2008 Gift Card Consumer Insights Study Canada

March 2009
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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 (i.e., Consumer Insights Study) among United States gift card purchasers and receivers of both closed and open loop cards. In 2008, this study was extended to include Canadian gift card purchasers and receivers.

• This important study:
  – Identifies market and consumer gift card trends and consumer needs and preferences;
  – Provides information that is shared with First Data Prepaid 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

• Additional results from gift card receivers enable First Data to:
  – 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 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
Methodology – Canada

• A 20-minute web-based survey, using the e-Rewards online panel
  – FDC was not identified as the study sponsor
• Fielded: September 22-30, 2008
• 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: 500
  – The sampling error for a random sample of 500 consumers is ± 4.4% at the 95% confidence level (± 5.0% for a random sample of 382 purchasers and ± 4.7% for a random sample of 426 receivers)
KEY INSIGHTS
# Key Insights – Purchase Behavior

<table>
<thead>
<tr>
<th>Key Findings</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchasers Plan to Buy Gift Cards Ahead of Time and Purchase for Convenience</strong></td>
<td>➢ Continue to use out of store advertising and promotion to reach your gift card customers before they get to stores.</td>
</tr>
<tr>
<td>➢ 86% of Canadian purchasers planned their gift card purchase</td>
<td>➢ As you approach a major gift giving occasion such as Christmas, begin card promotion early and make a strong promotional push in the final 2 weeks prior to the event.</td>
</tr>
<tr>
<td>➢ 45% purchased one week or less before the occasion</td>
<td>➢ Focus advertising on the convenience of gift cards for both the purchaser and the receiver</td>
</tr>
<tr>
<td>➢ 75% of Canadian purchasers buy a gift card so the receiver can buy what they want; 48% say it is convenient to purchase a gift card</td>
<td></td>
</tr>
</tbody>
</table>
## Key Insights – Influence on Purchase

<table>
<thead>
<tr>
<th>Key Findings</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchasers are More Likely to Buy a Gift Card if the Item They Want is Out-of-stock</strong></td>
<td>➢ Place gift cards in a prominent location close to popular items that may be out-of-stock and are often purchased as gifts</td>
</tr>
<tr>
<td>➢ 38% of Canadian purchasers are likely to purchase a gift card if the item they want is out-of-stock</td>
<td>➢ 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.”</td>
</tr>
<tr>
<td><strong>Card Value is the Largest Purchase Influencer When Selecting Specific Card</strong></td>
<td>➢ Offer non-denominated cards that allow purchasers to specify the value they wish to add to their card</td>
</tr>
<tr>
<td>➢ 72% of Canadian purchasers say being able to get the dollar value they want is the most important feature when selecting a gift card</td>
<td>➢ A significant portion of gift card sales are incremental and boost your bottom line</td>
</tr>
<tr>
<td><strong>Very Few Will Purchase from the Merchant if a Gift Card is Not Offered</strong></td>
<td></td>
</tr>
<tr>
<td>➢ If the desired merchant does not offer a gift card, 46% of Canadian purchasers will buy a gift card for a similar store type and 27% say they will give cash or a check</td>
<td></td>
</tr>
</tbody>
</table>
### Key Insights – Gift Card Mall Purchase Behavior

<table>
<thead>
<tr>
<th>Key Findings</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-quarter Purchase Closed Loop Gift Cards from Gift Card Malls</strong></td>
<td>➢ Work with in-store and online 3rd party aggregators to boost sales</td>
</tr>
<tr>
<td>➢ 28% of Canadian consumers purchased closed loop cards from gift card malls</td>
<td></td>
</tr>
<tr>
<td><strong>Many Purchasers Will Go to the Store or Merchant Website if the Gift Card Mall is Out-of-stock</strong></td>
<td>➢ Gift card malls provide an important channel for gift card sales; merchants should be well-stocked with a variety of gift card options</td>
</tr>
<tr>
<td>➢ If the intended gift card is out-of-stock at the gift card mall, many Canadian purchasers will either go to the store (38%) or merchant website (10%) to purchase a gift card; the rest will buy a card for the same type of store (35%), a completely different card (6%), or won’t purchase a gift card at all (10%)</td>
<td></td>
</tr>
</tbody>
</table>
### Key Insights – Gift Card Redemption Behavior

<table>
<thead>
<tr>
<th>Key Findings</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-quarter of Receivers Use the Gift Card to Purchase Something They Had Not Planned to Buy</strong></td>
<td>➢ Encourage receivers to spend the gift card on items they normally would not purchase by placing phrases such as “treat yourself” on the actual card or card packaging</td>
</tr>
<tr>
<td>➢ 52% of Canadian receivers will use their gift card to purchase an item they would have purchased with their own money anyway</td>
<td></td>
</tr>
<tr>
<td>➢ 24% purchased an item they had not planned to spend money on, and 10% bought a more expensive version of something they were already planning to buy</td>
<td></td>
</tr>
</tbody>
</table>
# Key Insights – Reloading Behavior

<table>
<thead>
<tr>
<th>Key Findings</th>
<th>Implications</th>
</tr>
</thead>
</table>
| Many Consumers are Unaware of the Reload Option; Consumers Reload to Receive Benefits | ➢ When a customer uses a gift card for a purchase, have the cashier ask them 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 the card packaging  
➢ When possible, offer incentives for reloading, such as rewards or discounts |
| ➢ 12% of Canadian consumers are not aware of the reload option; 4% say it is not convenient to reload; 2% don’t know how to reload  
➢ 13% of Canadian reloaders reload for a rewards program; 6% reload to receive a discount |                                                                                                                                               |
OPEN LOOP AND CLOSED LOOP ANALYSIS
Prevalence of Gift Cards

• The majority of Canadian consumers have either purchased or received a gift card in the past year. More than half purchased and received a gift card in the past year.

Total Purchasing and/or Receiving

- Purchased or Received: 89%
- Purchased: 68%
- Received: 76%
- Purchased and Received: 55%
Purchasers and Receivers: Closed vs. Open Loop

- Closed loop cards are most prevalent, with nine in ten Canadian purchasers buying a closed loop card and nine in ten Canadian receivers acquiring a closed loop card.

![Type of Card Purchased or Received](chart)

<table>
<thead>
<tr>
<th>Type of Card Purchased or Received</th>
<th>Purchasers</th>
<th>Receivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed Loop</td>
<td>89%</td>
<td>90%</td>
</tr>
<tr>
<td>Open Loop</td>
<td>30%</td>
<td>28%</td>
</tr>
</tbody>
</table>

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Overlap in the Type of Gift Card Purchased or Received

- Almost one in five Canadian purchasers indicate they bought both a closed and an open loop card. Similarly, almost one in five Canadian receivers indicate they received both a closed and an open loop card.

<table>
<thead>
<tr>
<th>% of Purchasers</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Loop Only</td>
<td>11%</td>
</tr>
<tr>
<td>Closed Loop Only</td>
<td>70%</td>
</tr>
<tr>
<td>Both</td>
<td>19%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of Receivers</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Loop Only</td>
<td>10%</td>
</tr>
<tr>
<td>Closed Loop Only</td>
<td>72%</td>
</tr>
<tr>
<td>Both</td>
<td>18%</td>
</tr>
</tbody>
</table>
PURCHASERS
Purchasers: Volume of Closed and Open Loop Purchases

- In total, Canadian purchasers bought approximately five gift cards in the past year.
- Nearly two-thirds of consumers purchasing an open loop card typically only purchase one.

### Average # of Gift Cards Purchased

<table>
<thead>
<tr>
<th>Card Type</th>
<th>Average # of Cards Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5.0</td>
</tr>
<tr>
<td>Closed Loop</td>
<td>4.8</td>
</tr>
<tr>
<td>Open Loop</td>
<td>2.2</td>
</tr>
</tbody>
</table>

### Volume of Gift Card Purchases by Card Type

- 63% of consumers purchased one card.
- 26% purchased two cards.
- 18% purchased three cards.
- 11% purchased four cards.
- 10% purchased five cards.
- 9% purchased six to ten cards.
- 5% purchased more than ten cards.

- 17% of closed loop cards were purchased.
- 26% of open loop cards were purchased.
Occasions for Purchase: Closed and Open Loop Gift Cards

- Regardless of the card type, most gift cards are purchased for birthdays and Christmas.

Note: Hanukkah is not shown as all groups were <0.5%

Total Purchasers n=382

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Occasions for Purchase: Closed Loop Gift Cards

- Most gift cards are purchased for birthdays and Christmas.

Closed Loop Occasions for Purchase

Note: Hanukkah is not shown as all groups were <0.5%

Total Purchasers n=382
Person for Whom Gift Card was Purchased

- In total, gift cards are typically purchased for friends. Family members are also often targeted recipients of gift cards.
Closed Loop Merchants

- More than half of Canadian purchasers bought a gift card from a specialty retail store. Coffee shops follow at a distant second.
Share of Dollars by Merchant Type

- Reflecting the high number of Canadian consumers purchasing from them, specialty retail stores hold one-third of the share of dollars spent on gift cards in the past year.

**Share of Dollars by Merchant Type**

- **Specialty Retail Store**: 32%
- **Department Store**: 12%
- **Discount Store**: 9%
- **Other**: 10%
- **Coffee Shop**: 7%
- **Fine Dining**: 7%
- **Entertainment**: 6%
- **Coffee Shop**: 7%
- **Grocery Store**: 5%
- **Gas Station**: 4%
- **Fast Casual Dining**: 4%
- **Drug Store**: 3%
- **Fast Food**: 1%

**CONCLUSION**

- Competition across verticals remains strong.

**RECOMMENDATION**

- Look for opportunities to differentiate your gift card offerings.
Share of Dollars* by Merchant Type

- Specialty stores hold the highest share of dollars among vendors, followed distantly by department stores.

<table>
<thead>
<tr>
<th>Merchant Type</th>
<th>Average # Purchased</th>
<th>Average $ Spent/Unit</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty Store (n=185)</td>
<td>2.6</td>
<td>$68</td>
<td>32%</td>
</tr>
<tr>
<td>Department Store (n=77)</td>
<td>2.1</td>
<td>$64</td>
<td>12%</td>
</tr>
<tr>
<td>Discount Store (n=57)</td>
<td>1.8</td>
<td>$63</td>
<td>9%</td>
</tr>
<tr>
<td>Coffee Shop (n=115)</td>
<td>2.2</td>
<td>$24</td>
<td>7%</td>
</tr>
<tr>
<td>Fine Dining (n=32)</td>
<td>1.8</td>
<td>$87</td>
<td>7%</td>
</tr>
<tr>
<td>Entertainment (n=60)</td>
<td>2.0</td>
<td>$38</td>
<td>6%</td>
</tr>
<tr>
<td>Grocery Store (n=22)</td>
<td>6.8</td>
<td>$96</td>
<td>5%</td>
</tr>
<tr>
<td>Fast Casual (n=41)</td>
<td>2.3</td>
<td>$38</td>
<td>4%</td>
</tr>
<tr>
<td>Gas Station (n=22)</td>
<td>2.1</td>
<td>$70</td>
<td>4%</td>
</tr>
<tr>
<td>Drug Store (n=19)</td>
<td>3.5</td>
<td>$62</td>
<td>3%</td>
</tr>
<tr>
<td>Fast Food (n=17)</td>
<td>1.5</td>
<td>$22</td>
<td>1%</td>
</tr>
<tr>
<td>Other (n=37)</td>
<td>2.6</td>
<td>$106</td>
<td>10%</td>
</tr>
</tbody>
</table>

*All monetary values reported represent Canadian currency.
Average Dollar* Value of Gift Card Purchase by Merchant Type

- Canadian consumers purchase the greatest value gift cards from “other” stores. The average amount spent at grocery stores and fine dining restaurants follow as second and third greatest values.

*All monetary values reported represent Canadian currency.
Method of Purchasing Gift Card

- Canadian purchasers typically buy closed loop cards in person at a specific store, however, a significant number buy from gift card malls.

**RECOMMENDATION**
- Work with in-store and online 3rd party aggregators to boost sales.
INFLUENCES ON PURCHASE
Influences on Gift Card Purchase

- Canadian purchasers say they prefer purchasing gift cards because the receiver can buy what they want. They also find it convenient to purchase gift cards.

**Reasons for Purchasing a Gift Card as Opposed to a Gift**

- Receiver can buy what they want: 75%
- Convenient to purchase: 48%
- I don’t know what else to buy: 35%
- Flexibility in redeeming a gift card: 34%
- Easy to ship or send: 23%
- I bought a gift card in addition to a gift: 18%
- Receiver asked for a gift card: 13%
- Ability to personalize card with message or photo: 2%
- Other: 2%

**RECOMMENDATION**

- Focus advertising on the convenience for both the purchaser and the receiver
Influence of Ethnicity

- Less than three in ten Canadian gift card purchasers find a card design representing a specific culture or ethnicity to be extremely or somewhat appealing.

Influence of Ethnicity on Gift Card Purchase

<table>
<thead>
<tr>
<th>Appeal Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely appealing (9-10)</td>
<td>8%</td>
</tr>
<tr>
<td>Somewhat appealing (6-8)</td>
<td>19%</td>
</tr>
<tr>
<td>Neither (5)</td>
<td>15%</td>
</tr>
<tr>
<td>Not appealing (0-4)</td>
<td>58%</td>
</tr>
</tbody>
</table>
Influence on Purchasing from a Specific Merchant

- More than half of all Canadian purchasers say they chose the store, merchant, or restaurant to purchase a gift card from based on it being the type of store that the gift receiver would like. Approximately half also indicate the card is for a store the gift receiver visits frequently.

![Decision of Which Store to Purchase For](chart.png)
Influence of Features on Card Selection

- Almost three-fourths of Canadian gift card purchasers say that finding a card in the specific dollar value they want (either because the card is already valued at the cost or because they can choose the value) is the most important feature when selecting the actual gift card.

![Most Important Feature in Selecting the Actual Card](image)

**RECOMMENDATION**
- Offer non-denominated cards that allow purchasers to specify the value they wish to add to their card
Timing of Gift Card Purchase

- Almost half of Canadian purchasers buy their gift cards one week or less before the occasion. Another one-third purchase gift cards within two weeks of the occasion.
- 86% of Canadian consumers indicate they planned their gift card purchase

**Graph:**

- One week or less: 45%
- More than one week but less than two weeks: 32%
- More than two weeks but less than three weeks: 13%
- More than three weeks but less than four weeks: 5%
- Four weeks or more: 5%

**RECOMMENDATIONS**

- As you approach a major gift giving occasion such as Christmas, begin card promotion early and make a strong promotional push in the final 2 weeks prior to the event.
- Ensure that your cards are in stock and well-merchandised all the way up to the holiday.
Description of Most Recent *Planned* Purchase

- When asked to describe their planned gift card purchase, almost six in ten Canadian purchasers say they planned to purchase the gift card at a specific store. Another one-fourth indicate they knew they would purchase a gift card from a specific store type.

![Bar chart showing percentages of planned purchase choices.]

- 58% I planned to purchase a gift card at a specific store.
- 26% I knew ahead of time I was going to purchase a gift card from a specific store type.
- 12% I knew ahead of time I was going to purchase from a gift card mall.
- 4% None of the above.

**RECOMMENDATION**

- Use out of store advertising and promotion to reach your gift card customers before they get to your stores.
Influence on Purchase Among Those Who Say Recipient Asked for a Gift Card

- Only one in six Canadian purchasers report that the recipient requested a gift card. Of those who requested a gift card, more than eight in ten requested the card from a specific vendor.

<table>
<thead>
<tr>
<th>% of Purchasers Reporting that Recipient Requested a Gift Card</th>
<th>% of Recipients Who Requested Gift Card and Also Requested from a Specific Merchant</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td>83%</td>
</tr>
</tbody>
</table>

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

• Less than four in ten Canadian purchasers say they are likely to purchase a gift card if an item they want to buy is out of stock.

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

- Highly likely
- Likely
- Neither likely or unlikely
- Unlikely
- Highly unlikely
- Would never substitute a gift card for a gift

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.”
Alternatives if Desired Merchant Does not Offer a Gift Card

- If the establishment the purchaser wishes to buy a gift card for does not offer a card, almost half of Canadian purchasers would buy a gift card to a similar type of store, restaurant, or entertainment location.

What is Done if Merchant Does Not Offer Gift Cards

- Buy a gift card for a similar type of store, restaurant, or entertainment location: 46%
- Give cash or check instead: 27%
- Buy a gift card that can be used at a variety of stores and establishments: 26%
- Buy a gift from the same store, restaurant, or entertainment location: 15%
- Other: 4%

CONCLUSION

- A significant portion of gift card sales are incremental and boost your bottom line
Gift Card Purchase at a Gift Card Mall

- Compared to closed loop gift card purchases, almost twice as many Canadian gift card purchasers buy open loop cards from a gift card mall.

*Closed loop calculation: # of closed loop purchasers purchasing at least once from a gift card mall/total # of closed loop purchasers
*Open loop calculation: # of open loop purchasers purchasing at least once from a gift card mall/total # of open loop purchasers
Closed Loop Purchase Behavior: Gift Card Malls

- Half of Canadian gift card mall purchasers do so for the convenience.
- If the intended gift card is out of stock at the gift card mall, most say they will go directly to the store or buy a card for the same type of store.

### Reasons for Purchasing Closed Loop Gift Card at a Gift Card Mall

- **Convenience/ease**: 51%
- **Location**: 20%
- **Larger selection/variety**: 10%
- **Easier to use for recipient**: 8%
- **Right time, right place**: 7%
- **Points/rewards**: 7%
- **Other**: 9%

### If intended gift card is out-of-stock at the gift card mall...

- I’ll go directly to the store: 38%
- I buy a card for the same type of store: 35%
- I buy a completely different card: 6%
- I won’t purchase a gift card: 10%
- Buy the gift card online at the retailer’s website: 10%
Most Recent Purchase at Gift Card Mall: Planned vs. Unplanned

- In general, most gift card mall purchases are planned (83% of closed loop gift card mall purchases).

![Bar chart showing % Planned Closed Loop Gift Card Purchase at a Gift Card Mall]

- Planned: 83%
- Unplanned: 17%
Location of Gift Card Mall by Card Type

- Most Canadian gift card mall purchases are made in grocery stores, drug stores, specialty retail stores, or discount stores for both open and closed loop cards.

Location of Gift Card Mall for Closed Loop Gift Card Purchases

- Grocery store: 37%
- Gas station: 11%
- Drug store: 24%
- Discount store: 17%
- Specialty retail store: 17%
- Mall: 3%
- Other: 4%
RECEIVERS
Receivers Asking for a Gift Card

- While the majority of Canadian gift card receivers did not ask for a gift card, one in seven asked for a gift card from a specific merchant or retailer.

RECOMMENDATION

- Target some gift card messaging at gift card receivers so that they will ask for your card.
Canadian receivers indicate they received an average of just over three gift cards in the past year. The majority were closed loop gift cards.

- % of Open vs. Closed Loop Cards Received

<table>
<thead>
<tr>
<th></th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17%</td>
</tr>
<tr>
<td>Loop</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>83%</td>
</tr>
</tbody>
</table>

Average # of Gift Cards Purchased

- Total: 3.2
- Closed Loop: 2.9
- Open Loop: 1.9

Total Receivers n=426

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Occasions Received: Closed and Open Loop Gift Cards

• Similar to the occasions for which gift cards are purchased, the most common occasions for Canadians to receive both open and closed loop gift cards include birthdays and Christmas.

<table>
<thead>
<tr>
<th>Occasion for Which Gift Cards are Received</th>
<th>Total Sample (%)</th>
<th>Closed Loop (%)</th>
<th>Open Loop (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anniversary</td>
<td>5%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Birthday</td>
<td>47%</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Wedding</td>
<td>30%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Christmas</td>
<td>46%</td>
<td>46%</td>
<td></td>
</tr>
<tr>
<td>Thank you gift</td>
<td>22%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Going away gift</td>
<td>12%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>&quot;Congratulations&quot;</td>
<td>6%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>No special occasion</td>
<td>7%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Mother’s Day</td>
<td>12%</td>
<td>11%</td>
<td>2%</td>
</tr>
<tr>
<td>Father’s Day</td>
<td>9%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Graduation</td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Back-to-School</td>
<td>2%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Baby shower</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>As a prize or incentive</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other holiday</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note: Hanukkah is not shown as all groups were <0.5%

Total Receivers n=426
Person from Whom Closed Loop Gift Card was Received

• Canadian receivers are most often given gift cards by friends or family members.

% of Gift Cards Purchased by Recipient & Card Type

- Total Sample
- Closed Loop
- Open Loop

Total Receivers n=426
Closed Loop Merchant Type

- More than half of gift cards received by Canadians are for a specialty retail store. Another three in ten are for coffee shops.

% of People Receiving for Merchant Type

- Grocery Store: 55%
- Department Store: 18%
- Discount Store: 12%
- Specialty Retail Store: 6%
- Gas Station: 6%
- Drug Store: 4%
- Fine Dining: 11%
- Fast Casual Dining: 8%
- Fast Food: 3%
- Coffee Shop: 29%
- Entertainment: 13%
- Other: 9%
Average Dollar* Value of Gift Card Received by Merchant Type

- Reflecting the amounts spent by Canadian purchasers, those receiving cards indicate the highest dollar value from “other” merchants.
- The average open loop card value is $18 greater than the average closed loop card value.

*All monetary values reported represent Canadian currency.
Relationship Between Closed Loop Merchant and Receiver

- The majority (89%) of Canadian receivers say the gift card was for a store they frequently or sometimes visit.

% Receiving a Gift Card for a Store, Restaurant, or Establishment That You…

- Never visit: 2%
- Rarely visit: 9%
- Sometimes visit: 32%
- Frequently visit: 57%
Item Gift Card Was Redeemed For

- When redeeming their gift card, just over half of receivers buy an item they would have purchased with their own money anyway. However, one quarter purchase an item they had not planned to spend money on and additional one in ten buy a more expensive version of an item they were already planning to buy.

% Redeeming the Gift Card For...

- 52% An item that you would have purchased with your own money anyway
- 24% An item that you had not planned to spend money on
- 10% Buy a more expensive version of an item that you were already planning to buy
- 14% Have not redeemed the gift card

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 coffee shops, grocery stores, and gas stations are redeemed most quickly with about half redeeming the cards less than two weeks after receiving them.
Number of Times Used

- Canadian receivers use coffee shop and grocery store gift cards the most number of times before the card is used up.

Number of Times Using the Gift Card(s) Before it was Used Up

Department Store: 2.0
Discount Store: 2.6
Specialty Retail Store: 1.9
Grocery Store: 3.8
Gas Stations*: 1.8
Drug Store: 1.9
Fine Dining: 1.0
Fast Casual Dining: 1.2
Fast Food: 2.1
Coffee Shop: 4.2
Entertainment: 1.5
Other: 1.7
Open Loop: 2.0

*excludes outliers of 100 or more
Gift Card “Uplift”

- Seven in ten Canadian receivers spend more than the original value of their closed loop gift cards. Almost two-thirds spend more than the original value of their open loop gift cards.

% of Respondents Spending More Than Original Gift Card Value by Card Type

- Closed Loop: 70%
- Open Loop: 62%
Average Amount Spent* Over Gift Card Value by Merchant

- Average uplift among Canadian receivers* is similar between open loop and closed loop cards.

Average Uplift by Merchant Type

Avg. Amount Spent Over Card Value:
- Open Loop 2008 = $35
- Closed Loop 2008 = $32
*(of those who spent over original value)

*All monetary values reported represent Canadian currency.
Receiver Propensity to Uplift by Merchant Type

• Among those spending more than the original value, more than half do so at a specialty retail store.

*Example of how to read this slide: “Out of all consumers who uplifted, 20% uplifted at a department store.”
RELOADING
Reloading Behavior

- Approximately one in eight users reloaded a gift card.
Reasons for *Not* Reloading Gift Card

- One-third of Canadians do not reload gift cards because they have no need or interest. Another one in five say they prefer to pay with credit or debit.

**Chart:**

- No need/interest: 32%
- Prefer to pay with credit/debit card: 20%
- Not aware of "reload" option: 12%
- Card(s) not reloadable: 12%
- Card was given to someone else as a gift: 8%
- Prefer to pay with cash: 6%
- Not convenient to reload: 4%
- Don't know how to reload: 2%
- Other: 3%

**Recommendations:**

- When a customer uses a gift card for a purchase, have the cashier ask them 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

- One-third of Canadian consumers who have reloaded a gift card indicate they reloaded so they do not need to carry cash. More than one-fourth indicate they reload to make additional purchases.

RECOMMENDATION
- When possible, offer incentives for reloading such as rewards or discounts
Reloading By Recipient

- Nearly two in three Canadian reloaders say they reloaded a card they received. Two in five say the reloaded a card they purchased for themselves.

**RECOMMENDATION**
- Emphasize the benefits of reloading for personal convenience and as a budget management tool.
Number of Times Reloaded

- Canadians reload cards that were purchased for themselves much more often than cards that were received. However, the average amount reloaded is similar for reloaded cards purchased for themselves or received.

| Average # of Times Closed Loop Card Was Reloaded at What Value by Whom Card Was Purchased For |
|----------------------------------|---|---|
| Avg. Number | Avg. Amount* |
| Self | 6.1 | $21 |
| Others | 1.0 | $8 |
| Received | 3.0 | $20 |

2008 Closed Loop Reloaders n=53

*All monetary values reported represent Canadian currency.
Reloading Behavior by Merchant: Closed Loop

- Coffee shops are by far the most frequently reloaded merchant type with three-fourths of reloaders adding funds to a coffee shop gift card.
Effects of Reloadable Cards

- Nearly half of reloaders say that having a reloadable gift card made them visit a store more and nearly one-fourth say they spent more per visit with the reloadable gift card.

Effect on the Number of Times a Store is Visited

- Visited the store more: 45%
- Visited the store less: 2%
- No difference: 53%

Effect on Purchase Amount

- Spent more per visit: 23%
- Spent less per visit: 7%
- No difference: 70%
## Demographics

<table>
<thead>
<tr>
<th></th>
<th>Total Sample</th>
<th>Purchasers (a)</th>
<th>Receivers (b)</th>
<th>Both (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>51%</td>
<td>55%</td>
<td>50%</td>
<td>50%</td>
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<td>Female</td>
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<td>45</td>
<td>50</td>
<td>50</td>
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<tr>
<td><strong>Race</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Caucasian</td>
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<td>73%</td>
<td>77%</td>
<td>77%</td>
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<td>African American/Black</td>
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<td>0</td>
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<td>1</td>
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<td>Asian/Pacific Islander</td>
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<td>23</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Native American/Alaska Native</td>
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<td>1 c</td>
<td>1</td>
<td>0</td>
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<td>Other</td>
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<td>1</td>
<td>4</td>
<td>3</td>
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<tr>
<td><strong>Age</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-24</td>
<td>15%</td>
<td>10%</td>
<td>21% a</td>
<td>13%</td>
</tr>
<tr>
<td>25-34</td>
<td>24</td>
<td>20</td>
<td>26</td>
<td>25</td>
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<td>35-44</td>
<td>21</td>
<td>19</td>
<td>16</td>
<td>23</td>
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<tr>
<td>45-54</td>
<td>20</td>
<td>25</td>
<td>15</td>
<td>22</td>
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<tr>
<td>55+</td>
<td>20</td>
<td>26</td>
<td>22</td>
<td>17</td>
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Lower case letters represent statistically significant differences at the 95% confidence level
## Demographics

<table>
<thead>
<tr>
<th>Employment</th>
<th>Total Sample</th>
<th>Purchasers (a)</th>
<th>Receivers (b)</th>
<th>Both (c)</th>
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<tbody>
<tr>
<td>Employed Full-Time</td>
<td>63%</td>
<td>60%</td>
<td>58%</td>
<td>66%</td>
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<tr>
<td>Employed Part-Time</td>
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<td>10</td>
<td>21 a</td>
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<tr>
<td>Not employed at this time</td>
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<td>7</td>
<td>10</td>
<td>5</td>
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<td>Retired</td>
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<td>15</td>
<td>10</td>
<td>12</td>
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<tr>
<td>Refused</td>
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<td>8 bc</td>
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<table>
<thead>
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<th>Marital Status</th>
<th>Total Sample</th>
<th>Purchasers (a)</th>
<th>Receivers (b)</th>
<th>Both (c)</th>
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<tr>
<td>Single, never married</td>
<td>38%</td>
<td>30%</td>
<td>46% a</td>
<td>36%</td>
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<td>Married</td>
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<td>48</td>
<td>41</td>
<td>54 b</td>
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<tr>
<td>Divorced or separated</td>
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<td>15 c</td>
<td>9</td>
<td>7</td>
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<tr>
<td>Widowed</td>
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<td>1</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Refused</td>
<td>2</td>
<td>6 c</td>
<td>2</td>
<td>1</td>
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<table>
<thead>
<tr>
<th>Education</th>
<th>Total Sample</th>
<th>Purchasers (a)</th>
<th>Receivers (b)</th>
<th>Both (c)</th>
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<tbody>
<tr>
<td>Less than high school</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
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<tr>
<td>Graduated high school</td>
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<td>7</td>
<td>10</td>
<td>10</td>
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<tr>
<td>Some college</td>
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<td>21</td>
<td>29</td>
<td>25</td>
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<tr>
<td>Graduated college</td>
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<td>40</td>
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<tr>
<td>Post-graduate</td>
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<td>22</td>
<td>18</td>
<td>19</td>
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# Demographics

<table>
<thead>
<tr>
<th>Household Composition</th>
<th>Total Sample</th>
<th>Purchasers (a)</th>
<th>Receivers (b)</th>
<th>Both (c)</th>
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<tbody>
<tr>
<td>Self (1)</td>
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<td>18</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Self plus one other person (2)</td>
<td>33</td>
<td>34</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>Three people (3)</td>
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<td>14</td>
<td>23</td>
<td>18</td>
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<tr>
<td>Four or more people (4+)</td>
<td>29</td>
<td>27</td>
<td>24</td>
<td>31</td>
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<table>
<thead>
<tr>
<th>Geography</th>
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<tbody>
<tr>
<td>Rural</td>
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<td>17</td>
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<tr>
<td>Suburban</td>
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<td>33</td>
<td>33</td>
<td>39</td>
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<tr>
<td>Urban</td>
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<td>43</td>
<td>48</td>
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<table>
<thead>
<tr>
<th>Income*</th>
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<tbody>
<tr>
<td>Under $20,000</td>
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<td>6</td>
<td>3</td>
<td>5</td>
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<tr>
<td>$20,000-$39,999</td>
<td>13</td>
<td>14</td>
<td>22 c</td>
<td>9</td>
</tr>
<tr>
<td>$40,000-$59,999</td>
<td>18</td>
<td>18</td>
<td>20</td>
<td>18</td>
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<tr>
<td>$60,000-$74,999</td>
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<td>8</td>
<td>8</td>
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<td>$75,000-$99,999</td>
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<td>14</td>
<td>14</td>
<td>11</td>
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<tr>
<td>$100,000-$149,999</td>
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<td>15 b</td>
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<td>18 b</td>
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<tr>
<td>$150,000-$299,999</td>
<td>12</td>
<td>10</td>
<td>8</td>
<td>15 b</td>
</tr>
<tr>
<td>$300,000 or more</td>
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<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

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