



Gift Card Marketing Guide

Best Practices

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Introduction

Since 1995 First Data has advised its gift card clients on the most effective ways to plan, implement and grow their gift card programs. While doing so, First Data built its knowledge of the gift card market and refined what are now known as “gift card marketing best practices.”

The information in this guide has been gathered by groups throughout First Data including Marketing, Client Services, Plastics, Product and others. Their varying perspectives and experiences with our clients have provided First Data with insights from which most, if not all, of our current clients can benefit.

As you review the Gift Card Marketing Guide: Best Practices, please keep in mind that best practices are guidelines and not rules for managing your gift card program and are in no way meant to be a guarantee of certain results. You may need to adapt a best practice to better align with your business, and First Data recommends that you test and refine significant changes to your program prior to rollout.



The Financial Benefits of Gift Cards

The financial benefits that gift card programs provide impact businesses in the short and long term. Some First Data clients have reported that gift cards deliver increased revenues, increased margins, interest from unredeemed balances, increased potential for future sales and a decrease in returned merchandise. Well-run programs can capitalize on some or all of the financial rewards—many of which are unique to gift cards.

A description of some of the financial benefits is as follows:

- Revenue increases. Uplift, or the amount that a customer spends over the amount of the gift card, averaged \$23 for each card sold in 2008. Also, gift cards attract new customers, with 11% of recipients indicating that they never or rarely visit the issuing merchant's locations¹
- Higher margin sales. 31% of gift card receivers say they are more likely to buy a full-price item rather than an item on sale when using a gift card²
- Interest from unredeemed balances. You have possession of the dollars on the gift card from the time that the card is purchased. By depositing the funds into an interest bearing account, you will be able to earn a return on your outstanding gift card balances

- Future sales. The advertising effect of gift cards, whether they are in the possession of a customer or on the shelf in a gift card mall, can help keep your brand top of mind and can possibly lead to additional sales
- Decreases in returned merchandise. According to the National Retail Federation, 8.8% of holiday gifts will be returned.³ Because gift card recipients choose their own gifts, gift cards may reduce returned merchandise and the high costs associated with handling returns

The significant financial benefits motivate many of the nation's most successful merchants to invest heavily in their gift card programs. First Data clients should consider all financial benefits when determining gift card program budgets. Based on our experience, we believe that many merchants overlook one or more of the benefits listed above and underinvest in their gift card programs as a result.



¹First Data. U.S. Gift Card Consumer Insights Survey. 2008.

²First Data. U.S. Gift Card Consumer Insights Survey. 2007.

³Source: http://www.nrf.com/modules.php?name=News&op=viewlive&sp_id=69.

Elements of a Successful Gift Card Program

Essentially all successful gift card programs share a common foundation of:

1. Knowledge
2. Planning and execution
3. Commitment

With the above, program owners can overcome challenges and capitalize on opportunities that other merchants overlook. They can win new customers, boost company revenue and margins, and generally exceed the expectations of senior management.

Knowledge

Merchants must take steps to continually build upon their gift card knowledge. This Gift Card Marketing Guide will provide you with some of the information that you will need to develop and grow your gift card program; however, the marketplace requires constant attention. First Data recommends that you visit your locations on a regular basis to gain a sense of store-level execution and that you “mystery shop” other merchants (both in-store and online) to look for ideas to improve your gift card program.

As part of First Data’s commitment to helping our clients grow their gift card programs, we provide several studies aimed at increasing our clients’ knowledge of the marketplace.

- Consumer Insights Survey: an annual study of gift card purchasers and receivers that is designed to identify trends and provide merchants with actionable information
- Business Incentives Study: a study of gift card buyers that provides valuable insights into the use of gift cards for employee incentives
- Consumer Incentives Study: a study that focuses on using gift cards as incentives to drive purchasing behavior
- Mystery-Shopping Study: a qualitative study that is conducted twice annually. The results are summaries by vertical that clients can use to better understand their competition and the gift card market as a whole

Planning and Execution

Success, planning and execution share a strong relationship. This manual will provide guidance on the planning process including scope (prioritizing initiatives, identifying key periods for the business, etc.), schedule (developing timelines) and resources (who should be involved). We will also provide advice on achieving consistent high-quality execution at the store/restaurant level, which is a defining characteristic of top programs.

Commitment

Stakeholder commitment will drive the success of your gift card program. All interested parties from the CEO down to the part-time store-level employee must share a sense of program ownership. This guide will provide some instruction on steps that you can take to promote commitment from certain groups within your organization.

Planning Your Gift Card Program

Well-planned programs involve contributions from stakeholders that represent various interests within the company (e.g., marketing, operations, etc.), identification of key periods for the business (e.g., Christmas, Mother's Day, etc.) and plans that address non-holiday periods—when the majority of gift card sales take place. Well-planned programs include a marketing plan that addresses merchandising, card and carrier designs, promotion, store personnel involvement, additional sales channels (e.g., B2B, third-party reseller, etc.), timelines and more. Plans are completed well in advance of implementation as lead times for many items, especially plastics, span several months.

Marketing Plan

Gift card programs should incorporate a marketing plan. Basic gift card marketing plans typically involve:

1. Marketing objective. This is often a statement of a sales goal for a period of time. It is typically calculated as a percentage of overall sales for the business (e.g., 3% of company revenue results from gift card activations) or percentage increase from the prior year.
2. Customer analysis. A brief discussion of which customers you are targeting and information you have about their preferences or expectations for gift cards.

3. Detailed plans of what you will do to achieve your goals. The plans should include sections for:
 - a. In-store merchandising including displays, signage, etc.
 - b. Card and carrier designs including target inventory levels
 - c. Out-of-store promotion
 - d. Employee involvement including plans for communicating to location-based employees on an ongoing basis
 - e. Special promotions that include campaigns for periods of importance for the business. This may involve special efforts for Back to School, Mother's Day, Father's Day, etc.
 - f. Cross-promotions/customer incentives (e.g., buy a particular item and receive a free gift card)
 - g. Holidays
 - h. Your Web site
 - i. Business-to-business sales
 - j. Third party resellers (e.g., gift card malls)
4. A budget
5. A schedule or calendar for your various gift card projects

Continuous Improvement

The highly competitive nature of the gift card business requires gift card program owners to focus on continuous improvement and differentiation in order to succeed. With change, a necessary element of all successful gift card programs, First Data recommends developing a systematic approach to experimentation. Furthermore, testing of new ideas should happen on a constant basis.

Planning your Gift Card Program (cont.)

Test, Evaluate, Refine, Test Again

First Data recommends that you implement a process of continuous improvement involving all aspects of your gift card program including merchandising, card designs, out-of-store promotion, employee involvement, etc. The process should include:

- **Testing** new ideas on a frequent and ongoing basis
- **Evaluating** those ideas using well-defined metrics and comparing their performance versus “control groups” (e.g., similar stores that do not have the new idea being tested)
- **Refining** those ideas either prior to launch or on a regular basis while in the field
- Repeating the process by identifying new ideas to improve gift card sales and **testing again**

Calendar

The calendar below identifies several occasions/holidays that many merchants consider essential to the success of their gift card programs. Not all merchants execute gift card campaigns during all periods, but merchants should consider each occasion as a potential opportunity to generate additional gift card sales.

2009 Gift Card Planning Guide

Note: Third-party aggregators often require planning well in advance of what is listed below. Please consult with your aggregator(s) for more information.

| Occasion | Holiday Date | Start Card Design | Submit Art Proof | In-Store |
|----------------|-----------------|-------------------|------------------|----------|
| Mother’s Day | 10-May | 1-Jan | 1-Feb | 10-Apr |
| Graduation | 15-May – 20-Jun | 1-Jan | 1-Feb | 15-Apr |
| Father’s Day | 21-Jun | 1-Jan* | 1-Feb* | 21-May |
| Back to School | 15-Aug – 20-Sep | 1-Apr | 1-May | 15-Jul |
| Holiday | 25-Dec | 1-May | 1-Jun | 1-Nov |

*Include your Father’s Day order with your Mother’s Day/Graduation order for best pricing.

Best Practices

The following sections outline best practices for gift card program management and execution. Although the best practices typically apply across most business types, you will find recommendations that do not align with your business. Please read the following sections with your own business in mind and with the understanding that not all recommendations will apply to you.

Program Management

As used throughout this manual, “Program Management” refers to the activity of comprehensively directing your gift card program. Responsibilities include program planning, implementation and measurement of program performance.

Program Ownership

Merchants implement a variety of approaches when it comes to ownership of the gift card program. Based on our experience, we recommend that ownership of a gift card program resides with a group that is focused on revenue (e.g., marketing) versus other groups (e.g., accounting). Gift cards represent a revenue opportunity for merchants and should be managed by groups that have expertise in managing revenue-generating projects. Typical issues that impact performance of programs managed by non-revenue-focused groups are:

- 1. Improper financial incentives for program owners.**
Gift card owners should be driven by sales goals. Many non-revenue-focused groups receive incentives based on managing costs, which (and we have seen this over and over again) leads to underinvestment in essential aspects of the gift card program
- 2. Treatment of gift cards as “just another product”**
in terms of inventory management and sell-through requirements. Gift cards deliver a very high ROI, and the cost of a lost sale is extraordinarily high. Non-revenue-focused groups often strive for cost savings through aggressive sell-through goals (we have heard 90% or more), which inevitably results in inadequate store inventory, empty gift card displays and fewer gift card sales
- 3. Underinvestment in card and carrier designs.**
Cost-focused groups often attempt to save money by investing in a single design and rarely updating it. However, consumers demand appealing and relevant card and carrier choices. Designs are best managed by groups that understand their customers and who are willing to drive their organizations to invest in birthday, holiday and other designs that customers buy

Best Practices (cont.)

Employee Alignment and Improved Results

As mentioned previously, consistent in-store execution is a defining characteristic of successful gift card programs. With all locations participating in the success of the gift card program, results are likely to be significantly better than those where a small percentage of locations carry the burden for the entire program.

When consistency is achieved, we often see gift card program owners collaborating regularly with district or even store managers, proper incentives for district and store managers, and processes that simplify store-level execution.

Measurement of Program Performance

In order to understand and improve program performance, typically owners should track, at a minimum, basic performance metrics. Several metrics that provide insight into program performance include:

1. Gift card sales as a percentage of overall company revenue
2. Year-over-year gift card sales growth
3. Gift card sales during promotional/holiday periods
4. Gift card sales trends for card designs
(slowing sales may indicate that it is time for a design refresh)
5. B2B gift card sales
6. Average dollar amounts loaded onto cards
7. Online gift card sales (if relevant)
8. Third-party aggregator gift card sales (if relevant)

May include:

9. Percentage of cards that are reloaded
10. Total reload as a percentage of gift card sales

The majority of businesses with established and well-run gift card programs typically generate anywhere from 1% to 5% (depending upon a number of factors including vertical) of overall revenue from gift card sales. New gift card programs will likely find that they will need anywhere from 1 to 3 years to reach the range identified above.

Program owners will want to consider documenting the performance of prior programs (e.g., gift certificates) prior to or while launching their gift card program. Demonstrated performance increases resulting from gift card programs often provide leverage with senior management when requesting additional program funding or resources.



Best Practices (cont.)

Card and Carrier Designs

The best gift card and carrier designs tend to be:

1. Attractive
2. Consistent with the merchant brand
3. In alignment with a merchant's customer demographics
4. Representative of the occasion for which they are given
5. Unique in some way(s)

The quality and appropriateness of gift card and carrier designs can impact gift card sales. While the value of adding or changing a particular card or carrier design can be difficult to determine, consider the following:

1. 12% of consumers indicated that a card that is visually appealing is the most important feature in selecting the card⁵
2. A number of merchants have commented that multiple card designs increase gift card sales
3. The strongest gift card programs offer attractive and occasion-specific card and carrier designs
4. Significant competition exists in the gift card space for consumer dollars
5. Occasion-based giving is extremely high. The table to the right, which was taken from First Data's 2008 Consumer Insights Survey, suggests that occasion-based cards such as those for Christmas and birthdays align with the purchasing patterns of consumers

Gift Card Giving Occasions⁶

(Percentage of gift card purchasers who gave at least one gift card for the corresponding occasion)

| Occasion | % Giving |
|---------------------|----------|
| Christmas | 50% |
| Birthday | 48% |
| Thank You Gift | 18% |
| No Special Occasion | 12% |
| Mother's Day | 8% |
| Father's Day | 5% |
| Anniversary | 4% |
| Congratulations | 4% |

⁵First Data. U.S. Gift Card Consumer Insights Survey, 2008.

⁶Ibid

Best Practices (cont.)

For most businesses, multiple card and carrier designs are needed to maximize the gift card program's value to a merchant. From one business to the next, the optimal number of designs could vary widely. The number and variety of card and carrier designs that a merchant should carry depend upon several factors including:

1. Budget
2. Size of the gift card business in sales and reloads
3. The sales potential for the gift card business
4. Holidays and special promotions that are significant to the business throughout the year (e.g., Christmas, Mother's Day, Father's Day, Back to School, etc.)
5. Uses of the gift card (e.g., gift card, spending card, merchandise return cards, etc.)
6. Number of sales channels used (e.g., in-store, online, third-party aggregators, business-to-business sales, etc.)
7. Customer demographics
8. Gift card programs of direct competitors

The cost of a lost gift card sale (average load plus average spent over that amount equal an average of nearly \$70 per card sale)⁶ are quite high versus the relatively low cost of a gift card and carrier (typically anywhere from \$.15 to \$1). When deciding whether to add a new card or carrier design, First Data recommends that you consider:

1. Gross margins from the average card sale
2. Gross margins from the average card uplift (uplift equals roughly half the original card value)⁸
3. Cost of card and carrier

Your gift card program's contribution to the company's bottom line can increase significantly with well-chosen additions to your card and carrier offerings.

Technology Trends

As with all products, gift cards benefit from differentiation. Gift card technology, which we define as any card technology other than plain white plastic with four-color process printing, often serves to increase the appeal of gift cards. First Data encourages its clients to test one or more card technologies and measure their impact to sales. Merchants in search of a competitive edge may find it in a well-displayed or well-promoted clear, lenticular, die cut, foil, scratch 'n' sniff, recycled plastic, corn plastic or other type of card. For ideas about available card technologies, speak with your Account Manager.



⁷First Data. U.S. Gift Card Consumer Insights Survey, 2008.

⁸Ibid.

Best Practices (cont.)

Cobranding Trends

Cobranded cards continue to gain in popularity. A few examples of the types of cobranding that we see in today's marketplace include:

1. **Merchant brand + product brand that the merchant does not own.** Merchants partner with suppliers of branded products to offer cards that feature a particular product brand
2. **Merchant brand + product brand that the merchant owns.** Merchants place their own product brands on gift cards to increase awareness of brands, help launch new products, etc.
3. **Merchant brand + music download merchant brand.** The merchants partner to offset card costs, appeal to mutual customers and promote their brands
4. **Multiple merchant brands.** Merchants with more than one branded concept (such as a restaurant operator with a Mexican restaurant and a Chinese restaurant) offering cards with both brands that work at both locations
5. **Merchant brand + brand of charitable organization.** Merchants who support charities may desire to have their names associated with the charitable organizations

Cobranded cards should be considered in any of the following scenarios:

1. Your business has a card budget that is insufficient to fund the selection of cards that you would like to offer
2. You work closely with a supplier of branded products who may see a benefit to having their products included on a gift card
3. Your business has product brands that it owns and would like to promote
4. Your business owns more than one store or restaurant brand and you have the appropriate technology enabled to allow the gift cards to work across the locations.

Carrier Trends

Historically, gift card carriers were limited to the paper-stock hangers to which the cards were affixed. In recent years, new trends have emerged, which include carriers that better align with the merchant brand and different occasions. A few examples:

1. Small, attractive boxes for brands that emphasize design or prestige
2. Small gift bags
3. Creative use of fabric bags
4. Envelopes
5. Decorative tins that consumers must purchase

Best Practices (cont.)

When deciding upon which carriers to offer, consider that the carrier reflects your brand and that your customers consider it an important part of the gifting package. First Data recommends that:

1. Available carriers are displayed along with gift cards
2. Carriers that are consistent with your brand are offered
3. Birthday-themed carriers are offered

Frequency of Design Refresh

Consumers desire attractive, occasion appropriate and new card and carrier designs. In order to keep your gift card program interesting (and even relevant), First Data recommends that companies track card performance on a monthly or quarterly basis. New card designs should be added every 12 months or sooner and card designs should be replaced every 18 months or sooner.

Merchandising

Effective gift card merchandising accomplishes a number of tasks including:

1. Communicating to all customers that gift cards are sold at that location and that those gift cards are a desirable and popular gift
2. Communicating to all customers the variety, relevance and quality of gift card and carrier designs
3. Reinforcing the “convenience” benefit of purchasing gift cards. One way to promote convenience is to place all gift card and carrier designs on one centrally located, highly visible, easily accessible, well-organized display

4. Appealing to “impulse” card purchasers. Displaying an assortment of gift cards near each cash register will better enable shoppers to buy on a whim

Best practices for merchandising for most locations includes:

1. Neat, organized, well-stocked gift card displays
 - a. Gift cards should be within reach of customers so that they can pick up the cards without assistance from store workers
 - b. Gift card facings of the same design are placed together on each display so that customers can easily identify unique card designs
 - c. Displays are carefully chosen so that pegs or pockets appear full when stocked with the number of cards or carriers that the merchant wants to display
2. Gift card signage on all displays
3. At least one gift card display that holds all card and carrier designs
4. A gift card display at each cash register
5. Gift card displays placed in sections where customers might be looking for them (e.g., baby clothes, toys, general “gift” sections, greeting cards, etc.)
6. Planograms for gift card displays, managed by gift card program owners, that instruct store workers to place the cards and carriers that are most likely to sell on a particular display in the most desirable positions on that display

Best Practices (cont.)

Gift Card Purchasing (Inventory Levels)

Gift card displays that are full and neat tend to catch your customers' eyes, send the message that gift cards from your store are a desirable item and result in additional sales. Displays that are sparsely stocked are often overlooked by customers and generally result in fewer gift card sales.

Some merchants make the mistake of not replenishing popular card designs because they are trying to sell through inventories of less popular card designs. In order to maximize sales, gift card designs that are on display should be current and relevant.

Best practices for gift card purchasing and inventory management are:

1. Maintaining adequate card inventories at each location to fully stock all displays and carry a reasonable backstock
2. Replenishing best-selling card designs. Card designs impact sales—maintaining inventories of best-selling card designs can lead to additional sales
3. Factoring in appropriate lead times to gift card ordering and distribution. Forecast gift card sales to avoid low and out-of-stock situations

Out-of-Store Promotion

Possibly the most often overlooked part of a gift card program is out-of-store promotion. Interestingly, 86% of consumers said that they planned their gift card purchase.⁹ Because most gift card purchases are planned rather than impulse buys, merchants need to take steps to build awareness of their gift card programs. While we understand that not all of the following will apply to all merchants, best practices for out-of-store promotion include:

1. Incorporating or featuring gift cards in existing mass media advertising campaigns including those through TV, Internet, radio, newspaper, magazines, inserts, etc.
2. Utilizing customer mailing or e-mailing lists for direct mail efforts aimed at driving sales of gift cards to existing customers
3. Establishing campaigns to promote gift cards during the holidays or other key periods of the year for the business
4. Incorporating gift cards on a merchant's Web site, including placing a card image on the home page, using a persistent link in the header and footer, and featuring special promotions on the home page (e.g., buy \$50 in merchandise and receive a free \$10 gift card)
5. Advertising gift cards year round because gift card purchases happen every day of the year

⁹First Data. U.S. Gift Card Consumer Insights Survey, 2008.

Best Practices (cont.)

If the medium allows, include an image of a gift card design and a statement about gift cards in a highly visible location on the ad. Incorporating a consumer incentive (e.g., buy a certain item and receive a \$25 gift card) provides a number of benefits that are discussed in the Consumer Incentives/Special Promotions section of this guide.

Also consider capturing the e-mail or mailing addresses of your gift card customers. Interestingly, approximately 20% of adults spend roughly 80% of all dollars spent on gift cards. Persons who are buying your gift cards likely will buy a number of gift cards throughout the year. By targeting your gift card buyers with advertising, you may increase your chances of repeat gift card purchases.

Employee Involvement

Store-level employees can impact gift card sales significantly if they are trained, interested in selling gift cards and feel a sense of ownership over the gift card program. Merchants that successfully engage employees do so using a number of separate methods:

1. Creating a "Gift Card Champion" at each store or restaurant. This person is responsible for ensuring that gift card signage is posted, displays are neat and full, and employees are trained in selling gift cards. The "Champion" does not need to be the store manager
2. Insert gift card sales as a metric for store manager performance evaluations

3. Include gift cards in employee training materials. Employees should:
 - a. Understand the benefits of gift cards for customers (e.g., they are convenient for the buyer and receiver, they allow recipients to choose what they want, and people like to receive gift cards)
 - b. Understand your gift card offerings (e.g., whether or not the cards are rechargeable, which other stores locally accept the cards, min/max load values, available card denominations, where the cards are displayed in the store, the fact that the cards carry no stored value until activated, etc.)
 - c. Have a few gift card sales tactics handy (e.g., asking customers whether they would like to buy a gift card after a customer asks about gift cards)
4. Store-level sales contests where employees and stores are rewarded for their sales relative to other stores or versus their own historical performance

Sales Contests

Sales contests generate excitement and awareness of the gift card program among employees. Contests also motivate stores to take steps to sell more gift cards. Successful contests involve at least three elements:

1. Incentives or prizes for winning stores and store managers
 - a. Winning stores should be determined by region/area so that the frequency of winning stores is relatively high (one in five through 10)

Best Practices (cont.)

- b. Store managers should receive cash, a gift card or another desirable incentive that is beyond what store-level employees receive
- c. Regular employees could receive a gift card, small cash prize, a party of some sort or other prize of modest value
- 2. Kits of relevant materials sent to locations that may include:
 - a. Information that explains the contest to employees (e.g., posters or letters)
 - b. Gift cards, signage, displays, employee buttons/name tags, bag stuffers or other items that stores may need to successfully sell cards
- 3. Frequent communication between the corporate office and stores. Store-level employees need to have regular updates of how they have been performing

Holiday sales contests are the most common. Many run from Black Friday (the day after Thanksgiving) through the end of December.

Consumer Incentives / Special Promotions

Gift cards can be used as a tool to encourage customers to:

1. Visit your stores
2. Try new products
3. Try more expensive or higher margin items
4. Choose a particular brand

Consumer incentives cards are gift cards given to consumers who perform certain desirable actions—such as purchasing a product. You may be familiar with gift cards as incentives—they are often used by certain restaurants, electronics retailers, home appliance stores and cellular service providers. First Data has studied the effectiveness of gift card incentives offerings. Consider the following facts taken from First Data's 2007 Consumer Incentives Study:

1. Three out of four consumers interviewed showed interest in purchasing or testing a product if there was a gift card given in return
2. Nearly nine out of 10 consumers who have received an incentive gift card are interested in continuing to receive gift cards as an incentive
3. Three out of four consumers report an incentive gift card would make them more likely to make that purchase at the store offering the card

First Data encourages its clients to test gift card incentives, possibly in place of cash discounts. Gift cards given as incentives encourage repeat store visits, can be less costly to offer than cash discounts and increase awareness of your gift card program.

Best Practices (cont.)

First Data recommends the following:

1. Consumers expect to have to make a purchase to receive an incentive gift card, so tie your cards to the purchase of a new item or a higher priced or higher margin item that you want them to buy
2. Consider partnering with non-competing or complementary brands to offer your gift cards as a consumer incentive from their locations. For example, a bank could offer gift cards for a local restaurant to customers who open a new account
3. Develop gift card incentives offerings that target specific customer demographics. For example, a clothing retailer could offer a \$10 gift card with the purchase of a \$50 handbag. The same retailer could offer a \$15 gift card with the purchase of a \$100 men's jacket
4. When measuring the effectiveness of your offering, remember that the customers who receive your gift cards have a reason to return to your store. Also, when gift cards are redeemed, consumers are more likely to buy non-sale items with their cards and spend more than the value of the cards

Holidays

Holidays account for a large percentage of all gift card sales. Most merchants generate anywhere from 25% to 50% of their gift card sales during the Christmas season. According to the National Retail Federation, the average gift card purchaser was planning to spend \$147.33 on gift cards in holiday 2008.¹⁰ Other holidays hold significance as well with many gift card programs experiencing sales increases at Mother's Day, Father's Day and graduation.

During Christmas and other important holidays for your business, First Data recommends that merchants take additional steps to capitalize on the opportunities that holidays provide. Consider the following during holiday seasons:

1. Build awareness of your gift card program through inclusion of cards in print, radio, TV, direct mail, e-mail, online and other advertising opportunities. Because the vast majority of gift card purchases are planned (86%)¹¹, holiday advertising can be started as early as October
2. Develop one or more seasonal carriers and/or card designs
 - a. Provide specific instructions to stores about how to merchandise the seasonal cards and carriers to maximize their exposure
3. Increase the number of gift card displays in your stores
 - a. Place a gift card display at or near each register
 - b. Increase the number of adjacencies, or gift card placements, in your locations, especially in areas close to items often given as gifts. (46% of consumers said that they were "likely" or "highly likely" to purchase a gift card if an item they wanted was out of stock.)¹²
4. Run holiday promotions that include gift cards as consumer incentives (e.g., buy a \$25 gift card and receive a \$5 gift card free, spend \$200 and receive a \$20 gift card, etc.)

¹⁰ http://www.nrf.com/modules.php?name=News&op=viewlive&sp_id=604.

¹¹ First Data. U.S. Gift Card Consumer Insights Survey. 2008.

¹² Ibid.

Best Practices (cont.)

5. Offer premium carriers that customers must pay for such as metal tins, boxes, die-cut envelopes, etc.
6. Provide merchandising kits to locations that include items such as gift cards, displays, signage and recommendations of where and how to place each.
7. Involve store-level personnel. The goal of the following suggestions is to create excitement among store-level workers, educate them about selling gift cards, and have them proactively sell gift cards.
 - a. Have them wear name badges, hats, shirts, etc., that promote gift cards.
 - b. Provide at least some gift card sales training (see the Employee Involvement section)
 - c. Have a store-level sales contest (see the Sales Contests section)





Best Practices (cont.)

Holiday Planning

Card planning for the holidays should begin about eight months in advance. The advice may seem overly cautious, but let's look at our recommended timeline and the explanation for it.

| Cards Sold in Stores | | | | | | | | | | | | |
|---|-----|-----|-----|-----|-----|------|------|-----|-----|-----|-----|-----|
| | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec |
| Develop, finalize and submit card designs | | | | | → | | | | | | | |
| Card proofing, production and affixing cards to carriers | | | | | | → | | | | | | |
| Card distribution to stores | | | | | | | | | | → | | |
| Cards in stores | | | | | | | | | | | → | |

As a best practice, your goal will be to have cards in stores at the beginning of November (to allow consumers the opportunity to see your offerings and plan their purchase of them). To maximize your likelihood of reaching your goal, start designing your cards May 1. Plan to submit your art proof on June 1 to allow you and First Data time to manage through the proof approval process and the extended lead times common to the peak months leading up to the holiday. You would receive your cards around the end of September, which gives you a month to distribute cards to your stores. With the cards in stores by the beginning of November and on display soon thereafter, you will have completed a key step in maximizing the performance of your holiday gift card program.



Best Practices (cont.)

| Cards Sold Through Third-Party Reseller | | | | | | | | | | | | |
|---|-----|-----|-----|-----|-----|------|------|-----|-----|-----|-----|-----|
| | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec |
| Develop card designs | | → | | | | | | | | | | |
| Aggregator review and sign-off | | | → | | | | | | | | | |
| Card proofing, production and affixing cards to carriers | | | | → | | | | | | | | |
| Cards sent to reseller warehouse | | | | | | | | → | | | | |
| Cards delivered to stores by reseller | | | | | | | | | → | | | |
| Cards in stores | | | | | | | | | | → | | |

When working with a gift card reseller (e.g., Walgreens, Blackhawk, InComm, Coinstar, etc.), additional lead time is required. Because third-party resellers may require merchants to deliver holiday card inventories to their warehouses as early as September, merchants need to begin the process of holiday planning in the January-February time frame. Ask your resellers when they require holiday cards and carriers delivered to them.

Best Practices (cont.)

Web Site

A best practice, regardless of whether gift cards are sold on a merchant's Web site, is to use your Web site to increase awareness of your gift card program. Of course, if you sell your gift cards using your Web site, then certain steps should be taken to promote your offerings.

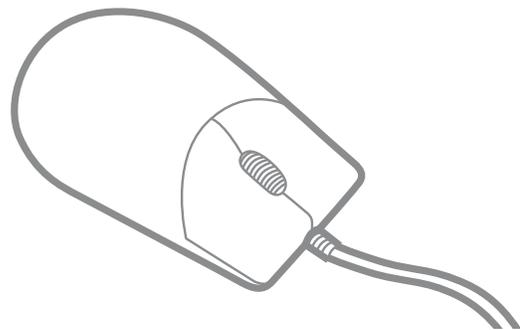
Web site best practices for merchants who do not sell gift cards on their Web sites:

1. Provide a persistent header, footer or navigation bar link to the page that you use to describe your gift card offerings. Consider using an image of one or more of your gift card designs as the link
2. Have a page that includes images of your gift card offerings along with a brief description of the gift card benefits

Web site best practices for merchants who sell gift cards on their Web sites:

1. Provide a persistent header, footer or navigation bar link to the main page that you use to sell gift cards. Consider using an image of one or more of your gift card designs as the link
2. Display and offer multiple card designs that customers can buy through your Web site
3. Allow customers to choose the gift card value either by allowing customers to enter any value for their gift card within a specified dollar range (e.g., \$5 to \$500), or by offering numerous value increments within a specified dollar range (e.g., all \$5 increments between \$5 and \$500)

4. Allow customers to send brief, personalized messages along with the cards
5. Ask customers for sender and receiver information so that messaging that accompanies cards includes "To"/"From" lines
6. Include a free carrier along with each gift card order that reflects your brand. The carriers can be very inexpensive (e.g., a paper sleeve) or higher cost and elegant (e.g., attractive box) to reflect a premium brand
7. Enable bulk purchasing of gift cards along with discounts for business customers (see the Business to Business section for more information). You will likely need to have separate Web site pages to explain your business-to-business program
8. Incorporate gift cards into online promotions/consumer incentives (e.g., spend \$100 and receive a \$10 gift card, buy an item for \$200 and receive a \$25 gift card)
9. Advertise online promotions/consumer incentives on the home page



Best Practices (cont.)

Business to Business

According to Mercator Advisory Group, a reputable gift card research firm, sales of gift cards to businesses will represent over 10% of all gift card sales in 2009.¹³ Considering that not all merchants actively pursue bulk sales opportunities, those that do can significantly boost their overall gift card sales.

Nearly 80% of all gift card purchases made by businesses are done through the merchant's main office or at the merchant's store.¹⁴ The remainder, for closed loop gift cards, involve brokers (such as Blackhawk or InComm) or full-service incentive providers such as Maritz or Carlson.¹⁵

Consider a few other interesting facts:

1. Over 90% of gift card incentives users ordered gift cards more than once in 2006 and 39% ordered gift cards five or more times¹⁶
2. The majority of gift cards given by employers to their employees are given as performance recognition, sales incentives and length-of-service rewards¹⁷
3. 71% of current business incentives card buyers and 64% of those who intend to buy cite "ability to select the card denomination" as having a strong influence on card selection¹⁸
4. Of total dollars set aside for incentives by businesses that currently give gift cards to their employees, 30% is allocated to closed loop gift cards¹⁹

¹³ Mercator Advisory Group. Prepaid Market Forecasts 2007-2011. November 2008.

¹⁴ First Data. Business Incentives Study. August 2007.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

Best Practices (cont.)

First Data considers the following best practices for establishing and growing a successful B2B gift card program:

1. Target businesses with solutions and messaging that is tailored to business customers
 - a. Offer carriers and/or cards with messaging such as "Congratulations!", "Thank You" or "Great Job!"
2. Discount cards for bulk purchases. Typically, this is done based on total dollars sold (e.g., buy \$1,000-\$2,500 worth of cards and receive a 3% discount, \$2,500-\$5,000 and receive a 4% discount, \$5,000-\$10,000 and receive a 5% discount, \$10,000-\$20,000 and receive a 7% discount, \$20,000+ receive a 10% discount). Actual discounts may vary significantly by vertical
3. List a phone number on your Web site for business customers to call to place orders
4. Employ one or more designated salespersons to sell gift cards to businesses
5. Because businesses, on average, place multiple orders for gift cards, establish relationships with your business customers. Salespersons combined with automated e-mail reordering reminders or other processes may help merchants capture additional reorders
6. Offer non-denominated cards because buyers like to select the amounts that they will load onto the cards
7. Emphasize B2B gift card sales year round as businesses give out gift cards for non-calendar events
8. Plan to work with businesses of all sizes as budgets for incentives range from under \$5,000 to millions of dollars
9. Develop marketing campaigns that incorporate direct mail, and magazine and trade publication ads to build awareness of your gift card business-to-business program
10. Implement processes in your stores so that bulk purchases can be completed quickly and customer contact information is collected
11. Consider working with a third-party reseller such as Walgreens, InComm, Blackhawk, Coinstar, etc., and a full-service incentive provider such as Maritz or Carlson to develop your B2B sales program

Best Practices (cont.)

Third-Party Aggregators

Third-party aggregators are businesses that manage gift card malls in retail locations. They represent the fastest growing segment of closed loop gift card sales. With sales of gift cards through gift card malls forecasted to grow by over a third in 2009 and 2010, gift card malls are rapidly becoming a very desirable gift card distribution channel.²¹ According to First Data's 2008 Consumer Insights Survey, 38% of gift card purchasers bought a closed loop gift card at a gift card mall during 2008.

Aggregators sell gift cards in over 200,000 locations in the United States. Working with an aggregator may allow you to dramatically increase the number of locations that sell your gift cards. Also, aggregators may position your product to be bought by "heavy users" or those persons who spend over \$200 a year on gift cards and account for 77% of all gift card sales. "Heavy users," tend to be those with a higher income, so brands that mainly serve lower income customers may not have access to as many "heavy users" and may benefit exceptionally from selling through an aggregator. For example, some heavy users may rarely enter a fast-food restaurant but might enthusiastically buy gift cards for fast-food restaurants as gifts if the cards were more accessible.

First Data considers the following best practices when working with a third-party aggregator:

1. If all your locations are owned and operated by the corporation, then you can consider using an existing card design to sell through the aggregator
2. If you have franchisees or licensees, create a unique card design for your third-party aggregator. The design will allow your franchisees to see the investment that the corporation is making to increase sales at their locations
3. Sell at least two card denominations at every location. Third-party aggregators usually require cards to be denominated. Typical card values depend upon your business. For example, optimal values for coffee shops may be \$20 and \$35, while some specialty retailers may find that \$50 and \$100 cards best reflect their brands and customers. Base your selection on your average sale and brand positioning
4. Be prepared to discount your cards when working through aggregators

Third-party aggregators to contact include:

1. Walgreens
2. InComm
3. Blackhawk Network
4. Coinstar

²¹Mercator Advisory Group. Prepaid Market Forecasts 2007-2011. November 2008.

Best Practices (cont.)

Conclusion

The best practices found in this guide are based on countless observations of success and failure. Although we cannot guarantee that by following our recommendations your program will reach the pinnacle of gift card success, we can say that industry-leading merchants typically incorporate best practices into all aspects of their gift card programs. Also, we strongly believe that by following best practices, merchants will increase the effectiveness of their investments and will see improved top- and bottom-line performance of their gift card programs.

As you move forward, keep in mind that success involves consistent, high-quality planning and execution across all aspects of your gift card program. For example, in-store merchandising excellence alone will not provide a tremendous boost to your program unless it is accompanied with solid out-of-store promotion, active employee involvement and appealing card and carrier designs that your customers want to buy. Furthermore, excellence will stem from the effectiveness of your planning and the strength of team members' commitments. Focus adequate resources in ensuring that your team includes the right people, develops an effective plan and involves the employees who are closest to your customers.

In addition to a Gift Card Marketing Guide: Best Practices, First Data provides a number of resources to supplement your knowledge of the marketplace. If you have not received information recently from First Data, please ask us for the latest research, presentations and webinars that may provide you with insights that can help you grow your program.



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