We all know consumers like value, and consumers like gift cards. Providing free added value for gift card purchases has long been an incredibly popular way for brands to drive sales during holiday periods. Now this added incentive for gift card purchases is an everyday opportunity most evidenced through grocery purchases and fuel perks. We’ve all seen the super bonus offers of double and even quadruple fuel points on gift cards. In March 2019 Giant Eagle offered 20 cents of Fuel Perks on a $50 Happy GC purchase. Giant Eagle has previously done similar offers and on 20 gallons of gas that is a $4.00 instant savings equaling an 8% discount. Who doesn’t love the feeling of saving $1.00 or more per gallon on a tank of gas? It’s like, hey, I just saved twenty bucks!

By Lori Moher, Wolfe, Inc.

The Changing Face OF GIFT CARD CONSUMERISM

A big thank you to our friends at CashStar for sponsoring the 2018 Merchant Gift Card E-Commerce Evaluation. If you have not read it I recommend you do; the report is available on the RGCA website. One of the many insightful conclusions drawn from the report cites a recent study from Blackhawk Network, finding 69% of consumers have purchased a gift card for themselves with the most popular reason being a discount or promotion. We are fortunate to be in an industry with consistent year-over-year growth and continued expansion for the foreseeable future. The industry studies and reports are very consistent in their verdicts. Physical cards are still growing, and digital is growing faster. But all is far from stagnant in the gift card world. I am reminded of the Will Rogers quote, “Even if you are on the right track, you’ll get run over if you just sit there.” Consumer demand is changing in regard to mobile, payment methods, personalization, and the value-proposition. Growth of open-loop is outpacing merchant cards. The domestic growth opportunities for closed-loop cards are clearly self-use and B2B. Many of you may recall the insightful presentation at Flourish 2018 led by industry veteran Brenda Gilpatrick emphasizing the massive growth in self use and the anticipated explosion of this marketplace. Brenda shared research showing the expansion in self-use from 2013–2017 from 20% to 60% and that 57% of respondents intentionally seek a discount for half or more of their gift card purchases. First Data’s 2018 U.S. Consumer Insights Study supported these findings stating rewards programs and discounts are the reason why most consumers buy gift cards for themselves. The First Data report indicates that Millennial consumers are most inclined to spend more on gift cards for themselves than for others. Not surprisingly, the report showed that gift cards stimulate consumer purchase behavior and that shoppers will visit a store that they might not have visited otherwise in order to use a gift card. The report concluded that consumers typically spend more than the card’s value when redeeming and that discounted cards can also have an impact. Retailers are always looking for the right way to promote, incorporating brand-appropriate and consumer-targeted strategies. It is understandable that many merchants prefer that their audience simply visit their store, regardless of price and value, and solely purchase the items they are offered. The reality is that not only value, but the perception of value, drives consumer traffic, spend, and lift.
Retailers can create blind spots from their own success. The risky assumption is that consumers will visit their store and purchase their goods because they are brand loyal, and by offering consumer discounts or incentives, they are undermining their profit margin for customers that would visit their store anyway.

There are distinct patterns of behavior that consumers follow when looking for value. With very limited exception, consumers look for similar brands that offer the same or slightly different products and compare their relative worth and importance. Brand preferences definitely help define their buying behavior, inclusive of store atmosphere and experience, and ultimately, a balanced view of relative consumer value wins the sale.

Our consumer gift card website, GiftCardGranny.com, touches over 14 million users annually and we clearly see the impact of promotions over brand preference. From our data I will tell you that consumers are not as loyal as we like to think. Even a small consumer incentive can turn one brand’s faithful long-term purchaser into another brand’s first time buyer.

Cash back is basically identical to fuel points but reaches a wider audience and is accessible 24x7 by mobile phone or online. The earlier referenced report by Brenda Gilpatrick, found that consumers say discounts for more stores and other incentives like loyalty points or cash back rewards motivate them to purchase more. Retailer feedback has been overwhelming positive for our new business model and I am grateful to all the retailers who have already pledged their support. At the time of this publication, our consumer site is selling new gift cards with cash back offers from nearly 200 brands and we expect to reach 300–400 before the 2019 holiday season. As each retailer authorizes the sales of their new gift card on our consumer site we immediately cease all third-party offers of the brand.

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