Five Key Trends Driving Gift Card Success
The retail landscape continues its rapid evolution, as mobile technologies and social media disrupt existing ways of doing business. Gift cards are no exception to this ongoing transformation. They remain popular with both consumers and retailers, but how they are purchased, distributed and redeemed is changing—creating exciting opportunities for merchants to acquire new customers and drive repeat business.

To gain a better understanding of gift card trends, First Data commissioned Applied Research & Consulting LLC to conduct a study of U.S. consumers. This research sought to measure the percent of consumers using gift cards, as well as to reveal insights into gift card attitudes and behavior. The study was also intended to track changes in usage and consumer perceptions by providing comparisons with similar research done in 2012.

The following are five key consumer insights that emerged from the 2013 First Data gift card study.
Compared to 2012, consumers were more likely to go online to buy gift cards in 2013. Twenty-six percent of respondents purchased a card from a retailer’s website, up from 11 percent the year before. The percentage of consumers who made a purchase from a website offering gift cards for multiple retailers also climbed sharply, from 11 percent to 21 percent.

% Purchasing by each method in the last 12 months

- In person, at the specific store, restaurant, or entertainment location: 61% in 2012, 51% in 2013
- In person, at a store that sells gift cards for many different retail stores, restaurants, or entertainment locations (gift card mall): 45% in 2012, 45% in 2013
- By internet, using the specific store’s website: 26% in 2012, 11% in 2013
- By internet, using a website — other than a social networking site — that sells gift cards for many different retail stores, restaurants or entertainment locations: 21% in 2012, 11% in 2013
- By ordering via mail or phone from the store’s catalog: 8% in 2012, 1% in 2013
- By internet, using a social networking site such as Facebook or Myspace: 8% in 2012, 1% in 2013
- Other: 4% in 2012, 4% in 2013

Takeaway: Having an online presence is becoming increasingly important as gift card purchases continue to shift from physical locations to online channels. Respondents who bought gift cards at a physical location declined from 61 percent to 51 percent, as more consumers chose to make their purchases online.
INSIGHT #2: Incremental Success

Forty-one percent of respondents visited a store they would not have otherwise gone to because they received a gift card, and 59 percent visited a store more frequently after receiving a gift card.

Takeaway: Gift cards continue to be an effective way to bring in new customers and encourage repeat visits. Furthermore, nearly two-thirds of recipients end up spending more than the original value of the gift card.
The percentage of respondents purchasing e-gift cards rose sharply from 21 percent in 2012 to 36 percent in 2013. The average number of e-gift cards per purchaser skyrocketed as well, nearly doubling from 2.2 to 4.3 cards.

**Have you purchased an e-gift card before?**

<table>
<thead>
<tr>
<th>% Yes</th>
<th>0%</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
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<td></td>
<td>21%</td>
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<td>2013</td>
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<td>36%</td>
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**How many e-gift cards have you purchased in the last 12 months?**

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<th>0%</th>
<th>20%</th>
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<th>60%</th>
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<tbody>
<tr>
<td>1</td>
<td>34%</td>
<td>16%</td>
<td>6%</td>
<td>5%</td>
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<tr>
<td>2</td>
<td>27%</td>
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<td>6+</td>
<td>16%</td>
<td>4%</td>
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*Takeaway:* Consumers are rapidly adopting online gifting because of its convenience and “cool factor.” In the past, e-mail was the dominant method for sending an e-gift, but text and social media distribution channels are growing dramatically—quadrupling year-over-year.
Nearly 1 in 4 respondents has purchased a multipack of gift cards—mainly for personal gifts.

**Have you ever purchased a gift card multipack?**
- Yes: 22%
- Have not heard of gift card multipack: 50%
- Heard of, have not purchased: 27%
- Not sure: 1%

**For what purpose did you buy a gift card multipack?**
- Personal gift: 74%
- For my own use: 31%
- Business gift: 21%

**Takeaway:** While many consumers are still unfamiliar with multipacks, most of them say they would be more likely to purchase one for a discounted price, or an incentive like a bonus card or free item.
INSIGHT #5: GIFT CARD APP POTENTIAL

Although most consumers have either not heard of using a mobile app to store gift cards or have never used one, more than half are interested in this functionality.

Have you ever used an app to store gift card information?

- Yes: 9%
- No: 91%

How interested are you in using an app to store gift card information on your mobile phone?

- Very interested: 14%
- Extremely interested: 7%
- Somewhat interested: 30%
- Not very interested: 19%
- Not at all interested: 29%

Takeaway: In spite of low awareness and usage, mobile gift card apps have great potential to increase gift card usage by simplifying how consumers manage their cards and providing gift card sellers with increased opportunities for both tracking and personalized marketing.
Given the proven effectiveness of gift cards in attracting new customers, building brand awareness and driving incremental revenue, it’s no surprise that most merchants have implemented a prepaid program. To maximize the success of their programs, however, they must continue to innovate and evolve in order to keep pace with consumer trends and new technologies.

For more information about how to get the most out of your gift card program, contact your sales representative or visit firstdata.com.