

Nine Gift Card Marketing Ideas for Navigating 2009

The current economic downturn and the associated drop in consumer spending have posed a challenge to merchants with gift card programs. Although gift and spending cards remain popular items, many program managers have watched gift card activations decline over the past year. To help you counter the trend, First Data conducted a new Gift Card Consumer Pulse Survey (May 2009) to identify consumer gift card purchase intentions for 2009. The survey included the main reasons behind consumers' changing behavior. We combined our findings with those from our 2008 Consumer Insights Survey (conducted in September 2008) and gift card marketing best practices to generate a few targeted ideas for maximizing your gift card sales in 2009.

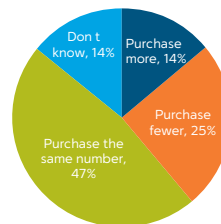
1. Gift card purchases are planned in advance. For significant gift-giving occasions market your card in the weeks prior to, and continue your efforts through, the occasion/holiday.

In our 2008 Consumer Insights Survey, 86% of gift card purchasers indicated that they planned their gift card purchase ahead of time (up from 82% in 2007). Based on the same study, we also know that roughly three-fourths of gift card purchasers put off the actual purchase of their cards until the last two weeks prior to the occasion that they are buying for. Given that, on average, consumers plan to buy fewer cards in 2009 (see charts at right), merchants who want to maintain or increase their card activations will need to promote their offerings more effectively during the periods that deliver the greatest impact.

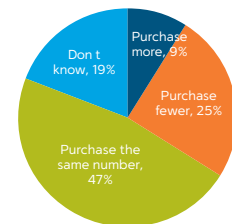
2. Since many gift card purchasers are likely to purchase a gift card if an item is out of stock:

- a. Include gift card displays with merchandise often bought as gifts.
- b. 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."

How will your purchases of SINGLE MERCHANT GIFT CARDS in 2009 compare to the number of cards you purchased in 2008?



How will your purchases in 2009 of GIFT CARDS THAT CAN BE USED AT A VARIETY OF RETAILERS compare to the number of cards you purchased in 2008?

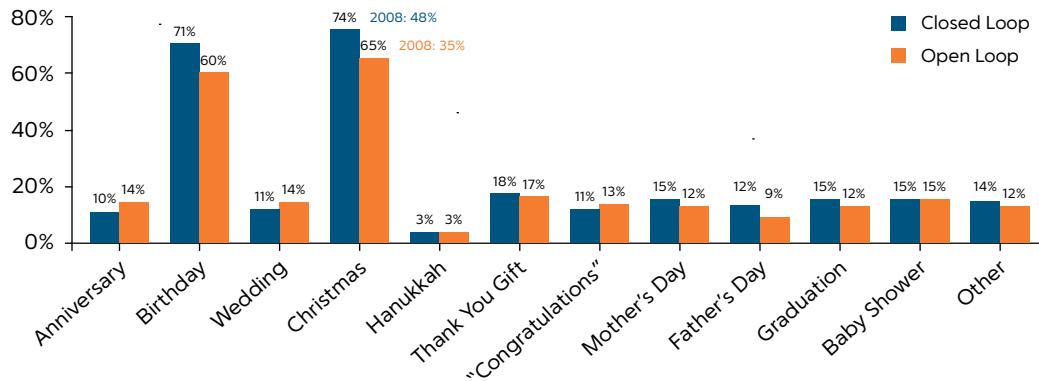


Source: First Data, Gift Card Consumer Pulse Survey results, June 2009.

Given that the many merchants have decreased investment in inventories as sales have slowed, certain products may be more vulnerable to out-of-stock situations. In our 2008 Consumer Insights Survey, 46% of consumers indicated that they would be "likely" or "highly likely" to buy a gift card if an item is out of stock (up from 35% of consumers in 2007). Therefore, an opportunity may exist to direct your customers to your gift card when inventories of frequently gifted items run low.

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Occasion for Purchasing—Open vs. Closed Loop Gift Cards



Source: First Data, Gift Card Consumer Pulse Survey results, June 2009.

3. Improve the appeal of your cards for birthdays and Christmas by offering occasion-specific cards and carriers.

Consumers continue to identify Christmas and birthdays as the primary occasions when they buy gift cards. In fact, according to consumers, we may see an increased concentration of gift card purchasing for those events. In the Consumer Pulse Survey chart above, note the rise in percentage of purchasers identifying birthday and Christmas as occasions for their gift card giving. Accordingly, we believe that merchants should place an increased emphasis on cards and carriers for the two most significant occasions for gift card giving.

4. Integrate your gift card into your year-round brand marketing efforts to keep your card top of mind with your customers.

As birthdays and many of the other occasions noted in the table above happen throughout the year, merchants who promote their gift cards year-round are likely to draw their customers' attention and gain a disproportionate share of those sales.

5. Draw the link for your customers: In your gift card messaging, communicate how and why your card would appeal to your customers' friends and family members—the primary recipients of your cards.

a. Restaurant example: "A Meal They'll Love"

b. Retail example: "Luxury or Essentials – Their Choice"

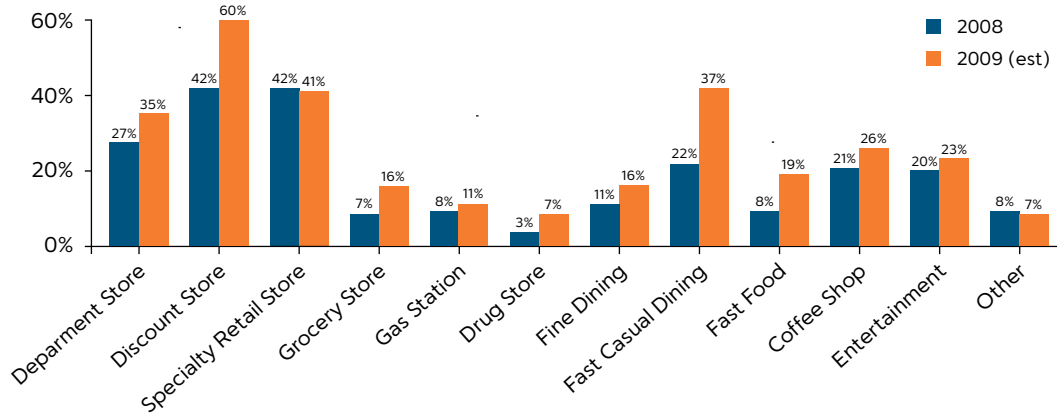
A significant majority of gift card recipients are friends and family members. "Other family member," "friend," "brother/sister," "son/daughter" and "parent" comprise the top five gift card recipients. Messaging that enables gift card purchasers to easily understand the benefit of your card or brand to their intended recipient may help sway purchase decisions in your favor.

6. Gift card purchasers are gravitating toward merchant types that address more basic needs—highlight the utility of your brand and card.

A noteworthy finding from the Consumer Pulse Survey is that more gift card purchasers plan to buy gift cards from merchants who offer basics such as food and clothing. See the chart on the following page. In the current environment, associating your card with utility or some of your more essential products could increase your card's appeal.

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% of Purchasers Buying Closed Loop Gift Cards—by Merchant Type



Source: First Data, Gift Card Consumer Pulse Survey results, June 2009.

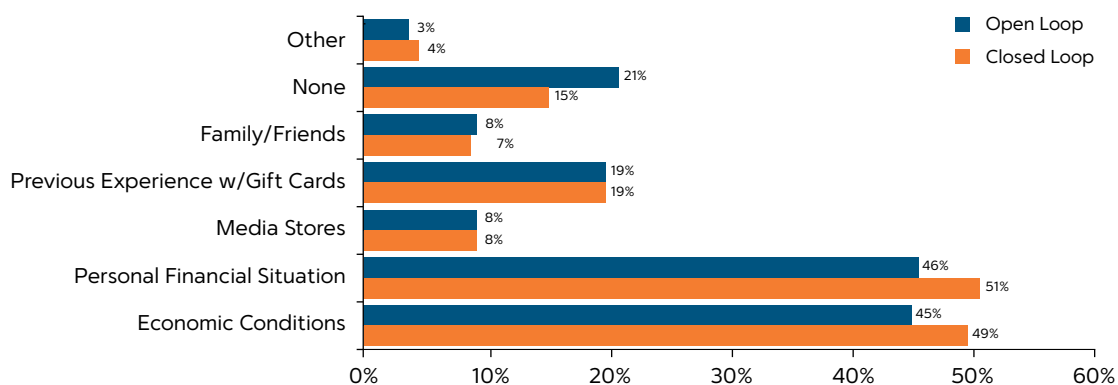
7. Consider using your gift card as a consumer incentive to increase load amounts and drive customers back to your stores. An example offer: Buy a \$50 gift card and get a \$10 gift card that can be used next month.

Compared with last year, gift card purchasers indicated that they intend to load fewer dollars on the cards they purchase in 2009. An approach that many merchants use during the holiday period to boost average loads and encourage repeat store visits is to provide consumers with a free (often restricted-use) gift card for purchases of goods or gift cards above certain amounts.

8. Consider positioning your gift card as a personal spending card that can help with budgeting.

With approximately half of gift card purchasers indicating that "Personal Financial Situation" and "Economic Conditions" may influence the average number of gift cards purchased or their average load amounts in 2009, consumers remain focused on their own finances. See the chart below. Combining that piece of evidence with the significant percentage of closed loop purchasers buying gift cards for themselves (15%) and a steady increase in gift card reloading, many merchants could appeal to their customers with a card

Which of the following may influence the number of gift cards you may purchase or their average load amount in 2009



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positioned as a “spending card.” The card could help your customers budget for purchases at your locations, should be easily or automatically reloaded online, and may incorporate aspects of a loyalty program.

9. Capitalize on an area of growth: gift card malls

Gift card malls remain a bright spot for merchants with gift card programs. Mercator forecasts that closed loop gift card sales from gift card malls will grow by 36% in 2009.¹ We saw a similar positive trend in our 2008 Consumer Insights Survey, where 34% of gift card purchasers said that they bought gift cards at a gift card mall (up from 16% in 2007).² Therefore, taking steps to increase your presence on gift card malls—either through increasing the number of locations that sell your card or upping the number of facings at your current locations—holds potential to boost your results.

¹Mercator, Prepaid Market Forecasts 2007 to 2011, November 2008.

²First Data. U.S. Gift Card Consumer Insights Survey, September 2008.

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