

A First Data White Paper

The Face of Gift Card Consumers: Meeting the Needs of Five Consumer Segments

By First Data and Market Strategies International

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Introduction

During the peak of the holiday shopping season, many consumers head to stores, restaurants and websites to purchase gift cards for their friends and family. Extending beyond the holidays, gift cards hold year-round appeal as a convenient way to celebrate a birthday, say thank you or offer congratulations.

While gift cards provide the benefit of an easy shopping experience for consumers, they are also highly beneficial to merchants. Gift cards drive traffic to physical locations and websites, building brand exposure among customers not already familiar with a particular company or product, and often result in additional revenue because consumers tend to spend more than the value of the card.

Of course, gift card buyers are an extremely diverse group in their attitudes and behaviors toward different types of cards, the number of cards they purchase, preferred purchase locations and affinity for e-gift cards. Savvy retailers understand that a "one size fits all" marketing strategy rarely works. For truly effective marketing, merchants must take the time to understand how attitudes, behaviors and usage vary for different segments of consumers. That's why First Data, in partnership with Market Strategies International, recently conducted the "2011 U.S. Prepaid Consumer Insights Study." We analyzed results by five distinct consumer segments to share characteristics and opportunities associated with different types of gift card purchasers.

This study delves into five consumer segments defined by values, attitudes, behaviors and demographics, resulting in a portrait of:

- Which consumer segments are most and least likely to purchase gift cards and why.
- Preferred gift card giving occasions by consumer group.
- Types of gift cards that each consumer group prefers to buy.
- Attitudes about receiving gift cards by consumer segment.
- Current and projected e-gift card giving behaviors by consumer group.
- Expected purchase of gift cards for the holiday season.

About the Study

For the “2011 U.S. Prepaid Consumer Insights Study,” Market Strategies conducted a 20-minute, web-based survey using the Research Now Online Panel. Analysis was based on responses from 1,633 consumers in the U.S. and Canada who were at least 18 years old and had purchased a gift card within the past 12 months. Data was collected between August 31, 2011 and September 13, 2011. Due to its opt-in nature, this online panel (like most others) does not yield a random probability sample of the target population. As such, it is not possible to compute a margin of error or to statistically quantify the accuracy of projections.

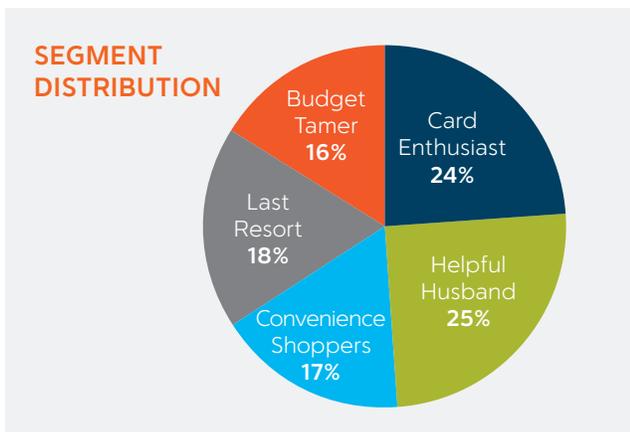
This is the second of two white papers focused on the gift card industry. The first white paper provides an aggregate view of U.S. consumers’ attitudes and behaviors related to gift cards and compares data from 2010 and 2011.

Gift Card Consumer Profiles

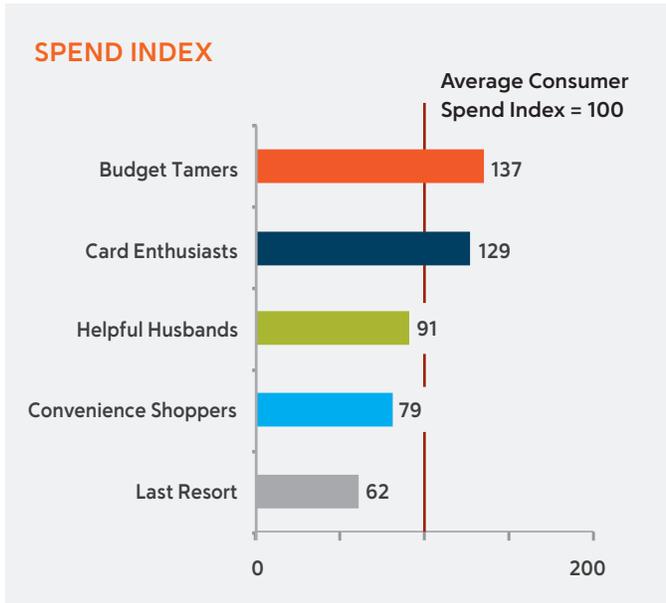
Based on a comprehensive analysis of consumers’ values, behaviors and attitudes, as well as demographics, gift card purchasers were categorized into five distinct segments. This methodology goes well beyond standard demographic or behavioral clustering, providing a sophisticated result that offers a much more detailed portrait of each segment’s unique characteristics as described below.

Consumer Segment	Overview
Budget Tamers	High-volume purchasers who buy gift cards for others as gifts and for themselves as a way to manage their budget.
Card Enthusiasts	Enthusiastic gift card buyers who also enjoy receiving gift cards as gifts.
Helpful Husbands	Older, male consumers who don’t have strong opinions about buying or receiving gift cards.
Convenience Shoppers	Busy shoppers who value the time savings and convenience of the gift card buying experience.
Last Resort Consumers	Reluctant gift card buyers who find gift cards to be an impersonal, “last resort” gift.

As shown in the following pie chart, consumers are fairly evenly divided among the five segments, with Helpful Husbands comprising the largest percentage of the total and Budget Tamers the smallest.



The financial value of each of the consumer segments varies widely depending on their spend index. The chart below shows how much each segment spent on gift cards in the past 12 months compared to the average consumer (whose spend index is 100). For example, Budget Tamers outspent the average consumer by 37 percent, while consumers in the Last Resort group spent 38 percent less.



The number of gift cards and total amount spent varies by consumer segment as shown in the table below. Profiles for each of the five segments are provided in the next section of this document.

AVERAGE NUMBER OF CARDS AND PURCHASE AMOUNTS

	Total	Budget Tamers	Card Enthusiasts	Helpful Husbands	Convenience Shoppers	Last Resort
Average Number of Closed Loop Cards Purchased	5.0	6.7	6.1	4.6	4.0	3.3
Closed Loop Average Purchase Amount	\$42.96	\$43.36	\$44.87	\$42.32	\$41.75	\$40.18
Closed Loop Total Annual Spend	\$213.02	\$291.72	\$274.82	\$194.56	\$167.41	\$131.45

Budget Tamers: “Gift Cards Help Me Control My Spending”

Typically middle-aged, married and usually male, Budget Tamers are the most avid gift card purchasers of all consumer groups. They spend an average of nearly \$300 and buy close to seven gift cards per year, both for others and for themselves. For Budget Tamers, gift cards are not always for special occasions: nine in 10 purchase gift cards for themselves as a way to spend within their budgets, making them more likely to do so than any other consumer group. They are also more likely to reload gift cards than the average consumer, which they spend in place of cash, particularly at coffee shops and discount stores.

When Budget Tamers buy gift cards for others, they prefer cards from a specific retailer, which they view as more personal than “use anywhere” open loop cards. Their love of convenience extends to their purchase methods. More than any other segment, Budget Tamers like to buy gift cards from websites that sell cards for multiple retailers.

Budget Tamers like gift card malls, too, and purchase from them to earn incentives, points or rewards. Perhaps because they frequently buy cards for their own use, they know which card they want to buy and will not purchase another card from a gift card mall if their desired card is not available.

Overall, Budget Tamers are big fans of gift cards and express interest in receiving them from others. They are open to e-gift cards, with one-quarter of Budget Tamers having purchased at least one e-gift card in the past year.

Card Enthusiasts: “I Love Buying and Receiving Gift Cards”

Mostly female, typically in their mid-40s and married, Card Enthusiasts like to give and receive gift cards. Compared to the average consumer, Card Enthusiasts are more likely to be asked for a gift card instead of an actual gift. Likewise, they tend to request gift cards because they enjoy being able to buy what they really want.

Purchasing an average of six gift cards per year, Card Enthusiasts are too busy to shop for gifts and like the convenience of buying gift cards for immediate and extended family members. To Card Enthusiasts, any occasion is a gift card-giving opportunity, although they are most likely to give cards for birthdays and Christmas. Compared to other consumer segments, Card Enthusiasts enjoy the convenience of shopping at gift card malls and are more likely to use their debit card to pay for a gift card.

Card Enthusiasts’ favorable attitude towards gift cards extends to e-gift cards. More than half would consider purchasing an e-gift card for the holidays this year, and nearly one in five is likely to send one.

Helpful Husbands: “My Children Like Gift Cards”

Married and retired, Helpful Husbands purchase an average of nearly five gift cards per year—often on behalf of their wives, who typically do the shopping. This group is fairly apathetic toward gift cards; they don’t particularly like to give or receive them. However, when Helpful Husbands buy gift cards, they typically purchase them for their children.

This consumer segment typically uses a credit card to purchase gift cards. Because they have a more traditional mindset when it comes to shopping, Helpful Husbands prefer to go in person to the specific retail location to purchase a gift card.

As basic cell phone users, Helpful Husbands are not interested in buying or receiving e-gifts or storing gift card information on their phones. The ability to reload a gift card also holds limited appeal for this segment.

Convenience Shoppers: "Gift Cards Make Shopping Easy and Fast"

Typically female, married and in their late 40s, "convenience" is the keyword for busy Convenience Shoppers who value the time savings of purchasing gift cards. Last year, consumers in this segment bought an average of four gift cards. Convenience Shoppers will buy gift cards for almost any occasion, with birthdays being the number one gift card-buying occasion.

This group is more likely than other segments to buy gift cards for weddings and graduations as well as to say "thank you." Convenience Shoppers typically buy cards directly from a particular store or establishment.

Their love of convenience is probably why over one-quarter of Convenience Shoppers would consider an e-gift card for their next purchase. Just over one-half are amenable to receiving an e-gift card, with mobile phone storage making e-gift cards more appealing.

Compared to other consumer segments, the Convenience Shopper segment has the highest likelihood to substitute a gift card for an out-of-stock item—probably because they are time constrained and are unable to shop for another gift. Convenience Shoppers who receive gift cards view them as an opportunity to splurge and buy something special for themselves.

Last Resort: "Gift Cards Are Too Impersonal"

Primarily married women in their late 30s and early 40s with slightly lower income, Last Resort consumers are the most reluctant gift card buyers—they buy an average of just over three cards per year. This group views gift cards as an impersonal gift, which may be why they are more likely than other consumers to give them to people they don't know well. These reluctant buyers consider gift cards to be a "last resort" present, which is why more than half bought just one or two within the past year. When these consumers do buy gift cards, they are usually for a friend's special occasion, such as a baby shower.

This group's aversion to gift cards extends to receiving them; they are less likely than the average consumer to request them or to enjoy the experience of picking out their own present. While the study found that the average consumer would prefer to receive a \$25 gift card over an item valued up to \$45, this is not true with Last Resort consumers, who are more likely than other consumers to prefer a gift over an equally valued gift card.

Holiday Gift Card Trends by Consumer Segment

It's instructive to compare holiday gift card and e-gift card buying behaviors across the five consumer segments:

Last Christmas, Card Enthusiasts were the most enthusiastic purchasers of gift cards, with 89 percent buying at least one. Nearly three-quarters of Helpful Husbands bought a gift card last year as a holiday gift. Consumers in the Last Resort segment do not like gift cards for the holidays any more than they do at other times of the year.



How to Appeal to Different Consumer Segments

Retailers benefit from understanding which aspects of the gift card experience appeal more to certain consumer segments than others. The chart below shows which consumer groups have strong attitudes or behaviors in specific areas as compared to the average consumer:

	Budget Tamers	Card Enthusiasts	Helpful Husbands	Convenience Shoppers	Last Resort Consumers
Like to save time by buying gift cards		X		X	
Often reload gift cards	X				
Buy gift cards for self	X				
Buy gift cards for holidays		X	X		
Only give gift cards if can't find anything else to purchase					X
Use gift card malls		X			
Likely to purchase a gift card in place of an out-of-stock item				X	
Often request gift cards as gifts		X			
Likely to send e-gift cards				X	

The study findings indicate that retailers would benefit from specific strategies and tactics targeted at each of the five consumer segments, as follows.

Budget Tamers

Retailers hoping to reach this consumer group should position gift cards not only as gifts, but as an alternative to cash to help control spending. To attract more Budget Tamers and keep them engaged, retailers should promote the cards' ability to be reloaded and offer bonus bucks and/or free gift cards as incentives.

Card Enthusiasts

Card Enthusiasts already appreciate buying and receiving gift cards, but there is always an opportunity for increased sales. Merchants should continue to promote the convenience and time savings of gift cards, especially for occasions beyond Christmas and birthdays. Card Enthusiasts are the most likely to purchase from gift card malls—for the holidays and throughout the year—so locations offering gift card malls should target their advertising to Card Enthusiasts.

Helpful Husbands

Since Helpful Husbands are likely to buy gift cards for their children, one way to increase sales of gift cards to this group would be to target consumers matching the profile of their children with a “request a gift card...get the gift you know you’ll love” type of message. Despite their general lackluster attitude about gift cards, Helpful Husbands view them as a good option for the holidays, so retailers should not miss the opportunity to market gift cards to this segment.

Convenience Shoppers

While this consumer group appreciates speed and convenience, they use gift card malls less frequently than other groups. Retailers could target these consumers by promoting the “one-stop shopping experience” of a gift card mall. Since this group is the most likely to substitute a gift card for an out-of-stock item, retailers would be wise to promote this option—both online with e-gift cards and at physical locations—to further encourage this behavior.

Last Resort Consumer

While this group is not a top market for most gift cards, they are not a lost cause. Gift cards can be marketed to these typically female, single and younger buyers as practical gifts for co-workers and other acquaintances. Also, the attitudes and behaviors of consumers currently in the Last Resort group may evolve as they age, get married and move into a new stage of life, so it’s important for retailers to nurture this consumer segment.



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About Market Strategies International

Market Strategies International is a market research consultancy with deep expertise in the communication, energy, financial services, healthcare and technology industries. We design and implement the most intelligent research and deliver meaningful results that help companies make business decisions with complete and total confidence. Market Strategies was founded in 1989 and consistently ranks as one of the 25 largest global market research firms, according to an annual report published in *Marketing News*.

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