



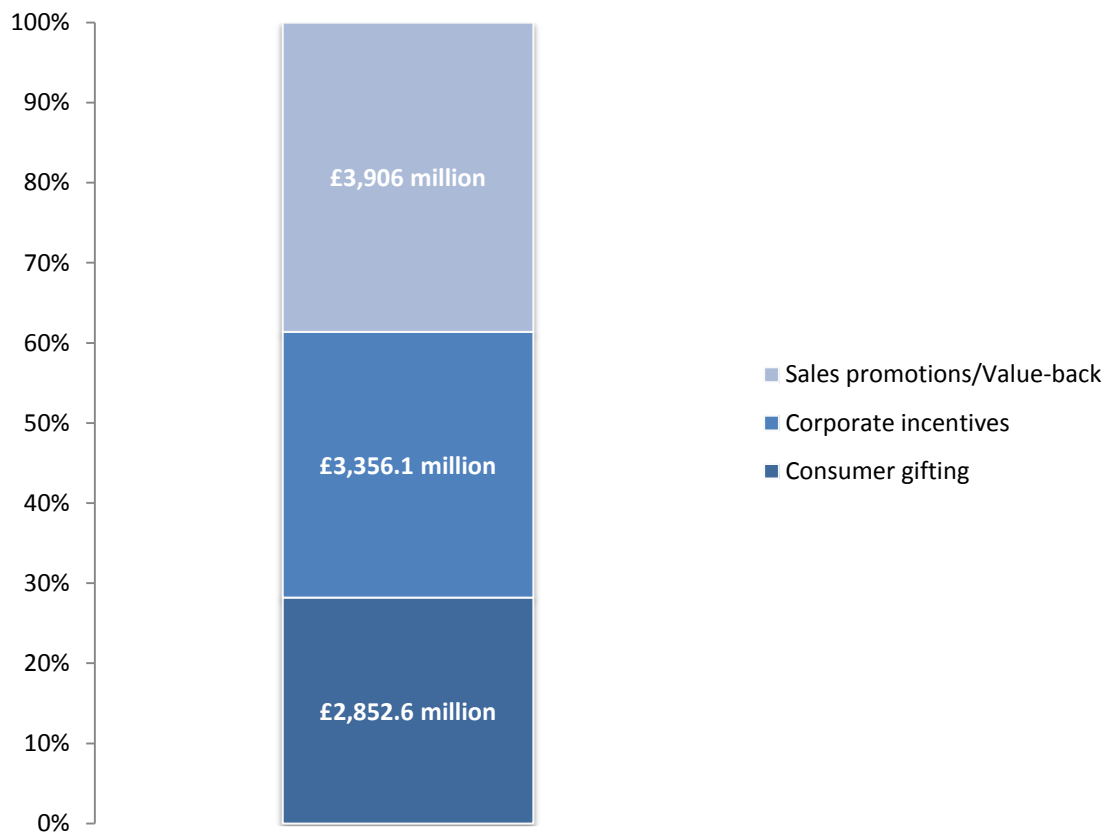
## UK Gift and Incentive Market Breakdown: 2012



## UK Market Size & Growth

The following market opportunity estimates are for closed, open and restricted network gift, incentive and sales promotion prepaid products in all formats - paper, plastic and virtual. The term market opportunity is used to describe the estimated maximum potential annual load value that could be achieved in the market on these products given current market conditions.

The total market opportunity for these applications in the United Kingdom in 2012 is **£10,114.7 million**. The sales promotion market opportunity represents the largest revenue opportunity at 38.6% of the total. Corporate incentives represent 33.2% of the market opportunity in 2012 whilst consumer gifting is 28.2% of the total opportunity.



3 year CAGR figures for both consumer gifting and corporate incentives fluctuate slightly with the latter likely to experience greater growth to 2015. 2011 was a watershed moment for B2B sales as for the first time they overtook B2C sales. Consumer gifting growth will be slow over the next 3 years with competition levels in the UK very high currently.

Consumer gifting	Competition level	Category life cycle	Growth outlook (3-year CAGR)
UK	Very high	Mature	Slow (0-5%)

Incentives will continue to experience a higher rate of growth than consumer gifting. We estimate that the B2B market will continue to experience growth at a medium pace and may touch the double-digit barrier over the course of the next 3 years.

Corporate incentives	Competition level	Category life cycle	Growth outlook (3-year CAGR)
UK	High	Growth	Medium (5-10%)

Within the corporate incentives and sales promotion opportunity there are a series of sub-categories that themselves have an opportunity value. Below is a map of the hierarchy where we have broken down the market data:

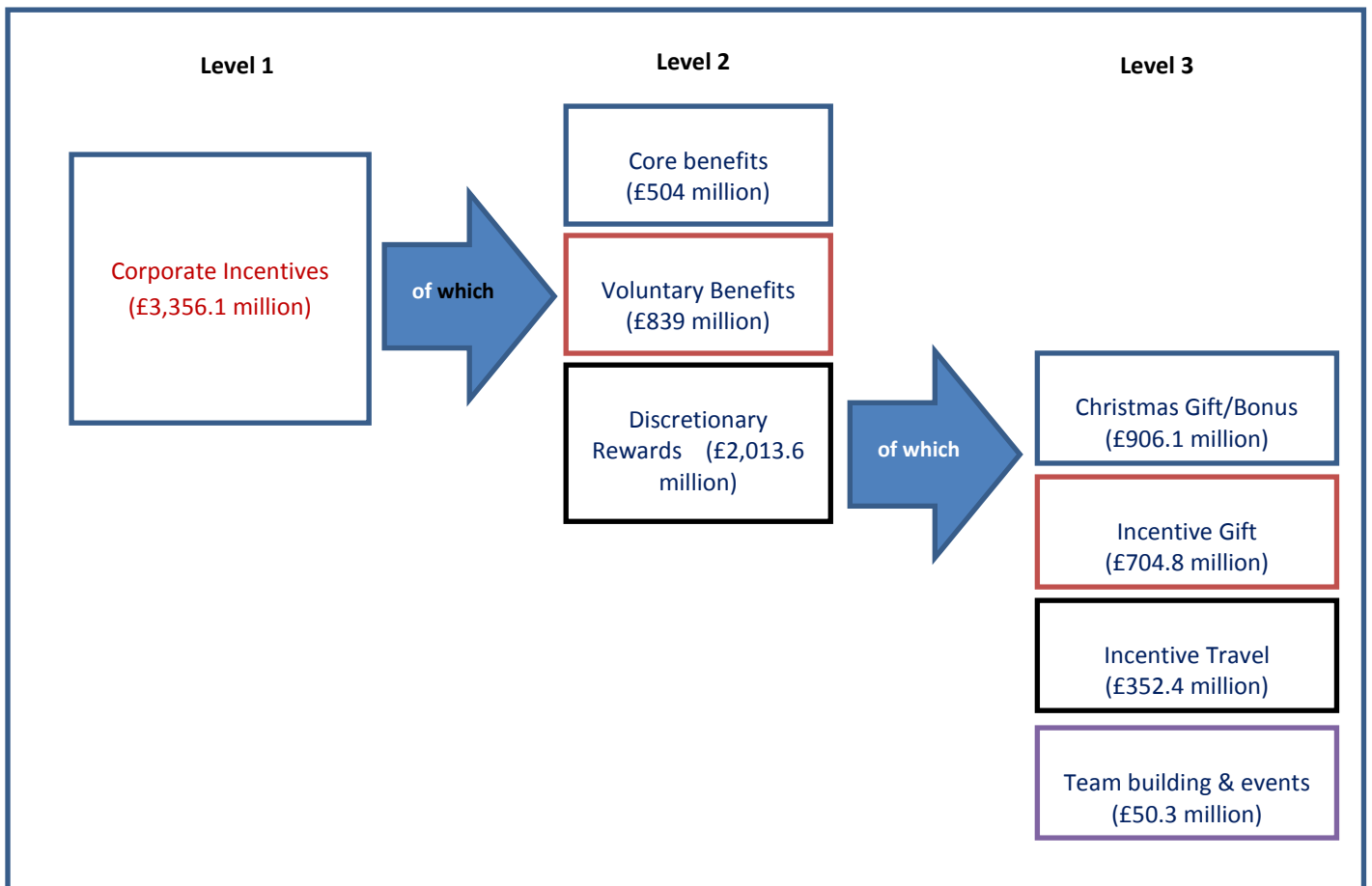
<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Consumer gifting</b>		
<b>Corporate incentives</b>	Core benefits	
	Voluntary benefits	
	Discretionary rewards	Christmas gift/bonus
		Incentive gift
		Incentive travel
		Team building & events
<b>Sales promotions/Value-back</b>		
	Business loyalty	
	Consumer loyalty	

The next two sub-sections will deal specifically with an analysis of the breakdown of the corporate incentives and sales promotions opportunities.

## Corporate Incentives

Corporate Incentives encompass a number of application areas including employee benefits, employee motivations, and marketing/customer motivations. These products can run on closed, open or restricted networks, and they range from gift cards to meal and health vouchers.

At a hierarchical level we can see the value of the market split out as below:



The three key components that make up level two of the total corporate incentives markets are:

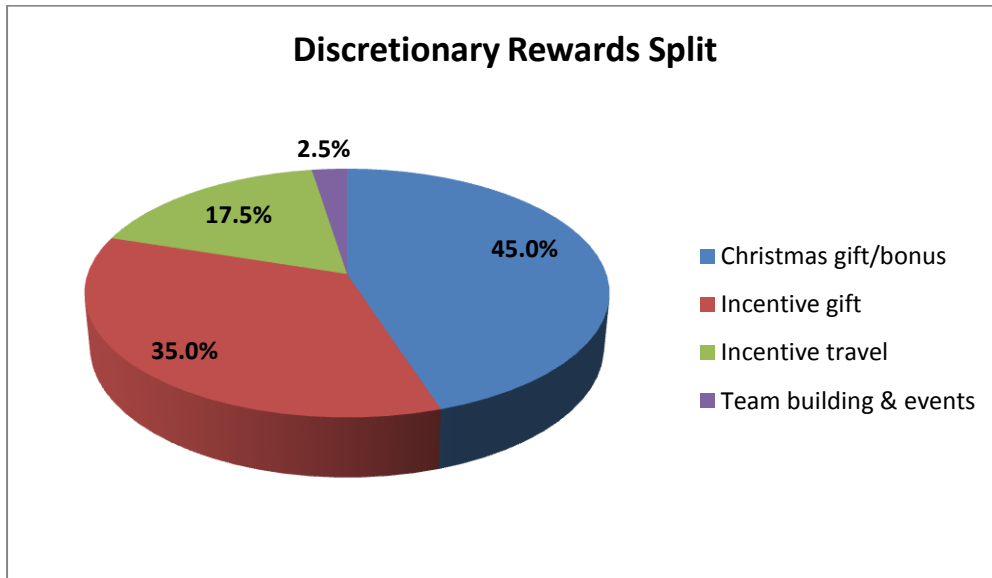
- **Core Benefits:** (Standard suite of contractual benefits)
- **Voluntary Benefits:** (Corporate branded discount purchase schemes)
- **Discretionary Rewards:** (Schemes to incentivise or reward employees)

The latter of these three components, discretionary rewards, is the largest market opportunity at just over £2 billion. Discretionary rewards are subdivided into four separate categories:

- **Christmas gift/Bonus:** (Annual festive gift given by an employer)
- **Incentive gift:** (Any rewards or gifts given by an employer as part of a scheme or project to incentivise staff)

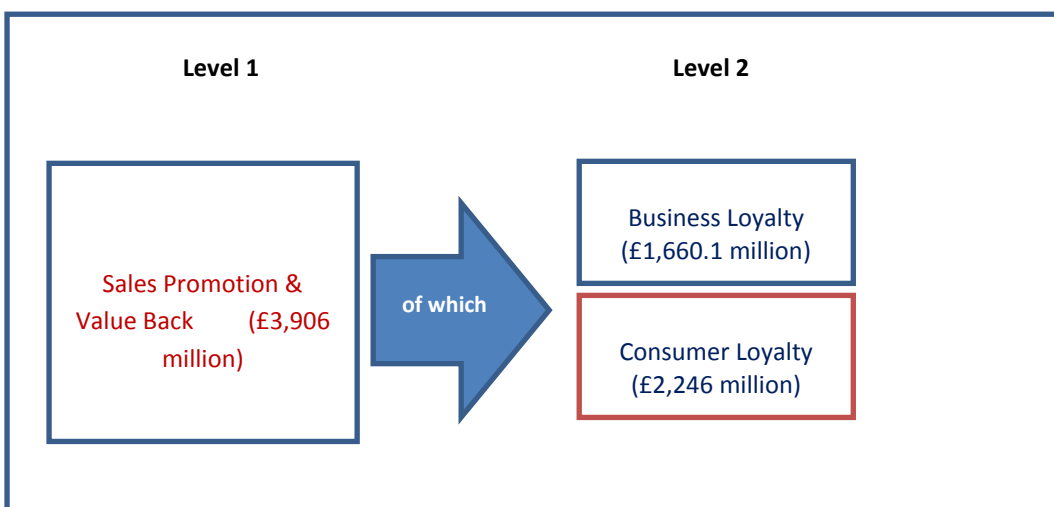
- **Incentive travel:** (Similar to incentive gift but with a travel component)
- **Team building and events:** (Events organised by an employer to improve teamwork and sense of community amongst employees. Stereotypically an outward bounds event)

A split of these, in terms of overall percentage value, would look like this:



### Sales Promotion & Value Back

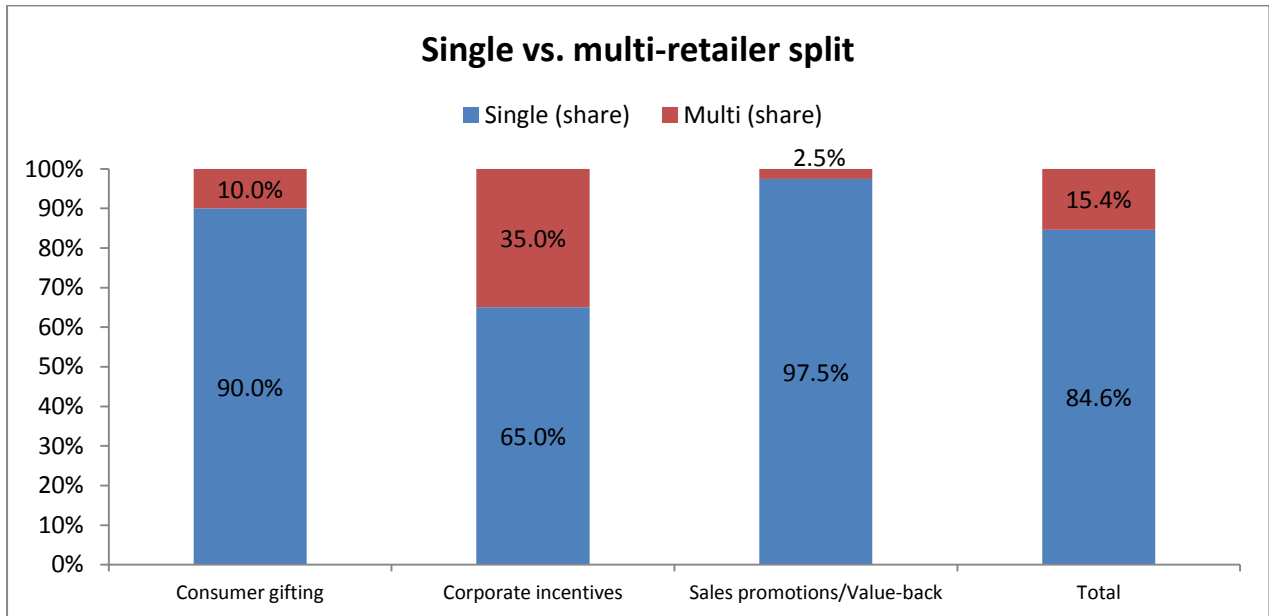
The value of the Sales Promotion and Value back market that Corporate Pay could target is £3.9 billion. This is split into two buckets, business loyalty and consumer loyalty. It is important to note here that motivation for channel and partners can be split between discretionary rewards and business loyalty. Value-back' refers to schemes offering consumers incremental rewards as a % of every pound they spend.



Business and Consumer loyalty programmes are targeted rewards to encourage footfall and expenditure. The market for business loyalty is composed of corporate hospitality, gifting to corporate clients and sales promotions aimed at corporates as well.

## Single v Multi Retail Vouchers

Another aspect for Corporate Pay to keep in mind is that the market in the UK is split between single retail and multi retail vouchers. Multi retail vouchers make up small portions of the overall percentage of the consumer gift and sales promotion markets but make up 35% of the total corporate incentives market:



From a sterling value perspective, the single v multi retail split can be seen below:

