



# Recognition and Incentives in Europe

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*For a landmass that is only slightly larger than the US, Europe is a rich tapestry of diverse cultures, languages, traditions and customs. The 832 million inhabitants of its 45 countries speak 23 officially recognised languages and, despite widespread use of the euro, use 27 different currencies<sup>1</sup>. To put it plainly, businesses introducing their products and services to a pan-European user base must quickly come to terms with 45 different sets of legislation, taxation, business etiquettes and service infrastructures.*

To the uninitiated, entering Europe can be a daunting prospect. But it can also be an exciting one and, for American companies that are able to embrace the challenge and successfully navigate their way through the complexities, it could prove a land of bountiful opportunity.

As with many business opportunities and trends, where the US leads Europe soon follows, so the challenge for American operators is not 'should they enter the European market?' but how quickly they can learn and understand the unique characteristics of the European market, so that they can effectively take advantage of this opportunity and begin to exploit them.

## The industry view

There have been many casualties since the global recession began five years ago, but the field of recognition and incentives has gone from strength to strength, according to Sean Wilkinson, Managing Director of Corporate Rewards<sup>2</sup>: "We have seen a growing trend towards employee engagement since 2008. Organisations became keen to keep hold of their quality staff, recognise them for their efforts and reward those individuals accordingly. So, when the economic downturn took hold, the employee engagement side of our business grew.

"Traditionally, we ran far more sales incentives programmes throughout Europe, but sales incentives now make up 25% of our business,

in relation to employee engagement, which accounts for 75%. There has been a marked uplift in incentives that enhance employee engagement and reward things like learning through training – it's a trend we have seen spanning Europe."

Similarly, businesses need to know that sales forces are getting results. Dennis van den Berg, Managing Director of Netherlands-based Touch Incentive Marketing<sup>3</sup>, says: "We have picked up a lot of business from retailers and are delivering a number of staff incentives, mostly to motivate personnel on the shop floor. Traditional retail is an extremely competitive sector now, particularly as the economic downturn and Internet shopping have proven to be major threats, and what's become more important is that they can generate as much business as possible out of the footfall they get.

"What we have seen is that the reward programmes we set up don't focus solely on sales, more and more they focus on real basics, like increasing product knowledge. We see a marked trend towards using more mystery shoppers to test staff as part of loyalty programmes – when the knowledge is there, people on the floor feel more confident talking about the product and they will sell better."

As far as Sean and Dennis are concerned, there is a growing need for recognition and incentive solutions, but with so many diverse markets within

Continental Europe, how can you begin to know whether you have the right solution for the right territory? Do cultural idiosyncrasies drive different solutions, and how are incentives and recognition programmes evolving to meet changing customer demands?

In order to provide the most up-to-date answers to these questions, we have compiled information from recent trade press articles, research papers and interviews conducted with industry experts.

#### **A diverse business landscape**

Europe is a complex continent, comprising a diverse patchwork of nations, rich with distinctive cultural mores, perspectives and traditions. These differences have shaped Europe's peoples and defined each nation's approach to business.

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Incentive and recognition programmes are similarly defined and anyone attempting to adopt a homogeneous approach to a multinational programme will discover that one size certainly does not fit all. Differing cultural norms to one side, there are also a number of practical challenges to be faced – effective communication across a number of different languages; the inefficiencies of cross-continental distribution; taxation; and legislation.

Taxation alone can be a minefield. Brian Dunne, President of IMA Europe and Managing Director of SVM Europe<sup>4</sup>, says: “Taxation rates do differ and can work in favour of the incentive programme through an ability to reclaim Value Added Tax, but I would strongly advise companies to take advice and take a tax position from the outset. It can benefit providers when they get it right, but can be costly to get wrong.”

In the case of legislation, Mark Gregg, CEO of Bonago Incentive Marketing Group<sup>5</sup>, provides a

pertinent example: “The German B2B gift card and voucher market is still a ‘missionary’ one and there is a lot of work to be done to convince businesses of the power of cards and vouchers in corporate reward. Germany is, however, a special case because, until 2001, there was still legislation in action such as the anti-rebate law, where no one was allowed to give more than a 3% discount, and an anti-add-on law, where add-ons when selling a product were prohibited. So, today’s marketing directors are still learning what they can do, how vouchers, gift cards and coupons can be used and what their potential value is. However, our regulators remain much stricter than elsewhere and a lot of card-issuing companies have now moved offices to the UK in order to passport the product into Germany.”

Despite these complexities, and the fact that individual European countries are at different stages of incentive evolution, there are numerous businesses providing single- and multi-nation incentive and recognition solutions. Before we look at the types of incentive providers operating in and for European markets, it is important to set the context in which they work.

#### **Modern market forces**

Europe is a complex beast and the practical considerations involved in operating in its territories can have a huge bearing on the business model companies opt for when working on the Continent. Distribution alone can be a major sticking point. In the US, for example, sending a piece of merchandise, or any form of gift card or incentive, from Minneapolis to Chicago is about the same distance as London to Dusseldorf. The former is simply a case of sending via US Mail. However, European distribution can involve the complexities of nations’ individual post offices and logistics infrastructures, which makes it harder to track and more expensive to deliver goods.

This has been one of the key drivers for Europe turning toward digital solutions, which can not only allay the worries of long-distance postage, but makes it easier to change languages, create bespoke programmes, and keep costs down by holding virtual rather than physical stock in different currencies.

While the move towards digital is a pan-European trend, the pace changes from country to country. Brian Dunne says: “In terms of digital take-up, I would say Germany, Austria, Switzerland and Holland are ahead of France, Belgium, Scandinavia.”

Of the experts interviewed, many operate programmes based on Internet platforms where individuals accrue reward points for displaying/repeating desired behaviours or attaining key objectives. These points can then be redeemed for vouchers, e-vouchers, gift cards, experiences or merchandise from an online or printed catalogue of goods.

Gift cards and vouchers are popular, while e-vouchers are still relatively new but are increasing in use. Brian Dunne sums up Europe's market drivers as "efficiency, technology, flexibility and desirability, making sure the incentives are desirable, offer personalisation and a degree of choice."

This could well be considered an exciting opportunity for US incentive providers to introduce

handle the administration of the programme while in-country experts deal with programme logistics.

"2. Those that use a network of administrators who work with local participants to meet their needs (e.g. communications, support). This model allows for awards and goals to be set on a regional basis in order to make the programme more relevant for the participants.

"3. Other providers specialise in multi-national awards. For example, they may use a gift card that is valid at a certain store or redemption venue that has a footprint around the world. Hotel companies might use a gift card for employees both in the UK and Hong Kong that could be redeemed at a particular hotel chain with a worldwide footprint. This allows the company to use a tool that has worldwide appeal and functionality."

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#### Frequency of incentives

While there is little hard evidence to draw widespread comparisons between the use and frequency of incentive and recognition programmes, markets such as the UK are generally considered to be among the most advanced in Europe in terms of incentives, particularly when considering the use of B2B gift cards, vouchers and e-vouchers. At present, this UK market is worth over £5 billion (US \$7.47 billion) per annum<sup>7</sup>, in comparison with Germany, which estimates put at between €150 and 200 million (\$129-171 million)<sup>8</sup>.

mature digital capabilities into these emerging markets. The key to success will be finding the retailers and businesses ready and willing to become early adopters.

#### Provider types

As the market grows and evolves, so too do the types of providers available. The spectrum of incentive and recognition providers is a broad one, which ranges in capability from those who offer limited catalogues of merchandise, to large-scale, full-service providers that can offer a vast array of tailored solutions. Some providers are segmented by software capabilities, customer service approaches, in-country reward selection and fulfilment capabilities, as well as the ability to design and launch a culturally appropriate programme.

According to Steve Maselko, Vice-President of Marriott International<sup>6</sup>, there are three basic types of providers: "1. Businesses that develop networks of in-country fulfilment experts who facilitate the delivery of an award to a recipient. These relationships rely on a strong central organisation to

Mark Gregg continues: "The Swiss market is well developed from a B2C perspective, but there is no incentive house working on gift cards. Austria, which is less developed than Switzerland, has many retailers still using paper and plastic cards, but virtual solutions are non-existent in those two markets.

"However, they are strong in the Work Councils, where they are allowed to give away gift vouchers to employees worth up to €186 per year. Via Work Councils, companies are buying more vouchers that are given away with a discount to employees, which they then use for shopping purposes."

Elsewhere, industry experts are keeping one eye on The Netherlands which, he believes, is behind the pace in terms of gift cards and e-vouchers, but is becoming one of the fastest-growing markets in Europe.

#### Changing customer demands

The European market is in a state of change, which, according to Jonathan Grey, Managing Director,

Ovation Incentives<sup>9</sup>, is due to the following reasons:

1. The internationalisation of programmes, where corporate clients choose to run multicultural recognition and incentive programmes across a number of territories at the same time.
2. Demand for reduced cost service, with less spend on administration, shipping and management of programmes. European clients want rewards that provide maximum impact and ROI from their reward budget.
3. Recipients' expectations are changing. Baby boomers and Generation X employees are being joined by Generation Y and Millennials, whose reward expectations are very different. Jonathan explains: "They expect to be rewarded for anything they do; they also expect the reward delivery to be immediate because they have

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grown up with choices, brands and technology that provide instant gratification. As far as they are concerned, reward isn't as powerful if you have to wait for it, so clients are pushing for solutions that offer instant gratification."

4. Virtual gift cards will eventually dominate the gifting landscape, with every major retail brand offering their own e-card.

Therefore, customer service solutions are changing to incorporate this need for instant rewards, with many platforms offering e-voucher options that can be downloaded immediately and redeemed in store or online.

#### Types of rewards appreciated

So, how do different cultures prefer to be incentivised? According to Sheila Sheldon Senior Vice-President EMEA, Michael C. Fina<sup>10</sup>, the UK is relatively unusual in that employees like to receive outdoor goods, such as barbecues, and DIY-related products. This is because home ownership is much more commonplace in the UK than in many other parts of Europe and, therefore, the latter have little

desire to possess the tools and resources essential for home repair/renovations.

"Conversely," she says. "German recipients tend to like watches, gadgets and electronic items. In Amsterdam, I'd say that every other person orders a bicycle. However, that's not the case in France or Spain, where you'd rarely see a bicycle order. Reward preference comes down to lifestyle and we change our catalogue of merchandise to cater for different countries."

Jonathan Grey agrees: "In the UK, there is a high percentage spend of value in reward programmes in department stores, whereas France sees a very high percentage spend on luxury items, particularly in make-up and perfumery stores. Germany redeems against books and household goods, such as furniture. So culture dictates reward redemption preference.

"It's also amazing the difference in the take-up of types of card offered. There are particular brands that are very strong in certain countries and you have to have localised reward options to make the rewards relevant and desirable to different people in different countries.

"But don't be caught out. Thinking that you can offer a brand's voucher on the basis that it can be used anywhere in the world is an easy trap to fall into - Amazon, for example, is a very powerful brand in the UK but an unpopular one in Italy and France."

However, it is not just brands but the type of reward voucher being offered that is important. Jonathon continues: "In the likes of the UK, 40% of every reward chosen is an e-voucher or a virtual card. In the US, that figure is more like 80%. However, in France and Spain, only about 10% of rewards options that are chosen are electronic. The desirability of real-time rewards differs from county to country."

How can you navigate this potential minefield? Sheila Sheldon believes that the answer lies in brand awareness and research.

She says: "Brands like Tissot and Hugo Boss would be much more appropriate for Europe, whereas Citizen and Sekonda are two very popular watch brands in the UK. It's just about making sure we've done our research and we've invested heavily with an organisation to give us the knowledge and expertise to understand what is appropriate for the various territories."

Choice – either through vouchers/gift cards, which can be spent as the recipient prefers, or by way of a large catalogue of merchandise – is the key when providing incentive and recognition rewards throughout Europe.

And the same goes for employee benefits. Brian Dunne explains: “Over the past few years, many employers have not been able to give the salary increases people like or expect, so we have seen a rise in employee benefits packages where people can save money on a variety of different things that help their salary to go further.

“People often opt for reloadable retail gift cards, where an extra amount loaded on to the card automatically makes a salary go further.”

#### **Cultural best practice**

What are best practices to deal with Europe’s many languages and cultural customs?

Sheila Sheldon says: “In the past, the tendency was to introduce separate systems for separate countries, but now the industry has moved on and the demand is for one system that can work in multiple languages. That’s challenging but that’s very much what’s required.

“To meet this challenge, it is important to take a multi-faceted approach which offers an array of products and allows the employee to choose what

they want rather than giving them what we think they want. Such an offering provides the variability to cope with differences in demand and trends which exist from country to country.

“For example, when we send out letters we now have to translate them, or when we bill we have to bill in the currency of that specific nation, that’s the expectation both inside and outside the eurozone.”

As a final recommendation, Sheila says: “Many companies now have personnel forums where they take people from all walks of life within the business and ask them what they want and how they feel. This provides opportunities to ask them about gifting, whether they are happy with the range of gifts on offer or whether there are any particular items they would like to have seen.

“The data this returns is shared with the HR professional running each programme, and is invaluable in helping us to work together to enhance and improve our offering.”

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# Global Incentive Council

The Global Incentive Council is a strategic industry group of the Incentive Marketing Association and is an international organization dedicated to serving the needs of the international incentive community. As an organization under the umbrella of the Incentive Marketing Association, we are the leading resource for information and delivery of global incentive programs. The organization is comprised of international suppliers, incentive companies and buyers in the incentive marketplace, representing Asia, Europe, Latin America, Canada and the United States. Members of the Global Incentive Council include leading suppliers and professionals in the areas of incentive sales and marketing. For more information please visit: [www.globalincentivecouncil.org](http://www.globalincentivecouncil.org).

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