

Getting blown away by a gift on your red-letter day

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29/11/08

IT would be natural to see red balloons on walking into the Sydney office of online gift retailer Red Balloon Days. Instead I'm greeted by a shaggy dog.

"That's Dexter," says Naomi Simson, Red Balloon's founder and CEO. "We can't have red balloons: they play havoc with the alarm systems."

Simson's business sells gift vouchers: not your traditional gifts, rather it sells experiences. "We sell everything from belly dancing lessons to Serbian husky riding." And she sells plenty of them: 175,000 "experiences" this year alone. The Pymont office may not have red balloons but they do have red chairs for the 45 enthusiastic staffers who make up the core of the Red Balloon Days enterprise. Oh and Dexter.

Red Balloon has a healthy revenue line too with \$25 million expected this financial year, adding to the more than 400,000 experiences sold since inception.

Starting in 2001 as an online gift business Red Balloon delivers vouchers for the experience presents all over Australia and New Zealand to a mix of online and corporate customers. Combining some serious corporate background at IBM, KPMG, Apple Computer Australia with her entrepreneurial spirit, Simson has built an enterprise with 2500 experiences on offer from extreme quad bike tours and tank driving lessons to a private audi-

Top employer focuses on appreciating her staff

Beyond income

NAOMI Simson, CEO of Red Balloon Days, believes employee engagement is the holy grail of organisational success. Listed as a top five "Employer of Choice", Simson has some credibility in this space.

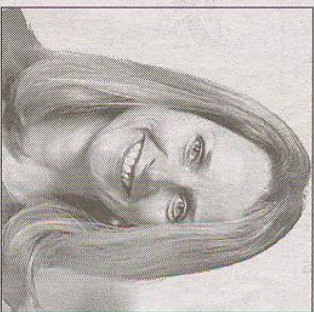
"There's power and leverage in employee recognition. We've seen the results at Red Balloon. According to our recent Hewitt Employee Engagement score card, the 97 per cent we received is far above the Australian average of 54 per cent. Our people know why they're here."

Globoforce, a US-based "recognition strategist", observes that recognising employees with thank-yous and small rewards answers the basic

need for a string quartet. "The majority — 75 per cent — of our customers (both consumer and corporate) are women. They're the actual present buyers." She says Australian gift tastes vary.

"Adelaide is into gourmet like wine tasting. NSW is into water sports like a jetboat adventure for two. Queensland is about pampering — a day spa pamper refining treatment."

Echoing many entrepreneurs before her, Simson says there were plenty of tears in the beginning. "I wanted a home-based business so I could be with my young children. I had a harrowing two-month wait for the first customer. But I never thought of giving up. By the second Christmas, we had sold 300 experiences a month and I



Rewards: Naomi Simson

human need for something fundamentally important: psychic income, which is the need for enhanced self-realisation. When integrated into a total rewards program, this approach to recognition has

knew we were going to make it. I knew it could be a really successful business." Hitting the first million in sales, a powerful milestone in the life of a business, was achieved in the second financial year. "We had French champagne when we got our first big corporate clients; Fuji Xerox in 2003 followed by American Express six months later. That's a tradition we continue today."

Simson, 44, and Red Balloon are everywhere when it comes to business awards: the most recent being two categories of the Telstra Business Women's Award: the Business Owner and Innovator categories. This is integral to her strategy. "People buy from people they trust. This is especially true for online transactions. The Telstra awards validate the

a lasting impact — one that is more powerful than cash compensation. A strategic recognition program that thanks and rewards employees can lift staff out of the "recessionary rut" that many are falling into.

Simson says this "psychic income" is the human need for belonging, social acceptance, self-esteem and feeling good about themselves. "Cash cannot meet this psychic income need."

The Globoforce report says: "Spot awards to employees returned on investment than an increase in base pay."

(McKinsey and Company Compensation Round Table 2008).
"Paying people a compliment

trust that people place in us. It helps too that the brand is talked about." Not surprisingly, Hitwise also validates the brand, ranking Red Balloon as the top website in Australia in the gifting category.

Despite a vast array of products and a huge volume of transactions, Red Balloon's business strength lies in the simplicity of the business model: Build a brand, outsource fulfilment, back it with superb customer service and keep innovating. It's a simplicity that supports Simson's audacious ambition to deliver 220,000 experiences in 2010. Backed by enthusiasm, energy, drive and a solid technology platform for the gift products, Red Balloon has added another revenue generator, GoDo, which Simson describes as "a technology that aggregates

appears to activate the same reward centre in the brain as paying them cash." (The Japanese National Institute for Physiological Services).

"Acknowledging staff achievements (praising employees) had the same impact on job satisfaction as a 1 per cent increase in pay." (2008 White Water Strategies).
"Non-cash incentives were 24 per cent more powerful at boosting performance than cash incentives." (University of Chicago 2004).

Simson believes challenging economic times are times when employee engagement comes to the fore. "You've got to have employees who are positive despite the negative situations around them."

activity suppliers. It does for activities what Wolff did for hotel rooms. It won the 2007 AIIA Innovation award for tourism."

Competition is rife in the gift industry: large retailers heavily promote gift vouchers; online brands such as Wish List and Roses Only are competitors. "We're dedicated to innovation. It supports us to move from concept to customer ahead of the competition. Suppliers — 900 and counting — approach us with ideas. I'm careful. We road-test a lot of experiences ourselves. We want to be very certain that we meet customer expectations. Our number one focus is listening (and responding) to our customers and that we know in our very being it is them that make us great.

"Our technology is absolutely world class. Our platform is stable and is built for scale. We have the operational advantages to be able to run Red Balloon from everywhere. We can work in a totally virtual environment — answer phone calls, emails and to produce vouchers without the requirements of a permanent office."

Red Balloon is a compelling case for the power of word of mouth as media. Customers becoming champions with something worthwhile to say has to be every entrepreneur's dream. "Why we're growing so fast is our participants become customers. The employee who has the experience buys the voucher for their husband, their parent. The experience factor is our strength. Think about it: we talk about our experiences much more than our possessions. When you give someone a Red Balloon Day, for certain you are going to tell someone about it. Then once you have experienced the gift, once you've done something you've always wanted to do, you're going to tell 10 people about it."

Apart from herself and husband Peter, CFO, Simson has built an executive team of four, including a general manager. Having the GM looking after "the How" and leaving me to look after "the What" has been a tremendous boost for me and Red Balloon. It frees me up to do speaking, to sell the message.

"Employee recognition is a big issue — 17 per cent are disengaged from their employers. If I can move that by just 1 per cent, then I would have made a big difference to this country."