

Throughout the first quarter this year, the GiftCard Partners team has been attending several industry conferences including the Prepaid Expo, Loyalty Expo, Incomm Conference, and the Prepaid Congress. There is much excitement about the new trends and nuances and we're pleased to inform you about them. As always, if you have any questions or would like guidance navigating any facet of the industry, we're here to help. Just contact Ed Shulkin directly at: [Eshulkin@giftcardpartners.com](mailto:Eshulkin@giftcardpartners.com).

**State of the  
Industry:  
B2B Closed-  
Loop Gift  
Cards**

According to a recent Mercator Advisory Group study, closed loop gift cards continue to dominate the market, despite the rise in open loop gift cards (such as Visa, Mastercard, American Express). In fact, they forecast that the Closed-Loop Prepaid Market will achieve a Compound Annual Growth Rate of 5.4% between 2007 and 2013. Additionally, the market for gift cards used as consumer or employee incentives reached \$ 29 Billion in 2010<sup>1</sup>. This number is expected to increase to \$38 billion in 2013 as the economy rebounds. This is a whopping 30% increase! Closed loop cards are expected to maintain a 60% share of this market.

Gift card breakage is a hot topic, and at this year's Incomm Conference, Mercator positioned it in an interesting new light: "Breakage is a consolation prize since the customer is lost and so is the revenue from uplift." Based on this, we found it enlightening to see that recommendations were presented to encourage gift card redemption at the register to increase loyalty and drive more sales. In essence, these are the seeds of future sales, the chance to gather customer data, a unique opportunity to steer the card holder to specific goods and services, and the doorway to long-term relationships.

We'd like to share their ideas with you:

**Methods of Encouraging Gift Card Redemption**

- Train clerks to prompt shoppers to redeem gift cards.
- Encourage gift card redemption in marketing materials and advertising.
- Collect data on gift card users by offering registration of cards for things like protection of lost or stolen gift card balances. This allows for targeted offers.
- Offer discounts to registered cardholders to target specific events (birthdays, holidays) or to move inventory.
- Add extra bonus for gift card holders to regularly scheduled sales –could be as simple as allowing them to get into the store an hour early on Black Friday.

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<sup>1</sup> All prepaid categories are included (i.e. open loop, closed loop and other prepaid categories)

## Key B2B Gift Card Trends: Technology

So what exactly are e-Certs and m-Certs? E-Certs are also known as virtual gift cards and e-gift cards; the terms are used interchangeably and they are delivered via email or mobile device (thus becoming m-Certs) and can even be posted to someone via Facebook or other social media outlets. The growth of the virtual gift card business will happen more quickly than traditional gift cards because the technology will enable speedy and wide-spread adoption.

We've learned that 1/3 of the top 100 retailers are currently using e-Certs according to the offerings of the Retailers in the Stores Magazine "Top 100 Retailers List" conducted in Q4 2010.

Virtual cards will be integrated into new technologies, new types of programs, and be put to new uses as consumers and retailers get creative with the cards.



And now...Introducing QR codes (Quick Response Codes). A staggering 72 % of smartphone users indicated that they would be likely to recall an ad with a QR code, according to a survey<sup>2</sup> of smartphone users. QR codes are an emerging technology that uses barcode-like images containing a hidden message that can be unlocked by using an application on a smartphone. Marketers are interested in QR codes because they create a way to link offline and online marketing activities. Brands can track specific promotions offline (like a print ad in a magazine) that leads to an online visit (lead collection or a sale). We will share more about QR codes in our newsletters and on our [Blog](#).

## Legal Notes

Closed loop gift cards are the industry's answer to the Credit Card Act which is specific to open loop cards (cards with a Visa or credit card logo, not brand or retail store specific). Although the act places expiration dates, dormancy fees and reduced value over time on open loop cards, the act improves conditions for the consumer. Individual state regulations continue to crop up, with escheatment (unclaimed/ abandoned property law) being a big motivator for states who wish to claim money towards state services.

Although many open loop incentive gift cards may be excluded from the CARD Act's requirements, these cards are only excluded if issued pursuant to loyalty, award, and promotional ("LAP") programs, similar to those described in the CARD Act and if certain statements are disclosed on the cards. For more information about gift card exemptions from the CARD Act, visit: [UseGiftCards.org](http://UseGiftCards.org)

For more legal & government information, visit:

<http://www.federalreserve.gov/newsevents/press/bcreg/20091116a.htm>

<sup>2</sup> The survey was commissioned by MGH, an integrated marketing communications agency.