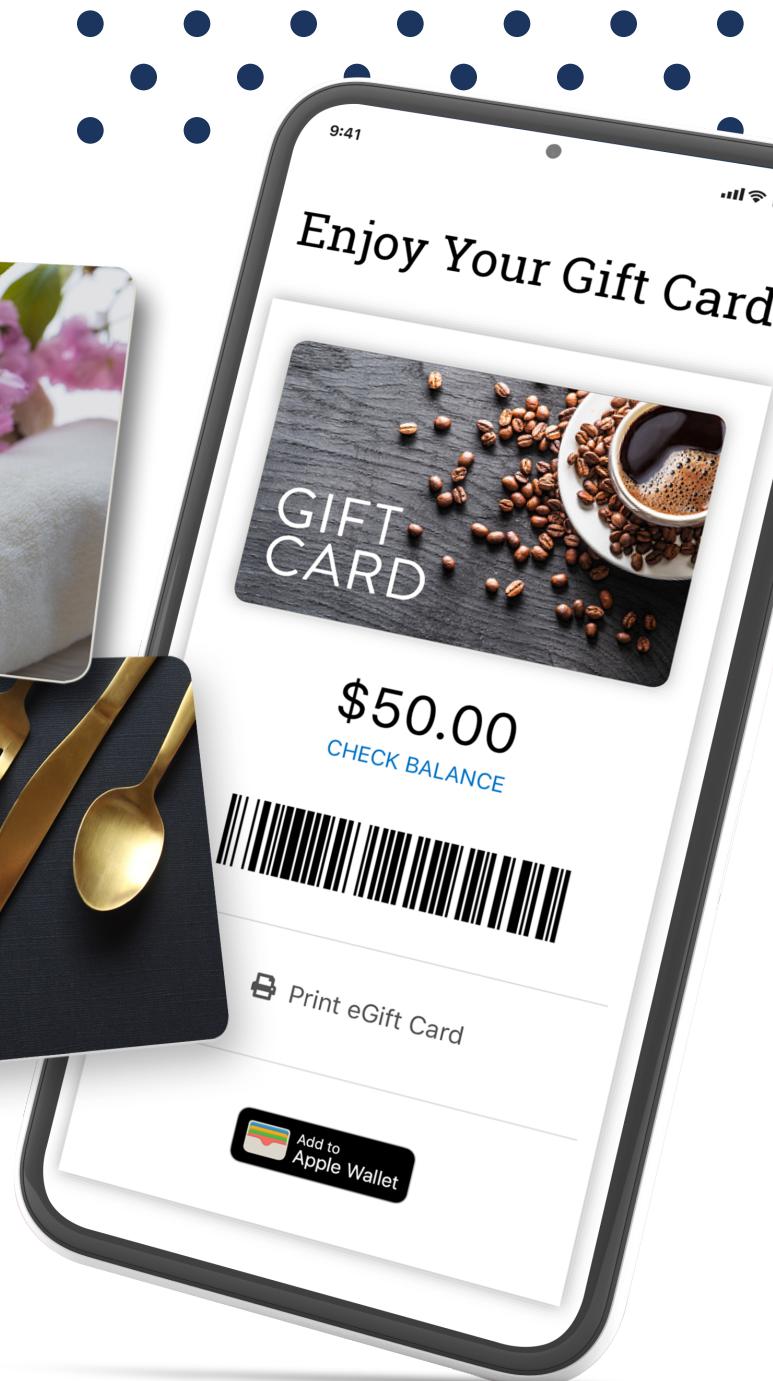


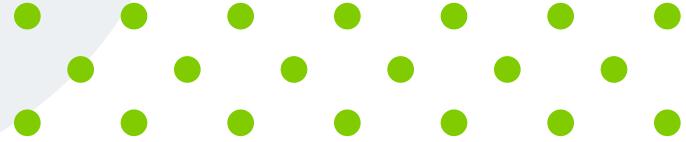


# GIFT CARDS

Fundamentals for Success

# 101





# The **POWER** of GIFT CARDS

**If you're in business, you need to have a gift card program.**

Gift cards are the foundation of your payments strategy. They're your most powerful sales tool, your smallest advertisements and your most effective customer service connections — all rolled into one program.



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# People Really *Love* Gift Cards

Consumers are hungry for gift cards, and businesses need vibrant gift card programs to increase engagement, build loyalty and drive sales.

Never really thought about adding gift cards to your brand before? Consider this:

**#1 FOR 17 YEARS**

Gift cards are the #1 most requested holiday gift—and have been every year for 17 years.<sup>1</sup>

**\$2.1 T**

The global gift card market is expected to reach \$2.1 trillion by 2028.<sup>2</sup>

*Gift cards have been the most popular gift item for as long as the iPhone has existed.*



1. NRF 2023 Holiday by the Numbers

2. Allied Market Research, *Gift Cards Market Global Opportunity Analysis and Industry Forecast, May 2023*

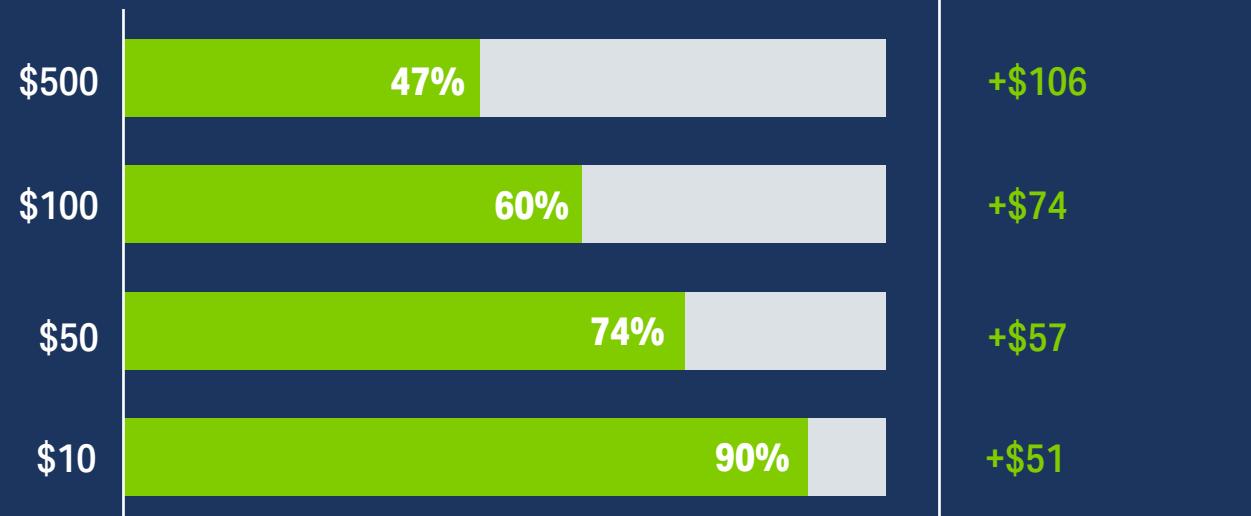


# Gift Cards *DRIVE* REVENUE

Recipients  
spend more  
when they  
use gift cards



Willingness to Spend More than the Gift Card Value<sup>3</sup>



These two facts—**people love gift cards** and **gift cards drive revenue**—are the essence of why you need a gift card program.

# Even Unused Gift Cards *Drive Revenue*



**77%**  
of Gen Zs have  
**unused** gift cards  
(vs. all others 59%)

## Why do people have unused gift cards?<sup>3</sup>



**19%** Haven't found the right item  
vs. all others 14%



**18%** Saving them for a larger purchase  
vs. all others 12%



**17%** Forgot to use it  
vs. all others 12%



**15%** Spreading out my spending  
(more budget friendly)  
vs. all others 8%

# “OK, OK. So, I need a gift card program,” you say.

**We've convinced you.** How do you begin? First, there's the question of scale: how big can you expect your program to be? Depending on your business, our clients see gift card programs average 3–5% of overall revenue. Very large retailers tend to be a little less, while restaurants tend to be a little more. The best programs get to around 8% of company revenue.

**Now that your scope and expectations are set, we can outline the first three steps to getting started.**

## Issuance & Processing:

Understand issuing rules, which vary by state or country law.

## Distribution:

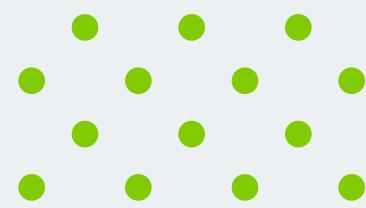
Decide on a distribution strategy and which channels you'll use.

## Fraud Prevention:

Set up compliance and fraud prevention programs.

Once you get these basic building blocks established, you'll be able to expand your gift card program into new areas like B2B sales, customer appeasements, employee incentives and social media, all of which lead to new revenue streams and happier customers, employees and clients. And since Blackhawk Network is a one-stop shop, you can get all of these services in one place.





# Security and Fraud Prevention

We're biased, but obviously we think gift cards are great. Unfortunately, there are some folks out there who try to use gift cards for crime. Gift cards are by definition anonymous—one person buys them, another person can spend them—and that makes them vulnerable to theft, fraud and money laundering. Only a very small portion of the hundreds of millions of gift cards sold each year are ever used for nefarious purposes, but even a few is too many. You need to make sure your company's brand and reputation aren't anywhere near a security breach.

The best way to make sure your brand stays clean is to **understand the different types of fraud** that use gift cards, both online and in stores. There are a number of common scams that involve faked calls from the IRS, scary-sounding demands from "legal entities"—you know the type.

A robust security program to deter, detect and mitigate fraud is essential here. That's why we introduced BHN Protect™, our holistic risk management and fraud prevention solution. BHN Protect is made up of both common-sense and high-tech safeguards to protect your brand and your consumers in-store and online. We invest in secure packaging and technology that flags potentially risky transactions. We have geolocation features in place for many of our products. We continually invest in employee, partner and consumer education to keep the industry safe.

Whatever protections you put into place, they need to be smart. An over-protective security program will do nothing but flag false-positives. Slowing down transactions and accusing your law-abiding customers of engaging in crime isn't going to win you any fans. The key to success is to protect yourself and your customers without ruining their great experience.



## ***Some common types of fraud include:***

- » **Victim-assisted fraud**
- » **Account takeovers**
- » **Retail card swapping**
- » **Carding**
- » **Brute force/balance check**

# eCommerce is a **BIG DEAL**

You almost certainly already have a website for your brand. The world is becoming more and more digital, and you've probably already discovered that visibility and discoverability online is critical for any modern business. Selling gift cards online is a great way to add to the power and utility of your website.

Selling online doesn't just mean selling digital gift cards. You can stock and ship physical gift cards from your online store just as easily as you can offer digital gift cards in your brick-and-mortar locations. There's a lot to think about to build a great eCommerce gift card program, but most of all it should be mobile-friendly, flexible, fast and secure. No matter how you do it, offering as many different types of gift cards in as many channels as possible is always a good idea.

***One of the best things about an eCommerce gift card program is that it helps you offer a product that everyone needs: fast, easy last-minute gifts. Oh, don't look at us like that—everyone loses track of a birthday sometimes.***



**5.7% of all gift card sales were on December 22, 23 & 24**

Top reasons why people purchased eGift cards\*

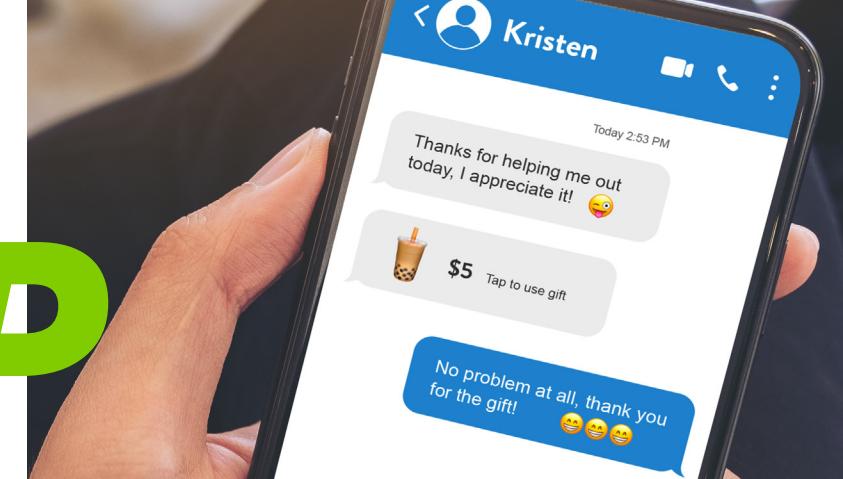
- |            |   |
|------------|---|
| <b>58%</b> | Allowed me to send by email, text or social media |
| <b>46%</b> | Allowed me to have it delivered same-day          |
| <b>37%</b> | Allowed the recipient to shop online              |

\*BHN EQ 2023 Post Holiday Research, January 2024, n=2,005, U.S., 18+, Purchased/received a holiday gift

# Everyday Gifting ADDS UP

Gift cards are most associated with special-occasion gifts like birthdays and holidays, but one quickly growing segment of the gifting industry is in what we call “microgifting.” Microgifting or everyday gifting is just the idea of giving small gifts or tokens at non-traditional times. Rather than \$50 to a major retailer for a birthday, a microgift might be \$5 for coffee on a random Tuesday. Right now, gifts smaller than \$20 make up about 26% of gifting.<sup>5</sup>

A microgift is a way to do something nice for a friend or for your child’s teacher. Parents and grandparents sending small gifts to adult children, especially when they live far away, has also become popular. After all, the brand awareness and loyalty impact of a gift card is the same, whether it’s for \$5 or \$500. And at \$5, people can afford to give a lot more microgifts. It all adds up!



## *Digital Gifting is Sustainable, Too*

Everyone is worried about the environmental impacts of their business operations, and you might be worried about adding lots of little plastic cards to landfills. At BHN, we’re working to move our clients over to paper cards, rather than plastic. **Our goal is to have 75% of our cards printed on paper by the end of 2024.**

What’s even more sustainable than paper? Going digital, of course. eGifts and microgifts are a great way of extending your brand and increasing sales without putting any physical leftovers in the trash.

# EXPANDING

## Contextual Commerce

There's something wonderful about the spontaneity that comes from contextual commerce—or simply the idea of making purchases directly through social media or messaging platforms. In just the same way you might switch to an emoji keyboard while sending a message to a friend, you could switch to a gifting interface to send a digital gift card right there in the messaging app. On iPhones, this all takes place inside the iMessage app.

This type of gifting is just starting to grow. Already, 64% of U.S. consumers have made purchases directly through social media. This stat is as high as 80% for Gen Z and Millennial shoppers—but even 50% of older shoppers, Gen X and Baby Boomers have also made these kinds of purchases.<sup>6</sup>



6. Blackhawk Network 2023 Global Gifting Study, N=2,003, U.S., 18+, February 2023.

# Promotions

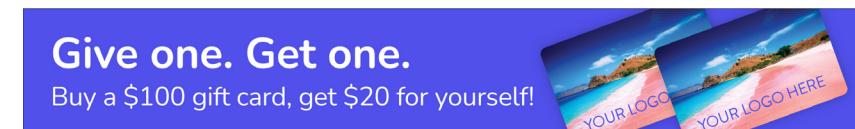
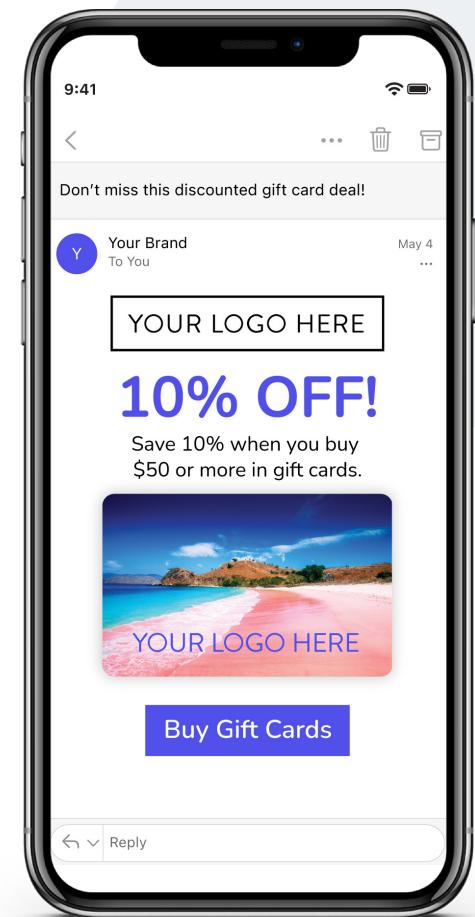
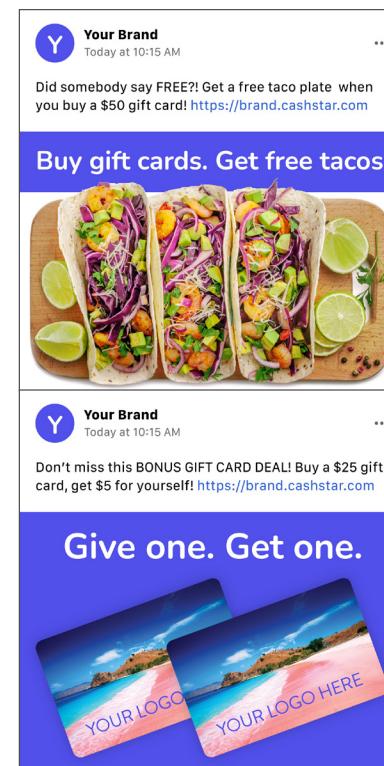
## SEAL THE DEAL

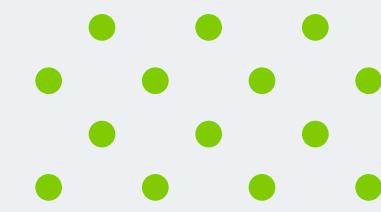
Gift cards themselves are an especially powerful promotional tool. Promotions can be used to drive gift card sales or to achieve other broader business objectives.

According to our research, gift cards as incentives outperform discounts, coupons and special offers. Whether you're trying to increase foot traffic, increase basket sizes or bring in revenue during slow times of year, your gift cards can help you achieve your goals.

### **Consider these ideas for gift card-driven promotions:**

- » Spend \$50 in store, get a \$20 bonus gift card
- » Buy a \$50 eGift, get 100 loyalty points
- » Buy a \$50 gift card, get a free product
- » Spend \$100 on gift cards, get 20% off
- » Spend \$50, get a \$20 gift card to the store next door



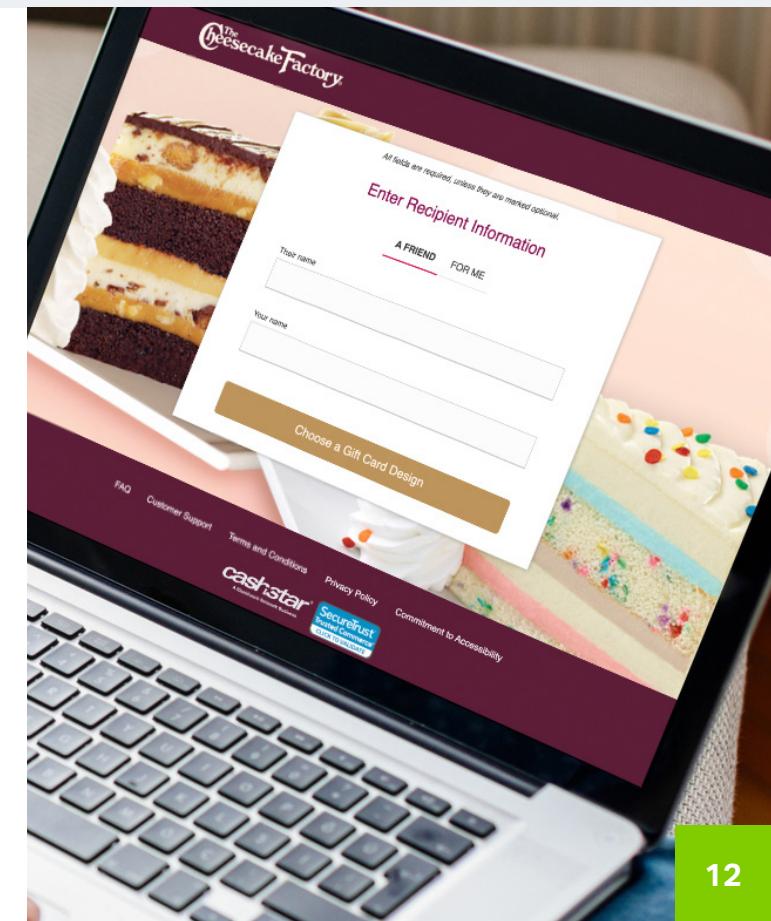


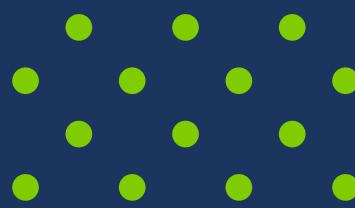
# BHN Digital Gifting: *A Platform that Works*

Many of the capabilities that we think help retailers thrive in this constantly changing environment are powered by BHN's industry-leading digital gifting platform. Right now, our digital gifting platform powers online gift card sales for more than 500 brands.

## ***We help brands implement:***

- » Mobile purchasing
- » Last-minute gifting
- » Integrated purchase and checkout experiences
- » More payment options
- » Revenue-optimizing risk management
- » Automatic promotion deployment and fulfillment





# 5 Tips to Remember

Just like your business, your gift card program will be unique. Still, in our years spent managing gift card programs for businesses of all sizes in all kinds of industries, we've learned a few things. Following these best practices are almost always a good idea for almost every brand. Even if a specific tip doesn't apply to you, you may be able to learn something from the spirit of the idea anyway.



1

## Customization drives sales

It can be easy to overlook, but the most important part of a gift card is in the name: it's a gift! People want to give gifts to friends and loved ones that are personal, and personalization options are essential. Custom faceplates, different photo options and personalized messages make gift cards more fun.

2

## Make your gift cards visible

Not every brand offers a gift card, and many customers won't just assume that you do. You have to let them know! Make your gift cards visible, put them front and center in-store and on your website, send emails, and remind customers at checkout. Do whatever you need to do to get your gift cards and eGifts into as many different channels as possible. If your customers don't know you sell it, after all, they're not going to come to you to buy it.

3

### **Promote your gift cards**

This is certainly part of tip #2, but more specifically: remember the last-minute shopping statistics from the eCommerce chapter. Reminding your customers during key last-minute holiday shopping seasons is the key to offering shoppers the perfect gift just as they're beginning to panic. Dedicated emails and social media posts in the days immediately before holidays tend to pay off. Promotions can also be a launching point for new ways to connect with your brand, like new payment options or bringing in QR codes to make it easier to shop from mobile devices.

4

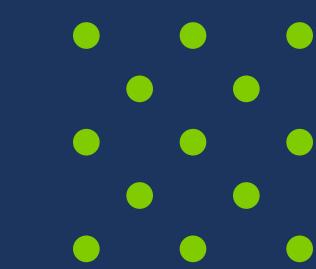
### **Connect with people**

Gifts are personal, so they work really well with the most personal communication we have: social media. The customers who connect with you on social media have already proven they're big fans of your brand and what you do. They're very likely to love your gift cards and share that love. A thriving gift card-driven social media presence is the first step to building an army of brand evangelists working for you. Think of your gift cards as a tool for connection. A quickly delivered gift card is the perfect thing to soothe disappointed customers, build up a loyalty program and drive mobile app downloads.

5

### **Strategize, execute, analyze, and innovate**

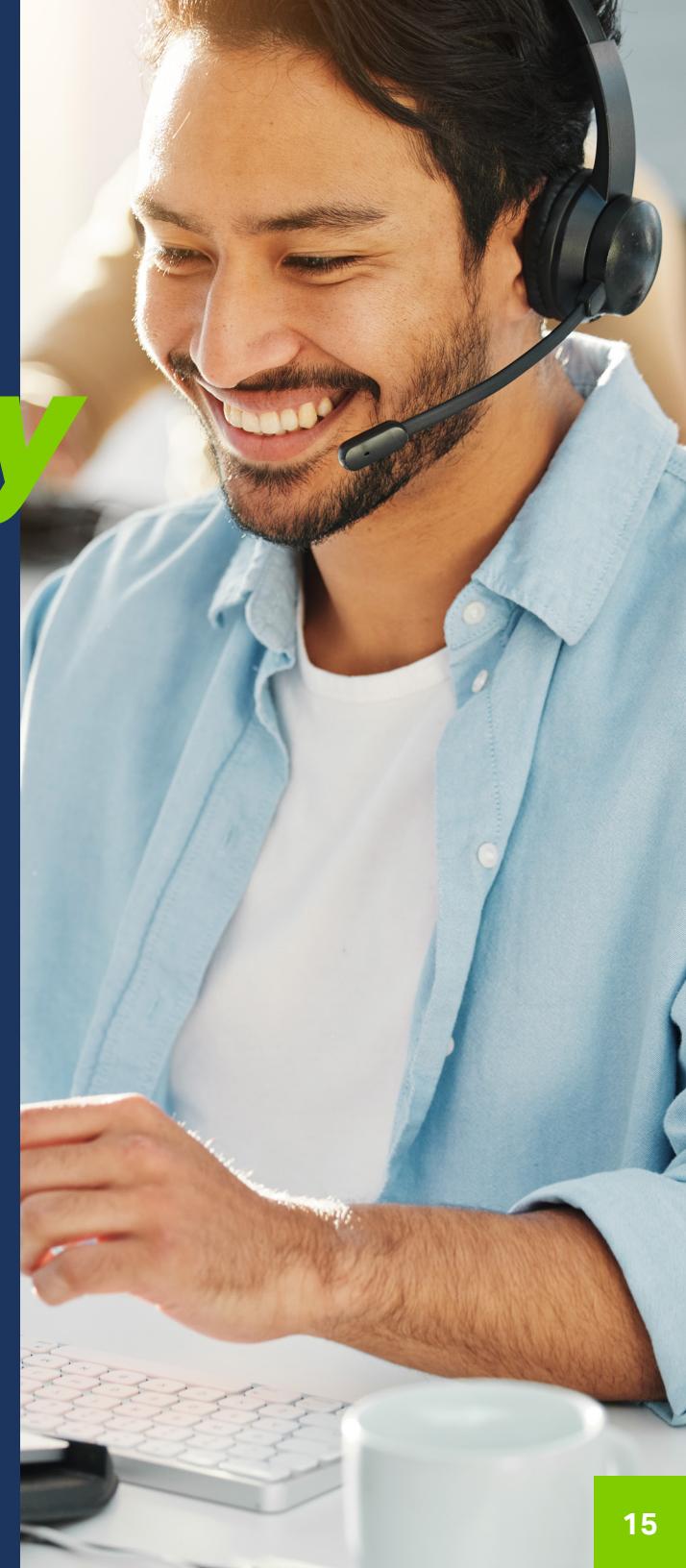
Whenever you launch a new gift card, try out a new discount or test a special offer, remember to take a minute to pause and think about how it went. Did you communicate with people? Did they like what you were offering? How much did it cost you, and how much did it bring in? This is especially true for promotions, but you can analyze anything from gift card color to in-store placement. After you pause to reflect, invent new and better ways to try again on the next launch or holiday. The more you look back and reimagine your strategies, the better you'll be able to dial in your gift card program and your business.



# Graduation Day

## Even a brief overview of the gift card world is ... kind of a lot.

If you're aghast at all the details and potential pitfalls covered in Gift Cards 101, we get that. One option is to reach out to a partner that can help you with all of it. At Blackhawk Network, we're not just gift card experts—we're a one-stop shop. We can manage your entire program or provide only the tools and products you need. With a full range of gift cards, including our exclusive Blackhawk Originals™, we promise a very rewarding experience.





Ready to Learn  
More About  
Gift Cards?

**Let's Talk  
Gift Cards 101**

866.829.0707

