

REPORT

Promotions and the Power of Gift Cards



The Power of Gift Cards

Gift cards are an important part of any merchant's marketing strategy. They can grow revenue, bring customers in on more frequent visits and increase customer spending. In fact, we know that 61% of consumers spend more than the value of their gift cards. On average, they overspend by \$31.75¹, so there is often a financial benefit that extends beyond the initial purchase.

In this book, we'll describe how a promotions powered by a gift card program can help you acquire new customers and encourage incremental visits by driving people to your stores. You'll find out how increase sales through gifting, exposing your brand to new customers. You'll also learn how to build loyalty and engagement among consumers thanks to social engagement, incentives and returns.

Your gift card program is an opportunity for you to leverage consumer preferences and capitalize on recent and seasonal events throughout the year. It's true that gift cards are great for the holiday shopping season—they are the #1 most requested gift during the Q4 holidays 13 years in a row—and consumers prefer gift cards as incentives by 2:1 over anything else.² When you capitalize on how popular gift cards are, you can create feel-good experiences for both gift card buyers and recipients.

Outside of your busiest shopping seasons, you can use gift-card promotions to take advantage of "payment shift" and "spend shift." Payment shift is when you avoid credit card fees by driving sales onto gift cards. Spend shift is when you use gift cards and promotions to bring in shoppers at slower times of the year.

You'll also enjoy gift card "breakage"—revenue you gain through gift cards that aren't redeemed by customers—which brings increased income at no immediate cost.

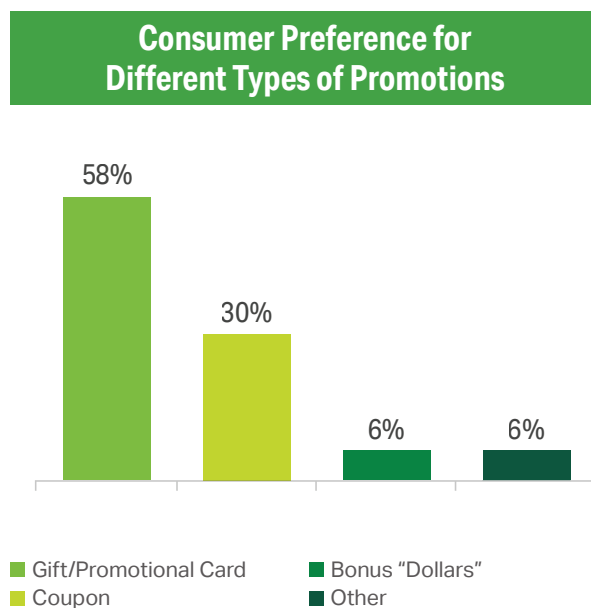
But the key to using gift cards effectively is understanding how best to use gift cards in promotions. Executing these best practices with care can have a big impact on the health and performance of your gift card programs—and your business as a whole.

Why Use Gift Cards in Promotions

Using your own brand's gift cards in promotions can help you acquire new customers, engage existing customers and improve service and retention for long-term loyal fans.

Consumer preferences

Consumers prefer gift cards over other marketing incentives like coupons, bonus dollars and discounts. In fact, 58% say gift cards are their most preferred store or restaurant promotion. Only 30% prefer coupons.³ Taking consumer preferences into account makes promotions more effective.



Gift card use cases

Gift cards can be leveraged across the consumer life-cycle to achieve specific goals and to drive a variety of consumer behaviors.

Acquire

Acquiring new customers is no easy feat, but gift cards are ideal for this scenario. In addition to appealing to new consumer bases, they often motivate consumers to engage in other ways with a brand:

- **Trial/First purchase:** Drive an acquisition effort to encourage trial, visit or first purchases
- **Trade-in:** Allow consumers to bring in gift cards with remaining balances from other retailers and "trade them in" for a gift card from the retailer running the promotion
- **Registration/Subscription:** Encourage registration with a merchant or to drive subscriptions to newsletters or other promotional content

Engage & grow

Gift cards are great engagement tools. Brands can leverage gift cards to increase average order value and encourage repeat visits and purchases. They can also be used to:

- Encourage specific payment methods that drive incremental value and make customers more sticky (repeat business) with your brand
- Leverage loyalty programs with rewards
- Deepen your relationship and generate brand advocacy through social media engagement

Service & retain

Gift cards can be used in service warranties and to remediate customer issues. They provide an easy and branded experience for customers while ensuring return visits and building loyalty.

Promotions Results

The effectiveness of gift cards in promotions is becoming better known among merchants. According to the [2018 NAPCO Research Merchant Gift Card eCommerce Report](#), half of surveyed retailers are using gift cards as more than just a sales channel. Most notably, they're using them as a tool to drive behaviors in marketing programs.⁴

While this increase is good news, there is still an untapped opportunity when it comes to promotions. For merchants already running promotions, there is still more to do to optimize those programs to be more effective.

Proven types of gift card promotions

As a leader with a successful track record of executing thousands of promotions for leading brands, Blackhawk Network has unique insights into the gift card promotions landscape. In 2019, the CashStar platform saw more than \$120.5 million loaded onto incentive cards. That was across more than 3.3 million cards distributed with a campaign open rate that averaged 71%.

We saw a wide variety of promo types, including:

- Give one, get one (Give a gift card, get a gift card)
- Product incentives (Give a card, get a product)
- Discounts (Buy \$100 eGift, get 15% off)
- Donations (Give one, donate one)
- Free shipping (Buy a gift card, get free shipping)
- Top-up (Receive bonus funds when you add funds to a gift card)

Open rates by promotion type:

- Give one, get one: 86%
- Discount: 96%
- No reward: 93%
- Free shipping: 91%
- Top-up: 97%

Impact of promotions during high-volume periods

To further illustrate the impact gift card promotions can have on sales, look at the high-volume Q4 holiday shopping season. Merchants that ran holiday promotions with gift cards saw much higher increase in sales than those that don't. Without gift card promotions, merchants saw a holiday sales increase of 3.5x over the rest of the year. With gift card promotions, merchants saw an increase of 8.4x. Brands that don't run promotions miss out on 37% annual sales volume.⁵

Key Considerations for Promotions

A baseline consideration when planning promotions is to document the problem the promotion aims to solve. Merchants should document what they are trying to achieve and what challenges they aim to address. Some questions that promotions can solve for include:

- How do I sell more gift cards?
- How do I get a lapsed shopper back into my store?
- How do I motivate customers to download my app? Or sign up for my loyalty program?
- How can I interact with my customers using social media?

Promotions based on objectives

Generally, promotions can be divided into two main types: promotions that help grow successful gift card programs and promotions designed to achieve other business goals. Promotions geared toward driving gift card sales include:

- Give one, get one (Give a gift card, get a gift card)
- Product incentives (Give a card, get a product)
- Discounts (Buy \$100 eGift, get 15% off)
- Brand experiences (Buy a \$50 gift card, get a free makeover)

Promotions designed to achieve other business goals include:

- Encourage registration or subscriptions (Sign up today, get a \$30 gift card)
- Build a loyalty program (Get 3x points on gift card purchases)
- Increase basket size (Spend \$100, get a \$15 gift card)
- Push a specific checkout method (Load a \$20 gift card using Visa Checkout, get a \$10 eGift)
- Push a specific product (Buy a refrigerator, get a \$50 gift card)

Gift Cards vs Promo Cards

After determining objectives, merchants must also consider the best strategic options for executing an effective promotion on behalf of the brand. One of those options is choosing what type of card to give away. A promotion can be run using either a gift card or a promotional card as the incentive. To determine which option will work best for a particular promotion, it is important to understand the key differences.

The type of card may be impacted by the vertical market that a merchant is in. For example, promotional cards with a redemption window are used more frequently by restaurants and entertainment brands that have soft/slow periods where a limited redemption window card could help to drive visits. Merchants should consider use cases and competitive research to adequately plan which card type will be most effective for the promotion at hand.

Gift Card

- No redemption window or expiration date
- Can be used just like any other prepaid card

Promotional Card

- Limited window of useful dates, or carries an expiration date
- Other exclusions (like specific products or locations) apply

Range of Promotional Levers & Controls

Merchants manage promotions with various levers and controls. These tools can help make sure the most effective offers reach the right audiences at the right time. Some controls include:

Qualifiers & caps: A budget cap, a cap on the number of cards distributed, minimum spending requirements or per-customer limits.

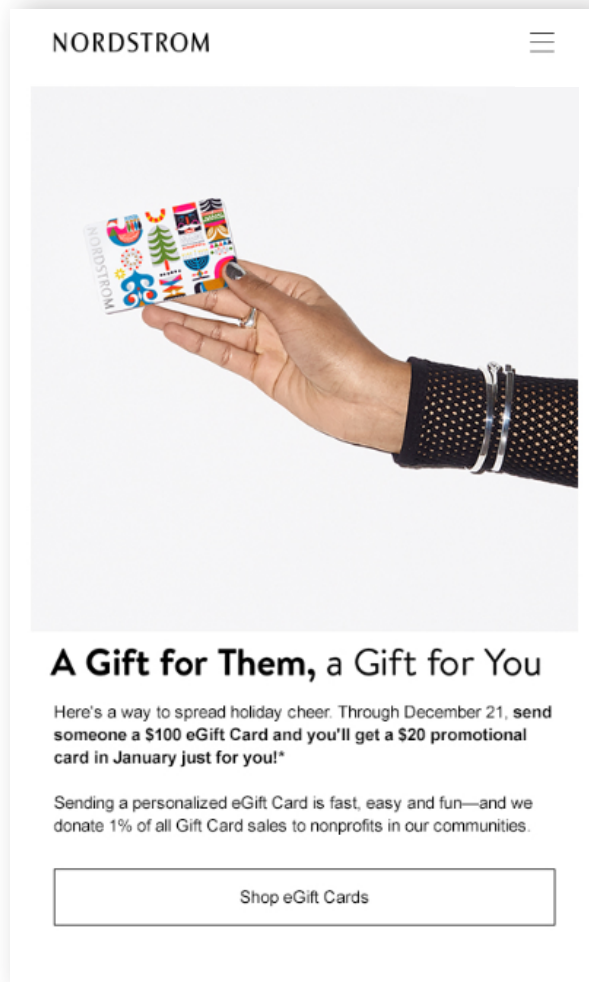
Unique URLs & single-use codes: Codes or URLs that can only be used once. Codes can be attached to the end of a URL or sent as a code in a marketing email.

Urgency parameters: Drive urgency with “limited time only” or “while supplies last” limits.

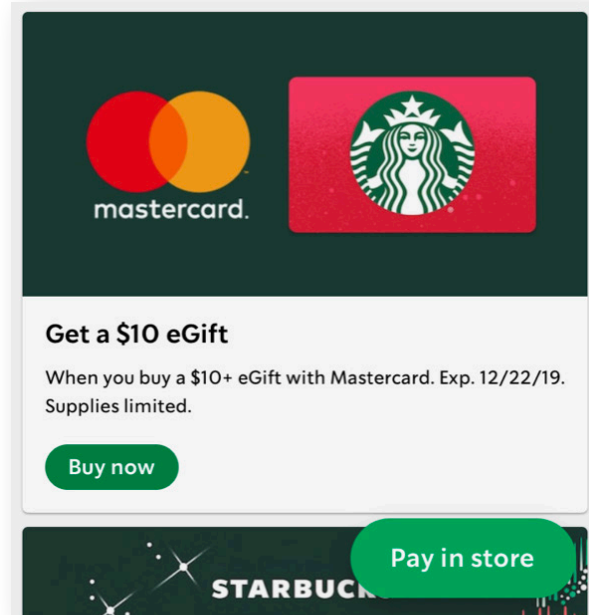
Combinations: Add or limit the option to combine with other offers at redemption.

Segmenting: Send targeted offers to limited audiences through multi-use URLs using a non-default promotion.

Consider all of these options when you plan a gift card promo. Agreeing on these decisions during the planning phase helps manage budgets, goals, expectations and results.



The screenshot shows a Nordstrom mobile app interface. At the top, the word "NORDSTROM" is displayed in a sans-serif font, with a hamburger menu icon to its right. Below this is a large image of a hand holding a colorful, patterned eGift card. The card features various holiday-themed icons like a Christmas tree, snowflakes, and a reindeer. Below the image, the headline reads "A Gift for Them, a Gift for You". The main text of the promotion states: "Here's a way to spread holiday cheer. Through December 21, send someone a \$100 eGift Card and you'll get a \$20 promotional card in January just for you!*". A secondary line of text says: "Sending a personalized eGift Card is fast, easy and fun—and we donate 1% of all Gift Card sales to nonprofits in our communities." At the bottom of the promotion area is a rectangular button with the text "Shop eGift Cards".



The screenshot shows a Starbucks mobile app interface. At the top, there are two logos: the Mastercard logo (two overlapping circles, one red, one orange) and the Starbucks Siren logo (a green mermaid on a red background). Below the logos, the headline reads "Get a \$10 eGift". The main text of the promotion states: "When you buy a \$10+ eGift with Mastercard. Exp. 12/22/19. Supplies limited." Below this text is a green button with the text "Buy now". At the bottom of the promotion area is a dark green banner with the Starbucks logo and a green button with the text "Pay in store".

Timing Considerations for Promotions

Timing is crucial when it comes to promotions. What dates you run a promotion are as important as how far in advance you run it, how long you run it and when you run other concurrent offers.

When to run promotions

The first timing element to consider is when to run your promotions. Consider the most impactful periods throughout the year to run promotions, illustrated in the table below.

- New Year's Day
- MLK Day
- Valentine's Day
- President's Day
- St. Patrick's Day
- Tax Day
- Easter
- Earth Day
- Admin Professionals Week
- Cinco De Mayo
- National Nurses Day
- National Teacher's Week
- Mother's Day
- Armed Forces Day
- Memorial Day

- Major Incentive Opportunities
- Potential Gift Card Incentive Opportunities
- Potential Self-Buy Incentive Opportunities (brand-dependent)

While the Q4 holiday shopping season is a great time to run promotions, consider alternate holiday periods. Certain brands entertain less common but more creative times to make their promotions stand out. For example, a restaurant serving Mexican food may want to run a promotion on National Taco Day to capitalize on a fun but lesser-known holiday.

Merchants also take into account other major shopping events hosted by other brands. Timing is critical to ensure brands can capture wallet spend before people use it with other merchants, such as Amazon on its Prime Day.

- Graduation
- Father's Day
- Back to School
- Independence Day
- Parent's Day
- Labor Day
- Grandparents Day
- Columbus Day
- Halloween
- Veterans Day
- Thanksgiving Day
- Black Friday
- Cyber Monday
- Christmas Week
- Christmas Eve
- Christmas Day

How Far in Advance to Run Promotions

After identifying a key holiday for a promotion, determine specific dates for the promotion to span. While the obvious move may be to overlap a promotion with the actual holiday, another option is to run it in advance of the peak holiday shopping period. Merchants can capture a share of the market ahead of the holiday while still enjoying the increased sales that come on the actual date. Merchants also benefit from lift, as 61% of shoppers typically spend more than the amount of the gift card⁶.

For example, a beauty merchant brand ran a Mother's Day promotion that occurred two weeks prior to the actual holiday. The "give one, get one" offer promoted a free \$20 gift card to anyone who purchased a \$100 eGift card. The promotion was a success, producing 40% gifted and 96% new customers. The merchant was able to boost gift card sales before the holiday. It also benefitted from sales during the rush that typically occurs on Mother's Day weekend.

How Long to Run Promotions

The length is an important part of the strategy of planning a promotion's budget and marketing. One-day and "flash sales" tend to perform better than month-long or multi-month promotions because they instill a sense of urgency in consumers. These short-term promotions also make it easier to secure placement on the homepage of the merchant's website, in emails and other promotional channels. There are several types of promotion lengths, each of which serve a specific purpose.

Flash offers

Flash offers create a sense of urgency that encourages consumers to purchase immediately. For example, AMC Theatres ran a flash promotion that offered a \$10 concession bonus card to anyone who purchased \$50 in AMC gift cards. The flash sale—which lasted one day only—was heavily promoted via the website's homepage. The shortened window made it easier to secure placement on their homepage, in email blasts and on social media.

Boost promotions

Brands can also use boost promotions to spike sales during a special campaign by increasing incentive value for a short period during a longer promotion. For example, The Cheesecake Factory increased their "Slice of Joy" campaign to a "Double Slice of Joy" campaign for a limited time. The original promotion offered customers a free slice of cheesecake when they purchased a \$25 eGift card, but the boost promotion doubled it.

Limited-time promotions

Limited time promotions foster a sense of urgency and increase sales over a short window. One example is a promotion that IKEA ran during the holiday season. Customers who spent \$100 on gift cards received a \$20 eGift card for free—but only from Black Friday through Cyber Monday.

No matter the type of promotion, a solid marketing strategy is essential. Merchants should push promotions through website real estate, branded emails, social media and other channels.

Redemption Window

In some cases, gift card promotions are best left without redemption windows. The promotion will be more successful as an open-ended offer with no expiration date. In other cases, a limited redemption window can drive visits during periods that are typically slower and experience lower sales volume. This is a popular tactic for brands within the restaurant or entertainment industries.

Examples

Morton's The Steakhouse ran a promotion that offered a \$50 reward card that could be redeemed from May through September, except on Father's Day. This enabled the brand to boost visits to the restaurant during a slower time of year without cutting into sales from a key holiday within the redemption period.

The Cheesecake Factory runs an annual promotion for one day in December that offers a complimentary slice of cheesecake. The redemption period is limited to January through March, which is typically slow for the restaurant industry.

Considerations

To determine whether or not a redemption window or an open-ended promotion makes sense, consider the following:

- Think strategically
- Consider slower times
- Exclude popular days when you don't need help

When to Send the Promo Card

Beyond considering a limited redemption window, you can also delay the delivery of the promotional card if it makes sense for your brand.

Example

Best Buy ran a promotion sending a \$10 savings code via email that couldn't be redeemed until two weeks later. This strategy encouraged two visits and two purchases without allowing customers to use promotional cards on top of other sales and discounts. The send date for promotions gives merchants an added level of control in terms of when the promotional cards can and will be used.

Considerations

- Consider delaying the send of your promotion card (digital or physical) to encourage two visits & two purchases
- Particularly important when you anticipate self-buy

Concurrent In-Store Promotions

Consider a holistic, omnichannel strategy for your promotions. Think of the entire customer experience, which includes both in-store and online promotion timing. Most commonly, merchants offer in-store gift card promotions that include:

- Get a gift card with purchase of a product
- Discounts on gift cards that are keyed in at check out
- Buy \$100 amount in gift cards and get additional loyalty rewards

Consider all possible touch points across every channel to drive the greatest successes with promotions.

Promo Card Distribution

Distribution is a key factor in successful promotions timing strategies. Think through the best and most effective technology for efficient distribution. In order to determine the most effective method here, consider whether you are distributing digital or physical cards (or both) and what distribution method will have the greatest impact on customers. In some cases, it may make more sense to distribute a free product rather than a promotional card, depending on consumer preferences in the brand's vertical. Some brands actually have greater success with products as they come with the perception of higher value within promotions.

Considerations

Once the details of the promotion are ironed out in terms of type of incentive offered, merchants need to determine how they can further leverage technology to distribute the promotions. Consider the following Blackhawk Network tools to help increase effectiveness:

- On-demand distribution: Generate codes and pins that serve as keys to unlock value as consumers claim them. Merchants are only charged for rewards that are claimed, allowing them to avoid paying for all the promo cards and codes upfront. The end result is a more streamlined, cost-effective promotion.
- On-demand activation: Distribute inactive physical cards for customers to activate and load when they need a gift. Some merchants add in a promotion to encourage activation, such as 15% off or \$10 added value when a customer loads a certain amount.

Promotional Metrics

Metrics are an integral part of promotion planning and execution. Once goals are established, consider which metrics are the best indicators of success and identify the best ways to track them.

The importance of metrics

Goal	Metrics
Increase gift card sales	Gift card sales
Acquire new customers	New customer visits
Drive specific customers behaviors	Upspend, breakage revenue, average card value

Having the right metrics in place helps get internal buy-in from other teams. Anecdotal evidence can be helpful, but metrics are a quantitative way to validate promotions. By setting up your promotions to track metrics, you can test variables like what offer or discount is most effective, what time of year works best for your brand, what length of promotions leads to the most sales and what communication methods work best.

Results tracked and proven by metrics help you advocate for the budget you need to run successful promotions. Measuring and testing with metrics helps guide your future strategy for more promotions.

Conclusion

Gift card promotions fuel customer connections, influence customers and drive long-term loyalty. When merchants do the legwork to align with consumer preferences and build a strong omnichannel strategy, they can drive sales and incentivize consumer behaviors.

The key considerations outlined in this report build an effective framework upon which merchants can launch successful promotions. By identifying core objectives and the promotions best suited to meet them, merchants create a road map to success. Consumer preferences, timing and promotional levers are all important considerations. For more information about creating a winning gift card promotions strategy, please go to blackhawknetwork.com.

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1. Blackhawk Network, conducted by Murphy Research, "Gift Card State of the Union," Mar 2019.
 2. NRF, "Holiday 2019 Consumer Trends," 2019.
 3. NAPCO Research "Consumer vs. Retailer Promotional Preferences", Jan 2017.
 4. NAPCO eCommerce Report "Consumer vs Retailer Promotional Preferences," Jan 2017.
 5. CashStar analysis.
 6. Blackhawk Network, conducted by Murphy Research, "Gift Card State of the Union," Mar 2019.

Let's Talk Gift Cards

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