

Engage Consumers with
Gift Card Incentives

Engage With Consumers Using Gift Card Incentives

Every day, consumers are faced with an astounding variety of messaging and branding that makes it difficult to capture their attention. Carefully crafted marketing campaigns can easily be missed or lost in this context, and strategic marketing managers are turning to creative solutions. Gift card promotions are highly effective means of breaking through this “clutter” and engaging with consumers.

Gift Card Promotions Drive Sales and Store Visits

Gift card promotions incentivize consumer behavior by tying free gift cards or chances to win free gift cards to a chosen action. In this way, gift card promotions are most effective for achieving well-defined business goals such as increasing store traffic, increasing the number of repeat customers, or increasing the size of individual purchases.¹ Typical uses of gift card promotions include:

- Driving consumer traffic at a particular location
- Building repeat business and encouraging more frequent customer visits
- Increasing average purchase amounts
- Creating effective relationship marketing
- Supplementing brand loyalty campaigns
- Targeting highly specific audiences²

Owing to the unique attributes of gift cards, these promotions can increase sales with a far higher conversion rate than conventional advertising and a lower cost than other promotional gift offers. Research has found that just over three out of four consumers (76 percent) are interested in “purchasing or testing a product based upon receiving an incentive gift card for doing so.” Consumers are also attracted to stores offering gift card promotions, with 74 percent of consumers indicating that they are more likely to purchase from a store offering an incentive gift card than one that is not. Finally, gift cards leave a lasting and favorable impression—most consumers who have participated in such offers are satisfied with the experience and interested in participating in future promotions.³

Gift Cards Are More Effective than Cash Rewards

Retailers such as Amazon and JC Penney report that consumers experience cash rewards as they would receiving a paycheck—the cash quickly loses its positive association once received and is spent on everyday activities such as bill paying. Gift cards, on the other hand, maintain their positive association, serving as a connection between the inspiration and motivation created when the gift card was awarded and the time at which it is spent. American Express reports that consumers experience cash rewards and gift card rewards in different areas of their brains. Unlike cash, gift cards are experienced in a part of the brain capable of savoring the moment and visualizing potential future purchases.⁴

Gift Card Promotions Lead to Higher Conversions with Lower Costs

Studies have found that typical response rates to gift card promotions are four to seven times higher than the typical response rates for coupon-based direct marketing.⁵ These results indicate that consumers place a greater value on gift cards than on coupons and that gift cards enable businesses to break through the clutter of conventional advertising in order to build consumer interest and sales.

Once consumers have responded to the pitch, gift cards encourage higher levels of spending. A 2011 survey by payments processor TSYS found that 51 percent of those who had received a gift card in a rebate offer went on to spend more than the card’s face value with that merchant, while 43 percent of those who received a gift card as a consumer incentive (e.g., drawings, promotions) did the same.⁶ Research from Cartera Commerce found similar results, showing that among recipients of gift cards in consumer rewards programs, roughly half spent more than the card’s value, with an average lift of 17 percent over the face value. Recipients were also more likely to make a return visit to the store, coming back twice on average, mostly within six months of receiving the card.⁷

1 “Boost Your Direct-Marketing Success with Pre-Paid Incentive Cards.” First Data and Market Strategies International.” 2010. p. 5. http://www.firstdata.com/en_us/insights/prepaid-incentive-card-white-paper/_jcr_content/content-block/insight_individual/insights-downloads-par/download/file.res/fd-Boost-Your-Direct-Marketing-Success-Incentive-Cards-white-paper.pdf

2 Stinnett, J. “Perspective: Effective Direct Marketing Strategies that Use Incentive Cards.” May 30, 2013. http://www.firstdata.com/en_us/insights/Perspectives-Stinnett-Use-Cases.html

3 “Incentive Gift Cards Motivate Consumers to Buy.” Payments News. October 2007. <http://www.paymentsnews.com/>

4 Tipping, E. “It’s in the Cards: The Ins and Outs of Gift Card Incentives.” Premium Incentive Products Magazine. http://pipmag.com/feature_print.php?fid=200805fe02

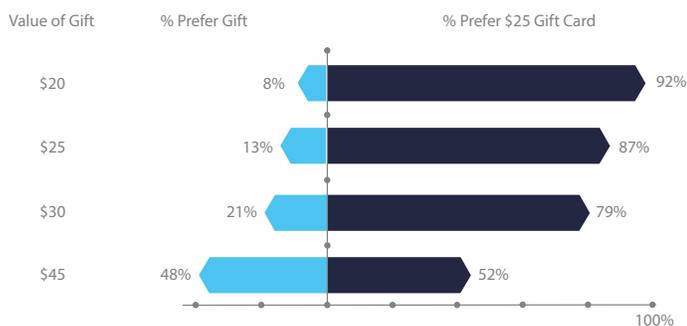
5 “Boost Your Direct-Marketing Success with Pre-Paid Incentive Cards.” Op. cit., p. 5.

6 Boyer, R. and Gaffney, A. “Survey Finds Prepaid Motivates.” TSYS. p. 3. <http://www.tsys.com/Downloads/upload/TSYS-Loyalty-Prepaid-Consumer-Survey.pdf>

7 “Understanding and Measuring the ROI of Merchant-Funded Rewards.” Cartera Commerce. p. 9. <http://www.cartera.com/pdfs/Cartera-WhitePaper-ROI.pdf>

Gift cards also outperform alternative incentives in motivating consumers, which can translate to lower costs for retailers. First Data’s 2011 study of prepaid incentive cards compared consumer preferences for gift cards to physical gifts, and found an astonishing preference for gift cards even when the value of the gift was considerably higher than the value of the gift card. Study participants were asked to choose between a \$25 gift card and a gift, and researchers experimented with a variety of gifts valued at \$20, \$25, \$30, or \$45 each. Figure 1 shows the rates at which participants chose either the gift card or the gift.⁸

Figure 1: Percentage of Participants Preferring a \$25 Gift Card or a Variably Priced Gift



SOURCE: *Consumer Insights into the U.S. Gift Card Market: 2011* by First Data and Market Strategies International

As can be seen in Figure 1, consumers demonstrate a clear preference for gift cards over a gift even when the gift is valued higher than the gift card. The preference is even stronger when the gift and gift card are of equal value—in this scenario, 87 percent of respondents chose to receive the gift card. This finding indicates that gift cards are far more effective at driving behavior than gifts both in terms of response rate and cost.

Increasing Results through Strategic Campaigns

A successful gift card promotion campaign must incorporate several elements, including the definition of campaign objectives; identification of the target audience; specification of the desired consumer behavior; selection of the incentive; determination of the campaign’s size and its fit with existing campaigns; and establishment of a timeline.⁹ Much of the success of a campaign will depend on the selection of the right incentive, which, in turn, will be influenced by the other factors shaping the promotion. Gift card incentives offer a great deal of flexibility in their design, which can be tailored to suit the needs of different retail brands, target audiences, and campaign needs. For instance, a retailer might use the gift card’s ability to set expiration dates and to take “reloads” of different monetary values to structure a multi-visit loyalty campaign in which customers who have made a significant purchase are encouraged to return soon after for follow-up purchases.¹⁰

8 “Consumer Insights into the U.S. Gift Card Market: 2011.” First Data and Market Strategies International.” 2011. p. 8. <http://www.firstdata.com/downloads/thought-leadership/Gift-Card-Insights-WP.pdf>
 9 “Boost Your Direct-Marketing Success with Pre-Paid Incentive Cards.” Op. cit., p. 7.
 10 “Boost Your Direct-Marketing Success with Pre-Paid Incentive Cards.” Op. cit., pp. 5-6.

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