

Every Business Should Be Offering Gift Cards

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Don't let preconceived notions about what's possible stop you from going head to head with the big boys. The next time a customer wanders into your business, make sure you card them!

I love to shop. Though circumstances have limited my purchases (starting a business puts a crimp in one's discretionary spending), I still like to hit the malls, shopping centers, and the web to stay on top of trends. During my excursions over the past few years, I've come to notice that gift cards are now available for every chain restaurant, department store, and big-box retailer. I can even buy gift cards for these businesses at my local grocery store and drug store.

Sounds great, right? Gift cards make life easier for most consumers. However, when I check out the smaller independents, be they retail stores, restaurants, or even hair salons, far too many don't offer gift cards. I always assumed it was a matter of economics, but upon further research, I think it's more a matter of ignorance. Today, it's possible for almost any entrepreneur -- no matter the size of his or her operation -- to offer gift cards and even customer-loyalty programs just like the big guys do, all at a reasonable price.

In fact, there are several companies dedicated to helping small business owners establish gift card and customer-loyalty programs. I caught up with Jim Contardi, senior vice president of prepaid solutions at First Data, one of the leading providers of e-commerce and payment solutions.

Contardi believes all businesses should be offering these types of services since the programs are so "turn-key". A basic gift card package costs only a few hundred dollars and, according to Contardi, essentially "shows up in a box with a poster and the cards". First Data runs the program from behind the scenes.

So it's easy, but is it smart business? First Data conducts an annual gift card Consumer Insights Survey and the 2008 results show that it is well worth the effort. The survey showed:

- 70 percent of U.S. consumers purchased a gift card.
- 62 percent of gift card purchasers bought a card as a birthday present.
- 49 percent of gift card purchasers bought a card as a Christmas present.

Buying gift cards is not a casual consumer purchase. The stats show that in 2008 Americans bought more than six cards (on average), spending an average of \$52 per card.

Even better for entrepreneurs is the fact that, according to Contardi, there is generally a "15 to 30 percent uptick" in what Contardi calls the "basket ring" (amount purchased) when consumers shop with their gift

cards. In fact, the survey reported that 69 percent of gift card recipients spent more than the value of the card when they shopped.

Couple this with the results of a 2009 Holiday Shopping Survey conducted by Accenture, a global management and consulting company, which reported that 79 percent of consumers plan to buy gift cards this holiday season and 59 percent of consumers hope to receive one as a gift.

It is a bit too late to get started with a program for this holiday shopping season, but remember that consumers will be in your stores, in person or online, come January, making returns and looking for bargains. Gift cards are also very popular purchases on all the major "gift holidays" such as Valentine's Day, Mother's Day, Father's Day, and for graduations.

Savvy merchants often pair the card with a product. Hair salons or spas could sell it with shampoo or a fancy brush, a coffee house might put it in a coffee cup or ... well, the possibilities are endless. Contardi says he even knows of some dentists who offer gift cards to their clients.

Another way small retailers can better compete with large businesses is by offering customer-loyalty programs. Most of us are familiar with the punch card-type programs, which encourage customers to frequent businesses where they can accumulate points or earn rewards. These kinds of programs aren't always sustainable -- if the customer loses their punch card, they must start all over again. But these paper punch cards are a thing of the past. It's all electronic now.

Contardi explains that accounts can be linked to a customer's phone number. Their purchase data is stored in the system and rewards points or gifts can be redeemed on the spot. There are three primary loyalty programs models:

- **Membership.** The consumer pays an annual fee and receives a percentage discount on all purchases.
- **Frequency.** The reward level is based on accumulated points.
- **Volume.** The reward is calculated by total dollars spent.

First Data also conducts an annual Consumer Loyalty Study, and this year it found that more consumers are signing up for and using loyalty programs as a way to save money. The programs are especially popular with consumers of books and fast food.

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