



Why Gift Cards Outperform Merchandise

Navigating the numerous award options for reward, recognition, and incentive programs can be difficult. However, only one award type consistently outperforms all others in terms of effectiveness and recipient preference – gift cards. That is why 75 percent of organizations use gift cards in their incentive programs, making them the most popular workplace award.¹

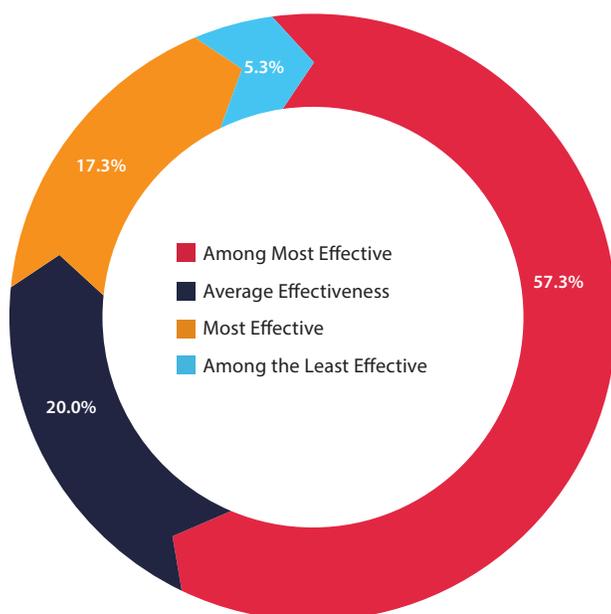
Research confirms that gift cards shine even brighter when compared to merchandise incentives, as employers and recipients overwhelmingly prefer to give and receive these awards. Gift cards offer businesses the same branding opportunities as merchandise, often at lower costs, and provide recipients with much greater choice.

The Go-to Award for Businesses

Today's trying economic climate has forced firms to evaluate every aspect of their businesses to ensure they are operating as efficiently and effectively as possible. This also includes reward, recognition, and incentive programs. As businesses evaluate these programs, gift cards emerge as the clear leader when it comes to effectively rewarding, recognizing, and engaging employees. Indeed, 75 percent of companies with incentive programs consider gift cards to be either the most effective or among the most effective awards (Figure 1).²

Figure 1: How do you rate the impact and effectiveness of gift cards in your rewards and recognition program (consider their trophy value, buzz generated, behaviors influenced, etc.)?

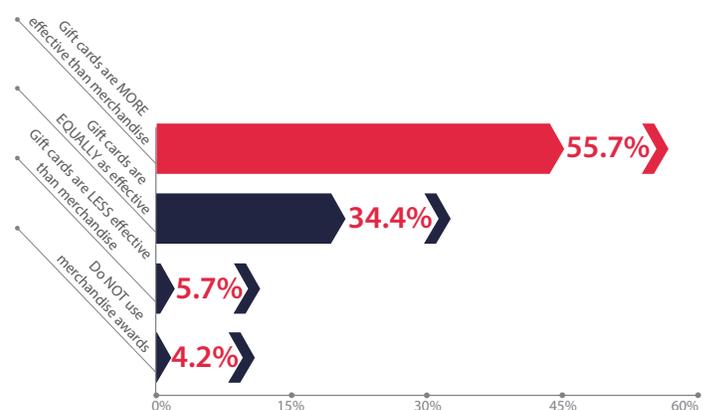
SOURCE: IRF³



An Incentive Magazine survey examining nearly 500

businesses with incentive programs found that the same holds true when evaluating just gift cards and merchandise, with gift cards the clear winner in a head-to-head competition. A majority, 55.7 percent, of respondents found gift cards to be more effective than merchandise, while only 5.7 percent believed the opposite to be true (Figure 2).⁴ Businesses have found that gift cards are simply a better way to reward, recognize, and engage their workforce.

Figure 2: How effective are gift cards compared to merchandise?

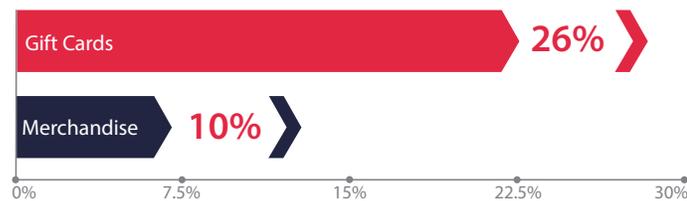


SOURCE: Incentive Magazine⁵

1 Schweyer, A. "It's in the Cards." Incentive Research Foundation and Incentive Gift Card Council, 2012, p. 5. <http://their.org/direct/user/site/0/files/Its%20in%20the%20Cards%20ver%20April%2020.pdf2> Ibid.
 2 Ibid., p. 18.
 3 Ibid.
 4 Jakobson, L. "2012 Gift Card IQ: Gift Cards Outpace Cash." Incentive Magazine, September 1, 2012. <http://www.incentivemag.com/Resources/Research/Articles/2012-Gift-Card-IQ-Gift-Cards-Outpace-Cash/>
 5 Jakobson, L.

As many incentive programs comprise multiple types of awards (gift cards, merchandise, travel, etc.), it is also useful to look at programs that only have one award type. These companies have “put all of their eggs in one basket,” counting on just one type of award to effectively engage, reward, and recognize their employees. Again, research proves that businesses overwhelmingly turn to gift cards before merchandise. An academic study conducted with assistance from the Incentive Research Foundation found that more than double the number of companies (26 percent to 10 percent) choose to have incentive programs that use gift cards alone, compared to those that use only merchandise (Figure 3).⁶

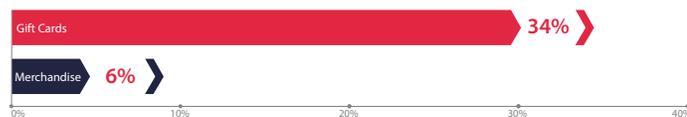
Figure 3: Business Preference for Gift Cards Over Merchandise



SOURCE: IRF⁷

Given the effectiveness of prepaid gift cards, it is no surprise that companies also dedicate a much greater share of their incentive budgets to these awards than they do to merchandise. Indeed, employers spend nearly six times more on gift cards than on merchandise (Figure 4).⁸

Figure 4: Share of Incentive Budget



SOURCE: First Data⁹

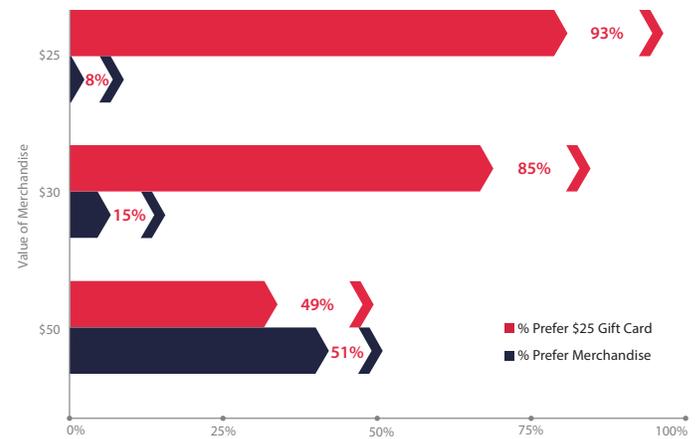
Consumers Prefer Gift Cards

Employers are not the only ones who prefer gift cards to merchandise. Indeed, research conducted by Incentive Magazine shows that gift cards are even more popular among employees: eight in 10 workers would rather receive a gift card before any other type of award.¹⁰

Another study by First Data Corporation provides more enlightening details on consumers’ preferences. Participants in the First Data survey were asked whether they would prefer a \$25 gift card to a gift valued at \$25, \$30, and \$50 (Figure 5). Almost all respondents stated they would choose a \$25 gift card over merchandise worth the same amount,

and 85 percent would choose a \$25 gift card before a gift worth \$30. In fact, consumers place such a high value on gift cards that nearly half would rather receive a \$25 gift card to merchandise worth twice that amount!¹¹

Figure 5: Preference for a \$25 Gift Card Versus Merchandise of Various Values



SOURCE: First Data¹²

Gift Cards Are Customizable, Cost – Effective and Flexible

Gift cards essentially offer all of the advantages of merchandise, but at a better value to businesses and with more flexibility for recipients.

Branding: While branding is typically available for merchandise incentives, it is often costly and is usually not available for single items. This is not the case for gift cards — branding is relatively inexpensive and is readily available.

Flexibility: Merchandise is rigid. Gifts have already been picked and recipients are stuck with what someone else chooses for them. On the other hand, gift cards empower recipients with choice. Depending on gift card type (e.g., closed-loop or open gift cards), they can select the products or services they want from a specific vendor, or from an almost limitless variety of vendors.¹³

6 Dickinson, A., Einarsson, Y. and Jeffrey, S. “The Use of Reward and Recognition Awards in Organizations.” Incentive Research Foundation and the Incentive Federation, 2011, p. 6. <http://theirf.org/direct/user/site/0/files/2011-PhaseIIStateofNonCashAwardUseInUS%20-%20Final.pdf>
 7 Ibid.
 8 “2012 First Data Prepaid Employee Incentive Card Study.” First Data Corporation, 2012, p. 2. http://www.firstdata.com/downloads/thought-leadership/B2B_Incentive_Card_WP.pdf
 9 Ibid.
 10 “Using Gift Card Incentives to Drive Employee Engagement.” Ceridian. http://www.ceridian.com/payment_solutions_article/1,6266,15765-75081,00.html
 11 “Consumers Insights into the U.S. Gift Card Market: 2012.” First Data Corporation, 2012, p. 7. http://www.firstdata.com/icimerchantservices/_images/icic/3532-Gift-Card-Insights-WP.pdf
 12 Ibid.
 13 “The Role of Gift Cards in Corporate Recognition and Incentive Programs.” Incentive Gift Card Council, p. 3. <http://www.incentivecentral.org/pdf/whitepaper5.pdf>

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