



5 Smart Ways to Engage Shoppers with Gift Card

By Mike Ghasemi and David Westhead



Please note: This document covers general best practices for retailers regardless of their sector or size. This information is to be used as a guideline, not as a set of rules that guarantee any specific results. To get the most value from this document, it is essential you involve an industry consultant and a variety of internal stakeholders to decide on the best way to apply these practices to meet your unique business objectives.

Introduction

With the end of the year fast approaching and shoppers getting stuck with Christmas shopping duties, retailers can help last-minute shoppers to buy a convenient gift card while increasing customer foot traffic into the store post-holiday season and fuel customer loyalty. It's been almost two decades since the emergence of the pre-loaded plastic gift, and despite its popularity in the western world, many Asian retailers have not explored and benefitted from the gift card programs. The financial benefits that gift card programs provide impact retailers in the short and long term. Gift cards deliver increased revenues, increased margins and increases the potential for future sales and a decrease in returned merchandise. Persistence Market Research predicts that the international market for gift card is likely to grow to \$698 billion by 2024, meaning more than double the current value. Asia Pacific is expected to play a significant role in this growth thanks to smartphone and m-commerce high penetration in the region.

On the other hand, consumer's behaviours and expectations are evolving. Today's customers are less loyal to the over-hyped special offers and demand a seamless omni-channel shopping experience and are constantly looking for their next "best experience". Today, shoppers use their smartphones, tablets and other devices to access the internet and search and compare products before purchase. These "digitally connected consumers" also want consistency at every touchpoint, and they expect the immediacy of digital media to carry through the entire shopping experience. An omni-channel approach to gift card program allows customers to access the brands anywhere, anytime, and send, receive and redeem gift cards in a way, and at a time, that is most convenient for them. In addition, an integrated gift card makes consumers feel like they have money to spend immediately and enable retailers to increase the customer's lifetime value as customers visit the retail channels more than once to deplete their card. Successful retailing is all about putting the customer at the heart of everything you do, providing a seamless gift card programme should follow the same strategy.

Traditional store-based retailers are under massive pressure to offset declining sales in the physical store and find new ways to grow the business through offline and online offers. The four key factors that determine the success of any retail business is store traffic, conversion rates, retention rate and customer experience. Successful retailers incorporate all four factors into their gift card marketing strategy, but many retailers overlook the benefits of gift card programmes and its impact on customer retention. Connecting gift cards to a loyalty program, for instance, can turn a one-time customer into a repeat buyer. Gift card buyers can seek out this feature, knowing their gift will more likely be used on a regular basis. There are of course other factors such as great customer experience or attention to employee needs that have a direct impact on the success of gift card sales.

We have listed five effective ways to engage customers and keep them coming back using gift card programs:

1. Delayed Discount

In a delayed discount scheme, the gift card program can be configured so that the accrued reward can only be redeemed after a certain future date, and then only for a limited period. Delayed discount is an effective way to reward customers who use the gift card on a promotional day with a free credit that they can use in the store or online on a future low-season date. The value of credit depends on the value of the original spend and could have an expiry date to motivate the customer shops sooner rather than later. For example, if the customer spends \$500 in December, they will earn \$50 (10% of the original spend) which they can then use in February. In essence, the delayed discount is a limited-time cash card as it encourages the customer to take advantage of the 10% discount promotion either by making a single large purchase, or several purchases, during the promotional period.

There are some advantages to this kind of reward scheme. While the customer will be encouraged to spend more during December as the 10% discount promotion gives them “a good deal”, no discount is given at the time of purchase (the customer still pays \$500 for their goods) and therefore, the retailer receives the full value for the goods purchased. As the discount is given as credit, the returning customer can only take advantage the reward by making more purchases from the issuing retailer. Customers redeeming gift cards often see them as “free money” providing a “minimum spend” threshold, so customers holding the discount-derived credit are likely to spend more than the \$50 of credit. The amount over the \$50 is profit the retailer would not have gained had the customer not been tempted to return to the store by the delayed discount gift card.

The promotion creates a positive buzz around the retailer, and is a great way of marketing the retailer’s brand and attract new customers. These customers are more likely to become loyal customers if they can be tempted to return to a store soon after their first visit. This is achieved because, as the credit accrued from the discount promotion is valid only for a limited period, customers are forced to return soon after their last visit if they wish to take advantage of the reward. Even if customers do not return to spend their credit, the retailer does not lose. The customer originally paid full price for the goods they purchased in December, and in February they are not taking advantage of the free credit, and goods, they have accrued.

2. Social Network Club

Social networks and smartphones are now at the very core of consumer’s social lives. The social networks provide an opportunity for retailers to promote their brand on the platforms people use to share and celebrate the happy events in their lives. The brick and mortar retailers need to have a strong presence on social networks such as Facebook, Instagram, and WeChat depending on where the customers are located. By creating a social sharing channel, customers create great stories and constant awareness of the gift card special offers, and generate a word-of-mouth buzz around the products, brands or campaigns. Social media marketing is much more than another superficial marketing platform as the objective is to create a brand community that customers engage and share their shopping experience with other members.

Social networks also can be seen as a gift card members exclusive club to engage and retain customers with “just for members” special product preview, pre-order on limited edition products, sample sales, and exclusive online offers. Also, retailers can invite the social club members to join in the store for an exclusive evening of product launches. Picking a theme or a special season for doing it can help to boost customer traffic. A good example for a sports shop is to invite gift card social club members to watch the final event of a sporting event at their flagship store.

Whether retailers have a few hundred social network fans or a few thousand, If they want to establish significant gift card sales, they need to sell an experience. Think about the types of experiences that

you can offer to customers through your business, and then create a hashtag contest on Twitter or a trivia contest on Facebook to help generate conversations. From the participants, one can be chosen at random to receive a free unique experience, from a free meal, to an hour of cooking lessons, or a relaxing afternoon at a day spa. When this gift is redeemed, the winner is very likely going to share about the cool experience had with other fans. Another way is to create an email marketing sign-up form on a social network page with a promise to give a \$50 gift card to a lucky winner who signs up for the email campaign during a certain time frame. Using social networks, retailers can also track the number of clicks from each ad, and monitor which ones are performing well and which ones aren't.

3. Reload Cash Back

One of the effective ways for retailers to engage the gift card holders and encourage them to reload their gift card is to offer a special day to reload the card and receive additional credit for a limited period. For example, if the customer reload \$100, they will earn \$5 (5% of the original value) which they can then use within 90 days. Amazon introduced "Prime Reload" perk that gives customers 2% cash back whenever they reload their balance using a debit card. Although it may not be a huge amount, but it could add up if the customer is a frequent Amazon shopper. Using cash back, Amazon effectively becomes customer's secondary bank, providing instant 2% interest every time they make a top up.

Reload cash back is certainly the best option if the shopper doesn't like the idea of signing up for a new credit card just to get a return on their purchases. However, retailers should be careful that excessive reload cash back could bring negative impact on their cash flow and customers think that any reload without cashback isn't worth considering. Also, retailers gain additional benefit as everytime customers use a credit card, they have to pay fees, most likely in excess of 2%. This way, it gets to bypass those fees while passing along some of the savings to customer and retaining customer for the future sales. Of course, other credit cards offer cashback perks as well without constraining the shopper to spend on certain brands. Another approach is to drive customers to the store by offering a gift when reloading their gift card over a certain value, This allows customers to be rewarded for topping up a higher value. And whilst collecting their gift, customers can be steered into making a purchase in the store through either a new product launch or special offer.

4. Interest-Free Gift Card

Another smart way for retailers to retain the customer is to offer a short-term interest-free credit facility enabling them to buy certain products and pay for them in an installment without incurring any credit interest. Customer can opt in for a recurring payment plan so they can pay for the purchased product every month through the gift card balance. Retailers can also offer a time-limited credit facility for specific items. Again, the interest-free gift card is great for social media hype and to help drive the traffic to stores. Retailers can use this opportunity to even direct customers to specific stores or products where they may have over inventory or short shelf life products.

Apple Rewards offers special financing on purchases made at Apple within the first 30 days of account opening. Interest will be charged to customer's account from the purchase date if the purchase balance is not paid in full by the end of the promotional period or if they make a late payment. Typically, customers won't earn reward points for gift card cash advances, unless a credit card company comes with some kind of promotional offer. The key is to use these retail mechanics for a win-win solution for both the retailer and customer. Customers will always ask that question 'what's in it for me'? Customers also want a simple and easy solution. Nothing should be over complicated and retailers should eliminate anything that doesn't add value and negatively impacts the shopping experience.

5. Co-Branding

Co-branded cards have been around for decades in the form of credit and corporate cards. These cards pair two or three brands (typically a retailer, a bank and a non-financial partner) to drive customer traffic and increase sales. All parties are clearly branded within the design of the card and, depending upon the partnership agreement, the customer agrees on perks for using the card. As retailers try to find ways to gain or maintain market share against the e-tailers, some have found success in co-branding gift cards. By working with a partner, retailers can elevate their brand and uncover new customers that may have never heard of them or shopped in their stores. And since 70% of consumers typically spend over the value of their gift cards, retailers can be assured that they will see a bump in sales with a co-branding campaign.

Also, If a retailer has a portfolio of brands, there is always a good chance to provide the gift card customer something exclusive. Co-branded gift cards, especially if it is from two distinct retail sectors (for example casual and sportswear) can be seen attractive and provide brand awareness. In addition, a sensible co-branding with another retailer can be a very effective way to expand the customer database. Another way is to co-brand with non-retail (gym, insurance) or non-profit volunteer organisation that is looking to use the gift card in their marketing efforts. The partner organisation can sell the gift cards, co-branded with their organisation's logo, to their members or new customers. There are numerous and innovative ways in co-branding gift cards to offer current and new customers ways to enjoy benefits and enhance the customer experience.

In case of fundraising for a social cause, a portion of the proceeds can be donated back to the organisation or a charity of the customers choice. By partnering for a charitable cause, the retailer elevates the brand reputation and gains new customers that have never visited the store before. Plus, showing commitment to social responsibility will motivate the customers to be part of the campaign by donating their cash rewards. Cobranded gift card should be considered in any of the following scenarios:

- You have limited budget to launch the gift card that you would like to offer
- You work closely with a supplier of branded products who may see a benefit to having their products included on a gift card
- Your business has brand portfolio that it owns and would like to promote
- Your business owns more than one store or brand and you have the technology enabling customers to use the gift cards to work across the locations and brands.

Conclusion

Gift card, either physical or digital is a great way to engage and retain the customer and build brand loyalty. As you move forward, retailers should keep in mind that success involves consistent, high-quality planning and execution across all aspects of gift card programs. Adopting gift cards in a brick and mortar retail businesses is not a casual decision. There are risks and pitfalls, and above all, business processes need to be aligned with the gift card program. As most retailers do not have the workforce, skill set or technology needed to launch a gift card program successfully, then the programme could fail, waste resources and money or at worse, have a negative impact for your customers. Business and IT leaders in retail organisations considering adopting a gift card strategy should also consider shifting from a process and performance driven organisation to an innovation culture environment. Innovation culture supports creative thinking and disruptive efforts to extract economic and social value from knowledge and to generate new or improved services or processes, remember its all about putting the customer at the heart of everything you do.

Key Takeaways

- When implementing a gift card program, be mindful that gifting, at its core, is a shared experience between two parties. As such, look towards making the act of gifting more thoughtful for your customers.
- Be aware of new technologies and solutions that you can implement to help your customers buying a gift card conveniently anywhere, anytime.
- Today's shopping experience is omnichannel, and customers are at the core of omniexperience. The modern purchasing process spans various devices, and customers interact with the retailer both offline and online.
- Look into how customer's expectations have changed and revisit old processes to address the nuances of the modern customer.

Ask Yourself

- What do I want to achieve from a gift card program?
- What type of technology is required to enable gift card program?
- What target customer/market are we going to disrupt?
- How is digital commerce (mobile, social, online) able to support it?

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