over 15 hours of television coverage including stations such as MTV and NBC. Their achievements in the press were equally impressive.

The next Goodwill Games will be held in Brisbane, one year after the 2000 Sydney Olympics where Swatch is also the official timekeeper. With an investment at well over 40 times that of the Goodwill Games, and bearing in mind the IOC's new found sensitivity, it will be interesting to see how Swatch can stand out from the traditional Olympic clutter.

● Tom Webster is marketing director of the Goodwill Games

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In brief - vouchers

Thomas Cook Third Party Marketing has released a revamped set of promotional literature to raise awareness of its Travel Vouchers, Promotions, Prize Service and Travel Clubs departments.

Whitbread Leisure Vouchers and Teletext kicked off a fantasy football competition this Summer to help promote the Nationwide League pages. Heightening the interactive experience for viewers the promotion aimed to add value to the regional sports pages. Viewers were invited to create a super league of 12 teams from 72 nationwide league clubs to win £100 of Whitbread Leisure Vouchers each week for the team manager.

Whitbread Leisure Vouchers has increased the number of its redemption outlets to over 3,200 by signing up Dome, Café Rouge and Mamma Amalfi restaurants.

An indication of the impact of travel and leisure vouchers on the promotions industry comes from Charterhouse Promotions which has just sold its 10 millionth Breakaway hotel voucher. Launched 15 years ago, Breakaway hotel vouchers are redeemable at over 200 UK hotels.

The Dixons Group Business Services department, which has more than doubled in size since its launch and last year smashed its first year target with a 100% increase in business, is offering a Matsui personal CD player to all who buy £2,000 or more worth of Dixons Group Vouchers in September or October. The move is aimed at further increasing its incentives sales in the next year.

Virgin Our Price and Megastores have come out tops in a recent analysis of Virgin Vouchers redemptions, all of which are said to appeal to the need for experience as the most motivational award quality. Virgin Holidays proved the second most popular redemption choice followed by Virgin Hotels

BSP's Elite Card, developed with NatWest and described as the first pan-European motivational reward card programme, marks a departure for incentive schemes allowing staff to spend against motivational rewards in 14 million MasterCard outlets worldwide. Currently live in the UK, it will soon be rolled out into Europe.

New pricing to boost incentives

Pricing of electrical premiums and incentives is set to become increasingly competitive following the DTI's abolition of recommended retail prices on domestic electrical goods. New regulations, which came into force on September 1, now mean it is illegal for manufacturers to restrict the freedom of suppliers to set their own prices for products such as TV sets, VCRs, hi-fi systems, camcorders and domestic appliances.

The DTI initiative follows a report by the Monopolies and Mergers Commission which uncovered several practices that have tended to restrict price competition in this sector. According to the DTI, some manufacturers

have effectively controlled the retail prices of their products by imposing terms and conditions making it difficult for retailers to set prices below manufacturers' 'recommended' retail prices.

Greater price flexibility is seen as an important factor in enabling more promoters to use brown and white goods as premiums and incentives. Leading electrical retailers are now expected to step up the marketing of their incentive vouchers.

However, Ray Jobz, a partner in the The Electric Incentive Company, believes the abolition of RRP will not necessarily lead to lower high street prices.

'Retailers who have had enough of small margins may begin to fight back by increasing prices,' he warns.

He claims that one retailer is already proposing to charge £229 for an item that previously retailed at £199.

'With 70 percent of redemptions in most reward schemes redeemed on electricals, volume sales can be high - so purchasers must assert themselves when negotiating,' says Jobz.

'Prices can no longer be based on a percentage off the RRP. Incentive buyers will have to do their homework - or rely on their relationship with their current suppliers.'

Double account win for HH&S

HH&S has won two major accounts, Planet 24's The Big Breakfast and House of Fraser.

The London-based agency has been appointed by Planet 24 to undertake a direct marketing initiative to promote the Big Breakfast in the USA and England.

To raise the show's profile and to attract big name stars, HH&S will send out miniature London buses to media trade professionals in both countries.

The American trade will receive buses filled with Breakfast Tea to portray British humour whilst English counterparts will receive buses filled with chocolate truffles. Each bus will be accompanied with a leaflet and a video of classic Big Breakfast clips.

HH&S will also undertake the launch of two clothing ranges from House of Fraser. 'Platinum' for women and 'Fraser' for men will be available at House of Fraser stores nationwide. The agency will

mail 350,000 FraserCard holders and 150,000 specially selected persons.

FraserCard holders will receive money-off vouchers offering 10% discount on the new clothing ranges as well as receiving the men and women's brochures.

Non-card holders will be offered a 10% discount on all purchases for one day upon opening the account. Both offers will run between 3 September and 9 October.

Flight offers

Judging by the number of holiday and travel offers we see as promotional incentives each year, it seems that the escapism of travel has not lost its consumer appeal. Yet as some advertisers have found to their cost, such promotions can create their own particular pitfalls.

Only last month we upheld a complaint about a promotion in the national press, in which the availability of the discounted flights on offer was severely restricted on some dates. Because this was not made clear, consumers were disappointed. A similar newspaper promotion caused complaints last year when respondents were unable to book their cheap flights. The advertisers had underestimated the likely response and failed to set enough seats aside.

Promoters would be wise to learn from these mistakes: a badly-administered promotion is unlikely to tempt your target audience and can result in damaging publicity.

Failing to anticipate a high response must be one of the few situations in marketing where the popularity of a promotion can be a problem. In most cases, promoters should be able to show

that they have sufficient merchandise to satisfy demand, but this can be more complicated when it comes to holiday or flight offers. Many respondents may want to travel on the same date, such as bank holidays, and this is when availability is likely to be most limited. While the ASA would not have a problem with offers where availability is more limited on some dates than others, this should be clearly stated to avoid disappointing consumers.

Holidays are also one of the more popular prizes to offer when appealing to consumers through a competition; again, care should be taken to avoid embarrassment of having a disgruntled prize winner. Various factors should be made clear when offering holidays as incentives: must the holiday be taken at a specific time? Booked through a particular tour operator? Is insurance included? Where restrictions apply, it is always prudent to consider whether

this will affect a consumer's decision to participate. The difference between a successful promotion and an administrative headache can be little more than a few lines of type and a little forethought. But if all this makes you want to give up and fly off to Rio yourself, you can always seek the assistance of the CAP Copy Advice team when wording your promotion.

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