

A close-up photograph of a young woman with long dark hair, smiling broadly. She is wearing a brown cardigan over a yellow top with a black and white patterned collar. A black leather handbag hangs from her shoulder. In her right hand, she holds a white gift card. The background is blurred, showing what appears to be a store interior.

GIFT CARD MARKETING GUIDE

BEST PRACTICES

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INTRODUCTION

Gift cards remain one of the most used and successful tools that we've been providing since 1999. Over time, we've learned from our clients how they've managed to get the most out of their program and would like to share that knowledge through our Best Practice Guide.

The information within the Gift Card guide is meant to provide tips and guidelines that will aid in achieving a successful gift card program. There are many benefits that come from implementing and acquiring a gift card program.

- Acquire New Customers
- Eliminate employee and consumer fraud pertaining previously to gift certificates
- Collect customer data
- Drive consumers to your website



GIFT CARD INDUSTRY

In the early 2000s the transition from paper certificates to plastic cards created a large demand and shift for gift cards. Retailers began implementing the plastic card and through this transition they saw a 50-100% increase in sales. People love the convenience that gift cards provide. The main issue that came with paper certificates was their inability to be used multiple times. Customers were forced to use the entire value whereas now, they have the ability to use the gift card multiple times.

- Gift card industry is expecting to project \$160 billion in total value by 2018.
- Estimated sales by the end of 2017 are \$15 billion.
- Consumers spend on average \$213 each year on gift cards.
- Online gift card sales are growing by 29% per year.
- It was estimated that \$26 billion was spent on gift cards during the holiday season in 2015.
- Retailer card volume will grow from \$41 billion to \$43 billion.
- The restaurant and miscellaneous categories both showed growth with \$19 billion and \$13 billion in volume.

THE FINANCIAL BENEFITS OF GIFT CARDS

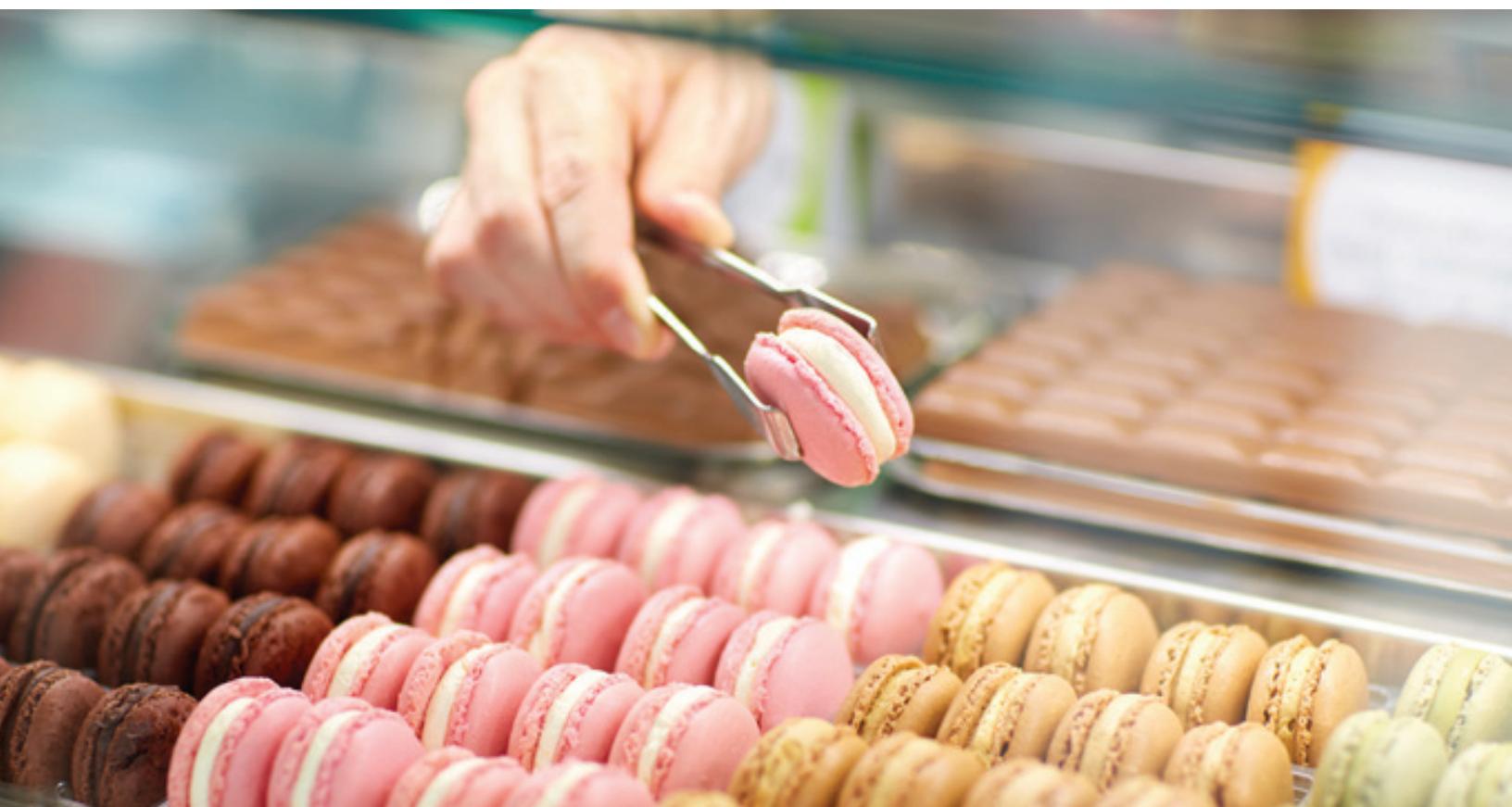
The Gift Card Program has many short term and long-term impacts upon one's business and the financial benefits that it can provide. Benefits that the gift card program can deliver are enhanced sales, revenue generation, increase in brand awareness, increase in customer convenience, more customer satisfaction and more customer traffic.

Enhancing sales

- Gift cards act as an incentive to get consumers to purchase high value items. For example, a customer has a gift card valued at \$50. They don't see it as a budget limit of \$50. They see it as a \$50 discount off a \$200 item.
- 72% of customers spend more than the value of their gift card. On average, recipients will spend 20% more than their gift card value. 90% of gift cards are used within the first 60 days.

Generating Revenue

- There is never a wrong time to sell gift cards. It is an all year long business. 81% of consumers purchase gift cards for birthdays. It can be said that it's always the perfect time to purchase a gift card.



- 61% of gift card holders spend more than the value of their gift cards. 75% of those individuals spend more than 60% over the original gift card value.

Brand Awareness

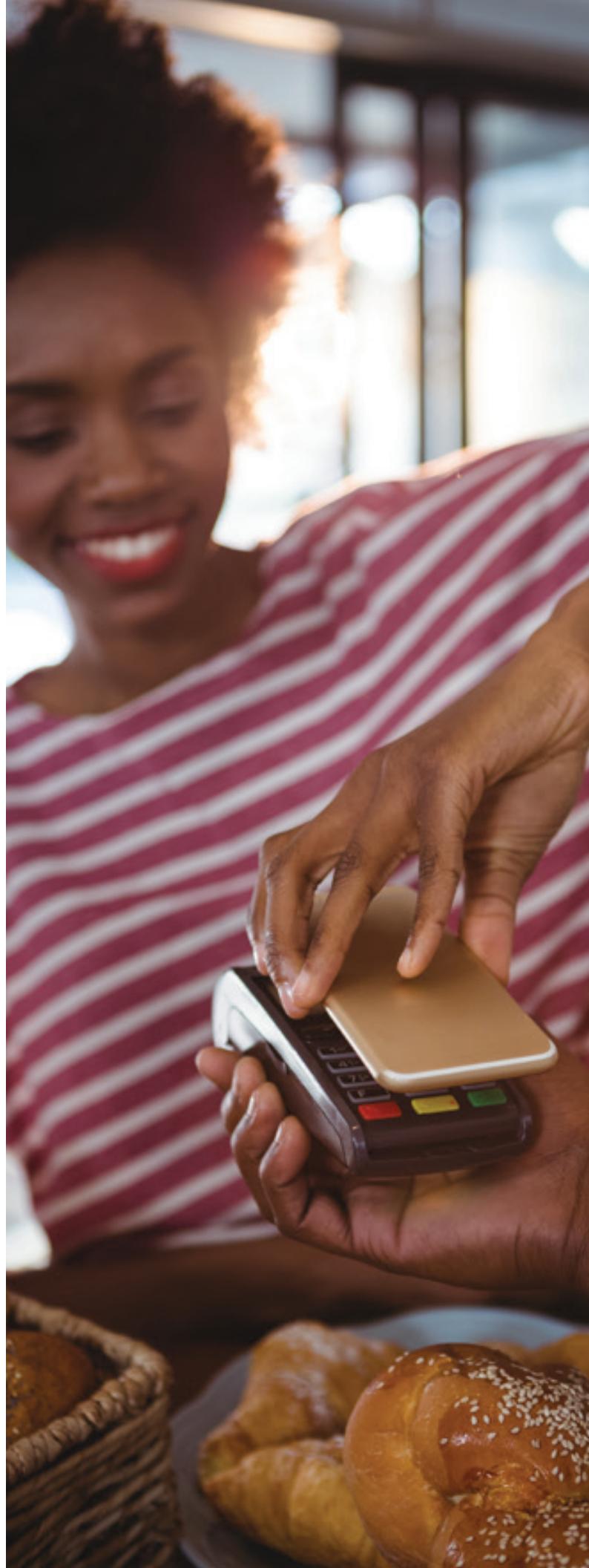
- Plastic gift cards act as a marketing and promotional tool. By placing a gift card in our wallet, it acts as a reminder to make a purchase.
- Gift cards are cost-effective advertising that gives a business free promotion.

Customer Convenience

- The shift from paper certificates to plastic card has increased the sales of gift cards. 97% of top retailers are selling their gift cards online.

Generating Traffic

- The gift card encourages repeat visits from the customer. 55% of gift card recipients required more than one shopping trip to spend the entire balance on their gift card. This creates traffic to a business website/store.





PLANNING YOUR GIFT CARD PROGRAM

Gather all stakeholders and devise a plan for your gift card program. Create a timeline, identifying important milestones and ensuring all relevant departments have allocated resources to support your launch.

Prepare a marketing plan with key objectives for your program:

- Increase in-store traffic
- Encourage a particular demographic segment of customers to buy gift cards
- Promote gift cards as an impulse purchase
- Convert bricks-and-mortar location customers to online customers or vice versa
- Sell more gift cards for specific occasion or times of year

These are some key metrics that you might use to evaluate your program performance:

- Increase number of gift cards sold each quarter by x%
- Sell X gift cards by Y date
- Increase online gift cards sales by x%
- Gift card sales as % of overall revenue
- Year-over-year gift card sales growth



YOUR TEAM

Support from back office and front-line staff greatly contribute to the success of a gift card program.

Mobilizing Your Staff To Sell Gift Cards

Clear internal communication and goal-setting are important factors here. Some best practices we have observed:

- Ensure staff are trained in how to activate, increment and redeem gift cards.
- Ensure staff are equipped with talking points about gift cards and can effectively communicate the benefits of gift cards to customers i.e. the recipient can choose what they want, people like to receive gift cards.
- Ensure staff can answer basic queries about gift cards e.g. terms and condition, which locations accept gift cards, expiry dates, available denominations.
- Show that you value merchandising and gift card sales by including suitable metrics in store manager performance reviews and your corporate incentive structure.



TIPS FOR BUSINESS

There are many benefits that come with running the Gift Card program. Here are some tips to ensure the growth and success of your gift card program.

- Provide options for customers: Having a variety of different gift cards allows your customers to purchase unique gift cards to match their occasion. Creating a one-shop location where your customers can get any gift card they need.
- Draw attention to the Gift Card Display: The placement of the gift card stand is crucial. Placing it either on the ends of the cash or in a high traffic area will ensure that customers will be able to view the display. It creates the impulse thought to purchase gift cards.
- Motivate staff to sell gift cards by offering incentives: Offer your employees incentives such as at the end of the month the employee who sells the most gift card gets a bonus, or a pre-loaded gift card. This will create a fun competition amongst employees who will feel happy that they are being rewarded for their efforts.

- Offer tiered reward based on purchase amount: Holding events where if customers purchase a certain amount they receive a gift card. "Spend over \$100 before tax and receive a \$10 gift card." This will draw more traffic into your stores.
- Reward your most loyal customers: Through your current loyalty program, or using customer demographics, mail out gift cards to motivate your loyal customers to continue shopping with you. This creates a stronger relationship and engagement between your customers and the business.
- Hold a raffle/draw: Get customers to place their name in a draw, and either at the end of the month or weekly, randomly draw out a name for someone to win a pre-loaded gift card. The more a customer spends, the more chances they have to win.





TIPS FOR PROMOTING GIFT CARDS

Merchandising And Displays

Gift cards are easy to store and display but may be overlooked by customers. Just like any other product, a carefully considered merchandising plan will help you optimize gift card sales. Here are some best practices from Givex clients:

- Popular gift card designs should be visible.
- Near places where customers look for them.
- Facilitate impulse purchases by ensuring that gift cards are merchandised in an accessible area and prominently displayed at every point of purchase.
- Accessible to customers (Gift cards are unusable until activated at the point of sale so they can be safely merchandised).
- Ensure a staff member is assigned the responsibility of ensuring that all gift card displays are adequately stocked.
- Implement a process to check card inventory and re-order well in advance to ensure you don't run out of cards during peak times such as the crucial holiday season.



Special Occasions

Gift cards consistently rank as the #1 most-requested gift. It's no wonder that gift card sales spike around the biggest gift giving times of the year: birthdays, Valentine's Day, Easter, Mother's Day, the holiday season. Most merchants generate anywhere from 25% to 50% of their gift card sales during the Christmas season.

- Ensure you have sufficient gift card inventory to meet increased demand during these times.
- Gift card designs that are suitable for gifts during these occasions.
- Design advertising around special occasions.
- Design countertop displays to promote gift cards as gifts for these occasions.

A business may lose the gift card sale if they don't have a gift card design which appeals to the customer or if the customer is buying for a specific occasion (e.g. Christmas) and cannot find a thematically appropriate card. A way to prevent this from occurring can be by tracking the sales of certain gift cards. One of our clients is currently tracking the cards that are selling well and using that information as a basis for future design. Many businesses also carry cards that have been specifically designed for different occasions.



B2B Sales

Because they allow the recipient to purchase what they want from selected businesses, gift cards are popular giveaways at company functions and make great corporate incentives. Consequently, B2B demand for gift cards is huge. For companies selling gift cards, B2B gift card sales can be a significant revenue source. Here are some suggestions:

- Provide an option for flexible value cards as each business may have different preferences when it comes to the value of incentives.
- Provide discount levels for bulk purchases. Typical corporate orders are bulk instead of single cards.
- Streamline the re-order process to encourage repeat purchases.
- Develop a specific marketing plan for targeting corporate customers. Their needs are quite different from consumers – bulk purchases, buy all year round, who is the decision maker in the organizational chart.
- Provide gift card designs that are suitable for corporate incentives or rewards. Incorporate text such as “Congratulations” or “Thank you.”
- Setup a dedicated team or website that caters directly to your B2B customers.
- Market your B2B sales using appropriate channels, such as trade publications.

Third Party Sales

Consider making your gift cards available through gift card malls in high traffic retailers such as supermarkets and drugstores. This increases your brand exposure and gift card availability. Many businesses realize revenue gains once they implement a third-party sales program. In fact, during the holiday season, 22% of gift card purchasers reported purchasing a gift card from a third-party vendor and 14% of purchasers indicate that they prefer to purchase from a third-party vendor.

Here are some of their reasons why:

- Benefits of one-stop shopping (61%)
- Like to choose from a broad assortment (49%)
- Desired card had no retail location near them (25%)
- Impulse purchase (20%)

It's no surprise that third party retail is the fastest growing channel for gift cards. 27% of all gift cards in 2007 were purchased from a gift card mall, up from 22% in 2006. 85% of 3rd party gift cards are purchased at pharmacies, convenience stores or gas stations.





GETTING FRANCHISEE BUY-IN

In our experience, another potential obstacle to gift card sales is adoption and buy-in from franchisees. Consumers expect gift cards to be usable at any location and having a large percentage of non-participating locations can frustrate consumers. Persuading franchisees to support the program increases the availability of the cards and your gift card sales. Every merchant should educate their franchises on the benefits of gift cards to get franchisee buy-in. This can be done through a formal meeting, or a discussion over the phone. It is important that every merchant is aware of what the Gift Card Program entails.

Benefits to encourage franchisee buy-in:

- Lift. Customers generally spend 40% more than the face value of the card
- When given as a gift, a gift card acts as a personal recommendation for the business, bringing in a new customer to redeem it
- Strengthen the brand and customer loyalty
- Grows brand recognition
- The provider makes fund settlement easy. (this is where if a gift card is bought in Franchisee A but redeemed in Franchise B, the funds for the initial gift card sale should be transferred from A to B's bank account so that B is not providing their goods and service at a loss to anyone using a gift card at their store.)



MARKETING TOOL

Gift cards can also serve as a cost-effective tool for promotional uses. Plastic gift cards are a great tool to encourage customers to visit your store and begin browsing products. Unlike other types of promotions which only affects the current purchase (e.g. discounts), gift cards have the ability to encourage future purchases. This results in customers spending more than the value of their gift card.

Here are some examples of how our clients have incorporated gift cards into their other promotional strategies

- Instead of giving a discount for the purchase of an item, give a gift card of equivalent value instead. The gift card prompts the customer to revisit at a later date to redeem the card.
- When you open a new location, distribute low-value gift cards in the area to bring customer in to redeem it and make that first purchase.
- Use gift cards as prizes in lucky draws or instant-win sweepstakes.
- Special offers e.g. free gift card worth \$X with every minimum purchase \$Y.
- During the holiday season, a popular tactic is giving the customer a special promotional gift card with every purchase above a minimum amount. The gift card can only be used in January. This allows customers to get a little something for themselves when they shop for others and brings them back to your store in January, providing additional sales in a typically slow month.



ONLINE

Online gift card sales are an important channel for many businesses. Customers may spend up to 75% more when ordering a gift card online vs. purchasing it in-store. For several clients, online gift card sales account for 25% of their annual increase in gift card sales. These are some examples of how clients have driven their online sales:

- Ensure your website has clear links to your gift card purchasing page.
- Let customers choose from multiple gift card designs.
- Another option is to allow customers to upload their own image files and input text to create their own custom gift card design. Custom gift cards are very popular as gifts or for commemorating special occasions.
- If you provide several fixed denominations of gift cards, also offer an option for the customer to specify the value of the card. You can place minimum and maximum limits on the amount.

- Ensure that the interface allows customers to enter a personalized message along with the card.
- The recipient's perception of your brand is influenced by the packaging the gift card arrives in whether you use paper sleeves, plain envelopes or foil-covered gift boxes, selection of a presenter. Carrier for your gift cards is equally as important as the design of the card itself.
- Convenience is a big reason why customers order gift cards online. Some clients emphasize convenience as a major distinguishing factor by making it easy for customers to order multiple cards at once. Your online ordering page should allow customer to place an order for multiple cards and enter different addresses for each of them.
- Increase online gift card sales by incorporating promotional offers. Your shopping cart should have a field for customers to enter discount codes.



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CONCLUSION

Our clients have found that they reap the greatest benefit from their gift cards when they invest in internal support, long-range planning, and adequate resources for the program. With the right strategies, best-in-class companies are leveraging their gift card programs to get new customers, gather customer data and create powerful incentives to keep customer coming back.



MORE?

More About Givex

Givex is a global cloud-based operations management solution designed to streamline business efficiencies and generate valuable and actionable customer data. Since its founding in 1999, Givex has provided operational intelligence across a wide variety of industries, from restaurant and retail to hospitality and the service sector, offering a fully integrated suite of customizable products, including gift cards, loyalty, Vexilor™ point-of-sale (POS) system, Tiquer™ Tableside Ordering and Rx Analytics. Givex's Uptix™ ticketing solution transforms traditional sports or event tickets into a mobile interactive platform, providing event managers with new insights into their customer base and the ability to elevate the fan experience. With more than 16 billion transactions conducted across more than 55 countries, Givex is at the forefront of how brands will compete for customers now and in the future. For more information about Givex please visit www.givex.com.

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