2010 Gift Card Consumer Insights Study

Canada

March 2011

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OVERVIEW

Background

- First Data offers prepaid card products and services to a wide variety of merchants
- First Data conducts an annual market survey (Consumer Insights Study) among gift card purchasers and receivers of both closed and open loop cards
- This important study:
  - Began for Canada in 2008
  - Identifies market and consumer gift card trends and consumer needs and preferences
  - Provides information that is shared with First Data clients and is used to help enhance their gift card programs

Study Objectives

- The primary objective of the Consumer Insights Study is to examine market and consumer trends, as well as consumers' needs and preferences, as they relate to gift cards. The results of the study:
  - Quantify the percent of the United States and Canadian populations giving/receiving gift cards (in total and by demographics)
  - Identify buying behaviors associated with gift card purchasing
  - Examine the gift card decision-making process
  - Compare purchase behavior from 2009 to 2010
- Additional objectives among gift card receivers include:
  - Evaluate the impact that gift card giving has on recipient
  - Identify and quantify where recipients receive gift cards from along with the types (i.e., closed vs. open loop and reloadable vs. non-reloadable) and the total number of gift cards received
  - Determine the average card amount received (by store type)
  - Measure the incremental financial value that any changes in consumer buying behavior have on the merchant
  - Quantify uplift (i.e., overspend) by card type and by retail category
  - Evaluate the effectiveness of innovative uses for gift cards such as gift card exchange websites, e-gift cards, and gift card effectiveness as incentives.

Methodology – Canada

- A 20-minute web-based survey, using the e-Rewards online panel
  - FDC was <u>not</u> identified as the study sponsor
- Fielded: September 22-29, 2010
- Respondents must:
  - Be a Canadian resident
  - Be 18 years of age or older
  - Have purchased or received a gift card in the past 12 months
- Sample size: 400

KEY INSIGHTS

Key Insights – Purchasing

Key Findings	Implications
Availability of occasion-based gift cards drive purchase decisions for some consumers ➢ 15% would not purchase a gift card if the appropriate occasion-based design was unavailable.	➢ Incorporate occasion-based gift cards for key occasions for your business
Gift card mall popularity has increased ➢ While most consumers still purchase closed loop gift cards at a specific store, purchases at gift card malls has increased from last year (33% to 42% currently).	➢ Establish or expand partnerships with gift card mall providers to increase sales.

Key Insights – Redemption Behavior

Key Findings	Implications
Over a third of those receiving gift cards indicate they changed their purchasing plans because of the gift card. ➢ When redeeming their gift card, 22% purchased an item they had not planned to spend money on, 12% bought a more expensive version of an item they already planned to buy, and 6% purchased an item at a store they don't usually shop at.	➢ Gift cards provide your locations with incremental customers and sales.

Key Insights – Reloading Behavior

Key Findings	Implications
Closed loop prepaid card reloaders indicate they do so to receive rewards or for the sake of convenience. ➢Rewards - the main reason for reloading - has increased from 15% to 21%. ➢For 32% reloading is more convenient than paying with cash and another 22% indicate reloading is more convenient than paying with credit or debit cards	➢ Consider using rewards to promote reloading.
Reloading via the Internet is the preferred method for 27% of reloaders. ➢Although in-store reloading is the preferred method for 73% of reloaders, 27% prefer to reload online	➢ Internet reloading is relevant and should be considered to encourage gift card re-use.
Reloading encourages desired behaviors including increased frequency of store visits and additional spending per visit ➢27% of reloaders report visiting the store more frequently after reloading their card; 18% spend more per visit	➢ Reloading encourages your customers to spend more money at your locations; explore ways to position your gift card as an everyday spending card.

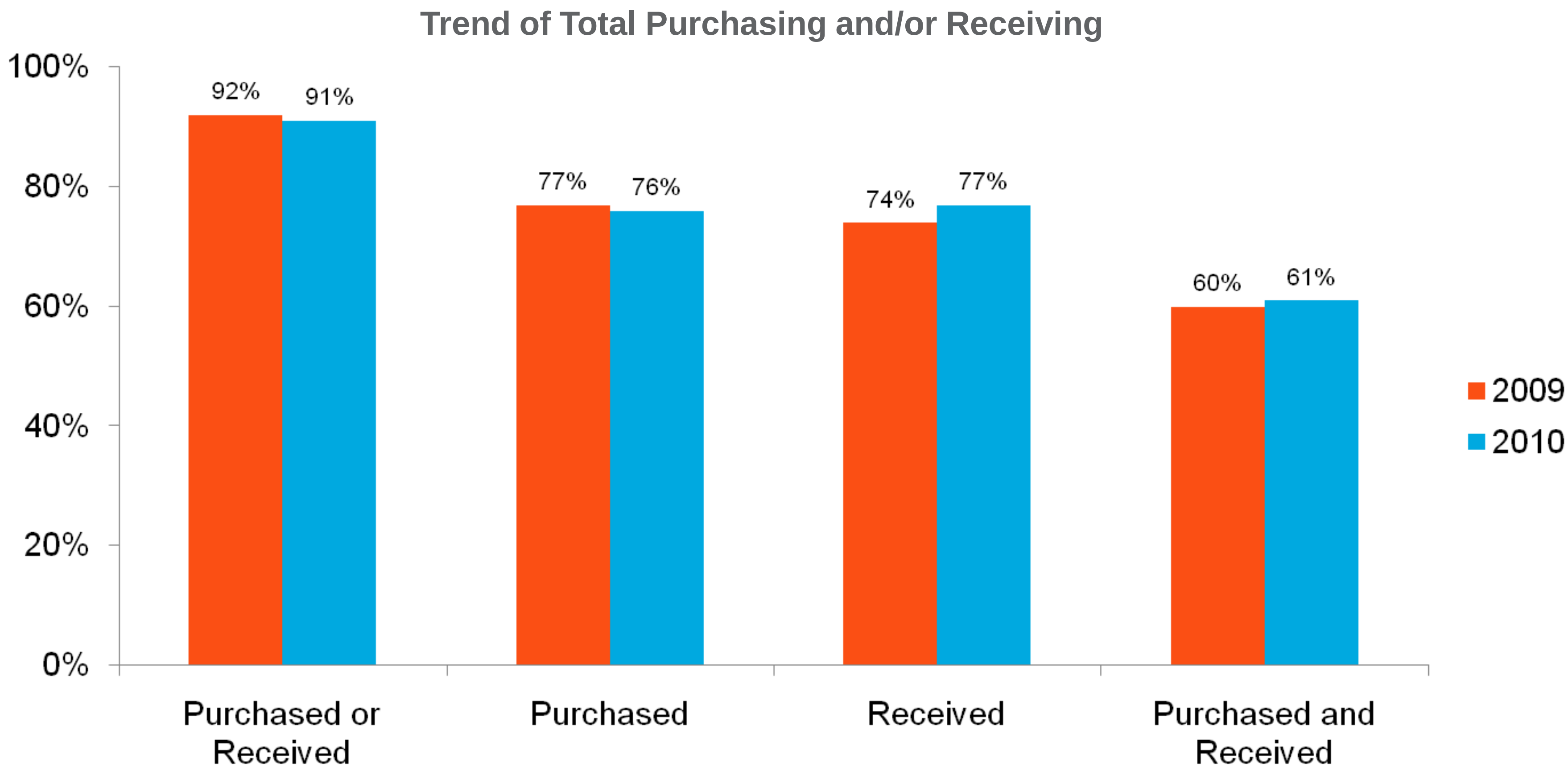
Key Insights – E-Gift Cards

Key Findings	Implications
E-gift card adoption is in its early stages ➢ Only 6% of consumers have purchased an e-card, while 7% have received one ➢ Almost all recipients of an e-gift card (93%) received it via e-mail.	➢ Begin to develop and implement strategies for distributing your gift card electronically. ➢ Experiment with distributing cards through social media sites, your own website and other channels to learn more about eGift card users and optimizing high potential sales channels.
A significant percentage say they are likely to send an e-gift card ➢ 17% of consumers indicate they are likely to send e-gift cards, while 53% say they are unlikely.	➢ Those most likely to send e-gift cards value the immediacy of delivery, ease of e-mailing, environmental friendliness, and ease of redemption.

OPEN LOOP AND CLOSED LOOP ANALYSIS

Prevalence of Gift Cards: 2009 vs. 2010

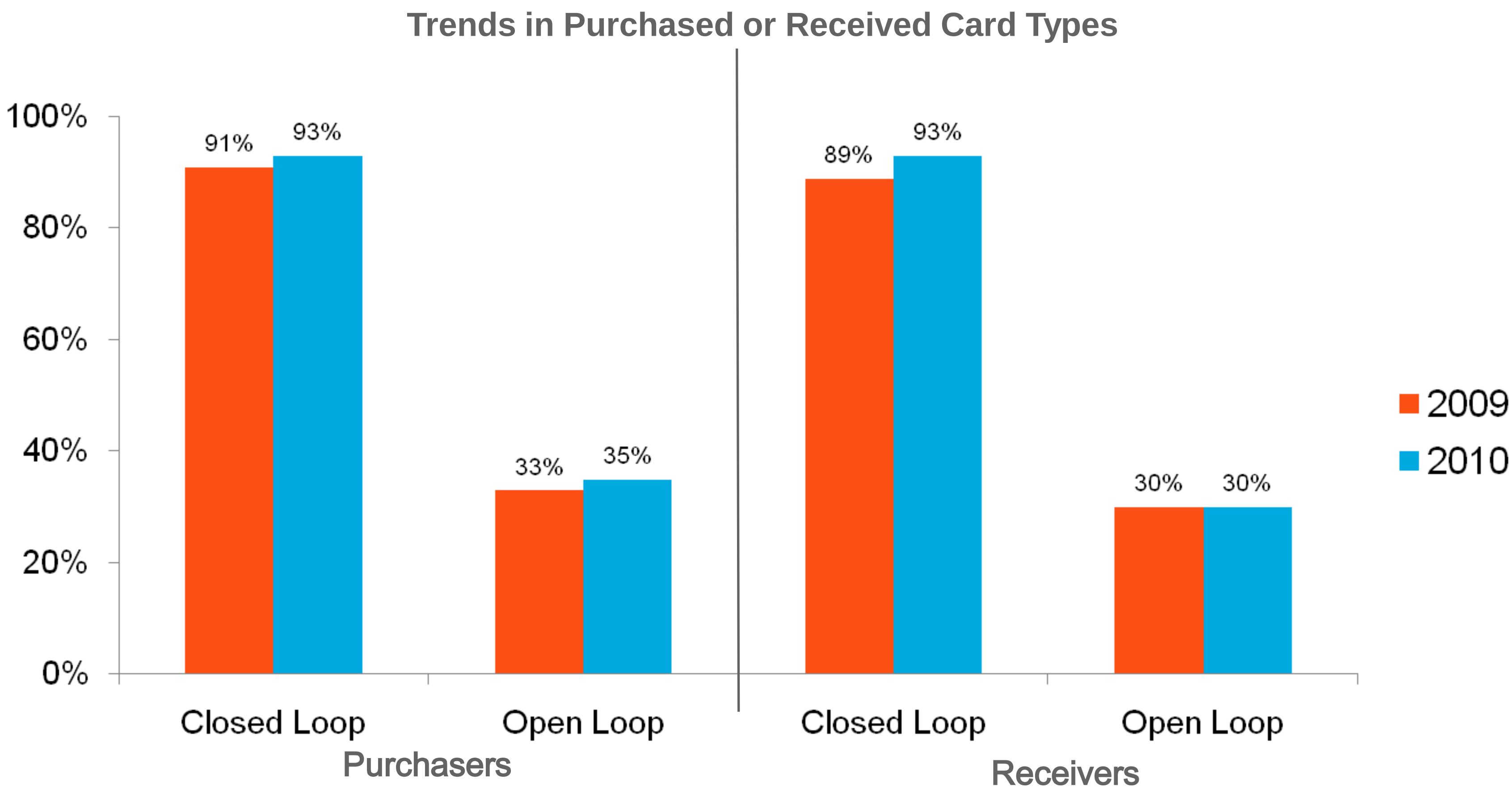
- Canadian consumers' gift card usage is relatively unchanged from 2009. Slight decreases are found in purchasing while an increase is found in receiving.



† Indicates a statistically significant difference between 2009 and 2010 at the 95% confidence level

Purchasers and Receivers: Closed vs. Open Loop

- More consumers report purchasing both open and closed loop gift cards in 2010 compared to 2009. Also, more consumers received closed loop gift cards while the number receiving open loop gift cards holds steady from 2009.



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Overlap in the Type of Gift Card Purchased or Received

- The mix of Canadian consumer's gift card purchase behavior remains consistent with last year. There has been a slight increase in the number of consumers purchasing and receiving both closed and open loop gift cards.

% of Purchasers	2009	2010
Open Loop Only	9%	7%
Closed Loop Only	67%	65%
Both	24%	28%

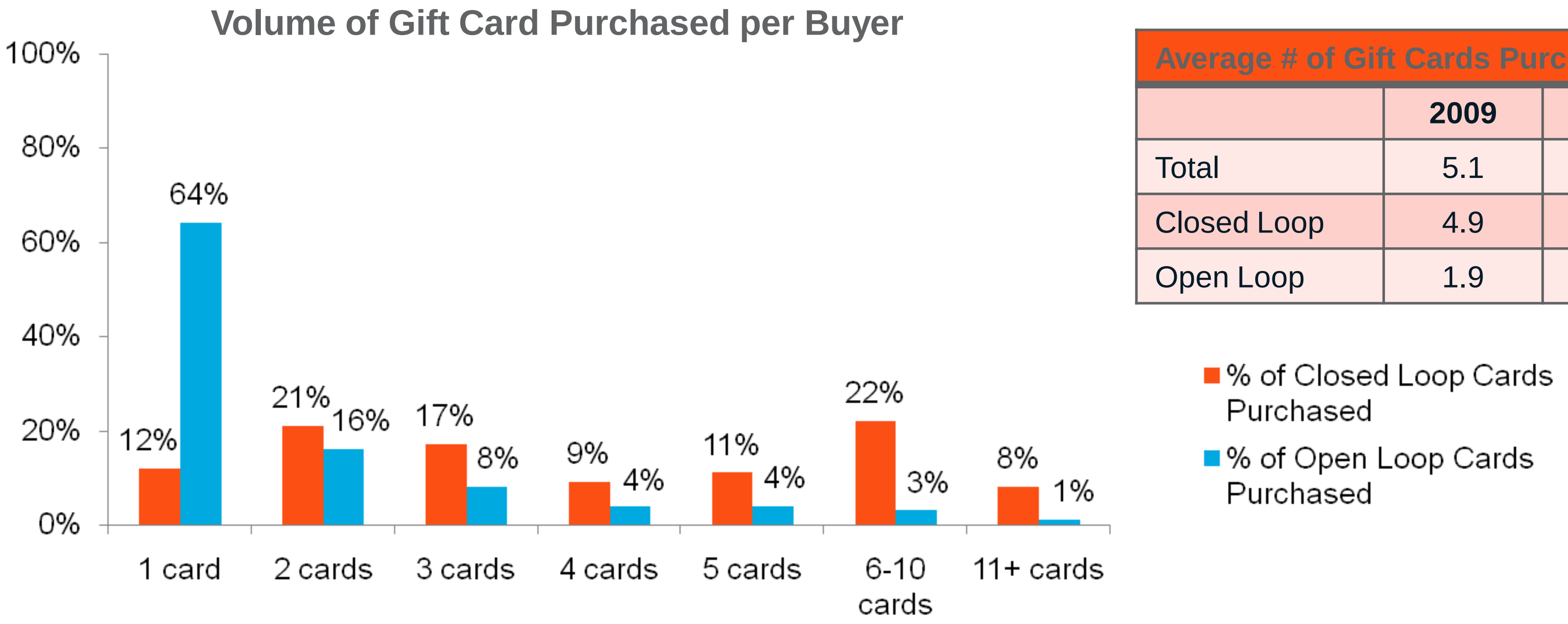
% of Receivers	2009	2010
Open Loop Only	11%	8%
Closed Loop Only	70%	70%
Both	19%	22%

† Indicates a statistically significant difference between 2009 and 2010 at the 95% confidence level

PURCHASERS

Purchasers: Volume of Closed and Open Loop Purchases

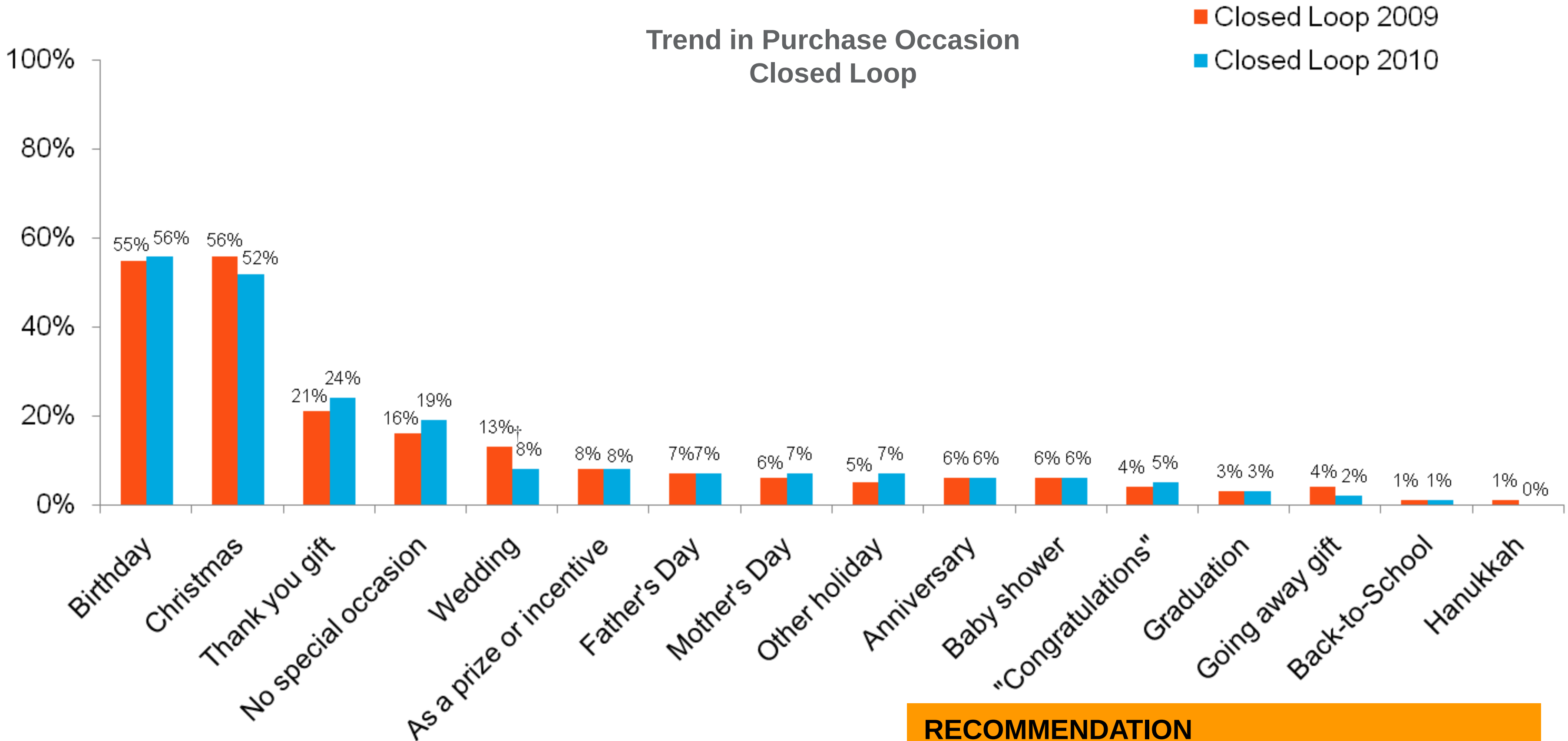
- Canadian consumers gift card purchasing remains stable from last year.
- Consumers tend to purchase only one open loop card (64%), but will make multiple purchases of closed loop cards.



Average # of Gift Cards Purchased		
	2009	**2010**
Total	5.1	4.6
Closed Loop	4.9	4.8
Open Loop	1.9	1.9

Occasions for Purchase: Closed Loop Cards

- This year, most occasions for purchasing closed loop gift cards are consistent with last years findings with the exception of weddings, which suffered a significant decrease in 2010.



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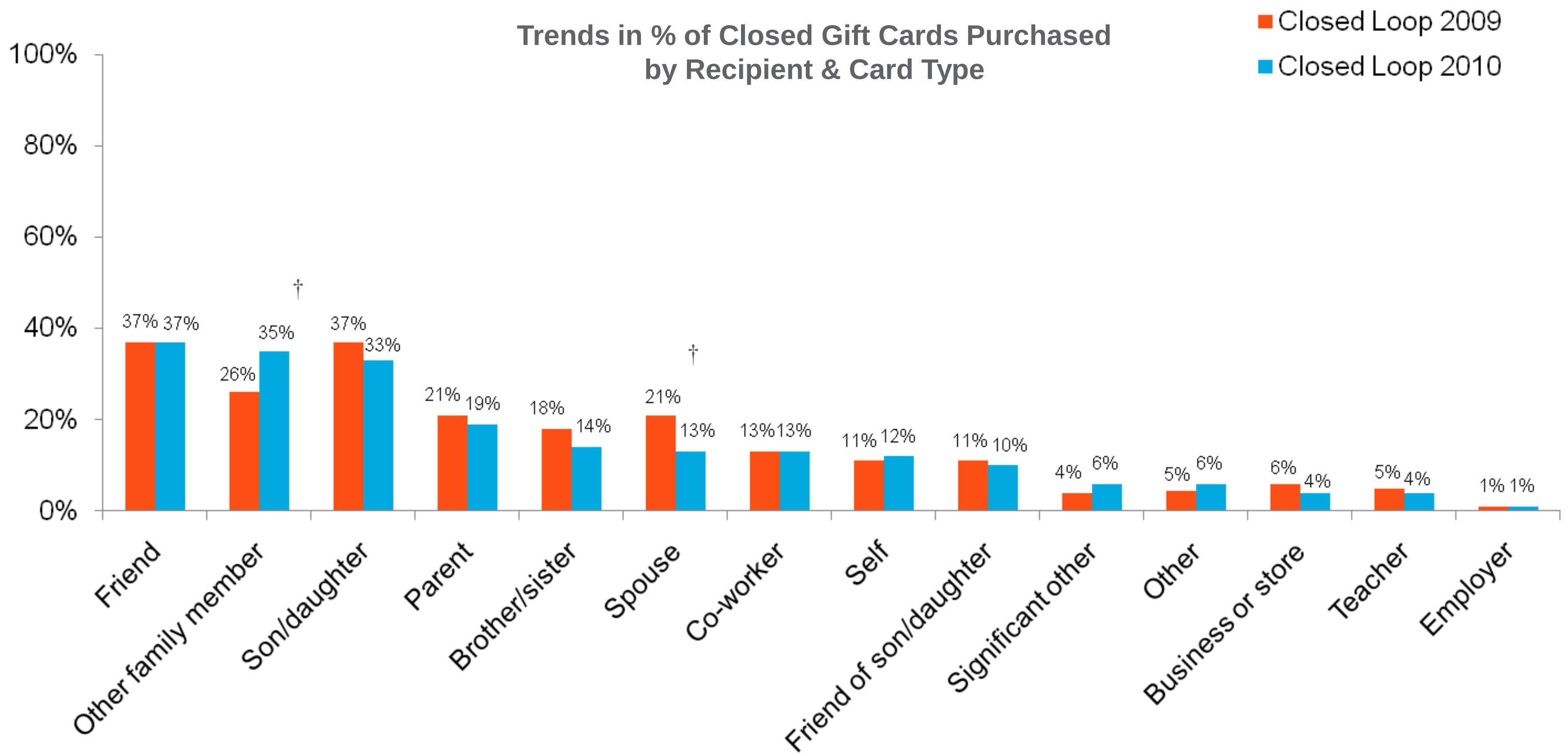
RECOMMENDATION

- Provide card designs that align with peak occasions for your business.

Person for Whom Gift Card was Purchased

- In 2010, significantly more Canadian consumers purchased gift cards for other family members, though friends are still the most common recipients. A significant decrease was found in the number of consumers purchasing gift cards for a spouse.



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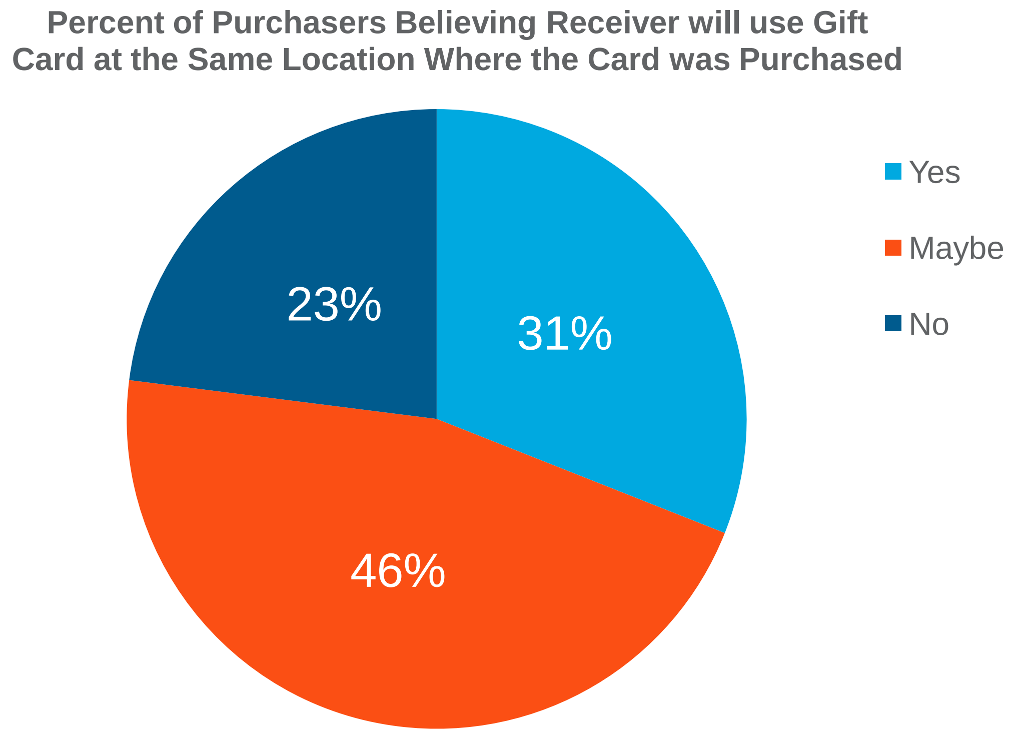
Gift Cards to be Redeemed at the Location Where Card was Purchased

- Nearly half of Canadian consumers are unsure whether the gift card recipient will use the gift card at the same location it was purchased from.

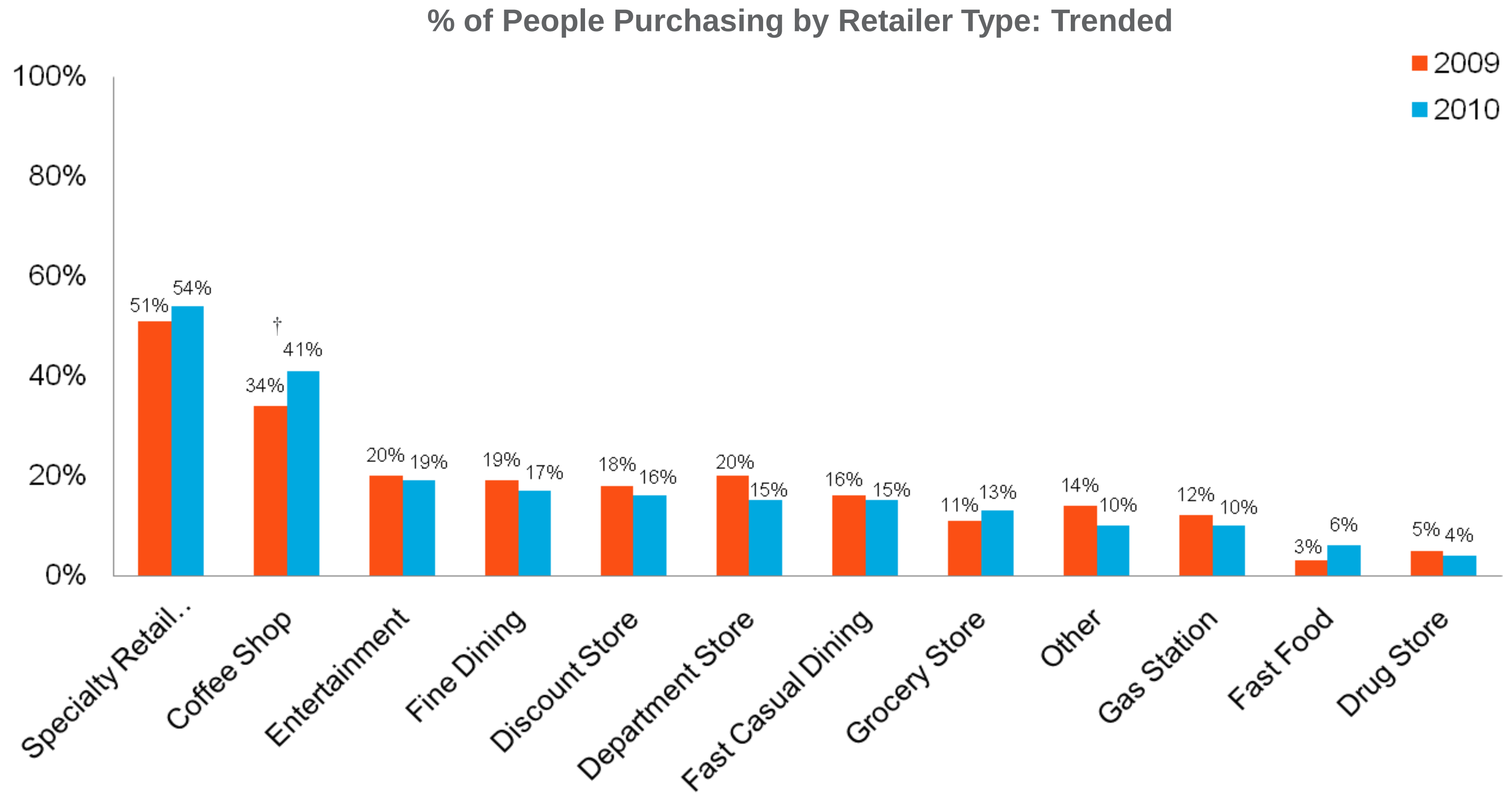


Advance Purchase Summary

- Most respondents (72%) purchase the gift card within two weeks of giving it.

Closed Loop Merchants

- Most Canadian purchasers continue to purchase closed loop gift cards from Specialty Retail stores, though the number of purchasers citing Coffee Shops has increased significantly.



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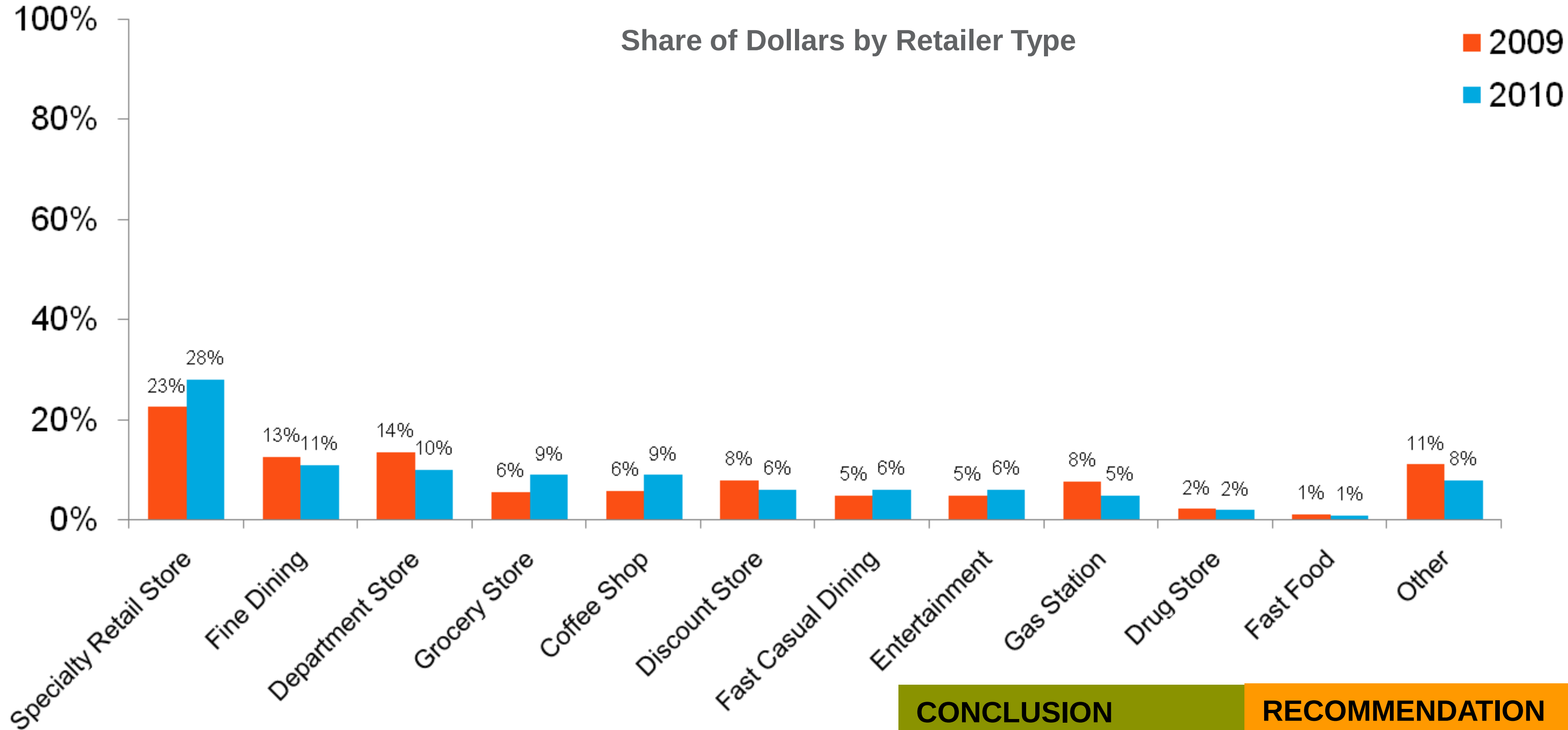
Share of Dollars by Merchant Type

- Specialty retail stores, grocery stores and coffee shops have increased the share of dollars in 2010, though the increases aren't significant.



CONCLUSION

- Competition across verticals remains strong.

RECOMMENDATION

- Look for opportunities to differentiate your gift card offerings.

*All monetary values reported represent Canadian currency.

Share of Dollars* by Merchant Type

- Specialty Stores continue to have the highest share of dollars, though Fine Dining and Department Store retailers have the highest amount spent per card.

	Average # Purchased	Average $ Spent/Unit	Share
Specialty Store (n=192)	2.2	$61	28%
Fine Dining (n=72)	1.7	$77	11%
Department Store (n=77)	2.3	$76	10%
Grocery Store (n=40)	2.0	$78	9%
Coffee Shop (n=127)	2.5	$25	9%
Discount Store (n=67)	2.6	$45	6%
Fast Casual (n=61)	1.9	$44	6%
Entertainment (n=76)	1.4	$35	6%
Gas Station (n=47)	2.5	$52	5%
Drug Store (n=18)	3.1	$42	2%
Fast Food (n=13)	1.7	$20	1%
Other (n=52)	1.6	$83	8%

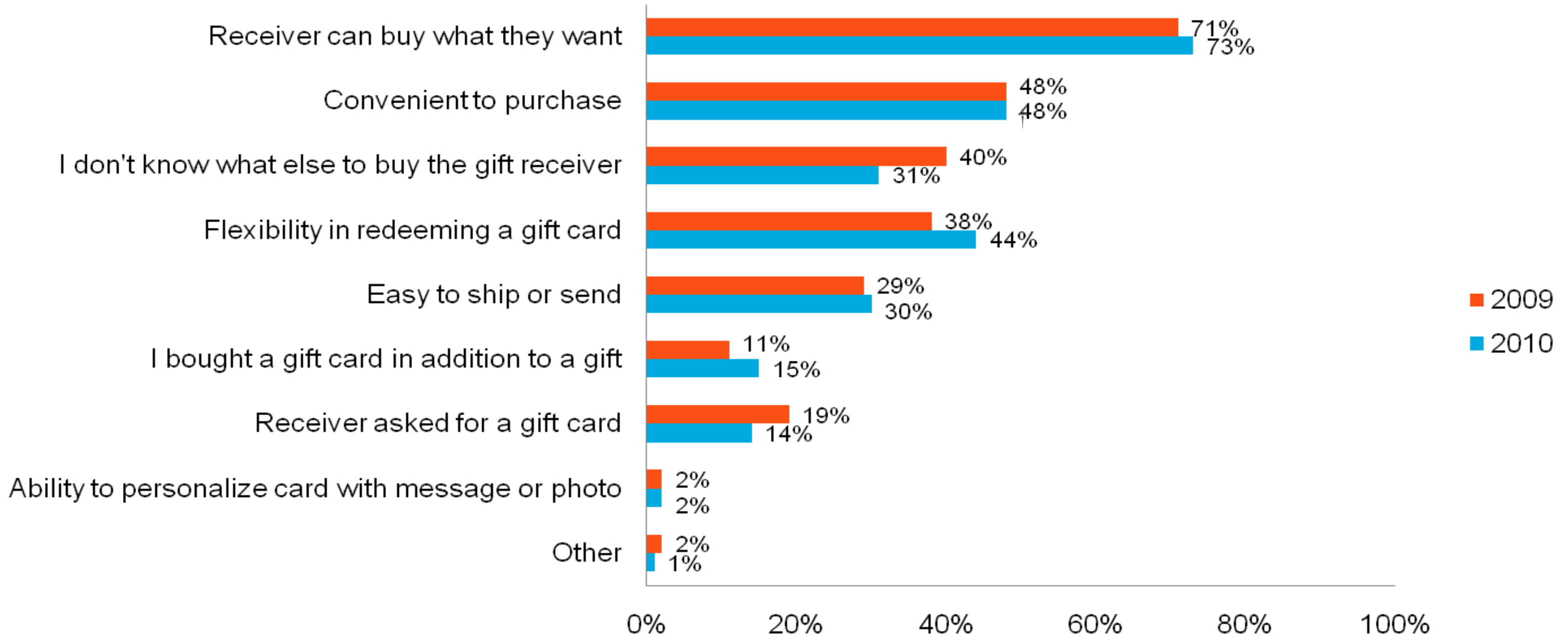
*All monetary values reported represent Canadian currency.

INFLUENCES ON PURCHASE

Influences on Gift Card Purchase

- Canadian purchasers say they prefer purchasing gift cards because the receiver can buy what they want.
- Significantly more purchasers bought gift cards because they didn't know what else to give.

Reasons for Purchasing a Gift Card as Opposed to a Gift



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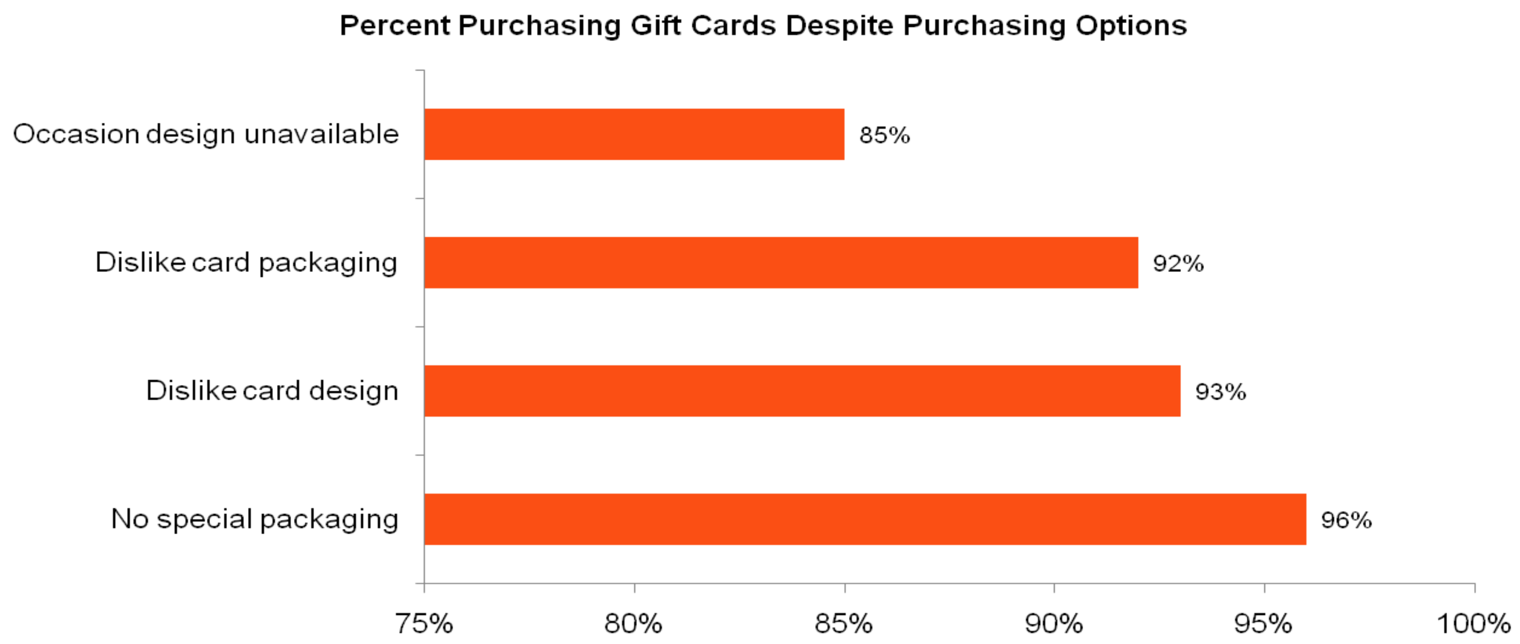
RECOMMENDATION

- Focus advertising on the convenience for both the purchaser and the receiver

Impact of Design and Packaging to Purchasing Single Merchant Gift Cards

- Few Canadians report changing their purchasing habits based on obstacles to purchasing single-merchant gift cards.

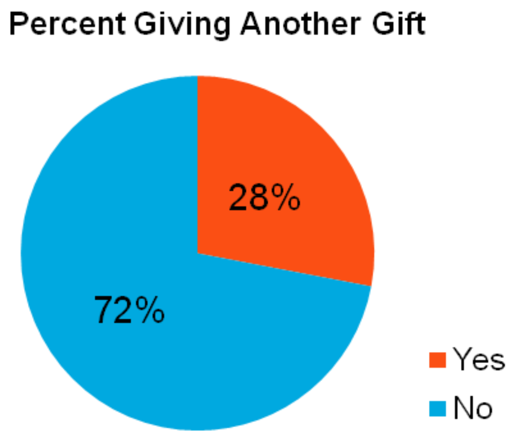


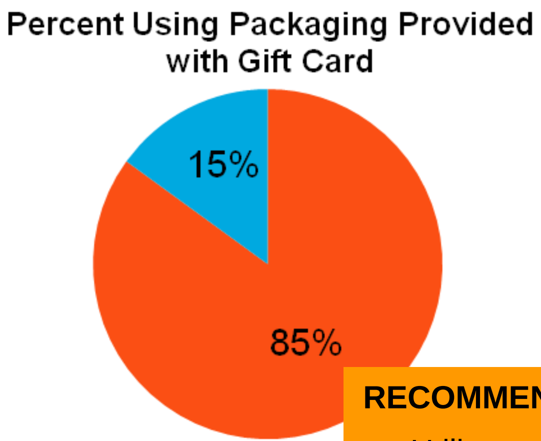
RECOMMENDATION

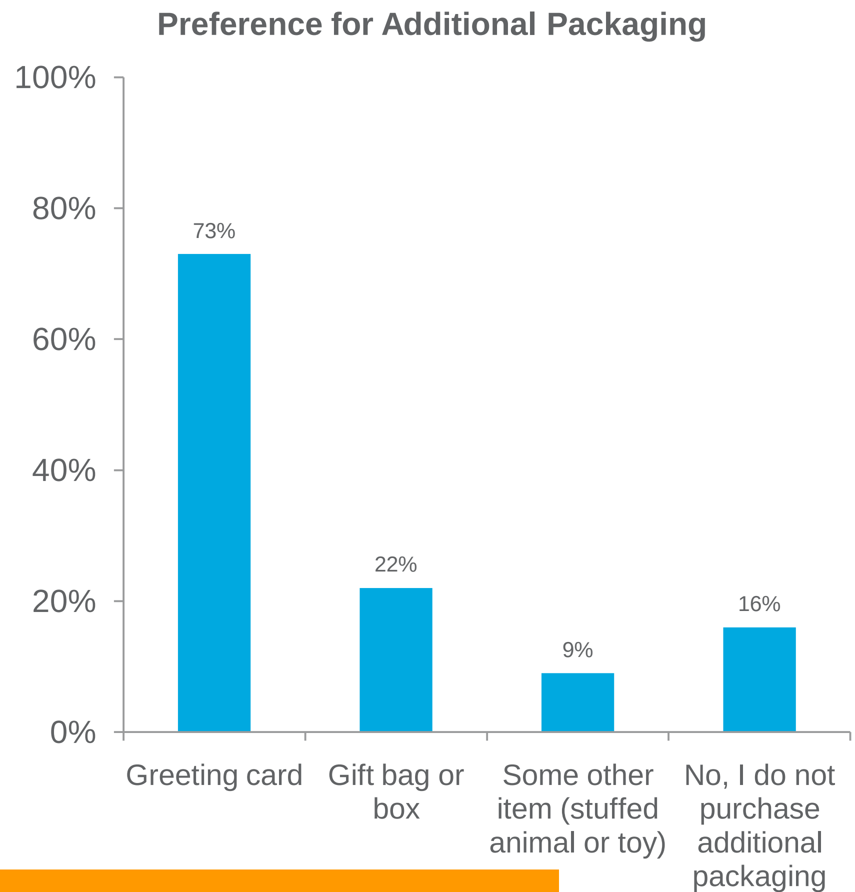
- Provide card designs that align with peak occasions for your business

Preferences for Gift Card Packaging and Add-Ons

- Most Canadian consumers do not purchase another gift to give with a gift card. They prefer to use the packaging the card comes with and give it along with a greeting card.





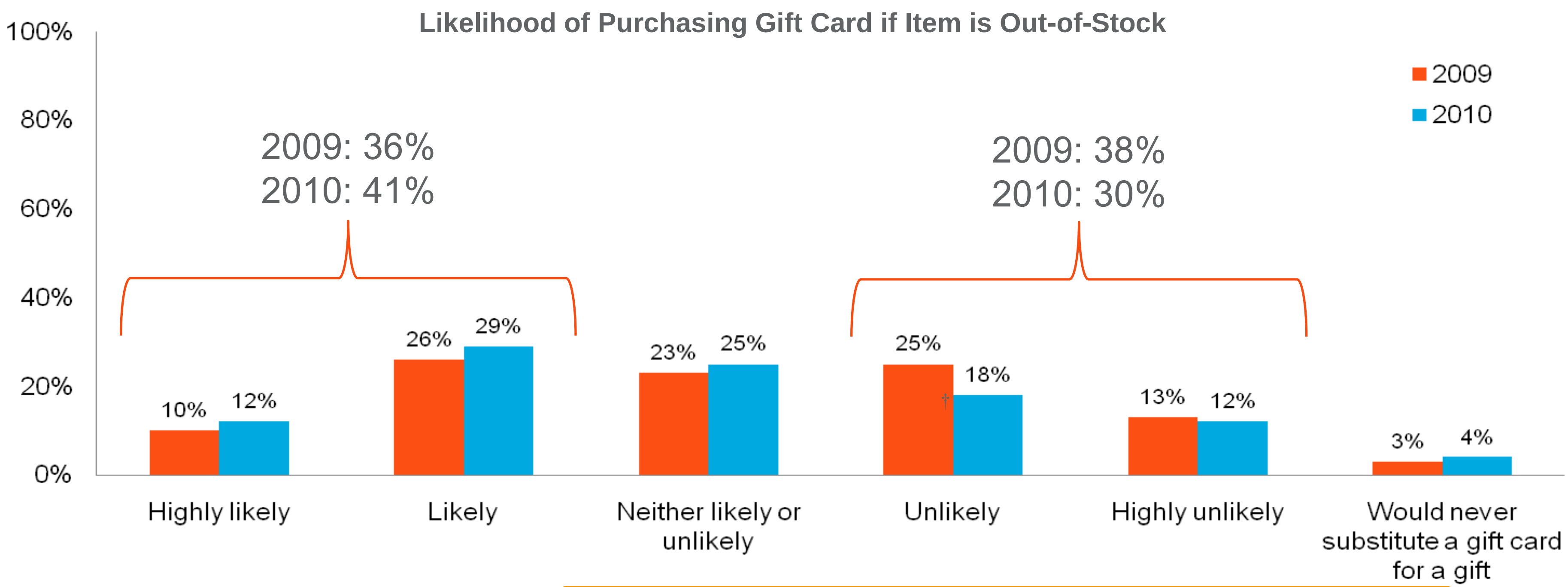


RECOMMENDATIONS

- Utilize greeting card area to promote gift cards
- Consider carrying 1 or more premium carriers that customers would pay for

Likelihood of Purchasing Gift Card if Item is Out-of-Stock

- Canadians are more likely to consider purchasing a gift card if an item is out-of-stock this year than last year. Significantly fewer Canadians report being "Unlikely" to purchase a gift card in an item is out-of-stock.



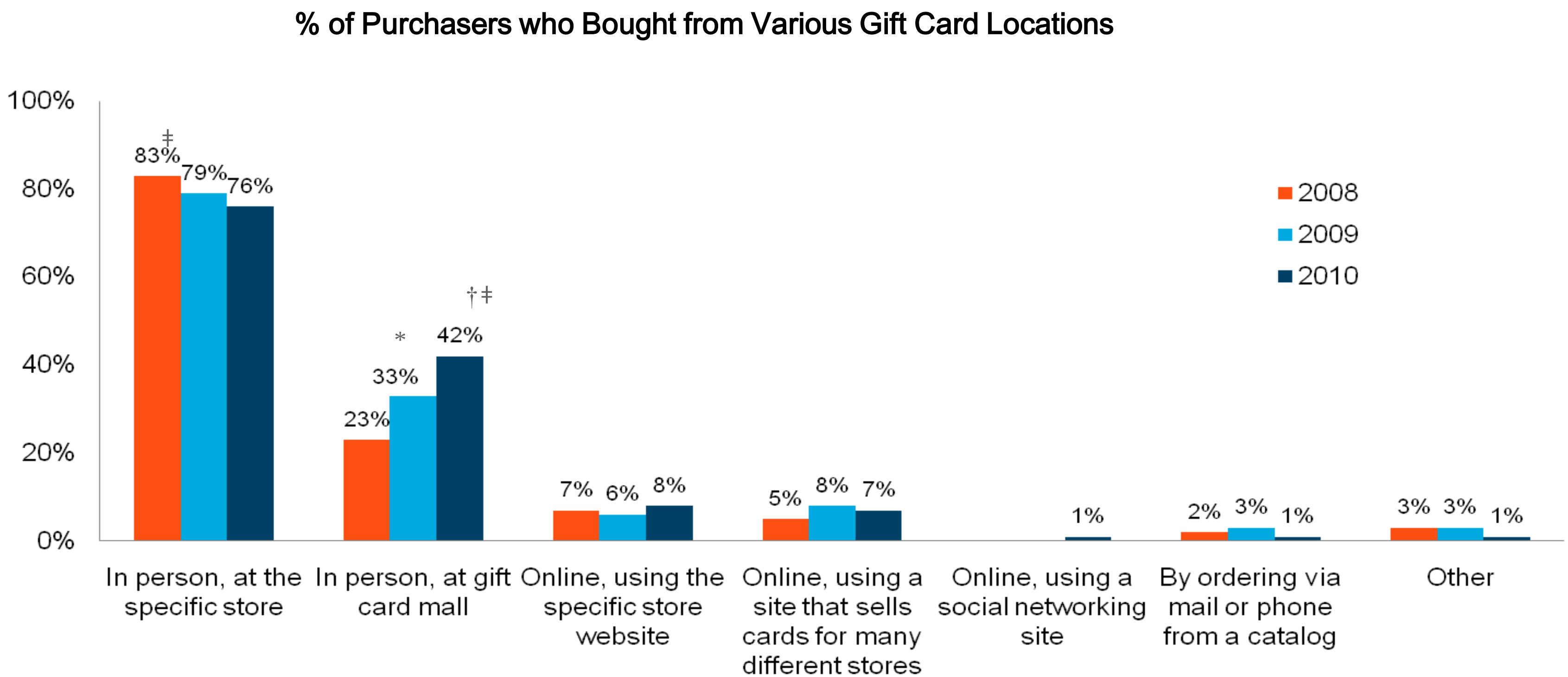
RECOMMENDATION

- Include gift card displays with merchandise often bought as gifts
- Use out-of-stock tags as a way to promote gift cards: "This item is currently out of stock. Consider purchasing a gift card instead."

GIFT CARD MALL

Gift Card Purchase Location

- Gift card sales continue to shift away from merchants' own stores and toward gift card malls.



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RECOMMENDATION

- Establish or expand relationships with gift card mall providers to better align with consumer behaviors and preferences

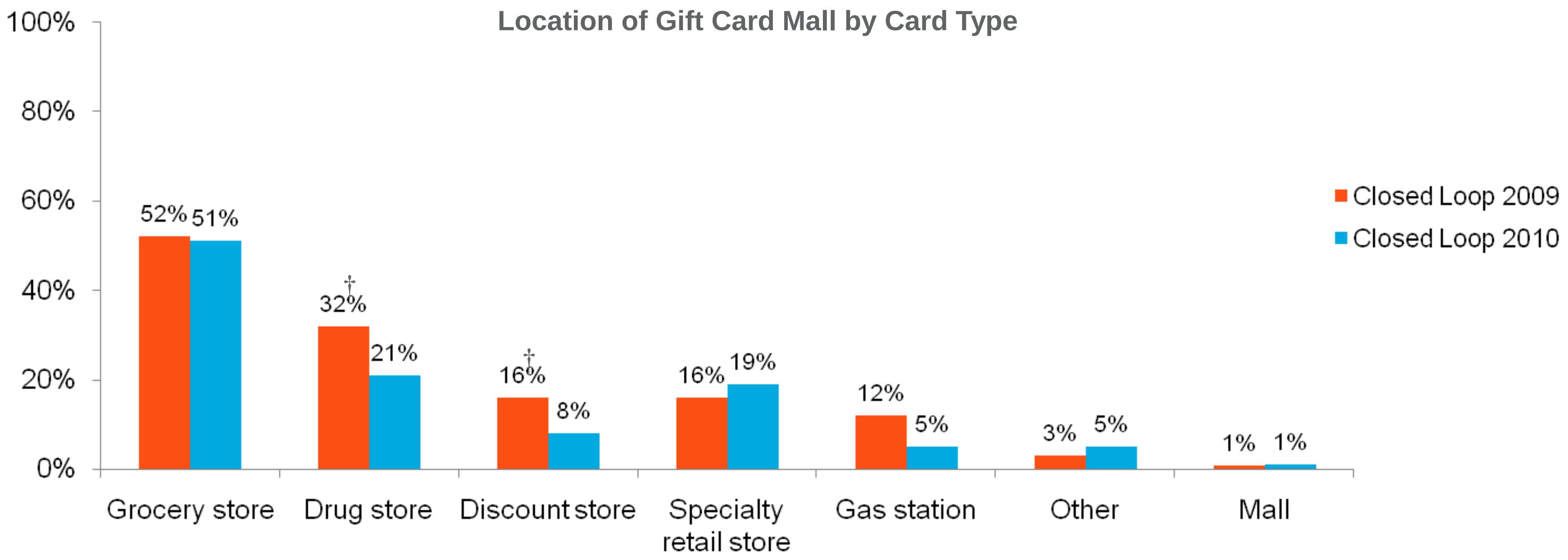
Closed Loop Purchase Behavior: Gift Card Malls

- In the event that a particular gift card is not available at a gift card mall, fewer than half of purchasers will end up buying the desired card – 31% will end up choosing a competitor's card.

If intended gift card is out-of-stock at the gift card mall…	2009	2010
I'll go directly to the store	39%	37%
I buy a card for the same type of store	23%	31%
I won't purchase a gift card	18%	15%
I buy a completely different card	12%	11%
Buy the gift card online at the retailer's website	8%	7%

Location of Gift Card Mall by Card Type

- Grocery Stores account for the greatest percentage of gift card mall sales followed by Drug stores.



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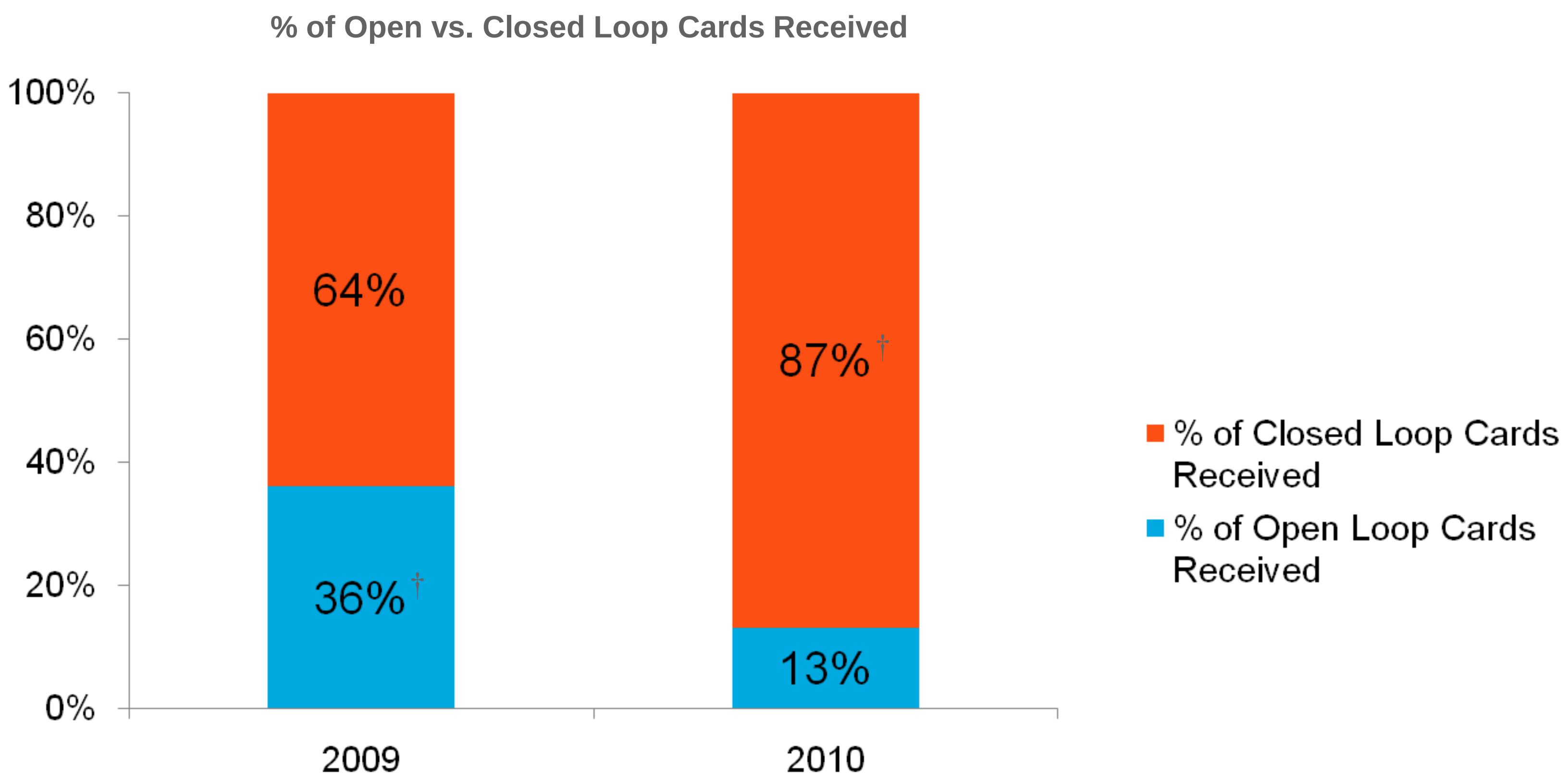
RECEIVERS

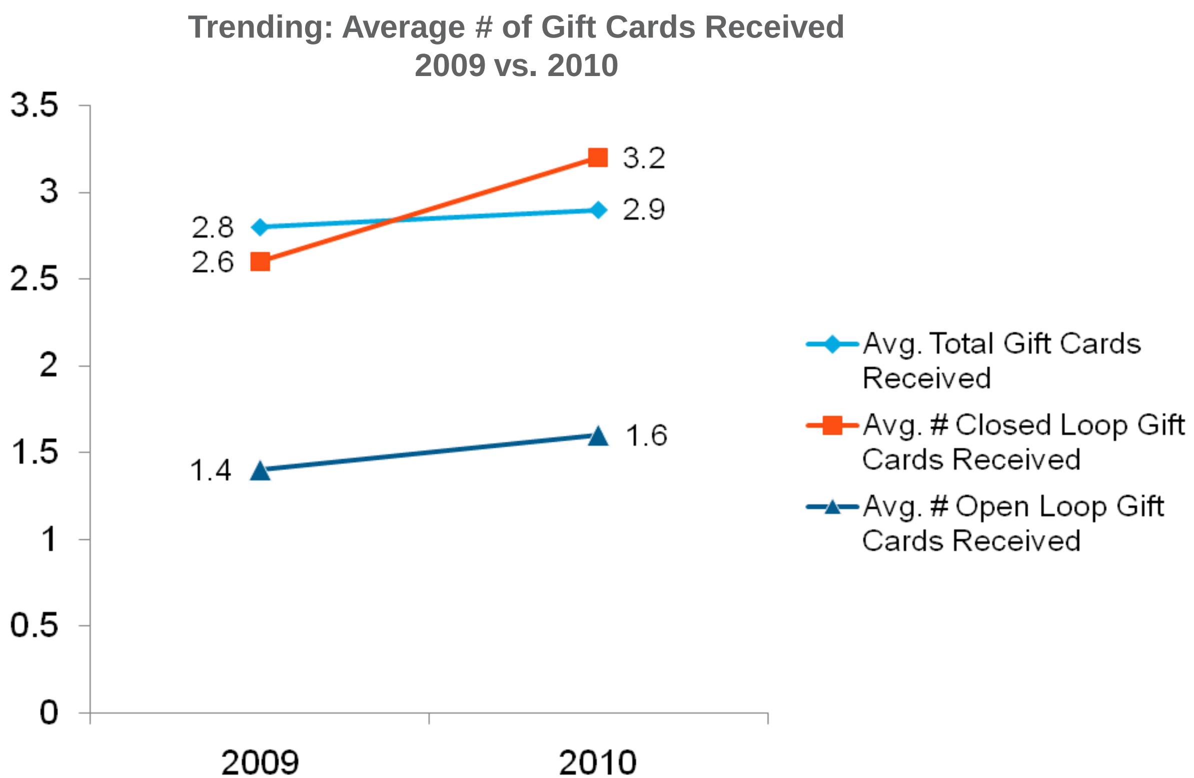
Receivers: Volume of Closed and Open

- Compared to last year, significantly more Canadians received closed loop gift cards and fewer received open loop gift cards, reversing the trend from last year.



Trending: Average Number of Gift Cards Received

- Slight increases to both the average number of closed loop and open loop gift cards this year have contributed to increasing the total average number of gift cards as well.



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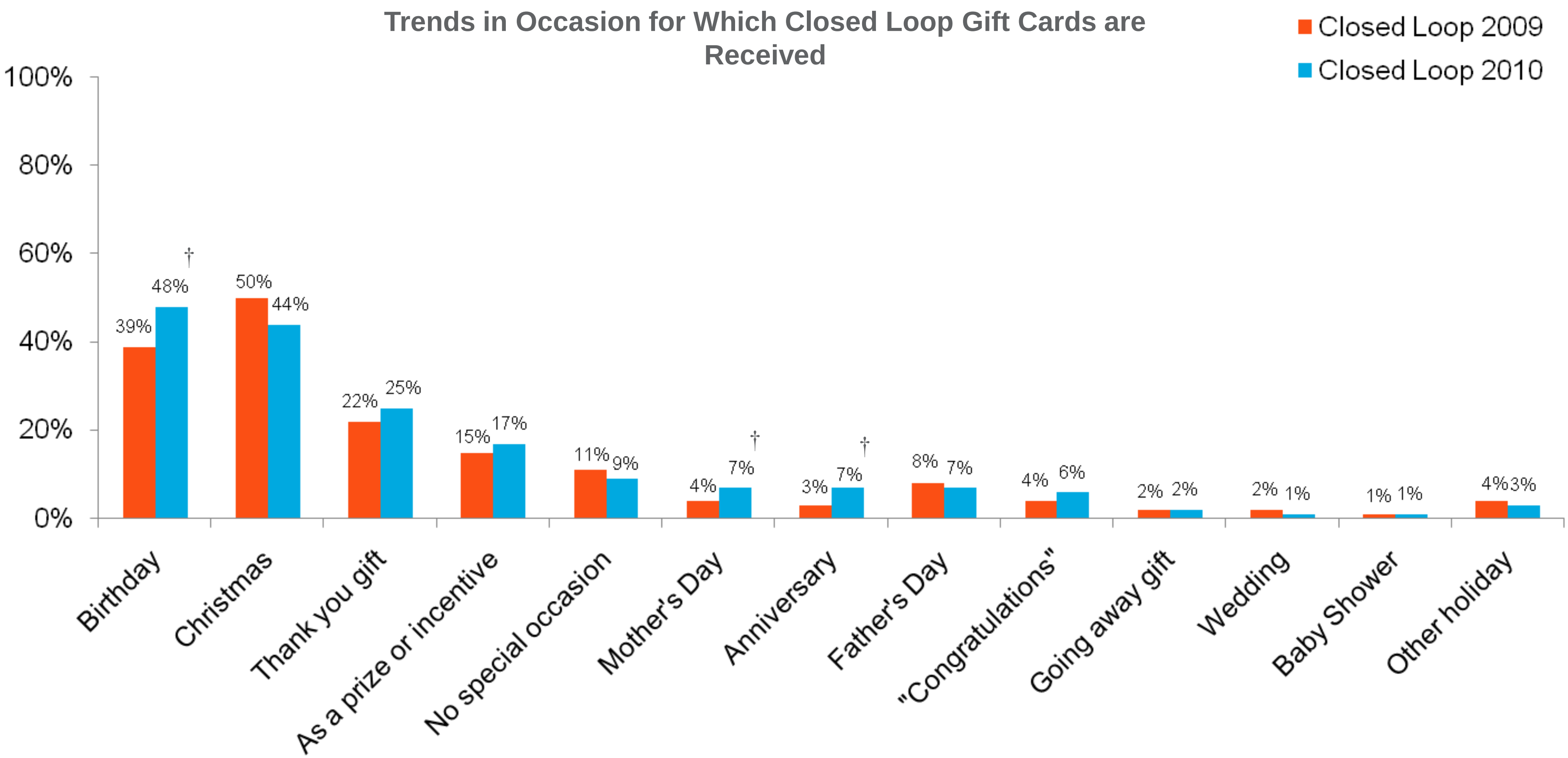
Occasions Received: Closed Loop Gift Cards

- Significant increases are reported in the number of Canadians receiving closed loop gift cards for birthdays, Mother's Day and Anniversaries in 2010.



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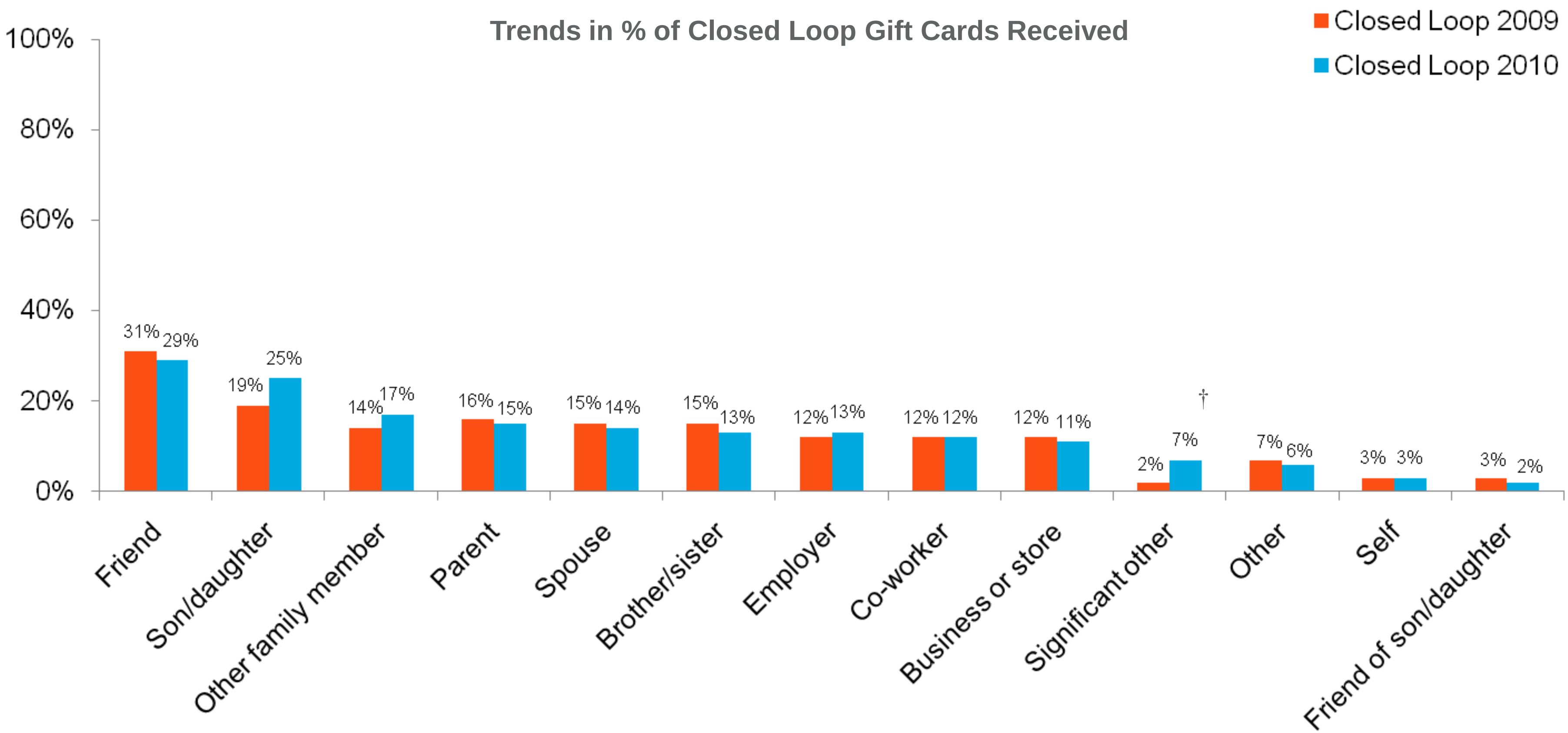
Person from Whom Closed Loop Gift Card was Received

- Significantly more Canadians report receiving a gift card from a significant other in 2010.



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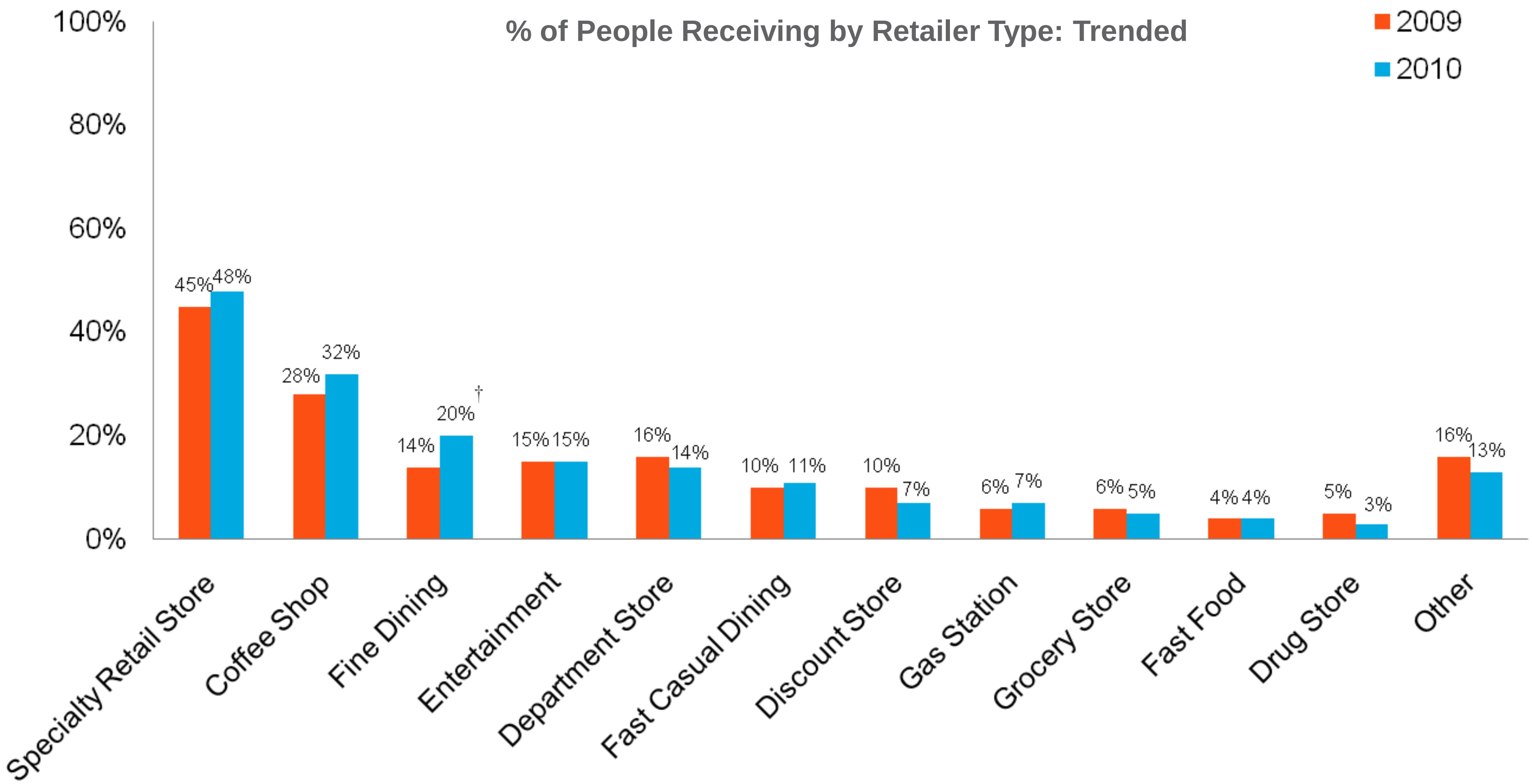
Closed Loop Merchant Type

- This year, significantly more closed loop gift card receivers indicate receiving a card from a fine dining establishment compared to last year.



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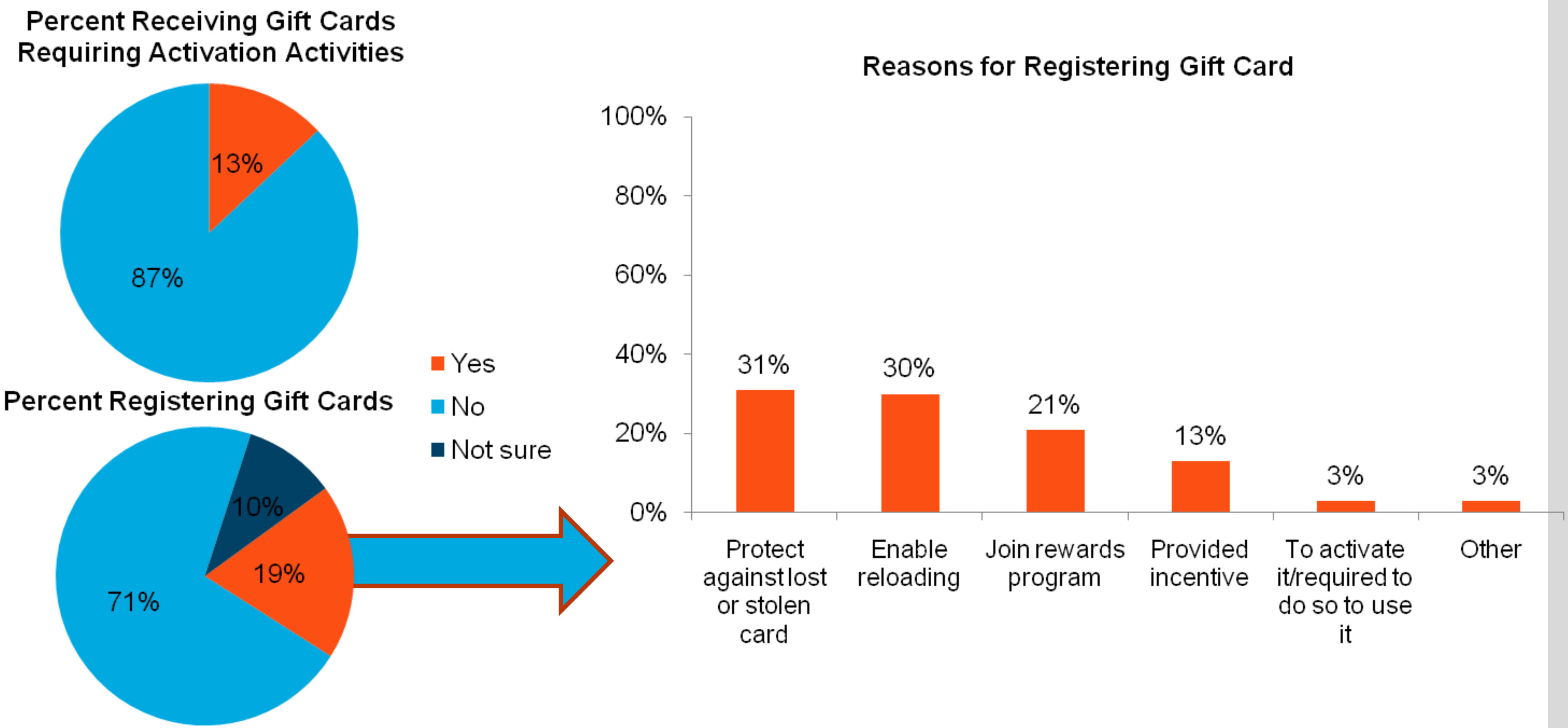
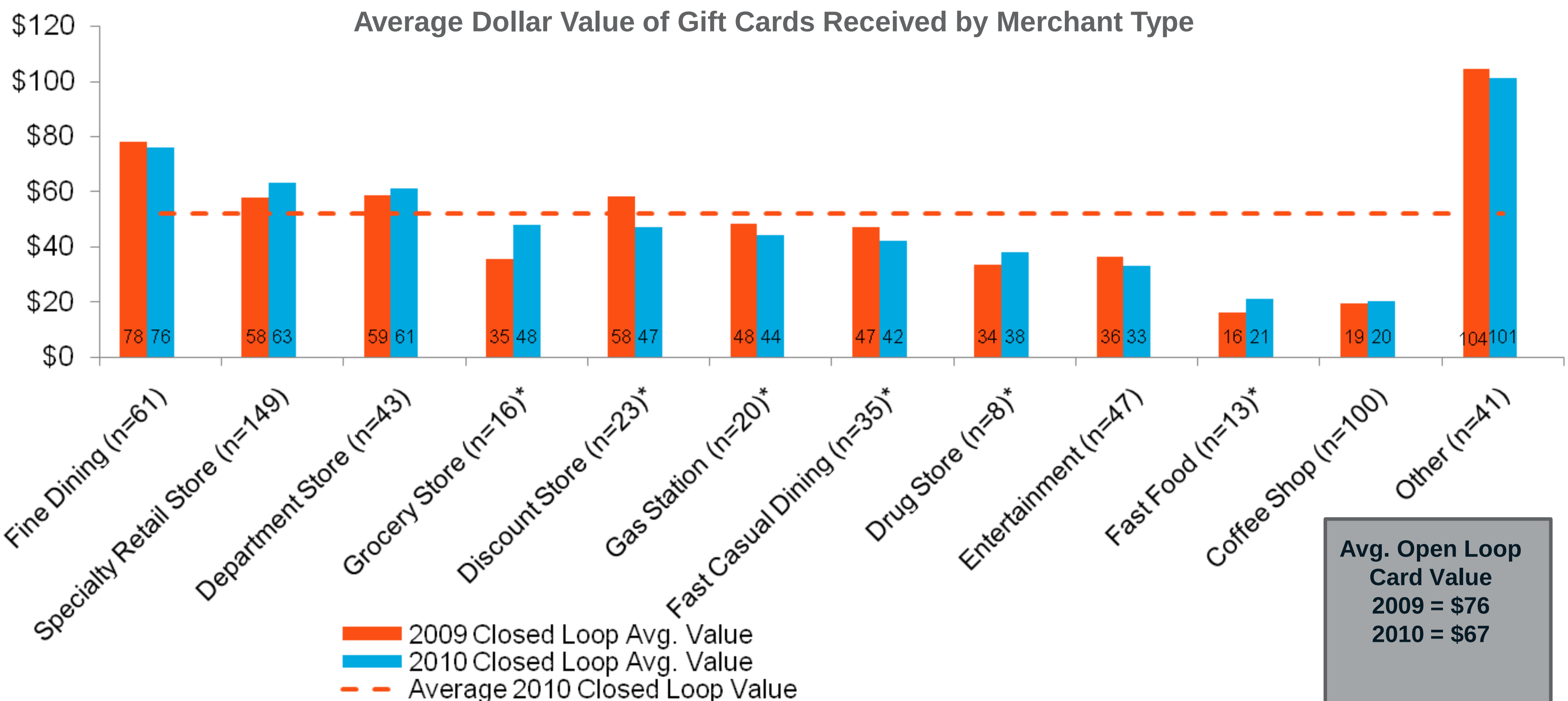
Gift Card Activation and Registration

- Few Canadian receivers have activated or registered gift cards online, but those that have done so indicate they registered to protect against losing the card and to enable reloading. Another 13% indicate they did so to receive an incentive.



Average Gift Card Volume by Merchant Type

- Grocery stores and gas stations are seeing a decrease in the average spend per card, while all other retailers are experiencing an increase in 2009.



Avg. Open Loop Card Value
2009 = $76
2010 = $67

Avg. Closed Loop Card Value
2009 = $56
2010 = $52

*Small base size n<30; interpret with caution.
*All monetary values reported represent Canadian currency.
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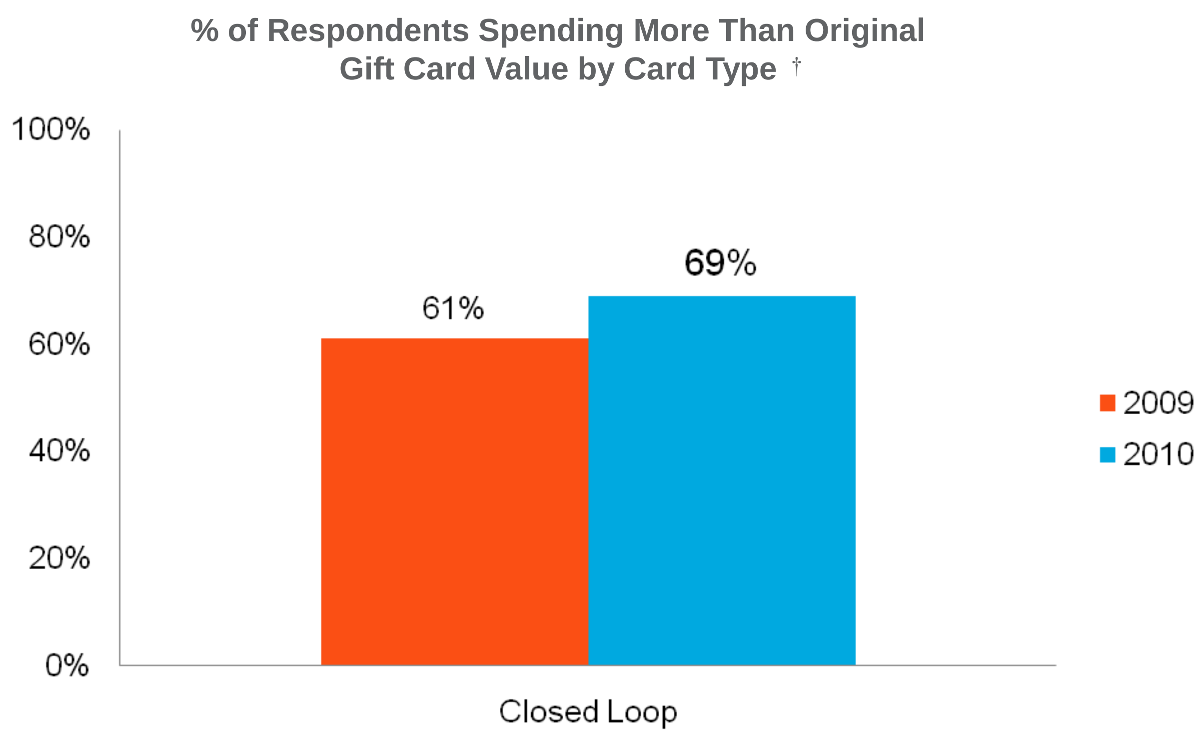
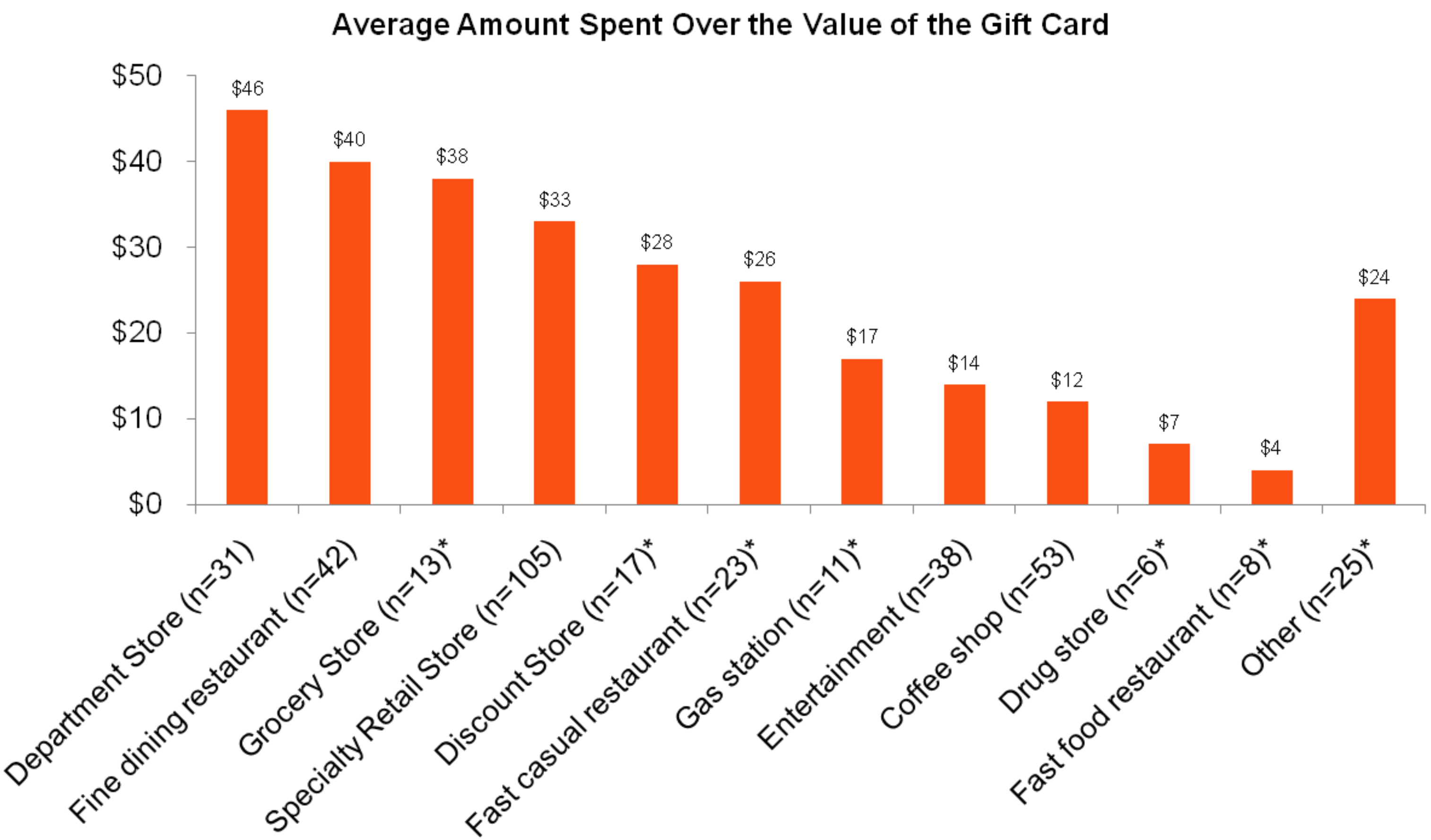
Gift Card "Uplift"

- Significantly more Canadians report uplift on a closed loop gift card in 2010, rising from 61% in 2009 to 69% currently.



Average Gift Card Overspend

- Department stores, fine dining restaurants and grocery stores have the highest average overspend amounts in Canada.



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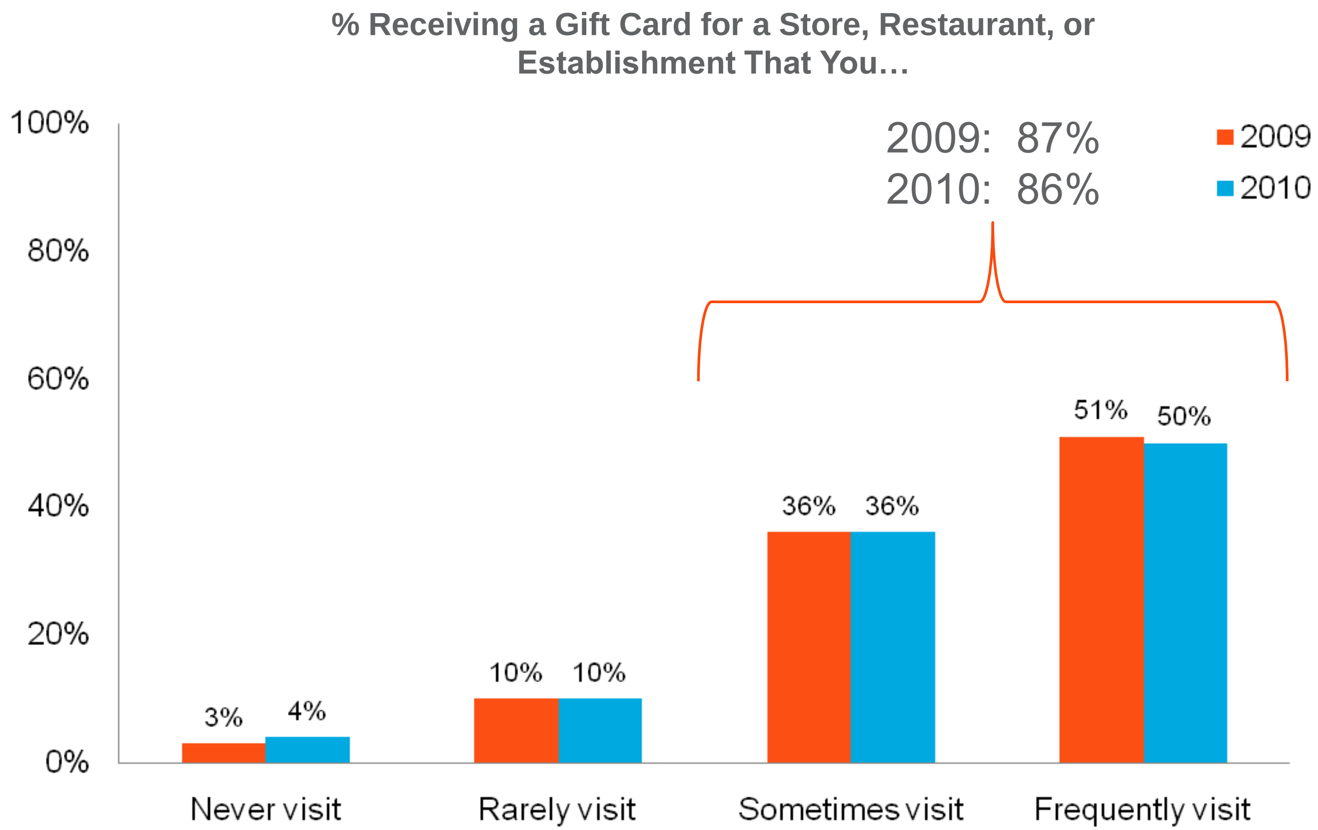
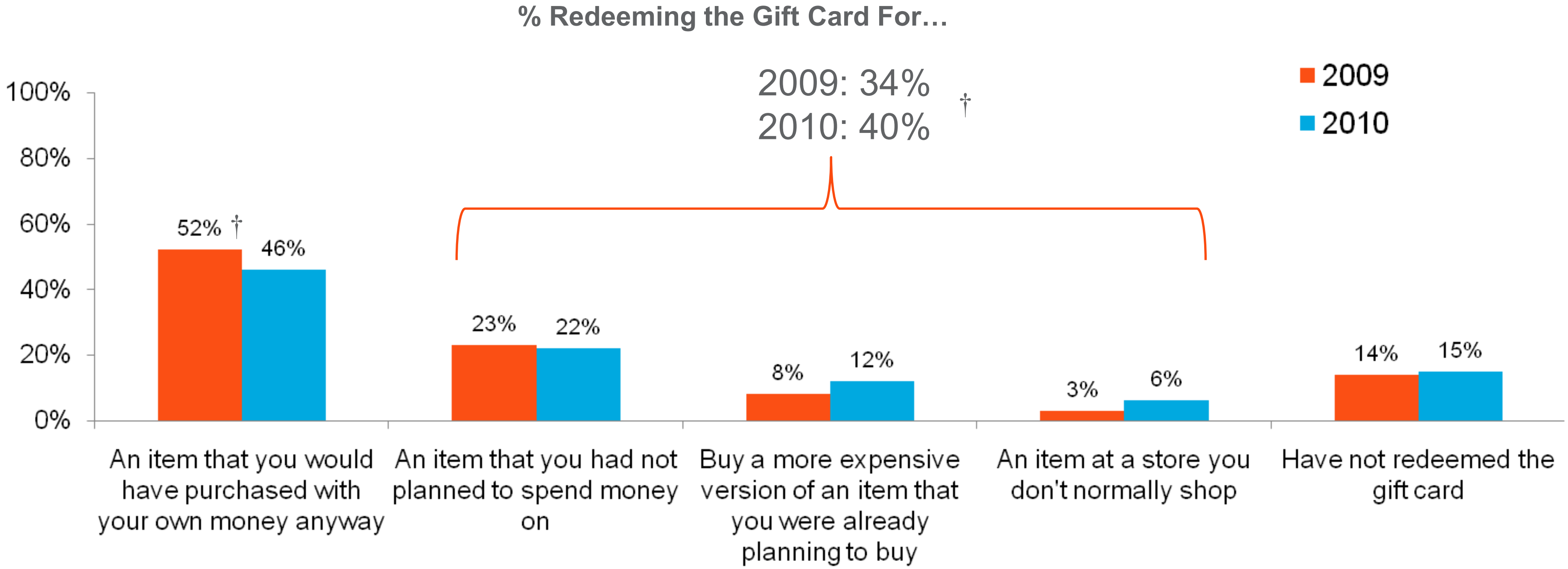
Relationship Between Issuing Merchant and Receiver

- The majority (86%) of Canadian receivers say the gift card was for a store they either frequently or sometimes visit.



Item Gift Card Was Redeemed For

- 40% of gift card receivers changed their purchasing behavior because of the gift card.



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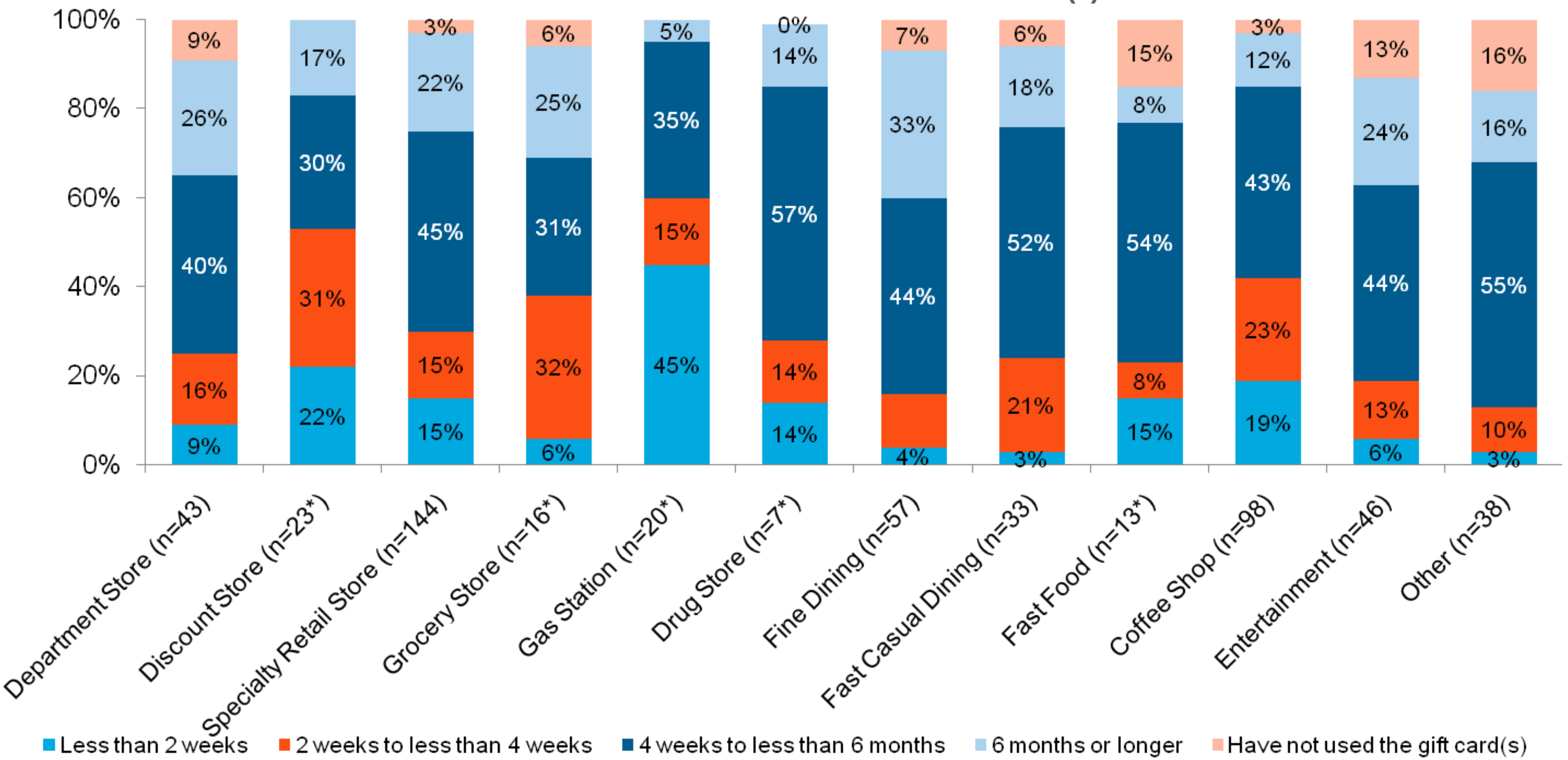
RECOMMENDATIONS

- Consumers tend to splurge when redeeming gift cards. Drive cardholders back to your locations with advertising in the post-holiday periods.

Time Before Use of Gift Card

- Gift cards for gas stations are used most quickly, followed by discount stores and coffee shops.

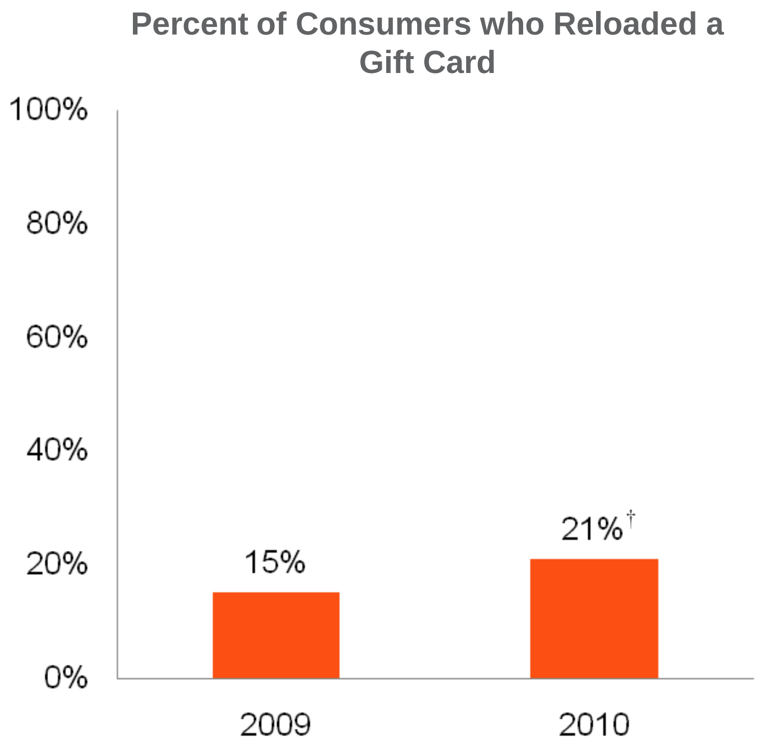
Time Passed Before First Use of Gift Card(s)



RELOADING

Reloading Behavior

- Reloading is significantly higher in 2010 with 2 out of 10 Canadians reloading a gift card.



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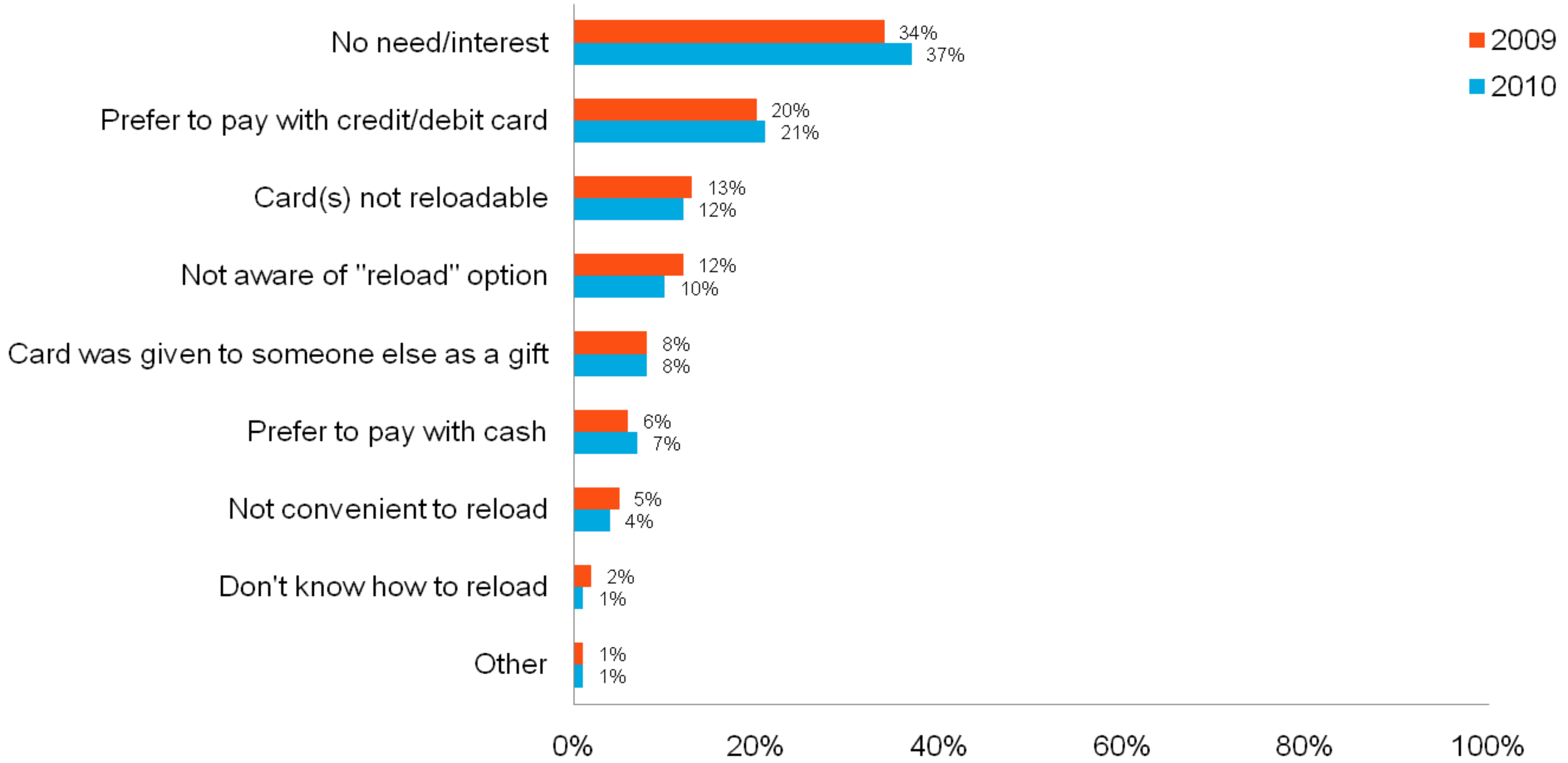
Reasons for Not Reloading Gift Card

- One-third of Canadians who did not reload say they have no need or interest. One in five prefer to pay with a credit or debit card.



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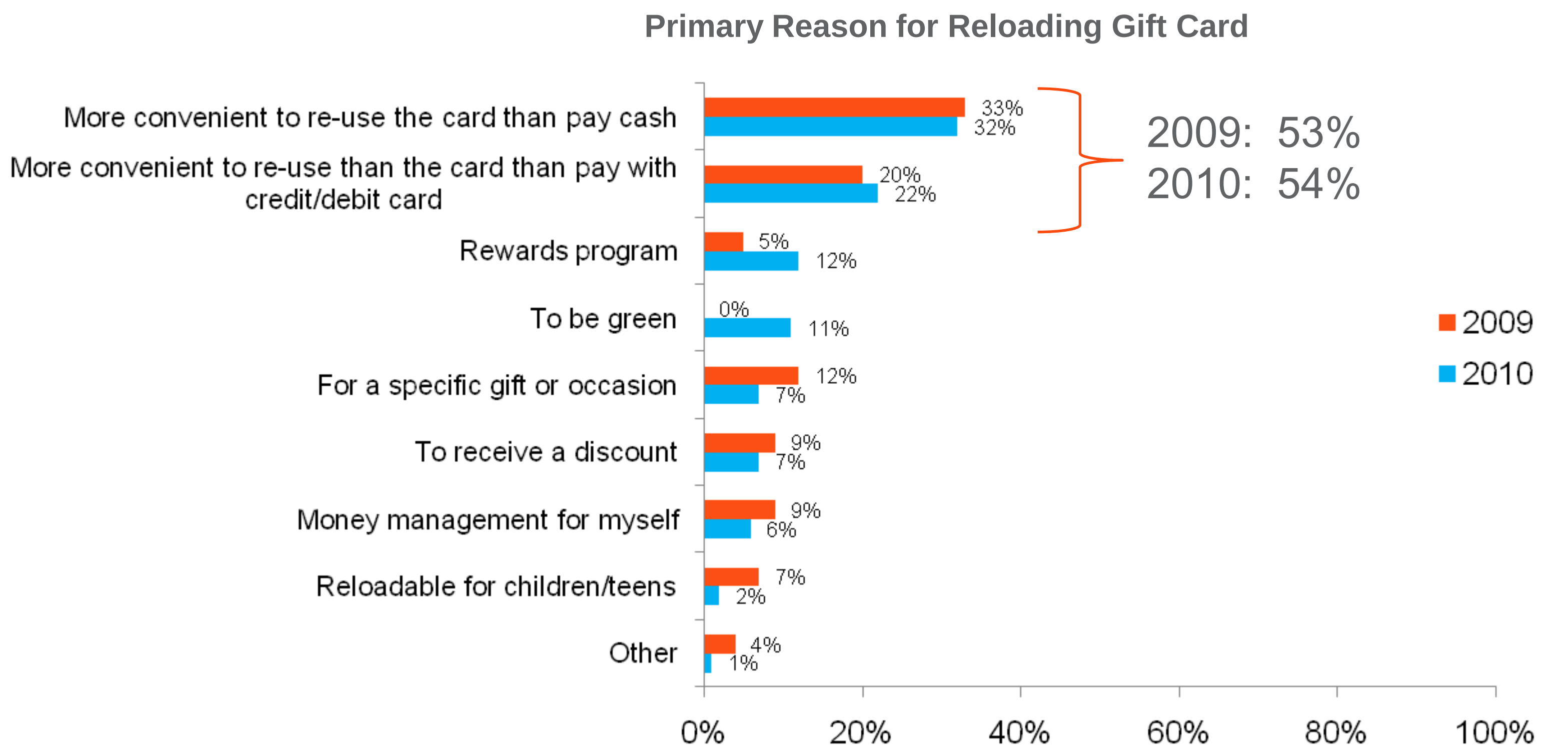
RECOMMENDATIONS

- When a customer uses a gift card, have the cashier ask if they would like to reload the card
- Make it clear that the card is reloadable and explain how to reload either on the card itself or on the packaging

Reasons for Reloading Gift Card

- Just over half of those who reloaded their gift cards believe it is more convenient than paying with cash or a charge card.

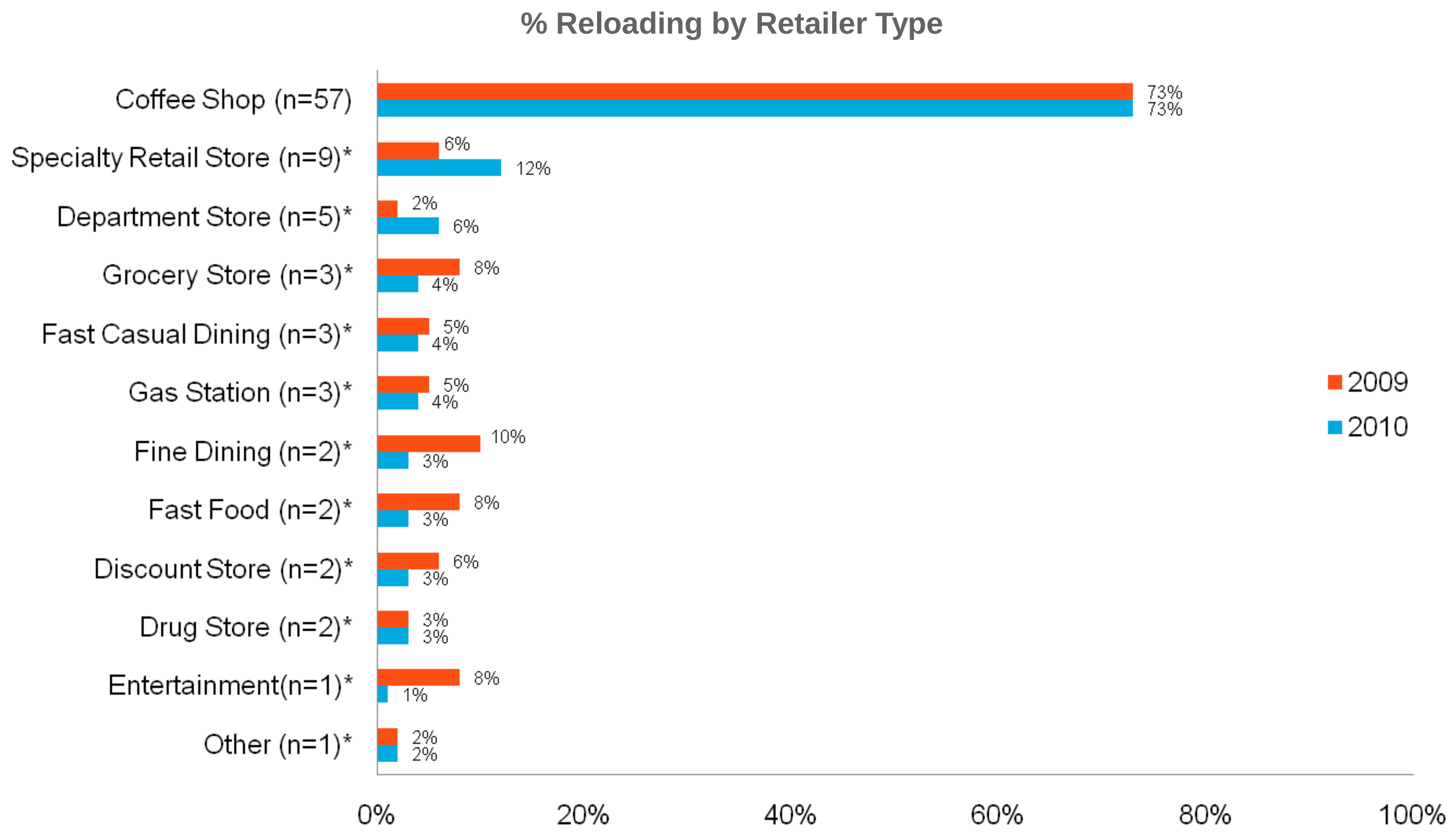


RECOMMENDATIONS

- When possible, offer incentives for reloading such as rewards or discounts
- Emphasize the convenience of reloading and reusing gift cards

Reloading Behavior by Merchant Type: Closed Loop

- As with last year, Coffee Shops are by far the most frequently reloaded merchant type.



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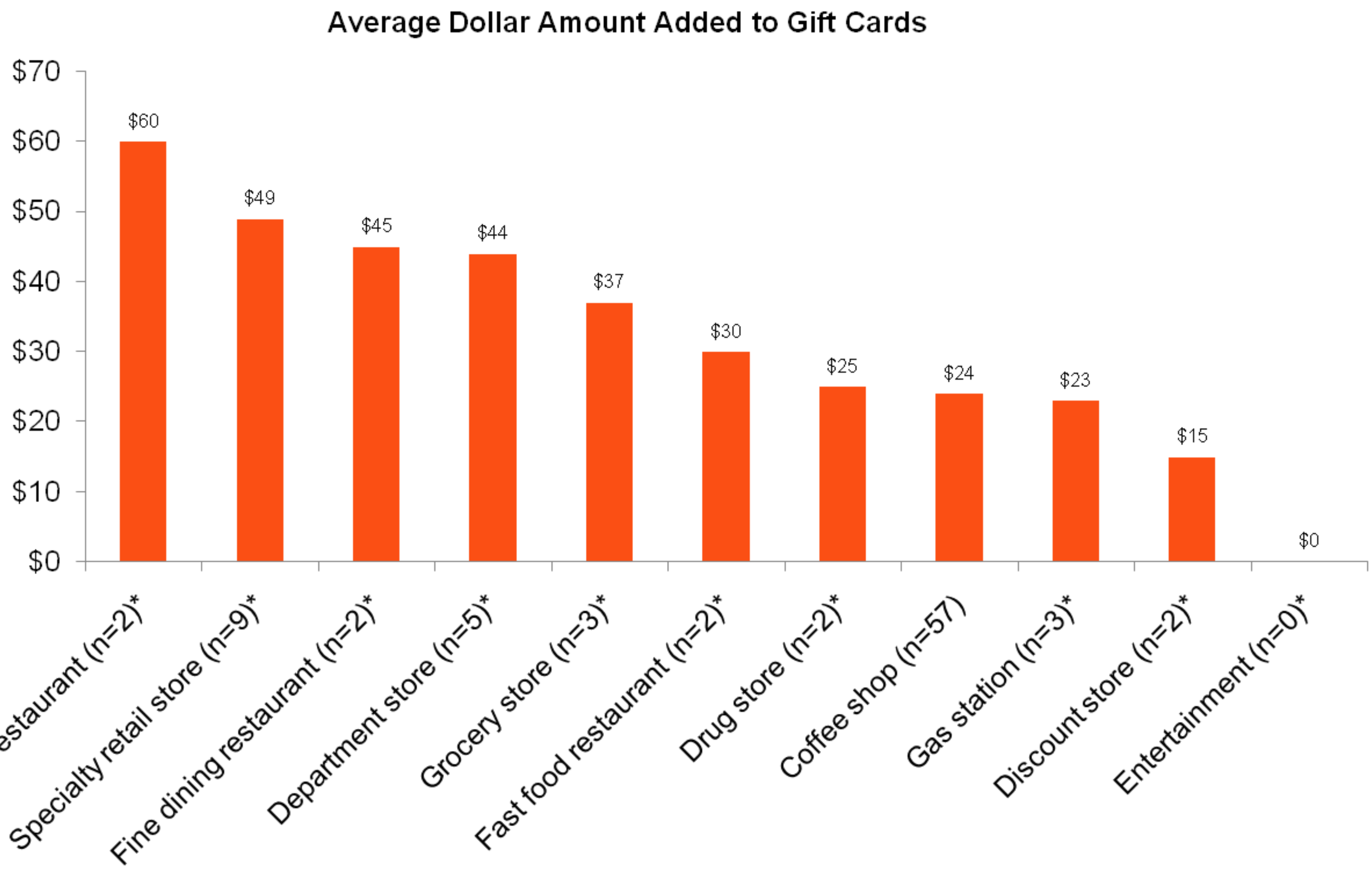
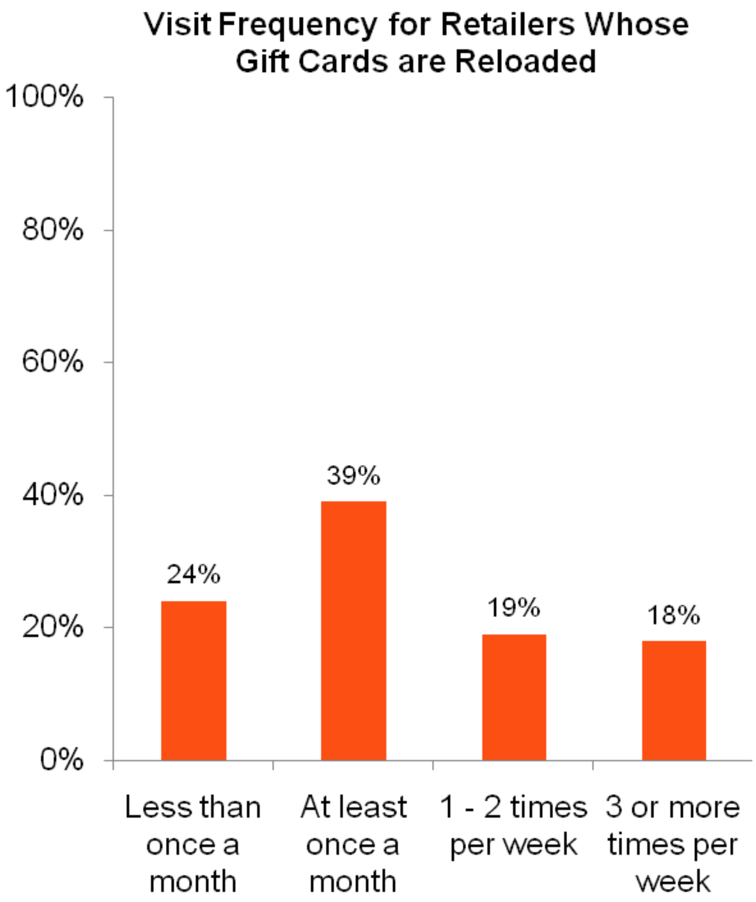
Average Amount Reloaded by Merchant Type

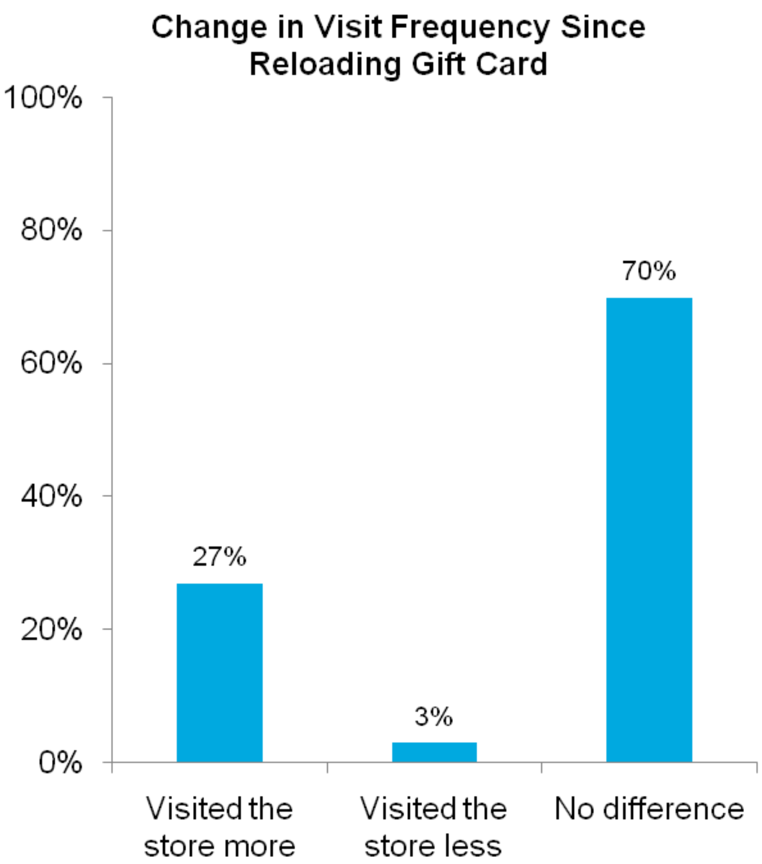
- Reloading Canadians report higher reload values on gift cards for fast casual restaurants.



Reloading: Influence on Visit Frequency

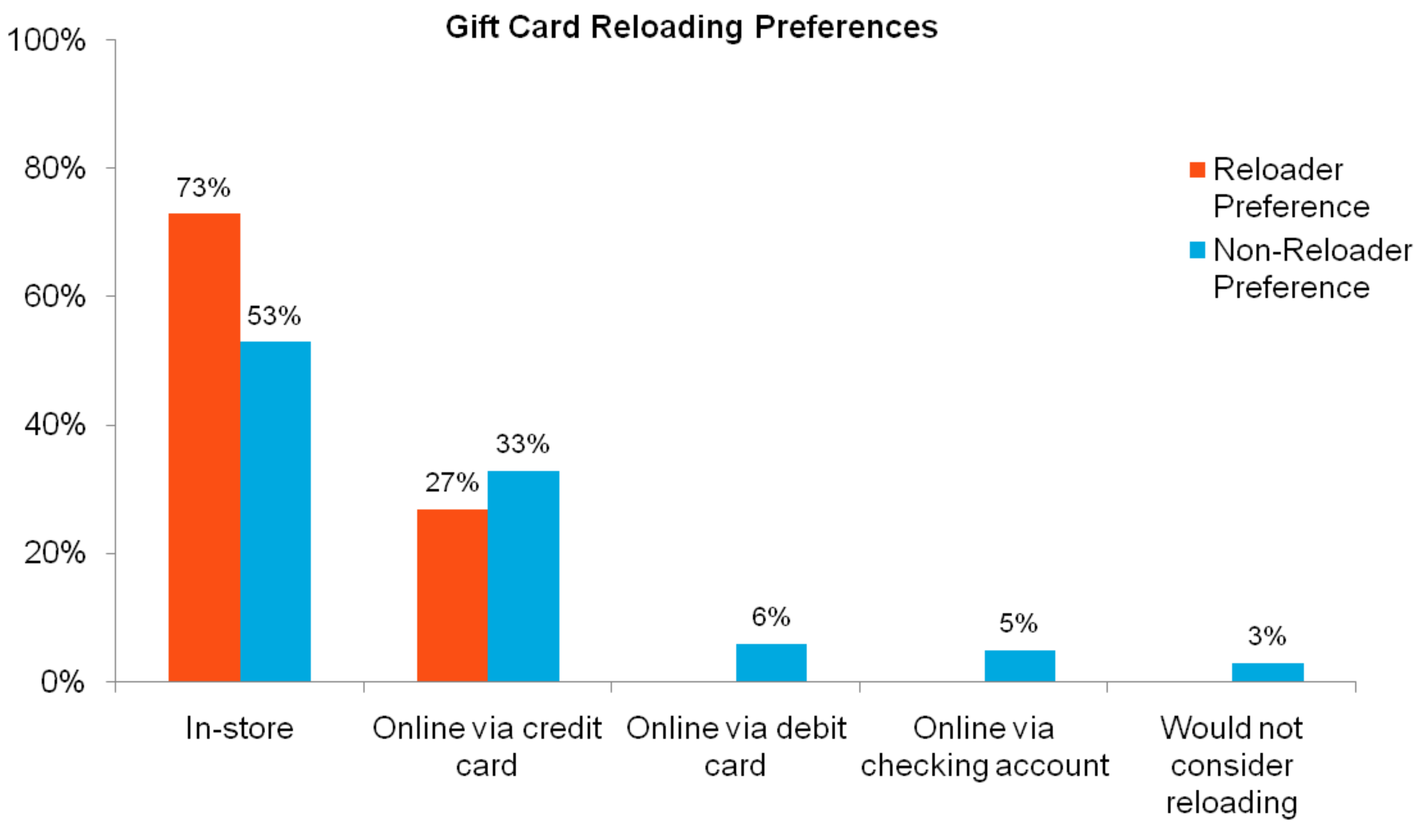
- Most Canadian consumers that reload closed loop gift cards visit the merchant at least once a month. Once they do reload, over a quarter visit that merchant more.





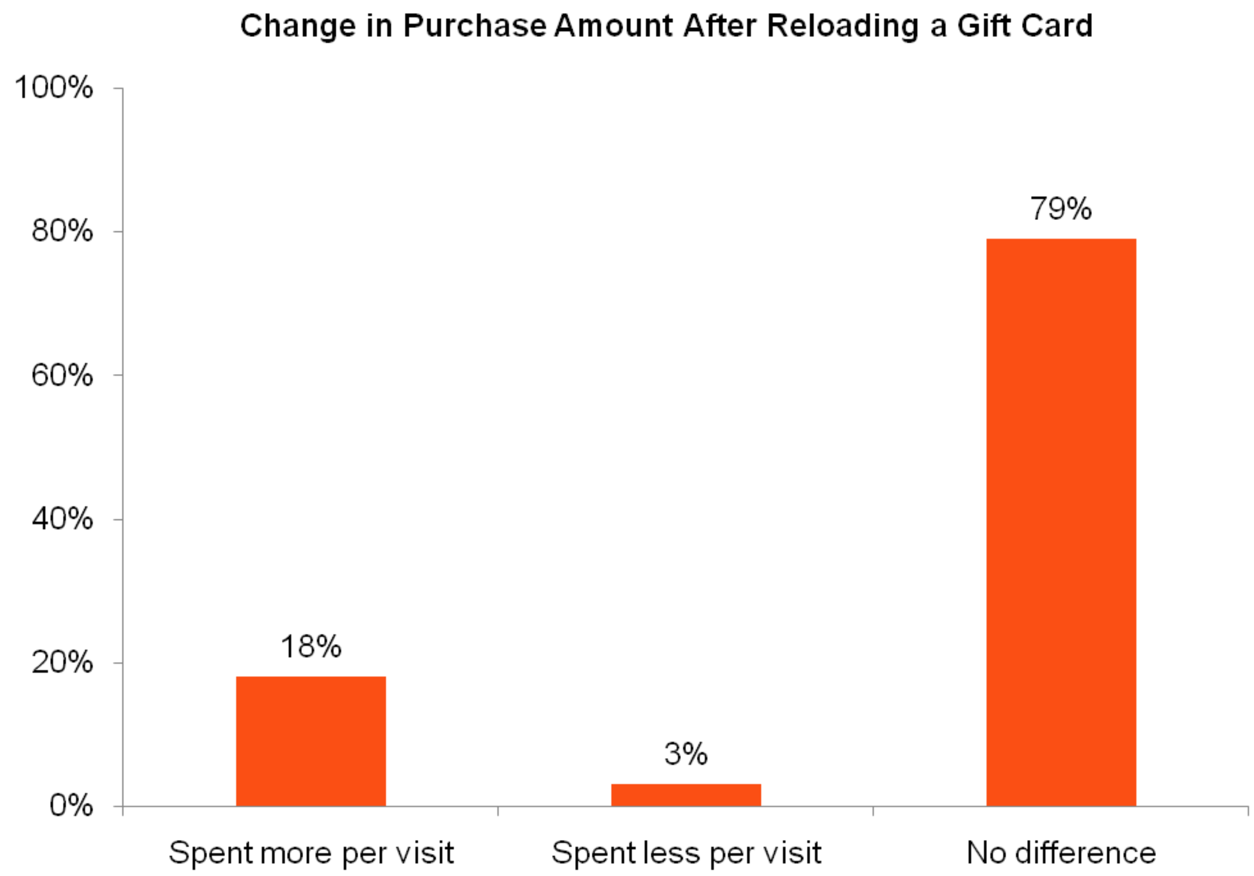
Reloading Preferences

- Both those who have reloaded gift cards and those who haven't report preferring to do so in-store rather than online. If they can't reload in store, most would prefer to use a credit card online to reload their gift cards.



Average Purchase Amount

- Nearly one-fifth of gift card purchasers report spending more per visit after reloading a gift card.



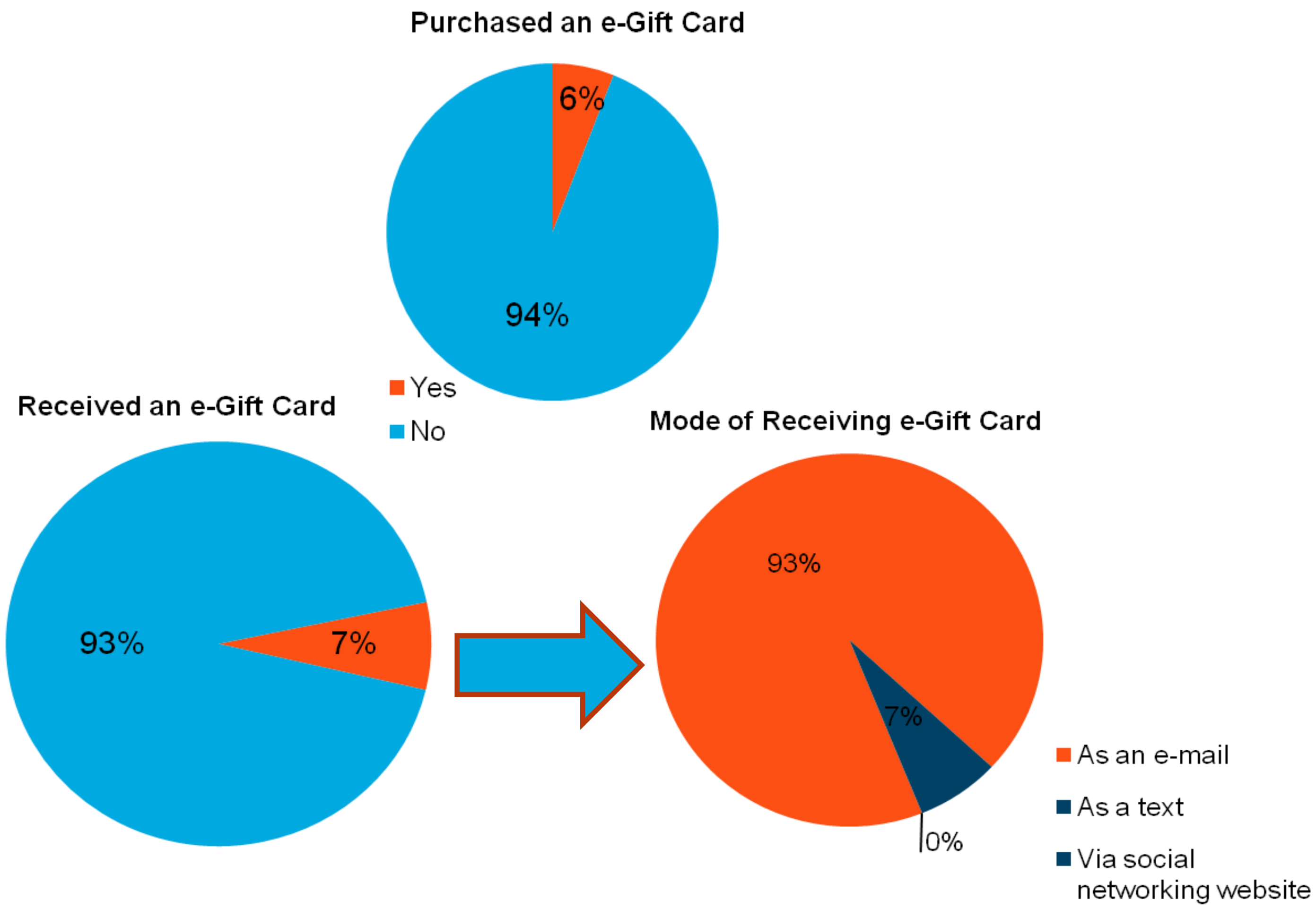
Incentives Offered for Reload

- Three quarters of Canadians report not being offered an incentive to reload a gift card, but of those that have, the most common type of incentive is free merchandise in return for reloading.

E-GIFT CARDS

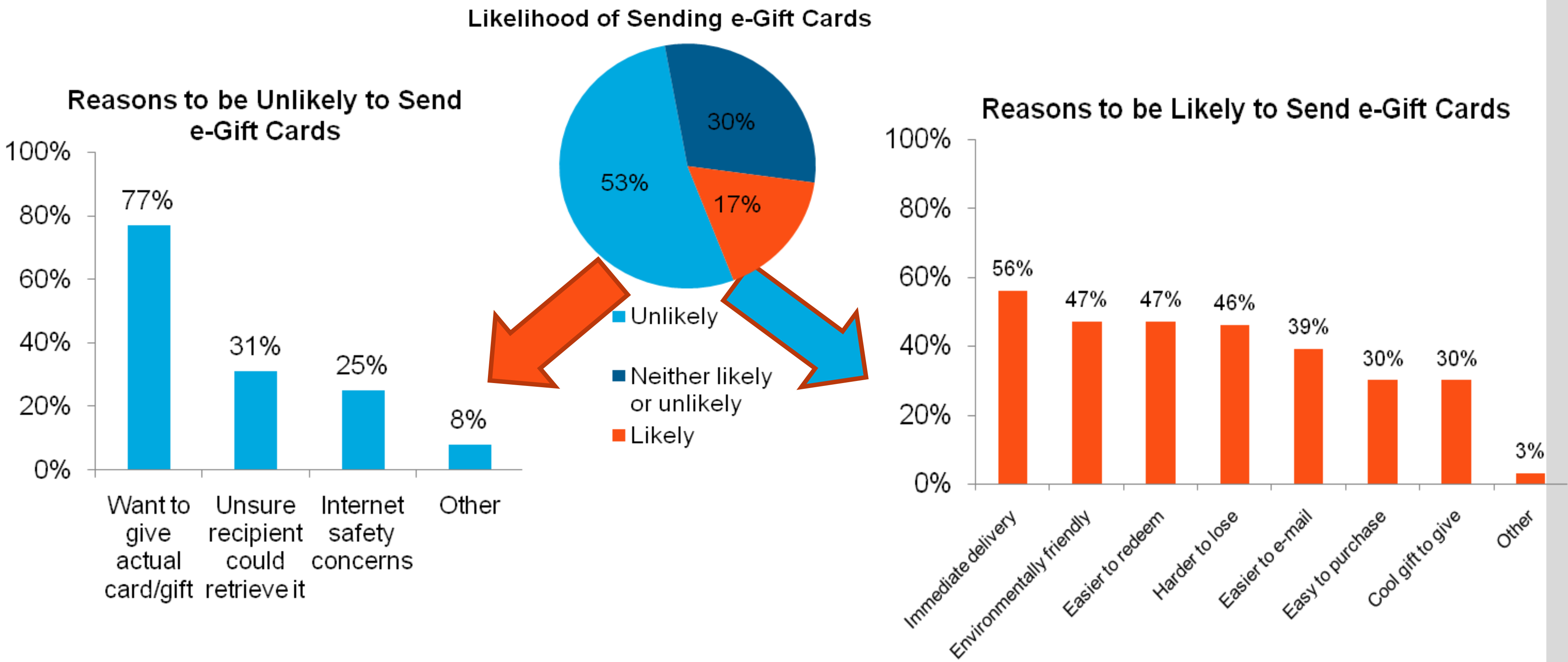
E-Gift Card Use

- The majority of Canadian consumers have never purchased or received e-gift cards. Of those that have received them, most report receiving it as an e-mail.



Likelihood of Sending e-Gift Cards

- About 1 in 6 consumers are likely to send e-gift cards.

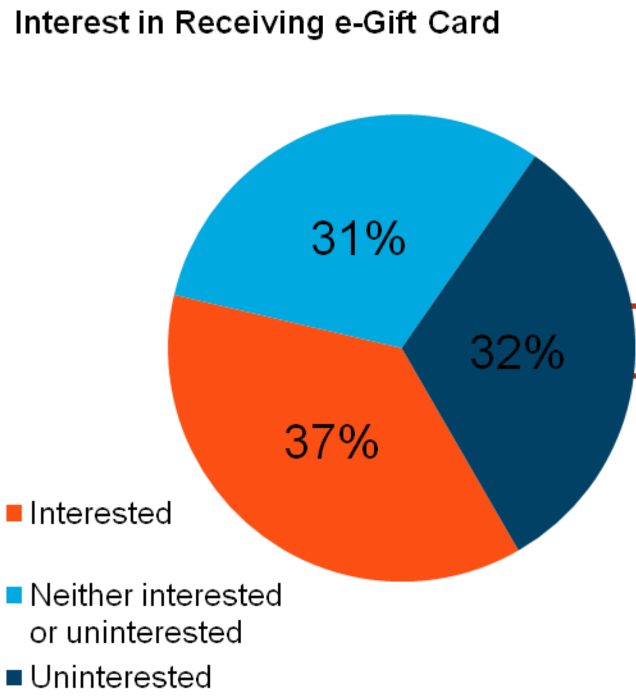


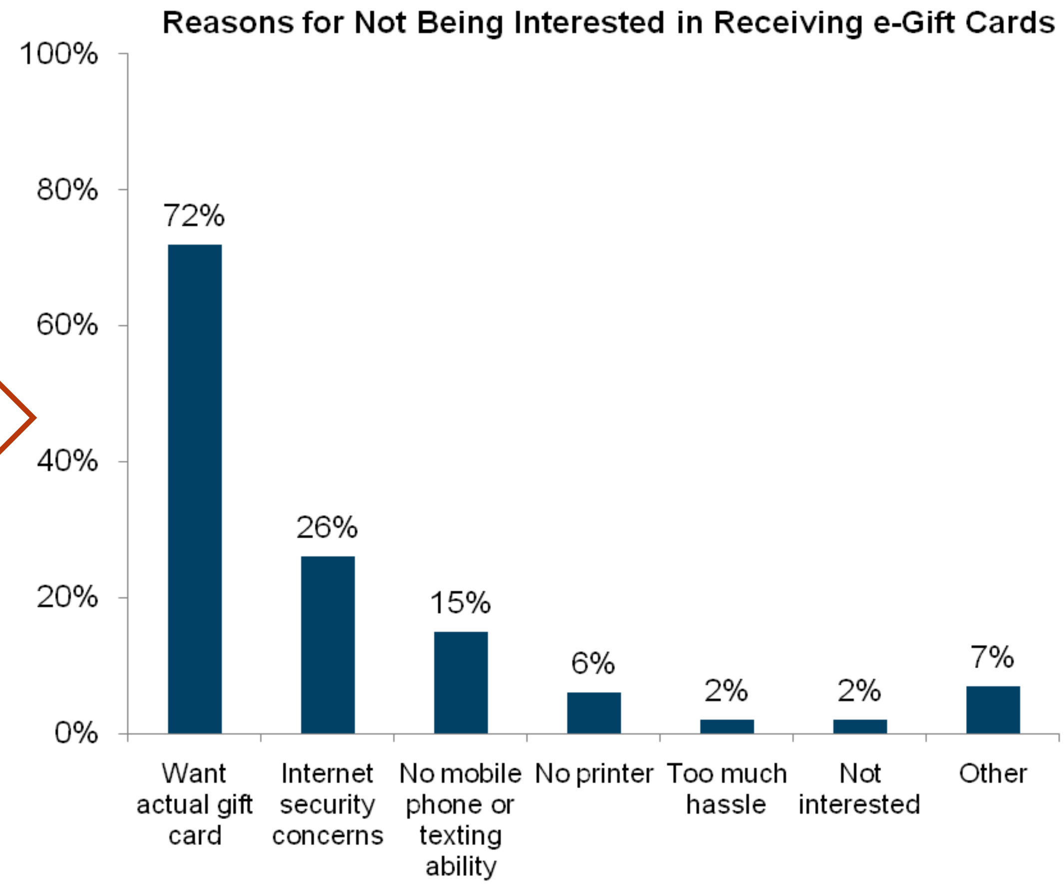
RECOMMENDATION

- Consider selling virtual gift cards through your website to learn about the virtual card channel and increase distribution of your card

Interest in Receiving e-Gift Cards

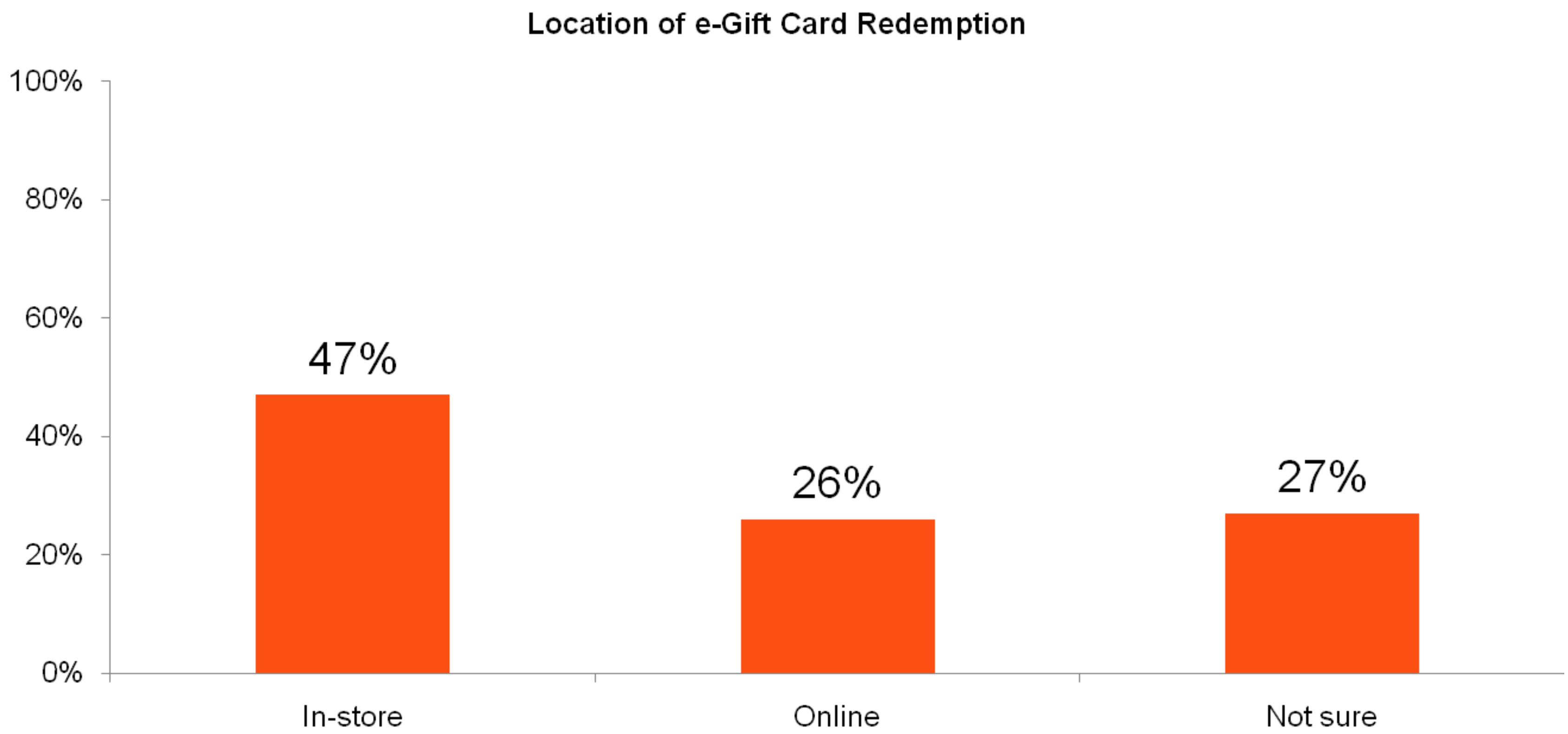
- Over a third of Canadian consumers are interested in receiving e-gift cards.





e-Gift Card Redemption

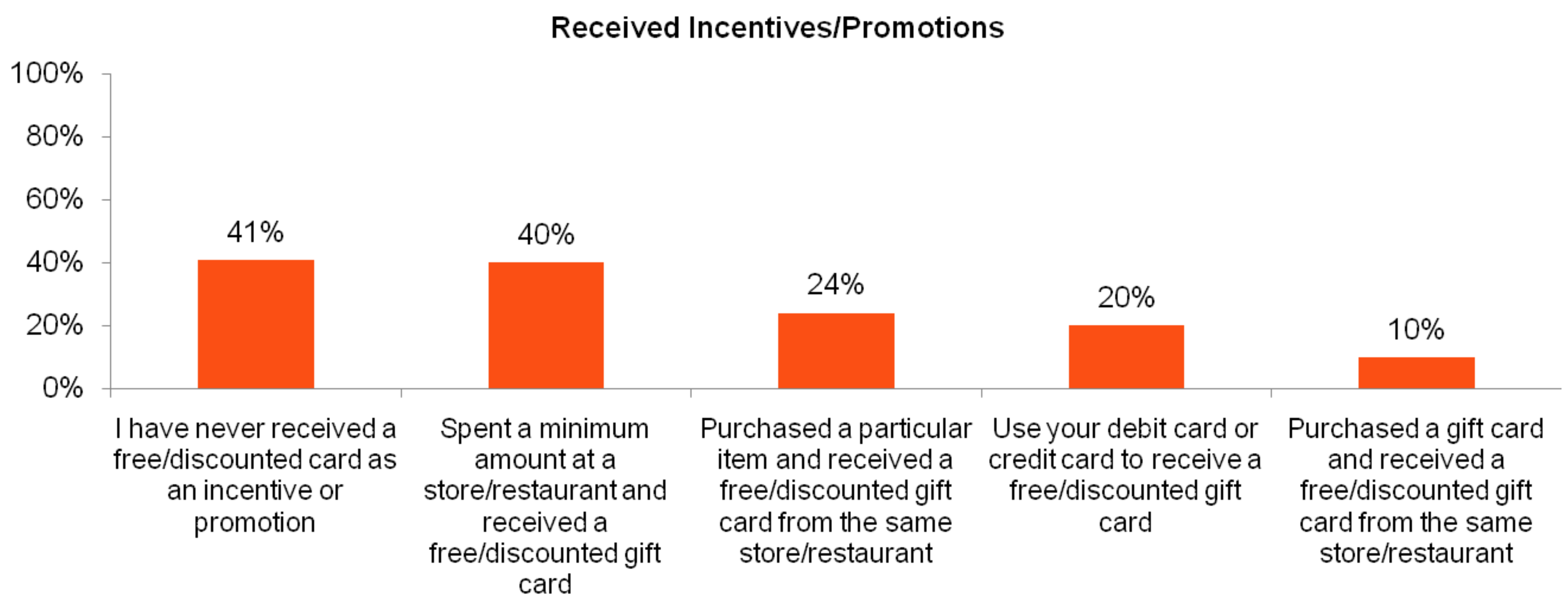
- About half of Canadians report preferring to redeem e-gift cards in-store. Another quarter prefer to redeem them online.



INCENTIVE EFFECTIVENESS

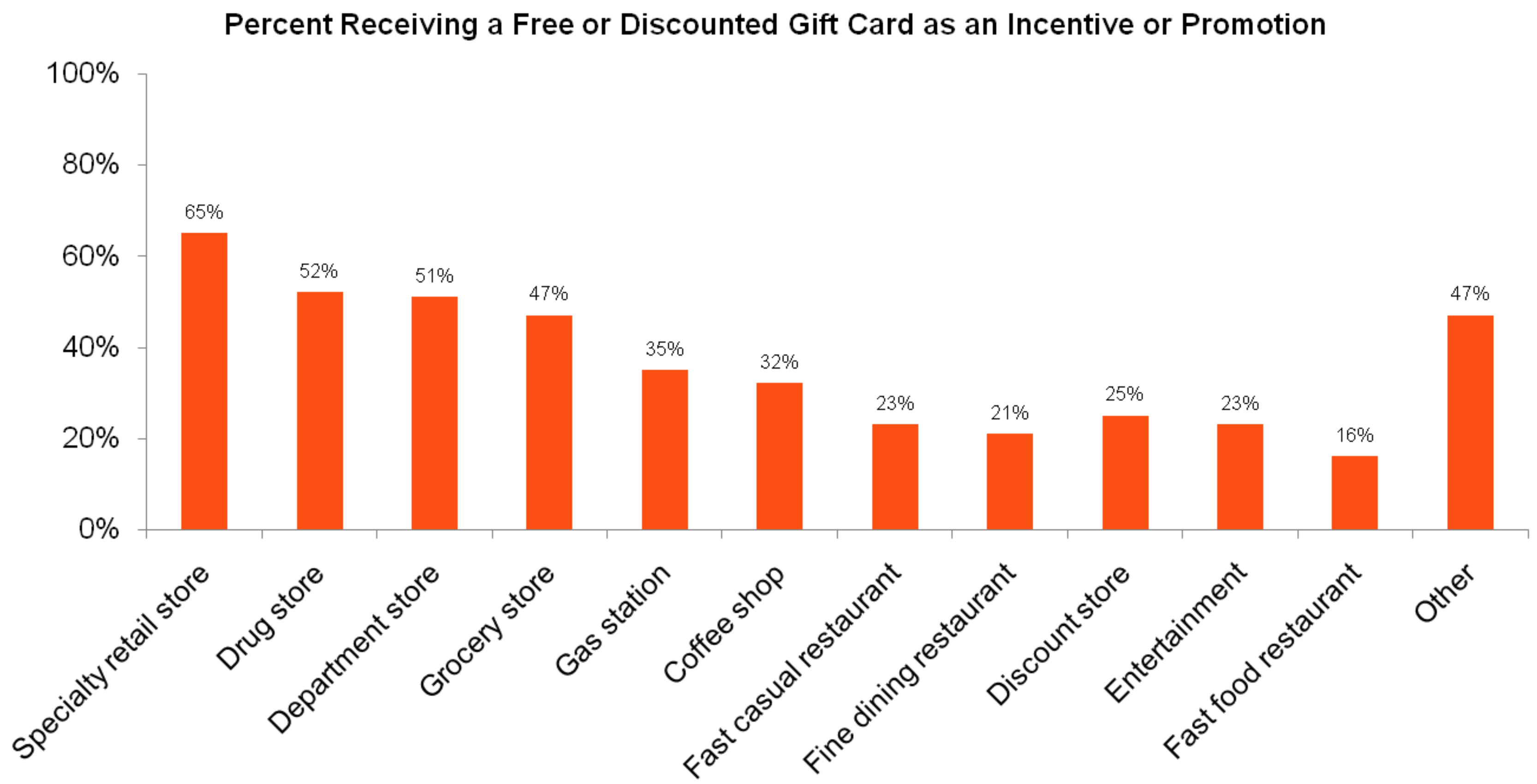
Incentives Received

- Nearly half of Canadians have never received a free or discounted gift card as an incentive or promotion. Of those who have, the most common incentive is a free gift card earned by spending a minimum amount.



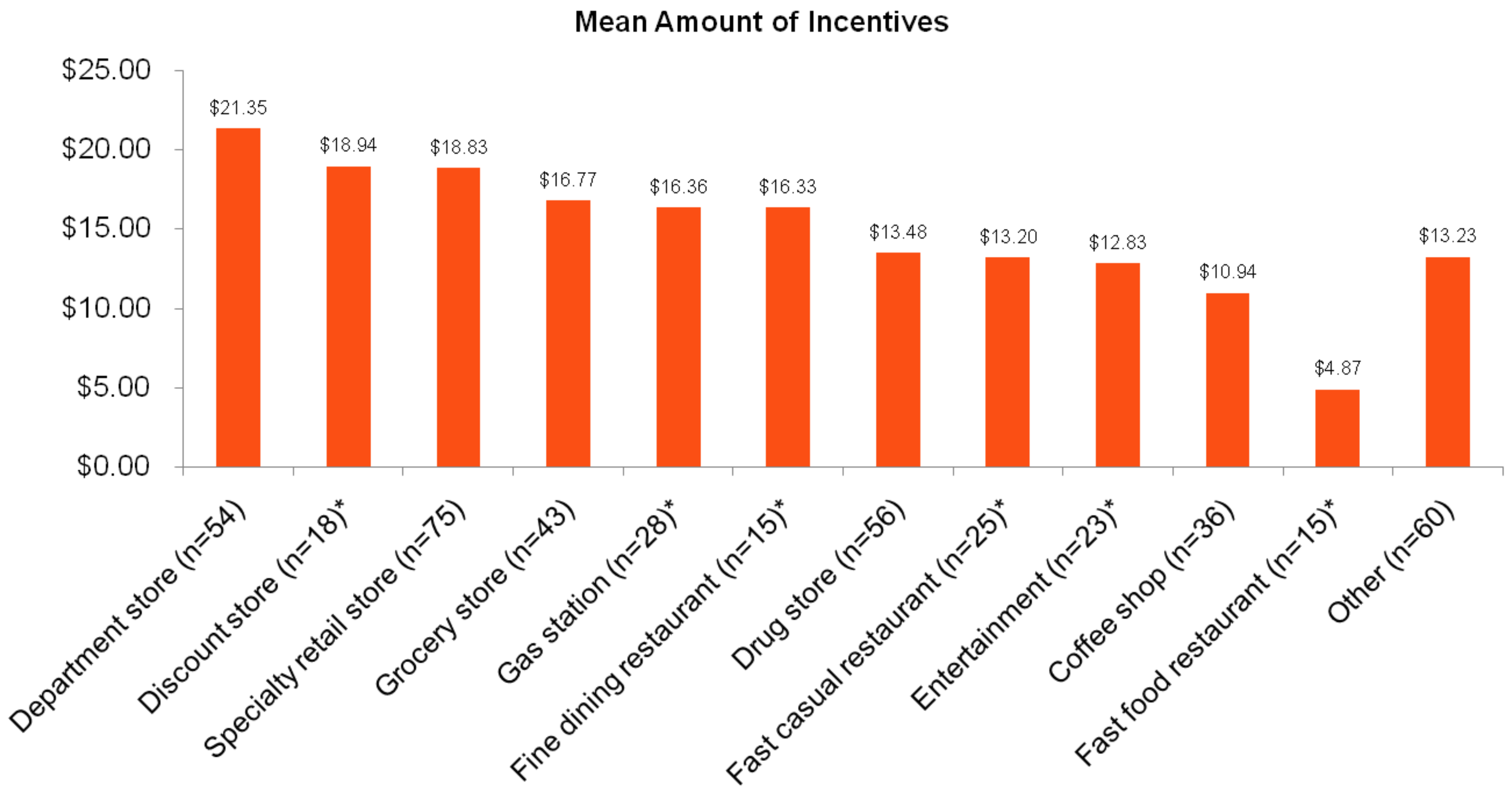
Percent Receiving Incentives by Merchant Type

- Most Canadians report receiving incentives from specialty retail stores, drug stores and department stores. Fast food restaurants are cited the least for providing gift cards as incentives.



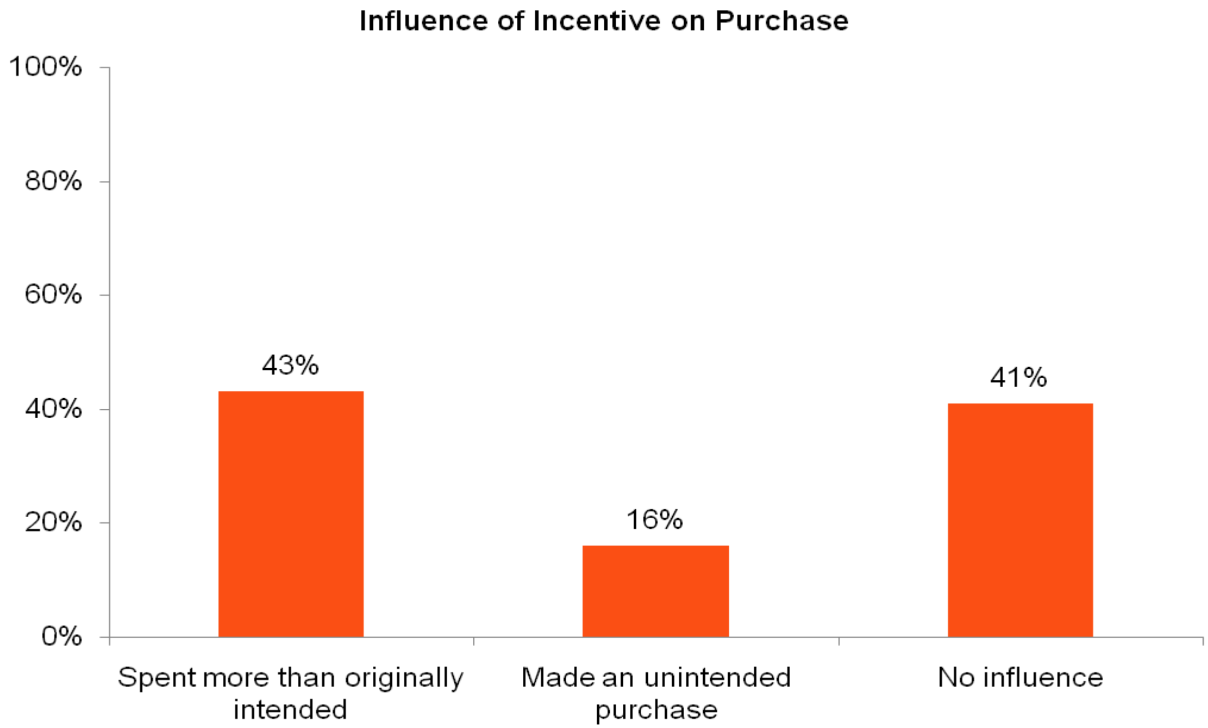
Mean Amount of Incentives by Retailer Type

- Department stores provide the highest average value of incentives, followed by discount stores and specialty retail stores. Fast food restaurants provide the lowest average value of incentives.



Influence of Incentives

- Nearly 60% of consumers receiving an incentive report that receiving it altered their purchasing intentions by either spending more (43%) or by purchasing something that wasn't originally intended (16%).



RECOMMENDATION

- Consider investing in gift cards as consumer incentives to attract customers to your stores, increase their average spend, and promote particular items

DEMOGRAPHICS

Products by Same Cuts as Demos

	Total Sample	Purchasers (a)	Receivers (b)	Both (c)
Products Held				
Checking account	99%	100%	99%	98%
Savings account	93%	91%	96%	93%
Debit card	95%	95%	90%	96% b
Credit card	98%	99%	99%	98%
Use Direct Deposit				
Yes	83%	75%	81%	85%
No	16%	23%	17%	15%
Unsure	1%	2% c	2%	0%

Demographics

	Total Sample	Purchasers (a)	Receivers (b)	Both (c)
Gender				
Male	49%	57%	61% c	44%
Female	51%	43%	39%	56% b
Race				
Caucasian	84%	80%	86%	84%
African American/Black	0%	0%	0%	1%
Hispanic American	0%	0%	0%	1%
Asian/Pacific Islander	12%	15%	6%	12%
Other	2%	2%	4%	1%
Refused	2%	3%	4%	1%
Age				
18-24	3%	2%	9%	1%
25-34	15%	18%	9%	16%
35-44	20%	15%	13%	23%
45-54	24%	23%	17%	27%
55+	38%	42%	52%	33%

Demographics

	Total Sample	Purchasers (a)	Receivers (b)	Both (c)
Employment				
Employed Full-Time	61%	61%	49%	64% b
Employed Part-Time	10%	8%	9%	10%
Not employed at this time	5%	5%	7%	4%
Retired	22%	25%	31%	20%
Refused	2%	1%	4%	2%
Marital Status				
Single, never married	16%	15%	15%	16%
Married	71%	68%	74%	71%
Divorced or separated	6%	8%	4%	7%
Widowed	3%	6%	1%	2%
Refused	4%	3%	6%	4%
Education				
High school or less	12%	15%	14%	10%
Some college	19%	15%	28%	18%
Associates degree	15%	19%	10%	15%
Bachelor's Degree	33%	28%	28%	36%
Post-graduate	20%	23%	17%	20%
Refused	1%	0%	3%	1%

Demographics

	Total Sample	Purchasers (a)	Receivers (b)	Both (c)
Household Composition				
Self (1)	13%	19%	16%	11%
Self plus one other person (2)	43%	43%	54% c	40%
Three people (3)	14%	12%	13%	15%
Four or more people (4+)	26%	23%	17%	29%
Refused	4%	3%	0%	5%
Geography				
Rural	16%	20%	13%	15%
Suburban	37%	35%	39%	37%
Urban	45%	40%	47%	46%
Refused	2%	5%	1%	2%
Income*				
Under $30,000	1%	2%	1%	1%
$30,000-$39,999	4%	11% c	7% c	1%
$40,000-$59,999	10%	6%	11%	10%
$60,000-$74,999	9%	6%	6%	10%
$75,000-$99,999	19%	23%	22%	17%
$100,000-$149,999	20%	9%	19% a	23% a
$150,000-$299,999	10%	14%	7%	10%
$300,000 or more	1%	3%	2%	1%
Refused	26%	26%	25%	27%

*All monetary values reported represent Canadian currency.

Lower case letters represent statistically significant differences at the 95% confidence level