

Gift Card Facts

Gift Card Industry

Gift card sales totaled \$97 billion in 2007, up from \$83 billion in 2006, according to data from The Tower Group cited in The New York Times.

Though gift cards were expected to be a common holiday gift, they were even more popular than projected. According to a Comdata, consumers spent an average of \$203.00 on gift cards during the 2007 holiday season, up from the \$186 they expected to spend.

Synergistics Research reports that 64 percent of surveyed households find a multi-purpose gift card to be valuable.

According to a January 2007 National Retail Federation survey, 79.7% of consumers said that they plan on buying at least one gift card next holiday season.

In November, 2006, only an estimated of 5.6% of consumers have completed more than two thirds of their holiday shopping, and 68.5% have only completed 10% of their total holiday shopping. Most consumers use gift cards as a last minute gift.

The biggest change in 2007 gift card usage compared with 2006 is the large increase in consumer preference for cash cards. 39% of total gift card recipients prefer to receive cash cards.

A 2007 increasing gift card trend is that gift card recipients are holding on to the gift cards that they receive for a longer period of time. They are less likely to use them immediately after receipt or to use the full value within one month. And, more importantly for retailers, consumers are now making an average of two visits to use the entire value of their card.

An estimated 10 to 15 percent of gift card recipients never cash in cards. Gift card recipients also bring new customers into stores that they might not have otherwise visited.

More than one half of a Comdata led gift card study expressed interest in multiple cards in a packet that can be activated as needed by phone or web.

While shoppers can easily purchase gift cards at a variety of locations, most consumers (76.7%) chose to buy gift cards from stores where the card could be used.

One in six adults had "re-gifted" a gift card they received.

Consumers reported receiving an average of 3.8 gift cards in the 2007 holiday season.

Among gift card purchasers:

- 93 percent said they are likely to purchase additional gift cards in the next year;
- 56 percent prefer having the ability to reload or add value to a card once used;
- 69 percent prefer a card for which they choose the card value vs. a preset value;
- 78 percent decided to buy gift cards prior to entering a store, reflecting strong gift card awareness and satisfaction
- Birthdays and the Christmas holiday remained the primary occasions for gift card giving
- Consumers are 10 times more likely to buy a card over a paper certificate.

Advantages for the retailer?

- Studies show that people spend more on gift cards than on gift certificates. The average gift card denomination in 2004 was \$50 – twice the amount people would spend on the average gift certificate at the time.
- According to the January 2007 BigResearch survey, 50.9% of gift card holders have spent much more than the value of the card when redeeming it.
- The 2006 annual Gift Card FACTS Report stated that 58% of merchants said that gift cards are more effective compared to merchandise.
- In the same report it was shown that on a scale from 1 to 5 , 5 being the highest, merchants rated gift cards effectiveness as follows: 0% rated 1, 4% rated 2, 22% rated 3, 50% rated 4, and 24% rated 5.
- Research also shows that people who buy with gift cards are less likely to be fussy about the price they're paying. The J.C. Williams Group's study found that 40% of shoppers using a retailer's card bought items at full price. Only 16 per cent of shoppers using other payment methods bought at full price.
- Retailers are also partial to gift cards because they tend to decrease the amount of merchandise that is returned. You won't have to fake it when you say, "No, I really do like it" when you open what Grandma got you this time.
- Another reason retailers have taken to gift cards is that they appear to smooth out the drastic sales drop in the weeks after the busy Christmas season. Gift cards are purchased in large numbers in November and December and given as gifts at Christmas. But many are not redeemed until January or later.
- In a research conducted by *Incentive* magazine, 69% of companies stated that gift cards and gift certificates are **more** effective than cash in motivating and rewarding employees

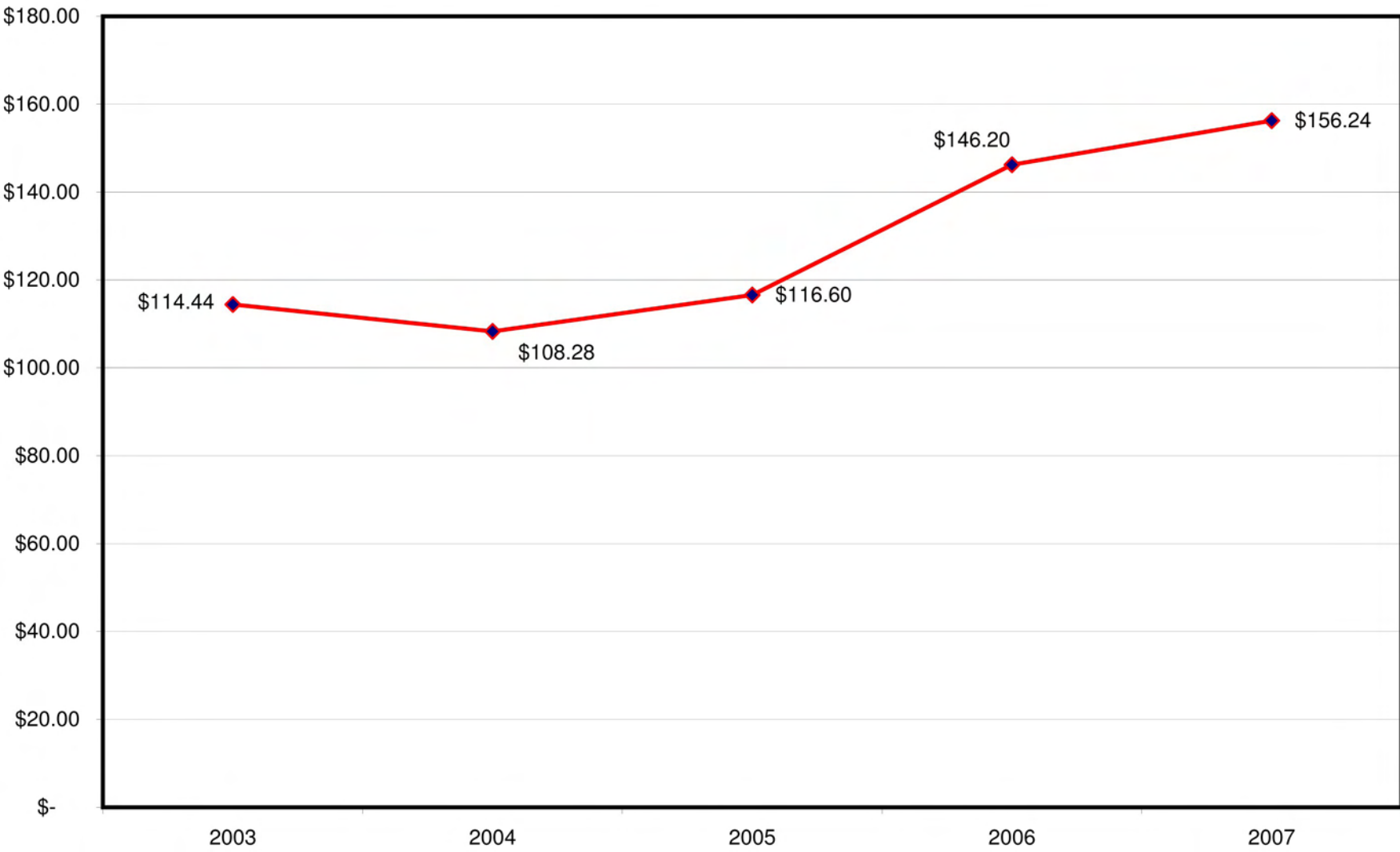
What's the difference between gift cards and gift certificates?

- Robert McKinley, chief executive officer of CardWeb.com stated, "Retailers like them because it gives them a pipeline into the teen market and the estimated 20 to 23 million 'un-banked' consumers who don't hold accounts at financial institutions but want the buying ease of plastic".
- It's more than just plastic vs. paper. While both products are sold in pre-set denominations, you'll get cash back if your gift certificate is worth more than your purchase.
- Profitability - gift cards out perform paper certificates, eliminating the need to refund cash back. Pre-paid Sale - generates immediate cash flow
- Multiple Uses - merchandise return cards, employee incentives, marketing tactics, etc.
- Better Reporting - extremely difficult and time consuming to track paper certificates
- Accurate, Online Tracking - track activity by store, venue, issuer, account or by individual card

- Eliminates Fraud - extremely difficult to duplicate
- Pick up a pair of \$45 pants with your \$50 jean store gift certificate and you can go down the street and buy lunch at the doughnut shop with your change. Not so with a gift card. Buy something for \$45 with the \$50 gift card and you have \$5 left to spend at the same store next time you're there.

NOTE: Statistics and information listed in this document was compiled using the following Sources: Gift Card FACTS Report 2006, BIGresearch, American Greetings, Profit Point, American Bankers Association, ZDNet Research, Corporate Research International, Stored Value Systems, National Retail Federation. All material and studies listed are owned by respective sources.

Average Amount Gift Card Buyers Spent Per Year



Average Amount Consumers Plan to Spend on Gift Cards by Demographic

