



The Changing Face OF GIFT CARD CONSUMERISM



By Lori Moher,
Wolfe, Inc.

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!

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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 brands faithful long-term purchaser into another brands first time buyer.

At *Wolfe*, through the site *Gift Card Granny*, we see real time buying decisions and consumer preferences. While the larger brands get the majority of the

public's attention, and advertising works well, when a consumer is faced with two direct competitors, they will decisively choose one over the other for small differences in incentives. The impact of added-value and ultimate brand selection is clearly evidenced in categories including home improvement, home goods, clothing, restaurants, travel, department and specialty stores.

Most all of you are familiar with the newest evolution of gift card sales presently satisfying the ferocious drive of consumer preference ... cash back. Cash back programs have proven enormously successful in the credit card industry and are now mainstream in gift card merchandising. Cash back has an extremely high perceived value to consumers which is why we have launched our cash back model and are discontinuing the promotion of gift cards from third-party sites. The cash back model is also extremely brand friendly, as the discount is not on the card itself, but coming from the platform, which delivers real consumer value while offering a full priced new gift card.

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.

The B2B market just keeps growing with no end in sight and a projected 10.79% CAGR

through 2024. We recently unveiled our new B2B corporate platform *PerfectGift.com* offering plastic and digital gift cards from 600 leading retailers including Visa, Mastercard, and American Express. The traditional program serves qualified and fully vetted corporate buyers using gift cards for incentive, recognition, and promotion. It has been a joy

to reconnect with so many of you who we worked with when we owned *GiftCards.com* and OmniCard and we are fully confident the partnerships will be stronger and more fruitful than ever.

As we continue to gauge the perception of the consumer, and how they interact with gift cards, we will evolve, bringing our retail partners richer and more

expansive distribution opportunities. We value our partnerships and are pleased and proud to be on the cutting edge of how consumers and brands interact.

