

2010 First-Half Gift Card Performance Report



Recap: January-June Sales

U.S. gift card sales strengthened in the first half of the year.

Overview

Following a positive holiday performance, U.S. merchant branded gift card sales continued to gain traction in the first half of 2010. Merchants enjoyed year-over-year monthly sales growth from February through June. Sales increases peaked with a 12.8 percent jump in April and then subsided somewhat in the following months.

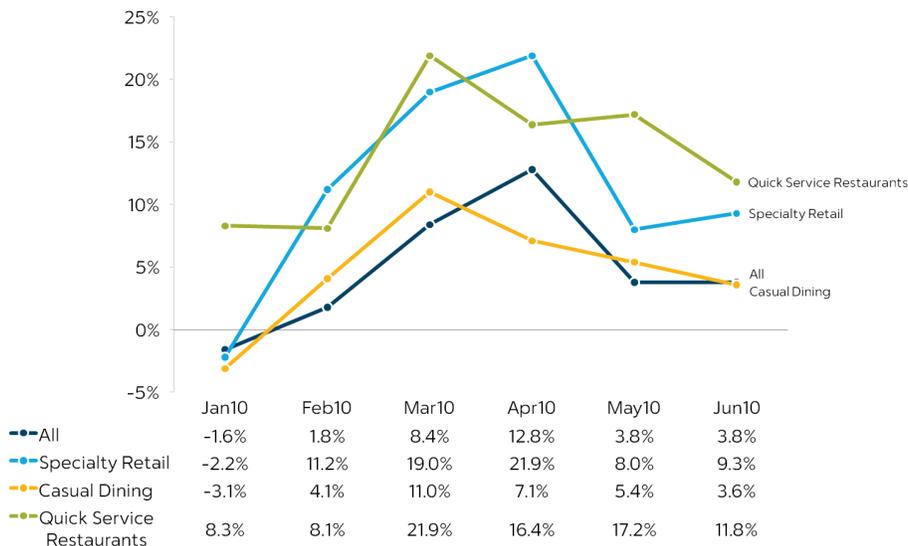
Much of the growth was driven by gift card malls (i.e., the large gift card displays featuring cards from

a variety of merchants that are common in grocery stores, discount stores, etc.). Through June, gift card sales from gift card malls increased by about 20 percent. Consumers continue to choose the convenience that gift card malls offer, and First Data expects this trend to continue.

First Data forecasts that merchant branded gift card sales will increase by 1 to 5 percent for 2010 with potential for upside. Since the holiday season (Nov.-Dec.) accounts for nearly 40 percent of gift card activations, the majority of gift card sales will take place in the second half of the year. As we approach the holiday, First Data will provide additional insights into merchant branded gift card performance.

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Year-Over-Year Gift Card Activation in Dollars



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All Gift Cards

Overall, through the first six months of 2010, the total dollar value of gift cards activated increased 4.6 percent compared with the same months in 2009. The number of gift cards activated increased 2.7 percent

All Gift Cards	CHANGE	
Dollar value of gift cards sold	+4.6 %	
Number of gift cards sold	+2.7 %	
Average gift card value	+1.9 %	
	2009	2010
	\$33.11	\$33.73

Note: "All Gift Cards" includes merchant types not represented elsewhere in this report.

Specialty Retail Gift Cards

Specialty retail added to a strong holiday '09 performance with significant growth through the first half of 2010. The number of activations increased by 5.3 percent, and the dollar value grew by 10.3 percent over last year. Average gift card values increased by 4.8 percent.

The specialty retail category includes merchants that sell clothing, electronics, books, sporting goods, office supplies, music, beauty products, home goods and other items.

Specialty Retail Gift Cards	CHANGE	
Dollar value of gift cards sold	+10.3 %	
Number of gift cards sold	+5.3 %	
Average gift card value	+4.8 %	
	2009	2010
	\$49.01	\$51.36

Casual-Dining Restaurants Gift Cards

Casual-dining gift card sales expanded in the January through June time period. Activations, in dollars, climbed by 4.7 percent. The number of cards activated rose 6.1 percent.

Restaurant Gift Cards	CHANGE	
Dollar value of gift cards sold	+4.7 %	
Number of gift cards sold	+6.1 %	
Average gift card value	-1.2 %	
	2009	2010
	\$28.90	\$28.54

Quick-Service Restaurants Gift Cards

Quick service restaurants (i.e., "QSRs" such as fast food and coffee/pastry locations) drove double-digit gift card sales increases in the January through June time period. Activations, in dollars, spiked 14.0 percent. The number of cards activated jumped 12.4 percent.

Restaurant Gift Cards	CHANGE	
Dollar value of gift cards sold	+14.0 %	
Number of gift cards sold	+12.4 %	
Average gift card value	+1.4 %	
	2009	2010
	\$13.27	\$13.45

First-Half Analysis

Merchant branded gift card sales performance varied by merchant type with QSRs and specialty retail performing exceptionally well. QSRs benefitted from expanded relationships with gift card mall providers, while specialty retail saw broad-based increases in sales.

Gift card reloads (which are not included in the previous tables) continued to grow rapidly. In 2009, gift card reloading for QSRs rose by about 20 percent (in dollars) driven by changing consumer preferences and improvements to loyalty programs linked to gift cards. In the first half of 2010, gift card reloading ignited with dollar volumes increasing by 47.4 percent for QSRs and about 25 percent across all merchant types. Credit for the growth goes to merchants and their commitment to their reload programs, effective loyalty campaigns that include prepaid cards, and changing consumer behavior.

Other notable trends in 2010 include:

- Increased use of gift cards in direct mail campaigns
- Emergence of mobile and social networking applications

Gift Cards and Direct Mail

A number of First Data merchant customers began experimenting with distributing gift cards in direct mail marketing pieces in 2009. The gift cards were provided as an incentive for consumers to take certain actions that often involved providing contact information via a Web

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portal or interactive voice response system. Response rates were strong (in the teens and higher) for many merchants, which has led to increased use of similar-type programs in 2010. First Data expects gift cards to continue to make inroads as consumer incentives on direct mail pieces.

Mobile and Social Networking Applications

Mobile applications that enable virtual cards (i.e., electronic gift cards not linked to a piece of plastic) and on-the-go account management represent the next frontier for merchant branded gift cards. In 2009 innovative merchants began adopting mobile applications that allow consumers to purchase and redeem virtual cards using their mobile phones.

Merchants are also beginning to link their social networking pages and their gift cards to enable social networkers to send virtual cards to friends and family via e-mail and text messages to mobile phones.

In the next few years, as the sales channel for gift cards begins to shift toward handsets, First Data believes that merchants with an established presence selling their gift cards through social networking Web sites and other online applications will have an edge over newcomers. Notably, the sales channel remains up for grabs with providers, including the leading third-party card distributors, working to establish sustainable footholds in the space.

About the 2010 First-Half Gift Card Performance Report

The First Data 2010 First-Half Gift Card Performance Report provides insights based on aggregated transaction data generated by First Data's merchant branded gift card processing business and our observations of the marketplace.

This report compares gift card activations and reloads from January 1, 2010 through June 30, 2010 to activity in the same period last year.

Prior-year transaction data represents comparable closed loop transactions processed by First Data for the retailers included in the summary.