

Prepaid Gift Cards Offer the Benefit of Found Money

To reward their workers, nearly half of HR executives are using prepaid gift or credit cards as part of incentive programs and wellness initiatives.

- By Lisa Beyer

In September 2011, San Francisco-based marketing company UBM Electronics launched the LOOT Awards—the League of Overachieving Talent—for 400 employees in four divisions.

The LOOTies, as they are commonly known, help UBM employees earn "powerful performance points," or PPPs, by meeting or exceeding core competencies in sales excellence, Web traffic, passion, dedication and collaboration, says Harris Grayman, vice president of people and culture for UBM Electronics.

"They redeem their PPPs for a number of rewards including prepaid Visa gift cards, merchandise or an approved 501(c)3 charitable donation to the charity of their choice, which is then matched by UBM," Grayman says.

Grayman says employees at UBM, a division of UBM LLC and UBM Canon with 6,500 workers worldwide, are redeeming their points for prepaid cards or merchandise from an online catalog.

"With the economy being the way it is, our employees want the freedom and flexibility to use their hard-earned rewards for dinners, grocery shopping or gifts for their family, and we wanted to offer something flexible they can use anywhere at any time," Grayman says.

Prepaid card programs, which were introduced about 10 years ago, are among the more desired incentive rewards for corporate human resources executives, according to a survey from incentive marketing firm Young America Corp.

In late 2010, Young America conducted a survey of 355 executives in human resources, sales and marketing departments at U.S.-based companies with motivational or incentive programs in place, and found that 46 percent used prepaid cards for their incentive/reward programs compared with 33 percent who reward with cash and 47 percent who use checks.

An October 2011 report by St. Louis-based Incentive Research Foundation/Incentive Federation showed that 65 percent of the 170 recognition and rewards administrators surveyed used prepaid cards, with 26 percent using them exclusively in their incentive programs. The survey also showed that 35 percent of respondents used prepaid cards for programs budgeted at under \$10,000.

"Prepaid cards are unique because they remind employees that they are being thanked every time they use the card, unlike cash or a check, which is often forgotten about once the money is spent

or deposited," says Young America's Tim Crank, senior vice president of marketing for the Edina, Minnesota-based marketing firm.

Crank says that prepaid cards are a way to reward diverse groups of employees in different age groups and locations.

"This kind of reward limits the company's liability because the minute the money is moved to a prepaid card, it's off the books, and you don't have any responsibility for the merchandise or service purchased," Crank says.

He says that prepaid cards are most often used for spot awards, peer-to-peer and performance awards and sometimes safety and service anniversary awards.

"The amount is usually small, but needs to be meaningful based on the achievement and the organization's culture and goals," he says.

Though prepaid cards may be a cost-effective way to reward desired behaviors, there are some do's and don'ts around using them, says Ken Abosch, compensation practice leader for Aon Hewitt in Lincolnshire, Illinois.

"The concept is to provide spontaneous recognition for someone's efforts or results in real time, and the value of the recognition is often more important to the employee than the actual monetary value; that tends to be nominal, usually under \$200," Abosch says. "However, these cards can lose their value if everyone receives one, if they are handed out in a way where there's no clear connection between the reward and the reason for it, or if you wait too long. Every organization needs to determine what works best for its culture."

Abosch notes that most organizations, particularly high-performing ones, combine prepaid cards with a formal incentive program that is more meaningful when competing for talent.

"Formal incentive plans let employees know what they need to do to be rewarded at the end of the year and are more directly tied to corporate goals, as opposed to money falling out of the sky," Abosch says.

In some instances, prepaid cards are also being used to drive participation in wellness programs, which increases return on investment for those programs, according to Judy Mueller, president of WellNet Interactive, a wellness and health management company in South Hampton, Pennsylvania, which is part of the WellNet Healthcare Group.

"Participation is essential to wellness programs, because the deeper our engagement with the member, the better the return on investment for the employer," Mueller says.

She believes that a \$75 prepaid card to motivate participation is a good threshold.

"Anything above or below that amount really depends on the organization's culture," Mueller says. "For example, it's more meaningful in a manufacturing environment as opposed to a highly

compensated group of people, but we've found that these cards do increase participation rates, sometimes dramatically."

Mueller says that one client, a manufacturer of high-end appliances, used a \$75 card and drove wellness program participation from 32 percent to 63 percent in two years.

"We often provide prepaid cards for a drugstore chain, so people can use them to pay a copay, which may increase compliance with taking medications," she says.

Yet she adds that it's not a cure for getting employees to consistently adhere to taking medication.

"A prepaid card might get someone into a wellness program, but long-term, we want to reward healthy behaviors with reduced premiums or other meaningful incentives," she says.

Organizations need to determine what they will use prepaid cards for and implement a comprehensive strategy, says Young America's Crank.

"Define the strategy, make sure it's going to move the organization toward its goals, and make sure everyone is in alignment," he says. "You don't have to spend a lot of money to see results."